CAIRO COMMUNICATION

Half-Year Financial Report at 30 June 2017

Cairo Communication S.p.A.
Head office: Corso Magenta 55, Milan
Share Capital Euro 6,989,663.10

Translation into the English language solely for the convenience of international readers

Governance

Board of Directors

Urbano Cairo*	Chairman
Uberto Fornara	CEO
Daniela Bartoli	Director
Giuseppe Brambilla di Civesio	Director
Laura Maria Cairo	Director
Roberto Cairo	Director
Marella Caramazza	Director
Massimo Ferrari	Director
Antonio Magnocavallo	Director
Paola Mignani	Director
Marco Pompignoli	Director

Control and Risk Committee

Paola Mignani	Director
Daniela Bartoli	Director
Antonio Magnocavallo	Director

Remuneration and Appointments Committee

Marella Caramazza	Director
Daniela Bartoli	Director
Giuseppe Brambilla di Civesio	Director

Related Party Committee

Massimo Ferrari	Director
Marella Caramazza	Director
Paola Mignani	Director

Board of Statutory Auditors

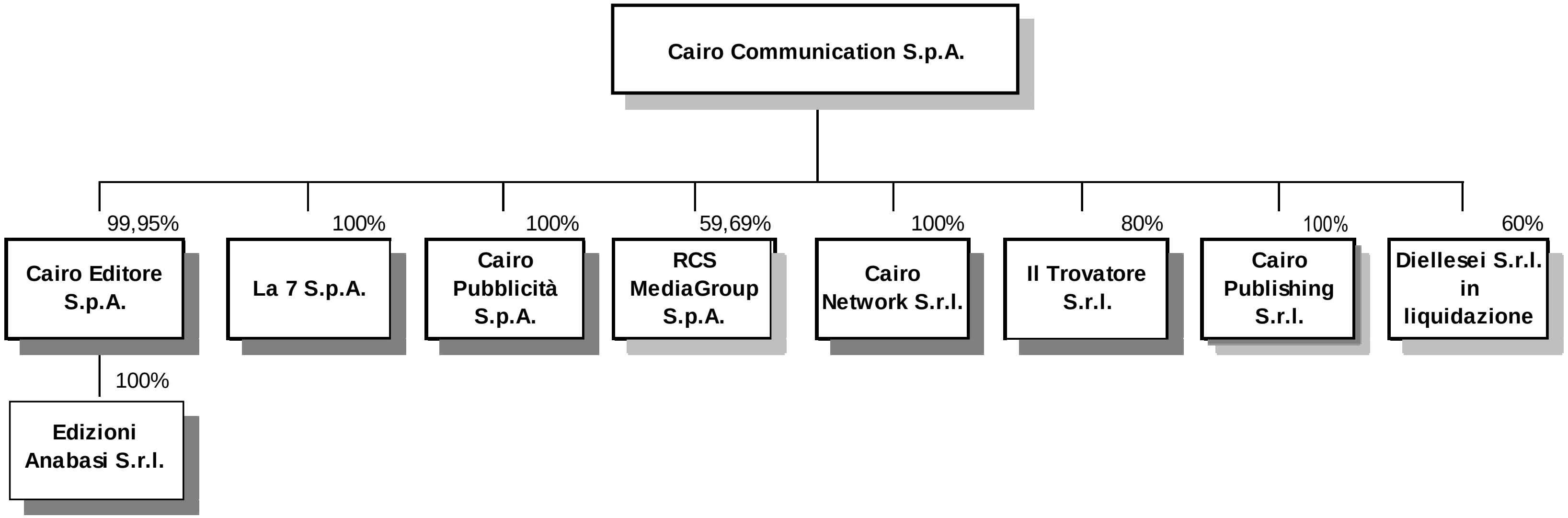
Michele Paolillo	Chairman
Marco Moroni	Standing Auditor
Gloria Marino	Standing Auditor
Laura Guazzoni	Alternate Auditor
Domenico Fava	Alternate Auditor

Audit Firm

KPMG S.p.A.

* Ordinary and extraordinary executive powers exercised with single signatory, as limited by the Board of Directors.

The Group at 30 June 2017



Interim Management Report at 30 June 2017

In 1H17, the Cairo Communication Group operated as a:

- publisher of magazines and books (Cairo Editore/Editoriale Giorgio Mondadori and Cairo Publishing);
- TV (La7, La7d) and Internet (La7.it, TG.La7.it) publisher;
- multimedia advertising broker (Cairo Pubblicità) for the sale of advertising space on TV, in print media, on the Internet and in stadiums;
- publisher of dailies and magazines (weeklies and monthlies) with the relating print and online advertising sales, in Italy and in Spain, through RCS, also active in the organization of major world sporting events;
- network operator (Cairo Network); January 2017 marked the start of the broadcasting of La7 channels on the mux.

With the acquisition of the control of RCS in 2016, Cairo Communication has become a major multimedia publishing group, with a stable, independent leadership, well-positioned to become one of the 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.

In 1H17, the general economic and financial environment continued to be marked by uncertainty. In Italy, GDP estimates released by the Bank of Italy for the second quarter point to a 0.4% growth versus the first quarter, while GDP is forecast to grow by 1.4% in 2017 (Source: Economic Bulletin No. 3/2017 – Bank of Italy). In Spain, GDP in the second quarter grew by 0.9% versus the first quarter of 2017. On an annual basis, the figure increases by 3.1%, in line with the prior quarter and with expectations (preliminary figures from INE - National Institute of Statistics).

In 1H17, the Italian advertising market fell by 3%; the TV advertising market dropped by 1.9%, while the magazine and daily newspaper advertising market dropped by 7% and 10.8% respectively. The online segment lost 1.7% versus 1H16 (*AC Nielsen January-June*).

In Spain, where RCS operates through its subsidiary Unidad Editorial, the advertising sales market fell by 1% in 1H17 versus 1H16 (*i2p, Arce Media*). Specifically, the daily newspaper and magazine market fell by 9% and 7.5%, respectively, versus the same period in 2016. Advertising sales on the Internet, instead, increased by 8.8%.

Economic uncertainty in the short-medium term also hit daily newspaper and magazine sales figures.

Looking at circulation in Italy, the print product market continued its downturn in the first months of 2017. Specifically, the main national generalist daily newspapers (with a circulation above 50 thousand copies) reported a 14% drop in circulation in the first six months of 2017 (including digital copies), while the main sports newspapers fell by 6.7% (including digital copies) versus the same period of 2016 (*ADS, January-June 2017*).

The same trend was seen in Spain, with daily newspaper sales down versus 2016. Cumulative figures on circulation at June 2017 (*OJD*) regarding generalist newspapers (generalist titles with a circulation above 60 thousand copies), business newspapers and sports newspapers indicate a drop, respectively, of 11.8%, 5.1% and 10.3%.

In 1H17:

- the relaunch of RCS continued, whose margins rose sharply versus 1H16, in line with the forecasts on 2017 performance targets. The results achieved by RCS, back to profit after nine years in the first half of the year (Euro 24 million in its 2017 Half-Year Financial Report), contributed significantly to the growth of the Group's revenue and margins in 1H17;
- the TV publishing segment La7 achieved positive gross operating profit of Euro 3.7 million, up sharply versus 2016 (Euro 0.1 million);
- the magazine publishing segment Cairo Editore posted highly 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).

Mention should be made that RCS was consolidated as from 1 September 2016. The 1H16 consolidated income statement does not include the RCS results of the January-June 2016 six-month period. The income statement figures of 1H17, therefore, cannot be directly compared with the corresponding amounts of 1H16.

Considering the Group's **entire scope of consolidation**, in 1H17, consolidated gross revenue amounted to approximately Euro 633.3 million (comprising gross operating revenue of Euro 621 million and other revenue and income of Euro 12.3 million), rising sharply versus 1H16 (Euro 133.5 million), due mainly to the consolidation of RCS, which brought an increase of approximately Euro 505.9 million. Gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 85.2 million and Euro 53.2 million (Euro 7.9 million and Euro 3.1 million in 1H16). Profit attributable to the owners of the parent came to approximately Euro 19.9 million (Euro 4.1 million in 1H16).

On a like-for-like basis with 2016, considering only the Cairo Editore magazine publishing segment, the advertising segment, the TV publishing segment La7, Il Trovatore and the network operator, consolidated gross revenue amounted to approximately Euro 128.6 million (comprising gross operating revenue of Euro 126.2 million and other revenue and income of Euro 2.4 million), down versus 1H16 (Euro 133.5 million, including gross operating revenue of Euro 129.4 million and other revenue and income of Euro 4.1 million). Gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 11.7 million and Euro 5.3 million (Euro 7.9 million and Euro 3.1 million in 1H16). Profit attributable to the owners of the parent came to Euro 3.7 million (Euro 4.1 million in 1H16).

Looking at the business segments, in 1H17:

- in the **magazine publishing segment (Cairo Editore)**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 6.1 million and Euro 5.5 million (Euro 6.3 million and Euro 5.8 million. Regarding weeklies, with approximately 1.7 million average copies sold in the January-June six-month period of 2017 (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 1.8 million;
- in the **TV publishing segment (La7)**, in 1H17 the Group achieved positive gross operating profit (EBITDA) of approximately Euro 3.7 million, rising sharply versus 1H16. Operating profit (EBIT) came to approximately Euro -0.9 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 1.7 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 1H16, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 47 thousand and Euro 4.1 million. Operating profit (EBIT) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 3.1 million;
- in the **advertising segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 1.7 million and to Euro 1.5 million (Euro 1.6 million and Euro 1.5 million in 1H16);

- in the **network operator segment**, the Group company Cairo Network continued implementing the mux, the TV broadcasting system based on digital terrestrial technology; at full performance, the mux will cover at least 94% of the national population, providing high-quality service levels. January 2017 marked the start of the broadcasting of La7 channels on the mux;
- in the **RCS segment**, in the consolidated financial statements of Cairo Communication, gross operating profit (EBITDA) and operating profit (EBIT) amounted to Euro 73.6 million[1] and to Euro 47.9 million, rising sharply by Euro 34.9 million[2] and Euro 37.7 million[2] versus 1H16, when RCS had not been included yet in the scope of consolidation of the Cairo Communication Group. The result was achieved thanks mainly to the strong cost-curbing efforts. As a result of the valuations made in the measurement of the fair value of assets/liabilities acquired in the business combination of RCS, Cairo Communication's consolidated financial statements, with respect to the RCS 2017 Half-Year Financial Report, recognized lower amortization on "intangible assets" in the amount of approximately Euro 4 million.. Net operating revenue[3], amounting to approximately Euro 469.2 million, fell overall versus 1H16 by Euro 32.6 million[3], due mainly to the termination of a number of advertising sales contracts with third-party publishers (revenue of Euro 1.2 million in 1H17 versus Euro 17.2 million in 1H16), to the different add-on publishing plan (Euro 7.7 million), to the reviewed promotional policy in Spain (Euro 2.5 million), and to the drop of the circulation market. On a like-for-like basis, net revenue in 1H17 dropped by approximately 10 million.

In 1H17, La7's average all-day share was 2.9% and 3.29% in prime time (from 8:30 PM to 11:30 PM), with a high-quality target audience. La7d's share was 0.53% (0.46% in prime time). The audience figures of the channel's news and discussion programmes - such as the 8 PM newscast (5.5% from Monday to Friday), "Otto e mezzo" (5.8%), "Piazza Pulita" (4%), "Coffee Break"

[1] 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 below section "Alternative Performance Indicators". As a result of these differences, which lie in the provisions for risks and in the allowance for impairment, amounting to Euro 4.6 million in the period - EBITDA shown in the RCS Half-Year Financial Report at 30 June 2017, approved on 3 August 2017, amounted to Euro 69 million

[2] Comparison based on the RCS Half-Year Financial Report at 30 June 2017, approved on 3 August 2017 and available on the website www.rcsmediagroup.it.

[3] In the RCS Half-Year Financial Report at 30 June 2017, amounting to Euro 471.7 million, due to the different classification of a number of items.

(4%), “Omnibus” (3.7%), “La Gabbia” (2.7%), “L’aria che tira” (5.3%), “Bersaglio Mobile” (3.1%), “Di martedì” (4.8%) - were positive.

Cairo Communication Group – Consolidated figures

The main **consolidated income statement figures** in 1H17 can be compared as follows with those of 1H16:

(€ millions)	30/06/2017	30/06/2016
Gross operating revenue	621.0	129.4
Advertising agency discounts	(39.5)	(12.7)
Net operating revenue	**581.5**	**116.7**
Change in inventory	(0.2)	(0.1)
Other revenue and income	12.3	4.1
Total revenue	**593.6**	**120.7**
Production cost	(344.3)	(80.1)
Personnel expense	(164.4)	(32.7)
Income (charges) from investments measured at equity	0.4	-
Non-recurring income and charges	-	-
Gross operating profit (EBITDA)	**85.2**	**7.9**
Amortization, depreciation, provisions and impairment losses	(32.0)	(4.8)
EBIT	**53.2**	**3.1**
Net financial income	(13.1)	0.3
Income (loss) on investments	1.2	-
Pre-tax profit	**41.3**	**3.4**
Income tax	(10.6)	0.7
Non-controlling interests	(10.8)	-
Profit from continuing operations attributable to the owners of the parent	**19.9**	**4.1**
Profit/(loss) from discontinued operations attributable to the owners of the parent	-	-
Profit attributable to the owners of the parent	**19.9**	**4.1**

Mention should be made that RCS was consolidated as from 1 September 2016. The 1H16 consolidated income statement does not include the RCS results of the January-June 2016 six-month period. The income statement figures of 1H17, therefore, cannot be directly compared with the corresponding amounts of 1H16.

In 1H17, consolidated gross revenue amounted to approximately Euro 633.3 million (comprising gross operating revenue of Euro 621.0 million and other revenue and income of Euro 12.3 million), rising sharply versus 1H16 (Euro 133.5 million, comprising gross operating revenue of

Euro 129.4 million and other revenue and income of Euro 4.1 million), due mainly to the consolidation of RCS, which brought an increase of approximately Euro 505.9 million. Consolidated gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 85.2 million and Euro 53.2 million (Euro 7.9 million and Euro 3.1 million in 1H16).

As for revenue, the main changes in consolidated gross operating profit (EBITDA) and operating profit (EBIT), as shown in the tables on business segment results, are attributable to the consolidation of RCS. Specifically, the consolidation of RCS brought an increase in production cost of approximately Euro 274.2 million, in personnel expense of approximately Euro 131.7 million, in amortization, depreciation, provisions and impairment losses of approximately Euro 25.7 million, and in costs for financial activities of approximately Euro 13 million.

The consolidation of the RCS Group in 1H16 would have produced, in the period ended 30 June 2016, higher consolidated gross revenue of Euro 531.2 million, and a deterioration of the consolidated profit attributable to the owners of the parent of Euro 1.3 million.

As explained earlier, in 2017:

- operating profit (EBIT) in the TV publishing segment (La7) 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 1.7 million, due to the write-down of tangible and intangible assets made in 2013 in the purchase price allocation of the investment in La7. For the same reason, in 1H16, operating profit (EBIT) in the TV publishing segment (La7) had benefited in the consolidated financial statements from lower amortization and depreciation of Euro 3.1 million;
- operating profit (EBIT) in the RCS segment benefited in the consolidated financial statements from lower amortization and depreciation of Euro 4 million, due to the valuations made in the purchase price allocation of the investment in RCS.

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

€ millions	**Half-year ended 30 June 2017**	**Half-year ended 30 June 2016**
Profit for the period	**30.7**	**4.1**
Reclassifiable items of the comprehensive income statement		
Reclassification of profit (loss) from translation of financial statements in foreign currencies	(0.1)	-
Gains (losses) on cash flow hedges	(0.5)	-
Reclassification of profit (loss) on cash flow hedges	2.0	-
Non-reclassifiable items of the comprehensive income statement		
Actuarial profit (loss) from defined benefit plans	-	(0.3)
Tax effect	-	0.1
Total comprehensive income for the period	**32.1**	**3.8**
- Owners of the parent	20.8	3.8
- Non-controlling interests - continuing operations	11.3	0.0
	32.1	**3.8**

The Group's performance can be read better by analyzing the 1H17 results by **main business segment** (magazine publishing Cairo Editore, advertising Cairo Pubblicità, TV publishing La7, network operator Cairo Network, Il Trovatore and RCS) versus those of 1H16:

2017 (€ millions)	**Magazine Cairo Editore**	**Advertising**	**TV publishing La7**	**RCS**	**Trovatore**	**Network operator (Cairo Network)**	**Intra and un allocated**	**Total**
Gross operating revenue	43.7	90.9	52.9	495.8	0.5	3.9	(66.7)	621.0
Advertising agency discounts	-	(12.9)	-	(26.7)	-	-	0.1	(39.5)
Net operating revenue	**43.7**	**78.0**	**52.9**	**469.2**	**0.5**	**3.9**	**(66.7)**	**581.5**
Change in inventory	(0.0)	-	-	(0.2)	-	-	-	(0.2)
Other revenue and income	1.6	0.2	0.5	10.1	0.0	0.0	(0.2)	12.3
Total revenue	**45.3**	**78.2**	**53.4**	**479.1**	**0.5**	**4.0**	**(66.9)**	**593.6**
Production cost	(29.2)	(72.4)	(31.3)	(274.2)	(0.5)	(3.6)	66.9	(344.3)
Personnel expense	(10.0)	(4.1)	(18.5)	(131.7)	(0.0)	(0.1)	-	(164.4)
Income (charges) from investments measured at equity	-	-	-	0.4	-	-	-	0.4
Gross operating profit (EBITDA)	**6.1**	**1.7**	**3.7**	**73.6**	**(0.0)**	**0.3**	**-**	**85.2**
Amortization, depreciation, provisions and impairment losses	(0.6)	(0.1)	(4.6)	(25.7)	0.0	(1.1)	-	(32.0)
EBIT	**5.5**	**1.5**	**(0.9)**	**47.9**	**(0.0)**	**(0.8)**	**-**	**53.2**
Income (loss) on investments	-	-	-	1.2	-	-	-	1.2
Net financial income	(0.0)	(0.1)	0.1	(13.0)	(0.0)	(0.0)	-	(13.1)
Pre-tax profit	**5.5**	**1.5**	**(0.8)**	**36.1**	**(0.0)**	**(0.8)**	**-**	**41.3**
Income tax	(1.6)	(0.9)	0.7	(9.1)	(0.0)	0.2	-	(10.6)
Non-controlling interests	-	-	-	(10.8)	0.0	-	-	(10.8)
Profit from continuing operations attributable to the owners of the parent	**3.9**	**0.6**	**(0.1)**	**16.2**	**(0.0)**	**(0.6)**	**-**	**19.9**
Profit / (loss) from discontinued operations	-	-	-	-	-	-	-	-
Profit for the period attributable to the owners of the parent	**3.9**	**0.6**	**(0.1)**	**16.2**	**(0.0)**	**(0.6)**	**-**	**19.9**

2016 (€ millions)	**Magazine Cairo Editore**	**Advertising**	**TV publishing La7**	**RCS**	**Trovatore**	**Network operator (Cairo Network)**	**Intra and un allocated**	**Total**
Gross operating revenue	46.6	88.7	54.8	-	0.5	0.5	(61.7)	129.4
Advertising agency discounts	-	(12.7)	-	-	-	-	-	(12.7)
Net operating revenue	**46.6**	**76.0**	**54.8**	**-**	**0.5**	**0.5**	**(61.7)**	**116.7**
Change in inventory	(0.1)	-	-	-	-	-	-	(0.1)
Other revenue and income	1.4	0.4	2.2	-	0.0	0.1	-	4.1
Total revenue	**48.0**	**76.4**	**57.0**	**-**	**0.5**	**0.6**	**(61.7)**	**120.7**
Production cost	(31.7)	(70.6)	(38.5)	-	(0.5)	(0.5)	61.7	(80.1)
Personnel expense	(10.0)	(4.2)	(18.4)	-	-	(0.1)	-	(32.7)
Income (charges) from investments measured at equity	-	-	-	-	-	-	-	-
Gross operating profit (EBITDA)	**6.3**	**1.6**	**0.1**	**-**	**0.0**	**(0.0)**	**-**	**7.9**
Amortization, depreciation, provisions and impairment losses	(0.5)	(0.1)	(4.2)	-	-	-	-	(4.8)
EBIT	**5.8**	**1.5**	**(4.1)**	**-**	**0.0**	**(0.0)**	**-**	**3.1**
Income (loss) on investments	-	-	-		-	-	-	-
Net financial income	(0.0)	-	0.3	-	(0.0)	-	-	0.3
Pre-tax profit	**5.8**	**1.5**	**(3.8)**	**-**	**-**	**(0.0)**	**-**	**3.4**
Income tax	(2.0)	(0.7)	3.4		(0.0)	0.0	-	0.7
Non-controlling interests	-	-	-	-	(0.0)	-	-	(0.0)
Profit from continuing operations attributable to the owners of the parent	**3.8**	**0.8**	**(0.4)**	**-**	**(0.0)**	**(0.0)**	**-**	**4.1**
Profit / (loss) from discontinued operations	-	-	-	-	-	-	-	-
Profit for the period attributable to the owners of the parent	**3.8**	**0.8**	**(0.4)**	**-**	**(0.0)**	**(0.0)**	**-**	**4.1**

Gross revenue in 1H17, split up by main business segment, can be analyzed as follows versus the amounts of 1H16:

2017 (€ millions)	Magazine Cairo Ed.	Advertising	TV publishi La7	RCS	Trovatore	Network operator	Intra and un allocated	Total
TV advertising	-	75.7	51.3	1.5	-	-	(51.8)	**76.7**
Print media and Internet advertising	9.7	13.2	0.7	212.9	-	-	(9.9)	**226.6**
Advertising from Sport Events	-	-	-	24.7	-	-	-	**24.7**
Stadium signage	-	1.6	-	-	-	-	(0.1)	**1.5**
Revenue from concession of programming :	-	-	0.4	-	-	-	-	**0.4**
Other TV revenue	-	-	0.5	4.8	-	-	-	**5.3**
Magazine over-the-counter sales and subsc	34.2	-	-	170.5	-	-	(0.1)	**204.6**
Books and catalogues	0.4	-	-	2.3	-	-	-	**2.7**
Other revenue from Sporting Events	-	-	-	47.5	-	-	-	**47.5**
VAT relating to publications	(0.6)	-	-	(2.5)	-	-	-	**(3.1)**
Other revenue	-	0.3	-	34.1	0.5	-	(0.8)	**34.1**
Revenue from network services	-	-	-	-	-	3.9	(3.9)	-
Total gross operating revenue	**43.7**	**90.8**	**52.9**	**495.8**	**0.5**	**3.9**	**(66.6)**	**621.0**
Other revenue	1.6	0.2	0.5	10.1	0.0	0.0	(0.2)	12.3
Total gross revenue	**45.3**	**91.0**	**53.4**	**505.9**	**0.5**	**3.9**	**(66.8)**	**633.3**

2016 (€ millions)	Magazine Cairo Ed.	Advertising	TV publishi La7	RCS	Trovatore	Network operator	Intra and un allocated	Total
TV advertising	-	73.5	52.9	-	-	-	(50.4)	**76.0**
Print media and Internet advertising	10.2	13.5	0.7	-	-	-	(10.1)	**14.3**
Advertising from Sport Events	-	-	-	-	-	-	-	-
Stadium signage	-	1.4	-	-	-	-	-	**1.4**
Revenue from concession of programming :	-	-	0.6	-	-	-	-	**0.6**
Other TV revenue	-	-	0.6	-	-	-	-	**0.6**
Magazine over-the-counter sales and subsc	36.7	-	-	-	-	-	-	**36.7**
Books and catalogues	0.3	-	-	-	-	-	-	**0.3**
Other revenue from Sporting Events	-	-	-	-	-	-	-	-
VAT relating to publications	(0.6)	-	-	-	-	-	-	**(0.6)**
Other revenue	-	0.3	-	-	0.5	-	(0.7)	**0.1**
Revenue from network services	-	-	-	-	-	0.5	(0.5)	-
Total gross operating revenue	**46.6**	**88.7**	**54.8**	**-**	**0.5**	**0.5**	**(61.7)**	**129.4**
Other revenue	1.4	0.4	2.2	-	-	0.1	-	4.1
Total gross revenue	**48.0**	**89.1**	**57.0**	**-**	**0.5**	**0.6**	**(61.7)**	**133.5**

The main figures of the consolidated **statement of financial position** at 30 June 2017 can be analyzed versus the situation at 31 December 2016:

(€ millions)	30/06/2017	31/12/2016
Statement of financial position		
Property, plant and equipment	104.0	111.4
Intangible assets	1,009.0	1,017.8
Financial assets	72.0	73.5
Deferred tax assets	119.5	126.2
Net working capital	(65.7)	(95.4)
Total assets	**1,238.8**	**1,233.5**
Non-current borrowings and provisions	125.2	137.5
Deferred tax provision	178.2	177.6
(Net financial position)/Net debt	345.6	352.6
Equity attributable to the owners of the parent	359.0	344.8
Equity attributable to non-controlling interests	230.8	221.0
Total equity and liabilities	**1,238.8**	**1,233.5**

At the date of preparing the 2016 Annual Financial Report, the determination of the fair value of RCS assets and liabilities required in the application of the “acquisition method" under IFRS 3 was still in progress; the difference (Euro 262.3 million) between the value of the investment in RCS and the consolidated pro rata equity of the RCS Group at the combination date (31 August 2016, the acquired scope had, in fact, been consolidated as from 1 September 2016) had been provisionally booked to “consolidation differences”.

