CAIRO COMMUNICATION

Interim Management Report
at 30 September 2014

Cairo Communication S.p.A.
Head Office
Via Tucidide 56, Milan
Share capital Euro 4,073,856.80

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

Governance

Board of Directors

Urbano Cairo*	Chairman
Uberto Fornara	CEO
Laura Maria Cairo	Director
Roberto Cairo	Director
Marco Janni	Director
Antonio Magnocavallo	Director
Stefania Petruccioli	Director
Marco Pompignoli	Director
Roberto Rezzonico	Director
Mauro Sala	Director

Control and Risk Committee

Roberto Rezzonico	Director
Mauro Sala	Director
Antonio Magnocavallo	Director

Remuneration Committee

Antonio Magnocavallo	Director
Roberto Rezzonico	Director
Stefania Petruccioli	Director

Related Party Committee

Marco Janni	Director
Mauro Sala	Director
Stefania Petruccioli	Director

Board of Statutory Auditors

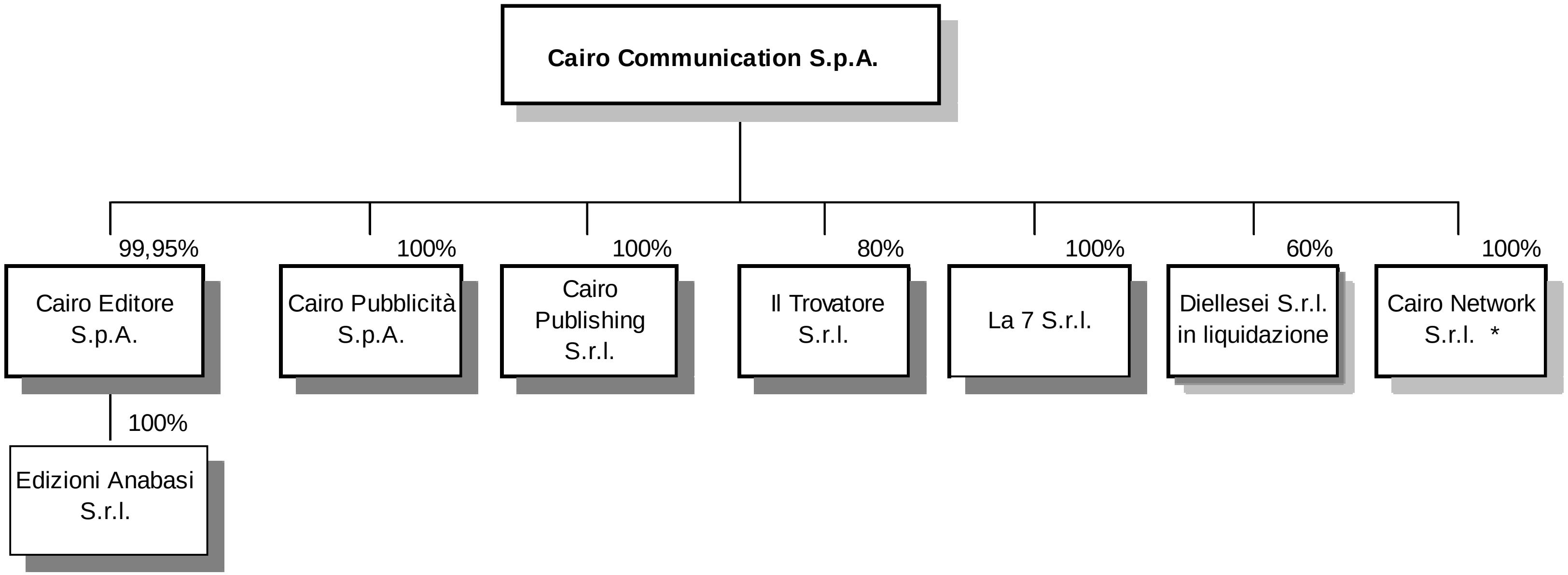
Marco Moroni	Chairman
Marco Giuliani	Standing auditor
Maria Pia Maspes	Standing auditor
Emilio Fano	Alternate auditor
Enrico Tamborini	Alternate auditor

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 September 2014



* Effective 1 April 2014, Cairo Sport S.r.l. changed its name into Cairo Network S.r.l.

1. Valuation principles and criteria adopted in preparing the Interim Management Report at 30 September 2014

The financial statements in this Interim Management Report have been prepared following the reclassified statements usually adopted for the “Directors’ Report” and in accordance with international accounting standards.

The consolidated and separate income statement figures in 3Q14 and in 9M14 are shown versus the corresponding periods of 2013. Statement of financial position and net equity figures appearing in the financial statements are compared with the figures of the consolidated and separate financial statements at 31 December 2013.

The quarterly financial statements at 30 September 2014, as for those at 30 September 2013, have been prepared net of tax and tax effects.

In 2014, the subsidiary Cairo Network S.r.l. (former Cairo Sport S.r.l) was consolidated. Its financial statements had not been previously consolidated, as the company was not significant because it was not operational. There were no other changes to the scope of consolidation from the consolidated financial statements for the year ended 31 December 2013.

In this Interim 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 serves as a unit of measurement to evaluate Group and Parent operational performance, with the **EBIT**, and is calculated as follows:

Profit from continuing operations, pre tax

+/- Net finance income

+/- Share in associates

EBIT- Operating profit

+ Amortization & depreciation

+ Bad debt impairment losses

+ Provisions for risks

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

The Cairo Communication Group also considers the **net financial position** as a valid indicator of the Group's ability to meet financial obligations, both current and future. As can be seen in the table used in this Report, which details the equity figures used for the calculation of Group net financial position, this figure includes cash and other cash equivalents, bank deposits, securities and other current financial assets, reduced by current and non-current bank borrowings.

2. Group performance

In 9M14, the Cairo Communication Group, which started operations in the TV publishing field in 2013 following the acquisition of La7, with the upstream integration of its concessionaire business for the sale of advertising space, diversifying its publishing activities previously focused on magazines, continued to operate as a:

- publisher of magazines and books (Cairo Editore/Editoriale Giorgio Mondadori and Cairo Publishing);
- multimedia advertising broker (Cairo Pubblicità) for the sale of advertising space on TV, in print media, on the Internet and in stadiums;
- TV (La7, La7d) and Internet (La7.it, TG.La7.it) publisher.

In 9M14, the general economic and financial context, marked by a high degree of uncertainty, continued to report negative effects. To date, there remains uncertainty over the period required for a return to normal market conditions.

Based on AC Nielsen figures, in 9M14 advertising investments in Italy amounted to approximately Euro 4.4 billion, down 3.2% versus the same period last year.

