



SPAFID CONNECT

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Testo del comunicato

Vedi allegato.



CAIRO COMMUNICATION

Press Release - Results at 30 June 2020 approved

- The first half of 2020 was marked by the Coronavirus health emergency, which impacted on the Group's results
- With an aggregate figure of over 32.7 million average monthly unique users (net of duplications) on its digital properties (RCS and La7), in the first five months of 2020 the Group ranked as the fifth digital media player in Italy, just after the major platforms Google, Facebook, Amazon and Microsoft
- *Corriere della Sera* is the leading Italian daily newspaper on newsstands and online with 31 million average monthly unique users in the first five months of 2020, with a total active digital customer base of almost 300 thousand subscriptions, double versus June 2019
- La7 confirmed its high audience levels (3.66% in all-day share and 5.13% in prime time), ranking in the six-month period as the fifth national channel in terms of average prime-time audience (fourth in May). Advertising sales on La7 and La7d outperformed (-13.9%) the TV advertising market by over 8 percentage points (-22.3% AC Nielsen)
- In first half 2020, the Group achieved:
 - gross operating profit (EBITDA) of Euro 11.6 million, impacted by non-recurring expense of Euro 5.4 million,
 - a reduction in consolidated net financial debt of Euro 31.2 million versus end 2019
- RCS continued to generate positive cash flows with financial debt decreasing by Euro 22.3 million versus end 2019. Gross operating profit (EBITDA) in the consolidated financial statements of Cairo Communication amounted to Euro 8.6 million¹, impacted by non-recurring expense of Euro 5.4 million. Digital revenue accounts for approximately 21.8% of the total. Advertising sales on online media make for 41.4%
- The magazine publishing segment Cairo Editore achieved in the first six months results basically in line with those of the same period of 2019
- In Italy, in the two-month period July-August, advertising sales of RCS and La7, on the upswing since June, are expected to grow by over 8% and over 13% respectively versus the same period of 2019
- The target is to achieve margin levels (EBITDA) in the second half of 2020 at least in line with those reached in the same period of 2019

Milan, 4 August 2020: at its meeting today, the Board of Directors of Cairo Communication reviewed and approved the Half-Year Report at 30 June 2020.

Income statement and balance sheet figures (€ millions)	30/06/2020	30/06/2019
Consolidated gross revenue	449.2	632.0
EBITDA	11.6	97.4
EBIT	(25.2)	59.4
Profit attributable to the owners of the parent	(12.7)	24.2
	30/06/2020	31/12/2019
Net financial debt	103.4	134.6

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 section "Alternative Performance Measures". As a result of these differences - regarding provisions for risks and the allowance for impairment, totaling Euro 1.5 million in first half 2020 - EBITDA shown in the RCS Half-Year Report at 30 June 2020, approved on 31 July 2020, amounted to Euro 7.1 million.

In the first months of 2020, the national and international landscape was swept by the spread of the Coronavirus and the ensuing restrictions for its containment adopted by the governments of all the countries involved; these restrictions have had a direct effect on the organization and timing of work, on the Group's activities and the general performance of the economy, in addition to the severe social impact, resulting in a context of general uncertainty.

As part of the activities relating to the organization of sporting events, the *Strade Bianche*, *Tirreno Adriatico*, *Milano Sanremo*, *Giro di Sicilia*, *Giro d'Italia* and the *Milano Marathon*, scheduled for the first half of 2020, were postponed. RCS has worked to put the cycling races (*Giro d'Italia*, *Strade Bianche*, *Milano Sanremo*, *Lombardia* and *Tirreno Adriatico*) back on the 2020 international calendar, starting from August. The schedule of mass events for 2020 (*Milano Marathon*, *Roma Ostia Half Marathon* and *La Gran Fondo Il Lombardia*) has, instead, been postponed to 2021.

From end February, the circulation of sports newspapers *La Gazzetta dello Sport* and *Marca* was affected by the suspension of "played" sport.

Advertising sales in the four months March-June slowed down both in Italy and Spain, but has rebounded starting from June. The book segment too was impacted by the order to temporarily shut bookshops.

The month of May marked the start of the so-called Phase 2 in Italy, with the gradual easing of the containment measures of Phase 1 (lockdown) and the reopening of a large part of production and industrial activities. Spain gradually reopened too, only with a time lag of several weeks.

From about mid-June, after a three-month stoppage, the main European Football Championships, including the Serie A and the Spanish Liga, were back on the pitch.

Broadly speaking, the resumption of played sport is having a beneficial impact on the circulation of *La Gazzetta dello Sport* and *Marca*.

