Interim Management Report at 30 September 2015

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

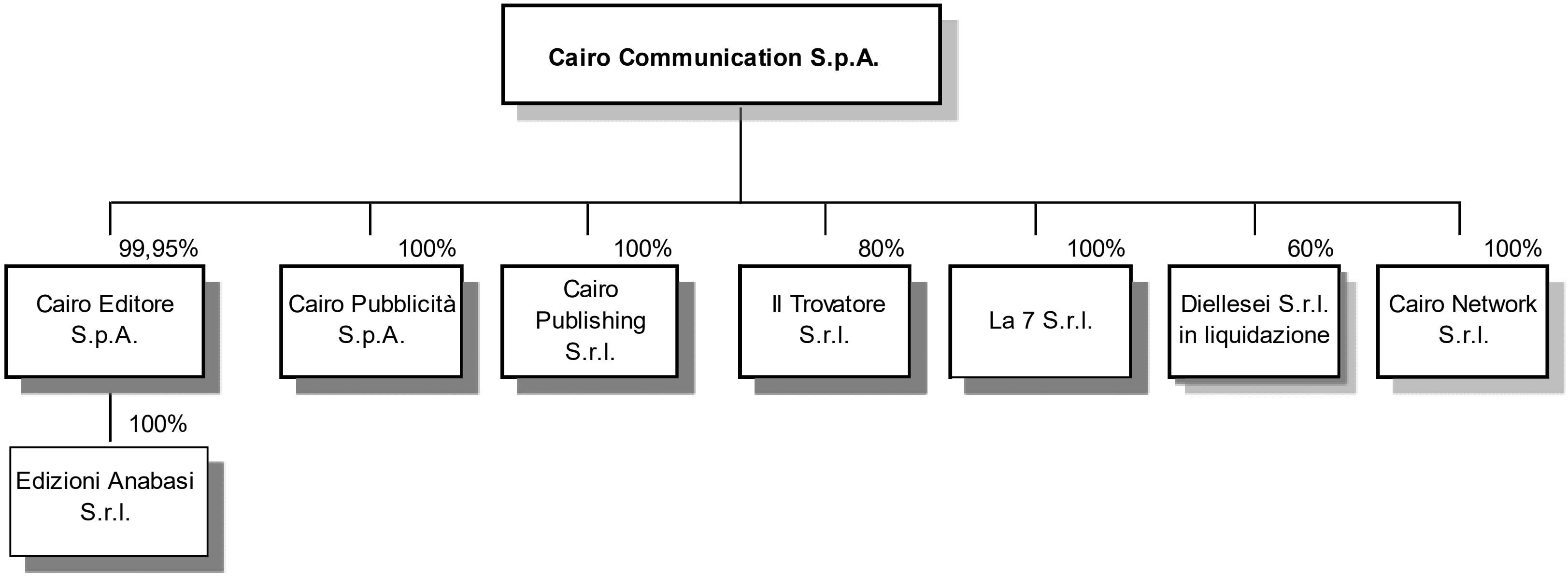
Marco Moroni	Chairman
Marco Giuliani	Standing auditor
Maria Pia Maspes	Standing auditor
Emilio Fano	Alternate auditor
Enrico Tamborini	Alternate auditor

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 2015



1. Valuation principles and criteria adopted in preparing the Interim Management Report at 30 September 2015

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 3Q15 and in 9M15 are shown versus the corresponding periods of 2014. 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 2014.

The quarterly financial statements at 30 September 2015, as for those at 30 September 2014, have been prepared net of tax and tax effects.

In 2015, there were no changes to the scope of consolidation from the consolidated financial statements for the year ended 31 December 2014.

In this Interim Management 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 Interim Management 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 9M15, 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.

In January 2015, 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, entered with EI Towers S.p.A. ("EIT") 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.

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

In 9M15, 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 the January-September nine-month period of 2015, advertising investments in Italy amounted to approximately Euro 4.4 billion, down 1.6% versus the same period last year.

The analysis by media shows that in 9M15:

- the magazine advertising market dropped by 3.9% versus 2014, when in 9M14 it had slid by 8.7% versus 2013,
- the TV advertising market fell by 1.6% versus 2014, when in 9M14 it had basically confirmed the figures in 2013.