The analysis by media shows that in the January-September nine-month period of 2014:

- the magazine advertising market dropped by 8.7% versus 2013, when in 9M13 it had lost 24.3% versus 2012,
- the TV advertising market basically confirmed (0%) the amounts of 2013, when in 9M13 it had, instead, shed 13.1% versus 2012.

The uncertainty factors in the short-medium economic term also hit magazine sales figures.

Despite this backdrop, in 9M14 the Cairo Communication Group:

- strengthened the results of the cost rationalization measures in the TV publishing segment (La7) implemented during the eight months of activity in 2013, succeeding in achieving also in 9M14 a positive gross operating profit (EBITDA) of Euro 5.9 million, while in the January-September nine-month period of 2013 (when La7 in the first four months had not been included yet in the scope of consolidation of the Cairo Communication Group), gross operating loss of La7 had amounted to Euro 28.5 million;

- strengthened the results of "F", "Settimanale Nuovo" and "Settimanale Giallo", confirmed the high circulation levels of the other publications, and worked on improving the levels of efficiency reached in containing costs in the magazine publishing segment (production, publishing and distribution);
- kept advertising revenue levels high, despite the general market trend;
- achieved highly positive results in its traditional segments (magazine publishing and advertising), despite the general economic and financial context and relevant market trend;
- took part with the subsidiary Cairo Network in the tender procedure opened by the Ministry of Economic Development for the assignment of rights to use TV frequencies for digital terrestrial broadcasting systems, submitting its binding bid and winning the rights to use a lot of frequencies ("Mux") for a period of 20 years.

To provide a better understanding of the figures for comparative purposes, it should be noted that the 9M13 income statement included the results of La7 S.r.l., which was consolidated on 1 May 2013, with regard only to the May-September five-month period of 2013.

In 9M14, consolidated gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 21.6 million and Euro 17.6 million, growing by 21.4% and 17.8% versus the same results of current operations in 9M13 (Euro 17.8 million and Euro 14.9 million). Profit attributable to the owners of the parent came to approximately Euro 18.9 million, up by approximately 46% versus the result from current operations in 9M13 (Euro 12.9 million). Profit in 9M13 (Euro 68.1 million) had benefited from the recognition in the income statement of "non-recurring income from the acquisition of La7", amounting to Euro 57.1 million.

Specifically, in 9M14:

- in the **TV publishing segment (La7)**, the Group worked on strengthening the results of the rationalization and cost-curbing measures implemented in 2013. Gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 5.9 million and Euro 3.9 million, while La7 operations did not absorb cash (positive net financial position of Euro 118.8 million at 30 September 2014 versus Euro 115.8 million at 31 December 2013). Operating profit (EBIT) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 15.5 million due to the write-down of tangible and intangible assets made in 2013 in the purchase price allocation of the investment. Net of these effects, it would have shown a negative figure of approximately Euro 11.6 million. In the January-September nine-month period of

2013 - when La7 had not been included yet for the entire period in the scope of consolidation of the Cairo Communication Group - gross operating loss had amounted to approximately Euro 28.5 million.

In 9M14, La7's average all-day share was 3.32% and 3.88% in prime time (from 8:30 PM to 11:30 PM), with a high-quality target audience. La7d's share maintained its level at 0.5%. The results of the channel's news and discussion programmes - such as the 8 PM newscast (6%), "Otto e mezzo" (5.6%), "Piazza Pulita" (4.9%), "Crozza nel Paese delle Meraviglie" (9.2%) "Servizio Pubblico" (8%), "Anno Uno" (7.4%) "Le invasioni Barbariche" (4.2%), "Coffee Break" (5.1%), "Omnibus" (3.7%), "La Gabbia" (3.5%), "L'aria che tira" (6.2%), "Bersaglio Mobile" (5.7%), and "Di martedì" (3.9% for the first three episodes) – were positive;

- in the **magazine publishing segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 10.9 million and Euro 10.1 million, up by 17.6% and 20.2% versus 9M13 (Euro 9.2 million and Euro 8.4 million). The 9M14 period confirmed the excellent circulation results, with revenue at Euro 56 million. Regarding weeklies, with approximately 1.9 million average copies sold in the January-September nine-month period of 2014, the Group retains its position as the leading publisher in copies of weeklies sold at newsstands, with an over 25% market share;
- in the **advertising segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 4.8 million and Euro 3.6 million (Euro 7.9 million and Euro 6.8 million in 9M13). In 9M14, gross advertising sales on La7 and La7d, amounting to Euro 107.4 million, basically confirmed (-1.6%) the 9M13 result (Euro 109.1 million).

On 12 April 2014, the subsidiary Cairo Network S.r.l. (former Cairo Sport S.r.l.) applied for admission to bid in the auction opened by the Ministry of Economic Development for the awarding of the so-called L3 Lot, put up for tender with a starting price of Euro 31.6 million. This lot includes the granting of rights to use - for a period of 20 years - the 2-SFN multiplex on channels 25 and 59 ("Mux"). The L3 Lot frequencies have an estimated nominal coverage of 96.6% of the population. On 15 May 2014, the Ministry of Economic Development announced the admission of Cairo Network to the tender. On 13 June 2014, the Company submitted its binding bid and won the rights. The award was announced on 26 June 2014.

On 25 July 2014, Cairo Network paid the amount offered in its bid (Euro 31.6 million), using own funds of Euro 6.6 million (arising from a capital increase of Euro 5.5 million and a shareholder loan of Euro 1.1 million) and by means of a bank loan of Euro 25 million granted by Unicredit S.p.A.. The loan is secured by a guarantee issued by the parent Cairo Communication, and calls for the payment of an interest rate equal to the 3-month Euribor plus 225 basis points and certain constraints (negative pledges) and commitments (covenants) on the part of the company, which are typical of these transactions. On 31 July 2014, the Ministry of Economic Development issued the rights of use.

With the acquisition of the Mux, the Group will become a network operator and have at its autonomous disposal a broadcasting capacity of 22.4 Mbps versus the current 7.2 Mbps leased, which can be used to broadcast the current La7 and La7d channels from 1 January 2017, to broadcast new channels if the Company were to launch any, or even lease them to third parties as early as 2016.