In first half 2020, in such a context of uncertainty and with the core markets in decline, in particular advertising in Italy and Spain:

- The **Group**, with an aggregate figure of over 32.7 million average monthly unique users (net of duplications) in the period January-May 2020 (latest available figure *Audiweb Media View*) on the digital properties of RCS and La7, ranked as the fifth digital media player in Italy, just after the major platforms *Google*, *Facebook*, *Amazon* and *Microsoft*;
- **RCS** continued to generate positive cash flows, with financial debt down by Euro 22.3 million versus end 2019, and achieved a gross operating profit of Euro 8.6 million¹, impacted by net non-recurring expense of Euro 5.4 million. In the current health emergency phase, *Corriere della Sera*, thanks to its authority, confirmed its newsstand sales forecasts and, most of all, accelerated the growth of digital operations: at end June, its total active digital customer base (digital edition, membership and m-site) counted 293 thousand subscriptions, more than double versus June 2019. Both Italian newspapers retained their circulation leadership in their respective market segments at May 2020 (*ADS*). In Spain, due to the health emergency, no official circulation figures were published (by OJD) for the period from 14 March to 30 June. The main digital performance indicators confirm the top market position of RCS with *Corriere della Sera* and *La Gazzetta dello Sport* brands, which in the period January-May 2020 counted 31 million and 14.2 million average monthly unique users and 5.2 million and 2.2 million average daily unique users respectively (*Audiweb 2.0*). In Spain, as part of the online activities, *elmundo.es*, *marca.com* and *expansion.com* in the first six months of 2020 reached 23.4 million, 16.8 million and 7.7 million average monthly unique users respectively (*Comscore IP Spain*, which considers only traffic coming from Spain). On 18 March 2020, *Expansión* launched its own digital pay model (freemium), following in the footsteps of *El Mundo* and *La Gazzetta dello Sport* at end 2019. During the lockdown period, *elmundo.es* delivered a timely chronicle of the pandemic and the situation in Spain that intercepted the keen interest in information and resulted in a strong surge in traffic, reaching the absolute leadership in Spain in May with 25.2 million unique users (*Comscore*). Subscriptions to *El Mundo's* pay model have also grown strongly, thanks to the launch of new Covid-themed newsletters and dedicated digital events.

Against this backdrop, total digital revenue (Italy and Spain), which amounted to approximately Euro 69.8 million, accounted for 21.8% of total revenue; specifically, total advertising sales on online media amounted to Euro 50.1 million, accounting for 41.4% of total advertising revenue;

- the **TV publishing segment La7** confirmed the high audience levels of the La7 channel (3.66% in all-day share and 5.13% in prime time), ranking in first half 2020 as the fifth national channel for average prime-time audience (fourth in May). In first half 2020, advertising sales on the La7 and La7d channels

totaled Euro 68.3 million (Euro 79.4 million in 2019), with a change (-13.9%) versus the same period of the prior year attributable to the effects of the health emergency. Revenue in the first six months of 2020 outperformed the TV advertising market by over 8 percentage points (-22.3% AC Nielsen). In June, advertising revenue began to show signs of a recovery (-4.6% versus 2019), more than confirmed in the two-month period July-August when are expected to grow by over 13% versus the same period of 2019. The channel's news and discussion programmes all continued to deliver remarkable results: *Otto e Mezzo* with 7.5% average share from Monday to Friday, *TgLa7 edizione delle 20* 5.7% from Monday to Friday, *diMartedì* 6.1%, *Piazzapulita* 5.4%, *Propaganda Live* 5.6%, *Non è l'Arena* 6.9%, *Omnibus La7* 4.1%, *Coffee Break* 4.4%, *L'Aria che tira* 6.1%, *Tagadà* 3.9%, *Atlantide* 3.1%, *Eden un pianeta da salvare* 2.7%, the "maratone" hosted by Enrico Mentana (11.6% share the Election Special edition on 26/27 January). On the web front, on the La7 websites (La7.it, TGla7.it, Sedanoallegro.it) and the La7 and TGla7 apps achieved excellent results with 7.9 million average monthly unique users in the first five months of 2020, three times more than in the same period of 2019;

- the **magazine publishing segment Cairo Editore** achieved in the first six months results basically in line with those of the same period of 2019, confirmed high circulation levels of the publications, and continued to work on improving the levels of efficiency reached in containing own costs.