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

In 9M15, despite such economic context in general and specifically of its relevant markets (advertising and publishing), and despite the drop reported by advertising revenue also as a result of the market trend, the Cairo Communication Group:

- continued its growth strategy by launching "Nuovo TV", the new TV weekly led by Riccardo Signoretti, out on newsstands from 21 September; in the first 6 issues, it posted average sales of approximately 197 thousand copies, highly satisfactory results in line with forecasts;
- reported a strong growth in results in the magazine publishing segment which, despite incurring costs of Euro 0.9 million in September to launch the new weekly, achieved gross operating profit (EBITDA) and operating profit (EBIT) of Euro 12.5 million and Euro 11.7 million (increasing by approximately 14.6% and 15.8% versus 9M14), confirming the high circulation levels of the publications, and worked on improving the levels of efficiency reached in containing costs (production, publishing and distribution);
- continued to work on strengthening the results of the rationalization and cost-curbing measures achieved in the TV publishing segment (La7) in 2013 and 2014, in an advertising market still weak.

In 9M15, consolidated gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 10.8 million and Euro 4.8 million (Euro 21.6 million and Euro 17.6 million in 9M14). Profit attributable to the owners of the parent came to approximately Euro 6.6 million (Euro 18.9 million in 9M14). Specifically:

- in the **magazine publishing segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 12.5 million and Euro 11.7 million (Euro 10.9 million and Euro 10.1 million in 9M14). The period under review confirmed the excellent circulation results (Euro 55.1 million versus Euro 56 million in 9M14). In the first 6 issues, "Nuovo TV" posted average sales of approximately 197 thousand copies. Total costs of approximately Euro 0.9 million were incurred in September 2015 for its launch, which was supported by an advertising campaign also at newsstands;
- in the **TV publishing segment (La7)**, the Group continued to work on strengthening the results of the rationalization and cost-curbing measures achieved in 2013 and 2014. As a result of the trend of advertising revenue, gross operating profit (EBITDA) and operating profit (EBIT) came to a negative figure of approximately Euro -3.1 million and Euro -7.7 million. Operating profit (EBIT) benefited in the consolidated financial statements from

lower amortization and depreciation of Euro 7.9 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 9M14, gross operating profit (EBITDA) and operating profit (EBIT) 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;

- in the **advertising segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 1.3 million and Euro 0.7 million (Euro 4.8 million and Euro 3.6 million in 9M14). In 9M15, gross advertising sales on La7 and La7d channels amounted to Euro 96.1 million (Euro 107.4 million in 2014).

Regarding weeklies, with over 1.8 million average copies sold in the January-September nine-month period of 2015, the Group retains its position as the leading publisher in copies of weeklies sold at newsstands, with about 28% market share; taking also into account the average sales of "Nuovo TV" in the first 6 issues, overall copies sold increase to approximately 2 million.

In 9M15, La7's average all-day share was 3.04% and 3.64% in prime time (from 8:30 PM to 11:30 PM), with a high-quality target audience. La7d's share was 0.51%. The audience figures of the channel's news and discussion programmes - such as the 8 PM newscast (5.3% from Monday to Friday), "Otto e mezzo" (5%), "Piazza Pulita" (4.1%), "Crozza nel Paese delle Meraviglie" (7.8%) "Servizio Pubblico" (5.5%), "Le invasioni Barbariche" (3%), "Coffee Break" (4.4%), "Omnibus" (4.4%), "La Gabbia" (3.7%), "L'aria che tira" (5.6%), "Bersaglio Mobile" (4.2%), "Di martedì" (5.3%), "In Onda" (4%), and "L'Aria d'estate" (4.6%) - were positive.

Cairo Communication Group – Consolidated figures

The main **consolidated income statement figures** in 9M15 can be compared as follows with those of 9M14:

(€ thousands)	30/09/2015 (Nine months)	30/09/2014 (Nine months)
Gross operating revenue	177,377	190,804
Advertising agency discounts	(16,560)	(18,309)
Net operating revenue	**160,817**	**172,495**
Change in inventory	46	(27)
Other revenue and income	8,284	7,799
Total revenue	**169,147**	**180,267**
Production cost	(114,296)	(114,632)
Personnel expense	(44,100)	(44,079)
Gross operating profit (EBITDA)	**10,751**	**21,556**
Amortization, depreciation, provisions and impairment losses	(5,952)	(3,967)
EBIT	**4,799**	**17,589**
Net financial income	520	1,723
Income (loss) on investments	-	(1)
Pre-tax profit	**5,319**	**19,311**
Income tax	1,295	(378)
Non-controlling interests	(14)	(14)
Profit from continuing operations attributable to the owners of the parent	**6,600**	**18,919**
Profit/ (loss) from discontinued operations attributable to the owners of the parent	-	-
Profit attributable to the owners of the parent	**6,600**	**18,919**

In 9M15, consolidated gross revenue came to approximately Euro 185.7 million (Euro 198.6 million in 2014). Consolidated gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 10.8 million and Euro 4.8 million (Euro 21.6 million and Euro 17.6 million in 9M14). The total costs incurred in September 2015 to launch the new TV weekly amounted to approximately Euro 0.9 million. Consolidated profit was approximately Euro 6.6 million (Euro 18.9 million in 9M14). The increase in “amortization, depreciation, provisions and impairment losses" in 9M15 was attributable to the amortization of television rights acquired by La7 effective from 1 May 2013.