As explained in Note 14 to the Condensed Consolidated Half-Year Financial Statements, 1H17 saw completion of the measurement of the fair value of assets/liabilities acquired in the business combination of RCS.

The application of the “acquisition method" resulted specifically in the fair value measurement:

(i) of trademarks and daily newspaper titles (with their websites and related trademarks), which were considered with indefinite useful life, given their characteristics (market leadership, authority, foundation year) and based on established international practice,

(ii) of trademarks and magazine titles (with their websites and related trademarks), including those sold as part of the daily newspaper offering, which were considered with finite useful life, given the product type and based on established national and international practice. Specifically, magazine titles were considered with useful life of 30 years.

Altogether (replacing the provisionally booked "RCS Group consolidation difference" and previously recognized goodwill amounting to Euro 39.1 million at 31 December 2016), the fair value at the combination date amounts to (i) Euro 348.8 million for assets with indefinite useful life, and to (ii) Euro 59 million for previously unrecognized assets with finite useful life. The amounts recorded in the RCS consolidated financial statements were confirmed for the Spanish titles.

Completion of the purchase price allocation process resulted in:

(iii) the recognition of deferred tax of Euro 120.6 million and

(iv) the recognition of the share attributable to non-controlling interests of Euro 177.2 million (Euro 77.2 million of which following the application of the “full goodwill” criterion).

Goodwill, amounting to Euro 191.4 million, was determined as the difference between i) the sum of the acquisition price and the amount attributed to non-controlling interests and ii) equity acquired, after all the assets and liabilities under the transaction had been expressed at fair value.

Completion of the valuation requirements under IFRS 3 resulted in a different measurement of the assets and liabilities of the RCS Group at the date of the business combination from the measurement made at 31 December 2016, with resulting operating and financial effects, as explained in Note 14 to the condensed consolidated half-year financial statements.

Mention should be made that, at their Meeting on 8 May 2017, the shareholders approved the distribution of a dividend of Euro 0.05 per share, inclusive of tax, with coupon detachment date on 22 May 2017.

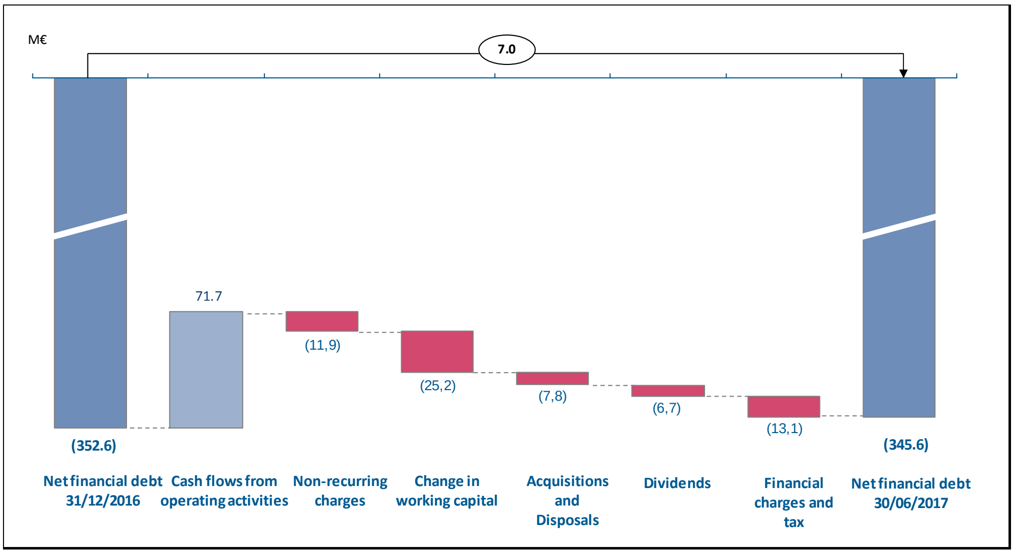
In 2017, as part of the share buy-back plans, no treasury shares were sold or purchased. At 30 June 2017, Cairo Communication held a total of no. 779 treasury shares, or 0.001% of the share capital, subject to art. 2357-ter of the Italian Civil Code.

The consolidated **net financial position** at 30 June 2017, versus the situation at 31 December 2016, is summarized as follows:

Net financial debt	30/06/2017	31/12/2016	Change
Cash and cash equivalents	114.5	124.8	(10.3)
Other current financial assets and financial receivables	4.4	1.2	3.2
Current financial assets (liabilities) from derivative instruments	(2.8)	-	(2.8)
Current financial payables	(93.2)	(110.1)	16.9
Current net financial position (net financial debt)	**22.9**	**15.9**	**7.0**
Non-current financial payables	(368.5)	(363.4)	(5.1)
Non-current financial assets (liabilities) from derivative	-	(5.1)	5.1
Non-current net financial position (net financial debt)	**(368.5)**	**(368.5)**	**(0.0)**
Net financial position (Net financial debt) from continuing operations	**(345.6)**	**(352.6)**	**7.0**

At 30 June 2017, the net debt of RCS came to Euro 363.2 million (Euro 366.1 million at 31 December 2016).

Shown below are the changes in the total net debt:



As shown in the consolidated statement of cash flows, the change in the net financial position versus 31 December 2016 is attributable mainly to cash flows generated by operating activities (Euro 71.7 million), to cash used in working capital (Euro 25.2 million), to outlays for non-recurring charges of RCS recognized in the income statement in prior years (Euro 11.9 million), to investing activities (Euro 7.8 million), to payment of financial charges and tax (Euro 13.1 million), and to the distribution of dividends (Euro 6.7 million).

Cairo Communication S.p.A. - Parent performance

The main **income statement figures** of **Cairo Communication S.p.A.** in 1H17 can be compared as follows with those of 1H16:

(€ millions)	**30/06/2017**	**30/06/2016**
Gross operating revenue	56.3	55.5
Advertising agency discounts	-	-
Net operating revenue	**56.3**	**55.5**
Other revenue and income	0.4	0.1
Total revenue	**56.7**	**55.6**
Production cost	(54.9)	(53.2)
Personnel expense	(1.5)	(1.5)
Gross operating profit (EBITDA)	**0.3**	**0.9**
Amortization, depreciation, provisions and impairment losses	(0.1)	(0.1)
EBIT	**0.2**	**0.8**
Net financial income	-	-
Income (loss) on investments	8.3	8.2
Pre-tax profit	**8.5**	**9.0**
Income tax	(0.3)	(0.4)
Profit from continuing operations	**8.2**	**8.6**
Profit / (loss) from discontinued operations	-	-
Profit	**8.2**	**8.6**

In 1H17, Cairo Communication continued to operate in TV advertising sales (La7, La7d and theme channels Cartoon Network, Boomerang and Torino Channel) and on the Internet through its subsidiary Cairo Pubblicità on a sub-concession basis, invoicing advertising spaces directly to its customers and returning to Cairo Communication a share of revenue generated by resources managed on a sub-concession basis. Specifically:

- gross revenue was approximately Euro 56.7 million (Euro 55.6 million in 1H16);
- looking at current operations, gross operating profit (EBITDA) was approximately Euro 0.3 million (Euro 0.8 million in 1H16);

- operating profit (EBIT) was approximately Euro 0.2 million (Euro 0.8 million in 1H16), while profit came to approximately Euro 8.2 million (Euro 8.6 million in 1H16).

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

(€ millions)	30/06/2017	30/06/2016
Statement of comprehensive income of the Parent		
Profit	**8.2**	**8.6**
Other non-reclassifiable items of the comprehensive income statement	-	-
Actuarial profit (loss) from defined benefit plans	-	-
-Tax effect	-	-
Total comprehensive income	**8.2**	**8.6**

The main figures of the **statement of financial position** of Cairo Communication S.p.A. at 30 June 2017 can be analyzed versus the situation at 31 December 2016:

(€ millions)	30/06/2017	31/12/2016
Statement of financial position		
Property, plant and equipment	0.4	0.4
Intangible assets	0.2	0.3
Financial assets	329.1	328.1
Other non-current financial assets	15.0	12.8
Net trade working capital	(8.0)	(8.1)
Total assets	**336.7**	**333.5**
Non-current borrowings and provisions	1.4	1.4
(Net financial position)/Net debt	75.5	73.8
Equity	259.8	258.3
Total equity and liabilities	**336.7**	**333.5**

Mention should be made that, at their Meeting on 8 May 2017, the shareholders approved the distribution of a dividend of Euro 0.05 per share, inclusive of tax, for a total of Euro 6.7 million, with coupon detachment date on 22 May 2017.

The **net financial position** of the Parent at 30 June 2017, versus the situation at 31 December 2016, is summarized as follows:

(€ millions)	30/06/2017	31/12/2016	Change
Liquid funds	2.7	4.4	(1.7)
Current financial assets	-	-	-
Non-current financial payables	(78.2)	(78.2)	-
Total	**(75.5)**	**(73.8)**	**(1.7)**

A total amount of Euro 140 million in the non-current financial payables refers to the revolving facility, with approximately Euro 78.2 million drawn down to fund both the cash component of the offer for the acquisition of the control of RCS, and for other general corporate purposes.

Statement of reconciliation of the Parent’s equity and profit and Group equity and profit

The **statement of reconciliation** of equity and profit of Cairo Communication S.p.A. and Group equity and profit at 30 June 2016 can be analyzed as follows:

(€ millions)	Equity	Net profit
Half-year financial statements of Cairo Communication S.p.A.	**259.8**	**8.2**
Elimination of the carrying amount of consolidated equity investments:		
Difference between carrying amount of investments and their equity value	(136.9)	-
Share in consolidated companies’ profit net of investment impairment losses		15.9
Effects of the purchase price allocation of RCS	151.3	1.8
Effects of the purchase price allocation of La7	(17.8)	2.4
Allocation of consolidation differences:		
RCS Goodwill	114.2	-
Other goodwill	7.1	-
Elimination of intra-group profits net of income tax	(18.7)	0.1
Elimination of intra-group dividends		(8.5)
Half-year consolidated financial statements of the Cairo Communication Group	**359.0**	**19.9**

Main business segment operating results

<u>*MAGAZINE PUBLISHING CAIRO EDITORE*</u>

Cairo Editore - Cairo Publishing

The results achieved by the publishing segment in 1H17 can be compared as follows with those of 1H16:

Print media publishing *(€ millions)*	**30 June 2017**	**30 June 2016**
Gross operating revenue	43.7	46.6
Other income	1.6	1.4
Change in inventory	-	(0.1)
Total revenue	**45.3**	**48.0**
Production cost	(29.2)	(31.7)
Personnel expense	(10.0)	(10.0)
Gross operating profit (EBITDA)	**6.1**	**6.3**
Amortization, depreciation, provisions and impairment losses	(0.6)	(0.5)
EBIT	**5.5**	**5.8**
Net financial income	-	-
Pre-tax profit	**5.5**	**5.8**
Income tax	(1.6)	(2.0)
Non-controlling interests		-
Profit from continuing operations attributable to the owners of the parent	**3.9**	**3.8**
Profit / (loss) from discontinued operations	-	-
Profit for the period	**3.9**	**3.8**

Cairo Editore operates in the magazine publishing field through (i) weeklies “Settimanale DIPIU’”, “DIPIU’ TV”, and bi-weekly supplements “Settimanale DIPIU’ e DIPIU’TV Cucina” and “Settimanale DIPIU’ e DIPIU’TV Stellare”, “Diva e Donna”, “TV Mia”, “Settimanale Nuovo”, “F”, “Settimanale Giallo” and “NuovoTV”, “Nuovo e Nuovo TV Cucina” and “Enigmistica Più”, and (iii) through its Editoriale Giorgio Mondadori division with monthlies “Bell’Italia”, “Bell’Europa”, “In Viaggio”, “Airone”, “Gardenia”, “Arte” and “Antiquariato”.

In 1H17, Cairo Editore strengthened the results of its titles, worked on improving the levels of efficiency reached in containing production, publishing and distribution costs, and continued to achieve highly positive results. <u>Gross operating profit</u> (EBITDA) and <u>operating profit</u> (EBIT) came to approximately Euro 6.1 million and approximately Euro 5.5 million (Euro 6.3 million and Euro 5.8 million in 1H16).

The Group weeklies reported high circulation results, with an average ADS circulation in the January-June six-month period of 2017 of 444,052 copies for “Settimanale DIPIU”, 253,610 copies for “DIPIU’ TV”, 123,928 copies for “Settimanale DIPIU’ e DIPIU’TV Cucina”, 167,406 copies for “Diva e Donna”, 206,915 copies for “Settimanale Nuovo”, 114,184 copies for “F”, 112,123 copies for “TVMia”, 84,514 copies for “Settimanale Giallo”, 101,074 copies for “NuovoTV” and 58,843 copies for “Nuovo e Nuovo TV Cucina”, reaching a total of approximately 1.7 million average copies sold, and making the Group 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 (average copies sold of “Enigmistica Più”), average copies sold were approximately 1.8 million.

As far as circulation is concerned, the features of Cairo Editore titles and its strategy help maintain a strong lead over competitors in the current publishing market. Specifically:

- cover prices of the weeklies are lower, some half the price of those of the main competitors; this gap increases appeal and allows space for potential price increases, hence for increased profitability;
- sales are mostly over-the-counter (95%), with a minimum impact of revenue generated by gifts and sundry editorial material (approximately 2% on total publishing revenue, including advertising); the Group has opted to focus on the quality of its titles; in 1H17, gross advertising revenue generated by the Group’s titles accounted for approximately 27% - an extremely low figure, therefore based to a lesser extent on the economic cycle - while the remaining 73% came from direct sales and subscriptions, proof of the high editorial quality of publications;
- weekly magazines, which account for approximately 90% of total publishing sales revenue, are sold as single copies and not bundled with other weeklies and/or dailies to bolster sales;
- the remarkable sales volumes achieved, both in absolute terms and versus Cairo Editore’s competitors, make the advertising pages highly appealing in terms of advertising cost per copy sold (equal to the difference between the price of the advertising page and copies sold), currently lower than the titles of its competitors.

In the following months of 2017, Cairo Editore’s strategy will continue to focus on the following elements: (i) the pivotal importance of the quality of its products, (ii) supporting the circulation levels of its own titles, including through investments in print runs, communication and quality of editorial content, (iii) attention to costs in general, and production costs in particular, with a view to the continuous improvement of industrial, publishing and procurement conditions and processes, and (iv) the continued extension and increase in quality of the product portfolio, in order to capture the market segments with greater potential.

ADVERTISING

The results achieved by the advertising segment in 1H17 can be compared as follows with those of 1H16:

Advertising *(€ millions)*	**30 June 2017**	**30 June 2016**
Gross operating revenue	90.9	88.7
Advertising agency discounts	(12.9)	(12.7)
Net operating revenue	**78.0**	**76.0**
Other income	0.2	0.4
Change in inventory	-	-
Total revenue	**78.2**	**76.4**
Production cost	(72.4)	(70.6)
Personnel expense	(4.1)	(4.2)
Gross operating profit (EBITDA)	**1.7**	**1.6**
Amortization, depreciation, provisions and impairment losses	(0.1)	(0.1)
EBIT	**1.5**	**1.5**
Net financial income	(0.1)	-
Income (loss) on investments	-	-
Pre-tax profit	**1.5**	**1.5**
Income tax	(0.9)	(0.7)
Non-controlling interests	-	-
Profit from continuing operations attributable to the owners of the parent	**0.6**	**0.8**
Profit / (loss) from discontinued operations	-	-
Profit for the period	**0.6**	**0.8**

Looking at the advertising segment, in 2017 the Cairo Communication Group continued to operate as advertising broker - with its subsidiary Cairo Pubblicità - selling space in the print media for Cairo Editore and for Editoriale Genesis (“Prima Comunicazione” and “Uomini e Comunicazione”), for the sale of advertising space on TV for La7 and La7d, for Turner Broadcasting (Cartoon Network and Boomerang) and for La Presse (Torino Channel), on the Internet (Cartoon Network.it) and for the sale of stadium signage and space at the Olimpico in Turin for Torino FC.

In 1H17, gross advertising sales on La7 and La7d channels amounted to Euro 74 million (Euro 75.5 million in 1H16). Gross advertising sales on Cairo Editore titles at Group level amounted to Euro 12.7 million (Euro 13.2 million in 1H16).

Gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 1.7 million and to Euro 1.5 million (Euro 1.6 million and Euro 1.5 million in 1H16).

TV PUBLISHING (La7)

The results achieved by the TV publishing segment (La7) in 1H17 can be compared as follows with those of 1H16:

TV publishing (La7) *(€ millions)*	**30 June 2017**	**30 June 2016**
Gross operating revenue	52.9	54.8
Advertising agency discounts		-
Net operating revenue	**52.9**	**54.8**
Other income	0.5	2.2
Change in inventory	-	-
Total revenue	**53.4**	**57.0**
Production cost	(31.3)	(38.5)
Personnel expense	(18.5)	(18.4)
Gross operating profit (EBITDA)	**3.7**	**0.1**
Amortization, depreciation, provisions and impairment losses	(4.6)	(4.2)
EBIT	**(0.9)**	**(4.1)**
Net financial income	0.1	0.3
Income (loss) on investments	-	-
Pre-tax profit	**(0.8)**	**(3.8)**
Income tax	0.7	3.4
Non-controlling interests		-
Profit for the period	**(0.1)**	**(0.4)**

The Group started operations in the TV field in 2013, following the acquisition from Telecom Italia Media S.p.A. of the entire share capital of La7 S.r.l. as from 30 April 2013, with the upstream integration of its concessionaire business for the sale of advertising space, diversifying its publishing activities previously focused on magazines.

At the acquisition date, the financial situation of La7 had called for the implementation of a restructuring plan aimed at reorganizing and streamlining the corporate structure and at curbing costs, while retaining the high quality levels of the programming.

Starting from May 2013, the Group began to implement its own plan to restructure the company, achieving, as early as the May-December eight-month period of 2013, a positive gross operating profit (EBITDA), as in 2014, 2015 and 2016, when the results of the cost rationalization measures implemented were strengthened.

In 1H17, the TV publishing segment (La7) achieved positive gross operating profit (EBITDA) of approximately Euro 3.7 million, improving sharply versus 1H16 (Euro 47 thousand in 1H16). Operating profit (EBIT) came to approximately Euro -0.9 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 1.7 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 1H16, gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 47 thousand and Euro -4.1 million, while the loss came to Euro 0.4 million.

In 1H17, La7's average all-day share was 2.9% and 3.29% in prime time (from 8:30 PM to 11:30 PM), with a high-quality target audience. La7d's share was 0.53% (0.46% in prime time). The audience figures of the channel's news and discussion programmes - such as the 8 PM newscast (5.5% from Monday to Friday), "Otto e mezzo" (5.8%), "Piazza Pulita" (4%), "Coffee Break" (4%), "Omnibus" (3.7%), "La Gabbia" (2.7%), "L'aria che tira" (5.3%), "Bersaglio Mobile" (3.1%), "Di martedì" (4.8%) - were positive.

Revenue development initiatives are planned for La7, focused on (i) creating new programs, (ii) maximizing audience potential on the La7d channel, (iii) the possible launch of new channels and strengthening digital presence.

RCS

The results achieved by the RCS segment in 2017 can be analyzed as follows:

RCS *(€ millions)*	**30 June 2017**	**30 June 2016**
Gross operating revenue	495.8	-
Advertising agency discounts	(26.7)	-
Net operating revenue	**469.2**	-
Other income	(0.2)	-
Change in inventory	10.1	-
Total revenue	**479.1**	-
Production cost	(274.2)	-
Personnel expense	(131.7)	-
Income from investments measured at equity	0.4	-
Gross operating profit (EBITDA)	**73.6**	-
Amortization, depreciation, provisions and impairment losses	(25.7)	-
EBIT	**47.9**	-
Net financial income	(13.0)	-
Income (loss) on investments	1.2	
Pre-tax profit	**36.1**	-
Income tax	(9.1)	-
Non-controlling interests	(10.8)	-
Profit for the period	**16.2**	-

As explained earlier, in 2016 the Group started operations in the daily newspaper publishing segment with the acquisition of the control of RCS.

RCS, both directly and indirectly through its subsidiaries, publishes and distributes - in Italy and Spain - daily newspapers and magazines (weeklies and monthlies), and is also involved in print media and online advertising sales, and in the distribution of editorial products at newsstands.

Specifically, in Italy RCS publishes the dailies *Corriere della Sera* and *La Gazzetta dello Sport*, as well as various weeklies and monthlies such as *Amica*, *Living*, *Style Magazine*, *Dove*, *Oggi*, *Io Donna*, *Sportweek*, *Sette* and *Abitare*.

In Spain, RCS operates through its subsidiary Unidad Editorial S.A., publisher of the dailies *El Mundo*, *Marca and Expansion*, as well as various magazines such as *Telva*, *YoDona*, *Marca Motor* and *Actualidad Económica.*

In Italy, RCS has also minor operations on the pay TV market through its subsidiary Digicast S.p.A. on the TV satellite channels *Lei*, *Dove*, *Caccia* and *Pesca*, and on the web TV channel of *Corriere della Sera* and *La Gazzetta dello Sport*.

In Spain, it is active with the leading national sports radio *Radio Marca* and the web TV of El Mundo, and broadcasts the two digital TV channels *GOL Television* and *Discovery max* on the Veo multiplex.

RCS also organizes, through RCS Sport, major world sporting events (such as *Giro d'Italia*, the *Dubai Tour*, the *Milano City Marathon* and the *Color Run*), and is well-positioned as a partner in the creation and organization of events through RCS Live. In Spain, through its subsidiary Last Lap, RCS is involved in the organization of mass events.

RCS posted negative results prior to 2016, and an operational restructuring process is currently underway (aimed at restoring profitability). In 2016, net profit amounted to Euro 3.5 million[4], marking a return to positive territory by the RCS Group, the first time since 2010.

Mention should be made that RCS was consolidated in the Cairo Communication Group as from 1 September 2016. The 1H16 consolidated income statement, therefore, does not include the RCS results of the January-June 2016 six-month period.

In 1H17, in a persistently challenging market marked by uncertainty, RCS achieved - in the consolidated financial statements of Cairo Communication - gross operating profit (EBITDA) of approximately Euro 73.6 million[5] and operating profit (EBIT) of Euro 47.9 million[6], up by Euro

[4] RCS 2016 Annual Financial Report

[5] Mention should be made that RCS adopts a different definition of EBITDA from the one used by the Cairo Communication Group,

34.9 million and Euro 37.7 million[7], respectively, versus 1H16, in line with the forecasts on 2017 performance targets, thanks mainly to the strong commitment towards cutting costs and pursuing opportunities to increase and develop revenue.

In 1H17, net consolidated revenue of RCS, amounting to approximately Euro 469.2 million[8], fell overall versus 1H16 by Euro 32.6 million, due mainly to the termination of a number of advertising sales contracts with third-party publishers (revenue of Euro 1.2 million in 1H17 versus Euro 17.2 million in 1H16), to the different add-on publishing plan (Euro 7.7 million), to the reviewed promotional policy in Spain (Euro 2.5 million), and to the drop of the circulation market. On a like-for-like basis, net revenue in 1H17 dropped by approximately Euro 10 million.

At circulation level, the dailies *Corriere della Sera*, *La Gazzetta dello Sport*, *Marca* and *Expansión* continue to lead their respective segments, while *El Mundo* is the second most popular general daily in Spain.

In Italy, *Corriere della Sera* sold 314 thousand average copies in 1H17, including digital copies (*ADS*). Total circulation of *La Gazzetta dello Sport* amounted to 177 thousand copies, including digital copies (*ADS*). The newsstand channel (provided by law) outperformed the relevant market, *Corriere della Sera* in particular (-3.8% versus the market's -11%), but also *La Gazzetta dello Sport* (-5.2% versus -5.7%) (*ADS January-june*).

As for digital publishing, revenue grew thanks to the higher number of subscribers to the membership offer of *Corriere della Sera*, now at 36 thousand, up by 13% versus 1H16.

