Interim Management Report at 30 September 2017

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

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

Governance

Board of Directors

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

Control and Risk Committee

Paola Mignani	Director
Daniela Bartoli	Director
Antonio Magnocavallo	Director

Remuneration and Appointments Committee

Marella Caramazza	Director
Daniela Bartoli	Director
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Related Party Committee

Massimo Ferrari	Director
Marella Caramazza	Director
Paola Mignani	Director

Board of Statutory Auditors

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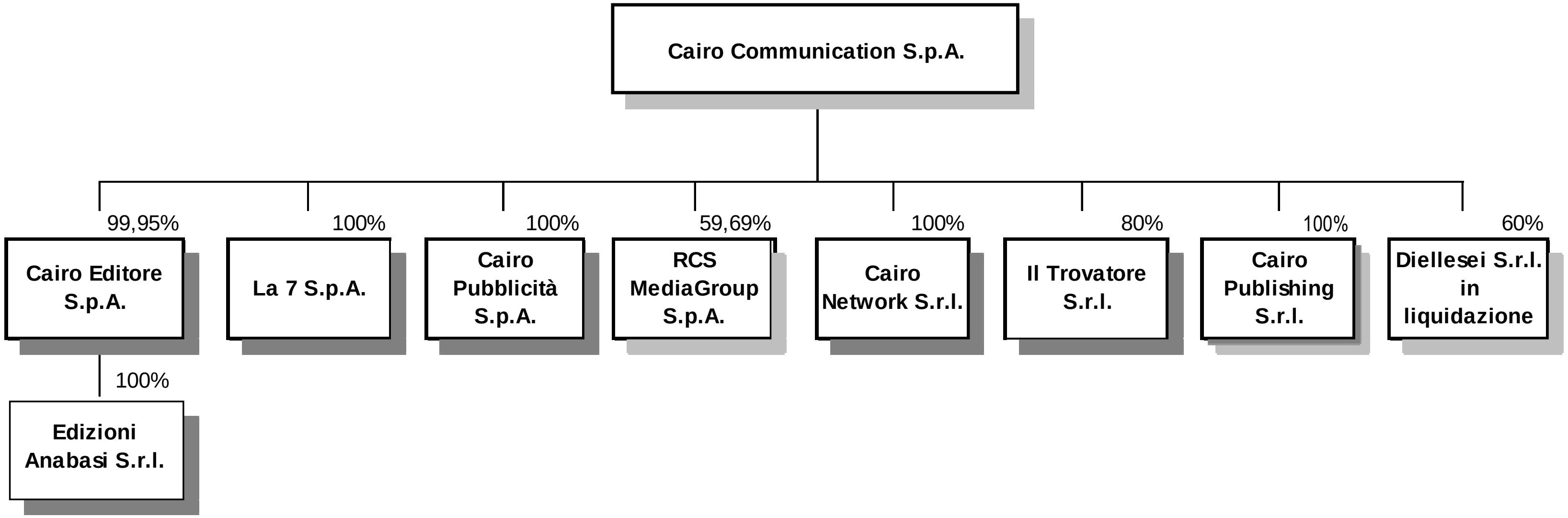
Marco Moroni	Standing Auditor
Gloria Marino	Standing Auditor
Laura Guazzoni	Alternate Auditor
Domenico Fava	Alternate Auditor

Audit Firm

KPMG S.p.A.

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

The Group at 30 September 2017



1. Valuation principles and criteria adopted in preparing the Interim Management Report at 30 September 2017

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 Interim Management Report at 30 September 2017 has been prepared in accordance with the requirements set out in Borsa Italiana Notice no. 7587 of 21 April 2016: "STAR Issuers: information on interim management statements”.

The consolidated and separate income statement figures in 3Q17 and in 9M17 are shown versus the corresponding periods of 2016. 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 2016. Mention should be made that at the date of preparing the Annual Financial Report at 31 December 2016, the determination of the fair value of the RCS Group consolidated assets and liabilities at the acquisition date required in the application of the “acquisition method” under IFRS 3, was still in progress. As explained in Note 14 to the Interim Management Report at 30 September 2017 and later in this Interim Management Report, the balance sheet figures at 31 December 2016 and the income statement for the nine months ended 30 June 2016, shown for comparative purposes in this Interim Management Report, have been accordingly adjusted to those presented in the Annual Financial Report at 31 December 2016 and in the Interim Management Report at 30 September 2016 to retrospectively reflect the operating and financial effects resulting from the completion of the process at acquisition date.

The quarterly financial statements at 30 September 2017, as for those at 30 September 2016, have been prepared net of tax and tax effects.

Mention should be made that in 2016, Cairo Communication acquired the control of RCS MediaGroup S.p.A. (“RCS” or the “RCS Group”) and consolidated the company as from 1 September 2016. The consolidated income statement for the first nine months of 2016, therefore, includes only the RCS results of September 2016.

In 2017, there were no changes to the scope of consolidation from the consolidated financial statements for the year ended 31 December 2016, except for Canali Digitali S.r.l. (in liquidation), previously consolidated line-by-line and deconsolidated as it was liquidated, and the sales of 75% quotas of RCS Gaming S.r.l..

2. Alternative performance indicators

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 represents a unit of measurement to assess Group and Parent operational performance, together with **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

+ Income (charges) from investments measured at equity

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

EBITDA (earnings before interest, tax, depreciation and amortization) is not classified as an accounting measure under IFRS, therefore, the criteria adopted for its measurement may not be consistent among companies or different groups.

RCS defines EBITDA as operating profit (EBIT) before depreciation, amortization and impairment losses on fixed assets, and also includes income and charges from investments measured at equity.

The main differences between the two definitions of EBITDA lie in the provisions for risks and in the allowance for impairment, included in the EBITDA definition adopted by RCS, while they are excluded from the EBITDA definition adopted by Cairo Communication.

Owing to the differences between EBITDA definitions adopted, in this Interim Management Report at 30 September 2017, consolidated EBITDA has been determined consistently with the definition adopted by Cairo Communication.

The Cairo Communication Group also considers the **net financial position** (**net financial debt**) as a valid indicator of the Group's financial structure determined as a result of current and non-current financial liabilities, net of cash and cash equivalents and current financial assets.

3. Group performance

In 9M17, the Cairo Communication Group operated as a:

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

With the acquisition of the control of RCS in 2016, Cairo Communication has become a major multimedia publishing group, with a stable, independent leadership, well-positioned to become one of the major player on the Italian market, with a strong international presence in Spain, by leveraging on the high quality and diversification of products in the dailies, magazines, television, web and sporting events segments.

In 3Q17, the general economic and financial climate continued to be marked by uncertainty. In Italy, GDP estimates released by the Bank of Italy for the third quarter point to a 0.5% growth versus the second quarter, while GDP is forecast to grow slightly above 1.4% in 2017 (Source: Economic Bulletin no. 4/2017 – Bank of Italy).

In Spain, GDP grew by 0.8% in 3Q17 (preliminary figures from INE - National Institute of Statistics), continuing the upward trend seen in the previous quarter. GDP increased by 3.1% versus the same period last year.

In the first nine months of 2017, the Italian advertising market fell by 3.3%; the TV, magazine and daily newspaper advertising markets dropped by 2.7%, 6.3% and 9.9%, respectively. The online segment increased by 0.7% over the same period of 2016 (*AC Nielsen*).

In Spain, where RCS operates through its subsidiary Unidad Editorial, the advertising sales market in 9M17 was in line with the trend reported in 9M16 (*i2p, Arce Media*). Specifically, the daily newspaper and magazine market fell by 8.5% and 6.3%, respectively, versus the same period of 2016. Advertising sales on the Internet, instead, increased by 8.9%.

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

Looking at circulation in Italy, the print product market continued its downturn in the first nine months of 2017. Specifically, the main national generalist daily newspapers (with a circulation above 50 thousand copies) reported a 12.6% drop in circulation in the first nine months of 2017 (including digital copies), while the main sports newspapers fell by 7.2% (including digital copies) versus the same period of 2016 (*ADS, January-September 2017*).