As mentioned earlier, in 9M15 operating profit (EBIT) in the TV publishing segment (La7) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 7.9 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 9M14, operating profit (EBIT) in the TV publishing segment (La7) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 15.5 million.

The main **consolidated income statement figures** in **3Q15** can be compared as follows with those of 3Q14:

(€ thousands)	30/09/2015 (Three months)	30/09/2014 (Three months)
Gross operating revenue	49,936	53,609
Advertising agency discounts	(4,111)	(4,480)
Net operating revenue	**45,825**	**49,129**
Change in inventory	57	8
Other revenue and income	2,714	2,756
Total revenue	**48,596**	**51,893**
Production cost	(32,234)	(33,276)
Personnel expense	(13,676)	(13,043)
Gross operating profit (EBITDA)	**2,686**	**5,574**
Amortization, depreciation, provisions and impairment losses	(2,379)	(1,939)
EBIT	**307**	**3,635**
Net financial income	121	516
Income (loss) on investments	-	(1)
Pre-tax profit	**428**	**4,150**
Income tax	716	272
Non-controlling interests	(4)	(6)
Profit from continuing operations attributable to the owners of the parent	**1,140**	**4,416**
Profit/ (loss) from discontinued operations attributable to the owners of the parent	-	-
Profit attributable to the owners of the parent	**1,140**	**4,416**

In **3Q15**, consolidated gross revenue amounted to approximately Euro 52.6 million (Euro 56.4 million in 3Q14). Consolidated gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 2.7 million and Euro 0.3 million (Euro 5.6 million and Euro 3.6 million in 2014). The change in EBIT was mainly due, in addition to the costs incurred to launch the new weekly, to the increased amortization of TV rights acquired by La7 starting from 1 May 2013. Consolidated profit in 3Q15 came to approximately Euro 1.1 million (Euro 4.4 million in 3Q14).

In 3Q15, operating profit (EBIT) in the TV publishing segment (La7) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 1.8 million, due to the write-down of tangible and intangible assets made in 2013 in the purchase price allocation of the investment. For the same reason, in 3Q14, operating profit (EBIT) in the TV publishing segment (La7) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 3.1 million.

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

(€ thousands)	30/09/2015 (Nine months)	30/09/2015 (Quarter)	30/09/2014 (Nine months)	30/09/2014 (Quarter)
Consolidated statement of comprehensive income				
Profit attributable to the owners of the parent	**6,600**	**1,140**	**18,919**	**4,416**
Other non-reclassifiable items of the comprehensive income statement				
Actuarial profit (loss) from defined benefit plans	477	-	(695)	-
Tax effect	(131)	-	191	-
Total comprehensive income for the period	**6,946**	**1,140**	**18,415**	**4,416**

The Group's performance can be read better by analyzing the 9M15 and 3Q15 results by **main business segment** (magazine publishing, advertising, TV publishing (La7), network operator (Cairo Network) and Il Trovatore) versus those of 9M14:

2015 **(Nine months)** (€ thousands)	**Magazine Publishing**	**Adver tising**	**TV publishing La7**	**Trovatore**	**Network operator (Cairo Network)**	**Intra-group and unallocated**	**Total**
Gross operating revenue	71,252	115,757	69,896	662	-	(80,190)	177,377
Advertising agency discounts	-	(16,560)	-	-	-	-	(16,560)
Net operating revenue	**71,252**	**99,197**	**69,896**	**662**	**-**	**(80,190)**	**160,817**
Change in inventory	46	-	-	-	-	-	46
Other income	1,346	768	6,090	2	78	-	8,284
Total revenue	**72,644**	**99,965**	**75,986**	**664**	**78**	**(80,190)**	**169,147**
Production cost	(45,915)	(93,398)	(54,634)	(506)	(33)	80,190	(114,296)
Personnel expense	(14,273)	(5,240)	(24,457)	(57)	(73)	-	(44,100)
Gross operating profit (EBITDA)	**12,456**	**1,327**	**(3,105)**	**101**	**(28)**	**-**	**10,751**
Amortization, depreciation, provisions and impairment losses	(784)	(592)	(4,575)	-	(1)	-	(5,952)
EBIT	**11,672**	**735**	**(7,680)**	**101**	**(29)**	**-**	**4,799**
Income (loss) on investments	-	-	-	-	-	-	
Net financial income	(2)	75	443	4	-	-	520
Pre-tax profit	**11,670**	**810**	**(7,237)**	**105**	**(29)**	**-**	**5,319**
Income tax	(3,926)	(493)	5,743	(37)	8	-	1,295
Non-controlling interests		-	-	(14)	-	-	(14)
Profit from continuing operations attributable to the owners of the parent	**7,744**	**317**	**(1,494)**	**54**	**(21)**		**6,600**
Profit / (loss) from discontinued operations	-	-	-	-		-	-
Profit for the period	**7,744**	**317**	**(1,494)**	**54**	**(21)**	**-**	**6,600**

