IMPORTANT NOTICE

ENGLISH TRANSLATION FOR CONVENIENCE ONLY

This is a **non-binding English courtesy translation** of the Offer Document published on 28 May 2016, in respect of the voluntary public exchange tender offer launched by Cairo Communication S.p.A. pursuant to Articles 102 and 106, paragraph 4, of Legislative Decree no. 58/98, concerning all the ordinary shares of RCS MediaGroup S.p.A..

This translation **is to be intended** as a mere help to those shareholders of RCS MediaGroup S.p.A. who do not know the Italian language and, nonetheless, represent and certify under their own responsibility: *(i)* that they are aware that the Offer is addressed to all ordinary shareholders of RCS MediaGroup S.p.A. but it is promoted (and, therefore, valid) only in Italy; and *(ii)* that they are not resident in Countries, other than Italy, in which the Offer may not be disseminated without specific authorization by the competent authorities; or *(iii)* in any case, that they are legally entitled to tender their shares in accordance with the applicable laws of their own jurisdiction.

This translation is produced for convenience only and was neither reviewed nor approved by Consob. The Italian version of the Offer Document, which was approved by Consob on 28 May 2016, is the only official and binding document for the purposes of the Offer, and shall prevail in any event over this English version.

Cairo Communication S.p.A. does not accept any liability to any person in relation to *(a)* the acceptance of the Offer by persons who are not entitled to adhere under the laws applicable in their jurisdiction; *(b)* the distribution or possession of this document in or from any jurisdiction.

OFFER DOCUMENT

VOLUNTARY FULL PUBLIC EXCHANGE OFFER
pursuant to Articles 102 and 106, paragraph 4, of Legislative Decree no. 58 of 24 February 1998.

FOR THE ORDINARY SHARES OF
RCS MediaGroup S.p.A.

OFFEROR
Cairo Communication S.p.A.

FINANCIAL INSTRUMENTS INVOLVED IN THE BID
up to 521,864,957 ordinary shares of **RCS MediaGroup S.p.A.** with no par value

UNITARY CONSIDERATION OFFERED
0.12 newly issued ordinary Cairo Communication S.p.A. shares listed on the "*Mercato Telematico Azionario*" organised and managed by Borsa Italiana S.p.A. for each ordinary RCS MediaGroup S.p.A. share tendered to the offer

OFFER ACCEPTANCE PERIOD AGREED WITH BORSA ITALIANA S.P.A.
from 8:30 a.m. of 13 June 2016 to 5:30 p.m. of 8 July 2016 inclusive (unless extended in accordance with applicable laws)

CONSIDERATION PAYMENT DATE
15 July 2016, unless extended

OFFEROR'S FINANCIAL ADVISORS AND COORDINATORS OF THE COLLECTION OF ACCEPTANCES
Banca IMI S.p.A. EQUITA SIM S.p.A.

GLOBAL INFORMATION AGENTS
Georgeson S.r.l. Sodali S.p.A.

This offer document contains, also for incorporation by references, the information required by Regulation no. 809/2004/EC and meets the disclosure requirements for the offer and the listing of the Cairo Communication S.p.A. shares to be assigned to those who accept the offer, as consideration, in exchange for the RCS MediaGroup S.p.A. shares tendered to the offer, pursuant to Articles 34-*ter*, paragraph 1, letter j) and 57, paragraph 1, letter c), of the regulation adopted by CONSOB with Resolution no. 11971 on 14 May 1999.

The approval of the Italian version of offer document, through the Resolution no. 19619 of 28 May 2016, does not imply any opinion on the part of CONSOB on the acceptance opportunity and the merit of the data and information contained in this document.

28 May 2016

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WARNINGS TO INVESTORS

To correctly assess the investment, those to whom the offer is addressed are invited to carefully evaluate all the information as a whole contained in the Offer Document and the specific warnings given in the Warnings Section of the Offer Document.

In particular, the investors' attention is drawn to what is indicated here below.

* * *

The effectiveness of the Offer depends on the fulfilment of the Conditions of Effectiveness of the Offer described in Paragraph A.1.1.a., Warnings Section, of the Offer Document. The cases in which the Offeror reserves the right to waive (in whole or in part) and/or to modify Conditions of Effectiveness of the Offer, and the terms and procedures under which the Offeror will communicate the fulfilment or the non-fulfilment of the Conditions of Effectiveness of the Offer, and the possible waiver (in whole or in part) and/or amendment to the Conditions of Effectiveness of the Offer, are described in Paragraph A.1.1, Warnings Section, of the Offer Document.

If the Offer is successful, Cairo Communication will acquire control of RCS and, therefore, the RCS Group will be included in the consolidated companies of Cairo Communication.

We draw the investor's attention to the fact that, on the Offer Document Date, negotiations are in progress between RCS and the Lending Bank regarding the remodelling of the debt deriving from the loan agreement entered into on 14 June 2013 between RCS and the Lending Banks. On the basis of the information publicly available, as at 31 March 2016 the remaining amount of that loan totalled EUR 418.6 million, included in an all-inclusive net financial debt at that date of EUR 509.1 million. According to what is reported in the press release issued by RCS on 18 May 2016, "*two of the lending banks have resolved favourably and the other lending banks will submit the remodelling case to their respective boards in the period between 20 May 2016 and 7 June 2016*".

On the Offer Document Date the operational restructuring of the RCS Group is also in progress, according to the strategic guidelines of the business plan for the three-year term 2016–2018 (the "2016–2018 Plan"), presented by RCS to the market on 21 December 2015.

We also call the investors' attention to the fact that, as indicated under point (2) of Paragraph A.1.1.b, Warnings Section, of the Offer Document, Cairo Communication reserves the right to waive the Financial Condition if, among other things, the Lending Banks of RCS have resolved to approve the term sheet for the restructuring of the debt deriving from the loan agreement of 14 June 2013, under terms and conditions each of which are not pejorative compared to the terms and conditions communicated by RCS to the market on 18 May 2016 (the "RCS Refinancing Terms and Conditions"), and: (A) the said Lending Banks have informed Cairo Communication that they waive (or they have assured Cairo Communication that they have submitted to their own governing bodies, with a favourable opinion, the decision to waive) their right to request the early repayment of the debt deriving from the loan agreement of 14 June 2013 pursuant to the change of the control of RCS which may result from the successful conclusion of the Offer; or (B) if one or more of the said Lending Banks are not willing to

waive the right of exercising the power to request the early reimbursement referred to in letter (A) above, other lenders have promised Cairo Communication (or they have assured Cairo Communication that they have submitted to their governing body, with a favourable opinion, the decision to re-finance) the portion of the principal sum deriving from the loan agreement of 14 June 2013 lent by the institutes that have not agreed to waive the power to request the early repayment referred to in letter (A) above, under terms and conditions none of which is pejorative compared to the RCS Refinancing Terms and Conditions.

However, we point out that, at the Document Offer Date, the results of the negotiations between RCS and the Lending Banks regarding the remodelling of the debt pursuant to the loan agreement of 14 June 2013 are still uncertain and, therefore, at the Offer Document Date, it is unknown what impact – in the case of the circumstance referred to under point (2) of Paragraph A.1.1.b, Warnings Section of the Offer Document – there could be on the economic, equity and financial situation of the Post-Offer Cairo Communication Group subsequent to the conclusion of the possible agreement amending the loan agreement.

We point out that the Offer Document contains *pro-forma* financial information relating to the financial period that ended on 31 December 2015, determined on the basis of assumptions consistent with the terms of the Financial Condition and with the specific circumstances of waiving the same, in order to simulate the main effects of the Offer on the economic, equity and financial situation of the Cairo Communication Group, as if it had been concluded on 31 December 2015 under the equity profile and as of 1 January 2015 under the economic profile and as regards the cash flows.