Additionally, the main digital performance indicators show, in 1H17, average unique browsers/month of the *corriere.it* website at 46.5 million, the mobile version of the website,

as indicated in the below section "Alternative Performance Indicators". As a result of these differences, regarding the provisions for risks and the allowance for impairment, amounting to Euro 4.6 million in the period - EBITDA shown in the RCS Half-Year Financial Report at 30 June 2017, approved on 3 August 2017, amounted to Euro 69 million.

[6] [6] As a result of the valuations made in the measurement of the fair value of assets/liabilities acquired in the business combination of RCS, Cairo Communication's consolidated financial statements recognized lower amortization on "intangible assets" in the amount of Euro 4 million. EBIT shown in the RCS Half-Year Financial Report at 30 June 2017, approved on 3 August 2017, amounted to Euro 44 million.

[7] Comparison based on the RCS Half-Year Financial Report at 30 June 2017, approved on 3 August 2017 and available on the website www.rcsmediagroup.it.

[8] In the RCS Half-Year Financial Report at 30 June 2017, approved on 3 August 2017, amounting to Euro 471.7 million due to the different classification of a number of items

Corriere Mobile at 23.7 million average unique browsers/month, the *gazzetta.it* website at 28.3 million average unique browsers/month, and *Gazzetta Mobile* at 13.5 million unique browsers (Adobe Analytics).

The average daily circulation (*OJD*) of *El Mundo* and *Expansion* (including digital copies) amounted to 121 thousand and 36 thousand copies, respectively; copies of the sports daily *Marca* amounted to approximately 137 thousand, including digital copies (*OJD*)

On the web, average unique browsers/month *(Omniture*) of *elmundo.es* reached an average 47.4 million in 1H17, while average unique browsers/week came to 3.3 million. At end June 2017, *marca.com* reached 43.4 million average unique browsers/month, while average unique browsers/week came to 4.7 million. In January, *Marca*, the new portal, was launched in Mexico in partnership with *Claro*, active in the communications industry in Latin America; the launch boosted unique users/month of traffic in this area (+83%). Average unique browsers/month of *expansión.com* were 10.9 million in 1H17, while average unique browsers/week were 0.7 million. All three sites reported a sharp rise in accesses through mobile devices, which saw significant increases.

The change in sundry revenue is mostly attributable to the Sports area, as a result of the earlier Abu Dhabi Tour cycling calendar, which was held in October until last year.

The net financial position stood at Euro -363.2 million at 30 June 2017, improving by approximately Euro 3 million versus 31 December 2016, thanks to the positive cash flows of Euro 23.8 million from ordinary business (source Management reporting), which more than offset outlays for technical investments (Euro 7.7 million) and non-recurring charges booked in prior years (Euro 11.9 million).

RCS is currently focusing on enhancing the value of editorial content, developing existing brands, and launching new projects, with a constant eye on cutting costs. Noteworthy points for *Corriere della Sera* were the remarkable advertising and readership figures achieved by *L'Economia*, the new Monday business add-on. *Corriere* readers were further indulged by *Sette*, the analysis news magazine, from end April out on newsstands on Thursdays, fully revamped under Editor-in-Chief Beppe Severgnini, by the new entry of Massimo Gramellini with his "*Il Caffè*", and by the letters column authored by Aldo Cazzullo.

Numerous initiatives also for *La Gazzetta dello Sport*, including the geolocation project, with a daily page on local football teams, and with *Grande Gazzetta* and its ten monthly releases starting from February. Additionally, the 100th edition of the Giro d'Italia was celebrated with the special initiative "*Sulle terre del Giro*", along with a dedicated 20-page section.

The magazines area saw the new launch of *Oggi Enigmistica Settimanale* on 27 June, recording a remarkable performance at newsstands.

In Spain, Francisco Rosell Fernàndez was appointed new Editor-in-Chief of *El Mundo,* celebrating the 10,000th edition of the daily newspaper with a special issue, while *Expansiòn* celebrated its 31st anniversary. Furthermore, the Spanish daily *Marca* launched a new multimedia sports information portal in Mexico in partnership with *Claro,* and the special edition on green paper for the World Environment Day, in collaboration with WWF.

NETWORK OPERATOR (CAIRO NETWORK)

As explained earlier, the Group company Cairo Network, which took part in 2014 in the tender procedure opened by the Ministry of Economic Development for the assignment of rights to use TV frequencies for digital terrestrial broadcasting systems, winning the rights to use a lot of frequencies ("mux") for a period of 20 years, and entering in January 2015 with EI Towers S.p.A. into an agreement for the realization and subsequent long-term technical management in full service mode (hospitality, service and maintenance, use of broadcasting infrastructure, etc.) of the electronic communications network for the broadcasting of audiovisual media services on frequencies allocated, continued implementing the mux; at full performance, the mux will cover at least 94% of the national population, providing high-quality service levels.

With the implementation of the mux, the Cairo Communication Group has at its autonomous disposal a broadcasting capacity of approximately 22.4 Mbps versus the 7.2 Mbps provided by external operators until 31 December 2016.

January 2017 marked the start of the broadcasting of La7 channels on the mux. The remaining capacity could be used to broadcast new channels if the Cairo Communication Group were to launch any, and to provide third parties with broadcasting capacity.

IL TROVATORE

In 2017, Il Trovatore continued operations, mainly providing technological services to develop and maintain the online platforms of the Group's companies.

Alternative performance indicators

In this Half-Year Financial Report, 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 represents a unit of measurement to assess Group and Parent operational performance, together with **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 this Half-Year Financial Report at 30 June 2017, 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 indicator 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.

Transactions with parents, subsidiaries and associates and subject to the control of the parents

Transactions with related parties in the period, including with Group companies, were not considered to be atypical or unusual, and were part of the ordinary activities of Group companies. These transactions were carried out on market terms, taking account of the goods and services provided.

Information on transactions with related parties is shown in Note 26 to the condensed consolidated half-year financial statements.

Main risks and uncertainties to which the Group is exposed, which could impact on the business outlook for 2H17

The Directors' Report on the financial statements for the year ended 31 December 2016 includes a description, to which reference should be made, of the main risks and uncertainties to which Cairo Communication S.p.A. and the Group are exposed, as well as the strategies and activities implemented to monitor and counter them. Specifically, mention should be made of:

- Risks associated with the general economic climate, and with the potential effects of the persisting factors of economic uncertainty in the short-medium term on the Group's business, strategies and outlook.

- Risks associated with advertising and publishing market trends, mainly related to the general contraction in sales and the advertising market trend.

- Risks associated with developments in the media segment as a result of the penetration of new communication resources, in particular the Internet and free digital TV, together with changes in the relevant regulatory framework.

- Risks associated with Management and "key staff", hence with the ability of its executive directors, editors-in-chief, TV personalities, and other Management members to efficiently manage the Group, and with the ability of the Group to attract and retain new talents.

- Risks associated with retaining the value of the brands of the Group titles and programmes, by maintaining the current levels of quality and innovation.

- Risks associated with business suppliers and staff regarding the outsourcing of production processes, specifically printing and distribution, and the production of TV content.
- Risks associated with developments in the legal and regulatory framework, specifically for the television industry.
- Risks associated with the measurement of intangible assets, related to the regular review of their recoverable carrying amount.
- Risks associated with extraordinary transactions, related to the effects of a failed, partial or delayed achievement of the targets set on extraordinary transactions carried out.
- Risks associated with litigation, the notes on “Other information” (Note 25 to the condensed consolidated half-year financial statements) contain information on the main pending cases.

This interim half-year report provides a summary of the financial risks that could impact on the business outlook for 2H17.

The Group manages capital structure and financial risks consistent with its asset structure, in order to maintain adequate and consistent credit ratings and capital ratio levels, taking account of the current credit availability in the Italian system.

The notes on “Information on financial risks” (Note 28 to the consolidated financial statements) contain information on liquidity risk, interest rate risk and credit risk.

Risks associated with the general economic climate

The operating results, financial position and cash flows of the Cairo Communication Group may be influenced by various factors forming the macro-economic environment.
In 1H17, the general economic and financial context, marked by elements of uncertainty, continued to report negative effects. To date, there remains uncertainty over the period required for a return to normal market conditions.
However, the evolution of the general economic situation could affect the full achievement of the Group’s result targets.

Risks associated with advertising and publishing market trends

The persisting short and medium-term economic uncertainty continued to impact negatively on the daily newspaper and magazine advertising market, slowing the pace of their sales.

In 1H17, the Italian advertising market fell by 3%; the TV advertising market dropped by 1.9%, while the magazine and daily newspaper advertising market dropped by 7% and 10.8% respectively. The online segment lost 1.7% versus 1H16 (*AC Nielsen January-June*).

In Spain, where RCS operates through its subsidiary Unidad Editorial, the advertising sales market fell by 1% in 1H17 versus 1H16 (*i2p, Arce Media*). Specifically, the daily newspaper and magazine market fell by 9% and 7.5%, respectively, versus the same period in 2016. Advertising sales on the Internet, instead, increased by 8.8%.

Economic uncertainty in the short-medium term also hit daily newspaper and magazine sales figures.

Looking at circulation in Italy, the print product market continued its downturn in the first months of 2017. Specifically, the main national generalist daily newspapers (with a circulation above 50 thousand copies) reported a 14% drop in circulation in the first six months of 2017 (including digital copies), while the main sports newspapers fell by 6.7% (including digital copies) versus the same period of 2016 (*ADS, January-June 2017*).

The same trend was seen in Spain, with daily newspaper sales down versus 2016. Cumulative figures on circulation at June 2017 (*OJD*) regarding generalist newspapers (generalist titles with a circulation above 60 thousand copies), business newspapers and sports newspapers indicate a drop, respectively, of 11.8%, 5.1% and 10.3%.

The Cairo Communication Group is significantly exposed to advertising revenue trends, which are cyclical and directly related to general economic trends. Advertising sales are currently the main source of revenue for the TV publishing segment. La7 boasts an exceptional audience profile, particularly appealing in terms of advertising.

Considering the Cairo Editore magazine publishing segment, advertising revenue in 2016 accounted for 26% - an extremely low percentage, therefore based to a lesser extent on the economic cycle - while the remaining 74% was generated by distribution and subscription revenue, demonstrating the great publishing strength of advertising products. Regarding Cairo Editore titles, the remarkable sales volumes achieved, both in absolute terms and versus Cairo’s competitors, make the advertising pages highly appealing in terms of advertising cost per copy sold (equal to the difference between the price of the advertising page and copies sold), currently lower than the publications of its competitors.

With regard to RCS, advertising represents almost half of total revenue.

Persisting global economic uncertainty and stalling growth on the Italian market could impact on advertising market prospects. Against this backdrop, any difficulty in maintaining or increasing its advertising revenue could impact on Group prospects, activities, operating results and cash flows.

Regarding RCS, in addition to advertising, a large share of its other activities is represented by the sale of publishing products for a market that is undergoing a long-term phase of change in both Italy and Spain, marked by increasing integration with online communication systems. This transition could create tension between the circulation of paper products and the concurrent need to adopt appropriate development strategies. The current market situation could amplify these aspects, as has already partly occurred. Against this backdrop, any difficulty in maintaining or increasing the circulation of its paper products could impact on Group prospects, activities, operating results and cash flows.

Regarding distribution for Cairo Editore, the features of the products published by the Group as well as its strategy, are such as to build a significant competitive edge in the current publishing climate. This is largely explained by the fact that:

- cover prices of the weeklies are lower, some significantly lower than those of the main competitors;
- sales are mostly over-the-counter (95%), with a minimum impact (approximately 2% on total publishing revenue, including advertising) of revenue generated by gifts and sundry editorial materials;
- weekly magazines, which account for approximately 90% of the total publishing segment revenue, are sold as single copies and not bundled with other weeklies and/or dailies to bolster sales.

The ability of the Cairo Communication Group to increase its revenue and pursue its growth and development targets, and maintain adequate levels of profitability, also depends on how successful it is in putting its industrial strategy into place, which is also based on the continued expansion and enrichment of its product portfolio in order to capture market segments with greater potential.

Should the Cairo Communication Group fail to pursue this strategy, the activities and prospects of the Group may be negatively influenced, with consequent negative effects on its operating results, financial position and cash flows.

Risks associated with developments in the media segment

The media segment is witnessing an increase in the level of penetration of new communication resources, the Internet in particular, and the development of new unencrypted theme channels on the digital terrestrial platform, together with technology innovations that may lead to changes in the demand by consumers, who in future will probably be able to request personalized content by directly selecting the source. As a result, this may change the importance of the various media and audience distribution, leading to greater market fragmentation.

Whereas the development of the Internet may impact on the share of print media, mainly on dailies and to a much lesser extent on the weeklies published by the Cairo Communication Group, the growth of the Internet and of digital theme television may impact on the generalist TV audience. Any development of new TV channels by the Group may allow it to take advantage of this situation.

Specifically, Cairo Communication has identified the following main market trends:

- the demand for entertainment content continues to grow, both on traditional media and on the new platforms;
- in the generalist commercial television segment, the convergence of distribution platforms may, on the one hand, create development opportunities, but, on the other, carry a risk of audience fragmentation and an increase in the spectrum of platforms available for the use of TV content (satellite, Internet, mobile), engendering a more complex competitive environment;
- technological advancements have gradually changed the way content is used, towards more interactive/on demand media, enabling younger audiences to switch to more personalized user options.

The Group constantly monitors the level of penetration of new resources as well as changes in the business model related to the distribution of content available, to assess the opportunity to develop the various distribution platforms.

The current publishing scenario, in addition to the negative general economic cycle, may lead to business combinations of publishing groups, with a consequent change in the market structures.

Developments in the regulatory framework are also continually monitored for the media segment and their disclosure within the Group is ensured.

Risks associated with Management and “key staff”

The Group’s success depends on the talents of its executive Directors and other members of Management to efficiently manage the Group and the individual business segments.
Editors and TV personalities, too, have a significant role in the titles they head and the programmes they host.
The loss of the services of an executive Director, editor, TV personality or other key resource without an appropriate substitute, as well as the difficulty in attracting and retaining new and qualified resources, may impact negatively on the prospects, activities, operating and financial results of the Group.

Risks associated with the measurement of intangible assets

The consolidated balance sheet of RCS contains a significant set of intangible assets (Euro 384.8 million at 30 June 2017).
As explained in the note on the “Accounting of the acquisition of RCS under IFRS 3” (Note 14 to the Condensed Consolidated Half-Year Financial Statements), the measurement of the fair value of the liabilities acquired in the business combination of RCS resulted in further intangible assets with indefinite and finite useful life. Specifically, the process saw the recording (replacing the provisionally booked "RCS Group consolidation difference" and goodwill amounting to Euro 39.1 million previously recognized at 31 December 2016) of (i) previously unrecognized intangible assets (mainly titles/trademarks) of Euro 407.8 million, Euro 348.8 million of which with indefinite useful life, and Euro 59 million with finite life, and (ii) goodwill of Euro 191.4 million, determined using the “full goodwill” method.
At 30 June 2017, the Group held intangible assets for a total of Euro 1,009 million.
Intangible assets should be regularly subject to measurement, in accordance with international accounting standards, in order to verify their recoverable carrying amount and ensure their consistency with the carrying amounts in the financial statements (impairment test).

With regard to the Cairo Network mux, the transmission of the terrestrial radio television signal is, to date, the most common transmission system used at national level. However, any increase in the distribution of alternative transmission means (for example satellite, cable or Internet) could lead to a reduction in demand for transmission capacity, and therefore make it harder for the Cairo Communication Group to offer third parties the mux bandwidth it does not use for its own television activities, with negative effects on the operating results and financial position of the Cairo Communication Group.

Risks associated with extraordinary transactions

In 2016, without prejudice to the equity and legal independence of Cairo Communication and of RCS, Cairo Communication acquired control of RCS, now part of the scope of consolidation of Cairo Communication.

RCS posted negative results from 2011 to 2015, and is now undergoing operational restructuring (aimed at restoring profitability), with its future results being uncertain as they depend on the actual fulfilment of the restructuring plan.

In 2016, net profit amounted to Euro 3.5 million[9], marking a return to positive territory by the RCS Group, the first time since 2010; in 1H17, after nine years, RCS swung back to profit in the first half of the year (Euro 24 million in its 2017 Half-Year Financial Report). The relaunch plan of RCS provides, *inter alia*, for a stringent programme to reduce costs and achieve full potential for revenue growth, in order to allow RCS to improve its financial and income situation.

However, given the adverse macroeconomic environment, failure to achieve or partial achievement of the targets set by the Cairo Communication industrial project and/or in the event these targets may take longer than expected, could also result in adverse effects on the profitability of the Cairo Communication Group and on its balance sheet, income statement and financial position.

Risks associated with litigation

The notes on “Other information” (Note 25 to the condensed consolidated half-year financial statements) contain information on a number of cases. The evaluation of potential legal and tax liabilities, which requires the Company to use estimates and assumptions, is based on forecasts

[9] RCS 2016 Annual Financial Report

made by the Directors, following opinions expressed by the Company's legal and tax advisers on the probable cost that is reasonably considered to be incurred. Actual results may vary from these estimates.

Financial risks

The Group manages capital structure and financial risks consistent with its asset structure, in order to maintain adequate and consistent credit ratings and capital ratio levels, taking account of the current credit availability in the Italian system.

The notes on "Information on financial risks" (Note 28 to the condensed consolidated half-year financial statements) contain information on liquidity risk, interest rate risk and credit risk.

Other information

Human resources

Because of the nature of its business activities, human resources play a critical role in the success of the Group. The evaluation of staff, the development of their abilities and the recognition of their achievements and responsibilities are the principles which govern personnel management, from the selection phase, which is facilitated by the high degree of the Group's visibility and its ability to attract personnel.

The exact headcount of the Group at 30 June 2017 is shown below, broken down by role and geographical area:

	CAIRO LIKE-FOR-LIKE BASIS		RCS		TOTAL
	MEN	WOMEN	MEN	WOMEN	
Senior managers	28	2	59	17	106
Editors	5	2	33	11	51
Managers	48	31	148	113	340
Employees	223	223	653	816	1.915
Blue-collar workers	0	2	217	20	239
Journalists and freelance	103	138	781	493	1.515
TOTAL	**407**	**398**	**1.891**	**1.470**	**4.166**

	ITALY		ABROAD		TOTAL
	MEN	WOMEN	MEN	WOMEN	
Senior managers	72	13	15	6	106
Editors	32	9	6	4	51
Managers	152	114	44	30	340
Employees	564	654	312	385	1.915
Blue-collar workers	182	16	35	6	239
Journalists and freelance	566	418	318	213	1.515
TOTAL	**1.568**	**1.224**	**730**	**644**	**4.166**

With regard to the Cairo Communication Group on a like-for-like basis, most of the employees (490) work in the TV segment, followed (221) by the magazine and book publishing segment. The advertising segment employs 92 people and draws on a sales force of approximately 100 agents (direct and indirect) coordinated by senior sales managers and staff who, together with their staff, also ensure coordination with the editors and the promotion of special initiatives.
Regarding RCS, the headcount at 30 June 2017 amounted to 3,361 employees, 1,374 working abroad.
The Group is committed to pursuing health and safety objectives at the workplace. There were no accidents in the workplace or charges for occupational diseases during the year.

Events occurring after 1H17 and business outlook

After the reporting period, on 4 August 2017, in execution of the term sheet concluded on 4 July 2017 with Intesa Sanpaolo S.p.A., RCS concluded a loan agreement with a pool of banks: Banca IMI S.p.A. as Organizing Bank, Agent and Coordinator, Intesa Sanpaolo S.p.A. as Lender and Banca Popolare di Milano S.p.A., Mediobanca – Banca di Credito Finanziario S.p.A., UBI Banca S.p.A. and UniCredit S.p.A. as Organizing Banks and Lenders.
The new agreement provides for a loan of Euro 332 million expiring on 31 December 2022, which will be used to fully refinance the bank loan under the agreement initially concluded by RCS on 14 June 2013 with a pool of banks, amended on several occasions (the latest on 16 June 2016).
The main terms and conditions of the loan are, *inter alia*, the following:

a) the breakdown of the loan into an amortizing term facility of Euro 232 million and a revolving credit line of Euro 100 million;
b) an annual interest rate equal to the sum of the benchmark Euribor and a variable spread, depending on the Leverage Ratio, which is more favourable for the company than the spreads set out in the current loan.
c) a single covenant based on a Leverage Ratio (i.e., Net debt/EBITDA). The covenant must not exceed (i) 3.45x at 31 December 2017, (ii) 3.25x at 31 December 2018, and (iii) 3x at 31 December of each following year;
d) a repayment schedule for the amortizing term facility, which sets out the repayment of Euro 15 million at 31 December 2017 followed by six-month instalments of Euro 12.5 million.

The loan agreement envisages compulsory early repayment, statements, obligations, withdrawal and materiality threshold clauses that are, altogether, more favourable for RCS than the previous loan agreement. These clauses apply, for instance, to treasury agreements and intra-group loans and guarantees, acquisitions, joint ventures, investments and reorganization, financial debt assumption, transfers and share capital reduction.

Against a persistently uncertain backdrop, in 1H17:

- the relaunch of RCS continued, whose margins rose sharply versus 1H16, in line with the forecasts on 2017 performance targets, specifically with gross operating profit (EBITDA) of Euro 73.6 million[10] in the consolidated financial statements of Cairo Communication, rising sharply by Euro 34.9 million[11] versus 1H16; the results achieved by RCS, back to profit after nine years in the first half of the year (Euro 24 million, as shown in its 2017 Half-Year Financial Report), contributed significantly to the growth of the Group's revenue and margins in 1H17;
- the TV publishing segment La7 achieved positive gross operating profit of Euro 3.7 million, up sharply versus 2016 (Euro 0.1 million);
- the magazine publishing segment Cairo Editore posted highly 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 the following months of 2017, 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 development strategy aimed at attracting market segments with greater potential and strengthening and developing the results of recently launched 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;

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10 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 Indicators". As a result of these differences, regarding the provisions for risks and the allowance for impairment, amounting to Euro 4.6 million in the period - EBITDA shown in the RCS Half-Year Financial Report at 30 June 2017, approved on 3 August 2017, amounted to Euro 69 million.

11 Comparison based on the RCS Half-Year Financial Report at 30 June 2017, approved on 3 August 2017 and available on the website www.rcsmediagroup.it

- work towards developing its activities in the TV publishing segment, forecast to achieve a positive gross operating profit (EBITDA) also in 2017, up versus 2016.

Regarding RCS, on the approval of the Half-Year Report at 30 June 2017, on 3 August 2017, the RCS directors confirmed, in the absence of events unpredictable at this time, the 2017 performance targets, including EBITDA of approximately Euro 140 million[12], growth in net profit and positive, growing cash flows.

However, developments in the overall economic climate and in the core segments could affect the full achievement of these targets.

For the Board of Directors

Chairman Urbano Cairo

[12] 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 Indicators”

CAIRO COMMUNICATION

Condensed consolidated half-year financial statements

at 30 June 2017

INCOME STATEMENT

€ millions	Notes	Half-year ended 30 June 2017	Half-year ended 30 June 2016
Revenue	1	581.5	116.8
Other revenue and income	2	12.3	4.0
Change in inventory of finished products	3	(0.2)	(0.1)
Raw materials, consumables and supplies	4	(52.3)	(10.4)
Services	5	(252.2)	(62.2)
Use of third-party assets	6	(29.8)	(6.6)
Personnel expense	7	(164.4)	(32.7)
Income (loss) on investments		0.4	-
Amortization, depreciation, provisions and impairment losses	8	(32.0)	(4.9)
Other operating costs	9	(10.1)	(1.0)
EBIT		**53.2**	**3.1**
Income / (loss) on investments	10	1.2	-
Net financial income / (charges)	10	(13.1)	0.3
Pre-tax profit		**41.3**	**3.4**
Income tax	11	(10.6)	0.7
Profit from continuing operations		**30.7**	**4.1**
Loss from discontinued operations		-	-
Profit for the period		**30.7**	**4.1**
- Owners of the parent		19.9	4.1
- Non-controlling interests - continuing operations		10.8	-
		30.7	**4.1**
Earnings per share (euro)			
- Earnings per share - continuing and discontinued operations	13	0.229	0.052
- Earnings per share - continuing operations	13	0.229	0.052

STATEMENT OF COMPREHENSIVE INCOME

€ millions	Half-year ended 30 June 2017	Half-year ended 30 June 2016
Profit for the period	**30.7**	**4.1**
Reclassifiable items of the comprehensive income statement		
Reclassification of profit (loss) from translation of financial statements in foreign currencies	(0.1)	-
Gains (losses) on cash flow hedges	(0.5)	-
Reclassification of profit (loss) on cash flow hedges	2.0	-
Non-reclassifiable items of the comprehensive income statement		
Actuarial profit (loss) from defined benefit plans	-	(0.3)
Tax effect	-	0.1
Total comprehensive income for the period	**32.1**	**3.8**
- Owners of the parent	20.8	3.8
- Non-controlling interests - continuing operations	11.3	0.0
	32.1	**3.8**

STATEMENT OF FINANCIAL POSITION

Assets

€ millions	Notes	30 June 2017	31 December 2016
Property, investment properties, plant and equipment	15	104.0	111.4
Intangible assets	16	1,009.0	1,017.8
Investments	17	52.2	53.6
Non-current financial receivables	17	4.3	4.4
Other non-current assets	17	15.5	15.5
Deferred tax assets	18	119.5	126.2
Total non-current assets		**1,304.5**	**1,328.9**
Inventory	19	20.3	20.3
Trade receivables	19	307.8	316.1
Receivables from parents, associates and affiliates	19	22.3	20.9
Sundry receivables and other current assets	19	51.9	48.8
Other current financial assets	17	4.4	1.2
Cash and cash equivalents	23	114.5	124.8
Total current assets		**521.2**	**532.1**
Total assets		**1,825.7**	**1,861.0**

The balance sheet figures at 31 December 2016, shown for comparative purposes in this Half-Year Financial Report, have been adjusted to those presented in the Annual Financial Report at 31 December 2016 to retrospectively reflect the financial effects resulting from the completion of the determination of the fair value of the RCS Group consolidated assets and liabilities at the acquisition date required in the application of the "acquisition method" under IFRS 3.