In first half 2020, consolidated gross revenue amounted to approximately Euro 458.6 million (comprising gross operating revenue of Euro 449.2 million and other revenue and income of Euro 9.4 million) versus Euro 646.1 million in 2019 (comprising gross operating revenue of Euro 632 million and other revenue and income of Euro 14.1 million). The downturn is due mainly to the effects of the health emergency and particularly to the absence of sporting events in the first half of the year (Euro -55.5 million in sundry and advertising revenue) and non-sporting events (Euro -3 million), most of which postponed to the second half of the year, the lower circulation of sports newspapers (Euro -26.2 million) and the drop in advertising sales (Euro -76 million) net of the previous reference to events. As a result of the different schedule, most of the revenue from sporting events is expected to be recovered in the second half of the year.

Gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 11.6 million and Euro -25.2 million (Euro 97.4 million and Euro 59.4 million in first half 2019). Excluding non-recurring income and expense (Euro -4.2 million the total effect, amounting to Euro -5.4 million in the first six months of 2020 and Euro -1.2 million in the same period of 2019), gross operating profit would amount to Euro 17 million, with a change due mainly to the effects on revenue of the health emergency. Non-recurring expense refers mainly to the allocation of provisions for early retirement schemes of the subsidiary RCS.

To counter the impacts of the emergency, the Group has implemented a series of actions. As a first response measure, it has organized itself to be able to continue its activities safely and minimize the impact in terms of health and safety in the workplace, implementing smart working and promoting distance agile work as much as possible. It has gradually reviewed the organization of work in view of the volumes of activity and the impact on editorial products, newspapers and magazines resulting from the stop of sport, social and recreational activities that form part of its news. In this context, measures have been taken on all cost items, such as, for example, those aimed at containing bordereau and collaboration costs, especially for supplements, specials and local editions. The analysis is conducted based on a cost/benefit logic and with a "zero base" approach, covering all types of costs and business processes. The overall benefits of these cost containment actions in first half 2020 amount to approximately € 34 million.

Profit attributable to the owners of the parent came to approximately Euro -12.7 million (Euro 24.2 million in first half 2019).

Looking at the business segments, in first half 2020:

- in the **magazine publishing segment (Cairo Editore)**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 2.8 million and Euro 1.9 million (Euro 3.1 million and Euro 2.1 million in first half 2019). Regarding weeklies, with approximately 1.2 million average copies sold in the period January-May 2020 (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, including the copies sold of "Enigmistica Più" and "Enigmistica Mia", average copies sold were approximately 1.4 million;

- in the **TV publishing segment (La7)**, the Group achieved gross operating profit (EBITDA) of approximately Euro -2.3 million (Euro 4 million in 2019). Operating profit (EBIT) was approximately Euro -8.5 million (Euro -1.9 million in 2019);
- in the **network operator segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 1.3 million and Euro -0.2 million (Euro 1.4 million and Euro -0.1 million in 2019);
- in the **advertising segment**, gross operating profit (EBITDA) and operating profit (EBIT) amounted to Euro 1.2 million and Euro -0.6 million respectively (Euro 2.1 million and Euro 2 million in 2019);
- in the **RCS segment**, in the consolidated financial statements of Cairo Communication, gross operating profit (EBITDA) and operating profit (EBIT) amounted to Euro 8.6 million² and Euro -17.7 million respectively (Euro 86.8 million and Euro 57.4 million in the same period of 2019). Excluding non-recurring income and expense (Euro -4.2 million the total effect, amounting to Euro -5.4 million in the first six months of 2020 and Euro -1.2 million in the same period of 2019), gross operating profit would amount to Euro 14 million, with a change due mainly to the effects of the health emergency. Net operating revenue amounted to Euro 319.5 million, with total digital revenue (Italy and Spain) amounting to approximately Euro 69.8 million and accounting for 21.8% of total revenue.

In first quarter 2020, initiatives continued on maintaining and developing revenue. In Italy, the "*La Lettura*" App was launched on 13 February, followed on 29 February by a special issue on newsstands of *Sportweek* to mark the 20th anniversary of its first release; March saw the launch of the new *CheAutoCompro.it* website, followed on 7 April, a year after the debut of *economia.corriere.it* (website of the business-related section of *Corriere della Sera*) by "*Professionisti*", a new channel dedicated to professional associations, professionals, social security funds and VAT-registered self-employed professionals. In May, RCS's events proposition was transformed and reinvented with the birth of "*Digilive*", a virtual square for the creation of digital events (the most noteworthy in the six months including *Cook@Home*, *#campbusadistanza* and "*Civil Week Lab*"). On 10 June, *Corriere Innovazione* presented a new online version, also introducing "*Innovazione TV*", a channel hosting up to 200 videos, in particular the "*digital lunch*". Waiting to see the *Giro* back on the roads, April saw the launch of the "*Giro d'Italia Virtual by Enel*", followed in June by the new rendition of the *Giro d'Italia* website. 3 July saw the launch of the new *La Gazzetta dello Sport* app, which mirrors the editorial offer appearing on the *Gazzetta* website, delivering an optimized and more customized user experience.