The same trend was seen in Spain, with daily newspaper sales down versus 2016. Cumulative figures on circulation at September 2017 (*OJD*) regarding generalist newspapers (generalist newspapers with a circulation above 60 thousand copies), business newspapers and sports newspapers indicate a drop of 10.2%, 4.1% and 9.9%, respectively.

In 9M17:

- the relaunch of RCS continued , whose margins rose sharply versus 9M16, basically in line with the forecasts on 2017 performance targets. The results of RCS contributed significantly to the growth of the Group's revenue and margins in 9M17;
- the TV publishing segment La7 achieved gross operating profit of Euro 2.5 million, up sharply versus 2016 (Euro -2 million);
- the magazine publishing segment Cairo Editore posted positive results, achieved high circulation levels of the publications, and continued to work on improving the levels of efficiency reached in containing costs (production, publishing and distribution).

Mention should be made that RCS was consolidated as from 1 September 2016. The 9M16 consolidated income statement includes only the RCS results of the single month September 2016. The income statement figures of 9M17 and of 3Q17, therefore, cannot be directly compared with the corresponding amounts of the same periods of the prior year.

Considering the Group’s **entire scope of consolidation**, in 9M17, consolidated gross revenue amounted to approximately Euro 882.7 million (comprising gross operating revenue of Euro 864.4 million and other revenue and income of Euro 18.3 million), rising sharply versus 9M16

(Euro 272.1 million), due mainly to the consolidation of RCS for all the nine months of the year, which brought an increase of approximately Euro 621.1 million. Gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 104.7 million and Euro 56.8 million (Euro 22.1 million and Euro 9.8 million in 9M16). These margins in 2017 include net non-recurring charges of Euro 0.9 million (Euro 1.7 million at 30 September 2016). Profit attributable to the owners of the parent came to approximately Euro 17.3 million (Euro 5.3 million in 9M16).

On a like-for-like basis, considering only the Cairo Editore magazine publishing segment, the advertising segment, the TV publishing segment La7, Il Trovatore and the network operator, consolidated gross revenue amounted to approximately Euro 180.8 million (comprising gross operating revenue of Euro 176 million and other revenue and income of Euro 4.8 million), down versus 9M16 (Euro 188.7 million, comprising gross operating revenue of Euro 181.1 million and other revenue and income of Euro 7.6 million). Gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 13.7 million and Euro 3.8 million (Euro 10.3 million and Euro 3 million in 9M16). Profit attributable to the owners of the parent came to a positive figure of Euro 2.6 million (Euro 4.3 million in 9M16).

Looking at the business segments, in 9M17:

- in the **magazine publishing segment (Cairo Editore)**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 10.1 million and Euro 9.3 million (Euro 11.5 million and Euro 10.7 million). Regarding weeklies, with approximately 1.7 million average copies sold in the January-September nine-month period of 2017 (*ADS*), Cairo Editore retains its position as the leading publisher in copies of weeklies sold at newsstands, with an approximately 30% market share. Including the average sales of titles out of the ADS survey (the copies sold of “Enigmistica Più”), average copies sold were approximately 1.8 million;
- in the **TV publishing segment (La7)**, the Group achieved positive gross operating profit (EBITDA) of approximately Euro 2.5 million, rising sharply versus 9M16 (Euro -2 million in 2016). Mention should be made that the TV publishing segment’s seasonality factors generally negatively impact on the results of the third quarter of the year. Operating profit (EBIT) came to approximately Euro -4.8 million and benefited in the consolidated financial statements, with respect to the separate financial statements of La7 S.p.A., from lower amortization and depreciation of Euro 2.4 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 9M16, operating profit (EBIT) came to Euro -8.2 million, benefiting in the consolidated financial statements from lower amortization and depreciation of Euro 4.2 million.

- in the **advertising segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 0.6 million and Euro 0.5 million (Euro 0.8 million and Euro 0.6 million in 9M16).
- in the **network operator segment**, the Group company Cairo Network continued implementing the mux, the TV broadcasting system based on digital terrestrial technology; at full performance, the mux will cover at least 94% of the national population, providing high-quality service levels. January 2017 marked the start of the broadcasting of La7 channels on the mux;
- -in the **RCS segment**, in the consolidated financial statements of Cairo Communication, gross operating profit (EBITDA) and operating profit (EBIT) amounted to Euro 91 million[1] and to Euro 53.1 million, rising sharply by Euro 43.7[2] million and Euro 47.9 million[2] versus 9M16, when RCS had been included in the scope of consolidation of the Cairo Communication Group only for the month of September. Mention should be made that RCS's seasonality factors generally negatively impact on the results of the first and third quarters of the year[3]. As a result of the valuations made in the measurement of the fair value of assets/liabilities acquired in the business combination of RCS, Cairo Communication's consolidated financial statements, with respect to the RCS Interim Management Report at 30 September 2017, recognized lower amortization on "intangible assets" in the amount of approximately Euro 6 million. Net operating revenue[4], amounting to approximately Euro 654 million, fell overall versus 9M16 by Euro 51.8[2] million; the decline in revenues would decrease to 13.8 million excluding from the comparison non-homogeneous events, among which the termination of a number of advertising sales contracts with third-party publishers (revenue of Euro 1.2 million in 9M17 versus Euro 22.8 million in 9M16), the different add-

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1 Mention should be made that RCS adopts a different definition of EBITDA from the one used by the Cairo Communication Group, as indicated in the above section "Alternative Performance Indicators". As a result of these differences, which lie in the provisions for risks and in the allowance for impairment, amounting to Euro 6.6 million in the period - EBITDA shown in the RCS Interim Management Report at 30 September 2017, approved on 10 November 2017, amounted to Euro 84.4 million

2 Comparison based on the RCS Interim Management Report at 30 September 2017, approved on 10 November 2017 and available on the website www.rcsmediagroup.it.

3 As shown in the RCS Interim Management Report at 30 September 2017, RCS ended 3Q17 with a loss of Euro 4.1 million, , rising sharply by Euro 11.2 million versus 3Q16 (a loss of Euro 15.3 million), which also benefited from the positive effect of the European Football Championships and Olympic Games for the sport newspapers.

4 In the RCS Interim Management Report at 30 September 2017, amounting to Euro 657.7 million, due to the different classification of certain items

on publishing plan (Euro 13.5 million) and the reviewed promotional policy in Spain (Euro 2.5 million).

In 9M17, La7's average all-day share was 2.84% and 3.25% in prime time (from 8:30 PM to 11:30 PM), with a high-quality target audience. La7d's share was 0.56% (0.49% in prime time). The audience figures of the channel's news and discussion programmes - such as the 8 PM newscast (5.4% from Monday to Friday), "Otto e mezzo" (5.7%), "Piazza Pulita" (4%), "Coffee Break" (3.9%), "Omnibus" (3.7%), "L'aria che tira" (5.2%), "Bersaglio Mobile" (3.2%), "Di martedì" (4.8%), "In Onda" (4.4%), and "Miss Italia" (6.5%) - were positive.

The main **consolidated income statement figures** in 9M17 can be compared as follows with those in 9M16:

(€ millions)	**30/09/2017 (Nine months)**	**30/09/2016 (Nine months)**
Gross operating revenue	864.4	264.5
Advertising agency discounts	(53.5)	(22.5)
Net operating revenue	**810.8**	**242.0**
Change in inventory	(0.3)	(1.0)
Other revenue and income	18.3	7.6
Total revenue	**828.8**	**248.6**
Production cost	(485.3)	(158.6)
Personnel expense	(239.3)	(68.3)
Income (charges) from investments measured at equity	0.4	0.5
Gross operating profit (EBITDA)	**104.7**	**22.1**
Amortization, depreciation, provisions and impairment losses	(47.8)	(12.3)
EBIT	**56.8**	**9.8**
Net financial income	(19.2)	(2.6)
Income (loss) on investments	1.6	-
Pre-tax profit	**39.3**	**7.2**
Income tax	(12.5)	(0.4)
Non-controlling interests	(9.5)	(1.5)
Profit attributable to the owners of the parent	**17.3**	**5.3**

Mention should be made that RCS was consolidated as from 1 September 2016. The 9M16 consolidated income statement includes only the RCS results of the single month September 2016. The income statement figures of 9M17, therefore, cannot be directly compared with the corresponding amounts of the same period of the prior year.