Equity and liabilities	Notes	30 June 2017	31 December 2016
Share capital		7.0	7.0
Share premium reserve		242.9	242.9
Prior-year earnings (losses) and other reserves		89.2	73.5
Profit for the period		19.9	21.4
Equity attributable to the owners of the parent		**359.0**	**344.8**
Non-controlling interests' share capital and reserves		**230.8**	**221.0**
Total equity	24	**589.8**	**565.8**
Non-current financial payables and liabilities	23	368.5	368.5
Post-employment benefits	21	52.4	53.3
Provisions for non-current risks and charges	22	30.4	36.3
Deferred tax liabilities	22	178.2	177.6
Other non-current liabilities	20	1.4	3.3
Total non-current liabilities		**630.9**	**639.0**
Current financial payables and liabilities	23	96.0	110.1
Trade payables	19	329.7	349.6
Payables to parents, associates and affiliates	19	10.2	20.8
Tax liabilities	19	21.9	16.4
Current portion of provisions for risks and charges	22	41.0	44.6
Sundry payables and other current liabilities	19	106.2	114.7
Total current liabilities		**605.0**	**656.2**
Total liabilities		**1,235.9**	**1,295.2**
Total equity and liabilities		**1,825.7**	**1,861.0**

STATEMENT OF CASH FLOWS

€ millions	Half-year ended 30 June 2017	Half-year ended 30 June 2016
CASH AND CASH EQUIVALENTS OPENING BALANCE	**124.8**	**125.8**
OPERATING ACTIVITIES		
Profit	30.7	4.1
Amortization/Depreciation	27.1	4.8
Net financial income	13.1	(0.3)
Income tax	10.6	(0.7)
Change in post-employment benefits	(0.9)	0.2
Change in provisions for risks and charges	(8.9)	(2.6)
Cash flow from operating activities before changes in working capital	**71.7**	**5.5**
(Increase) decrease in trade and other receivables	3.8	2.0
Increase (decrease) in trade payables and other liabilities	(40.9)	3.1
(Increase) decrease in inventory	-	0.1
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	**34.6**	**10.7**
Income tax received (paid)	1.6	(0.6)
Financial charges paid	(14.7)	(0.1)
TOTAL NET CASH FROM OPERATING ACTIVITIES (A)	**21.5**	**10.0**
INVESTING ACTIVITIES		
(Acquisition) disposal net of PPE and intangible assets	(10.9)	(4.5)
Interest and financial income received	1.6	0.5
Net increase in other non-current assets	1.5	0.7
NET CASH USED IN INVESTING ACTIVITIES (B)	**(7.8)**	**(3.3)**
FINANCING ACTIVITIES		
Dividends paid	(6.7)	(15.7)
Re-measurement of defined benefit plans inclusive of tax effect	-	(0.3)
(Increase) decrease in current financial assets	(3.2)	-
Increase (decrease) in financial payables	(14.1)	(2.5)
Increase (decrease) in non-controlling interests' share capital and reserves	(1.0)	-
Other changes in equity	1.0	-
NET CASH USED IN FINANCING ACTIVITIES (C)	**(24.0)**	**(18.5)**
CASH FLOW FOR THE PERIOD (A)+(B)+(C)	**(10.3)**	**(11.8)**
NET CASH AND CASH EQUIVALENTS CLOSING BALANCE	**114.5**	**114.0**

STATEMENT OF CHANGES IN EQUITY

€ millions	Share capital	Share premium reserve	Prior-year earnings (losses) and other reserves	Profit for the period	Equity attributable to the owners of the parent	Non-controlling interests' share capital and reserves	Total
Balance at 31 December 2014	**4.1**	**41.1**	**57.3**	**23.8**	**126.3**	**0.1**	**126.4**
Allocation of profit			23.8	(23.8)	**0**		**0**
Dividend distribution		(10.6)	(10.6)		**(21.2)**		**(21.2)**
Total comprehensive income for the period				11.1	**11.1**		**11.1**
Balance at 31 December 2015	**4.1**	**30.5**	**70.5**	**11.1**	**116.2**	**0.1**	**116.3**
Allocation of profit			11.1	(11.1)	**0.0**		**0.0**
Dividend distribution		(7.6)	(8.1)		**(15.7)**		**(15.7)**
Share capital increase	2.9	224.1			**227.0**		**227.0**
Ancillary costs to the capital increase net of the tax effect		(4.1)			**(4.1)**		**(4.1)**
Change in the scope of consolidation					**0.0**	33.1	**33.1**
Other movements					**0.0**		**0.0**
Total comprehensive income for the period				20.2	**20.2**	9.8	**30.0**
Balance at 31 December 2016	**7.0**	**242.9**	**73.5**	**20.2**	**343.6**	**43.0**	**386.6**
Effects from the completion of the purchase price allocation of RCS				1.2	1.2	178.0	**179.2**
Adjusted balance at 31 December 2016	**7.0**	**242.9**	**73.5**	**21.4**	**344.8**	**221.0**	**565.8**
Allocation of profit			21.4	(21.4)	**0.0**		**0.0**
Dividend distribution			(6.7)		**(6.7)**		**(6.7)**
Other movements			0.1		**0.1**	(1.0)	**(0.9)**
Reclassifiable items of the comprehensive income statement			0.9	(0.9)	**0.0**	(0.5)	**(0.5)**
Total comprehensive income for the period				20.8	**20.8**	11.3	**32.1**
Balance at 30 June 2017	**7.0**	**242.9**	**89.2**	**19.9**	**359.0**	**230.8**	**589.8**

INCOME STATEMENT PURSUANT TO CONSOB RESOLUTION no. 15519 OF 27 JULY 2006

€ millions	Period ended 30 June 2017	related parties (*)	% of total	Period ended 30 June 2016	related parties (*)	% of total
Revenue	581.5	106.6	18.3%	116.8	0.1	0.1%
Other revenue and income	12.3	-	-	4.0	0.0	0.2%
Change in inventory of finished products	(0.2)	-	-	(0.1)		
Raw materials, consumables and supplies	(52.3)	-	-	(10.4)		
Services	(252.2)	(22.3)	8.8%	(62.2)	(1.2)	1.9%
Use of third-party assets	(29.8)	-	-	(6.6)	-	-
Personnel expense	(164.4)	-	-	(32.7)	-	-
Income (loss) on investments	0.4	-	-	-		
Amortization, depreciation, provisions and impairment lo:	(32.0)	-	-	(4.9)	-	-
Other operating costs	(10.1)	-	-	(1.0)	-	-
EBIT	**53.2**			**3.1**	-	
Income / (loss) on investments	1.2	-	-		-	-
Net financial income / (charges)	(13.1)	(0.8)	6.1%	0.3	-	-
Pre-tax profit	**41.3**			**3.4**	-	-
Income tax	(10.6)	-	-	0.7	-	-
Profit from continuing operations	**30.7**	-	-	**4.1**	-	-
Loss from discontinued operations	-	-	-	-	-	-
Profit for the period	**30.7**	-	-	**4.1**	-	-

(*) Related party transactions are analyzed in Note 26

STATEMENT OF FINANCIAL POSITION PURSUANT TO CONSOB RESOLUTION no. 15519 OF 27 JULY 2006

€ millions

Assets	**30 June 2017**	**related parties (*)**	**% of total**	**31 December 2016**	**related parties (*)**	**% of total**
Property, investment properties, plant and equipment	104.0			111.4		
Intangible assets	1,009.0			1,017.8		
Investments	52.2			53.6		
Non-current financial receivables	4.3			4.4		
Other non-current assets	15.5			15.5		
Deferred tax assets	119.5			126.2		
Total non-current assets	**1,304.5**			**1,328.9**		
Inventory	20.3			20.3		
Trade receivables	307.8	1.5	0.5%	316.1	1.4	0.4%
Receivables from parents, associates and affiliates	22.3	22.1	99.1%	20.9	20.9	100.0%
Sundry receivables and other current assets	51.9			48.8		
Other current financial assets	4.4	3.9	88.6%	1.2	0.1	8.3%
Cash and cash equivalents	114.5			124.8		
Total current assets	**521.2**			**532.1**		
Total assets	**1,825.7**			**1,861.0**		

Equity and liabilities	**30 June 2017**	**related parties (*)**	**% of total**	**31 December 2016**	**related parties (*)**	**% of total**
Share capital	7.0			7.0		
Share premium reserve	242.9			242.9		
Prior-year earnings (losses)	89.2			73.5		
Profit for the period	19.9			21.4		
Equity attributable to the owners of the parent	**359.0**			**344.8**		
Non-controlling interests' share capital and reserves	230.8			221.0		
Total equity	**589.8**			**565.8**		
Non-current financial payables and liabilities	368.5	11.5	3.1%	368.5	12.3	3.3%
Post-employment benefits	52.4			53.3		
Provisions for non-current risks and charges	30.4			36.3		
Deferred tax liabilities	178.2			177.6		
Other non-current liabilities	1.4			3.3		
Total non-current liabilities	**630.9**			**639.0**		
Current financial payables and liabilities	96.0	5.2	5.4%	110.1	12.5	11.4%
Trade payables	329.7	0.1	0.0%	349.6		
Payables to parents, associates and affiliates	10.2	9.1	89.2%	20.8	20.8	100.0%
Tax liabilities	21.9			16.4		
Current portion of provisions for risks and charges	41.0			44.6		
Sundry payables and other current liabilities	106.2			114.7		
Total current liabilities	**605.0**			**656.2**		
Total liabilities	**1,235.9**			**1,295.2**		
Total equity and liabilities	**1,825.7**			**1,861.0**		

(*) Related party transactions are analyzed in Note 26

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

Basis of preparation

The Group's condensed consolidated half-year financial statements have been prepared in accordance with IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and approved by the European Union in accordance with Regulation no. 1606/2002. The term IFRS is used to also mean the International Accounting Standards (IAS) still in effect, and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

These condensed consolidated half-year financial statements have been prepared in summary form in accordance with IAS 34 – *Interim financial reporting*. They do not contain all the information required for the Annual Report and should, therefore, be read together with the Annual Report for the year ended 31 December 2016.

The same accounting standards applied to prepare the Group's consolidated financial statements for the year ended 31 December 2016, have been applied to prepare these condensed consolidated half-year financial statements; there are no new accounting standards, amendments and interpretations applicable for the first time beginning from January 2017. The Group has not adopted the accounting standards in advance, which come into effect as from 2018.

The preparation of the condensed consolidated half-year financial statements has required Management to make estimates and assumptions affecting the value of revenue, costs, assets and liabilities and the information relating to contingent assets and liabilities at the date of the interim financial statements. These estimates and assumptions have been based on Management's best evaluation. Should they, in the future, differ from the circumstances in effect at that time, they will be modified appropriately in the period in which the change in circumstances is recorded.

It should also be noted that these evaluation processes, specifically the more complex ones, such as those relating to the calculation of potential impairment of non-current assets, are generally carried out in their entirety during the preparation of the year-end financial statements when all necessary information is available, unless impairment indicators exist which require an immediate evaluation of the potential impairment.

In general, no significant seasonal or cyclical fluctuations in sales revenue from Group activities exist between the first six months and the second six months of the financial year.

Income tax is recognized on the basis of the best estimate of the weighted average rate expected for the entire financial year.

The currency of these consolidated financial statements is the Euro, used as the functional currency by most Group companies. Unless otherwise indicated, all amounts are expressed in millions of Euro.

Mention should be made that (i) at the date of preparing the Annual Financial Report at 31 December 2016, the determination of the fair value of the RCS Group consolidated assets and liabilities at the acquisition date required in the application of the "acquisition method" under IFRS 3, was still in progress, and that (ii) given that RCS prepared the first monthly close after the date of completion of the transaction at 31 August 2016, the first-time consolidation date coincided with such date. As explained in Note 14 above, the balance sheet figures at 31 December 2016, shown for comparative purposes in this Half-Year Financial Report, have been accordingly adjusted to those presented in the Annual Financial Report at 31 December 2016 to retrospectively reflect the operating and financial effects resulting from the completion of the process at acquisition date. The income statement for the six months ended 30 June 2016, shown for comparative purposes, has, instead, not required adjustments since the closing date of the reporting period comes before the first-time consolidation date of the RCS Group.

Accounting standards, amendments and interpretations effective as from 1 January 2017

There are no new accounting standards, amendments and interpretations applicable for the first time beginning from 1 January 2017.

Accounting standards, amendments and interpretations approved by the EU and applicable from financial periods after 1 January 2017

IFRS 15 - *Revenue from contracts with customers*

The standard, published by the IASB in May 2014, amended in April 2016 and approved by the European Commission in September 2016, introduces a general model to determine whether, when and to what extent revenue is recognized. The standard supersedes the recognition criteria set out in IAS 18 - *Revenue*, IAS 11 - *Construction contracts*, IFRIC 13 - *Customer Loyalty Programmes*, IFRIC 15 - *Agreements for the Construction of Real Estate*, IFRIC 18 - *Transfers of Assets from Customers*, and SIC-31 - *Revenue: Barter Transactions Involving Advertising Services*.

IFRS 15 applies to financial periods beginning on or after 1 January 2018 (following the amendment issued in September 2015, which extended the date of application one year later than originally planned on 1 January 2017); early adoption is allowed. On first-time adoption, IFRS 15 is applied retrospectively. Certain simplifications are, however, applicable ("practical expedients"), as well as a different approach ("cumulative effect approach") that avoids the restatement of annual periods presented in comparative information; in the latter case, the effects arising from the application of the new standard should be recognized in the initial equity of the first annual period for which IFRS 15 is applied. Following the amendment issued in April 2016, the IASB clarified a number of provisions and also provided further simplifications in order to reduce costs and complexity for first-time adopters of the new standard.

The Group is carefully analyzing the impacts on the financial statements arising from the application of the new provisions of IFRS 15. The first phase of the project identified, from an IFRS 15 perspective, the relevant revenue streams and the relating accounting methods. Potential impacts have been mainly, but not exclusively, identified on the presentation of cost/revenue resulting from the evaluation of the principal/agent role in advertising. To date, such impacts cannot reasonably be estimated yet before completion of the above analysis.

IFRS 9 – *Financial instruments*

The standard, published by the IASB in July 2014 and approved by the European Commission in November 2016, supersedes IAS 39 - *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new provisions for the classification and measurement of financial instruments, including a new model for expected losses in the calculation of impairment losses on financial assets, and new general provisions for hedge accounting. It also includes provisions for the recognition and derecognition of financial instruments in accordance with the current IAS 39. The new standard will be applicable from 1 January 2018; early adoption is allowed. As a general rule, under IFRS 9, the standard must be applied prospectively, although certain exceptions are allowed.

Assessments are being made to check the impacts arising from the application of IFRS 9 on the consolidated financial statements.

Accounting standards, amendments and interpretations yet to be approved by the EU and applicable from financial periods after 1 January 2017

IFRS 14 *Regulatory Deferral Accounts*

IFRS 14, published by the IASB in January 2014, allows only first-time adopters of IFRSs to continue to recognize the amounts relating to regulatory accounts according to previously adopted accounting standards. In order to improve comparability with the entities that already apply the IFRSs and do not recognize these amounts, the standard requires the balances recognized for the purposes of regulatory accounts to be presented separately from the other items. Mention should be made that the approval process by the European Union has been suspended.

Amendment to IFRS 10 *Consolidated financial statements* and IAS 28 *Investments in associates and joint ventures*

The amendment issued by the IASB in September 2014 highlights the changes to address an inconsistency in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the changes is that a full gain or loss is recognized when a transaction involves a business. With a further adjustment in December 2015, the IASB cancelled the previous date of first-time application set for 1 January 2016, deciding to determine it at a later date.

IFRS 16 – *Leases*

In January 2016, the IASB published IFRS 16 *Leases*. The new standard provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset to distinguish lease contracts from service contracts, identifying the following as discriminants: identification of the asset, right to replace the asset, right to substantially obtain all of the economic benefits resulting from the use of the asset, and right to direct the use of the asset underlying the contract. The standard introduces a single lessee accounting model, by which an asset under a lease, including an operating or finance lease, is recognized in assets with an offsetting financial liability. The model also provides the possibility of not recognizing as leases those contracts regarding low-value assets and leases with a term of 12 months or less. Conversely, the standard introduces no material changes for the lessor.

The standard is applicable as of 1 January 2019, but early adoption is allowed only for those companies that have applied IFRS 15 *Revenue from Contracts with Customers* in advance.

Amendment to IAS 12 - *Recognition of deferred tax assets for unrealized losses*

The amendment issued by the IASB in January 2016 aims to provide clarification on the recognition of deferred tax assets on unrealized losses.

The changes intend to specify the application of existing standards in IAS 12 to the issue in question. Specifically, the changes clarify that unrealized losses arising from the foregoing circumstances generate deductible temporary differences, regardless of the entity's decision to recover the carrying amount of the asset by holding the asset until maturity or through its disposal.

The changes clarify that when estimating taxable income for future years, the entity may assume that the asset value will be recovered at a higher amount than its carrying amount, only where the recoverability of such higher amount is likely (i.e., calculation of the debt instrument with collection of the contractual cash flows). All these facts and circumstances should be taken into consideration when an entity makes such an assessment.

The IASB has set entry into force as from 1 January 2017; since the European Union has yet to complete the endorsement process, the amendments have not been applied yet.

Amendment to IAS 7 - *Statement of Cash Flows*: Initiative for enhanced disclosure

In January 2016, the IASB issued an amendment to IAS 7 "*Statement of cash flows*".

The amendment aims to provide clarification to improve disclosures on financial liabilities. Specifically, the changes require entities to disclose information that enables financial statement users to understand the changes in liabilities arising from financing operations, including changes resulting from currency and non-monetary movements.

The changes require entities to disclose information that enables financial statement users to understand the changes in liabilities (and any related assets) recognized in the statement of financial position, the cash flows of which are or will be recognized in the statement of cash flows as cash flows from financing activities.

The IASB has set entry into force as from 1 January 2017; since the European Union has yet to complete the endorsement process, the amendments have not been applied yet.
Entities need not provide comparative information relating to prior years.

Amendment to IFRS 2 - *Classification and Measurement of Share-based Payment Transactions*

In June 2016, the IASB published the changes to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*, which aim to clarify the classification of certain types of share-based payment transactions.
The changes apply as from 1 January 2018. Early adoption is allowed.

Improvements to IFRS: 2014-2016 Cycle

In December 2016, the IASB published "*Annual Improvements to IFRS Standards*: *2014-2016 Cycle*"; the main amendments regard:

- IFRS 1 - *First-time Adoption of International Financial Reporting Standards* - The amendments delete a number of exemptions provided by IFRS 1, as they have not served their intended purpose. The amendments apply to financial periods beginning on 1 January 2018.
- IFRS 12 – *Disclosure of Interests in Other Entities* - The amendment clarifies the scope of IFRS 12 by specifying that the disclosure requirements in the standard apply to an entity's interests classified as interests held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5. The purpose of the amendment is to provide consistency between the disclosure required by IFRS 5 and IFRS 12. The amendments apply to financial periods beginning on 1 January 2017.
- IAS 28 – *Investments in Associates and Joint Ventures* - The amendment clarifies that the election to measure at fair value through profit or loss (rather than at equity) an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The amendments apply to financial periods beginning on 1 January 2018.

IFRIC *Interpretation 22 Foreign Currency Transactions and Advance Consideration*

In December 2016, the IASB published "IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration" to provide indications on how an entity shall determine the date of a transaction, and consequently the exchange rate to be used when foreign currency transactions take place, in which payment is made or received in advance.
The amendments apply to financial periods beginning on 1 January 2018.

Amendment to IAS 40 *Investment Property*: *Transfer of Investment Property*

In December 2016, the IASB published "*Amendment to IAS 40 Investment Property*: *Transfer of Investment Property".* The amendments provide clarification on the transfers of an asset to, or from, investment property.

Based on these amendments, an entity shall reclassify an asset among, or from, investment property only when the asset meets, or ceases to meet, the definition of "investment property" and there has been an evident change in the use of the asset. This change must be tied to a specific event that has occurred and, thus, should not be limited to a change in Management's intentions for the use of the asset.

The amendments apply to financial periods beginning on 1 January 2018, but early adoption is allowed only if the amounts can be estimated.

IFRIC 23 - *Uncertainty over Income Tax Treatments*

In June 2017, the IASB published the interpretation IFRIC 23 - Uncertainty over Income Tax Treatments. The interpretation clarifies the application of recognition and measurement requirements under IAS 12 *Income Taxes* when there is uncertainty over income tax treatment.

The amendments apply to financial periods beginning on 1 January 2019.

The Group will adopt these new standards, amendments and interpretations based on their date of application, and will assess the potential impacts following approval by the European Union.

Form and content of the financial statements

The **consolidated income statement** is presented by nature, highlighting interim operating results and pre-tax results, in order to allow a better measurement of the results from normal operations. Furthermore, cost and revenue components deriving from events or transactions which, by their nature or size are considered non-recurring, are also separately identified in the financial statements and the notes in accordance with the definition of non-recurring events and transactions held in Consob Communication No. 6064293 of 28 July 2006.

The income statement effect of discontinued operations is shown in a single line of the income statement entitled "Profit/loss from discontinued operations", under IFRS 5.

The **consolidated statement of comprehensive income** also reflects the "*changes arising from transactions with non-owners*" - separately showing the relevant tax effects, that is:

- profit and loss that could be directly recognized in equity (for instance actuarial gains and losses from the measurement of defined benefit plans);
- the effects of the measurements of derivative instruments hedging future cash flows;
- the effects of the measurements of available-for-sale financial assets;
- the effects arising from any change in accounting standards.

The consolidated statement of comprehensive income presents the items relating to the amounts of the components of other comprehensive income for the period by nature and grouped into those which, in accordance with the provisions of other IAS/IFRS:

- will not be subsequently reclassified to profit (loss) for the year;
- will be subsequently reclassified to profit (loss) for the year, when certain conditions are met.

The **consolidated statement of financial position** presents separately assets and liabilities divided in current and non-current. Specifically, an asset or a liability is classified as current when it satisfies one of the following criteria:

- it is expected to be realized or settled or it is expected to be sold or utilized in the normal operating cycle of the company;
- it is held principally to be traded;
- it is expected to be realized or settled within 12 months of the reporting date.

Otherwise, the asset or liability is classified as non-current.

The **consolidated statement of cash flows** has been prepared applying the indirect method in which operating profit is adjusted to reflect transactions of a non-monetary nature, for whatever deferral or accrual of previous or future operating receipts or payments and for revenue or cost components connected to cash flows arising from investing or financing activities. Income and charges relating to medium or long-term financial operations and those relating to hedging instruments, and dividends paid are included in financing activities.

The **statement of changes in consolidated equity** shows the variations in equity relating to:

- allocation of profit for the period;
- amounts relating to transactions with owners (purchase and sale of treasury shares);

and separately income and expense defined as "*changes arising from transactions with non-owners*", also shown in the consolidated statement of comprehensive income.

Furthermore in order to comply with Consob Resolution No. 15519 of 27 July 2006 relating to financial statements schedules, specific additional consolidated income statement and consolidated statement of financial position have been added highlighting significant related party transactions in order not to compromise the overall readability of financial statements schedules.

Scope of consolidation

There were no changes to the scope of consolidation from the consolidated financial statements for the year ended 31 December 2016, except for Canali Digitali S.r.l. (in liquidation), previously consolidated line-by-line and deconsolidated as it was liquidated.