In order to give evidence of the importance of the corporate integration operation for the result of the possible successful conclusion of the Offer, certain summary values are given below regarding the Cairo Communication Group taken from the consolidated financial statements as at 31 December 2015 and referring to the Post-Offer Cairo Communication Group taken from the *pro-forma* financial information constructed on the basis of the fulfilment of the Financial Condition. More specifically: (i) the net financial position of the Cairo Communication Group as at 31 December 2015 amounts to EUR 105.8 million, whereas the total consolidated pro-forma debt of the Post-Offer Cairo Communication Group, as at the same date, is EUR 380.9 million; (ii) the consolidated net profit of the Cairo Communication Group in the financial year 2015 is EUR 11.1 million, whereas in the pro-forma net result of the Post-Offer Cairo Communication Group, in the same period, is a loss of EUR 163.1 million; and (iii) the consolidated shareholders' equity of the Cairo Communication Group as at 31 December 2015 amounts to EUR 116.4 million, whereas the pro-forma consolidated shareholders' equity of the Post-Offer Cairo Communication Group, as at the same date, is EUR 309.0 million.

The total net financial need of the Post-Offer Cairo Communication Group for the 12 months following the Offer Document Date is estimated to be at least EUR 86 million: (i) taking into account the limits and the elements of uncertainty indicated in Paragraph B.1.19, Section B, of the Offer Document; (ii) consistently with the assumptions of the circumstances in which Cairo Communication reserves the right to waive the Financial Condition which involves the greater absorption of the cash flows linked to the repayment of the RCS Group's financial debt in the 12 months following the Offer Document Date; and (iii) based on the assumption that, by effect of the consolidation of the RCS Group by Cairo Communication as a result of the

Offer, the financial covenants relating to a loan of the Cairo Communication Group (the non-current portion of which, as at 31 March 2016, was EUR 13.7 million) would not be respected in the 12 months following the successful conclusion of the Offer, thereby giving the lending bank the right to request the termination of the loan agreement and involving the reclassification of EUR 13.7 million from the item "non-current financial payables and liabilities" to the item "current financial payables and liabilities".

If the Offer is successfully concluded, on the result of the estimated total net financial need of the Post-Offer Cairo Communication Group which will be carried out after having completed the due diligence on the RCS Group, the Offeror intends to cover that financial need by remodelling the payment terms to suppliers, by taking out a new medium/long-term loan at group level to replace the short-term debt and, if necessary, by the sale of non-strategic activities of the Post-Offer Cairo Communication Group.

We call the investors' attention to the fact that, without prejudice to what is contemplated regarding the Financial Condition, each of the Conditions of Effectiveness of the Offer may be waived, also in part, or modified by the Offeror and that the effects of this waiver, including partial, or amendment to the Conditions of Effectiveness of the Offer on the economic, equity and financial situation of the Post-Offer Cairo Communication Group cannot be determined on the Offer Document Date, since, as at that date, it is not possible to determine all the cases of waiver, including partial, or amendment to the Conditions of Effectiveness of the Offer.

The Offeror maintains that, subject to the definition of a debt structure consistent with the expected cash flows, to maintaining the control and to the satisfactory verification of the equity situation of the RCS Group, the RCS relaunch project may, in the medium term, be completed with the corporate integration between the Offeror itself and the latter, by merger. At present, the Offeror has not formulated hypotheses regarding the forecast dynamics of the cash flows of the RCS Group suitable to allow for a corporate integration to be completed between Cairo Communication and RCS, also as regards reaching operational business synergies.

If, during the three-year term of the business plan which will be drawn up by the Post-Offer Cairo Communication Group, the results of the RCS Group are not in line with the expectations of the business plan, or if other circumstances occur that could negatively influence the economic, equity and financial situation of the RCS group, the Offeror does not exclude the possible need to launch RCS recapitalisation initiatives.

The investors' attention must also be drawn to the fact that, if the Offer is successfully concluded, without prejudice to the financial and legal independence of Cairo Communication and of RCS, the prospect of the continuing existence of the Post-Offer Cairo Communication Group is closely linked to the occurrence of numerous events and circumstances, some of which are beyond the Offeror's sphere of control (see Paragraph A.1.2, Warnings Section, of the Offer Document).

With reference to the Consideration, the Offeror will grant, for every RCS share tendered to the Offer, 0.12 of a newly issued Cairo Communication share. This Consideration expressed a Unit Monetary Value (calculated by multiplying the issue price of the Cairo Communication Shares set by the Offeror's board of directors within the sphere of the Capital Increase, amounting to EUR 4.39, by the Consideration) equal to EUR 0.527 for every RCS share tendered to the Offer. This Unit Monetary Value is: (i) 26.8% higher than the official price of the RCS shares

registered on 7 April 2016 (the day before the date of the Offer announcement); (ii) 7.3% higher than the average of the official prices of the RCS shares registered in the month before the date of the Offer announcement; (iii) 3.9% below the average of the official prices of the RCS shares registered in the three months before the date of the Offer announcement; (iv) 10.8% below the average of the official prices of the RCS shares registered in the six months before the date of the Offer announcement; and (v) 30.3% below the average of the official prices of the RCS shares registered in the year before the date of the Offer announcement (see Paragraph A.1.6, Warnings Section, of the Offer Document).

We also point out that on 16 May 2016, Mediobanca - Banca di Credito Finanziario S.p.A., Finanziaria di Diego Della Valle & C. S.r.l., Diego Della Valle & C. S.r.l., UnipolSai Assicurazioni S.p.A. also on behalf of Unipolsai Finance S.p.A., Pirelli & C S.r.l. and International Acquisitions Holding S.à r.l. announced that an agreement had been reached to launch, through an Italian company being incorporated and entirely held by the above companies, a voluntary public offer for the acquisition of all the RCS shares (minus all the RCS shares already held by the offering shareholders), at the price of EUR 0.70 per RCS share.

The official price of the Cairo Communication shares at the closure of the last Stock Exchange Trading Day before the Offer Document Date, specifically 27 May 2016, was EUR 4.8237. The official price of the RCS shares at the closure of the last Stock Exchange Trading Day before the Offer Document Date, specifically 27 May 2016, was EUR 0.7561.

Lastly, we call the investors' attention to the fact that, if the Offer is successfully concluded, in the event of particular circumstances described in Paragraphs A.1.8, A.1.9 and A.1.10, Warnings Section, of the Offer Document, the RCS shareholders who have not accepted the Offer in the Acceptance Period could remain the holders of financial instruments not traded on any regulated market, with all the consequent difficulties connected to the liquidation of their investment.

SUMMARY

SUMMARY TABLE OF THE RELEVANT INFORMATION ELEMENTS FOR THE OFFER AND FOR THE LISTING OF THE CAIRO COMMUNICATION SHARES TO BE ISSUED TO SERVE THE OFFER, PURSUANT TO ARTICLES 34-*TER*, PARAGRAPH 1, LETTER J), AND 57, PARAGRAPH 1, LETTER C), OF THE ISSUERS' REGULATIONS

This Offer Document contains the information, also by the use of references, required by national law and by Regulation 809/2004/EC for the offer and for the listing of the Cairo Communication Shares to be assigned to the Tendering Shareholders, as the Consideration, in exchange for the RCS shares tendered to the offer, pursuant to Articles 34-*ter*, paragraph 1, letter j), and 57, paragraph 1, letter c), of the Issuers' Regulations.

The following table shows, in the right column, the Paragraphs of this Offer Document containing the information equivalent to those indicated in Annexes I, II and III of Regulation 809/2004/EC.