2014 (Nine months) (€ thousands)	Magazine Publishing	Adver tising	TV publishing La7	Trovatore	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)
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
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 for the period	**6,392**	**2,531**	**10,024**	**55**	**(83)**	**-**	**18,919**

2015 (Three months) (€ thousands)	Magazine Publishing	Adver tising	TV publishing La7	Trovatore	Network operator (Cairo Network)	Intra-group and unallocated	Total
Gross operating revenue	25,247	28,450	15,989	206	-	(19,956)	49,936
Advertising agency discounts	-	(4,111)	-	-	-	-	(4,111)
Net operating revenue	**25,247**	**24,339**	**15,989**	**206**	**-**	**(19,956)**	**45,825**
Change in inventory	57	-	-	-	-	-	57
Other income	423	353	1,863	-	75	-	2,714
Total revenue	**25,727**	**24,692**	**17,852**	**206**	**75**	**(19,956)**	**48,596**
Production cost	(16,443)	(23,650)	(11,947)	(141)	(9)	19,956	(32,234)
Personnel expense	(4,529)	(1,609)	(7,490)	(16)	(32)	-	(13,676)
Gross operating profit (EBITDA)	**4,755**	**(567)**	**(1,585)**	**49**	**34**	**-**	**2,686**
Amortization, depreciation, provisions and impairment losses	(302)	(265)	(1,812)	-	-	-	(2,379)
EBIT	**4,453**	**(832)**	**(3,397)**	**49**	**34**	-	**307**
Income (loss) on investments	-	-	-	-	-	-	-
Net financial income	3	13	105	-	-	-	121
Pre-tax profit	**4,456**	**(819)**	**(3,292)**	**49**	**34**	**-**	**428**
Income tax	(1,447)	210	1,993	(31)	(9)	-	716
Non-controlling interests		-	-	(4)	-	-	(4)
Profit from continuing operations attributable to the owners of the parent	**3,009**	**(609)**	**(1,299)**	**14**	**25**		**1,140**
Profit / (loss) from discontinued operations	-	-	-	-	-	-	-
Profit for the period	**3,009**	**(609)**	**(1,299)**	**14**	**25**	**-**	**1,140**

2014 (Three months) (€ thousands)	Magazine Publishing	Advertising	TV publishing La7	Trovatore	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)
EBIT	**4,359**	**(542)**	**(139)**	**40**	**(83)**	-	**3,635**
Income (loss) on investments	-	(1)	-	-	-	-	(1)
Net financial income	19	52	445	-	-	-	516
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 for the period	**2,714**	**(437)**	**2,198**	**24**	**(83)**	**-**	**4,416**

3. Consolidated statement of financial position

The main figures of the consolidated **statement of financial position** at 30 September 2015 can be analyzed versus the situation at 31 December 2014:

(€ thousands)	**30/09/2015**	**31/12/2014**
Statement of financial position		
Property, plant and equipment	3,047	3,069
Intangible assets	61,588	56,871
Financial assets	1,341	1,175
Deferred tax assets	3,367	3,983
Net current assets	(25,470)	(19,071)
Total assets	**43,873**	**46,027**
Non-current borrowings and provisions	42,237	43,741
(Net financial position)/Net debt	(110,515)	(124,061)
Equity attributable to the owners of the parent	112,102	126,311
Equity attributable to non-controlling interests	49	36
Total equity and liabilities	**43,873**	**46,027**

At their Meeting on 28 April 2015, the shareholders approved the distribution of a dividend of 0.27 Euro per share, inclusive of tax, with coupon detachment date on 11 May 2015 (made payable on 13 May 2015).