In 9M17, consolidated gross revenue amounted to approximately Euro 882.7 million (comprising gross operating revenue of Euro 864.4 million and other revenue and income of Euro 18.3 million), rising sharply versus 9M16 (Euro 272.1 million, comprising gross operating revenue of Euro 264.5 million and other revenue and income of Euro 7.6 million), due mainly to the consolidation of RCS for all the first nine months of the year, which brought an increase of approximately Euro 621.1 million. Consolidated gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 104.7 million and Euro 56.8 million (Euro 22.1 million and Euro 9.8 million in 9M16). These margins include net non-recurring charges of Euro 0.9 million (Euro 1.7 million at 30 September 2016).

As for revenue, the main changes in consolidated gross operating profit (EBITDA) and operating profit (EBIT), as shown in the tables on business segment results, are attributable to the consolidation of RCS for all the nine months of the year. Specifically, the consolidation of RCS also for the first eight months of the year brought an increase in production cost of approximately Euro 384.6 million, in personnel expense of approximately Euro 192.5 million, in amortization, depreciation, provisions and impairment losses of approximately Euro 37.9 million, and in costs for financial activities of approximately Euro 18.9 million.

The consolidation of the RCS Group also in the first eight months of 2016 would have produced, in the period ended 30 September 2016, higher consolidated gross revenue of Euro 662.7 million, and a deterioration of the consolidated profit attributable to the owners of the parent of Euro 10.1 million.

As explained earlier, in 2017:

- operating profit (EBIT) in the TV publishing segment (La7) benefited in the consolidated financial statements, with respect to the separate financial statements of La7 S.p.A., from lower amortization and depreciation of Euro 2.4 million (Euro 4.2 million in 9M16), due to the write-down of tangible and intangible assets made in 2013 in the purchase price allocation of the investment in La7;
- operating profit (EBIT) in the RCS segment benefited in the consolidated financial statements from lower amortization and depreciation of Euro 6 million, due to the valuations made in the purchase price allocation of the investment in RCS.

Mention should be made that 1H17 saw completion of the measurement of the fair value of assets/liabilities acquired in the business combination of RCS at 31 August 2016; the result led also to a different measurement of the assets and liabilities of the RCS Group at the combination date from the measurement shown at 30 September and 31 December 2016, with resulting income statement and balance sheet effects.

Specifically, profit attributable to the owners of the parent shown in the comparative income statement at 30 September 2016 has been adjusted against the corresponding item appearing in the Interim Management Report at 30 September 2016 to reflect the following effects:

- the reversal in September 2016 of amortization attributable to the titles Marca and Expansion with indefinite useful life (considered with finite useful life in the consolidated financial statements of the RCS Group) for Euro 0.8 million (Euro 0.3 million net of tax effects and non-controlling interests);
- the recognition in September 2016 of amortization of the fair value attributed to previously unrecognized intangible assets with finite useful life of Euro 0.2 million (Euro 0.1 million net of tax effects and non-controlling interests).

The main **consolidated income statement figures** in **3Q17** can be compared as follows with those of 3Q16:

(€ millions)	**30/09/2017 (Three months)**	**30/09/2016 (Three months)**
Gross operating revenue	243.4	135.0
Advertising agency discounts	(14.0)	(9.8)
Net operating revenue	**229.4**	**125.2**
Change in inventory	(0.1)	(0.8)
Other revenue and income	6.0	3.6
Total revenue	**235.3**	**127.9**
Production cost	(141.0)	(78.6)
Personnel expense	(74.9)	(35.6)
Income (charges) from investments measured at equity	-	0.5
Gross operating profit (EBITDA)	**19.4**	**14.1**
Amortization, depreciation, provisions and impairment losses	(15.8)	(7.4)
EBIT	**3.6**	**6.8**
Net financial income	(6.1)	(2.9)
Income (loss) on investments	0.4	-
Pre-tax profit	**(2.1)**	**3.9**
Income tax	(1.8)	(1.1)
Non-controlling interests	1.3	(1.5)
Profit attributable to the owners of the parent	**(2.6)**	**1.3**

In **3Q17**, consolidated gross revenue amounted to approximately Euro 249.4 million (Euro 138.6 million in 3Q16). Consolidated gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 19.4 million and Euro 3.6 million (Euro 14.1 million and Euro 6.8 million in 2016). These margins in the quarter include net non-recurring charges of Euro 0.9 million (Euro 1.7 million at 30 September 2016, attributable mainly to the non-recurring charges associated with the Offer).

As mentioned earlier for the nine-month period at the same date of 30 September 2016, the main changes are attributable to the consolidation of the RCS results for the entire quarter, instead of September 2016 alone.

In 3Q17:

- operating profit (EBIT) in the TV publishing segment (La7) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 0.7 million (Euro 1.1 million in 3Q16), due to the write-down of tangible and intangible assets made in 2013 in the purchase price allocation of the investment;
- operating profit (EBIT) in the RCS segment benefited in the consolidated financial statements from lower amortization and depreciation of Euro 2 million, due to the valuations made in the purchase price allocation of the investment in RCS.

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

€ millions	30 September 2017 (Nine months)	30 September 2017 (Three months)	30 September 2016 (Nine months)	30 September 2016 (Three months)
Profit for the period	**26.8**	**(3.9)**	**6.8**	**2.8**
Reclassifiable items of the comprehensive income statement				
Reclassification of profit (loss) from translation of financial statements in foreign currencies	(0.1)	-	0.1	0.1
Gains (losses) on cash flow hedges	(0.6)	(0.1)	0.2	0.1
Reclassification of profit (loss) on cash flow hedges	2.8	0.8	-	-
Non-reclassifiable items of the comprehensive income statement				
Actuarial profit (loss) from defined benefit plans	-	-	(0.3)	-
Tax effect	-	-	0.1	-
Total comprehensive income for the period	**28.9**	**(3.3)**	**6.8**	**3.0**
- Owners of the parent	18.3	(2.6)	5.3	1.4
- Non-controlling interests - continuing operations	10.6	(0.7)	1.5	1.6
	28.9	**(3.3)**	**6.8**	**3.0**

The Group's performance can be read better by analyzing the 9M17 and 3Q17 results by **main business segment** (magazine publishing Cairo Editore, advertising Cairo Pubblicità, TV publishing La7, network operator Cairo Network, Il Trovatore and RCS) versus those of the same periods of 2016:

2017 (nine months) (€ millions)	**Magazine publishing** **Cairo Editore**	**Advertising**	**TV publishing** **La7**	**RCS**	**Trovatore**	**Network operator** **(Cairo Network)**	**Non-recurring charges** **unallocated**	**Intra and un** **allocated**	**Total**
Gross operating revenue	68.1	120.5	69.1	690.5	0.7	5.9	-	(90.4)	864.4
Advertising agency discounts	-	(17.2)	-	(36.5)	-	-	-	0.1	(53.5)
Net operating revenue	**68.1**	**103.4**	**69.1**	**654.0**	**0.7**	**5.9**	**-**	**(90.3)**	**810.8**
Change in inventory	0.1	-	-	(0.4)	-	-	-	-	(0.3)
Other revenue and income	2.1	0.6	2.1	14.0	0.0	0.1	-	(0.6)	18.3
Total revenue	**70.3**	**104.0**	**71.2**	**667.6**	**0.7**	**6.0**	**-**	**(90.9)**	**828.8**
Production cost	(45.6)	(97.0)	(42.9)	(384.6)	(0.6)	(5.5)	-	90.9	(485.3)
Personnel expense	(14.6)	(6.4)	(25.7)	(192.5)	(0.0)	(0.1)	-	-	(239.3)
Income (charges) from investments measured at equity	-	-	-	0.4	-	-	-	-	0.4
Gross operating profit (EBITDA)	**10.1**	**0.6**	**2.5**	**91.0**	**0.1**	**0.4**	**-**	**-**	**104.7**
Amortization, depreciation, provisions and impairment losses	(0.8)	(0.2)	(7.3)	(37.9)	0.0	(1.7)	-	-	(47.8)
EBIT	**9.3**	**0.5**	**(4.8)**	**53.1**	**0.1**	**(1.3)**	**-**	**-**	**56.8**
Income (loss) on investments	-	-	-	1.6	-	-	-	-	1.6
Net financial income	(0.0)	(0.3)	0.1	(18.9)	(0.0)	(0.0)	-	-	(19.2)
Pre-tax profit	**9.3**	**0.2**	**(4.7)**	**35.7**	**0.1**	**(1.3)**	**-**	**-**	**39.3**
Income tax	(2.7)	(0.6)	2.1	(11.5)	(0.0)	0.3	-	-	(12.5)
Non-controlling interests	-	-	-	(9.5)	(0.0)	-	-	-	(9.5)
Profit for the period attributable to the owners of the parent	**6.5**	**(0.4)**	**(2.5)**	**14.7**	**0.0**	**(1.0)**	**-**	**-**	**17.3**

2016 (nine months) (€ millions)	**Magazine publishing** **Cairo Editore**	**Advertising**	**TV publishing** **La7**	**RCS**	**Trovatore**	**Network operator** **(Cairo Network)**	**Non-recurring charges** **unallocated**	**Intra and un** **allocated**	**Total**
Gross operating revenue	72.9	118.5	70.7	83.4	0.7	0.7	-	(82.5)	264.5
Advertising agency discounts	-	(17.0)	-	(5.5)	-	-	-		(22.5)
Net operating revenue	**72.9**	**101.5**	**70.7**	**77.9**	**0.7**	**0.7**	**-**	**(82.5)**	**242.0**
Change in inventory	(0.1)	-	-	(1.0)	-	-	-		(1.0)
Other revenue and income	1.9	0.5	5.2	-	-	-	-		7.6
Total revenue	**74.7**	**102.0**	**75.9**	**76.9**	**0.7**	**0.8**	**-**	**(82.5)**	**248.6**
Production cost	(48.5)	(95.2)	(51.8)	(42.6)	(0.6)	(0.8)	(1.7)	82.5	(158.6)
Personnel expense	(14.7)	(6.1)	(26.1)	(21.2)	(0.0)	(0.1)	-	-	(68.3)
Income (charges) from investments measured at equity	-	-	-	0.5	-	-	-	-	0.5
Gross operating profit (EBITDA)	**11.5**	**0.8**	**(2.0)**	**13.5**	**0.1**	**(0.1)**	**(1.7)**	**-**	**22.1**
Amortization, depreciation, provisions and impairment losses	(0.8)	(0.2)	(6.2)	(5.0)	-	-			(12.3)
EBIT	**10.7**	**0.6**	**(8.2)**	**8.5**	**0.1**	**(0.1)**	**(1.7)**	**-**	**9.8**
Income (loss) on investments	-	-	-	-	-	-	-	-	-
Net financial income	-	(0.1)	0.4	(2.9)	-	-	-	-	(2.6)
Pre-tax profit	**10.7**	**0.5**	**(7.8)**	**5.6**	**0.1**	**(0.1)**	**(1.7)**	**-**	**7.2**
Income tax	(3.7)	(0.4)	5.1	(1.9)	-	-	0.5		(0.4)
Non-controlling interests	-			(1.5)	-	-	-	-	(1.5)
Profit for the period attributable to the owners of the parent	**7.0**	**0.1**	**(2.8)**	**2.2**	**0.1**	**(0.1)**	**(1.3)**	**-**	**5.3**

2017 (three months) (€ millions)	Magazine publishing Cairo Editore	Advertising	TV publishing La7	RCS	Trovatore	Network operator (Cairo Network)	Non-recurring charges unallocated	Intra and un allocated	Total
Gross operating revenue	24.4	29.7	16.2	194.6	0.2	2.0	-	(23.7)	243.4
Advertising agency discounts	-	(4.2)	-	(9.8)	-	-	-	0.1	(14.0)
Net operating revenue	**24.4**	**25.4**	**16.2**	**184.8**	**0.2**	**2.0**	**-**	**(23.6)**	**229.4**
Change in inventory	0.1	-	-	(0.2)	-	-	-	-	(0.1)
Other revenue and income	0.5	0.4	1.5	3.9	0.0	0.0	-	(0.3)	6.0
Total revenue	**25.0**	**25.8**	**17.7**	**188.5**	**0.2**	**2.0**	**-**	**(24.0)**	**235.2**
Production cost	(16.4)	(24.5)	(11.7)	(110.4)	(0.1)	(1.9)	-	24.0	(141.0)
Personnel expense	(4.6)	(2.3)	(7.2)	(60.8)	(0.0)	(0.0)	-	-	(74.9)
Income (charges) from investments measured at equity	-	-	-	-	-	-	-	-	-
Gross operating profit (EBITDA)	**4.0**	**(1.0)**	**(1.2)**	**17.4**	**0.1**	**0.1**	**-**	**-**	**19.4**
Amortization, depreciation, provisions and impairment losses	(0.3)	(0.0)	(2.7)	(12.2)	0.0	(0.6)	-	-	(15.8)
EBIT	**3.8**	**(1.1)**	**(3.9)**	**5.2**	**0.1**	**(0.4)**	**-**	**-**	**3.6**
Income (loss) on investments	-	-	-	0.4	-	-	-	-	0.4
Net financial income	(0.0)	(0.2)	0.0	(5.9)	(0.0)	(0.0)	-	-	(6.1)
Pre-tax profit	**3.8**	**(1.3)**	**(3.8)**	**(0.4)**	**0.1**	**(0.5)**	**-**	**-**	**(2.1)**
Income tax	(1.2)	0.3	1.4	(2.4)	(0.0)	0.1	-	-	(1.8)
Non-controlling interests	-	-	-	1.3	(0.0)	-	-	-	1.3
Profit for the period attributable to the owners of the parent	**2.6**	**(1.0)**	**(2.4)**	**(1.5)**	**0.1**	**(0.3)**	**-**	**-**	**(2.6)**

2016 (three months) (€ millions)	Magazine publishing Cairo Editore	Advertising	TV publishing La7	RCS	Trovatore	Network operator (Cairo Network)	Non-recurring charges unallocated	Intra and un allocated	Total
Gross operating revenue	26.3	29.8	15.9	83.4	0.2	0.3	-	(20.8)	135.0
Advertising agency discounts	-	(4.3)	-	(5.5)	-	-	-	-	(9.8)
Net operating revenue	**26.3**	**25.5**	**15.9**	**77.9**	**0.2**	**0.3**	**-**	**(20.8)**	**125.2**
Change in inventory	0.0	-	-	(1.0)	-	-	-	-	(0.8)
Other revenue and income	0.5	0.1	3.0	-	(0.0)	0.0	-	-	3.6
Total revenue	**26.8**	**25.6**	**18.9**	**76.9**	**0.2**	**0.3**	**-**	**(20.8)**	**127.9**
Production cost	(16.8)	(24.6)	(13.3)	(42.6)	(0.2)	(0.3)	(1.7)	20.8	(78.6)
Personnel expense	(4.7)	(1.9)	(7.7)	(21.2)	(0.0)	(0.0)	-	-	(35.6)
Income (charges) from investments measured at equity	-	-	-	0.5	-	-	-	-	0.5
Gross operating profit (EBITDA)	**5.3**	**(0.9)**	**(2.1)**	**13.5**	**0.0**	**(0.0)**	**(1.7)**	**-**	**14.1**
Amortization, depreciation, provisions and impairment losses	(0.3)	(0.1)	(2.0)	(5.0)	-	-	-	-	(7.4)
EBIT	**5.0**	**(0.9)**	**(4.1)**	**8.5**	**0.0**	**(0.0)**	**(1.7)**	**-**	**6.8**
Income (loss) on investments	-	-	-	-	-	-	-	-	-
Net financial income	0.0	(0.1)	0.1	(2.9)	0.0	-	-	-	(2.9)
Pre-tax profit	**5.0**	**(1.0)**	**(4.0)**	**5.6**	**-**	**(0.0)**	**(1.7)**	**-**	**3.9**
Income tax	(1.6)	0.3	1.7	(1.9)	0.0	(0.0)	0.5	-	(1.1)
Non-controlling interests	-	-	-	(1.5)	0.0	-	-	-	(1.5)
Profit for the period attributable to the owners of the parent	**3.2**	**(0.7)**	**(2.4)**	**2.2**	**0.1**	**(0.0)**	**(1.3)**	**-**	**1.3**