ANNEX I, REGULATION 809/2004/EC – MINIMUM INFORMATION TO BE INCLUDED IN THE DOCUMENT FOR REGISTRATION	REFERENCE
1. Responsible persons	Declaration of responsibility.
2. Legal auditors	Paragraph B.1.8.
3. Selected financial information	Paragraph B.1.14.
4. Risk factors	Warnings.
5. Information on the issuer	Paragraphs B.1.1, B.1.3 and B.1.11.
6. Overview of activities	Paragraphs B.1.6 and B.1.7.
7. Organisational structure	Paragraph B.1.6.
8. Fixed assets, plant and machinery	Paragraph B.1.21.
9. Report on the management and financial situation	Paragraph B.1.18.
10. Financial resources	Paragraphs B.1.14.a and B.1.12.d.
11. Research and development, patents and licences	Paragraph B.1.22.
12. Information on the business outlook	Paragraph B.1.23.
13. Forercasts or estgimates of profit	Paragraph B.1.24.
14. Boards of directors, supervisory boards or key managers	Paragraph B.1.8.
15. Remuneration and benefits	Paragraph B.1.8.
16. Board of directors practice	Paragraph B.1.8.
17. Employees	Paragraph B.1.9.
18. Main shareholders	Paragraph B.1.5.
	Paragraph B.1.10.
20. Financial information on assets and	Paragraph B.1.12

liabilities, the financial situation and the issuer's gains and losses	
21. Additional information	Paragraphs B.1.4, B.1.5 and B.1.8.
22. Important agreements	Paragraph B.1.25.
23. Information from third parties, experts' opinions and declarations of interests	Section O.
24. Documents accessible to the public	Section N.
25. Information on shareholdings	Paragraph B.1.6.
ANNEX II, REGULATION 809/2004/EC – PRO-FORMA FINANCIAL INFORMATION FORM	**REFERENCE**
1. Pro-forma financial information	Paragraph B.1.15.
ANNEX III, REGULATION 809/2004/EC – MINIMUM INFORMATION TO BE INCLUDED IN THE INFORMATION NOTE ON THE FINANCIAL INSTRUMENTS	**REFERENCE**
1. Responsible persons	Declaration of responsibility.
2. Risk factors	Warnings.
3. Essential information	Introduction, Warnings, Paragraphs B.1.19 and B.1.20 and Section G .
4. Information on the financial instruments to be tendered/to be admitted for trading	Section E.7.
5. Offer conditions	Introduction, Warnings, Sections E and F.
6. Admission to trading and trading procedures	Paragraph E.7.7.
7. Financial instrument holders who proceed with the sale	Not applicable.
8. Expenses linked to the issue/the offer	Not applicable.
9. Additional information	Section O.
10. Dilution	Section J.

DEFINITIONS

All definitions used in this Offer Document are listed below in alphabetical order [translator's note: in Italian].

Acceptance Form	The acceptance form by which the Tendering Shareholders can tender the RCS Shares to the Offer.
Acceptance Period	The period of time during which it will be possible to accept the Offer, which will be from 8:30 am on 13 June 2016 until 17:30 pm on 8 July 2016, inclusive.
Appointed Intermediaries	The financial intermediaries appointed to collect the acceptances of the Offer, to keep on deposit the RCS Shares tendered to the Offer and to verify the validity and compliance of the Acceptance Forms and of the RCS Shares with the provisions set out in this Offer Document.
Auditing Firm	KPMG S.p.A., with registered office in Milan at Via Vittor Pisani 25.
AGCM	The "Autorità Garante della Concorrenza e del Mercato", i.e. the Italian antitrust authority, with registered office in Rome at Piazza G. Verdi 6/a.
AGCOM	The "Autorità per le Garanzie nelle Comunicazioni", i.e. the Italian Communications Authority, with registered office in Rome at Via Isonzo 21/b.
Banca IMI	Bank Banca IMI S.p.A., with registered office in Milan at Largo Mattioli 3, enrolled in the Bank Register under no. 5570, Milan Companies Register, tax code and VAT No. 04377700150.
Borsa Italiana	Borsa Italiana S.p.A., i.e. the Italian Stock Exchange, with registered office in Milan at Piazza degli Affari 6.
Cairo Communication Group	Cairo Communication and its subsidiaries, pursuant to Article 2359 of the Civil Code and Article 93 of the TUF.
Cairo Communication Shares	The maximum number of 62,623,795 newly issued ordinary shares of Cairo Communication deriving from the Capital Increase to service the Offer, with no indication of the par value, with ordinary rights and the same characteristics as the ordinary shares already in circulation at the issue date, which will be listed on the MTA, offered in exchange to the Tendering Shareholders on the basis of the exchange ratio described in Paragraph E.1, Section E, of the Offer Document.
Cairo Editore	Cairo Editore S.p.A., with registered office in Milan at Corso Magenta 55, Milan Companies Register numberand tax code 00507210326, share capital of EUR 1,043,256.00.

Cairo Network	Cairo Network S.r.l., with registered office in Milan at Via Tucidide 56, Milan Companies Register, Tax and VAT No. 12144630154, share capital of EUR 5,500,000.
Cairo Pubblicità	Cairo Pubblicità S.p.A., with registered office in Milan at Via Tucidide 56, Milan Companies Register number, tax code and VAT No. 03964140960, share capital of EUR 2,818,400.00.
Capital Increase	The share capital increase of Cairo Communication to service the Offer resolved by the Extraordinary Shareholders' Meeting of Cairo Communication on 12 May 2016, to be carried out on one or more occasions, and also in one or more tranches, against payment and as a divisible amount for a maximum, including the share premium, of EUR 274,918,460.05, and more specifically for a maximum par amount of EUR 3,256,437.340 plus a maximum share premium of EUR 271,662,022.710, to be executed through the issue of a maximum of 62,623,795 Cairo Communication Shares with no indication of the par value, with ordinary rights and the same characteristics as the ordinary shares already in circulation at the issue date, without option rights pursuant to Article 2441, paragraph 4, first sentence, of the Civil Code, at an issue price per share of EUR 4.39 (allocated for EUR 0.052 to the capital and for EUR 4.338 to the share premium), to be paid no later than 31 December 2016 by contribution in kind of the RCS Shares tendered to the Offer.
Civil Code	Italian Royal Decree No. 262 of 16 March 1942, as subsequently amended and supplemented.
Condition of Effectiveness	Each of the conditions precedent that must be fulfilled for the Offer to be effective, as described in Paragraph A.1.1, Warnings Section, of the Offer Document.
Consideration	The unit consideration paid by the Offeror in respect of each RCS Share tendered to the Offer, amounting to 0.12 Cairo Communication Shares.
Consideration Payment Date	The date on which the Consideration for each RCS Share tendered to the Offer will be paid and on which the RCS shares will be transferred to the Offeror, i.e. 15 July 2016 (the fifth Stock Exchange Trading Day following the last day of the Acceptance Period).