In Spain, *Marca Coches y motos* was unveiled on 21 February 2020, a new portal dedicated to the world of engines, followed on 15 March 2020 by *El Mundo's* launch of a new editorial offer for the Sunday release; on 18 March 2020, *Expansión* launched its own digital pay model, as *El Mundo* did at end 2019 (freemium model). In April, May and June, the *Salud* area was key to delivering information on the COVID-19 pandemic. *Marca.com* launched a series of sports-related tournaments and events, with live streaming on *marca.com*.

Consolidated **net financial debt** at 30 June 2020 amounted to approximately Euro 103.4 million (Euro 134.6 million at 31 December 2019), Euro 109.5 million of which referring to RCS (Euro 131.8 million at 31 December 2019). The improvement in the net financial debt of Euro 31.2 million is attributable mainly to cash flows from ordinary operations (comprising the dynamics of current assets) and to the positive effects of the disposal of the investment in Last Lap (Euro 4 million), offset by outlays for the distribution of dividends, capital expenditure and net non-recurring expense.

Total net financial debt, which includes financial liabilities from leases recognized in accordance with IFRS 16 (mainly property leases) of Euro 194.1 million, Euro 166.7 million attributable to RCS (Euro 175.3 million at 31 December 2019), amounted to Euro 297.5 million (Euro 339.2 million at 31 December 2019).

The Group's results for first half 2020 were impacted by the spread of the Coronavirus and the ensuing restrictions implemented by the public authorities of the countries involved to contain the contagion, mainly as a result of the postponement to the second half of the year of a number of sporting and non-sporting events

² 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 Measures". As a result of these differences - regarding provisions for risks and the allowance for impairment, totaling Euro 1.5 million in first half 2020 - EBITDA shown in the RCS Half-Year Report at 30 June 2020, approved on 31 July 2020, amounted to Euro 7.1 million.

scheduled in the first six months of 2020, the decline in advertising sales and the drop in circulation of sports newspapers.

The health emergency, and the severe social impact, has had repercussions on the organization and timing of work, on the Group's activities and on economic performance, resulting in a general context of great uncertainty.

In first half 2020, however, the Group constantly kept its information offering "on", meeting the public's growing need to stay informed, ensuring a timely service to its viewers and readers and to all Italian newsstands. The programmes of *La7*, the daily editions of *Corriere della Sera* and *La Gazzetta dello Sport* in Italy and *El Mundo*, *Marca* and *Expansion* in Spain, and the Group's web and social magazines and platforms, are playing a pivotal role in informing and reporting on this difficult phase, focusing on their mission as a non-partisan, trustworthy public service, and establishing themselves as authoritative players in daily television, paper and online information, with television ratings and digital traffic growing significantly, in particular the *Corriere* brand and the digital properties of *La7*, which in the period January-May 2020 recorded 31 million and 7.9 million average monthly unique users respectively, versus 21.1 million and 2.5 million in the same period of 2019, and 5.2 million and 0.5 million average daily unique users, more than double versus the same period of 2019 (Audiweb 2.0). The total active digital customer base for *Corriere della Sera* too, which reached at end June approximately 293 thousand subscriptions, more than doubled versus June 2019.

The month of May marked the start of the so-called Phase 2 in Italy, with the gradual easing of the containment measures of Phase 1 (lockdown) and the reopening of a large part of production and industrial activities, starting from the export-driven ones (e.g. the automotive, manufacturing, fashion and textile industries) and the gradual reopening of restaurants, bars and retail activities. Spain gradually reopened too, only with a time lag of several weeks.

The second half of June, instead, marked the start of the so-called Phase 3 in Italy, with further reopenings, in particular for the entertainment business (cinemas, theatres, and concert halls) and greater freedom of travel to and from other countries.

The containment of the infections has led to a gradual improvement in the situation, which has started to show positive effects on the economy in general and on the Group's activities.

In Italy, the Group's advertising sales since June have started showing signs of a recovery, in particular for online advertising (+8% versus 2019) and TV, which improved sharply versus prior months (-4.6% versus 2019), an upswing that accelerated in July. In Italy, advertising sales in the two-month period July-August are expected to grow by over 8% for RCS and by over 13% for *La7* versus the same period of 2019.