3. Consolidated statement of financial position

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

(€ millions)	30/09/2017	31/12/2016
Statement of financial position		
Property, plant and equipment	100.4	111.4
Intangible assets	1,005.9	1,017.8
Financial assets	69.3	73.5
Deferred tax assets	118.3	126.2
Net working capital	(109.2)	(95.4)
Total assets	**1,184.8**	**1,233.5**
Non-current borrowings and provisions	119.9	137.5
Deferred tax provision	171.6	177.6
(Net financial position)/Net debt	307.8	352.6
Equity attributable to the owners of the parent	356.8	344.8
Equity attributable to non-controlling interests	228.8	221.0
Total equity and liabilities	**1,184.8**	**1,233.5**

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

As explained in Note 14 to the condensed consolidated half-year financial statements at 30 June 2017, 1H17 saw completion of the measurement process of the fair value of assets/liabilities acquired in the business combination of RCS, with the recording at the combination date (replacing the provisionally booked "RCS Group consolidation difference" and goodwill amounting to Euro 39.1 million previously recognized at 31 December 2016 in the financial statements of RCS) of previously unrecognized intangible assets (mainly titles and trademarks) of Euro 407.8 million, Euro 348.8 million of which with indefinite useful life, and Euro 59 million with finite useful life, and deferred tax liabilities of Euro 120.6 million, for a total net amount of Euro 287.2 million. Considering the share attributable to non-controlling interests, goodwill of approximately Euro 191.4 million remains, determined using the “full goodwill” method. The amounts recorded in the RCS consolidated financial statements at the acquisition date were confirmed for the Spanish titles. Daily newspapers were considered with indefinite useful life, given both their characteristics (market leadership, authority, foundation year) and international practices, while magazines were considered with useful life of 30 years.

Completion of the valuation requirements under IFRS 3 resulted in a different measurement of the assets and liabilities of the RCS Group at the date of the business combination from the measurement made at 31 December 2016, with resulting operating and financial effects, as explained in Note 14 to the condensed consolidated half-year financial statements at 30 June 2017.

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

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

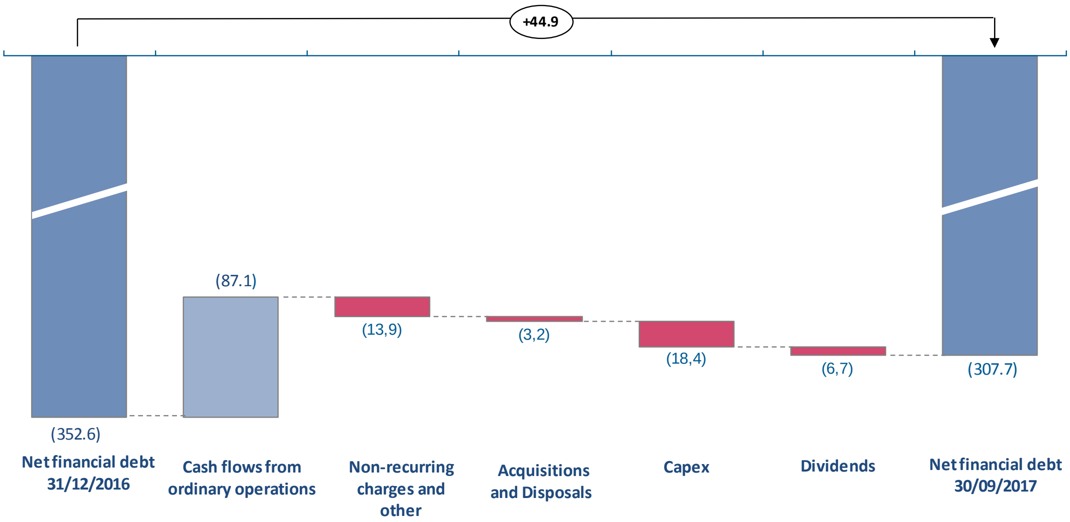
5. Consolidated net financial position

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

Net financial debt (€ millions)	**30/09/2017**	**31/12/2016**	**Change**
Cash and cash equivalents	125.0	124.8	0.2
Other current financial assets and financial receivables	0.9	1.2	(0.3)
Current financial assets (liabilities) from derivative instruments	(1.9)	-	(1.9)
Current financial payables	(70.5)	(110.1)	39.6
Current net financial position (net financial debt)	**53.6**	**15.9**	**37.7**
Non-current financial payables	(361.3)	(363.4)	2.1
Non-current financial assets (liabilities) from derivative instruments	-	(5.1)	5.1
Non-current net financial position (net financial debt)	**(361.3)**	**(368.5)**	**7.3**
Net financial position (Net financial debt) from continuing operations	**(307.7)**	**(352.6)**	**44.9**

At 30 September 2017, the net financial debt of RCS came to Euro 335.1 million (Euro 366.1 million at 31 December 2016).

Shown below are the changes in the total net financial debt:



The change in the net financial debt versus 31 December 2016 is attributable mainly to cash flows from operations (Euro 87.1 million), to outlays for non-recurring charges of RCS recognized in the income statement in prior years (Euro 13.9 million) and for investing activities (Euro 21.6 million the sum of capex and net acquisitions) and to the distribution of dividends (Euro 6.7 million).

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

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

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

a) the breakdown of the loan into an amortizing term facility of Euro 232 million and a revolving credit line of Euro 100 million;

b) an annual interest rate equal to the sum of the benchmark Euribor and a variable spread, depending on the Leverage Ratio, which is more favourable for the company than the spreads set out in the previous loan agreement;

c) a single covenant based on a Leverage Ratio (i.e., Net debt/EBITDA). The covenant must not exceed (i) 3.45x at 31 December 2017, (ii) 3.25x at 31 December 2018, and (iii) 3x at 31 December of each following year;

d) a repayment schedule for the amortizing term facility, which sets out the repayment of Euro 15 million at 31 December 2017 followed by six-month instalments of Euro 12.5 million.