Cairo Communication Group – Consolidated figures

The main **consolidated income statement** figures in 9M14 can be compared with the figures in 9M13:

(€ thousands)	30/09/2014 (Nine months)			30/09/2013 (Nine months)		
	Current operations	**Non-recurring items**	**Total**	**Current operations**	**Non-recurring items**	**Total**
Gross operating revenue	190,804	-	190,804	197,315	-	197,315
Advertising agency discounts	(18,309)	-	(18,309)	(19,245)	-	(19,245)
Net operating revenue	**172,495**	**-**	**172,495**	**178,070**	**-**	**178,070**
Change in inventory	(27)	-	(27)	(65)	-	(65)
Other revenue and income	7,799	-	7,799	3,637	-	3,637
Total revenue	**180,267**	**-**	**180,267**	**181,642**	**-**	**181,642**
Production cost	(114,632)	-	(114,632)	(130,979)	(1,917)	(132,896)
Personnel expense	(44,079)	-	(44,079)	(32,908)	-	(32,908)
Gross operating profit (EBITDA)	**21,556**	**-**	**21,556**	**17,755**	**(1,917)**	**15,838**
Amortization, depreciation, provisions and impairment losses	(3,967)	-	(3,967)	(2,821)	-	(2,821)
Operating profit (EBIT)	**17,589**	**-**	**17,589**	**14,934**	**(1,917)**	**13,017**
Net financial income	1,723	-	1,723	2,278	-	2,278
Income / (loss) on investments	(1)	-	(1)	699	-	699
Non-recurring income from the acquisition of La7 S.r.l.	-	-	-	-	57,066	57,066
Pre-tax profit	**19,311**	**-**	**19,311**	**17,911**	**55,149**	**73,060**
Income tax	(378)	-	(378)	(4,954)	-	(4,954)
Non-controlling interests	(14)	-	(14)	(1)	-	(1)
Profit from continuing operations attributable to the owners of the parent	**18,919**	**-**	**18,919**	**12,956**	**55,149**	**68,105**
Profit/(loss) from discontinued operations	-	-	-	(1)	-	(1)
Profit attributable to the owners of the parent	**18,919**	**-**	**18,919**	**12,955**	**55,149**	**68,104**

To provide a better understanding of the figures for comparative purposes, it should be noted that:

- the 9M13 income statement included the results of La7 S.r.l., which was consolidated on 1 May 2013, with regard only to the May-September five-month period of 2013;
- the 9M13 profit had benefited from "non-recurring income from the acquisition of La7"; during the last quarter of 2013 in light of further information available, this income, which had been recognized in the interim management report at 30 September 2013 for an amount of Euro 49.9 million, was retrospectively adjusted to Euro 57.1 million, as shown in the financial statements in this Report.

In 9M14, consolidated gross revenue came to approximately Euro 198.6 million, basically in line with 9M13 (Euro 200.9 million). The consolidation of La7 S.r.l. for the entire nine months (with respect to the May-September five-month period of 2013 included in the same period last year) brought no significant change to revenue, since over 90% of La7 S.r.l. revenue comes from advertising sales generated by Cairo Communication under the advertising concession contract in effect before the acquisition.

Looking at current operations, consolidated gross operating profit (EBITDA) and operating profit (EBIT), amounting to approximately Euro 21.6 million and Euro 17.6 million, grew by 21.4% and 17.8% versus the same results of current operations in 9M13 (Euro 17.8 million and Euro 14.9 million). Consolidated profit, amounting to approximately Euro 18.9 million, grew by approximately 46% versus the current operations in 9M13 (Euro 12.9 million). In 9M13, profit (Euro 68.1 million) included Euro 55.1 million, that is, non-recurring income and charges from the acquisition of La7. Specifically, "non-recurring income from the acquisition of La7 S.r.l." referred to the difference between the fair value of assets acquired and liabilities assumed at the date of acquisition and the purchase price paid, given the financial situation of La7 at the date of acquisition.

As mentioned, in 9M14, gross operating profit (EBITDA) and operating profit (EBIT) from the TV publishing segment (La7) came to approximately Euro 5.9 million and Euro 3.9 million. Operating profit (EBIT) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 15.5 million due to the write-down of tangible and intangible assets made in 2013 in the purchase price allocation of the investment. Net of these effects, it would have shown a negative figure of approximately Euro 11.6 million.

In 9M13, the income statement included the results of La7, specifically the May-September five-month period of 2013, when gross operating profit (EBITDA) and operating profit (EBIT) from the TV publishing segment (La7) had come to approximately Euro 0.6 million and a negative Euro 0.2 million. These results had benefited in the consolidated financial statements from lower operating costs of Euro 0.8 million and from lower amortization and depreciation of Euro 10.8 million (a total of Euro 11.6 million), due to valuation adjustments made in the purchase price allocation of the investment. Net of these effects, the result of La7 in the May-September five-month period would have been basically breakeven (a negative Euro 0.2 million) in terms of gross operating profit (EBITDA), with a loss of approximately Euro 11.9 million in terms of operating profit (EBIT).

The main **consolidated income statement figures** in **3Q14** can be compared as follows with those of 3Q13:

(€ thousands)	**30/09/2014 (Three months)**			**30/09/2013 (Three months)**		
	Current operations	**Non-recurring items**	**Total**	**Current operations**	**Non-recurring items**	**Total**
Gross operating revenue	53,609	-	53,609	56,766	-	56,766
Advertising agency discounts	(4,480)	-	(4,480)	(4,711)	-	(4,711)
Net operating revenue	**49,129**	**-**	**49,129**	**52,055**	**-**	**52,055**
Change in inventory	8	-	8	12	-	12
Other revenue and income	2,756	-	2,756	741	-	741
Total revenue	**51,893**	**-**	**51,893**	**52,808**	**-**	**52,808**
Production cost	(33,276)	-	(33,276)	(33,708)	-	(33,708)
Personnel expense	(13,043)	-	(13,043)	(13,874)	-	(13,874)
Gross operating profit (EBITDA)	**5,574**	**-**	**5,574**	**5,226**	**-**	**5,226**
Amortization, depreciation, provisions and impairment losses	(1,939)	-	(1,939)	(1,243)	-	(1,243)
Operating profit (EBIT)	**3,635**	**-**	**3,635**	**3,983**	**-**	**3,983**
Net financial income	516	-	516	898	-	898
Income / (loss) on investments	(1)	-	(1)	136	-	136
Non-recurring income from the acquisition of La7 S.r.l.	-	-	-	-	-	-
Pre-tax profit	**4,150**	**-**	**4,150**	**5,017**	**-**	**5,017**
Income tax	272	-	272	(525)	-	(525)
Non-controlling interests	(6)	-	(6)	(1)	-	(1)
Profit from continuing operations attributable to the owners of the parent	**4,416**	**-**	**4,416**	**4,491**	**-**	**4,491**
Profit/(loss) from discontinued operations	-	-	-	(1)	-	(1)
Profit attributable to the owners of the parent	**4,416**	**-**	**4,416**	**4,490**	**-**	**4,490**

In **3Q14,** consolidated gross revenue amounted to approximately Euro 56.4 million (Euro 57.5 million in 3Q13). Gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 5.6 million and Euro 3.6 million, up 6.7% and down 8.7% versus 3Q13 (Euro 5.2 million and Euro 4 million). The change in operating profit is attributable mainly to the increase in the amortization of La7 TV rights acquired as from 1 May 2013. Profit attributable to the owners of the parent came to approximately Euro 4.4 million (Euro 4.5 million in 3Q13).