The condensed half-year financial statements at 30 June 2017 include the financial statements of the Parent Cairo Communication S.p.A. and the direct or indirect subsidiaries and associates appearing in the annex "List of Investments of the Group at 30 June 2017".

NOTES TO THE CONSOLIDATED INCOME STATEMENT

Regarding the items of the consolidated income statement, there follows an analysis of the main items of cost and revenue for the half-year ended 30 June 2017. The comparative figures at 30 June 2016 refer to the Half-Year Financial Report at 30 June 2016.

Mention should be made that the RCS Group was consolidated in the Cairo Communication Group as from 1 September 2016; the 1H16 consolidated income statement of the Cairo Communication Group, therefore, does not include cost and revenue components attributable to the RCS Group. As a result, the 1H17 consolidated income statement figures cannot be directly compared with the corresponding amounts of the period from 1 January 2016 to 30 June 2016, shown for comparative purposes in this half-year report.

In 1H17, the RCS Group contributed Euro 495.8 million to consolidated gross operating revenue and Euro 14.3 million to consolidated profit attributable to the Cairo Communication Group. The consolidation of the RCS Group as from 1 January 2016 would have produced, in the period ended 30 June 2016, higher consolidated gross operating revenue of Euro 531.2 million, and a deterioration of consolidated profit attributable to the owners of the parent of Euro 1.3 million.

1. Revenue

In order to provide a more detailed view, and in consideration of the specific features of the segment, gross operating revenue, advertising agency discounts and net operating revenue are analyzed below.

(€ millions)	30/06/2017	30/06/2016
Gross operating revenue	621.0	129.4
Advertising agency discounts	(39.5)	(12.6)
Net operating revenue	**581.5**	**116.8**

Revenue is generated mainly in Italy and in Spain. An analysis of revenue by business segment is provided in Note 12.

The breakdown of gross operating revenue can be analyzed as follows:

Description	30/06/2017	30/06/2016
TV advertising	76.7	76.1
Print media and Internet advertising	226.6	14.3
Advertising from sporting events	24.7	-
Stadium signage	1.5	1.4
Revenue from concession of programming schedule spaces	0.4	0.6
Other TV revenue	5.3	0.6
Magazine over-the-counter sales and subscriptions	204.6	36.7
Books and catalogues	2.7	0.3
Other revenue from sporting events	47.5	-
VAT relating to publications	(3.1)	(0.6)
Other revenue	34.1	0.1
Total gross operating revenue	**621.0**	**129.4**

Consolidated gross operating revenue amounted to Euro 621 million, rising sharply versus the figure in 1H16, as a result mainly of the consolidation of the RCS Group, which contributed gross revenue of Euro 495.8 million in 1H17.

In 1H17:

- circulation revenue (including the subscription portion) amounted to Euro 204.6 million, Euro 34.2 million of which attributable to Cairo Editore (versus Euro 36.7 million in 2016) and Euro 170.5 million to the RCS Group;
- gross advertising sales on print media and the Internet amounted to Euro 226.6 million, Euro 12.7 million of which attributable to Cairo Editore titles (Euro 13.3 million in 2016) and Euro 212.9 million to the RCS Group;
- gross advertising sales on La7 and La7d channels amounted to Euro 74 million (Euro 75.5 million in 2016), while the contribution of the Digicast channels of RCS in the reporting period amounted to Euro 1.5 million;
- advertising sales from sporting events, amounting to Euro 24.7 million, and other revenue from sporting events, amounting to Euro 47.5 million, refer mainly to revenue generated by RCS Sport from *Giro d'Italia* and the *Abu Dhabi Tour* in the UAE (anticipated in 1H17), and from Last Lap activities in Spain.

Other revenue, amounting to Euro 34.1 million, mainly includes revenue from the broadcasting of two television channels through the multiplex owned by the subsidiary Unidad Editorial, revenue from direct marketing activities, revenue from betting activities carried out in Spain through the Marca Apuestas platform and other operating revenue.

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2. Other revenue and income

"Other revenue and income" amounted to Euro 12.3 million (Euro 4 million in 2016) and included revenue attributable to the RCS Group (Euro 10.1 million). "Other revenue and income" consists of revenue from pulp and paper sales, prior-year income and release of risk provisions, charging of technical advertising costs, cost recovery, ordinary capital gains and other items of revenue other than from typical revenue.

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3. Change in inventory of finished goods

The item amounts to Euro -0.2 million and arises from the use of the magazine sales during the ordinary course of business relating to Group companies.

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4. Raw materials, consumables and supplies

The details of costs for raw materials, consumables and supplies are as follows:

Description	30/06/2017	30/06/2016
Paper	36.3	10.1
Set design materials	-	0.1
Finished products, equipment and sundry materials	16.0	0.2
Total raw materials, consumables and supplies	**52.3**	**10.4**

The item, amounting to Euro 52.3 million, refers mainly to the publishing activities of Cairo Editore, of La7, and of the RCS Group, and increases by Euro 41.9 million versus 1H2016, as a result mainly of the consolidation of the RCS Group, which recognized consumption of raw materials, consumables and supplies for a total of Euro 42.7 million.

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5. Services

As shown in the following chart, this item mainly comprises direct costs of advertising agencies, external processing, consultancies and collaborations mainly for bordereau, TV costs, promotion costs, organization costs and overheads. Costs of services are broken down as follows:

Description	30/06/2017	30/06/2016
Direct brokerage costs	26.2	6.2
Technical costs	0.7	0.7
Professional services, consulting and other administrative costs	19.3	1.7
Consultancies and collaborations	25.5	6.9
External processing	46.9	8.5
Transport costs	19.9	0.1
Sub-contracted TV programmes	13.5	14.3
Professional and artistic services and other TV consulting	3.9	5.0
Shooting, crew, editing, and outdoor TV activities	0.5	0.6
News and sport information services and TV news agency	0.8	0.9
TV broadcasting services	0.3	6.9
TV artwork	0.3	0.3
Outdoor TV links	0.5	0.6
Advertising and launch promotion costs	-	1.2
Advertising and promotion	31.8	3.3
Organizational costs and overheads	62.1	5.1
Total services	**252.2**	**62.2**

The item increased by Euro 190 million versus 1H16, as a result mainly of the consolidation of the RCS Group, which resulted in costs of services for a total of Euro 197.5 million. These costs refer mainly to direct costs of the advertising agency for Euro 19.5 million, administrative costs for Euro 17.8 million, collaborations for Euro 19.3 million, external processing for Euro 38.9 million, transport costs for Euro 19.8 million, advertising and promotion expenses for Euro 29 million and organizational costs and overheads for Euro 53.2 million.

"Direct brokerage costs" includes Euro 1.1 million of Torino Football Club S.p.A., a subsidiary of U.T. Communications S.p.A., under the advertising concession agreement with Cairo Pubblicità S.p.A. as explained in Note 26 to related-party transactions.

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6. Use of third-party assets

The item amounts to Euro 29.8 million at 30 June 2017 (Euro 6.6 million at 30 June 2016) and mainly includes lease payments for property, rental and hire fees in the TV segment, rental fees for TV studio equipment and royalties for copyrights.

Description	30/06/2017	30/06/2016
Lease payments for property	11.3	1.7
Rental of TV studios	0.2	0.2
Rental fees for TV studio equipment	0.3	0.3
TV programme rights	0.3	0.5
Sport rights	0.1	0.1
Journalistic rights	0.7	1.5
Copyrights (SIAE, IMAIE, SCF, AFI)	1.7	1.5
Royalty expense and sundry rights	8.0	0.4
Other costs for use of third-party assets	7.2	0.4
Total costs for use of third-party assets	**29.8**	**6.6**

The change versus 1H16, amounting to Euro 23.2 million, was the result mainly of the consolidation of the RCS Group, which resulted in costs for use of third-party assets for a total of Euro 24.1 million in 1H17, consisting mainly of lease payments for property (Euro 9.6 million), literary rights and photographic reports (Euro 7.6 million) and operating leases for the use of office equipment and motor vehicles (Euro 6.8 million).

7. Personnel expense

The item can be analyzed as follows:

Description	30/06/2017	30/06/2016
Wages and salaries	119.8	23.8
Social security charges	37.3	8.3
Post-employment benefits	5.6	0.6
Other personnel expense	1.7	0.1
Total	**164.4**	**32.7**

Personnel expense amounted to Euro 164.4 million (Euro 32.7 million at 30 June 2016), up by Euro 131.7 million versus 1H16, due almost entirely to the consolidation of the RCS Group.

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8. Amortization, depreciation, provisions and impairment losses

This item can be analyzed as follows:

Description	30/06/2017	30/06/2016
Amortization of intangible assets	19.2	4.4
Depreciation of property, plant and equipment	8.0	0.3
Allowance for impairment	2.1	0.2
Provisions for risk and charges	2.7	0.0
Total amortization, depreciation, provisions and impairment losses	**32.0**	**4.9**

The item, amounting to Euro 32 million, increased by Euro 27.1 million versus the prior year, due mainly to the consolidation of the RCS Group.

Mention should be made that:

- the acquisition of La7 S.p.A. had been accounted for under IFRS 3, applying the so-called "acquisition method", taking into account the future income capacity of La7 S.p.A. at the acquisition date. This approach had resulted in the full write-down of non-current assets at the date of acquisition of La7, consisting primarily of TV broadcasting rights, and specific technical equipment, whose value was deemed unrecoverable in view of the income prospects of La7 at the acquisition date. In 1H17, as a result of impairments made in the allocation of the purchase price of the investment in La7 S.p.A. in the consolidated financial statements, with respect to the separate financial statements of La7 S.p.A., lower levels of depreciation of "property, plant and equipment" - Euro 0.6 million - and amortization of “intangible assets” - Euro 1.1 million - were recognized (Euro 0.8 million and Euro 2.3 million in 1H16);
- 1H17 saw the completion of the determination of the fair value of the RCS Group’s consolidated assets and liabilities required in the application of the “acquisition method" under IFRS 3. Under this process, as explained in Note 14 below, the titles Marca and Expansion, which are considered with finite useful life and are amortized over a period of 30 years in the consolidated financial statements of RCS, have been valued with indefinite useful life since, based on the analysis of relevant factors, there is no predictable limit to the length of time over which such titles may cease to generate cash flows for the Group. As a result, 1H17 reported lower amortization of Euro 5 million than the figure recognized in the same period in the Half-Year Financial Report of RCS;
- as explained in Note 14 below, amortization attributable to the amounts allocated to intangible assets (previously unrecognized) with finite useful life under the “acquisition method" in the business combination of RCS, amounted for the period ended 30 June 2017 to Euro 1 million;
- in the business combination of RCS, the fair value was confirmed for a number of Spanish magazines, corresponding to the amount booked in the consolidated financial statements of the RCS Group, net of accumulated amortization. These titles, which have residual useful life of 19

years in the consolidated financial statements of the RCS Group, have been valued with finite useful life of 30 years, taking also into account national and international practice. As a result, 1H17 reported lower amortization of Euro 0.1 million than the figure recognized in the same period in the Half-Year Financial Report of the RCS Group.

Goodwill and titles with indefinite useful life are not amortized, but are tested at least once a year to identify any impairment losses.

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9. Other operating costs

The item, amounting to Euro 10.1 million (Euro 1 million at 30 June 2016), mainly includes tax charges, prior-year expenses and other operating charges. The latter include membership fees, contributions, entertainment expenses, donations and transaction costs, up by Euro 6.4 million versus the prior year due, for Euro 6.2 million, to the consolidation of the RCS Group.

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10. Net financial income

Net financial charges amounted to Euro 13.1 million and include the financial charges of the RCS Group (Euro 13 million). The item includes interest income on fixed-term deposits on current accounts and on treasury bank accounts used to employ liquidity.

"Net financial income" is composed as follows:

Description	30/06/2017	30/06/2016
Interest income on bank and postal accounts	0.2	0.3
Other	1.4	0.1
Total financial income	**1.6**	**0.4**
Bank interest expense	(0.2)	-
Interest income on loans	(7.1)	-
Other financial charges	(7.4)	(0.1)
Total financial charges	**(14.7)**	**(0.1)**
Net financial charges	**(13.1)**	**0.3**

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11. Income tax

This item can be analyzed as follows:

Description	30/06/2017	30/06/2016
IRES	(0.9)	(1.4)
IRAP	(2.7)	0.5
Deferred tax assets	(6.0)	0.2
Deferred tax liabilities	(1.0)	-
Total income tax	**(10.6)**	**(0.7)**

The tax charge for the period considers the estimated benefit arising from the tax loss pertaining to La7 S.p.A.

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12. Segment reporting

For a clearer understanding of the Group's operating performance, the analysis is focused on the results achieved in the half-year period by each business segment, which has been identified, in compliance with IFRS 8 – *Operating segments*, based on internal reporting which is regularly reviewed by Management.

The Group is organized in business units, each in turn structured around specific products and services, and has five reportable business segments:

– **magazine publishing Cairo Editore**, the Group operates as a publisher of magazines and books through its subsidiaries (i) Cairo Editore - which incorporated Editoriale Giorgio Mondadori in 2009 and publishes weeklies "Settimanale DIPIU'" and "DIPIU' TV", supplements "Settimanale DIPIU' e DIPIU'TV Cucina e Stellare", "Diva e Donna", "TV Mia", "Nuovo", "F", "Settimanale Giallo", "Nuovo TV", "Nuovo e Nuovo TV Cucina" and "Enigmistica Più" and monthlies "For Men Magazine", "Natural Style", Bell'Italia", "Bell'Europa", "In Viaggio", "Airone", "Gardenia", "Arte" and "Antiquariato" - and (ii) Cairo Publishing, publisher of books;

– **RCS**, as explained above, in 2016, following the acquisition of the control of RCS, the Group landed in the dailies publishing segment. RCS Group activities fall in a single operating segment. RCS, both directly and indirectly through its subsidiaries, publishes and distributes - in Italy and Spain - daily newspapers and magazines (weeklies and monthlies), and is also involved in print media and online advertising sales, and in the distribution of editorial products at newsstands. In Italy, RCS has also minor operations on the pay TV market through its subsidiary Digicast S.p.A. on the TV satellite channels *Lei*, *Dove*, *Caccia* and *Pesca*, and on the web TV channel of *Corriere della Sera* and *La Gazzetta dello Sport*. In Spain, it is active with the leading national sports radio *Radio Marca* and the web TV of *El Mundo*, and broadcasts the two digital TV channels *GOL Television* and *Discovery max* on the Veo multiplex. RCS also organizes major world sporting events through RCS Sport (*Giro d'Italia*, *Dubai Tour*, *Milano City Marathon* and *Color Run*), and is well-positioned as a partner in the creation and organization of events through RCS Live. In Spain, through its subsidiary Last Lap, RCS is also involved in the organization of mass events;

- **advertising**, the segment managed by Cairo Communication and Cairo Pubblicità, which work together in advertising sales in print media for Cairo Editore and Editoriale Genesis ("Prima Comunicazione"), on TV for La7 and La7d, Turner Broadcasting (Cartoon Network, Boomerang) and LaPresse (Torino Channel), on the Internet and for the sale of stadium advertising spaces at the "Olimpico" football pitch in Turin for Torino FC;
- **TV publishing (La7)**, since 1 May 2013 following the acquisition of La7 S.r.l., the Group has operated as a TV publisher of La7 and La7d broadcasters respectively on channel 7 and channel 29 on the digital terrestrial platform;
- **network operator (Cairo Network)** in 2014, the subsidiary Cairo Network took part in the tender procedure opened by the Ministry of Economic Development for the assignment of rights to use TV frequencies for digital terrestrial broadcasting systems, submitting its binding bid and winning the rights to use a lot of frequencies ("mux") for a period of 20 years. With the acquisition and realization of the mux, the Cairo Communication Group started operations as a network operator.
- **Il Trovatore,** which provides technological services mainly within the Group.

2017 (€ millions)	**Magazine Cairo Editore**	**Advertising**	**TV publishing La7**	**RCS**	**Trovatore**	**Network operator (Cairo Network)**	**Intra and unallocated**	**Total**
Gross operating revenue	43.7	90.9	52.9	495.8	0.5	3.9	(66.7)	621.0
Advertising agency discounts	-	(12.9)	-	(26.7)	-	-	0.1	(39.5)
Net operating revenue	**43.7**	**77.9**	**52.9**	**469.2**	**0.5**	**3.9**	**(66.7)**	**581.5**
Change in inventory	(0.0)	-	-	(0.2)	-	-	-	(0.2)
Other revenue and income	1.6	0.2	0.5	10.1	0.0	0.0	(0.2)	12.3
Total revenue	**45.3**	**78.2**	**53.4**	**479.1**	**0.5**	**4.0**	**(66.9)**	**593.6**
Production cost	(29.2)	(72.4)	(31.3)	(274.2)	(0.5)	(3.6)	66.9	(344.3)
Personnel expense	(10.0)	(4.1)	(18.5)	(131.7)	(0.0)	(0.1)	-	(164.4)
Income (charges) from investments measured at equity	-	-	-	0.4	-	-	-	0.4
Gross operating profit (EBITDA)	**6.1**	**1.6**	**3.7**	**73.6**	**(0.0)**	**0.3**	**-**	**85.2**
Amortization, depreciation, provisions and impairment losses	(0.6)	(0.1)	(4.6)	(25.7)	0.0	(1.1)	-	(32.0)
EBIT	**5.5**	**1.5**	**(0.9)**	**47.9**	**(0.0)**	**(0.8)**	**-**	**53.2**
Income (loss) on investments	-	-	-	1.2	-	-	-	1.2
Net financial income	(0.0)	(0.1)	0.1	(13.0)	(0.0)	(0.0)	-	(13.1)
Pre-tax profit	**5.5**	**1.4**	**(0.8)**	**36.1**	**(0.0)**	**(0.8)**	**-**	**41.3**
Income tax	(1.6)	(0.9)	0.7	(9.1)	(0.0)	0.2	-	(10.6)
Profit for the period	**3.9**	**0.6**	**(0.1)**	**27.0**	**(0.0)**	**(0.6)**	**-**	**30.7**
Non-controlling interests	**-**	**-**	**-**	**(10.8)**	**-**	**-**	**-**	**(10.8)**

2016 (€ millions)	Magazine Cairo Editore	Advertising	TV publishing La7	RCS	Trovatore	Network operator (Cairo Network)	Intra and un allocated	Total
Gross operating revenue	46.6	88.7	54.8	-	0.5	0.5	(61.7)	129.4
Advertising agency discounts	-	(12.7)	-	-	-	-	-	(12.7)
Net operating revenue	**46.6**	**76.0**	**54.8**	**-**	**0.5**	**0.5**	**(61.7)**	**116.7**
Change in inventory	(0.1)	-	-	-	-	-	-	(0.1)
Other revenue and income	1.4	0.4	2.2	-	0.0	0.1	-	4.1
Total revenue	**48.0**	**76.4**	**57.0**	**-**	**0.5**	**0.6**	**(61.7)**	**120.7**
Production cost	(31.7)	(70.6)	(38.5)	-	(0.5)	(0.5)	61.7	(80.1)
Personnel expense	(10.0)	(4.2)	(18.4)	-	-	(0.1)	-	(32.7)
Income (charges) from investments measured at equity	-	-	-	-	-	-	-	-
Gross operating profit (EBITDA)	**6.3**	**1.6**	**0.1**	**-**	**0.0**	**(0.0)**	**-**	**7.9**
Amortization, depreciation, provisions and impairment losses	(0.5)	(0.1)	(4.2)	-	-	-	-	(4.8)
EBIT	**5.8**	**1.5**	**(4.1)**	**-**	**0.0**	**(0.0)**	**-**	**3.1**
Income (loss) on investments	-	-	-	-	-	-	-	-
Net financial income	(0.0)	-	0.3	-	(0.0)	-	-	0.3
Pre-tax profit	**5.8**	**1.5**	**(3.8)**	**-**	**-**	**(0.0)**	**-**	**3.4**
Income tax	(2.0)	(0.7)	3.4	-	(0.0)	0.0	-	0.7
Profit for the period	**3.8**	**0.8**	**(0.4)**	**-**	**(0.0)**	**(0.0)**	**-**	**4.1**
Non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Management monitors the operating results of business units separately in order to decide on the allocation of resources and the evaluation of results. Transfer prices between business segments are established based on market conditions applicable in transactions with third parties.

Total assets for each reportable segment are not provided, as they are not usually reviewed periodically by the chief operating decision-maker.

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13. Earnings per share

Earnings per share are calculated dividing the profit/loss attributable to the owners of the parent by the weighted average of outstanding shares, excluding the weighted average of treasury shares held. Specifically:

Description	30/06/2017	30/06/2016
€ millions		
Profit from continuing operations attributable to the owners of the parent	30.7	4.1
Profit / (loss) from discontinued operations	-	-
Profit for the period	**30.7**	**4.1**
Weighted average number of shares outstanding	134,416,598	78,343,400
Weighted average number of treasury shares	(779)	(779)
Weighted average number of shares to calculate earnings per share	**134,415,819**	**78,342,621**
Euro:		
Earnings per share attributable to continuing operations	0.229	0.052
Net earnings per share	**0.229**	**0.052**

NOTES TO THE STATEMENT OF FINANCIAL POSITION

Assets and liabilities by category are analyzed in the following notes.

Mention should be made that (i) at the date of preparing the Annual Financial Report at 31 December 2016, the determination of the fair value of the RCS Group consolidated assets and liabilities at the acquisition date required in the application of the "acquisition method" under IFRS 3, was still in progress, and that (ii) given that RCS prepared the first monthly close after the date of completion of the transaction at 31 August 2016, the first-time consolidation date coincided with such date.

As explained in Note 14 above, the balance sheet figures at 31 December 2016, shown for comparative purposes in this Half-Year Financial Report, have been accordingly adjusted to those presented in the Annual Financial Report at 31 December 2016 to retrospectively reflect the operating and financial effects resulting from the completion of the process at acquisition date.

14. Accounting of the acquisition of RCS under IFRS 3

In 2016, Cairo Communication launched a voluntary public purchase and exchange offer on the total ordinary shares of RCS MediaGroup S.p.A., paying a consideration consisting of no. 0.18 Cairo Communication newly-issued shares, in addition to Euro 0.25 acknowledged in cash for each RCS share tendered. A total of no. 311.5 million RCS shares were tendered to the Offer, equal to 59.69% of the RCS share capital, for a total of no. 56 million Cairo Communication shares, in addition to Euro 77.9 million paid in cash. The share capital increase was accounted for in accordance with IFRS 3 – Business Combinations. The purchase cost of the investment was Euro 304.9 million.

As explained earlier, at 31 December 2016, the Cairo Communication Group had still not completed the measurement of the fair value of the assets/liabilities acquired under the business combination of RCS; therefore, RCS Group assets and liabilities had been booked in the Annual Financial Report at 31 December 2016 on the basis of "provisional" values. Specifically, in the Annual Financial Report at 31

December 2016, the difference between the value of the investment in RCS and the consolidated pro rata equity of the RCS Group at the combination date, amounting to Euro 262.3 million, had been provisionally booked to "intangible assets” under “*RCS Group consolidation difference*” and had not been subject to amortization.

Pursuant to IFRS 3 - *Business Combinations*, the measurement of the fair value of the assets/liabilities acquired must be completed within one year from acquisition date, the period of time considered reasonable for obtaining the necessary information for identifying and measuring the relevant elements for the purposes of applying the standard (specifically: identifiable assets acquired, liabilities assumed, minority interests, consideration paid and resulting goodwill).

Likewise, the allocation of goodwill deriving from the business combination of RCS to the associated cash-generating units had still not been completed.

<u>Determination of the fair value of acquired assets and liabilities</u>

The reporting period saw completion of the measurement of the fair value of assets/liabilities acquired in the business combination of RCS at 31 August 2016, the date from which the consolidation of the RCS Group in the Cairo Communication Group took effect.