CONSOB	Commissione Nazionale per le Società e la Borsa, i.e. the public authority responsible for regulating the Italian financial markets, with registered office in Roma at Via G.B. Martini 3.
Delisting	The delisting of the RCS Shares from the MTA.
Depository Intermediaries	All authorised intermediaries (for example, banks, brokerage firms, other investment companies and stockbrokers) to whom/which the Tendering Shareholders can deliver their Acceptance Form and with which the same can deposit their RCS Shares to accept the Offer.
EQUITA	EQUITA SIM S.p.A., with registered office in Milan at Via Turati 9, Milan Companies Register number, tax code and VAT No. 10435940159, CONSOB Register No. 67.
Financial Condition	The Condition of Effectiveness described in Paragraph A.1.1.a, letter (b), Warnings Section, of the Offer Document.
Full Cash Payment	The payment referred to in Article 50-*ter* of the Issuers' Regulations, to be paid should, as part of the Purchase Obligation pursuant to Article 108, paragraph 1, of the TUF or of the Purchase Obligation pursuant to Article 108, paragraph 2, of the TUF, the RCS shareholder request, in accordance with Article 108, paragraph 5, of the TUF, the full payment of a cash sum and determined: (i) through the valuation of the Cairo Communication Shares based on the weighted average of the official prices recorded over the five Stock Exchange Trading Days prior to the Consideration Payment Date, should, as part of the Purchase Obligation pursuant to Article 108, paragraph 1, of the TUF or the Purchase pursuant to Article 108, paragraph 2, of the TUF, the purchase price of the RCS Shares be equal to the Consideration; or (ii) as the amount equal to the valuation in monetary terms made by CONSOB, should, as part of the Purchase Obligation pursuant to Article 108, paragraph 1, of the TUF or the Purchase Obligation pursuant to Article 108, paragraph 2, of the TUF, the purchase price of the RCS Shares be determined by CONSOB pursuant to Article 108, paragraph 4, of the TUF and Articles 50 and 50-*bis* of the Issuers' Regulations.
Intermediaries Appointed to	Banca IMI and EQUITA, the parties appointed to coordinate

Coordinate the Collection of Acceptances	the collection of acceptances of the Offer.
Issuer or RCS or the Company	RCS MediaGroup S.p.A., with registered office in Milan at Via A. Rizzoli 8, Milan Companies Register number, tax code and VAT No. 12086540155, share capital of EUR 475,134,602.10.
Issuers' Regulations	The regulations approved by CONSOB Resolution No. 11971 of 14 May 1999 and in force on the Offer Document Date.
Global Information Agents	Sodali S.p.A., with registered office in Rome at Via XXIV Maggio 43, Rome Companies Register number 08082221006, and Georgeson S.r.l., with registered office in Rome at Via Emilia 88, Rome Companies Register number, tax code and VAT No. 05847921003, in their capacity as parties appointed to provide information relating to the Offer to all RCS shareholders.
La7	La7 S.p.A., with registered office in Rome at Via della Pineta Sacchetti 229, Rome Companies Registerand Tax No. 12391010159, share capital of EUR 1,020,000.00.
Lending Banks	Indicates, jointly, Intesa Sanpaolo S.p.A., BNP Paribas Italian Branch, Banca Popolare Commercio e Industria S.p.A., Banca Popolare di Bergamo S.p.A., Unicredit S.p.A., Banca Popolare di Milano S.c.ar.l. and Mediobanca – Banca di Credito Finanziario S.p.A., parties to the loan agreement entered into by RCS on 14 June 2013.
Loans	Indicates, jointly, (i) the loan agreement signed on 14 June 2013 between RCS and the Lending Banks; and (ii) the short and medium term credit lines granted to RCS on the Consideration Payment Date.
MAC Condition	The Condition of Effectiveness described in Paragraph A.1.1.a, letter (d), Warnings Section, of the Offer Document.
Minimum Acceptance Level Condition	The Condition of Effectiveness described in Paragraph A.1.1.a, letter (a), Warnings Section, of the Offer Document, pursuant to which the Offer will become valid only if the acceptances of the Offer are such as to allow the Offeror to obtain a

	percentage of the RCS share capital of at least 50% plus one (1) RCS Share.
MTA	The "*Mercato Telematico Azionario*", organised and managed by Borsa Italiana.
Offer	The full voluntary public exchange offer, promoted by Cairo Communication pursuant to Articles 102 and 106, paragraph 4, of the TUF for the RCS shares, covered by this Offer Document.
Offer Document	This offer document, drawn up pursuant to Article 102, paragraph 3, of the TUF and to the implementing provisions set out in the Issuers' Regulations.
Offer Document Date	The Offer Document publication date.
Offeror or Cairo Communication	Cairo Communication S.p.A., with registered office in Milan at Via Tucidide 56, Milan Companies Register number, tax code and VAT No. 07449170153, share capital of EUR 4,073,856.80.
Offeror's Financial Advisors	Banca IMI and EQUITA.
Other Countries	The United States of America, Canada, Japan and Australia, and any other country in which the Offer may not be promoted without specific authorisations of the competent authorities.
Post-Offer Cairo Communication Group	The Cairo Communication Group that, should the Offer be successful, will include also the RCS Group, which will become part of the scope of consolidation of Cairo Communication, and will be controlled by Cairo Communication.
Press Release on the Offer Results	The statement that will be issued, pursuant to Article 41, paragraph 6, of the Issuers' Regulations, by the Offeror no later than 7:59 am of the Stock Exchange Trading Day prior to the Consideration Payment Date.
Purchase Obligation pursuant to Article 108, paragraph 1, of the TUF	The Offeror's obligation to purchase the residual RCS Shares not tendered to the Offer from each shareholder making a request to that effect, pursuant to Article 108, paragraph 1, of

	the TUF, as described in detail in Paragraph A.1.9, Section A, of the Offer Document.
Purchase Obligation pursuant to Article 108, paragraph 2, of the TUF	The Offeror's obligation to purchase the residual RCS Shares not tendered to the Offer from each shareholder making a request to that effect, pursuant to Article 108, paragraph 2, of the TUF, as described in detail in Paragraph A.1.8, Section A, of the Offer Document.
RCS Group	RCS and its subsidiaries, pursuant to Article 2359 of the Civil Code and Article 93 of the TUF.
RCS Shares	The ordinary shares issued by RCS, with no indication of the par value, listed on the MTA, numbering 521,864,957 and representing 100% of the share capital.
Refinancing Term Sheet	The term sheet concerning the restructuring of the RCS Group's indebtedness arising from the loan agreement of 14 June 2013 between RCS and the Lending Banks.
Regulation (EC) No. 809/2004	Regulation (EC) No. 809/2004 of the European Commission of 29 April 2004 laying down detailed rules for the implementation of Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as subsequently amended and supplemented.
Related Parties' Regulations	The regulations approved by CONSOB Resolution No. 17221 of 12 March 2010.
Squeeze-out Right	The right to purchase the residual RCS Shares not tendered to the Offer, pursuant to Article 111 of the TUF, as described in detail in Paragraph A.1.9, Section A, of the Offer Document.
Self-Regulatory Code	The voluntary self-regulatory code of listed companies drawn up by the Corporate Governance Code of listed companies set up by Borsa Italiana, in the version in force at the Offer Document Date.
Stock Exchange Instructions	Instructions under the Stock Exchange Regulations in force on the Offer Document Date.
Stock Exchange Regulations	The regulations of the markets organised and managed by Borsa Italiana, decided by resolution of the Borsa Italiana shareholders and in force on the Offer Document Date.

Stock Exchange Trading Day	Each trading day of the Italian regulated markets according to the trading schedule set annually by Borsa Italiana.
Tendering Shareholders	The holders of RCS Shares entitled to accept the Offer who/which have validly tendered their RCS Shares to the Offer during the Acceptance Period.
Terms and Conditions of the RCS Refinancing	The terms and conditions of the Refinancing Term Sheet disclosed by RCS to the market on 18 May 2016 and set out in Paragraph A.1.1.b, Notices Section, of the Offer Document.
Total Value	The total value of the Offer, in the event of full acceptance of the same, amounting to approximately EUR 274,918,460.05.
TUF	Legislative Decree No. 58 of 24 February 1998, as subsequently amended and supplemented.
UTC	U.T. Communications S.p.A., with registered office in Milan at Via Montenapoleone 8, Milan Companies Register number, tax code and VAT No. 11196950155, share capital of EUR 260,000.00.
Unit Monetary Value	The implicit monetary value of the Consideration, amounting to approximately EUR 0.527 for each RCS Share tendered to the Offer, calculated by multiplying the issue price of the Cairo Communication Shares set by the Offeror's Board of Directors as part of the Capital Increase (amounting to EUR 4.39) by the Consideration.