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

6. Revenue

Gross operating revenue in 9M17 and 3Q17, split up by main business segment, can be analyzed as follows versus the amounts of 2016:

2017 (9 months) (€ millions)	**Magazine publishing Cairo Ed.**	**Advertising**	**TV publishing La7**	**RCS**	**Trovatore**	**Network operator**	**Intra and un allocated**	**Total**
TV advertising	-	98.5	66.7	2.0	-	-	(67.7)	**99.5**
Print media, internet and sporting events advertising	14.7	21.5	1.2	318.9	-	-	(15.5)	**340.8**
Other TV revenue	-	-	1.2	6.8	-	-	-	**8.0**
Publishing revenue	54.5	-	-	263.3	-	-	(0.2)	**317.6**
VAT relating to publications	(1.1)	-	-	(3.7)	-	-	-	**(4.8)**
Other operating revenue	-	0.5	-	103.2	0.7	5.9	(7.0)	**103.3**
Total gross operating revenue	**68.1**	**120.5**	**69.1**	**690.5**	**0.7**	**5.9**	**(90.4)**	**864.4**
Other revenue	2.1	0.6	2.1	14.0	0.0	0.1	(0.6)	18.3
Total gross revenue	**70.2**	**121.1**	**71.2**	**704.5**	**0.7**	**6.0**	**(91.0)**	**882.7**

2016 (9 months) (€ millions)	**Magazine publishing Cairo Ed.**	**Advertising**	**TV publishing La7**	**RCS**	**Trovatore**	**Network operator**	**Intra and un allocated**	**Total**
TV advertising	-	96.0	68.3	0.2	-	-	(65.8)	**98.7**
Print media, internet and sporting events advertising	15.2	22.0	0.9	43.6	-	-	(15.0)	**66.7**
Other TV revenue	-	-	1.5	0.7	-	-	-	**2.2**
Publishing revenue	58.9	-	-	31.0	-	-	-	**89.9**
VAT relating to publications	(1.2)	-	-	(0.5)	-	-	-	**(1.7)**
Other operating revenue	-	0.5	-	8.4	0.7	0.7	(1.7)	**8.6**
Total gross operating revenue	**72.9**	**118.5**	**70.7**	**83.4**	**0.7**	**0.7**	**(82.5)**	**264.5**
Other revenue	1.9	0.5	5.2	-	-	-	-	7.6
Total gross revenue	**74.8**	**119.0**	**75.9**	**83.4**	**0.7**	**0.7**	**(82.5)**	**272.1**

2017 (three months) (€ millions)	Magazine publishing Cairo Ed.	Advertising	TV publishing La7	RCS	Trovatore	Network operator	Intra and un allocated	Total
TV advertising	-	22.8	15.4	0.5	-	-	(15.9)	**22.8**
Print media, internet and sporting events advertising	5.0	6.7	0.5	81.3	-	-	(5.5)	**88.0**
Other TV revenue	-	-	0.3	2.0	-	-	-	**2.3**
Publishing revenue	19.9	-	-	90.5	-	-	(0.1)	**110.3**
VAT relating to publications	(0.5)	-	-	(1.2)	-	-	-	**(1.7)**
Other operating revenue	-	0.2	-	21.6	0.2	2.0	(2.3)	**21.7**
Total gross operating revenue	**24.4**	**29.7**	**16.2**	**194.6**	**0.2**	**2.0**	**(23.7)**	**243.4**
Other revenue	0.5	0.4	1.5	3.9	-	-	(0.3)	6.0
Total gross revenue	**24.9**	**30.1**	**17.7**	**198.6**	**0.2**	**2.0**	**(24.1)**	**249.4**

2016 (three months) (€ millions)	Magazine publishing Cairo Ed.	Advertising	TV publishing La7	RCS	Trovatore	Network operator	Intra and un allocated	Total
TV advertising	-	22.5	15.4	0.2	-	-	(15.4)	**22.7**
Print media, internet and sporting events advertising	5.0	7.1	0.2	43.6	-	-	(4.9)	**51.0**
Other TV revenue	-	-	0.3	0.7	-	-	-	**1.0**
Publishing revenue	21.9	-	-	31.0	-	-	-	**52.9**
VAT relating to publications	(0.6)	-	-	(0.5)	-	-	-	**(1.1)**
Other operating revenue	-	0.2	-	8.4	0.2	0.3	(0.6)	**8.5**
Total gross operating revenue	**26.3**	**29.8**	**15.9**	**83.4**	**0.2**	**0.3**	**(20.8)**	**135.0**
Other revenue	0.5	0.1	3.0	-	-	-	-	**3.6**
Total gross revenue	**26.8**	**29.9**	**18.9**	**83.4**	**0.2**	**0.3**	**(20.8)**	**138.6**

MAGAZINE PUBLISHING CAIRO EDITORE

Cairo Editore - Cairo Publishing

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

In 9M17, Cairo Editore strengthened the results of its titles, worked on improving the levels of efficiency reached in containing production, publishing and distribution costs, and continued to achieve positive results. Gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 10.1 million and approximately Euro 9.3 million (Euro 11.5 million and Euro 10.7 million in 9M16).

The Group weeklies reported high circulation results, with an average ADS circulation in the January-September nine-month period of 2017 of 462 thousand copies for “Settimanale DIPIU”, 250 thousand copies for “DIPIU’ TV”, 118 thousand copies for “Settimanale DIPIU’ e DIPIU’TV Cucina”, 178 thousand copies for “Diva e Donna”, 219 thousand copies for “Settimanale Nuovo”, 121 thousand copies for “F”, 109 thousand copies for “TVMia”, 88 thousand copies for “Settimanale Giallo”, 100 thousand copies for “NuovoTV” and 59 thousand copies for “Nuovo e Nuovo TV Cucina”, reaching a total of approximately 1.7 million average copies sold, and making the Group the leading publisher in copies of weeklies sold at newsstands, with an approximately 30% market share. Including the average sales of titles out of the ADS survey (average copies sold of “Enigmistica Più”), average copies sold were approximately 1.8 million.

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

- cover prices of the weeklies are lower, some half the price of those of the main competitors; this gap increases appeal and allows space for potential price increases, hence for increased profitability;
- sales are mostly over-the-counter (95%), with a minimum impact of revenue generated by gifts and sundry editorial material (approximately 2% on total publishing revenue, including advertising); the Group has opted to focus on the quality of its titles; in 9M17, gross advertising revenue generated by the Group’s titles accounted for approximately 27% - an extremely low figure, therefore based to a lesser extent on the economic cycle - while the remaining 73% came from direct sales and subscriptions, proof of the high editorial quality of publications;
- weekly magazines, which account for approximately 90% of total publishing sales revenue, are sold as single copies and not bundled with other weeklies and/or dailies to bolster sales;
- the remarkable sales volumes achieved, both in absolute terms and versus Cairo Editore’s competitors, make the advertising pages highly appealing in terms of advertising cost per copy sold (equal to the difference between the price of the advertising page and copies sold), currently lower than the titles of its competitors.

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

ADVERTISING

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

In 9M17, gross advertising sales on La7 and La7d channels amounted to Euro 96.2 million (Euro 97.6 million in 9M16). Advertising sales on Cairo Editore titles at Group level amounted to Euro 19.1 million (Euro 19.7 million in 9M16).

Gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 0.6 million and to Euro 0.5 million (Euro 0.7 million and Euro 0.6 million in 9M16).

TV PUBLISHING (La7)

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

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

Starting from May 2013, the Group began to implement its own plan, achieving, as early as the May-December eight-month period of 2013, a positive gross operating profit (EBITDA) and consolidating, in the following years, the results of the cost rationalization measures implemented.

In 9M17, the TV publishing segment (La7) achieved positive gross operating profit (EBITDA) of approximately Euro 2.5 million, rising sharply versus 9M16 (approximately Euro -2 million in 9M16). Mention should be made that the TV publishing segment’s seasonality factors generally negatively impact on the results of the third quarter of the year. Operating profit (EBIT) came to approximately Euro -4.8 million and benefited in the consolidated financial statements, with respect to the separate financial statements of La7 S.p.A., from lower amortization and depreciation of Euro 2.4 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 9M16, operating profit (EBIT) came to approximately Euro -8.2 million, benefiting in the consolidated financial statements from lower amortization and depreciation of Euro 4.2 million.

In 9M17, La7's average all-day share was 2.84% and 3.25% in prime time (from 8:30 PM to 11:30 PM), with a high-quality target audience. La7d's share was 0.56% (0.49% in prime time). The audience figures of the channel's news and discussion programmes - such as the 8 PM newscast (5.4% from Monday to Friday), "Otto e mezzo" (5.7%), "Piazza Pulita" (4%), "Coffee Break" (3.9%), "Omnibus" (3.7%), "L'aria che tira" (5.2%), "Bersaglio Mobile" (3.2%), "Di martedì" (4.8%), "In Onda" (4.4%), and "Miss Italia" (6.5%) - were positive.

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

RCS

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

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

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

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

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

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

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

RCS posted negative results prior to 2016, and an operational restructuring process is currently underway aimed at restoring profitability. In 2016, net profit amounted to Euro 3.5 million[5], marking a return to positive territory by the RCS Group, the first time since 2010.