Gross operating profit (EBITDA) and operating profit (EBIT) in the TV publishing segment (La7) came to approximately Euro 1 million and to a negative Euro 0.1 million. These results benefited from lower amortization and depreciation of Euro 3.1 million, due to the write-down of tangible and intangible assets made in 2013 in the purchase price allocation of the investment.

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

(€ thousands)	**30/09/2014 (Nine months)**	**30/09/2014 (Quarter)**	**30/09/2013 (Nine months)**	**30/09/2013 (Quarter)**
Consolidated statement of comprehensive income				
Profit attributable to owners of the parent	18,919	4,416	68,104	4,490
Other reclassifiable items of the comprehensive income statement				
Profit on measurement of available-for-sale financial assets		-	-	(156)
Other non-reclassifiable items of the comprehensive income statement				
Actuarial profit (loss) from defined benefit plans	(695)	-	77	-
Tax effect	191	-	(21)	-
Total comprehensive income	**18,415**	**4,416**	**68,160**	**4,334**

The Group’s performance can be read better by analyzing the 9M14 and 3Q14 results by **main business segment** (magazine publishing, advertising, TV publishing (La7), network operator (Cairo Network) and Il Trovatore) versus those of 9M13 and 3Q13:

2014 (Nine months) (€ thousands)	Magazine publishing	Advertising	TV publishing La7 Current operations	 Non-recurring items	Trovato-re	Network operator Cairo Network	Intra-group and unallocated	Total
Gross operating revenue	72,650	127,708	77,273	-	611	-	(87,438)	190,804
Advertising agency discounts	-	(18,309)	-	-	-	-	-	(18,309)
Net operating revenue	**72,650**	**109,399**	**77,273**	**-**	**611**	**-**	**(87,438)**	**172,495**
Change in inventory	(27)	-	-	-	-	-	-	(27)
Other income	1,118	605	6,075	-	-	1	-	7,799
Total revenue	**73,741**	**110,004**	**83,348**	**-**	**611**	**1**	**(87,438)**	**180,267**
Production cost	(48,774)	(100,444)	(52,283)	-	(486)	(83)	87,438	(114,632)
Personnel expense	(14,098)	(4,766)	(25,190)	-	(25)	-	-	(44,079)
Gross operating profit (EBITDA)	**10,869**	**4,794**	**5,875**		**100**	**(82)**	**-**	**21,556**
Amortization, depreciation, provisions and impairment losses	(786)	(1,157)	(2,023)	-	-	(1)	-	(3,967)
Operating profit (EBIT)	**10,083**	**3,637**	**3,852**	**-**	**100**	**(83)**	**-**	**17,589**
Income / (loss) on investments	-	(1)	-	-	-	-	-	(1)
Net financial income	36	377	1,310	-	-	-	-	1,723
Non-recurring income from acquisition of La7 S.r.l.	-	-	-	-	-	-	-	-
Pre-tax profit	**10,119**	**4,013**	**5,162**	**-**	**100**	**(83)**	**-**	**19,311**
Income tax	(3,727)	(1,482)	4,862	-	(31)	-	-	(378)
Non-controlling interests	-	-	-	-	(14)	-	-	(14)
Profit from continuing operations attributable to the owners of the parent	**6,392**	**2,531**	**10,024**	**-**	**55**	**(83)**	**-**	**18,919**
Profit / (loss) from discontinued operations	-	-	-	-	-	-	-	-
Profit	**6,392**	**2,531**	**10,024**	**-**	**55**	**(83)**	**-**	**18,919**

2013 (Nine months) (€ thousands)	Magazine publishing	Advertising	TV publishing La7 (*) Current operations	 Non-recurring items	Trovato-re	Network operator Cairo Network	Intra-group and unallocated	Total
Gross operating revenue	74,497	134,202	41,510	-	276	-	(53,170)	197,315
Advertising agency discounts	0	(19,245)	-	-	-	-	-	(19,245)
Net operating revenue	**74,497**	**114,957**	**41,510**	**-**	**276**	**-**	**(53,170)**	**178,070**
Change in inventory	(65)	-	-	-	-	-	-	(65)
Other income	1,899	3,988	508	-	1	-	(2,759)	3,637
Total revenue	**76,331**	**118,945**	**42,018**	**-**	**277**	**-**	**(55,929)**	**181,642**
Production cost	(53,010)	(106,572)	(27,085)	(1,917)	(241)	-	55,929	(132,896)
Personnel expense	(14,080)	(4,433)	(14,371)	-	(24)	-	-	(32,908)
Gross operating profit (EBITDA)	**9,241**	**7,940**	**562**	**(1,917)**	**12**	**-**	**-**	**15,838**
Amortization, depreciation, provisions and impairment losses	(850)	(1,174)	(797)	-	-	-	-	(2,821)
Operating profit (EBIT)	**8,391**	**6,766**	**(235)**	**(1,917)**	**12**	-	-	**13,017**
Income / (loss) on investments	-	699	-	-	-	-	-	699
Net financial income	49	1,004	1,226	-	(1)	-	-	2,278
Non-recurring income from acquisition of La7 S.r.l.	-	-	-	57,066	-	-	-	57,066
Pre-tax profit	**8,440**	**8,469**	**991**	**55,149**	**11**	**-**	**-**	**73,060**
Income tax	(3,217)	(2,941)	1,208	-	(4)	-	-	(4,954)
Non-controlling interests	-	-	-	-	(1)	-	-	(1)
Profit from continuing operations attributable to the owners of the parent	**5,223**	**5,528**	**2,199**	**55,149**	**6**	**-**	**-**	**68,105**
Profit / (loss) from discontinued operations	-	-	-	-	-	-	**(1)**	(1)
Profit	**5,223**	**5,528**	**2,199**	**55,149**	**6**	**-**	**(1)**	**68,104**

(*) The amounts shown for the "TV Publishing" segment refer to the five-month period from 1 May 2013 to 30 September 2013