In 2015, as part of the share buy-back plans, no treasury shares were sold or purchased. At 30 September 2015, 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.

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 110.5 million whilst on the other hand, it generates positive cash flows in its traditional segments,
- is not basically exposed to currency risk, whereas interest rate risk affects the yield on available cash (Euro 131.8 million) and the cost of the bank loan (Euro 21.2 million) obtained by Cairo Network; the Group makes limited use of financial hedging instruments to hedge currency risk on the acquisition of TV rights from film studios,
- 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 has not basically changed versus prior years. The prolonged short and medium-term economic uncertainty may, however, impact negatively on the quality of credit and on general payment terms.

4. Consolidated net financial position

The consolidated **net financial position** at 30 September 2015, versus the situation at 31 December 2014, can be summarized as follows:

(€ thousands)	30/09/2015	31/12/2014	Change
Cash and cash equivalents	131,765	149,061	(17,296)
Current financial assets	-	-	-
Bank loans	(21,250)	(25,000)	3,750
Total	**110,515**	**124,061**	**(13,546)**

The bank loan granted by Unicredit S.p.A. and used by 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.

At 30 September 2015, the net financial position of La7 came to Euro 111.1 million, increasing versus 31 December 2014 (Euro 106.5 million).

5. Revenue

Gross operating revenue in 9M15 and 3Q15, split up by main business segment, can be analyzed as follows versus the amounts of 9M14:

Gross revenue (€ thousands)	Quarter at 30/09/2015 (Nine months)						
	Magazine publishing	**Advertising**	**TV publishing (La7)**	**Trovatore**	**Network operator (Cairo Network)**	**Intra-group eliminations and unallocated**	**Total**
Magazine over-the-counter sales	55,136	-	-	-	-	-	55,136
Print media advertising	14,592	19,231	-	-	-	(14,417)	19,406
TV advertising	-	93,408	67,961	-	-	(64,425)	96,944
Stadium signage	-	2,084	-	-	-	-	2,084
Internet advertising	-	583	329	408	-	(717)	603
Revenue from programming schedule space	-	-	818	-	-	-	818
Other TV revenue	-	-	788	-	-	-	788
Subscriptions	2,141	-	-	-	-	-	2,141
Books and catalogues	463	-	-	-	-	-	463
Other revenue	2	451	-	254	-	(631)	76
VAT relating to publications	(1,082)	-	-	-	-	-	(1,082)
Total gross operating revenue	**71,252**	**115,757**	**69,896**	**662**	**-**	**(80,190)**	**177,377**
Other revenue	1,346	768	6,090	2	78	-	8,284
Total revenue	**72,598**	**116,525**	**75,986**	**664**	**78**	**(80,190)**	**185,661**

Gross revenue (€ thousands)	Quarter at 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 programming schedule space	-	-	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)				**Quarter at 30/09/2015** (Three months)			
	Magazine publishing	**Advertising**	**TV publishing (La7)**	**Trovatore**	**Network operator (Cairo Network)**	**Intra-group eliminations and unallocated**	**Total**
Magazine over-the-counter sales	19,968	-	-	-	-	-	19,968
Print media advertising	4,885	6,425	-	-	-	(4,853)	6,457
TV advertising	-	21,273	15,422	-	-	(14,668)	22,027
Stadium signage	-	393	-	-	-	-	393
Internet advertising	-	208	116	122	-	(226)	220
Revenue from programming schedule space	-	-	224	-	-	-	224
Other TV revenue	-	-	227	-	-	-	227
Subscriptions	707	-	-	-	-	-	707
Books and catalogues	138	-	-	-	-	-	138
Other revenue		151	-	84	-	(209)	26
VAT relating to publications	(451)	-	-	-	-	-	(451)
Total gross operating revenue	**25,247**	**28,450**	**15,989**	**206**	**-**	**(19,956)**	**49,936**
Other revenue	423	353	1,863	-	75	-	2,714
Total revenue	**25,670**	**28,803**	**17,852**	**206**	**75**	**(19,956)**	**52,650**

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**	**Total**
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 programming schedule space	-	-	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**

PRINT MEDIA PUBLISHING

CAIRO EDITORE - CAIRO PUBLISHING

In 9M15, Cairo Editore strengthened the results of its publications and worked on improving the levels of efficiency reached in containing production, publishing and distribution costs. Specifically, in 9M15:

- Cairo Editore continued its growth strategy by launching “Nuovo TV”, the new TV weekly led by Riccardo Signoretti, out on newsstands from 21 September; in the first 6 issues, it posted average sales of approximately 197 thousand copies, highly satisfactory results in line with forecasts;
- the operating results of the Group’s publishing segment increased sharply versus 9M14, despite incurring costs of approximately Euro 0.9 million in September to launch the new weekly;
- the period under review basically confirmed the excellent circulation results, with revenue reaching Euro 55.1 million (Euro 56 million in 9M14);
- Group gross advertising revenue, which reached Euro 18.9 million, dropped by 3.9% versus Euro 19.7 million in 9M14. The advertising revenue trend improved, however, in 2Q15 and 3Q15; in particular, in the July-September three-month period (approximately Euro 6.4 million), it reported a growth of about 6% versus the same three-month period of 2014.