GLOSSARY

A list of the terms used in the Offer Document is set out below. These terms, unless otherwise specified, have the meanings indicated as follows.

ADS	Accertamenti Diffusione Stampa S.r.l., with registered office in Milan at Via Larga 13, Milan Companies Register number, tax code and VAT No. 07848640962, share capital of EUR 40,000.00.
CAGR	Compound Annual Growth Rate
DVB-T	Digital Video Broadcasting Terrestrial, a European standard for the dissemination of the terrestrial digital television signal, also adopted in many non-European countries.
EBITDA	EBITDA (earnings before interest, taxes, depreciation and amortisation) is not identified as an accounting measure defined by the IFRS, and therefore the criteria used to determine it may not be comparable between different companies or groups. The Cairo Communication Group defines EBITDA as the operating result (EBIT) before amortization, impairment of fixed assets, impairment of bad debts and provisions for risks. The RCS Group defines EBITDA as the operating result (EBIT) before depreciation and impairment [of fixed assets] and also includes income and expenses from shareholdings accounted for using the equity method. The main differences between the two definitions of EBITDA are related to the provisions for risks and the provision for bad debts and to the "income and expenses from shareholdings accounted for using the equity method" that are included in the EBITDA configuration adopted by RCS and are, instead, excluded from the EBITDA configuration adopted by the Cairo Communication Group. Given the non-uniformity of the EBITDA definitions adopted by Cairo Communication and RCS, only for illustrative purposes related to the presentation of the pro-forma figures in this Offer Document, the Pro-forma consolidated EBITDA of the Cairo Communication Group as at 31 December 2015 was determined starting from the pro-forma operating result adjusted by the result of the shareholdings and of the amortisation and impairment of fixed assets (see Paragraph B.1.15, Section B, of the Offer Document. As regards the EBITDA considered for the purposes of applying the method of market multiples, please see Paragraph A.1.6, Notices Section, of the Offer Document).
Factset	FactSet Research System Inc., a company listed on the New York Stock Exchange and the NASDAQ Stock Market, which provides computer-based financial data and consolidates data on the global markets.

LCN	Logical Channel Numbering, an automatic numbering system of TV channels broadcast in DVB-T mode.
Mux	Short for Multiplex, a television broadcasting network using digital technology that allows the transmission of several different kinds of content (TV programs) on the same channel/frequency.
WAP	Weighted Average Price, i.e. the average of the official stock exchange prices weighted by trading volumes.
Share	Percentage of TV viewers or radio listeners who follow a certain programme, calculated out of the total number of those who have their television or radio on during the broadcasting of the programme in question.
Vertical publishing	Publishing products on the same theme/subject.

INTRODUCTION

This Section briefly describes the structure of the legal premises of the Offer to which the Offer Document refers.

For a complete assessment of the terms and conditions of the Offer, we recommend the entire Offer Document be read with attention, especially the following section A - Warnings.

1. LEGAL PREMISES AND FEATURES OF THE OFFER

The transaction described in this Offer Document is a full voluntary public exchange offer promoted by the Offeror, pursuant to and for the effects of Articles 102 and 106, paragraph 4, of the TUF, for all the RCS Shares issued on the Offer Document Date, numbering 521,864,957, without indication of the par value (see Sections C and D of the Offer Document).

The Offeror's Board of Directors took the decision to promote the Offer on 8 April 2016. The Offer was announced to the market on the same date by means of a specific press release issued pursuant to Articles 102, paragraph 1, of the TUF and 37 of the Issuers' Regulations.

The Offer Consideration is No. 0.12 of a Cairo Communication Shares for each RCS Share tendered to the Offer and the conveyance will take place according to the timing and procedures indicated in Paragraphs F.5 and F.6, Section F, of the Offer Document.

The Cairo Communication Shares issued to serve the Offer result from the Capital Increase resolved by the Extraordinary Shareholders' Meeting held on 12 May 2016, as consideration and separable, to be carried out on one or more occasions, and also in one or more tranches, excluding option rights, pursuant to Article 2441, paragraph 4, first sentence, of the Civil Code, by the issue of a maximum of 62,623,795 Cairo Communication Shares without indication of par value, with normal dividend rights and the same features as the shares in issue on the issue date, to be released by the contribution in nature of the RCS Shares tendered to the Offer.

For the Capital Increase, the Offeror's Board of Directors has resolved, pursuant to Article 2440 of the Civil Code, to take avail of the discipline of Articles 2343-*ter* and 2343-*quater*, of the Civil Code, for the appraisal of the RCS Shares to be contributed. This discipline allows, in particular, for not requesting the sworn appraisal of the contributed assets drawn up by an expert appointed by the Court of the district of the transferee company's registered office if the value attributed to the contributed assets, for determining the share capital and the possible premium, is equal to or less than the value resulting from an appraisal referring to a preceding date within six months of the contribution and conforming to the principles and criteria generally recognised for the appraisal of contributed assets, providing such appraisal is made by an expert independent of the contributing subject, of the company and of the shareholders who individually or jointly control the contributing subject or the company itself, with adequate and proven professional skill (see Article 2343-*ter*, paragraph 2, letter b) of the Civil Code).

Cairo Communication has therefore mandated Prof. Andrea Amaduzzi - an independent expert pursuant to Article 2343-*ter*, paragraph 2, letter b), of the Civil Code - to draw up his own appraisal of the RCS Shares to be contributed. On 20 April 2016, Prof. Andrea Amaduzzi issued his appraisal report on the RCS Shares, relative to their value at 31 December 2015.

We also point out that on 21 April 2016, the Auditing Firm issued its own report on the suitability of the issue price of the Cairo Communication Shares at the service of the Capital Increase, pursuant to the combined provision of Articles 2441, paragraph 6, of the Civil Code and 158, paragraph 1, of the TUF.

In addition, pursuant to the combined provision of Articles 2343-*quater* and 2440 of the Civil Code, the Offeror's directors must release, within the term of 30 days from the execution of the contribution or, if later, from the date of the entry on the companies register of the capital increase resolution, a statement containing the information referred to under letters a), b), c), d), and e) of Article 2343-*quater*, paragraph 3, of the Civil Code, i.e.: (a) the description of the assets contributed (in this case, the RCS Shares) for which the report referred to by Article 2343, paragraph 1, of the Civil Code, has not been drawn up; (b) the value attributed to said assets, the source of that appraisal and, if appropriate, the appraisal method; (c) the declaration that such value is at least equal to that attributed to the said assets for determining the share capital and the possible share premium; (d) the declaration that, after the date referred to by the appraisal drawn up by the independent expert pursuant to Article 2343-*ter*, paragraph 2, letter b), of the Civil Code, no exceptional facts or relevant new facts have taken place that influence the appraisal referred to under the above letter (b); and (e) the declaration of the suitability of the requirements of professional skill and independence of the expert pursuant to Article 2343-*ter*, paragraph 2, letter b), of the Civil Code. Pursuant to Article 2343-*quater*, paragraph 4, of the Civil Code, until the declaration with the contents specified under letters (a), (b), (c), (d) and (e) has been entered in the Milan Companies Register, the newly issued Cairo Communication Shares cannot be sold and must remain deposited at Cairo Communication.

The declaration of the Cairo Communication directors, issued pursuant to Article 2343-*quater*, paragraph 4, of the Civil Code, will be entered in the Milan Companies Register within the Consideration Payment Date and, in any case, in time to allow for the payment of the Consideration.

We point out that the Offer depends on the fulfilment of the Conditions of Effectiveness of the Offer indicated in Paragraph A.1.1, Section A, of the Offer Document.