2014 (Three months) (€ thousands)	Magazine publishing	Advertising	TV publishing La7 Current operations	 Non-recurring items	Trovato-re	Network operator Cairo Network	Intra-group and unallocated	Total
Gross operating revenue	26,107	30,970	17,912	-	179	-	(21,559)	53,609
Advertising agency discounts	-	(4,480)	-	-	-	-	-	(4,480)
Net operating revenue	**26,107**	**26,490**	**17,912**	**-**	**179**	**-**	**(21,559)**	**49,129**
Change in inventory	8	-	-	-	-	-	-	8
Other income	253	124	2,378	-	-	1	-	2,756
Total revenue	**26,368**	**26,614**	**20,290**	**-**	**179**	**1**	**(21,559)**	**51,893**
Production cost	(17,336)	(25,156)	(12,128)	-	(132)	(83)	21,559	(33,276)
Personnel expense	(4,432)	(1,449)	(7,155)	-	(7)	-	-	(13,043)
Gross operating profit (EBITDA)	**4,600**	**9**	**1,007**	**-**	**40**	**(82)**	**-**	**5,574**
Amortization, depreciation, provisions and impairment losses	(241)	(551)	(1,146)	-	-	(1)	-	(1,939)
Operating profit (EBIT)	**4,359**	**(542)**	**(139)**	**-**	**40**	**(83)**	**-**	**3,635**
Income / (loss) on investments	-	(1)	-	-	-	-	-	(1)
Net financial income	19	52	445	-	-	-	-	516
Non-recurring income from acquisition of La7 S.r.l.	-	-	-	-	-	-	-	-
Pre-tax profit	**4,378**	**(491)**	**306**	**-**	**40**	**(83)**	**-**	**4,150**
Income tax	(1,664)	54	1,892	-	(10)	-	-	272
Non-controlling interests	-	-	-		(6)	-	-	(6)
Profit from continuing operations attributable to the owners of the parent	**2,714**	**(437)**	**2,198**	**-**	**24**	**(83)**	**-**	**4,416**
Profit / (loss) from discontinued operations	-	-	-	-	-	-	-	-
Profit	**2,714**	**(437)**	**2,198**	**-**	**24**	**(83)**	**-**	**4,416**

2013 (Tre months) (€ thousands)	Magazine publishing	Advertising	TV publishing La7 Current operations	 Non-recurring items	Trovato-re	Network operator Cairo Network	Intra-group and unallocated	Total
Gross operating revenue	26,459	32,978	19,282	-	92	-	(22,045)	56,766
Advertising agency discounts	-	(4,711)	-	-	-	-	-	(4,711)
Net operating revenue	**26,459**	**28,267**	**19,282**	**-**	**92**	**-**	**(22,045)**	**52,055**
Change in inventory	12	-	-	-	-	-	-	12
Other income	432	236	227	-	1	-	(155)	741
Total revenue	**26,903**	**28,503**	**19,509**	**-**	**93**	**-**	**(22,200)**	**52,808**
Production cost	(17,934)	(26,512)	(11,387)	-	(75)	-	22,200	(33,708)
Personnel expense	(4,362)	(1,550)	(7,955)	-	(7)	-	-	(13,874)
Gross operating profit (EBITDA)	**4,607**	**441**	**167**	**-**	**11**	**-**	**-**	**5,226**
Amortization, depreciation, provisions and impairment losses	(281)	(589)	(373)	-	-	-	-	(1,243)
Operating profit (EBIT)	**4,326**	**(148)**	**(206)**	**-**	**11**	**-**	**-**	**3,983**
Income / (loss) on investments	-	136	-	-	-	-	-	136
Net financial income	29	174	695	-	-	-	-	898
Non-recurring income from acquisition of La7 S.r.l.	-	-	-	-	-	-	-	-
Pre-tax profit	**4,355**	**162**	**489**	**-**	**11**	**-**	**-**	**5,017**
Income tax	(1,628)	(103)	1,208	-	(2)	-	-	(525)
Non-controlling interests	-	-	-	-	(1)	-	-	(1)
Profit from continuing operations attributable to the owners of the parent	**2,727**	**59**	**1,697**	**-**	**8**	**-**	**-**	**4,491**
Profit / (loss) from discontinued operations	-	-	-	-	-	(1)	-	**(1)**
Profit	**2,727**	**59**	**1,697**	**-**	**8**	**(1)**	**-**	**4,490**

3. Consolidated statement of financial position

The main figures of the consolidated **statement of financial position** at 30 September 2014 can be analyzed versus the situation at 31 December 2013:

(€ thousands)	**30/09/2014**	**31/12/2013**
Balance sheet		
Property, plant and equipment	3,142	2,829
Intangible assets	49,619	12,986
Financial assets	457	555
Deferred tax assets	3,246	4,589
Net current assets	(21,704)	(22,390)
Total assets	**34,760**	**(1,431)**
Non-current borrowings and provisions	44,756	46,814
(Net financial assets)/Net debt	(131,954)	(172,915)
Equity attributable to the owners of the parent	121,932	124,658
Equity attributable to non-controlling interests	26	12
Total equity and liabilities	**34,760**	**(1,431)**

It should be noted that in the consolidated financial statements for the year 31 December 2013, the acquisition of La7 S.r.l had been accounted for under IFRS 3, applying the "acquisition method", by measuring the fair value of identifiable assets and liabilities acquired, considering the future profit-generating capacity of La7 S.r.l. at the date of acquisition. This approach determined:

- the recognition of “provisions for future risks and charges” of Euro 21.4 million, regarding certain contracts whose non-discretionary costs to fulfill obligations exceeded the assumed economic benefits, and specific risk situations related to existing and/or performed contracts and pending litigation,
- the full write-down of non-current assets at the date of acquisition of La7 (30 April 2013), consisting primarily of TV broadcasting rights, and specific technical equipment, whose value was deemed unrecoverable in view of the income prospects of La7 S.r.l. at the acquisition date.

The change in intangible assets is due primarily to the acquisition, in the tender procedure opened by the Ministry of Economic Development, of the rights to use TV frequencies for digital terrestrial broadcasting systems (Euro 31.9 million inclusive of ancillary costs), which also explains the change in the net financial position as described below.

The Cairo Communication Group:

- is not exposed to liquidity risk, in that on one hand, significant financial resources are held, with a net available positive financial position of Euro 132 million, whilst on the other hand, it generates positive results in its traditional segments, and can finance its current operations even within the dynamics of its current assets,

- is not basically exposed to currency risk, whereas interest rate risk affects the yield on available cash (Euro 157 million) and the cost of financing (Euro 25 million) obtained by Cairo Network; the Group does not basically use financial derivative and/or hedging instruments,
- is partly exposed to credit risk, primarily in relation to its advertising sales activities. This risk is however mitigated by the fact that exposure is distributed across a large number of customers and that credit monitoring and control procedures are in place. The client concentration/advertising revenue ratio is basically in line with prior years. The prolonged short and medium-term economic uncertainty may, however, impact negatively on the quality of credit and on general payment terms.

In 2014, as part of the share buy-back plans, no treasury shares were sold or purchased. At 30 September 2014, Cairo Communication held a total of n. 779 treasury shares, or 0.001% of the share capital, subject to art. 2357-ter of the Italian Civil Code.

4. Consolidated net financial position

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

(€ thousands)	**30/09/2014**	**31/12/2013**	**Change**
Cash and cash equivalents	156,954	172,915	(15,961)
Current financial assets	-	-	-
Bank loans	(25,000)		(25,000)
Total	**131,954**	**172,915**	**(40,961)**

The change in the net financial position versus 31 December 2013 is mainly due to the investment made by Cairo Network (Euro 31.6 million) for the acquisition of the Mux and to the distribution of dividends approved by the Shareholders' Meeting on 29 April 2014 (0.27 Euro per share, for a total of Euro 21.2 million).