Mention should be made that RCS was consolidated in the Cairo Communication Group as from 1 September 2016. The 9M16 consolidated income statement, therefore, includes only the RCS results of the single month September 2016.

In 9M17, in a persistently challenging market marked by uncertainty, RCS achieved - in the consolidated financial statements of Cairo Communication - gross operating profit (EBITDA) of approximately Euro 91 million[6] and operating profit (EBIT) of Euro 53.1 million[7], up by Euro 43.7 million[8] and Euro 47.9 million[8], respectively, versus 9M16, in line with the forecasts on 2017 performance targets, thanks mainly to the strong commitment towards cutting costs and pursuing opportunities to increase and develop revenue.

In 9M17, RCS consolidated net revenue amounted to approximately Euro 654 million[9], falling by an overall Euro 51.8 million[7] versus 9M16; the decline in revenues would decrease to 13.8 million excluding from the comparison non-homogeneous events among which the termination of a number of advertising sales contracts with third-party publishers (revenue of Euro 1.2

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5 RCS 2016 Annual Financial Report

6 Mention should be made that RCS adopts a different definition of EBITDA from the one used by the Cairo Communication Group, as indicated in the above section "Alternative Performance Indicators". As a result of these differences, which lie in the provisions for risks and in the allowance for impairment, amounting to Euro 6.6 million in the period - EBITDA shown in the RCS Interim Management Report at 30 September 2017, approved on 10 November 2017, amounted to Euro 84.4 million

7 As a result of the valuations made in the measurement of the fair value of assets/liabilities acquired in the business combination of RCS, Cairo Communication's consolidated financial statements recognized lower amortization on "intangible assets" in the amount of Euro 6 million. EBIT shown in the RCS Interim Management Report at 30 September 2017, approved on 10 November 2017, came to Euro 47.1 million.

8 Comparison based on the RCS Interim Management Report at 30 September 2017, approved on 10 November 2017 and available on the website www.rcsmediagroup.it.

9 In the RCS Interim Management Report at 30 September 2017, amounting to Euro 657.7 million, due to the different classification of certain items

million in 9M17 versus Euro 22.8 million in 9M16), the different add-on publishing plan (Euro 13.5 million) and the reviewed promotional policy in Spain (Euro 2.5 million).

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

In Italy, *Corriere della Sera* sold 326 thousand average copies in the first nine months of 2017, including digital copies (*ADS*). Total circulation of *La Gazzetta dello Sport* amounted to 191 thousand average copies, including digital copies (*ADS*). The newsstand channel (provided by law) outperformed the relevant market, *Corriere della Sera* in particular (-5.2% versus the market's -11.7%), but also *La Gazzetta dello Sport* (-4.7% versus -6.6%) (*ADS January-September*).

Additionally, the main digital performance indicators show, in 9M17, average unique browsers/month of the *corriere.it* website at 46.4 million, the mobile version of the website, *Corriere Mobile* at 24.4 million average unique browsers/month, the *gazzetta.it* website at 29.1 million average unique browsers/month, and *Gazzetta Mobile* at 14.6 million unique browsers/month (*Adobe Analytics*).

The average daily circulation (*OJD*) of *El Mundo* and *Expansion* (including digital copies) amounted to 120 thousand and 36 thousand copies, respectively; copies of the sports daily *Marca* amounted to approximately 138 thousand, including digital copies (*OJD*)

On the web, average unique browsers/month *(Omniture*) of *elmundo.es* reached an average 47.5 million in 9M17, while average unique browsers/week came to 3.3 million. At end September 2017, *marca.com* reached 44.4 million average unique browsers/month, while average unique browsers/week came to 4.7 million. Average unique browsers/month of *expansión.com* were 10.3 million in 9M17, while average unique browsers/week were 0.6 million. All three sites reported a sharp rise in accesses through mobile devices, which saw significant increases.

The net financial position of RCS stood at Euro 335.1 million at 30 September 2017, improving by approximately Euro 31 million versus 31 December 2016, thanks to the positive cash flows of Euro 58.4 million from ordinary business (source Management reporting), which more than offset outlays for technical investments (Euro 15.5 million) and non-recurring charges booked in prior years (Euro 13.9 million).

RCS is currently focusing on enhancing the value of editorial content, developing existing brands, and launching new projects, with a constant eye on cutting costs. Noteworthy points for *Corriere della Sera* were the remarkable advertising and readership figures achieved by

L'Economia, the new Monday business add-on. *Corriere* readers were further indulged by *Sette*, the analysis news magazine, from end April out on newsstands on Thursdays, fully revamped.

19 September 2017 saw the launch of the new free weekly supplement *Buone Notizie – L'impresa del bene*, which offers an ethical and informational perspective on the non-profit world. *Buone Notizie* casts a weekly spotlight on associations, foundations, cooperatives, schools, research centres, and sports organizations, and will also cover the many companies that are increasingly seeking to do business driven by social responsibility, either directly or by promoting the activities of their staff. A further note to mention is the success of the fourth edition of *Tempo delle Donne*, the event held at the Milan Triennale under the aegis of *Corriere della Sera*.

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

La Gazzetta dello Sport celebrated the 20th anniversary of the website *gazzetta.it*, offering its readers for twenty days a recollection of the best sporting events of the last twenty years, as well as editing on 15 September 2017 the section *Lo Sport del Futuro*, dedicated to the future of sport for the next 20 years.

After the reporting period, on 28 October the new *SportWeek* was launched with *La Gazzetta dello Sport*, boasting revamped content and design and a larger format. The new features include a tighter relationship between paper and digital, with an increased presence of the new *SportWeek* on gazzetta.it and a greater use of social media to increase the engagement with readers.

The magazines area saw the new launch of *Oggi Enigmistica Settimanale* on 27 June 2017, recording a remarkable performance at newsstands.

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

Lastly, 19 March 2017 saw the release of a special edition of *Marca*, printed for the second consecutive year on pink paper: the aim of the initiative was to support research on breast cancer, with 10% of each single copy sold contributed to the Spanish Cancer Association.

NETWORK OPERATOR (CAIRO NETWORK)

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

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

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

IL TROVATORE

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

7. Income statement figures of the Parent

The main **income statement figures of Cairo Communication S.p.A.** in 9M17 and 3Q17 can be compared with those of the same periods in 2016:

(€ millions)	30/09/2017 (Nine months)	30/09/2017 (Three months)	30/09/2016 (Nine months)	30/09/2016 (Three months)
Gross operating revenue	73.6	17.3	72.9	17.4
Advertising agency discounts	-	-	-	-
Net operating revenue	**73.6**	**17.3**	**72.9**	**17.4**
Other revenue and income	0.9	0.5	0.2	0.1
Total revenue	**74.5**	**17.8**	**73.0**	**17.5**
Production cost	(72.1)	(17.1)	(71.1)	(18.7)
Personnel expense	(2.1)	(0.7)	(2.2)	(0.7)
Gross operating profit (EBITDA)	**0.4**	**-**	**(0.9)**	**(1.8)**
Amortization, depreciation, provisions and impairment losses	(0.2)	-	(0.2)	(0.1)
EBIT	**0.2**	**-**	**(1.1)**	**(1.9)**
Net financial income	-	(0.1)	(0.1)	(0.1)
Income (loss) on investments	8.1	-	8.2	-
Pre-tax profit	**8.3**	**(0.1)**	**7.0**	**(2.0)**
Income tax	(0.3)	-	0.1	0.5
Profit from continuing operations	**8.0**	**(0.1)**	**7.1**	**(1.5)**
Loss from discontinued operations	-	-	-	-
Profit	**8.0**	**(0.1)**	**7.1**	**(1.5)**

In 9M17, Cairo Communication continued to operate in TV advertising sales (La7, La7d and theme channels Cartoon Network, Boomerang and Torino Channel) and on the Internet through its subsidiary Cairo Pubblicità on a sub-concession basis, invoicing advertising spaces directly to its customers and returning to Cairo Communication a share of revenue generated by resources managed on a sub-concession basis. Specifically, looking at current operations:

- gross revenue came to approximately Euro 74.5 million (Euro 73.1 million in 9M16).
- gross operating profit (EBITDA) was approximately Euro 0.4 million (Euro -0.9 million in 9M16, affected by the impact of non-recurring charges of Euro 1.7 million from the costs incurred in the Offer on RCS);
- operating profit (EBIT) was approximately Euro 0.2 million (Euro -1.1 million in 9M16);
- profit was approximately Euro 8 million (Euro 7.1 million in 9M16).