20 June, after a three-month stoppage, marked the return of the Serie A football season in Italy, behind closed doors, with a match scheduled almost every three days. The main European national championships too, including the Spanish Liga, returned to the pitch during the same period.

Broadly speaking, the resumption of played sport is having a beneficial impact on the circulation of *La Gazzetta dello Sport* and *Marca*.

As part of the activities relating to the organization of sporting events, RCS Sport was able to put the *Giro d'Italia* (3-25 October 2020), *Strade Bianche* (1 August 2020), *Milano Sanremo* (8 August 2020), *Il Lombardia* (15 August) and *Tirreno Adriatico* (7-14 September 2020) back on the 2020 international cycling calendar.

The Group is monitoring developments on a daily basis to minimize the impacts in terms of health and safety in the workplace and on the operating and financial front, by defining and implementing flexible and timely action plans.

The developing situation and the potential effects on the business outlook, which will be constantly monitored also in the further course of the year, are unforeseeable at this time as they depend, inter alia, on how the health emergency plays out in the coming months, as well as on the effectiveness of the public measures, including the economic ones, implemented in the meantime and those to be implemented.

At any rate, the Group believes it has adequate management levers to counter the impacts of the health emergency in 2020 and thus confirm its medium-long term prospects.

In consideration of the actions already implemented and those planned, given the absence of unforeseeable events at this time, including a possible new lockdown, the Group believes it can set the target of achieving in the second half of 2020 margin levels (EBITDA) at least in line with those reached in the same period of 2019.

Developments in the health emergency, the overall economic climate and the core segments could, however, affect the full achievement of these targets.

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

The Cairo Communication Group is one of the leading groups in the weekly magazine, TV publishing and advertising sales segments, recognized as one of the first to have developed a multimedia sales approach, beginning with magazines and expanding later into free, digital and pay TV and the Internet. With the acquisition of the control of RCS MediaGroup, Cairo Communication establishes itself as a major multimedia publishing group, well-positioned to become the main 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.

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

Summary of the main consolidated income statement figures at 30 June 2020

The main consolidated income statement figures in first half 2020 can be compared as follows with those of first half 2019:

(€ millions)	30/06/2020	30/06/2019
Gross operating revenue	449.2	632.0
Advertising agency discounts	(25.8)	(36.4)
Net operating revenue	423.4	595.6
Change in inventory	(0.7)	1.1
Other revenue and income	9.4	14.1
Total revenue	432.1	610.9
Production costs	(257.0)	(345.0)
Personnel expense	(157.4)	(167.6)
Income (expense) from equity-accounted investees	(0.7)	0.3
Non-recurring income (expense)	(5.4)	(1.2)
Gross operating profit (EBITDA)	11.6	97.4
Amortization, depreciation, provisions and impairment losses	(36.8)	(38.0)
Operating profit (EBIT)	(25.2)	59.4
Other gains (losses) on financial assets/liabilities	6.3	-
Net financial income	(6.2)	(8.7)
Profit (loss) before tax	(25.0)	50.7
Income tax	7.4	(11.1)
Non-controlling interests	5.0	(15.3)
Profit (loss) from continuing operations attributable to the owners of the parent	(12.7)	24.2
Profit (loss) from discontinued operations	-	-
Profit (loss) attributable to the owners of the parent	(12.7)	24.2

Unaudited reclassified statements

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

€ millions	Half year ended 30/06/2020	Half year ended 30/06/2019
Profit (loss) for the period	(17.7)	39.5
<i>Reclassifiable items of the comprehensive income statement</i>		
Gains (losses) from the translation of financial statements denominated in foreign	-	-
Gains (losses) on cash flow hedges	(0.3)	(0.8)
Reclassification of gains (losses) on cash flow hedges	0.3	0.3
Tax effect	-	0.1
<i>Non-reclassifiable items of the comprehensive income statement</i>		
Gains (losses) from the fair value measurement of equity instruments	(0.0)	(0.1)
Actuarial profit (loss) from defined benefit plans	(0.4)	0.0
Tax effect	0.1	-
Total comprehensive income for the period	(18.1)	39.0
- Owners of the parent	(13.1)	23.9
- Non-controlling interests - continuing operations	(5.0)	15.1
	(18.1)	39.0

Unaudited reclassified statements

Summary of the main consolidated statement of financial position figures at 30 June 2020

The main **consolidated statement of financial position figures** at 30 June 2020 can be compared as follows with those at 31 December 2019:

(€ millions)	30/06/2020	31/12/2019
Statement of financial position		
Property, plant and equipment	76.5	81.0
Rights of use on leased assets	175.9	188.8
Intangible assets	980.1	988.8
Financial assets	56.4	57.4
Deferred tax assets	105.1	97.2
Net working capital	(87.0)	(50.2)
Total assets	1,307.1	1,363.0
Non-current liabilities and provisions	112.4	108.9
Deferred tax provision	164.9	164.7
(Financial position)/Net debt	103.4	134.6
Liabilities from leases (pursuant to IFRS 16)	194.1	204.5
Equity attributable to the owners of the parent	440.1	453.3
Equity attributable to non-controlling interests	292.2	297.0
Total equity and liabilities	1,307.1	1,363.0

Unaudited reclassified statements

The consolidated **net financial debt** at 30 June 2020, versus the consolidated financial statement amounts at 31 December 2019, is summarized in the table below:

Net financial debt (€ millions)	30/06/2020	31/12/2019	Changes
Cash and cash equivalents	58.2	50.1	8.1
Other current financial assets and financial receivables	22.8	13.9	8.9
Current financial assets (liabilities) from derivative instruments	-	(0.2)	0.2
Current financial payables	(52.4)	(74.6)	22.2
Current net financial position (net financial debt)	28.6	(10.7)	39.4
Non-current financial payables	(130.9)	(122.9)	(8.0)
Non-current financial assets (liabilities) from derivative instruments	(1.1)	(1.0)	(0.1)
Non-current net financial position (net financial debt)	(132.0)	(123.9)	(8.1)
Net financial position (net financial debt)	(103.4)	(134.6)	31.2
Liabilities from leases (pursuant to IFRS 16)	(194.1)	(204.5)	10.5
Total net financial position (net financial debt)	(297.5)	(339.2)	41.7

Unaudited reclassified statements

Consolidated statement of cash flows

The consolidated statement of cash flows at 30 June 2020 can be compared with the statement of cash flows at 30 June 2019:

€ millions	Half year ended 30 June 2020	Half year ended 30 June 2019
Cash and cash equivalents	50.1	56.2
Bank overdrafts	(8.8)	(13.6)
CASH AND CASH EQUIVALENTS OPENING BALANCE	41.3	42.6
CASH FLOW FROM OPERATIONS		
Profit (loss)	(17.7)	39.5
Amortization/Depreciation	33.6	35.1
(Gains) losses	(6.3)	(0.3)
(Income) expense on investments	0.7	(0.3)
Net financial income (expense)	6.2	8.7
Dividends from equity-accounted investees	0.0	0.0
Income tax	(7.4)	11.1
Change in post-employment benefits	(0.6)	(0.3)
Change in provisions for risks and charges	3.7	(4.9)
Cash flow from operations before changes in working capital	12.2	88.6
(Increase) decrease in trade and other receivables	57.8	(9.3)
Increase (decrease) in payables to suppliers and other liabilities	(13.5)	2.4
(Increase) decrease in inventory	0.3	(3.4)
TOTAL CASH FLOW FROM OPERATIONS	56.8	78.3
Income tax received (paid)	0.0	0.0
Net financial expense paid (*)	(5.7)	(6.6)
TOTAL NET CASH FROM OPERATIONS (A)	51.1	71.7
CASH FLOW FROM INVESTING ACTIVITIES		
Net (acquisition) disposal of PPE and intangible assets	(10.3)	(15.2)
Proceeds from the disposal of investments	4.0	0.0
Proceeds from the sale of property, plant and equipment and intangible assets	0.0	0.3
Decrease (increase) in other non-current assets	(2.7)	(1.2)
NET CASH USED IN INVESTING ACTIVITIES (B)	(9.0)	(16.1)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	0.0	(31.2)
Net change in financial payables and other financial assets	(14.4)	(20.3)
Net change in lease liabilities	(10.9)	(12.3)
Increase (decrease) in non-controlling interests' share capital and reserves	0.2	(0.3)
Other changes in equity	0.0	0.2
NET CASH USED IN FINANCING ACTIVITIES (C)	(25.1)	(63.8)
CASH FLOW FOR THE PERIOD (A)+(B)+(C)	17.0	(8.2)
CASH AND CASH EQUIVALENTS CLOSING BALANCE	58.2	34.4
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	58.2	51.9
Bank overdrafts	0.0	(17.5)
	58.2	34.4

Segment reporting at 30 June 2020

The Group's performance can be read better by analyzing the results by **main business segment**:

2020	Magazine publishing	Advertising	TV publishing	Network operator	Trovatore	RCS	Intra and unallocated	Total
(€ millions)	Cairo Editore		La7	Cairo Network				
Gross operating revenue	43.4	77.0	49.1	6.0	0.4	334.3	(61.0)	449.2
Advertising agency discounts	-	(11.1)	-	-	-	(14.7)	0.1	(25.8)
Net operating revenue	43.4	65.9	49.1	6.0	0.4	319.5	(60.9)	423.4
Change in inventory	(0.0)	-	-	-	-	(0.7)	-	(0.7)
Other revenue and income	1.0	0.5	1.8	0.0	-	6.7	(0.7)	9.4
Total revenue	44.4	66.4	50.9	6.0	0.4	325.6	(61.6)	432.1
Production costs	(33.2)	(60.9)	(34.5)	(4.6)	(0.3)	(185.2)	61.6	(257.0)
Personnel expense	(8.5)	(4.4)	(18.7)	(0.1)	(0.0)	(125.7)	-	(157.4)
Income (expense) from equity-accounted investees	-	-	-	-	-	(0.7)	-	(0.7)
Non-recurring income (expense)	-	-	-	-	-	(5.4)	-	(5.4)
Gross operating profit (EBITDA)	2.8	1.2	(2.3)	1.3	0.0	8.6	-	11.6
Amortization, depreciation, provisions and write-downs	(0.9)	(1.8)	(6.3)	(1.5)	(0.0)	(26.3)	-	(36.8)
Operating profit (EBIT)	1.9	(0.6)	(8.5)	(0.2)	(0.0)	(17.7)	-	(25.2)
Other gains (losses) on financial assets/liabilities	-	-	-	-	-	6.3	-	6.3
Net financial income	(0.0)	(0.3)	0.0	(0.1)	(0.0)	(5.8)	-	(6.2)
Profit (loss) before tax	1.9	(0.9)	(8.5)	(0.3)	(0.0)	(17.1)	-	(25.0)
Income tax	0.0	0.3	2.2	0.1	(0.0)	4.8	-	7.4
Non-controlling interests	-	-	-	-	0.0	5.0	-	5.0
Profit (loss) from continuing operations	1.9	(0.6)	(6.3)	(0.3)	(0.0)	(7.4)	-	(12.7)
Profit (loss) from discontinued operations	-	-	-	-	-	-	(0.0)	(0.0)
Profit (loss) for the period attributable to the owners of the parent	1.9	(0.6)	(6.3)	(0.3)	(0.0)	(7.4)	(0.0)	(12.7)

Unaudited reclassified statements

2019	Magazine publishing	Advertising	TV publishing	Network operator	Trovatore	RCS	Intra and unallocated	Total
(€ millions)	Cairo Editore		La7	(Cairo Network)			allocated	
Gross operating revenue	48.2	94.7	56.3	6.0	0.4	498.8	(72.4)	632.0
Advertising agency discounts	-	(13.3)	-	-	-	(23.3)	0.2	(36.4)
Net operating revenue	48.2	81.4	56.3	6.0	0.4	475.5	(72.2)	595.6
Change in inventory	0.0	-	-	-	-	1.1	-	1.1
Other revenue and income	1.5	0.3	1.7	0.0	-	11.2	(0.6)	14.1
Total revenue	49.8	81.7	58.0	6.1	0.4	487.7	(72.8)	610.9
Production costs	(37.6)	(75.2)	(35.2)	(4.6)	(0.3)	(264.9)	72.8	(345.0)
Personnel expense	(9.1)	(4.4)	(18.8)	(0.1)	(0.0)	(135.1)	-	(167.6)
Income (expense) from equity-accounted investees	-	-	-	-	-	0.3	-	0.3
Non-recurring income (expense)	-	-	-	-	-	(1.2)	-	(1.2)
Gross operating profit (EBITDA)	3.1	2.1	4.0	1.4	(0.0)	86.8	-	97.4
Amortization, depreciation, provisions and write-downs	(1.0)	(0.2)	(5.9)	(1.5)	0.0	(29.5)	-	(38.0)
Operating profit (EBIT)	2.1	2.0	(1.9)	(0.1)	(0.0)	57.4	-	59.4
Other gains (losses) on financial assets/liabilities	-	-	-	-	-	-	-	-
Net financial income	0.0	(0.2)	(0.0)	(0.1)	(0.0)	(8.3)	-	(8.7)
Profit (loss) before tax	2.1	1.8	(1.9)	(0.3)	(0.0)	49.1	-	50.7
Income tax	(0.1)	(0.7)	0.9	0.1	(0.0)	(11.2)	-	(11.1)
Non-controlling interests	-	-	-	-	0.0	(15.3)	-	(15.3)
Profit (loss) from continuing operations	2.0	1.0	(1.0)	(0.2)	(0.0)	22.5	-	24.2
Profit (loss) from discontinued operations	-	-	-	-	-	-	(0.0)	(0.0)
Profit (loss) for the period attributable to the owners of the parent	2.0	1.0	(1.0)	(0.2)	(0.0)	22.5	(0.0)	24.2