The bank loan of Euro 25 million, granted by Unicredit S.p.A, used by Cairo Network to pay the rights of use of the TV frequencies, is secured by a guarantee issued by the parent Cairo Communication, and calls for the payment of an interest rate equal to the 3-month Euribor plus 225 basis points and certain constraints (negative pledges) and commitments (covenants) on the part of the company, which are typical of these transactions.

At 30 September 2014, the net financial position of La7 came to Euro 118.8 million (Euro 115.8 million at 31 December 2013). Under the contract to acquire the entire share capital of La7, entered into in April 2013, for a period of 24 months following acquisition, Cairo Communication undertakes to use the financial resources resulting from the contribution received from Telecom Italia Media in the exclusive interest of La7 and to restructure the company, and to not distribute dividends or reserves of La7.

5. Revenue

Gross operating revenue in 9M14 and 3Q14, split up by main segment (magazine publishing, advertising, TV publishing, network operator and Il Trovatore), can be analyzed as follows versus the amounts of the same periods of 2013:

Gross revenue (€ thousands)	**30/09/2014 (Nine months)**						
	Magazine publishing	**Advertising**	**TV publishing (La7)**	**Trovatore**	**Network operator Cairo Network**	**Intra-group eliminations and unallocated**	**Total**
Magazine over-the-counter sales	56,004	-	-	-	-	-	56,004
Print media advertising	15,158	20,101	-	-	-	(15,110)	20,149
TV advertising	-	105,005	74,839	-	-	(71,035)	108,809
Stadium signage	-	1,481	-	-	-	-	1,481
Internet advertising	-	669	314	357	-	(663)	677
Revenue from concession of programming schedule spaces	-	-	655	-	-	-	655
Other TV revenue	-	-	1,465	-	-	-	1,465
Subscriptions	2,178	-	-	-	-	-	2,178
Books and catalogues	445	-	-	-	-	-	445
Other revenue	-	452	-	254	-	(630)	76
VAT relating to publications	(1,135)	-	-	-	-	-	(1,135)
Total gross operating revenue	**72,650**	**127,708**	**77,273**	**611**	**-**	**(87,438)**	**190,804**
Other revenue	1,118	605	6,075	-	1	-	7,799
Total revenue	**73,768**	**128,313**	**83,348**	**611**	**1**	**(87,438)**	**198,603**

Gross revenue (€ thousands)	**30/09/2013** **(Nine months)**						
	Magazine publishing	**Advertising**	**TV publishing (La7)***	**Trovatore**	**Network operator Cairo Network**	**Intra-group eliminations and unallocated**	**Magazine publishing**
Magazine over-the-counter sales	57,216	-	-	-	-	-	57,216
Print media advertising	15,789	20,815	-	-	-	(15,614)	20,990
TV advertising	-	110,934	39,287	-	-	(36,942)	113,279
Stadium signage	-	1,773	-	-	-	-	1,773
Internet advertising	-	245	268	21	-	-	534
Revenue from concession of programming schedule spaces	-	-	1,026	-	-	-	1,026
Other TV revenue	-	-	929	-	-	-	929
Subscriptions	2,260	-	-	-	-	-	2,260
Books and catalogues	318	-	-	-	-	-	318
Other revenue	-	435	-	255	-	(614)	76
VAT relating to publications	(1,086)	-	-	-	-	-	(1,086)
Total gross operating revenue	**74,497**	**134,202**	**41,510**	**276**	-	**(53,170)**	**197,315**
Other revenue	1,899	3,988	508	1	-	(2,759)	3,637
Total revenue	**76,396**	**138,190**	**42,018**	**277**		**(55,929)**	**200,952**

(*) The amounts shown for the "TV Publishing" segment refer to the five-month period from 1 May 2013 to 30 September 2013

Gross revenue (€ thousands)	**Quarter at 30/09/2014** **(Three months)**						
	Magazine publishing	**Advertising**	**TV publishing (La7)**	**Trovatore**	**Network operator Cairo Network**	**Intra-group eliminations and unallocated**	**Magazine publishing**
Magazine over-the-counter sales	21,155	-	-	-	-	-	21,155
Print media advertising	4,641	6,088	-	-	-	(4,615)	6,114
TV advertising	-	24,261	17,528	-	-	(16,557)	25,232
Stadium signage	-	322	-	-	-	-	322
Internet advertising	-	148	83	96	-	(178)	149
Revenue from concession of programming schedule spaces	-	-	134	-	-	-	134
Other TV revenue	-	-	167	-	-	-	167
Subscriptions	718	-	-	-	-	-	718
Books and catalogues	115	-	-	-	-	-	115
Other revenue	-	151		83	-	(209)	25
VAT relating to publications	(522)	-	-	-	-	-	(522)
Total gross operating revenue	**26,107**	**30,970**	**17,912**	**179**	-	**(21,559)**	**53,609**
Other revenue	253	124	2,378	-	1	-	2,756
Total revenue	**26,360**	**31,094**	**20,290**	**179**	**1**	**(21,559)**	**56,365**

Gross revenue (€ thousands)			Quarter at 30/09/2013 (Three months)				
	Magazine publishing	**Advertising**	**TV publishing (La7)***	**Trovatore**	**Network operator Cairo Network**	**Intra-group eliminations and unallocated**	**Magazine publishing**
Magazine over-the-counter sales	21,251	-	-	-	-		21,251
Print media advertising	4,877	6,563	-	-	-	(4,988)	6,452
TV advertising	-	25,684	18,356	-	-	(16,852)	27,188
Stadium signage	-	431	-	-	-	-	431
Internet advertising	-	155	63	6	-	-	224
Revenue from concession of programming schedule spaces	-	-	556	-	-	-	556
Other TV revenue	-	-	307	-	-	-	307
Subscriptions	740	-	-	-	-	-	740
Books and catalogues	69	-	-	-	-	-	69
Other revenue	-	145	-	86	-	(205)	26
VAT relating to publications	(478)	-	-	-	-	-	(478)
Total gross operating revenue	**26,459**	**32,978**	**19,282**	**92**	-	**(22,045)**	**56,766**
Other revenue	432	236	227	1	-	(155)	741
Total revenue	**26,891**	**33,214**	**19,509**	**93**	-	**(22,200)**	**57,507**

PRINT MEDIA PUBLISHING

CAIRO EDITORE - CAIRO PUBLISHING

In 9M14 Cairo Editore strengthened the results of its publications and worked on improving the levels of efficiency reached in containing production, publishing and distribution costs.