In 9M15, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 12.5 million and Euro 11.7 million, up by approximately 14.6% and 15.8% versus 9M14 (Euro 10.9 million and Euro 10.1 million), despite incurring costs of Euro 0.9 million in September to launch the new weekly.

The Group weeklies confirmed the excellent circulation results achieved, with an average ADS circulation in the January-September nine-month period of 2015 of 536,014 copies for “Settimanale DIPIU”, 326,223 copies for “DIPIU’ TV”, 155,244 copies for “Settimanale DIPIU’ e DIPIU’TV Cucina”, 201,225 copies for “Diva e Donna”, 225,298 copies for “Settimanale Nuovo”, 130,334 copies for “F”, 146,005 copies for “TVMia” and 114,534 copies for “Settimanale Giallo”, reaching a total of over 1.8 million average copies sold, and making the Group the leading publisher in copies of weeklies sold at newsstands, with an about 28% market share. Taking also into account the average sales of “Nuovo TV” in the first 6 issues, overall copies sold increase to approximately 2 million.

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 9M15, gross advertising revenue generated by the Group's publications accounted for 26% (26% in 2014) - an extremely low figure, therefore based to a lesser extent on the economic cycle - while the remaining 74% (74% in 2014) came from direct sales and subscriptions, proof of the high editorial quality of publications;
- weekly magazines, which account for approximately 90% of 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 the following months of 2015, Cairo Editore will continue to pursue opportunities to optimize production, publishing and distribution costs, which mainly in the year 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 9M15 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", "Nuovo

TV” 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, TG.La7.it, Cartoon Network.it) and for the sale of stadium signage and space at the Olimpico in Turin for Torino FC.

In 9M15, total gross advertising revenue, which includes TV advertising revenue invoiced directly by La7 (Euro 4 million), came to approximately Euro 119.8 million (Euro 131.5 million in 2014). Specifically, gross advertising revenue on La7 and La7d channels amounted to Euro 96.1 million (Euro 107.4 million in 2014). Gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 1.3 million and Euro 0.7 million (Euro 4.8 million and Euro 3.6 million in 9M14).

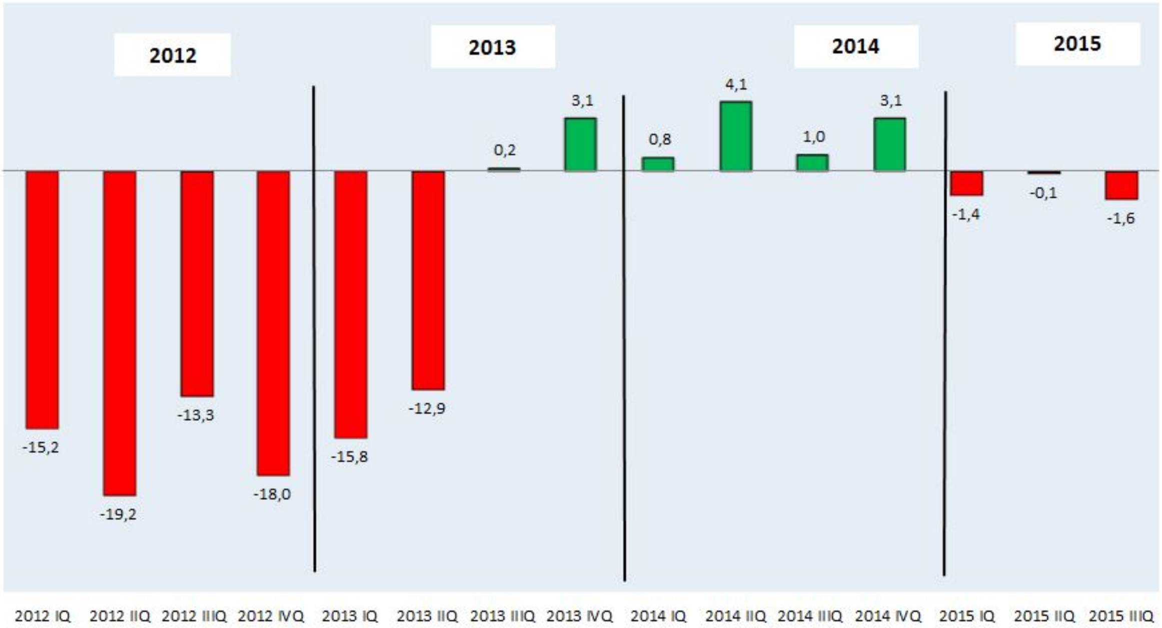
TV PUBLISHING (La7)