2. REASONS FOR THE OFFER

The purpose of the Offer is to create a large multi-media publishing group with a stable and independent leadership, and to reinforce the economic-financial profile of the RCS Group, accelerating its restructuring and increased offer process.

The areas of activity of Cairo Communication and RCS are strongly complementary and their combination would allow for creating a publishing group which, exploiting the high quality of its own products in the news, magazines, television, Internet and sports events, will be able to take the position of an operator of reference on the Italian market, with a strong international presence, and to exploit to the best the opportunities deriving from the convergence of traditional media on the Internet and mobile platforms.

The Offeror intends to carry out an incisive plan for the increased offer of the RCS Group, which contemplates a rigid programme for the optimisation of business costs, the maximisation of the potential of the publishing products, the expansion of the offer in the distinctive non-publishing activities such as sports events, and the reinforcement and further development of digital products.

The offer is not aimed at the Delisting of the RCS Shares. It is understood, in fact, that in case the Offer is successful, depending on the number of RCS Shares tendered to the Offer and the market conditions, there could be particular scenarios which could lead to the suspension of the trading and/or the Delisting of the RCS Shares (see Paragraphs A.1.8, A.1.9, A.1.10 and A.1.11, Warnings Section of the Offer Document).

3. TABLE SHOWING THE MAIN EVENTS RELATING TO THE OFFER

DATE	EVENT	METHOD FOR DISCLOSURE TO THE MARKET
8 April 2016	Resolution of the Offeror's Board of Directors regarding the promotion of the Offer. Simultaneous convocation of the Offeror's Extraordinary Shareholders' Meeting called upon to resolve on the Capital Increase to serve the Offer. Communication to CONSOB and to the public of the decision to promote the Offer pursuant to Articles 102, paragraph 1, of the TUF and 37 of the Issuers' Regulations.	Offeror's communication pursuant to Articles 102, paragraph 1, of the TUF and 37 of the Issuers' Regulations. Offeror's press release to the market pursuant to Article 114 of the TUF regarding the publication of the convocation notice of the Offeror's Extraordinary Shareholders' Meeting.
21 April 2016	The Offeror makes available to the public, pursuant to Articles 158 of the TUF, 70, paragraph 4, of the Issuers' Regulations and 2441, paragraph 6, of the Civil Code: – the Offeror's Board of Directors' illustrative report relative to the Capital Increase, drawn up pursuant to Article 2441, paragraph 6, of the Civil Code; – the Auditing Firm's fairness opinion, drawn up pursuant to Article 2441, paragraph 6, of the Civil Code and Article 158, paragraph 1, of the TUF; and – the appraisal of the independent expert, Prof. Andrea Amaduzzi, testifying to the value of the RCS Shares, drawn up pursuant to Article 2343-*ter*, paragraph 2, letter b), of the Civil Code.	Offeror's press release to the market pursuant to Articles 114 of the TUF and 66 of the Issuers' Regulations.
27 April 2016	The Offeror's Ordinary General Meeting called to approve, *inter alia*, the financial statements of as at 31 December 2015.	Offeror's press release to the market, pursuant to Articles 114 of the TUF and 66 of the Issuers' Regulations.
28 April 2016	Promotion of the Offer by filing the Offer Document at CONSOB, pursuant to Article 102, paragraph 3, of the TUF, of the Acceptance Form, and of the application for the issue of the equivalence opinion of the Offer Document, pursuant to Articles 34-*ter*, paragraph 1, letter j)	Offeror's press release to the market, pursuant to Articles 102, paragraph 3, of the TUF and 37-*ter* of the Issuers' Regulations.

	and 57, paragraph 1, letter c), of the Issuers' Regulations.	
12 May 2016	The Offeror's Extraordinary Shareholders' Meeting called upon to resolve on the Capital Increase to serve the Offer.	Offeror's press release to the market pursuant to Articles 114 of the TUF and 66 of the Issuers' Regulations.
28 May 2016	Approval of the Offer Document by CONSOB, pursuant to Article 102, paragraph 4, of the TUF, and issue of the equivalence opinion of the Offer Document, pursuant to Articles 34-*ter*, paragraph 1, letter j) and 57, paragraph 1, letter c), of the Issuers' Regulations. Transmission to CONSOB of the Capital Increase resolution to serve the Offer, pursuant to Article 37-*bis*, paragraph 3, letter b), of the Issuers' Regulations.	Offeror's press release to the market pursuant to art. 36 of the Issuers' Regulations.
28 May 2016	Publication, the Offer Document approved by CONSOB. Notice of the publication of the Offer Document, pursuant to Article 38 of the Issuers' Regulations.	Issue of a press release, pursuant to Article 36, paragraph 3, of the Issuers' Regulations. Release of the Offer Document, pursuant to Articles 36, paragraph 3, and 38, paragraph 2, of the Issuers' Regulations.
Within 10 June 2016	Approval by the RCS Board of Directors of the Issuer's press release, pursuant to Articles 103, paragraph 3, of the TUF and 39 of the Issuers' Regulations.	Issuer's press release to the market, pursuant to Articles 114 of the TUF and 66 of the Issuers' Regulations.
13 June 2016	Start of the Acceptance Period.	Not subject to any specific communication.
08 July 2016	End of the Acceptance Period (unless extended).	Not subject to anyspecific communication.
Within the evening of the last day of the Acceptance Period and, in any case, within 7:59 hours of the first Stock Exchange Trading Day after the end of the Acceptance Period	Press release on the provisional results of the Offer, which will also indicate the fulfilment/non-fulfilment or waiver of the Minimum Acceptance Level Condition.	Press release pursuant to Articles 114, of the TUF and 66 of the Issuers' Regulations.
14 July 2016	Press release on the Offer Results, which will indicate: (i) the final results of the Offer; (ii) the possible existence of the conditions for the Purchase Obligation pursuant to Article 108, paragraph 2, of the TUF, or the existence of the conditions for the Purchase Obligation pursuant to Article 108, paragraph 1, of the TUF; (iii) the procedures and timing for the possible Delisting of the RCS Shares; and (iv) the fulfilment/non-	Press release Pursuant to Article 41, paragraph 6, of the Issuers' Regulations.

	fulfilment or the waiver of the Conditions of Effectiveness of the Offer, other than the Minimum Acceptance Level Condition.	
Within 15 July 2016	Entry in the Milan Companies Register of the declarations of the Cairo Communication directors pursuant to Article 2343-*quater*, paragraph 3, of the Civil Code, and of the statement referred to by Article 2444 of the Civil Code.	
15 July 2016	Consideration Payment Date for the RCS Shares tendered for acceptance during the Acceptance Period.	

Note: all the press releases mentioned in the above table, unless otherwise specified, are understood as circulated as indicated under Article 36, paragraph 3, of the Issuers' Regulations and in conformity to Article 114 of the TUF, when applicable; the press releases and the notices relative to the Offer will be published without delay on the Offeror's website (www.cairocommunication.it).

WARNINGS

A.1 Warnings relative to the Offer

A.1.1 Conditions of Effectiveness of the Offer

A.1.1.a. Conditions of Effectiveness of the Offer

The Offer is irrevocable and addressed to all the Issuer's shareholders without distinction and at par conditions (see Paragraph C.1, Section C, of the Offer Document).