In 9M14:

- it confirmed the excellent circulation results, with revenue at Euro 56 million versus Euro 57.2 million in 9M13,
- Group gross advertising revenue, which reached Euro 19.7 million, dropped by 3.8% versus 9M13 (*ACNielsen*, -8.7% the magazine advertising market in 9M14).

Gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 10.9 million and Euro 10.1 million, up by 17.6% and 20.2% versus 9M13 (Euro 9.2 million and Euro 8.4 million). The Group weeklies confirmed the excellent circulation results achieved, with an average ADS circulation in the January-September nine-month period of 2014 of 546,705 copies for “Settimanale DIPIU”, 337,939 copies for “DIPIU’ TV”, 166,881 copies for “Settimanale DIPIU’ e DIPIU’TV Cucina”, 207,541 copies for “Diva e Donna”, 219,732 copies for “Settimanale Nuovo”, 142,489 copies for “F”, 153,725 copies for “TVMia” and 117,109 copies for

"Settimanale Giallo" reaching a total of approximately 1.9 million average copies sold, and making the Group the leading publisher in copies of weeklies sold at newsstands, with an over 25% market share.

As far as circulation is concerned, the features of the Group's publications and the Group 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), whose sales figures have collapsed in the publishing segment; the Group has opted to focus on the quality of its publications; in 2013, gross advertising revenue generated by the Group's publications accounted for 27% (basically confirmed in 9M14) - an extremely low figure if compared with the revenue breakdown of other major publishing groups, therefore based to a lesser extent on the economic cycle - while the remaining 73% (basically confirmed in 9M14) 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 publications of its competitors.

In 9M14, Cairo Editore continued to pursue opportunities to optimize production, publishing and distribution costs, which mainly regarded negotiations for the reduction of paper costs, the optimization of bordereau costs, and the revision of certain corporate processes.

ADVERTISING

Looking at the advertising segment, in 9M14, the Cairo Communication Group continued to operate as advertising broker - with its subsidiary Cairo Pubblicità - selling space in the print media for Cairo Editore (“For Men Magazine”, “Natural Style”, “Settimanale DIPIU’”, “DIPIU’ TV” and weekly supplements “Settimanale DIPIU’ e DIPIU’TV Cucina” and “Settimanale DIPIU’ e DIPIU’TV Stellare”, “Diva e Donna”, “TV Mia”, “Settimanale Nuovo”, “F” and “Settimanale Giallo”), the Editoriale Giorgio Mondadori division (“Bell’Italia”, “Bell’Europa”, “In Viaggio”, “Airone”, “Gardenia”, “Arte” and “Antiquariato”) and for Editoriale Genesis (“Prima Comunicazione” and “Uomini e Comunicazione”), for the sale of advertising space on TV for La7 and La7d, and for Turner Broadcasting (Cartoon Network, Boomerang, CNN), on the Internet (La7.it, TGLa7.it, Cartoon Network.it, Cnn.com) and for the sale of stadium signage and space at the Olimpico in Turin for Torino FC.

In 9M14, total gross advertising revenue, which includes TV advertising revenue invoiced directly by La7 (Euro 3.8 million) came to approximately Euro 131.5 million. Specifically, advertising revenue on La7 and La7d, totaling Euro 107.4 million, basically confirmed (-1.6%) revenue in 9M13 (Euro 109.1 million).

For a comparative assessment of the advertising revenue trend, it should also be noted that in 9M13 the advertising sales concession contract on Sportitalia channels was consensually terminated, effective 30 April 2013. The contract had generated gross advertising revenue of approximately Euro 2.4 million.

TV PUBLISHING (La7)

As previously mentioned, to provide a better understanding of the figures for comparative purposes, it should be noted that:

- the 9M13 income statement included the results of La7 S.r.l., which was consolidated on 1 May 2013, with regard only to the May-September five-month period of 2013,
- the 9M13 profit had benefited from the “non-recurring income from the acquisition of La7”.

In 2013, the Group started operations in the TV publishing field with the acquisition from Telecom Italia Media S.p.A. of the entire share capital of La7 S.r.l. as from 30 April 2013. The financial situation of the company 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) of Euro 3.7 million.

In 2014, the Group managed to (i) strengthen the results of the cost rationalization measures implemented in the first eight months of activity in 2013 and (ii) achieve also in 9M14 a positive gross operating profit (EBITDA) of Euro 5.9 million versus the gross operating loss of Euro 28.5 million of La7 in 9M13. In 9M14, La7 did not absorb cash (Euro 118.8 million the positive net financial position at 30 September 2014 versus Euro 115.8 million at 31 December 2013).

Operating profit (EBIT) came to Euro 3.9 million and benefited in the consolidated financial statements from lower amortization and depreciation of Euro 15.5 million due to the write-down of tangible and intangible assets made in the purchase price allocation of the investment. Net of these effects, it would have shown a negative figure of approximately Euro 11.6 million.

Gross operating profit (EBITDA) in the TV publishing segment in 9M14 can be analyzed as follows with the same result of current operations of 9M13 (versus the May-September five-month period of 2013 included in the interim financial statements at 30 September 2013):

(€ thousands)	**30/09/2014 (Nine months)**	**30/09/2013 (Nine months)**
Gross operating revenue	77,273	78,921
Advertising agency discounts	-	-
Net operating revenue	**77,273**	**78,921**
Change in inventory	-	-
Other revenue and income	6,075	996
Total revenue	**83,348**	**79,917**
Production cost	(52,283)	(78,076)
Personnel expense	(25,190)	(30,345)
Gross operating profit (EBITDA)	**5,875**	**(28,504)**

In 9M14, La7's average all-day share was 3.32% and 3.88% in prime time (from 8:30 PM to 11:30 PM), with a high-quality target audience. La7d's share maintained its level at 0.5%. The results of the channel's news and discussion programmes - such as the 8 PM newscast (6%), "Otto e mezzo" (5.6%), "Piazza Pulita" (4.9%), "Crozza nel Paese delle Meraviglie" (9.2%) "Servizio Pubblico" (8%), "Anno Uno" (7.4%) "Le invasioni Barbariche" (4.2%), "Coffee Break" (5.1%), "Omnibus" (3.7%), "La Gabbia" (3.5%), "L'aria che tira" (6.2%), "Bersaglio Mobile" (5.7%), and "Di martedì" (3.9% for the first three episodes) – were positive;

IL TROVATORE

In 2014, Il Trovatore continued operations, mainly providing technological services to develop and maintain the online platforms of the Group's companies.