Details of the current amounts of acquired assets and liabilities and adjustment of their respective fair value recognized during purchase price allocation are found below:

€ millions	Statement of financial position of the RCS Group at 31 August 2016	Reclassifications	Adjustments	Fair value
Property, plant, equipment and investment property	**113.8**	**-**	**-**	**113.8**
Intangible assets	**401.1**	**-**	**368.7**	**769.8**
Trademarks and titles with indefinite useful life	110.3	*184.9*	*348.8*	*644.0*
Trademarks and titles with finite useful life	198.2	*(184.9)*	*59.0*	*72.3*
Other intangible assets with finite useful life	92.6	*0.0*	*(39.1)*	*53.5*
Investments	**51.5**	**-**		**51.5**
Non-current financial receivables	4.3	-		*4.3*
Other non-current assets	15.5	-		*15.5*
Deferred tax assets	128.5	-		*128.5*
Total non-current assets	**714.7**	**-**	**368.7**	**1,083.4**
Inventory	20.1	-	-	*20.1*
Trade receivables	244.4	-	-	*244.4*
Sundry receivables and other current assets	56.9	-	-	*56.9*
Other current financial assets	1.0	-	-	*1.0*
Cash and cash equivalents	17.5	-	-	*17.5*
Total current assets	**339.9**	**-**	**-**	**339.9**
Total assets	**1,054.6**	**-**	**368.7**	**1,423.3**
Non-current financial payables and liabilities	352.6	-	-	*352.6*
Post-employment benefits	38.8	-	-	*38.8*
Provisions for non-current risks and charges	14.7	-	-	*14.7*
Deferred tax liabilities	57.1	-	120.6	*177.7*
Other non-current liabilities	3.0	-	-	*3.0*
Total non-current liabilities	**466.2**	**-**	**120.6**	**586.8**
Current financial payables and liabilities	68.0	-	-	*68.0*
Trade payables	303.5	-	-	*303.5*
Tax payables	1.4	-	-	*1.4*
Current portion of provisions for risks and charges	40.2	-	-	*40.2*
Sundry payables and other current liabilities	99.5	-	-	*99.5*
Total current liabilities	**512.6**	**-**	**-**	**512.6**
Total liabilities	**978.8**	**-**	**120.6**	**1,099.4**
Net assets acquired	**75.8**	**-**	**248.1**	**323.9**
Price paid	304.9	-	-	304.9
Net assets acquired	(75.8)	-	(248.1)	(323.9)
Net assets acquired and goodwill attributed to Minorities	33.2	-	*177.2*	210.4
Goodwill	**262.3**	**-**	**(70.9)**	**191.4**

The application of the “acquisition method" resulted specifically in the fair value measurement:

- of trademarks and daily newspaper titles (with their websites and related trademarks), which were considered with indefinite useful life, given their characteristics (market leadership, authority, foundation year) and based on established international practice, Following the measurement: (i) a fair value of Euro 348.8 million was attributed to Italian trademarks and daily newspaper titles (with their websites and related trademarks) with indefinite useful life, which had no amount booked in the consolidated financial statements of the RCS Group at the acquisition date; and (ii) the amounts booked in the consolidated financial statements of the RCS Group at the acquisition date (Euro 295.2 million) were confirmed for the Spanish daily newspaper titles. Mention should be made that the daily newspaper titles Marca and Expansion, booked for Euro 184.9 million in the consolidated financial statements of the RCS Group at the acquisition date, had been considered with finite useful life and amortized over a period of 30 years;

- of trademarks and magazine titles (with their websites and related trademarks), including those sold as part of the daily newspaper offering, which were considered with finite useful life, given the product type and based on national and international practice. Specifically, magazine titles were considered with useful life of 30 years. As a result of the measurement: (i) a fair value of Euro 59 million was attributed to Italian trademarks and magazine titles with finite useful life, which had no amount booked in the consolidated financial statements of the RCS Group at the acquisition date and (ii) the amounts booked in the consolidated financial statements of the RCS Group at the acquisition date (Euro 13.3 million) were confirmed for the Spanish magazine titles.

Additionally, the amounts booked in the consolidated financial statements of the RCS Group at the acquisition date (Euro 53.5 million, Euro 12.5 million of which with indefinite useful life) were confirmed for a number of television and radio licenses and software.

The above measurement process saw the recording at the combination date (replacing the provisionally booked "RCS Group consolidation difference" and goodwill amounting to Euro 39.1 million previously recognized at 31 December 2016 in the financial statements of RCS) of previously unrecognized intangible assets (mainly trademarks and titles) of Euro 407.8 million, Euro 348.8 million of which with indefinite useful life, and Euro 59 million with finite useful life.

The above measurement process resulted in:

- the recording of deferred tax of Euro 120,6 million;
- the recognition of the share attributable to non-controlling interests of Euro 177.2 million (Euro 77,2 million of which following the application of the “full goodwill” criterion).

The measurement of the fair value of assets/liabilities acquired in the business combination of RCS produced no adjustments.

Goodwill, amounting to Euro 191,4 million, was determined as the difference between i) the sum (Euro 515.3 million) of the acquisition price (Euro 304.9 million) and the amount attributed to non-controlling interests (Euro 210.4 million) and ii) equity acquired, after all the assets and liabilities under the transaction had been expressed at fair value (Euro 323.9 million). Goodwill arising from the business combination of the RCS Group was allocated to a single cash generating unit ("RCS").

The value attributed by the directors to the trademarks and titles was confirmed by an independent valuation.

Completion of the valuation requirements under IFRS 3 resulted in a different measurement of the assets and liabilities of the RCS Group at the date of the business combination from the measurement made at 31 December 2016, with resulting operating and financial effects, including:

- the amortization of assets with finite useful life allocated at 30 June 2017 as from the combination date of 1 September 2016;
- the reversal of amortization attributable to the titles Marca and Expansion, valued with finite useful life in the preparation of the consolidated financial statements of the RCS Group at 31 December 2016, used by Cairo Communication for consolidation purposes and valued with indefinite useful life at 30 June 2017 for the above reasons.

The comparative consolidated balance sheet at 31 December 2016 has, therefore, been adjusted against the balance sheet appearing in the Annual Financial Report at 31 December 2016 to reflect:

a) in intangible assets:
   - the final allocation of "*RCS Group consolidation difference*", which provisionally included at 31 December 2016 the difference - Euro 262.3 million - between the amount of the investment in RCS and the consolidated pro rata equity of the RCS Group;
   - the reallocation of goodwill of Euro 39.1 million previously recorded in the consolidated financial statements of the RCS Group and valuated in the purchase price allocation;
   - the recognition of the fair value of Italian trademarks and daily newspaper titles (with their websites and related trademarks) with indefinite useful life of Euro 348.8 million;
   - the recognition of the fair value, net of accumulated amortization, from the combination date until 31 December 2016, of the Italian trademarks and magazine titles (with their websites and related trademarks) with finite useful life of Euro 58.3 million;
   - the recognition of goodwill (Euro 191.4 million) determined by using the "full goodwill" approach;
   - the reversal of amortization in the period from 1 September 2016 to 31 December 2016, attributable to the titles Marca and Expansion with indefinite useful life (considered with finite useful life in the consolidated financial statements of the RCS Group) for Euro 3.3 million;
   - the deferred tax liabilities (Euro 121.2 million) and non-controlling interests (Euro 178 million).

Profit attributable to the owners of the parent shown in the comparative consolidated balance sheet at 31 December 2016 has been adjusted against the corresponding item appearing in the Annual Financial Report at 31 December 2016 to reflect the following effects:

- the reversal of amortization attributable to the titles Marca and Expansion with indefinite useful life (considered with finite useful life in the consolidated financial statements of the

RCS Group) for Euro 3.3 million (Euro 1.5 million net of tax effects and non-controlling interests);

- the recognition of amortization of the fair value attributed to intangible assets with finite useful life previously unrecognized of Euro 0.6 million (Euro 0.2 million net of tax effects and non-controlling interests).

The income statement for the six months ended 30 June 2016, shown for comparative purposes, has, instead, not required adjustments since the closing date of the reporting period comes before the business combination date on 1 September 2016.

15. Property, plant and equipment

The movements in PPE can be analyzed as follows:

Description	Land and Property	Plant and equipment	Other assets	Investment property	Total
Carrying amounts at 31/12/2016	**26.0**	**51.1**	**13.0**	**21.3**	**111.4**
Additions		0.3	0.3		0.6
Amortization/Depreciation	(0.9)	(4.0)	(2.8)	(0.3)	(8.0)
Other movements					-
Carrying amounts at 30/06/2017	**25.1**	**47.4**	**10.5**	**21.0**	**104.0**

The item, amounting to Euro 104 million, decreased by Euro 7.4 million versus 31 December 2016, due mainly to period depreciation.

The item includes:

- land and property amounting to Euro 25.1 million, relating to owned industrial buildings as well as to improvements to the Via Rizzoli and Via Solferino offices and to other third-party industrial buildings;
- plant and equipment amounting to Euro 47.4 million, comprised mainly of production facilities for the printing of newspapers and magazines;
- other assets amounting to Euro 10.5 million, comprised mainly of servers for data storage to support publishing and management systems, personal computers, various electronic devices, furniture and fittings;
- investment properties amounting to Euro 21 million, attributable mainly to currently vacant owned industrial buildings located in Madrid, Turin and Piacenza.

In 1H17, due to the impairment of fixed assets made in 2013 in the allocation of the purchase price of the investment in La7 with respect to the separate financial statements of La7, lower depreciation was recognized on "property, plant and equipment" in the amount of Euro 0.6 million (Euro 0.8 million in 1H16).

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16. Intangible assets

The movements in intangible assets can be analyzed as follows:

Description	Television rights	Concessions, licenses, trademarks and publications	Consolidation differences RCS Group	Goodwill	Other intangible assets	Assets under development	Total
Carrying amounts at 31/12/2016	**18.7**	**350.2**	**262.3**	**46.2**	**0.9**	**39.1**	**717.4**
Effects from the completion of the purchase price allocation of RCS	-	410.4	(262.3)	152.3	-	-	300.4
Adjusted carrying amounts at 31/12/2016	**18.7**	**760.6**	**-**	**198.5**	**0.9**	**39.1**	**1,017.8**
Additions	5.0	1.6	-	-	0.3	3.5	**10.4**
Amortization, depreciation and impairment losses	(6.6)	(12.0)	-	-	(0.5)	-	**(19.1)**
Other movements	0.8	37.6	-	-	-	(38.5)	**(0.1)**
Carrying amounts at 30/06/2017	**17.9**	**787.8**	**-**	**198.5**	**0.7**	**4.1**	**1,009.0**

Concessions, licenses, trademarks and publications

As explained in Note 14 above, the reporting period saw completion of the measurement of the fair value of assets/liabilities acquired in the business combination of RCS; the result was a different measurement of the assets and liabilities of the RCS Group at 1 September 2016 from the measurement at 31 December 2016.

As a result of these valuations, "Concessions, licenses, trademarks and titles" at 30 June 2017 included:

- the fair value of Euro 348.8 million attributed to Italian trademarks and daily newspaper titles (with their websites and related trademarks) with indefinite useful life, and the fair value of Euro 295.2 million attributed to Spanish daily newspaper titles with indefinite useful life;
- the fair value, net of accumulated amortization at 30 June 2017, of Euro 57.8 million attributed to Italian trademarks and magazine titles with finite useful life, and the fair value of Euro 13.1 million attributed to Spanish magazine titles with finite useful life,

Trademarks and titles with indefinite useful life are not subject to amortization and are regularly tested for impairment, while trademarks and titles with finite useful life are subject to the amortization process based on the duration of their useful life (30 years) and, in the presence of impairment indicators, tested for impairment to measure any potential indication of impairment with respect to their recoverable value.

At 30 June 2017, "Concessions, licenses, trademarks and titles" also included:

- the rights to use TV frequencies for digital terrestrial broadcasting systems (Euro 36.4 million) acquired in 2014 by the Group company Cairo Network S.r.l. and in operation in the reporting period. The rights to use - for a period of 20 years - refer to the 2-SFN multiplex on channels 25 and 59 (“mux”);
- the fair value attributed to the titles *Bell’Italia* and *Bell’Europa* for which the original time period deemed appropriate for the valuation of the remaining useful life of these titles has been set at 20 years (Euro 0.3 million);
- investments made for the acquisition of television licenses (Veo Television) and radio licenses (Radio de Aragon) valued with indefinite useful life (Euro 12.2 million);
- other intangible assets of Euro 37 million, consisting mainly of expenses incurred for the development of websites and new web projects in Italy and Spain, including new RCS Group Digital Advertising projects and enhancement of Group infrastructures.

Assets under development

At 31 December 2016, the item mainly included the rights to use TV frequencies for digital terrestrial broadcasting systems acquired in 2014 by the Group company Cairo Network S.r.l. and reclassified in the reporting period under concessions, licenses, trademarks and titles, following the start of operations from the current period.

At 30 June 2017, the item includes TV rights to be exploited in future years.

Television rights

“Television rights” includes the investments made by La7 S.p.A. in registration rights (with a duration of over 12 months) for the broadcasting of films, series and soaps, as well as investments by the RCS Group subsidiary Digicast S.p.A. in rights for audiovisual works and executive productions broadcast on the satellite channels *Lei*, *Caccia e Pesca* and *DOVE.*

Goodwill

As explained in Note 14 above, the item includes goodwill amounting to Euro 191,4 million, deriving from the business combination of the RCS Group, determined as the residual value of the difference between the cost of the transaction and equity acquired, after all the assets and liabilities under the transaction had been expressed at fair value and allocated to a single cash generating unit (“RCS Group”).

The item also includes goodwill amounting to Euro 7.1 million deriving from the cash generating units of the Cairo Editore publishing segment and of the Cairo Communication Group advertising segments.

Impairment

For cash generating units with intangible fixed assets with indefinite useful life, an analysis was carried out at 30 June 2017 to identify any impairment indicators of the Group's intangible assets. Specifically, Management considered the impact of actual figures of the current year on the forecasts used in the impairment test at 31 December 2016, and analyzed interest rate trends to assess their impact on the estimated discount rate (WACC) to apply to expected cash flows. The resulting impairment indicators did not require any testing at 30 June 2017.

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Lastly, in 1H17, due to the (i) impairment of intangible assets made in 2013 in the purchase price allocation of the investment in La7 and the (ii) valuations made in the purchase price allocation of the RCS Group, lower depreciation was recognized on “intangible assets" - with respect to the separate financial statements of La7 (Euro 1.1 million) and to the 2017 Half-Year Financial Report of RCS (Euro 4.0 million) for a total amount of Euro 5.3 million (Euro 2.3 million in 1H16 referring solely to La7).

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17. Investments and non-current financial assets

The movements in investments can be analyzed as follows:

Description	Carrying amount at 31/12/2016	Acquisitions and share capital increases	Write-ups	Other movements	Carrying amount at 30/06/2017
m-dis Distribuzione Media S.p.A.	3.2		0.1	(1.4)	1.9
Trento Press Service	0.1		-	-	0.1
MDM Milano Distribuzione Media	0.4		0.1	(0.1)	0.4
Pieroni Distribuzione	0.9		0.1	(0.1)	0.9
Liguria Press (former Ge-dis)	0.2		-	-	0.2
To-dis	0.8		0.1	(0.1)	0.8
Escuela de cocina Telva	0.0		-	-	0.0
Radio Salud	0.3		-	-	0.3
Bermont Group	41.6		-	-	41.6
Quibee S.r.l.	0.1		-	-	0.1
Sfera Planet	0.1		-	-	0.0
Total investments in associates and joint ventures	**47.7**		**0.4**	**(1.7)**	**46.3**
Istituto Europeo di Oncologia	4.1		-	-	4.1
Mach 2 Libri	0.3		-	-	0.3
Wouzee Media S.L	0.2		-	-	0.2
Ansa	0.2		-	-	0.2
H-Farm Ventures	0.2		-	-	0.2
Digital Magics	0.1		-	-	0.1
13 TV	0.4			-	0.4
Other minor	0.4		-	-	0.4
Total other investments	**5.9**		**-**	**-**	**5.9**
Total investments	**53.6**		**0.4**	**(1.7)**	**52.2**

Investments in associates and joint ventures, amounting to Euro 46.3 million, decreased by Euro 1.4 million versus 31 December 2016, as a result mainly of their measurement at equity.

The item mainly includes the RCS Group investments in Corporacion Bermont (Euro 41.6 million), a Spanish company that deals with the printing of newspapers, magazines and other publishing products, and the investment in Distribuzione Media S.p.A. (Euro 1.9 million), which carries out distribution activities in Italy in the newsstand channel and other authorized points of sale for publishing and non-publishing products (telephone cards and on-line top-ups).

Investments in other companies, measured at level 3 in the fair value hierarchy pursuant to IFRS 7, amounted to Euro 5.9 million, unchanged versus 31 December 2016.

Non-current financial receivables, amounting to Euro 4.3 million, include long-term financial receivables due from third parties (Euro 4.1 million) stated net of an allowance for impairment of Euro 2.5 million.

Other non-current financial assets, amounting to Euro 15.5 million, mainly include long-term receivables due from the tax authorities (Euro 12.7 million) and guarantee deposits (Euro 2.1 million).

18. Deferred tax assets

Deferred tax assets, amounting to Euro 119.5 million at 30 June 2017 (Euro 126.2 million at 31 December 2016), refer to the recognition of deferred tax assets on the temporary differences between the carrying amounts of recognized assets and liabilities and their tax amounts. The decrease versus 31 December 2016, amounting to Euro 6.7 million, is due mainly to the use of RCS's profit for the period.

19. Working capital

Details on this item can be analyzed as follows:

Description	**30/06/2017**	**31/12/2016**	**Change**
Inventory	20.3	20.3	-
Trade receivables	307.8	316.1	(8.3)
Receivables from parents, associates and affiliates	22.3	20.9	1.4
Sundry receivables and other current assets	51.9	48.8	3.1
Trade payables	(329.7)	(349.6)	19.9
Payables to parents, associates and affiliates	(10.2)	(20.8)	10.6
Tax payables	(21.9)	(16.4)	(5.5)
Other current liabilities	(106.2)	(114.7)	8.5
Total	**(65.7)**	**(95.4)**	**29.7**

Inventory, amounting to Euro 20.3 million, relates for Euro 16.7 million to paper inventory, and to add-on and promotional product inventory of the RCS Group.

Trade receivables, amounting to Euro 307.8 million, are stated net of the allowance for impairment of Euro 49.9 million (Euro 50.8 million at 31 December 2016). The allowance increased over the period by Euro 2.1 million and decreased following utilization of Euro 3.0 million. The allowance takes account of both specific collection risks and a general risk of non-collectability based on the ordinary trend of company operations.

Receivables from and payables to parents, associates and affiliates, amounting to Euro 22.3 million and Euro 10.2 million, refer mainly to:

- receivables from the associate m-dis Distribuzione Media S.p.A. (Euro 21 million), which carries out distribution activities for the RCS Group in the newsstand channel and at other authorized points of sale for publishing products;
- receivables due to Group companies from the parent U.T. Communications accrued under the tax consolidation scheme applicable until the end of 2015 (Euro 0.9 million);
- payables due to a number of Bermont Group associates (Euro 5.5 million), active in the printing of newspapers, magazines and other publishing products in Spain;
- payables to the associate m-Dis Distribuzione Media S.p.A. (Euro 2.2 million);
- payables to the affiliate Torino Football Club S.p.A. (Euro 0.9 million) for amounts accrued under the advertising concession contract signed with Cairo Pubblicità S.p.A.

Sundry receivables and other current assets, which include mainly tax receivables, inclusive of advance payments and prepayments and accrued income, amounted to Euro 51.9 million, increasing by Euro 3.1 million versus 31 December 2016.

Trade payables amounted to Euro 329.7 million, down by Euro 19.9 million versus 31 December 2016, and refer entirely to the current year.

Other current liabilities, amounting to Euro 106.2 million at 30 June 2017, down by Euro 8.5 million versus 31 December 2016, mainly include payables to employees, comprising payables related to RCS personnel restructuring plans in Spain, payables to social security institutions, advance payments received from clients for subscriptions, and accrued expenses and deferred income.

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20. Other non-current liabilities

“Other non-current liabilities”, amounting to Euro 1.4 million, refers entirely to the RCS Group and includes the long-term portion of social security payables.

21. Post-employment benefits

This item reflects the accruals made for all employees at the reporting date on the basis of the projected unit credit method, using actuarial valuations.

The composition and movements of this item is broken down as follows:

Description	30/06/2017	31/12/2016	Change
Opening balance	**53.3**	**52.1**	**1.2**
Provisions	1.3	0.7	0.6
Interest expense	0.5	0.5	(0.0)
Profit (loss) from actuarial valuations	(1.2)	1.5	(2.7)
Utilization/other movements	(1.5)	(1.5)	0.0
Closing balance	**52.4**	**53.3**	**(0.9)**

22. Provisions for risks and charges

Movements in the period are shown below:

Description	31/12/2016	Provisions	Utilizations	Other movements	30/06/2017
Provision for agents' termination benefits	3.2	0.1	(0.1)	-	3.2
Provision for legal disputes	13.9	2.3	(1.0)	(1.6)	13.6
Provisions for personnel	20.2	-	(0.6)	(1.0)	18.6
Provisions for future risks and charges under the purchase price allocation of La7 S.r.l.	13.0	-	(1.1)	-	11.9
Provision for other risks and charges	30.6	0.3	(2.6)	(4.2)	24.1
Grand total	**80.9**	**2.7**	**(5.4)**	**(6.8)**	**71.4**

"Provisions for risks and charges" amounted to Euro 71.4 million, Euro 30.4 million of which the non-current portion.

The provision for "Agents' termination benefits" is the amount to be paid to agents as prescribed by law and the applicable collective contracts, subject to actuarial valuations.

The "Provision for legal disputes", amounting to Euro 13.6 million, was set up for potential liabilities deriving from ongoing disputes with third parties, and refers to both civil proceedings and defamation suits related to articles published in the Group's titles.

"Provisions for personnel", amounting to Euro 18.6 million, includes potential liabilities linked to personnel management and the termination of employment relationships and leased staff contracts, and relate to the RCS Group for a total of Euro 12.3 million and to La7 for a total of Euro 6.3 million.

Mention should be made that, in 2013, as part of the purchase price allocation of La7 S.r.l., a negative fair value had been attributed, by allocating the appropriate "provisions for future risks and charges recognized as part of the purchase price allocation of La7 S.r.l.", with reference to:

a) a number of contracts whose unavoidable costs of meeting contractual obligations exceed the economic benefits expected to be received;

b) specific risk situations related to (i) existing or performed contracts and (ii) pending litigation.

"Other provisions for risks and charges" refer mainly to potential liabilities attributable to the RCS Group (Euro 23.7 million).

Deferred tax liabilities, booked for Euro 56.4 million in the Annual Financial Report at 31 December 2016, were adjusted upwards retrospectively by Euro 121.2 million, as a result of the completion of the fair value measurement of assets/liabilities acquired in the business combination of RCS. At 30 June 2017, the item increased by Euro 0.6 million versus the adjusted balance at 31 December 2016.

23. Net financial position

The net financial position of the Group can be analyzed as follows:

Net financial debt	30/06/2017	31/12/2016	Change
Cash and cash equivalents	114.5	124.8	(10.3)
Other current financial assets and financial receivables	4.4	1.2	3.2
Current financial assets (liabilities) from derivative instruments	(2.8)	-	(2.8)
Current financial payables	(93.2)	(110.1)	16.9
Current net financial position (net financial debt)	**22.9**	**15.9**	**7.0**
Non-current financial payables	(368.5)	(363.4)	(5.1)
Non-current financial assets (liabilities) from derivative	-	(5.1)	5.1
Non-current net financial position (net financial debt)	**(368.5)**	**(368.5)**	**(0.0)**
Net financial position (Net financial debt) from continuing operations	**(345.6)**	**(352.6)**	**7.0**

As shown in the consolidated statement of cash flows, the change in the net financial position versus 31 December 2016 is attributable mainly to cash flows generated by operating activities (Euro 71.7 million), to cash absorbed by working capital (Euro 37.1 million), by investing activities (Euro 7.8 million), by the distribution of dividends (Euro 6.7 million), and by the payment of financial charges and tax (Euro 13.1 million). Cash flows used in working capital include outlays for non-recurring charges of Euro 11.9 million of the RCS Group, recognized in the income statement in prior years.

Intesa San Paolo loan

As part of the transaction for the acquisition of control of RCS, in July 2016, Cairo Communication concluded a revolving facility with Intesa Sanpaolo for a total amount of Euro 140 million, of which approximately Euro 78.2 million drawn down at 30 June 2017, aimed at funding both the payment of the cash component of the Offer and other general corporate purposes.

The loan has a duration of 60 months from the date of first use, with a margin of 48 basis points over the Euribor (for a duration corresponding to the relevant interest period), and does not require any collateral or financial covenants, or limits to the distribution of dividends by Cairo Communication.

The loan agreement provides for the customary representations, warranties and commitments typical of such transactions. No commitments are required from Cairo Communication in relation to the RCS Group (including limits to the disposal of assets or the assumption of financial debt). Additionally, the loan agreement contains a cross-default clause (i.e., call in of the loan in the event of default under other loan agreements) regarding exclusively loan agreements relating to Cairo Communication and certain relevant subsidiaries (Cairo Editore, Cairo Pubblicità and La7), excluding, therefore, the loan agreements related to RCS.

Early repayment is envisaged in the event of a change in control of Cairo Communication, and should the latter cease to directly or indirectly hold an interest of at least 35% in the share capital of RCS.