The effectiveness of the Offer depends on the fulfilment of each of the following Conditions of Effectiveness of the Offer (all of which must be met):

(a) sufficient acceptances of the Offer, such as to allow the Offeror to obtain a percentage of the RCS share capital equal to at least 50% plus one ordinary Share (the la "**Minimum Acceptance Level Condition**");

(b) the Lending Banks of the RCS which are parties to the loan agreement of 14 June 2013 and which have granted credit lines to RCS on the Consideration Payment Date must have undertaken, within the second Stock Exchange Trading Day prior to the Consideration Payment Date and in favour of Cairo Communication:

(i) to unconditionally waive any right whatsoever to request the early repayment of the debt consequent to the RCS change of control deriving from the successful conclusion of the Offer; and

(ii) until the date of approval of the financial statements relating to the period which will close on 31 December 2017: (1) to not request and/or demand and/or submit requests and/or file action for the payment and/or the reimbursement of any principal sum due by RCS pursuant to the Loans, except for the early partial reimbursement by means of the use of the net sums cashed in as payment for the sale of RCS Libri S.p.A.; (2) to not declare that RCS has lost benefit of term, and not to take avail of the right of revocation or withdrawal, nor to request the resolution of the Loans; (3) to not submit any demand aimed at subjecting RCS to insolvency procedures; and (4) to confirm, maintain in existence and operational, to restore and/or to not revoke anycredit facility, advance and/or short- and medium-term loan contemplated by the Loans (the "**Financial Condition**");

(c) RCS must not carry out acts or operations that can contrast the achievement of the objectives of the Offer, pursuant to Article 104 of the TUF, even if they are authorised by the RCS ordinary or extraordinary shareholders' meeting;

(d) within the second Stock Exchange Trading Day prior to the Consideration Payment Date, there must not be: (i) at national and/or international level, extraordinary events or situations involving significant changes in the political, financial, economic, currency exchange or market situation that has a substantial negative effect on the Offer and/or on the equity, economic and financial situation of RCS and/or that of the companies of the RCS Group; or (ii) facts or situations relating to RCS and/or the companies of the RCS Group, not known to the market on the Offer Document Date, involving substantial negative changes in the equity, economic or financial situation of RCS and/or the companies of the RCS Group (the "**MAC Condition**"); and

(e) unconditional approval by AGCM, pursuant to Law No. 287 of 10 October 1990, and by AGCOM, pursuant to Legislative Decree No. 177 of 31 July 2005, within the second stock exchange business day prior to the Consideration Payment Date, of the acquisition of the control of RCS on the part of Cairo Communication.

The Minimum Level of Acceptances Condition will be considered fulfilled if:

(a) the RCS Shares tendered to the Offer represent a percentage of the share capital equal to at least 50% plus one RCS Share; or

(b) by adding the RCS Shares tendered to the Offer to the RCS Shares held by UTC, if these latter shares are not tendered to the Offer, the Offeror and UTC hold a total stake in the RCS share capital of at least 50% plus one RCS Share.

With reference to the MAC Condition, the Offeror intends to refer to events, currently unforeseeable, relating to the national or international political and/or economic context, and to events relating to RCS or to the companies of the RCS Group, that can have an important prejudicial effect on the Offer, for example by making it significantly more costly, or on RCS and on the RCS Group.

Even if not foreseeable, these events pertinent to the political or economic crises could include, for example, a significant credit crisis or a significant crisis of the financial markets also subsequent to the possible exit of Great Britain from the European Union, or the exit of one or more European countries from the so-called Eurozone, or the breakout of a war involving Italy and/or other European countries. With regard to RCS and/or the companies of the RCS Group, although at present unforeseeable, these events could include, for example, events involving a substantial negative change in the equity, economic or financial situation of RCS and/or of the companies of the RCS Group, the opening, on the part of the Lending Banks, of procedures aimed at recovering their credit, subsequent to the failure to reach an agreement on the restructuring of the debt deriving from the loan agreement of 14 June 2013, or RCS being subject to an insolvency procedure.

The Offer will communicate the fulfilment or non-fulfilment of the Conditions of Effectiveness of the Offer or, if the Conditions of Effectiveness of the Offer are not fulfilled, the possible waiver of the same, within the following terms:

- with reference to the Minimum Acceptance Level Condition, by 7:59 hours of the first Stock Exchange Trading Day after the end of the Acceptance Period (i.e., 11 July 2016, unless extended); and

- with reference to the Conditions of Effectiveness of the Offer mentioned under letters from (b) to (e) above, simultaneously with the publication of the Press Release of the Offer Results, i.e., by 7:59 hours of the Stock Exchange Trading Day before the Consideration Payment Date (i.e., 14 July 2016, unless deferred).

If one or more of the Conditions of Effectiveness of the Offer is not fulfilled, without the Offeror's waiver of the Condition/s of Effectiveness of the Offer, the Offer will not be successfully concluded and the RCS Shares tendered to the Offer will be released by the first Stock Exchange Trading Day following the date on which the non-conclusion of the Offer is disclosed and they will be returned to the Tendering Shareholders, without the Tendering Shareholders being debited any charge or expense.

For further details, see Section F of the Offer Document.

A.1.1.b. *Amendment and waiver of the Conditions of Effectiveness of the Offer*

Without prejudice to the indications below regarding the Financial Condition, the Offeror may waive, in whole or in part, or amend the terms of each of the Conditions of Effectiveness of the Offer, within the limits and according to the procedures contemplated by Article 43 of the Issuers' Regulations. Any such waiver or amendment will be disclosed in the manner contemplated by Article 36 of the Issuers' Regulations.

With reference to the Minimum Acceptance Level Condition, taking into account the objectives of the Offer and the Offeror's future programmes in relation to RCS, as well as the present ownership structure of RCS, the Offeror reserves the right to waive this condition if the number of RCS shares tendered to the Offer during the Acceptance Period allows Cairo Communication to hold a sufficiently large stake to control RCS in fact, which Cairo Communication has identified as a percentage of the RCS equity equal to at least 35% plus one RCS Share. We specify that the threshold of 35% plus one RCS Share will be considered reached if: (a) the RCS Shares tendered to the Offer represent a percentage of the share capital equal to at least 35% plus one RCS Share; or (b) by adding the RCS Shares tendered to the Offer to the RCS Shares held by UTC, if these latter shares are not tendered to the Offer, the Offeror and UTC hold a total stake in the RCS share capital of at least 35% plus one RCS Share.

With reference to the Financial Condition, Cairo Communication reserves the right to waive this condition in the event of one of the following circumstances:

(1) the RCS Lending Banks have promised Cairo Communication that they will grant (or they assure Cairo Communication that they have submitted to their own governing bodies, with a favourable opinion, the decision to grant) a grace period for the repayment of the principal sum pursuant to the loan agreement of 14 June 2013 (net of the net sums cashed in as consideration for the sale of RCS Libri S.p.A. and if not yet used for the repayment of the loan) for at least 12 months from the Offer closure date, without the application during that period of additional charges compared to the financial charges already applied; or

(2) the RCS Lending Banks have resolved to approve the term sheet for the restructuring of the debt deriving from the loan agreement of 14 June 2013, at terms and conditions each of which are not pejorative compared to the terms and conditions communicated by RCS to the market on 18 May 2016 (the "**RCS Refinancing Terms and Conditions**") reported below, and:

    (A) the said Lending Banks have informed Cairo Communication that they waive (or they have assured Cairo Communication that they have submitted to their own governing bodies, with a favourable opinion, the decision to waive) their right to request the early repayment of the debt deriving from the loan agreement of 14 June 2013 pursuant to the change of the control of RCS which may result from the successful conclusion of the Offer; or

    (B) other lenders, if one or more of the Lending Banks are not willing to waive the right of exercising the power to request the early reimbursement referred to in the preceding letter (A), have promised Cairo Communication (or they have assured Cairo Communication that they have submitted the decision to their governing body accompanied by a favourable opinion) to re-finance the portion of the principal sum deriving from the loan agreement of 14 June 2013 lent by the institutes that have not agreed to waive the power to request the early repayment referred to in letter (A) above, at terms and conditions none of which is pejorative compared to the RCS Refinancing Terms and Conditions illustrated below;

or

(3) the RCS Lending Banks, or other financiers, have promised Cairo Communication that they will re-finance (or they have assured Cairo Communication that they have submitted to their governing bodies, with a favourable opinion, the decision to re-finance) the RCS debt deriving from the loan agreement of 14 June 2013, without prejudice to the fact that, for at least 12 months from the Offer closure date, each term and condition of said re-financing is not pejorative compared to the corresponding RCS Refinancing Terms and Conditions reported below.