"Income (loss) on investments" includes the dividends approved by the subsidiary Cairo Editore, amounting to Euro 8.5 million. In 2016, the item included the dividends approved by Cairo Editore, amounting to Euro 8.2 million.

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

(€ millions)	**30/09/2017 (Nine months)**	**30/09/2017 (Three months)**	**30/09/2016 (Nine months)**	**30/09/2016 (Three months)**
Statement of comprehensive income of the Parent				
Profit	8.0	(0.1)	7.1	(1.5)
Other non-reclassifiable items of the comprehensive income statement				
Actuarial profit (loss) from defined benefit plans	-	-	-	-
Tax effect	-	-	-	-
Total comprehensive income	**8.0**	**(0.1)**	**7.1**	**(1.5)**

8. 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 2017 can be analyzed versus the situation at 31 December 2016:

(€ millions)	**30/09/2017**	**31/12/2016**
Statement of financial position		
Property, plant and equipment	0.4	0.4
Intangible assets	0.2	0.3
Financial assets	329.1	328.1
Other non-current financial assets	16.2	12.8
Net trade working capital	(8.8)	(8.1)
Total assets	**337.1**	**333.5**
Non-current borrowings and provisions	1.5	1.4
(Net financial position)/Net debt	76.0	73.8
Equity	259.6	258.3
Total equity and liabilities	**337.1**	**333.5**

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

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

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

(€ millions)	30/09/2017	31/12/2016	Change
Cash and cash equivalents	2.2	4.4	(2.2)
Current financial assets	-	-	-
Non-current financial payables	(78.2)	(78.2)	
Total	**(76.0)**	**(73.8)**	**(2.2)**

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

10. Transactions with parents, subsidiaries and associates

The following are identified as related parties:

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

Until 4 August 2017, when the RCS Group adopted a new Related Party Procedure, all RCS shareholders (and the associated corporate groups composed of parents and subsidiaries, including indirect, and of jointly-controlled companies) holding a stake with voting rights in RCS exceeding 3%, excluding intermediaries performing asset management activities (where the independence conditions required by the Issuer Regulations are satisfied), were classified voluntarily as related parties.

Details of the transactions with parents, subsidiaries and associates are provided in the following tables, broken down by balance sheet heading.

Receivables and financial assets (€ millions)	**Trade and other receivables**	**Receivables from tax consolidation**	**Other current financial assets**
Parents	-	0.9	-
Associates	21.5	-	0.1
Other affiliates	0.1	-	-
Other related parties	0.7	-	-
Total	**22.3**	**0.9**	**0.1**

Payables and financial liabilities (€ millions)	**Trade and other payables**	**Other current financial liabilities**	**Other non-current financial liabilities**
Parents	-	-	-
Associates	12.3	7.6	-
Other affiliates	1.0	-	-
Other related parties	-	-	-
Total	**13.3**	**7.6**	-

Revenue and costs (€ millions)	**Operating revenue**	**Operating costs**	**Financial charges**
Parents	-	-	-
Associates	160.9	(30.1)	-
Other affiliates	0.1	(1.5)	-
Other related parties	2.1	(0.5)	(1.0)
Total	**163.1**	**(32.2)**	**(1.0)**

Transactions with associates refer mainly to:

- m-dis Distribuzione Media S.p.A., which operates in Italy as distributor in the newsstand channel for the RCS Group, in respect of which Group companies generated revenue of Euro 159.5 million and incurred costs of Euro 8.3 million in 9M17, and hold trade receivables of Euro 21.3 million, trade payables of Euro 2.2 million and current financial liabilities of Euro 6.4 million;
- the associates in the Bermont Group, in respect of which the Group companies that operate in Spain in the printing of newspapers, magazines and other publishing products (Unidad Editorial Group) generated revenue of Euro 1.3 million and incurred costs of Euro 21.2 million in 9M17, and hold trade receivables of Euro 0.2 million and trade payables of Euro 10.1 million.

Transactions with affiliates refer mainly to:

- the concession contract between Cairo Pubblicità S.p.A. and Torino FC S.p.A. (a subsidiary of U.T. Communications) for the sale of advertising space at the Olimpico football pitch and promotional sponsorship packages. This contract resulted in the payment in 9M17 of Euro 1.5 million to the concession holder against revenue of Euro 1.9 million net of agency discounts. Cairo Pubblicità earned further commissions of Euro 47 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.

As from 4 August 2017, following the changes made to the RCS Related Party Procedure, shareholders (and the associated corporate groups composed of parents and subsidiaries, including indirect, and of jointly-controlled companies) holding a stake with voting rights in RCS MediaGroup S.p.A. exceeding 3%, previously included on a voluntary basis, have been excluded from related parties.
Transactions with “other affiliates” refer mainly to commercial dealings with the Della Valle and Pirelli Groups, in respect of which Group companies generated revenue of Euro 1.9 million and hold trade receivables of Euro 0.7 million.

In 9M17, 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 the period from 1 January 2017 to 30 September 2017, for Cairo Communication and its subsidiaries other than those belonging to the RCS Group, the fees for Directors, Statutory Auditors, General Managers and Key Management Personnel amounted to Euro 2.5 million.
In the period from 1 January 2017 to 30 September 2017, RCS paid fees to Directors, Statutory Auditors, General Managers and Key Management Personnel amounting to Euro 4.2 million.
During the year, no transactions were carried out with members of the Board of Directors, general managers and/or with key management personnel, members of the Board of Statutory Auditors, and the Financial Reporting Manager, further than the fees paid and already shown in this Interim Management Report.
Commitments to key management personnel amounted to Euro 2.7 million and to other related parties to Euro 0.9 million.

11. Events occurring after 3Q17 and business outlook

Against a persistently uncertain backdrop, in 9M17:

- the relaunch of RCS continued, whose margins rose sharply versus 9M16, basically in line with the forecasts on the 2017 performance targets. The results of RCS contributed significantly to the growth of the Group's revenue and margins in 9M17;

- the TV publishing segment La7 achieved positive gross operating profit of Euro 2.5 million, up sharply versus 2016 (Euro -2 million);
- the magazine publishing segment Cairo Editore posted positive results, achieved high circulation levels of the publications, and continued to work on improving the levels of efficiency reached in containing costs (production, publishing and distribution).

In the following months of 2017, the Cairo Communication Group, with regard to the scope of its traditional activities, will continue to:

- pursue the development of its Cairo Editore publishing and advertising sales segments, for Cairo Editore, continuing its development strategy aimed at attracting market segments with greater potential and strengthening and developing the results of recently launched publications. In these segments, despite the economic and competitive backdrop, given the high quality of the publications and of the media under concession, the Group considers it a feasible target to continue to achieve positive operating results;
- work towards developing its activities in the TV publishing segment, forecast to achieve a positive gross operating profit (EBITDA) also in 2017, up versus 2016.

Regarding RCS, on the approval of the Interim Management Report at 30 September 2017, on 10 November 2017, the RCS directors basically confirmed, in the absence of events unpredictable at this time, the 2017 performance targets.

However, developments in the overall economic climate and in the core segments due also to the possible impacts of the events in Catalonia on the Spanish advertising market 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 no. 58 of 24 February 1998 (T.U.F.)

The Financial Reporting Manager of Cairo Communication S.p.A., Marco Pompignoli, declares, pursuant to art. 154-bis, par. 2, 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