RCS financial debt

The loan agreement amended in 2016 by RCS and the lending banks provided for a total amount of up to Euro 352 million (divided into a term line for a maximum of Euro 252 million and a revolving line for up to Euro 100 million), expiring on 31 December 2019 and with repayments for the term line starting in March 2017. At 30 June 2017, the residual debt on credit line A amounted to Euro 332 million, while Euro 85 million had been drawn down from the revolving line.

Effective from 31 December 2016 and for the entire length of the loan, certain financial covenants were required to be met (debt, leverage ratio, namely, the net debt/EBITDA ratio, minimum equity), with reviews performed every year or every six months:

(I) NFP (Net Financial Position):

- (a) in 2016: Euro 430 million, or Euro 410 million in the event of the transfer of VEO Television S.A.,
- (b) in 2017: Euro 385 million,
- (c) in 2018: Euro 315 million.

The annual NFP referred to in points (a), (b) and (c) above is deemed increased by a headroom of Euro 25 million at each subsequent six-month review date.

(II) Leverage Ratio (net debt/EBITDA ratio):

- (a) in 2016: under 4.40x
- (b) in 2017: under 3.45x;

(c) in 2018: under 2.30x.

(III) Minimum Equity: of Euro 95.2 million.

Under the loan agreement, in the event of a breach of the applicable financial covenants, namely the occurrence of additional qualified events (such as, *inter alia*, failure to pay the amounts due under the loan agreement, cross default relating to the Group's financial debt or the taking of enforcement action by creditors for amounts above certain thresholds, breach of the obligations under the loan agreement, change of control or the occurrence of events resulting in significant adverse effects as defined therein), lenders were entitled to demand repayment of the credit lines granted. Breach of certain financial covenants triggers an equity cure under specific, contractually defined terms, conditions and limitations.

It should be noted that, at 30 June 2017, the financial covenants were all fully met at RCS consolidated financial statements level.

After the reporting period, on 4 August 2017, in execution of the term sheet concluded on 4 July 2017 with Intesa Sanpaolo S.p.A., RCS concluded a loan agreement with a pool of banks: Banca IMI S.p.A. as Organizing Bank, Agent and Coordinator, Intesa Sanpaolo S.p.A. as Lender and Banca Popolare di Milano S.p.A., Mediobanca – Banca di Credito Finanziario S.p.A., UBI Banca S.p.A. and UniCredit S.p.A. as Organizing Banks and Lenders.

The new agreement provides for a loan of Euro 332 million expiring on 31 December 2022, which will be used to fully refinance the bank loan under the agreement initially concluded by RCS on 14 June 2013 with a pool of banks, amended on several occasions (the latest on 16 June 2016).

The main terms and conditions of the loan are, *inter alia*, the following:

a) the breakdown of the loan into an amortizing term facility of Euro 232 million and a revolving credit line of Euro 100 million;
b) an annual interest rate equal to the sum of the benchmark Euribor and a variable spread, depending on the Leverage Ratio, which is more favourable for the company than the spreads set out in the current loan.
c) a single covenant based on a Leverage Ratio (i.e., Net debt/EBITDA). The covenant must not exceed (i) 3.45x at 31 December 2017, (ii) 3.25x at 31 December 2018, and (iii) 3x at 31 December of each following year;
d) a repayment schedule for the amortizing term facility, which sets out the repayment of Euro 15 million at 31 December 2017 followed by six-month instalments of Euro 12.5 million.

The loan agreement envisages compulsory early repayment, statements, obligations, withdrawal and materiality threshold clauses that are, altogether, more favourable for RCS than the previous loan agreement. These clauses apply, for instance, to treasury agreements and intra-group loans and guarantees, acquisitions, joint ventures, investments and reorganization, financial debt assumption, transfers and share capital reduction.

Cairo Network financial debt

The bank loan (Euro 12.5 million at 30 June 2017) granted by Unicredit S.p.A. and used by the subsidiary Cairo Network to pay part of the rights of use of the TV frequencies, is secured by a guarantee issued by the parent Cairo Communication.

The loan expires on 31 December 2019 and repayment is made in 20 quarterly instalments of Euro 1,250 thousand, starting from 31 March 2015 and all regularly met to date; early repayment is allowed.

The loan calls for the payment of an interest rate equal to the 3-month Euribor plus 0.75 basis points (renegotiated as from 2017) and certain constraints (negative pledges) and commitments (covenants) typical of these transactions. No financial covenants are required.

The loan agreement also contains a number of commitment covenants on Cairo Network and mainly include, until full repayment of the loan and subject to the prior consent of the bank, the commitment (i) not to distribute nor approve the distribution of dividends and/or reserves, (ii) not to take on new financial debt (excluding loans received by the shareholders and the new debt related to the sale of receivables for working capital needs or the issue of new insurance and bank sureties to cover ordinary needs (iii) not to grant guarantees to third parties in the interest of Group companies or loans to Group companies, (iv) not to dispose of company assets and/or investments, (v) not to implement extraordinary corporate transactions, (vi) not to create or allow the creation of liens, pledges or mortgages on own assets. Early repayment is provided for in the event of a change of control of Cairo Network.

24. Consolidated equity

At 30 June 2017, consolidated equity attributable to the owners of the parent stood at Euro 359 million, including profit for the period.

The share capital of Cairo Communication S.p.A., Euro 7.0 million at 30 June 2017, is made up of no. 134,416,598 ordinary shares.

At their Meeting on 8 May 2017, the shareholders approved the distribution of a dividend of 0.05 Euro per share, inclusive of tax. The balance of the dividend, amounting to Euro 6.7 million, was distributed with coupon detachment date on 22 May 2017.

In 1H17, as part of the share buy-back plans, no treasury shares were bought or sold. At 30 June 2017, Cairo Communication held a total of no. 779 residual treasury shares, subject to art. 2357-ter of the Italian Civil Code.

Non-controlling interests' share capital and reserves, recorded for Euro 43 million in the annual financial report at 31 December 2016, were adjusted upwards by Euro 178 million using the retrospective method as a result of the completion of the fair value measurement process of assets/liabilities acquired under the business combination of RCS. At 30 June 2017, the item, amounting to Euro 230.8 million, increased by Euro 9.8 million versus the adjusted balance at 31 December 2016, due mainly to the result attributable to non-controlling interests in the period.

25. Other information

In 2014, the subsidiary Cairo Network took part in the tender procedure opened by the Ministry of Economic Development for the assignment of rights to use TV frequencies for digital terrestrial broadcasting systems, submitting its binding bid and winning the rights to use a lot of frequencies (“mux") for a period of 20 years. In January 2015, Cairo Network and EI Towers S.p.A. (“EIT”) therefore entered into the agreements for the realization and subsequent long-term technical management in full service mode (hospitality, service and maintenance, use of broadcasting infrastructure, etc.) of the mux. The agreements provide, among other things, for:

- a transitional phase, which will see the realization and start-up of the mux and the initial operations, which will run from the date the agreements were signed to 31 December 2017, and an operational phase of the mux lasting 17 years (from 2018 to 2034);
- the right to free withdrawal of Cairo Network starting from 1 January 2025;
- guaranteed coverage at full performance of at least 94% of the population, in line with national muxs with greater coverage;
- consideration to EIT:
    - during the transitional phase (2015-2017), amounting to a total of Euro 11.5 million for the full three-year period;
    - at full performance (starting from 2018), amounting to Euro 16.3 million per year,

  these amounts include compensation for the availability of the transmitters;
- an annual consideration from EIT to Cairo Network, starting from 2018, ranging between Euro 0 up to Euro 4 million, in the event that the available bandwidth on the mux is not fully used by Cairo Network.

As the result of a VAT audit performed on Cairo Communication S.p.A., in its report, the Guardia di Finanza (the Italian Tax Police) identified some findings for 2002 and subsequent years (2003, 2004, 2005 and 2006) relating to the application if any of VAT on dealing rights charged to media centres, which were subsequently included in the final audit reports, which the Company has challenged. For the periods 2002, 2003, 2004 and 2005, the Provincial Tax Commission of Milan has ruled in favour of the Company’s appeals. The Agenzia delle Entrate (Italian Tax Authorities) has filed an appeal with the Regional Tax Commission of Milan against these decisions. In April 2010, the Regional Tax Commission of Milan ruled in favour of the Agency’s appeal regarding 2002, and in October 2011 also regarding the years 2003, 2004 and 2005. Cairo Communication has appealed to the Court of Cassation against the judgment regarding 2002, for which the tax claim amounts to Euro 41 thousand in addition to penalties of Euro 51 thousand, and the judgment regarding the subsequent years 2003, 2004 and 2005, for which the tax claim totals Euro 218 thousand, in addition to penalties of Euro 272 thousand and interest. Two rulings were filed on 9 July, by which the Court of Cassation upheld the claim, referring any re-calculation of the penalties to the trial

court in accordance with the "favor rei" principle (for instance, moving from the 90% minimum statutory penalty in place of the 100% penalty included in the final audit reports).
The Company has filed an appeal also for 2006; the discussion hearing was held on 23 May 2014 and, following the ruling filed on 31 March 2015, the Provincial Tax Commission of Milan acknowledged the Company's appeal. The Agency has filed an appeal with the Regional Tax Commission of Milan (for 2006, the tax claim is Euro 63 thousand, in addition to penalties of Euro 79 thousand and interest). The Regional Tax Commission of Milan, with the ruling filed on 11 October 2016, has upheld the claim, while excluding the application of penalties against the challenged conduct. Both the Company and the Agency have filed an appeal with the Court of Cassation against the ruling regarding the respective unfavourable elements. The discussion hearing has yet to be scheduled to date.

In its hearing on 18 October 2010, the Provincial Tax Commission of Milan upheld the appeal filed by Cairo Editore S.p.A. regarding the assessment notice for tax year 2004. The Italian Tax Authorities have filed an appeal with the Regional Tax Commission of Milan against the ruling. In its hearing on 27 May 2013, the Regional Tax Commission of Milan rejected the Agency's Appeal. On 16 June 2014, the Agency filed an appeal with the Supreme Court, and on 25 July 2014, the Company notified its response to the counterparty.

Regarding RCS Sport, the RCS 2017 Half-Year Financial Report contains the following updates to the various events:

(i) In relation to the acts filed for bringing civil action against a number of defendants, the case has presently been adjourned to 27 October 2017. At the hearings held on 9 and 16 June 2017, the President of the formation of the Court informed that he had been assigned to another task and, as the defendants' attorneys had failed to reach an agreement on continuing the pre-trial work carried out so far, the trial inquiry should be resumed from the beginning due to the changed formation of the Court.

(ii) With regard to the writ of summons served on 1 August 2014, under which RCS Sport S.p.A. had filed a liability action against the former General Manager and CEO, at the hearing on 28 June 2017, a deferral was jointly asked and the case was adjourned to 26 September 2017.

(iii) With regard to the challenging of the dismissals notified (appeal rejected by the Court of Milan), the former CEO and former General Manger both filed an appeal. The hearing was set for 23 October 2017 for the former CEO and for 15 November 2017 for the former General Manager.

(iv) Pending before the Court of Milan against the Bank where the current account is held (a) the action for liability brought by Consorzio Milano Marathon (b) the actions for liability brought by the Amateur Sports Association Milano City Marathon and other associations. The cases were unified and are currently at the preliminary phase. The next hearing is set for 21 September 2017 for a review of the graphological appraisal drafted by the CTU (court-appointed expert witness).

With regard to the agreement on the purchase of the investment held by RCS in RCS Libri S.p.A. concluded on 4 October 2015 with Arnoldo Mondadori Editore S.p.A. (the “Agreement"), as explained in the 2016 Annual Financial Report, a number of claims had been raised. A settlement agreement was reached in 2017, with waiver of mutual claims and no charges borne by the Group. A price adjustment provided for in the agreement, of approximately Euro 2 million, was also defined in favour of the buyer. RCS is entitled to an earn-out of up to Euro 2.5 million, subject to the achievement of specific results in the books segment by Arnoldo Mondadori Editore in 2017.

The main guarantees given by the Group are listed below:

- the guarantees and endorsements given amounted to Euro 48.4 million and include the guarantees issued in favour of the Italian Tax Authorities for Group VAT receivables. The item also includes the guarantees given to Public Administration and other public bodies for prize contests and concessions, as well as in favour of third parties for leases;
- other guarantees amounted to Euro 29.8 million, Euro 0.9 million of which given to related parties;
- commitments amounted to Euro 2.7 million. The entire amount is subscribed with related parties.

It should also be noted that, as part of the transfers or contributions of investments or business units carried out by the RCS Group, RCS granted guarantees, predominantly of a tax, social security and labor nature, which are still active. These guarantees were issued according to market practices and conditions.

The multi-annual agreement concluded in 2013 between La7 and Telecom Italia Media Broadcasting S.r.l. (now Persidera) for the supply of transmission capacity provided for the issue by Cairo Communication of a parent company guarantee to cover the payment obligations undertaken by La7, for a maximum amount of Euro 6.6 million (including VAT). In 1H 2016, La7 exercised the right to withdraw from the agreement effective from 1 January 2017. Then La7 claimed the termination of the agreement due to supervening excessive onerousness, effective from 1 September 2016, which was challenged by Persidera. Consequently, La7 and Cairo Communication summoned Persidera for the assessment of their rights, with the initial hearing scheduled on 1 March 2018.

It is also noted that the condensed consolidated half-year financial statements at 30 June 2017 do not include any receivables or payables with a residual term exceeding five years;

26. Related party transactions

The following are identified as related parties:

- the direct and indirect parent entities of Cairo Communication S.p.A., their subsidiaries, associates and affiliates of the Group. The Ultimate Parent of the Group is U.T. Communications S.p.A.;
- key management personnel and their close relations.

It should also be noted that, based on the Related Party Procedure adopted by the RCS Group, all RCS shareholders (and the associated corporate groups composed of parents and subsidiaries, including indirect, and of jointly-controlled companies) that have a stake with voting rights in RCS exceeding 3%, excluding intermediaries that perform asset management activities, where the independence conditions required by the Issuer Regulations are satisfied, have been classified as related parties.

Details are provided in the following tables, broken down by balance sheet heading.

Receivables and financial assets (€ millions)	**Trade and other receivables**	**Receivables from tax consolidation**	**Other current financial assets**
Parents	-	0.9	-
Associates	21.0	-	3.9
Other affiliates	0.2	-	-
Other related parties	1.5	-	-
Total	**22.7**	**0.9**	**3.9**

Payables and financial liabilities (€ millions)	**Trade and other payables**	**Other current financial liabilities**	**Other non-current financial liabilities**
Parents	-	-	-
Associates	8.2	2.9	-
Other affiliates	0.9	-	-
Other related parties	0.1	2.3	11.5
Total	**9.2**	**5.2**	**11.5**

Revenue and costs (€ millions)	**Operating revenue**	**Operating costs**	**Financial charges**
Parents	-	-	-
Associates	104.9	(20.7)	-
Other affiliates	0.1	(1.2)	-
Other related parties	1.6	(0.4)	(0.8)
Total	**106.6**	**(22.3)**	**(0.8)**

Transactions with associates refer mainly to:

- m-dis Distribuzione Media S.p.A., which operates in Italy as distributor in the newsstand channel for the RCS Group, in respect of which Group companies generated revenue of Euro 103.9 million and incurred costs of Euro 5.5 million in 1H17, and hold trade receivables of Euro 20.7 million, current financial receivables of Euro 3.8 million and trade payables of Euro 2.2 million;

- the associates in the Bermont Group, in respect of which the Group companies that operate in Spain in the printing of newspapers, magazines and other publishing products (Unidad Editorial Group) generated revenue of Euro 0.9 million and incurred costs of Euro 14.7 million in 1H17, and hold trade receivables of Euro 0.2 million and trade payables of Euro 5.5 million.

Transactions with affiliates refer mainly to:

- the concession contract between Cairo Pubblicità S.p.A. and Torino FC S.p.A. (a subsidiary of U.T. Communications) for the sale of advertising space at the Olimpico football pitch and promotional sponsorship packages. This contract resulted in the payment in 1H17 of Euro 1.1 million to the concession holder against revenue of Euro 1.4 million net of agency discounts. Cairo Pubblicità earned further commissions of Euro 39 thousand;
- the agreement between Cairo Communication S.p.A. and Torino F.C. for the provision of administrative services such as bookkeeping, which provides for an annual consideration of Euro 100 thousand.

Equity transactions with "other affiliates" refer mainly to:

- financing transactions and lease contracts with Mediobanca Group companies, a RCS shareholder with a stake exceeding 3%, to which current and non-current financial liabilities are attributable for a total of Euro 13.8 million and financial charges of Euro 0.8 million in 1H17;
- commercial dealings with the Unipol Sai, Della Valle and Pirelli Groups, RCS shareholders with stakes exceeding 3%, in respect of which Group companies generated revenue of Euro 1.6 million and incurred costs of Euro 0.2 million in 1H17, and hold trade receivables of Euro 1.5 million.

Transactions with related parties in the period, including with Group companies, were not considered to be atypical or unusual, and were part of the ordinary activities of Group companies. These transactions were carried out on market terms, taking account of the goods and services provided.

In the period from 1 January 2017 to 30 June 2017, for Cairo Communication and its subsidiaries other than those belonging to the RCS Group, the fees for Directors, Statutory Auditors, General Managers and Key Management Personnel amounted to Euro 1.7 million.

In the period from 1 January 2017 to 30 June 2017, RCS paid fees to Directors, Statutory Auditors, General Managers and Key Management Personnel amounting to Euro 2.9 million.

During the year, no transactions were carried out with members of the Board of Directors, general managers and/or with key management personnel, members of the Board of Statutory Auditors, and the Financial Reporting Manager, further than the fees paid and already shown in this Half-Year Financial Report.

Commitments to key management personnel amounted to Euro 2.7 million and to other related parties to Euro 0.9 million.

27. Transactions deriving from atypical and/or unusual transactions

Pursuant to Consob Communication of 28 July 2006 no. DEM/6064296, it should be noted that in 1H17 the Cairo Communication Group did not engage in any atypical and/or unusual transactions as defined by the above Communication.

28. Risk management

Liquidity risk

Liquidity risk may arise from difficulties in obtaining loans to support operations in accordance with the proper timescales, and, if necessary, to repay loans falling due.

With regard to the RCS Group, in 2016, RCS had concluded an agreement with the lending banks to restructure the Loan Agreement signed originally on 14 June 2013, which entailed, *inter alia*, the new structuring of the loan into 2 credit lines for a total of Euro 352 million, of which one term line of Euro 252 million and one revolving line of Euro 100 million. Both lines expire in December 2019 from the previous expiry date in June 2018. Mention should be made that the loan agreement contained specific clauses for immediate repayment linked to situations in which covenants are exceeded (default covenants), as explained in Note 23, and to a series of specific events including: non-fulfilment of payments above a certain threshold, occurrence of insolvency proceedings and change of control to entities not approved by lenders.

After the reporting period, on 4 August 2017, in execution of the term sheet concluded on 4 July 2017 with Intesa Sanpaolo S.p.A., RCS concluded a loan agreement with a pool of banks: Banca IMI S.p.A. as Organizing Bank, Agent and Coordinator, Intesa Sanpaolo S.p.A. as Lender and Banca Popolare di Milano S.p.A., Mediobanca – Banca di Credito Finanziario S.p.A., UBI Banca S.p.A. and UniCredit S.p.A. as Organizing Banks and Lenders.

The new agreement provides for a loan of Euro 332 million expiring on 31 December 2022, which will be used to fully refinance the bank loan under the agreement initially concluded by RCS on 14 June 2013 with a pool of banks, amended on several occasions (the latest on 16 June 2016).

The main terms and conditions of the loan are, *inter alia*, the following:

a) the breakdown of the loan into an amortizing term facility of Euro 232 million and a revolving credit line of Euro 100 million;
b) an annual interest rate equal to the sum of the benchmark Euribor and a variable spread, depending on the Leverage Ratio, which is more favourable for the company than the spreads set out in the current loan.

c) a single covenant based on a Leverage Ratio (i.e., Net debt/EBITDA). The covenant must not exceed (i) 3.45x at 31 December 2017, (ii) 3.25x at 31 December 2018, and (iii) 3x at 31 December of each following year;
d) a repayment schedule for the amortizing term facility, which sets out the repayment of Euro 15 million at 31 December 2017 followed by six-month instalments of Euro 12.5 million.

The loan agreement envisages compulsory early repayment, statements, obligations, withdrawal and materiality threshold clauses that are, altogether, more favourable for RCS than the previous loan agreement. These clauses apply, for instance, to treasury agreements and intra-group loans and guarantees, acquisitions, joint ventures, investments and reorganization, financial debt assumption, transfers and share capital reduction.

Mention should also be made that, as part of the transaction for the acquisition of control of RCS, in 2016, Cairo Communication entered into a revolving facility with Intesa Sanpaolo for a total amount of Euro 140 million, of which Euro approximately 78.2 million drawn down at 31 December 2016, aimed at funding both the payment of the cash component of the Offer and for other general corporate purposes. The loan has a duration of 60 months from the date of first use, with a margin of 48 basis points over the Euribor (for a duration corresponding to the relevant interest period), and does not require any collateral or financial covenants, or limits to the distribution of dividends by Cairo Communication.

<u>Interest rate risk</u>

Interest rate risk consists of potential and higher financial expense stemming from an unfavorable and unexpected change in interest rates. Specifically, the Group’s exposure to such risk relates in particular to the variable rate net financial liabilities held by the RCS Group.

The RCS Group uses derivative instruments to manage interest rate risk exposure; the contracts currently in place are Interest Rate Swaps (IRS) and Interest Rate Caps. At 30 June 2017, the portion of RCS Group financial payables, including finance leases, at fixed or variable rate as per contract converted into fixed rate through Interest Rate Swaps (IRS), or hedged by Interest Rate Caps, amounted to approximately 34% (43% at 31 December 2016 and approximately 44% at 30 June 2016).

By contrast, with regard to Cairo Communication and its subsidiaries other than those belonging to the RCS Group, which presented a positive net financial position, the risk is irrelevant.

<u>Currency risk</u>

Currency risk can be defined as the set of negative effects on balance sheet assets or liabilities arising from changes in exchange rates. Despite its international presence, the Group did not record significant exposure to currency risk, given that the Euro is the functional currency of the main Group business areas. The exposure to currency risk is limited to certain minor commercial and financial positions denominated in US dollars, Swiss francs and UAE dirhams related to RCS, RCS Sport and Events and La7 S.p.A..

Credit risks

Credit risk can be defined as the possibility of incurring a financial loss due to the counterparty's failure to fulfil its contractual obligations.

The Group is exposed to credit risk, in relation mainly to trade receivables and, specifically, to advertising sales. This risk is, however, mitigated by the fact that exposure is spread over a large number of customers and that monitoring and control procedures are in place to counter the risk. The Group's publishing segments, on the other hand, present less exposure to credit risk, given that, in relation to publishing revenue, the distribution contracts make provision for an advance payment equal to a highly significant percentage of the estimated sales of each product.

Price risk

The Group is not exposed to significant price risks from financial instruments that fall within the scope of application of IAS 39.