Unaudited reclassified statements

Details of consolidated revenue at 30 June 2020

Gross operating revenue in first half 2020, split up by main business segment, can be analyzed as follows versus the amounts of the same period of 2019:

2020 (€ millions)	Magazine publishing Cairo Ed.	Advertising	TV publishing La7	Network operator Cairo Network	Trovatore	RCS	Intra and un allocated	Total
TV advertising	-	68.7	46.9	-	-	0.4	(47.4)	68.5
Advertising on print media, Internet and sporting events	4.5	8.0	1.1	-	-	135.4	(6.2)	142.9
Other TV revenue	-	-	0.9	-	-	3.3	(0.4)	3.8
Magazine over-the-counter sales and subscri	39.4	-	-	-	-	165.9	(0.2)	205.1
VAT relating to publications	(0.5)	-	-	-	-	(1.7)	-	(2.3)
Other revenue	-	0.3	0.2	6.0	0.4	31.1	(6.8)	31.2
Total gross operating revenue	43.4	77.0	49.1	6.0	0.4	334.3	(61.0)	449.2
Other revenue	1.0	0.5	1.8	0.0	0.0	6.7	(0.7)	9.4
Total gross revenue	44.3	77.6	50.9	6.0	0.4	341.0	(61.7)	458.6

2019 (€ millions)	Magazine publishing Cairo Ed.	Advertising	TV publishing La7	Network operator Cairo Network	Trovatore	RCS	Intra and un allocated	Total
TV advertising	-	80.3	54.3	-	-	0.6	(55.2)	80.0
Advertising on print media, Internet and sporting events	8.1	14.1	1.0	-	-	220.6	(10.0)	233.8
Other TV revenue	-	-	1.0	-	-	3.5	(0.3)	4.2
Magazine over-the-counter sales and subscri	40.7	-	-	-	-	202.1	(0.1)	242.7
VAT relating to publications	(0.6)	-	-	-	-	(2.2)	-	(2.8)
Other revenue	-	0.3	-	6.0	0.4	74.2	(6.8)	74.1
Total gross operating revenue	48.2	94.7	56.3	6.0	0.4	498.8	(72.4)	632.0
Other revenue	1.5	0.3	1.7	0.0	0.0	11.2	(0.6)	14.1
Total gross revenue	49.8	95.0	58.0	6.1	0.4	509.9	(73.0)	646.1

Alternative performance measures

In this press release, in order to provide a clearer picture of the financial performance of the Cairo Communication Group, besides of the conventional financial measures required by IFRS, a number of alternative performance measures are shown that should, however, not be considered substitutes of those adopted by IFRS; until the presentation of the first consolidated financial statements for the year, which include the date of first-time application of IFRS 16, the statements may undergo thorough review in light of possible developments arising from the entry into force of IFRS 16.

The alternative measures 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 **EBIT**, and is calculated as follows:

Result from continuing operations, before tax

+/- Net finance income

+/- Share in associates

EBIT - Operating profit

+ Amortization & depreciation

+ Bad debt impairment losses

+ Provisions for risks

+ Income (expense) from equity-accounted investees

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

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 write-downs on fixed assets, and also includes income and expense from equity-accounted investees.

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 the Half-Year Report at 30 June 2020, consolidated EBITDA has been determined consistently with the definition adopted by Cairo Communication.

Consolidated gross revenue: for a more detailed view, and in consideration of the specific features of the segment, operating revenue - for advertising revenue - includes gross operating revenue, advertising agency discounts and net operating revenue. Consolidated gross revenue is equal to the sum of gross operating revenue and other revenue and income.

The Cairo Communication Group also considers the **net financial position (net financial debt)** as a valid measure 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, excluding financial liabilities (current and non-current) from operating leases recognized in the financial statements pursuant to IFRS 16.

The **total net financial position (net financial debt)** also includes the financial liabilities from leases recorded in the financial statements pursuant to IFRS 16, previously classified as operating leases.

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