The Group started operations in the TV publishing field in 2013, following 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) of Euro 3.7 million, and strengthened in 2014 the results of the cost rationalization measures implemented during the eight months of activity in 2013, succeeding in achieving a positive gross operating profit (EBITDA) of Euro 9 million.

The trend of results (gross operating profit, EBITDA) achieved by La7 is shown in the chart below:



In 9M15, the Group continued to work on strengthening the results of the rationalization and cost-curbing measures achieved in 2013 and 2014.

As a result of the trend of advertising revenue, gross operating profit (EBITDA) and operating profit (EBIT) came to a negative figure of approximately Euro -3.1 million and Euro -7.7 million. The increase in "amortization, depreciation, provisions and impairment losses" is attributable to the amortization of television rights acquired by La7 effective from 1 May 2013.

Operating profit (EBIT) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 7.9 million, due to the write-down of tangible and intangible assets made in 2013 in the purchase price allocation of the investment.

In 9M14, gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 5.9 million and Euro 3.9 million. For the same reason, operating profit (EBIT) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 15.5 million.

In 9M15, La7's average all-day share was 3.04% and 3.64% in prime time (from 8:30 PM to 11:30 PM), with a high-quality target audience. La7d's share was 0.51%. The audience figures of the channel's news and discussion programmes - such as the 8 PM newscast (5.3% from Monday to Friday), "Otto e mezzo" (5%), "Piazza Pulita" (4.1%), "Crozza nel Paese delle Meraviglie" (7.8%) "Servizio Pubblico" (5.5%), "Le invasioni Barbariche" (3%), "Coffee Break" (4.4%), "Omnibus" (4.4%), "La Gabbia" (3.7%), "L'aria che tira" (5.6%), "Bersaglio Mobile" (4.2%), "Di martedì" (5.3%), "In Onda" (4%), and "L'Aria d'estate" (4.6%) - were positive.

IL TROVATORE

In 2015, Il Trovatore continued operations, mainly providing technological services to develop and maintain the online platforms of the Group's companies.

NETWORK OPERATOR (CAIRO NETWORK)

As mentioned earlier, 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") entered into the agreements firstly for the realization and then long-term technical management in full service mode (hospitality, service and maintenance, use of broadcasting infrastructure, etc.) of the Mux.

With the acquisition and realization of the Mux, the Cairo Communication Group will start operations as a network operator.

6. Income statement figures of the Parent

The main **income statement figures of Cairo Communication S.p.A.** in 9M15 and 3Q15 can be compared with those of the same periods in 2014:

(€ thousands)	**30/09/2015 (Nine months)**	**30/09/2015 (Quarter)**	**30/09/2014 (Nine months)**	**30/09/2014 (Quarter)**
Gross operating revenue	72,269	16,801	81,789	19,211
Advertising agency discounts	-	-	-	-
Net operating revenue	**72,269**	**16,801**	**81,789**	**19,211**
Other revenue and income	415	151	186	42
Total revenue	**72,684**	**16,952**	**81,975**	**19,253**
Production cost	(69,153)	(16,151)	(75,742)	(17,862)
Personnel expense	(2,172)	(673)	(2,149)	(669)
Gross operating profit (EBITDA)	**1,359**	**128**	**4,084**	**722**
Amortization, depreciation, provisions and impairment losses	(183)	(62)	(149)	(49)
EBIT	**1,176**	**66**	**3,935**	**673**
Net financial income	24	4	363	53
Income (loss) on investments	7,465	-	1,039	-
Pre-tax profit	**8,665**	**70**	**5,337**	**726**
Income tax	(531)	(39)	(1,450)	(279)
Profit from continuing operations	**8,134**	**31**	**3,887**	**447**
Loss from discontinued operations	-	-	-	-
Profit	**8,134**	**31**	**3,887**	**447**

In 2015, 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 Cairo Communication a share of revenue generated by resources managed on a sub-concession basis. Specifically:

- gross operating revenue was approximately Euro 72.7 million (Euro 82 million in 9M14);
- parent gross operating profit (EBITDA) was approximately 1.4 million (Euro 4.1 million in 9M14);
- operating profit (EBIT) was approximately Euro 1.2 million (Euro 3.9 million in 9M14);
- profit was approximately Euro 8.1 million (Euro 3.9 million in 9M14).