For the Board of Directors

Chairman Urbano Cairo

List of relevant investments pursuant to art. 125 of Consob Regulation no. 11971/1999 as subsequently amended

Companies consolidated with the full method:

Company	Registered office	Share capital	Currency	Investing company	% Direct interest	% Consolid.	Business segment	Consolidation method
Cairo Communication S.p.A.	Milan	6,989,663	Euro				Advertising	Full
Cairo Editore S.p.A.	Milan	1,043,256	Euro	Cairo Communication S.p.A.	99.95	99.95	Publishing	Full
La 7 S.p.A. (former La7 S.r.l.)	Rome	1,020,000	Euro	Cairo Communication S.p.A.	100.00	100.00	TV publishing	Full
Cairo Pubblicità S.p.A.	Milan	2,818,400	Euro	Cairo Communication S.p.A.	100.00	100.00	Advertising	Full
Cairo Network S.r.l.	Milan	5,500,000	Euro	Cairo Communication S.p.A.	100.00	100.00	Network operator	Full
Cairo Publishing S.r.l.	Milan	10,000	Euro	Cairo Communication S.p.A.	100.00	100.00	Publishing	Full
Il Trovatore S.r.l.	Milan	25,000	Euro	Cairo Communication S.p.A.	80.00	80.00	Internet	Full
Diellesei S.r.l. in liquidation	Milan	10,000	Euro	Cairo Communication S.p.A.	60.00	60.00	Advertising	Full
Edizioni Anabasi S.r.l.	Milan	10,200	Euro	Cairo Editore S.p.A.	100.00	99.95	Publishing	Full
RCS Mediagroup S.p.A.	Milan	475,134,602	Euro	Cairo Communication S.p.A.	59.69	59.69	Publishing	Full
RCS Investimenti S.p.A.	Milan	39,129,066	Euro	RCS MediaGroup S.p.A.	99.69	59.50	Financial holding	Full
RCS Factor S.r.l. (in liquidation)	Milan	100,000	Euro	RCS MediaGroup S.p.A.	90.00	53.72	Factoring	Full
RCS Digital Ventures S.r.l.	Milan	118,000	Euro	RCS Mediagroup S.p.A.	100.00	59.69	Multimedia	Full
MyBeautyBox S.r.l.	Milan	10,000	Euro	RCS Digital Ventures S.r.l.	60.00	35.81	Multimedia	Full
Blei S.r.l. (in liquidation)	Milan	1,548,000	Euro	RCS Mediagroup S.p.A.	100.00	59.69	Advertising	Full
RCS Produzioni S.p.A.	Rome	1,000,000	Euro	RCS MediaGroup S.p.A.	100.00	59.69	Production	Full
RCS Produzioni Milano S.p.A.	Milan	1,000,000	Euro	RCS MediaGroup S.p.A.	100.00	59.69	Production	Full
RCS Produzioni Padova S.p.A.	Milan	500,000	Euro	RCS Mediagroup S.p.A.	100.00	59.69	Production	Full
Consorzio Milano Marathon S.r.l.	Milan	20,000	Euro	RCS Sport S.p.A.	100.00	59.69	Services	Full
RCS Sport S.p.A.	Milan	100,000	Euro	RCS Mediagroup S.p.A.	100.00	59.69	Services	Full
Società Sportiva Dilettantistica RCS Active Team–SSD RCS AT a r.l.	Milan	10,000	Euro	RCS Sport S.p.A.	100.00	59.69	Services	Full

Company	Registered office	Share capital	Currency	Investing company	% Direct interest	% Consolid.	Business segment	Consolidation method
RCS Gaming S.r.l.	Milan	10,000	Euro	RCS MediaGroup S.p.A.	100.00	59.69	Multimedia	Full
Digital Factory S.r.l.	Milan	500,000	Euro	Digicast S.p.A.	100.00	59.69	Television	Full
Sfera Service S.r.l.	Milan	52,000	Euro	RCS Mediagroup S.p.A.	100.00	59.69	Services	Full
Planet Sfera S.r.l.	Milan	40,000	Euro	Sfera Service S.r.l.	51.00	30.44	Services	Full
RCS Edizioni Locali S.r.l.	Milan	1,002,000	Euro	RCS Mediagroup S.p.A.	100.00	59.69	Publishing	Full
Editoriale Fiorentina S.r.l.	Florence	1,000,000	Euro	RCS Mediagroup S.p.A.	50.09	29.90	Publishing	Full
Editoriale Del Mezzogiorno S.r.l.	Naples	1,000,000	Euro	RCS Mediagroup S.p.A.	100.00	59.69	Publishing	Full
Editoriale Veneto S.r.l.	Padua	1,840,000	Euro	RCS Mediagroup S.p.A.	100.00	59.69	Publishing	Full
Trovolavoro S.r.l.	Milan	674,410	Euro	RCS Mediagroup S.p.A.	100.00	59.69	Advertising	Full
Digicast S.p.A.	Milan	211,560	Euro	RCS MediaGroup S.p.A.	100.00	59.69	Television	Full
Canal Mundo Radio Cataluna S.L.	Barcelona	3,010	Euro	Unidad Editorial S.A.	99.99	59.63	Radio	Full
Corporación Radiofónica Informacion y Deporte S.L.U.	Madrid	900,120	Euro	Unedisa Comunicaciones S.L.U.	100.00	59.64	Radio	Full
Ediciones Cónica S.A.	Madrid	432,720	Euro	Unidad Editorial S.A.	99.40	59.28	Publishing	Full
Ediservicios Madrid 2000 S.L.U.	Madrid	601,000	Euro	Unidad Editorial Revistas S.L.U.	100.00	59.64	Publishing	Full
Editora De Medios De Valencia, Alicante Y Castellon S.L.	Valencia	72,055	Euro	Unidad Editorial Informaciòn General S.L.U.	99.99	59.63	Publishing	Full
A Esfera dos Livros S.L.U.	Lisbon	5,000	Euro	La Esfera de los Libros S.L.	100.00	44.73	Publishing	Full
La Esfera de los Libros S.L.	Madrid	48,000	Euro	Unidad Editorial S.A.	75.00	44.73	Publishing	Full
Información Estadio Deportivo S.A.	Sevilla	154,340	Euro	Unidad Editorial Informaciòn Deportiva S.L.U.	84.97	50.67	Publishing	Full
Last Lap S.L.	Madrid	6,010	Euro	Unidad Editorial Informaciòn Deportiva S.L.U.	100.00	59.64	Services	Full
Last Lap Organiçao de eventos S.L.	Lisbon	30,000	Euro	Last Lap S.L.	99.67	59.64	Services	Full
				Unidad Editorial Informaciòn Deportiva S.L.U.	0.33			
Logintegral 2000 S.A.U.	Madrid	500,000	Euro	Unidad Editorial S.A.	100.00	59.64	Distribution	Full
Rey Sol S.A.	Palma de Mallorca	68,802	Euro	Unidad Editorial S.A.	66.67	59.64	Publishing	Full
				Unidad Editorial Informaciòn General S.L.U.	33.33			
Unedisa Comunicaciones S.L.U.	Madrid	610,000	Euro	Unidad Editorial S.A.	100.00	59.64	Multimedia	Full
Unedisa Telecomunicaciones S.L.U.	Madrid	1,100,000	Euro	Unidad Editorial S.A.	100.00	59.64	Multimedia	Full
Unedisa Telecomunicaciones de Levante S.L.	Valencia	3,010	Euro	Unedisa Telecomunicaciones S.L.U.	51.16	30.51	Multimedia	Full
Unidad Editorial S.A.	Madrid	125,896,898	Euro	RCS International Newspapers B.V.	73.75	59.64	Publishing	Full
				RCS Investimenti S.p.A.	26.24			
Unidad Liberal Radio S.L.	Madrid	10,000	Euro	Unidad Editorial S.A.	55.00	32.80	Multimedia	Full
Unidad de Medios Digitales S.L.	Madrid	3,000	Euro	Unidad Editorial S.A.	50.00	29.82	Advertising	Full

Company	Registered office	Share capital	Currency	Investing company	% Direct interest	% Consolid.	Business segment	Consolidation method
Unidad Editorial Informaciòn Deportiva S.L.U.	Madrid	4,423,043	Euro	Unidad Editorial S.A.	100.00	59.64	Multimedia	Full
Unidad Editorial Informaciòn Economica S.L.U.	Madrid	102,120	Euro	Unidad Editorial S.A.	100.00	59.64	Publishing	Full
Unidad Editorial Formacion S.L.U.	Madrid	1,693,000	Euro	Unedisa Telecomunicaciones S.L.U.	100.00	59.64	Television	Full
Unidad Editorial Informaciòn General S.L.U.	Madrid	102,120	Euro	Unidad Editorial S.A.	100.00	59.64	Publishing	Full
Unidad Editorial Juegos S.A.	Madrid	100,000	Euro	Unidad Editorial S.A.	100.00	59.64	Multimedia	Full
Unidad Editorial Información Regional S.L.	Madrid	4,109,508	Euro	Unidad Editorial S.A.	94.03	58.54	Publishing	Full
				Unidad Editorial Informaciòn General S.L.U.	4.12			
Unidad Editorial Revistas S.L.U.	Madrid	1,195,920	Euro	Unidad Editorial S.A.	100.00	59.64	Publishing	Full
Veo Television S.A.	Madrid	27,328,752	Euro	Unidad Editorial S.A.	100.00	59.64	Television	Full
Feria Bebe S.L.	Barcelona	10,000	Euro	Sfera Editores Espana S.L.	60.00	35.81	Publishing	Full
Sfera Direct S.L.	Barcelona	3,006	Euro	Sfera Editores Espana S.L.	100.00	59.69	Publishing	Full
Sfera Editores Espana S.L.	Barcelona	174,000	Euro	RCS Mediagroup S.p.A.	100.00	59.69	Publishing	Full
RCS International Newspapers B.V.	Amsterdam	6,250,000	Euro	RCS Mediagroup S.p.A.	100.00	59.69	Publishing	Full
Sfera Editores Mexico S.A.	Colonia Anzures	8,807,100	MXN	RCS Mediagroup S.p.A.	99.99	59.69	Publishing/Services	Full
Sfera France SAS	Paris	240,000	Euro	Sfera Editores Espana S.L.	66.70	39.81	Publishing	Full
Hotelyo S.A.	Chiasso	100,000	CHF	RCS Mediagroup S.p.A.	51.00	30.44	Digital	Full
RCS Sports and Events DMCC	Dubai	100,000	Euro	RCS Sport S.p.A.	100.00	59.69	Services	Full

Companies consolidated at equity:

Company	Registered office	Share capital	Currency	Investing company	% Direct interest	Business segment	Consolidation method
Quibee S.r.l.	Turin	15,873	Euro	RCS Digital Ventures S.r.l.	37.00	Digital	Equity
Inimm Due S.à.r.l.	Luxembourg	240,950	Euro	RCS MediaGroup S.p.A.	20.00	Real estate	Equity
Gold 5 S.r.l. in liquidation	Milan	250,000	Euro	RCS MediaGroup S.p.A.	20.00	Advertising	Equity
Planet Sfera SL	Barcelona	40,000	Euro	Sfera Editores Espana S.L.	50.00	Services	Equity
Consorzio C.S.E.D.I.	Milan	103,291	Euro	M-Dis Distribuzione Media S.p.A.	20.00	Distribution	Equity
Liguria press S.r.l. (former GE-dis S.r.l.)	Genoa	240,000	Euro	M-Dis Distribuzione Media S.p.A.	40.00	Distribution	Equity
GD Media Service S.r.l. (former Mach2 Press S.r.l.)	Milan	789,474	Euro	M-Dis Distribuzione Media S.p.A.	24.00	Distribution	Equity
M-Dis Distribuzione Media S.p.A.	Milan	6,392,727	Euro	RCS MediaGroup S.p.A.	45.00	Distribution	Equity
MDM Milano Distribuzione Media S.r.l.	Milan	611,765	Euro	M-Dis Distribuzione Media S.p.A.	51.00	Distribution	Equity
Pieroni Distribuzione S.r.l.	Milan	750,000	Euro	M-Dis Distribuzione Media S.p.A.	51.00	Distribution	Equity
TO-dis S.r.l.	Milan	510,000	Euro	M-Dis Distribuzione Media S.p.A.	55.00	Distribution	Equity
Trento Press Service S.r.l.	Trento	260,000	Euro	M-Dis Distribuzione Media S.p.A.	36.92	Distribution	Equity
Corporacion Bermont S.L.	Madrid	21,003,100	Euro	Unidad Editorial S.A.	37.00	Print media	Equity
Bermont Catalonia S.A.	Barcelona	60,101	Euro	Corporacion Bermont S.L.	100.00	Print media	Equity
Bermont Impresion S.L.	Madrid	321,850	Euro	Corporacion Bermont S.L.	100.00	Print media	Equity
Calprint S.L.	Valladolid	1,856,880	Euro	Corporacion Bermont S.L.	39.58	Print media	Equity
Escuela de Cocina Telva S.L.	Madrid	61,000	Euro	Ediciones Cónica S.A.	50.00	Training	Equity
Fabripress S.A.U.	Madrid	961,600	Euro	Corporacion Bermont S.L.	100.00	Publishing	Equity
Impresiones y distribuciones de Prensa Europea S.A.	Madrid	60,101	Euro	Corporacion Bermont S.L.	100.00	Print media	Equity
Lagar S.A.	Madrid	150,253	Euro	Corporacion Bermont S.L. Bermont Impresion S.L.	60.00 40.00	Print media	Equity
Madrid Deportes y Espectáculos S.A.	Madrid	600,000	Euro	Unidad Editorial Informaciòn Deportiva S.L.U.	30.00	Multimedia	Equity
Newsprint Impresion Digital S.L.	Tenerife	93,000	Euro	TF Print S.A.	50.00	Print media	Equity
Omniprint S.A.	Santa Maria del Cami	2,790,000	Euro	Corporacion Bermont S.L.	100.00	Print media	Equity
Radio Salud S.A.	Barcelona	200,782	Euro	Unedisa Comunicaciones S.L.U.	30.00	Radio	Equity
Recoprint Dos Hermanas S.L.U.	Madrid	2,052,330	Euro	Corporacion Bermont S.L.	100.00	Print media	Equity
Recoprint Güimar S.L.U.	Madrid	1,365,140	Euro	Corporacion Bermont S.L.	100.00	Print media	Equity
Recoprint Impresiòn S.L.U.	Madrid	3,010	Euro	Corporacion Bermont S.L.	100.00	Print media	Equity
Recoprint Pinto S.L.U.	Madrid	3,652,240	Euro	Corporacion Bermont S.L.	100.00	Print media	Equity
Recoprint Rábade S.L.U.	Madrid	1,550,010	Euro	Corporacion Bermont S.L.	100.00	Print media	Equity
Recoprint Sagunto S.L.U.	Madrid	2,281,920	Euro	Corporacion Bermont S.L.	100.00	Print media	Equity
TF Press S.L.	Santa Cruz de Tenerife	3,005	Euro	Corporacion Bermont S.L.	100.00	Print media	Equity
TF Print S.A.	Santa Cruz de Tenerife	1,382,328	Euro	Corporacion Bermont S.L. Bermont Impresion S.L.	75.00 25.00	Print media	Equity
Unidad Liberal Radio Madrid S.L.	Madrid	10,000	Euro	Unidad Editorial S.A. Libertad Digital S.A.	45.00 55.00	Multimedia	Equity

Investments in other companies:

Company	Registered office	Share capital	Currency	Investing company	% Direct interest	Business segment	Consolidation method
Auditel S.r.l.	Milan	300,000	Euro	La7 S.p.A.	3.33	Television	Cost
Ansa Società Cooperativa	Rome	10,783,362	Euro	RCS Mediagroup S.p.A.	4.38	Publishing	Cost
Cefriel S.c.a.r.l	Milan	1,057,798	Euro	RCS Mediagroup S.p.A.	5.46	Research	Cost
Consuledit S.c.a.r.l. (in liquidation)	Milan	20,000	Euro	RCS Mediagroup S.p.A.	19.55	Publishing	Cost
Emittenti Titoli S.p.A.	Milan	4,264,000	Euro	RCS MediaGroup S.p.A.	1.46	Finance	Cost
H-Farm Ventures S.p.A.	Roncade (TV)	5,003,000	Euro	RCS MediaGroup S.p.A.	1.35	Services	Cost
Immobiliare Editori Giornali S.r.l.	Rome	830,462	Euro	RCS MediaGroup S.p.A.	7.49	Publishing	Cost
Istituto Europeo di Oncologia S.r.l.	Milan	80,579,007	Euro	RCS MediaGroup S.p.A.	5.08	Scientific research	Cost
ItaliaCamp S.r.l.	Rome	10,000	Euro	RCS MediaGroup S.p.A.	3.00	Services	Cost
SAS Mode et Finance	Paris	6,965,714	Euro	RCS MediaGroup S.p.A.	4.62	Clothing	Cost
Mach 2 Libri S.p.A.	Peschiera B.	646,250	Euro	RCS MediaGroup S.p.A.	19.09	Publishing	Cost
Digital Magics S.p.A.	Milan	4,929,839	Euro	RCS Digital Ventures S.r.l.	0.86	Multimedia	Cost
Mperience S.r.l.	Rome	26,718	Euro	RCS Digital Ventures S.r.l.	2.00	Digital	Cost
Trova La Zampa S.r.l	Milan	10,000	Euro	RCS Digital Ventures S.r.l.	5.00	Digital	Cost
Webentually S.r.l.	Brescia	10,000	Euro	RCS Digital Ventures S.r.l.	15.00	Digital	Cost
The Gira S.r.l.	Milan	11,111	Euro	RCS Sport S.p.A.	9.25	Services	Cost
Consorzio Edicola Italiana	Milan	60,000	Euro	RCS Mediagroup S.p.A.	16.66	Digital	Cost
Onering S.r.l. in liquidation	Montegrotto Terme (PD)	10,000	Euro	RCS Mediagroup S.p.A.	15.00	Digital	Cost
Premium Publisher Network (Consortium)	Milan	19,426	Euro	RCS Mediagroup S.p.A.	20.51	Advertising	Cost
Giorgio Giorgi S.r.l.	Calenzano (FI)	1,000,000	Euro	M-Dis Distribuzione Media S.p.A.	5.00	Distribution	Cost
Cronos Producciones Multimedia S.L.U.	Madrid	3,010	Euro	Libertad Digital Television S.A.	100.00	Publishing	Cost
Digicat Sis S.L.	Barcelona	3,200	Euro	Radio Salud S.A.	25.00	Radio	Cost
Libertad Digital S.A.	Madrid	2,582,440	Euro	Unidad Editorial S.A.	1.16	Multimedia	Cost
Libertad Digital Publicidad y Marketing S.L.U	Madrid	3,010	Euro	Libertad Digital S.A.	100.00	Advertising	Cost
Libertad Digital Television S.A.	Madrid	2,600,000	Euro	Libertad Digital S.A.	99.66	Television	Cost
Medios de Azahar S.A.	Castellon	825,500	Euro	Editora De Medios De Valencia, Alicante Y Castellon S.A.	6.12	Services	Cost
Palacio del Hielo S.A.	Madrid	1,617,838	Euro	Unidad Editorial S.A.	8.53	Multimedia	Cost
Suscribe S.L.	Palma de Mallorca	300,000	Euro	Logintegral 2000 S.A.U.	15.00	Publishing	Cost
Wouzee Media S:L	Madrid	14,075	Euro	Unidad Editorial S.A.	10.00	Multimedia	Cost
13 TV S.A	Madrid	2,953,140	Euro	Unidad Editorial S.A.	0.77	Multimedia	Cost
Yoodeal Ltd	Crowborough	12,004	GBP	RCS Digital Ventures S.r.l.	2.00	Digital	Cost

Related party transactions

Parents (€ millions)	Trade receivables	Other receivables and current assets	Receivables from tax consolidation	Other current financial assets
U.T. Communications S.p.A.	-	-	0.9	-
Total	**-**	**-**	**0.9**	**-**

Associates (€ millions)	Trade receivables	Other receivables and current assets	Receivables from tax consolidation	Other current financial assets
M-DIS Distribuzione media	20.7	-	-	3.8
Radio Salud S.A.	0.1	-	-	-
Fabripress S.A. (Bermont Group)	0.2	-	-	-
Gold 5 S.r.l.	-	-	-	0.1
Total	**21.0**	**-**	**-**	**3.9**

Associates transactions (€ millions) Equity	Trade payables	Other current payables and liabilities	Payables from tax consolidation	Other current financial liabilities	Other non-current financial liabilities
M-DIS Distribuzione media	2.2	-	-	-	-
Planet Sfera	-	-	-	-	-
Fabripress S.A. (Bermont Group)	2.4	-	-	-	-
MDM Milano Distribuzione Media S.r.l.	-	-	-	2.4	-
To-dis S.r.l.	-	-	-	0.5	-
Recoprint Dos Hermanas S.L.U. (Bermont Group)	0.5	-	-	-	-
Recoprint Sagunto S.L.U. (Bermont Group)	0.3	-	-	-	-
Calprint S.L. (Bermont Group)	1.2	-	-	-	-
Omniprint S.A. (Bermont Group)	0.1	-	-	-	-
Bermont Catalonia S.A. (Bermont Group)	0.5	-	-	-	-
TF Print S.A. (Bermont Group)	0.3	-	-	-	-
Recoprint Pinto S.L.U. (Bermont Group)	-			-	-
Recoprint Ràbade S.L.U. (Bermont Group)	0.2	-	-	-	-
Radio Salud S.A.	0.5	-	-	-	-
Recoprint Impresiòn S.L.U. (Bermont Group)	-	-	-	-	-
Total	**8.2**	**-**	**-**	**2.9**	**-**

Companies subject to the control of parents (€ millions)	Trade receivables	Other receivables and current assets	Receivables from tax consolidation	Other current financial assets
Torino FC S.p.A.	0.2	-	-	-
MP Service S.r.l.	-	-	-	-
Total	**0.2**	**-**	**-**	**-**

Companies subject to the control of parents (€ millions)	Trade payables	Other current payables and liabilities	Payables from tax consolidation	Other current financial liabilities	Other non-current financial liabilities
Torino FC S.p.A.	0.9	-	-	-	-
Total	**0.9**	-	-	-	-

Other related parties (€ millions)	Trade receivables	Other receivables and current assets	Receivables from tax consolidation	Other current financial assets
Unipol Sai S.p.A. Group companies	0.1	-	-	-
Della Valle Group companies	1.1	-	-	-
Pirelli Group companies	0.3	-	-	-
Total	**1.5**	-	-	-

Other related parties (€ millions)	Trade payables	Other current payables and liabilities	Payables from tax consolidation	Other current financial liabilities	Other non-current financial liabilities
Mediobanca Group companies	0.0			2.3	11.5
Unipol Sai S.p.A. Group companies	0.1			-	-
Total	**0.1**	-	-	**2.3**	**11.5**

Associates (€ millions)	Operating revenue	Operating costs	Financial income	Financial charges
M-DIS Distribuzione media	103.9	(5.5)	-	-
Planet Sfera	-	-	-	-
Fabripress S.A. (Bermont Group)	0.9	(6.1)	-	-
MDM Milano Distribuzione Media S.r.l.	-	(0.1)	-	-
To-dis S.r.l.	-	-	-	-
Recoprint Dos Hermanas S.L.U. (Bermont Group)	-	(1.4)	-	-
Recoprint Sagunto S.L.U. (Bermont Group)	-	(1.1)	-	-
Calprint S.L. (Bermont Group)	-	(2.1)	-	-
Omniprint S.A. (Bermont Group)	-	(0.3)	-	-
Bermont Catalonia S.A. (Bermont Group)	-	(1.9)	-	-
TF Print S.A. (Bermont Group)	-	(0.6)	-	-
Recoprint Pinto S.L.U. (Bermont Group)	-	(0.5)	-	-
Recoprint Ràbade S.L.U. (Bermont Group)	-	(0.5)	-	-
Radio Salud S.A.	0.1	(0.4)	-	-
Recoprint Impresiòn S.L.U. (Bermont Group)	-	(0.2)	-	-
Total	**104.9**	**(20.7)**	-	-

Companies subject to the control of parents (€ millions)	Operating revenue	Operating costs	Financial income	Financial charges
Torino FC S.p.A.	0.1	(1.2)	-	-
Total	**0.1**	**(1.2)**	-	-

Other related parties (€ millions)	Operating revenue	Operating costs	Financial income	Financial charges
Mediobanca Group companies	-	-	-	(0.8)
Unipol Sai S.p.A. Group companies	0.2	(0.2)	-	-
Della Valle Group companies	1.2	-	-	-
Pirelli Group companies	0.2	-	-	-
Supplementary Pension Fund for Senior Managers (	-	(0.2)	-	-
Total	**1.6**	**(0.4)**	-	**(0.8)**

Certification of the condensed consolidated half-year financial statements pursuant to Article 81-ter of Consob Regulation no. 11971 of 14 May 1999 as subsequently amended and supplemented

1. The undersigned Urbano Roberto Cairo, as Chairman of the Board of Directors, and Marco Pompignoli, as Financial Reporting Manager of Cairo Communication S.p.A., also in accordance with art. 154 bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998, certify:

• the suitability of the characteristics of the Company (taking note of any changes taking place during the half-year period) and

• the effective application of administrative and accounting procedures for the preparation of the condensed consolidated financial statements for the first half of 2017.

2. We also certify that:

2.1 the condensed consolidated financial statements at 30 June 2017:

a) have been prepared in compliance with International Financial Reporting Standards endorsed by the European Union, pursuant to EEC Regulation no. 1606/2002 of the European Parliament and Council, of 19 July 2002;
b) are consistent with the accounting records and books of the Company;
c) give a true and fair view of the balance sheet, income statement and financial position of the Issuer and of the companies included in the scope of consolidation as a whole.

2.2 The Interim Management Report at 30 June 2017 contains a reliable analysis of all the significant events that have taken place in the first half of the year and their effect on the condensed consolidated half-year financial statements, together with a description of the main risks and uncertainties expected in the second half of the year. The Interim Management Report at 30 June 2017 also contains a reliable analysis of information on the main transactions with related parties.

Milan, 8 September 2017

For the Board of Directors	Financial Reporting Manager
Chairman	
…………………………………..	
(Urbano Roberto Cairo)	(Marco Pompignoli)

KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Report on review of condensed interim consolidated financial statements

To the shareholders of
Cairo Communication S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Cairo Communication Group, comprising the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes thereto, as at and for the six months ended 30 June 2017. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Cairo Communication Group as at and for the six months ended 30 June 2017 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 11 September 2017

KPMG S.p.A.

(signed on the original)

Francesco Spadaro
Director of Audit