6. Income statement figures of the Parent

The main **income statement figures of Cairo Communication S.p.A.** in 9M14 and in 3Q14 can be compared with those in 2013:

(€ thousands)	30/09/2014 (Nine months)	30/09/2014 (Quarter)	30/09/2013 (Nine months)	30/09/2013 (Quarter)
Gross operating revenue	81,789	19,211	83,625	20,081
Advertising agency discounts	-	-	-	-
Net operating revenue	**81,789**	**19,211**	**83,625**	**20,081**
Other revenue and income	186	42	3,283	-
Total revenue	**81,975**	**19,253**	**86,908**	**20,081**
Production cost	(75,742)	(17,862)	(79,118)	(18,508)
Personnel expense	(2,149)	(669)	(2,060)	(644)
Gross operating profit (EBITDA)	**4,084**	**722**	**5,730**	**929**
Amortization, depreciation, provisions and impairment losses	(149)	(49)	(166)	(87)
Operating profit (EBIT)	**3,935**	**673**	**5,564**	**842**
Net financial income	363	53	888	130
Income (loss) on investments	1,039	-	3,774	45
Pre-tax profit	**5,337**	**726**	**10,226**	**1,017**
Income tax	(1,450)	(279)	(2,268)	(350)
Profit from continuing operations	**3,887**	**447**	**7,958**	**668**
Loss from discontinued operations	-	-	-	-
Profit	**3,887**	**447**	**7,958**	**668**

In 2014, Cairo Communication continued to operate in TV advertising sales (La7, La7d and theme channels Cartoon Network, Boomerang and CNN) and on the Internet through its subsidiary Cairo Pubblicità on a sub-concession basis, invoicing advertising spaces directly to its customers and returning to the sub-grantor Cairo Communication a share of revenue generated by resources managed on a sub-concession basis. Specifically:

- gross operating revenue was approximately Euro 82 million (Euro 87 million in 9M13);
- parent gross operating profit (EBITDA) was approximately 4.1 million (Euro 5.7 million in 9M13);
- operating profit (EBIT) was approximately Euro 3.9 million (Euro 5.6 million in 9M13);
- profit was approximately Euro 3.9 million (Euro 8 million in 9M13).

"Income (loss) on investments" includes the dividends approved by the subsidiary Cairo Pubblicità, amounting to Euro 1 million (Euro 3.4 million in 2013). In 1H13, the item included the gain from the sale of Dmail Group shares, equal to Euro 327 thousand.

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

(€ thousands)	**30/09/2014 (Nine months)**	**30/09/2014 (Quarter)**	**30/09/2013 (Nine months)**	**30/09/2013 (Quarter)**
Statement of comprehensive income of the Parent				
Profit	3,887	447	7,958	668
Other reclassifiable items of the comprehensive income statement				
Profit on measurement of available-for-sale financial assets		-	-	(69)
Other non-reclassifiable items of the comprehensive income statement				
Actuarial profit (loss) from defined benefit plans	(39)	-	-	-
Tax effect	11	-	-	-
Total comprehensive income	**3,859**	**447**	**7,958**	**599**

7. Statement of financial position of Cairo Communication S.p.A.

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

(€ thousands)	**30/09/2014**	**31/12/2013**
Balance sheet		
Property, plant and equipment	488	549
Intangible assets	341	356
Financial assets	23,123	17,614
Other non-current assets	13	13
Net current assets	7,315	14,961
Total assets	**31,280**	**33,493**
Non-current borrowings and provisions	1,076	1,346
(Net financial position)/Net debt	(20,440)	(35,690)
Equity	50,644	67,837
Total equity and liabilities	**31,280**	**33,493**

The increase in financial assets amounts to Euro 6.6 million and is attributable to the capitalization of the subsidiary Cairo Network in view of the investment it made to acquire TV frequencies.

As mentioned in the notes to the consolidated statement of financial position, at their Meeting on 29 April 2014, the shareholders approved the distribution of a dividend of 0.27 Euro per share, inclusive of tax, with coupon detachment date on 12 May 2014 (made payable on 15 May 2014), for a total of Euro 21.2 million.

8. *Net financial position of Cairo Communication S.p.A.*

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

(€ thousands)	30/09/2014	31/12/2013	Change
Cash and cash equivalents	20,440	35,690	(15,250)
Current financial assets	-	-	-
Total	**20,440**	**35,690**	**(15,250)**

9. *Transactions with parents, subsidiaries and associates*

In 9M14, transactions with related parties, 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 9M14, the relations and transactions with the parent U.T. Communications and with its subsidiaries can be analyzed as follows:

- the concession contract between Cairo Pubblicità 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 9M14 of Euro 1.2 million to the concession holder against revenue of Euro 1.4 million net of agency discounts. Cairo Pubblicità earned further commissions of Euro 48 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;
- the agreement relating to the purchase of advertising space at the Olimpico football pitch between Cairo Editore and Torino F.C., for an annual consideration of Euro 100 thousand;
- the tax consolidation scheme.

Events occurring after 3Q14 and business outlook

In 9M14, the Group continued to face a challenging relevant market.

Despite this backdrop, in 9M14 the Cairo Communication Group:

- strengthened the results of the cost rationalization measures in the TV publishing segment (La7) implemented during the eight months of activity in 2013, succeeding in achieving also in 9M14 a positive gross operating profit (EBITDA) of Euro 5.9 million versus the gross operating loss of Euro 28.5 million of La7 in the January-September nine-month period of 2013;
- strengthened the results of “F”, “Settimanale Nuovo” and “Settimanale Giallo”, confirmed the high circulation levels of the other publications, and worked on improving the levels of efficiency reached in containing costs in the magazine publishing segment (production, publishing and distribution);
- kept advertising revenue levels high, with the aim of maintaining and developing them in the final part of 2014, despite the general market trend;
- achieved highly positive results in its traditional segments (magazine publishing and advertising), despite the general economic and financial context and relevant market trend;
- took part with the subsidiary Cairo Network in the tender procedure opened by the Ministry of Economic Development for the assignment of rights to use TV frequencies for digital terrestrial broadcasting systems, submitting its binding bid and winning the rights to use a lot of frequencies ("Mux") for a period of 20 years.

In 4Q14, the Cairo Communication Group will continue to develop its traditional businesses (magazine publishing and advertising sales). Despite the current economic and competitive context, and given the high quality of the publications and the media under concession, the Group considers it a feasible target to continue to achieve positive operating results.

Looking at the TV publishing segment, in the final part of 2014, the Group will continue to work on strengthening the results of the rationalization and cost-curbing measures achieved in the first seventeen months of activity.

However, the evolution of the general economic situation could affect the full achievement of these targets.

For the Board of Directors

Chairman Urbano Cairo

Declaration, pursuant to art 154-bis paragraph 2 of Legislative Decree n. 58 of 24 February 1998 (T.U.F.)

The Financial Reporting Manager of Cairo Communication S.p.A., Marco Pompignoli, declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Finance Law, that the accounting information contained in this document is consistent with the underlying accounting documents, books and records.

Financial Reporting Manager

Marco Pompignoli