"Income (loss) on investments" includes the dividends approved by the subsidiary Cairo Editore, amounting to Euro 7.5 million. In 2014, the item included the dividends approved by Cairo Pubblicità, amounting to Euro 1 million, while Cairo Editore had approved the distribution of dividends (Euro 6.2 million) at a later date, during the last quarter of the year.

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

(€ thousands)	30/09/2015 (Nine months)	30/09/2015 (Quarter)	30/09/2014 (Nine months)	30/09/2014 (Quarter)
Statement of comprehensive income of the Parent				
Profit for the period	8,134	31	3,887	447
Other non-reclassifiable items of the comprehensive income statement				
Actuarial profit (loss) from defined benefit plans	96	-	(39)	-
Tax effect	(26)	-	11	-
Total comprehensive income	**8,204**	**31**	**3,859**	**447**

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

The main figures of the **statement of financial position** of Cairo Communication S.p.A. at 30 September 2015 can be analyzed versus the situation at 31 December 2014:

(€ thousands)	30/09/2015	31/12/2014
Statement of financial position		
Property, plant and equipment	394	457
Intangible assets	289	320
Financial assets	23,123	23,124
Other non-current financial assets	7,363	1,663
Net current assets	5,312	7,325
Total assets	**36,481**	**32,889**
Non-current borrowings and provisions	1,364	1,485
(Net financial position)/Net debt	(9,106)	(25,768)
Equity	44,223	57,172
Total equity and liabilities	**36,481**	**32,889**

As mentioned in the notes to the consolidated statement of financial position, at their Meeting on 28 April 2015, the shareholders approved the distribution of a dividend of 0.27 Euro per share, inclusive of tax, with coupon detachment date on 11 May 2015.

The increase in "other non-current financial assets", amounting to Euro 5.7 million, is attributable to the shareholder loan granted to the subsidiary Cairo Network S.r.l.

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

The **net financial position** of the Parent at 30 September 2015, versus the situation at 31 December 2014, is summarized as follows:

(€ thousands)	30/09/2015	31/12/2014	Change
Cash and cash equivalents	9,106	25,768	(15,127)
Current financial assets		-	-
Total	**9,106**	**25,768**	**(15,127)**

9. Transactions with parents, subsidiaries and associates

In 9M15, 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 9M15, 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 9M15 of Euro 1.6 million to the concession holder against revenue of Euro 1.9 million net of agency discounts. Cairo Pubblicità earned further commissions of Euro 57 thousand. As part of the agreement, Cairo Pubblicità also purchased football tickets worth Euro 41 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 tax consolidation scheme.

10. Events occurring after 3Q15 and business outlook

In 9M15, despite the high degree of uncertainty of the economic context in general and specifically of its relevant markets (advertising and publishing), and despite the drop reported by advertising revenue also as a result of the market trend, the Cairo Communication Group:

- continued its growth strategy by launching "Nuovo TV", the new TV weekly led by Riccardo Signoretti, out on newsstands from 21 September; in the first 6 issues, it posted average sales of approximately 197 thousand copies, highly satisfactory results in line with forecasts;
- reported a strong growth in results in the magazine publishing segment which, despite incurring costs of Euro 0.9 million in September to launch the new weekly, achieved gross operating profit (EBITDA) and operating profit (EBIT) of Euro 12.5 million and Euro 11.7

million (increasing by approximately 14.6% and 15.8% versus 9M14), confirming the high circulation levels of the publications, and worked on improving the levels of efficiency reached in containing costs (production, publishing and distribution);

- continued to work on strengthening the results of the rationalization and cost-curbing measures achieved in the TV publishing segment (La7) in 2013 and 2014, in an advertising market still weak.

In the following months of 2015, the Cairo Communication Group will continue to:

- pursue the development of its traditional segments (magazine publishing and advertising sales). Despite the economic and competitive backdrop, given the high quality of the publications and of the media under concession, the Group considers it a feasible target to continue to achieve positive operating results;
- work on strengthening the results of the rationalization and cost-curbing measures achieved in 2013 and 2014 in the TV publishing segment, for which the Group foresees, thanks to the 4Q results, the achievement of a substantial break even at gross operating profit (EBITDA) level in full year 2015.

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