The RCS Refinancing Terms and Conditions are indicated below, as communicated by RCS on 18 May 2016.

1. Amount of the Loan	Total value up to a maximum amount of EUR 352 million (divided into a term line up to a maximum amount of EUR 252 million and a revolving line up to a maximum amount of EUR 100 million); net of the total repayment of credit line A of the loan agreement of 14 June 2013, for a total amount of EUR 71,601,122.45, which will be repaid at the time of execution of the agreement which amends the Loan Agreement of 14 June 2013, by the use of part of the net revenues cashed in by the Company by effect of the sale of RCS Libri S.p.A.
2. Final Expiry	For both credit lines, 31 December 2019.
3. Repayment	- <u>Term line</u>: to be repaid in 2017 in the following instalments: (i) EUR 10,000,000 on 31 March 2017; (ii) EUR 10,000,000 on 30 June 2017; and (iii) EUR 15,000,000 on 31 December 2017; and subsequently in four six-monthly instalments according to the following repayment plan: A. EUR 25,000,000 on 30 June 2018; B. EUR 25,000,000 on 31 December 2018; C. EUR 25,000,000 on 30 June 2019; and D. the remaining sum on the Final Expiry date. - <u>revolving line</u>: each use must be repaid on the expiry of the relative usage period chosen and, in any case, within the Final Expiry date.

<table>
<tr><td>4. Interest Rate</td><td>Variable rate equal to the sum of:
(i) for the term line: Euribor 3m from the execution date until the Final Expiry + Margin (see next paragraph);
(ii) for the revolving line: Euribor 1m, 3m or 6m for a term equal to that of the relative Interest Period + Margin (see next paragraph), without prejudice to the fact that, if the Euribor is below zero, it will be understood as equal to zero</td></tr>
<tr><td>5. Margin</td><td>- Term line: initially equal to 422.5 bps p.a., it remaining understood that the applicable margin will be modified as specified below.

- Revolving line: initially equal to the margin applicable to the term line minus 25 bps p.a. (i.e., 397.5 bps p.a.) it remaining understood that the applicable margin will be modified as specified below.

In the event of compliance with the financial covenants at the registration date of 31 December 2016, the credit line margin will be modified according to the following table:

<table>
<tr><th>Leverage</th><th>Term line</th><th>Revolving line</th></tr>
<tr><td>>4.00x</td><td>422.5</td><td>397.5</td></tr>
<tr><td><=4.00x</td><td>397.5</td><td>372.5</td></tr>
<tr><td><=3.75x</td><td>372.5</td><td>347.5</td></tr>
<tr><td><=3.25x</td><td>332.5</td><td>307.5</td></tr>
<tr><td><=2.75x</td><td>292.5</td><td>267.5</td></tr>
<tr><td><=2.25x</td><td>252.5</td><td>227.5</td></tr>
</table>

To determine the Margin, the Net Financial Position/EBITDA ratio will be calculated annually based on the data posted on the certified consolidated financial statements of the RCS Group as at 31 December each year.</td></tr>
<tr><td>6. Guarantees</td><td>Upon execution of the agreement amending the Loan Agreement of 14 June 2013, the Loan, and also the loan currently in force, will be backed by lien on the current account (the “Revenues Account”) on which the revenues deriving from any acts of disposal allowed and the other sums destined for obligatory repayment will be obligatorily and directly credited.</td></tr>
<tr><td>7. Financial covenants</td><td>As from 31 December 2016 (inclusive) and for the entire term of the Loan, the following financial covenants, with annual registration, must be complied with (except the NFP which will also be checked every six months):
(I) NFP (i.e., Net Financial Position):

(a) in 2016: EUR 430 million; or EUR 410 million (in the event of the sale of non-core assets);

(b) in 2017: EUR 410 million; or EUR 385 million (in the event of the sale of non-core assets); and</td></tr>
</table>

	(c) **in 2018**: EUR 340 million; or EUR 315 million (in the event of the sale of non-core assets); with regard to the NFP referred to under letters (b) and (c) above, the Company represents that one of the lending banks – whose resolution procedure is being completed – has requested to consider only the lower threshold. The annual NFP referred to under letters (a), (b) and (c) above must be understood as increased by a headroom of EUR 25 million on each immediately successive six-monthly registration date. (II) Leverage Ratio (i.e., Net Financial Position/EBITDA ratio): (a) **in 2016**: headroom of 10% compared to the objectives of the 2016–2018 Business Plan of the RCS Group (as communicated to the market, the "2016–2018 Business Plan") (i.e., 4.40x); (b) **in 2017**: headroom of 15% compared to the objectives of the 2016–2018 Business Plan (i.e., 3.45x); and (c) **in 2018**: headroom of 15% compared to the objectives of the 2016–2018 Business Plan (i.e., 2.30x). (III) MINIMUM EQUITY: maximum headroom of EUR 10 million on the value of EUR 105.2 million as per the consolidated financial statements as at 31 December 2015. If a Financial Covenant is not complied with, an equity cure will be admitted at terms, conditions and restrictions substantially in line with the loan agreement of 14 June 2013.

With regard to the above, RCS has stated that "*The Term Sheet does not contemplate commitments and/or restrictions of any kind regarding the exercise of the delegation, resolved on 16 December 2015, conferred on the Company's board of directors [ed. note: RCS], of the power to increase, including in several tranches, the Company's share capital up to a maximum amount of EUR 200 million with deadline on 30 June 2017. No other obligations are contemplated for the disposal of assets by the Company [ed. note: RCS].*

On the positive result of the completion of the resolution procedure by the competent bodies of the lending banks and of the Company itself, the completion of the remodelling of the Existing Loan Agreement [ed. note: the loan agreement of 14 June 2013] will take place after the agreement by the parties of the text of the agreement which amends the Existing Loan Agreement [ed. note: the loan agreement of 14 June 2013] and of the fulfilment of the conditions at the execution and effectiveness of the amending agreement, as is usual for this type of transactions. The Term Sheet also contemplates, on the result of the conclusion of the agreement amending the Existing Loan Agreement [ed. note: the loan agreement of 14 June 2013], that the Company will have available bilateral lines from the lending banks for a total approximate amount of EUR 85 million, without prejudice to the Company's right to request the increase, including after the settlement of the *agreement amending the Existing Loan Agreement [ed. note: the loan agreement of 14 June 2013], up to the value level of the bilateral lines at 30 June 2015.*".

After the Offer Document Date, Cairo Communication intends to open negotiations aimed at achieving the Financial Condition.

We point out that if the Financial Condition is waived in the event of one of the above-indicated circumstances and in the presence of only the submission to the governing bodies of the relative lenders of the commitment to grant the grace period referred to under point (1) above, or to waive the right to request the early repayment deriving from the change of control of RCS referred to under point 2(A) above or to refinance all or part of the RCS debt referred to under points 2(B) and (3) aboev, and if the related governing bodies make a decision contrary to what is proposed or, in any case, if the grace period is not granted or the debt refinancing is not granted in the terms proposed, Cairo Communication Group might not have the financial resources necessary for the entire repayment of the debt of the RCS Group, with negative effects on the economic, financial and equity situation and on the possibility of the corporate continuity of the Post-Offer Cairo Communication Group.

We also point out that if the term sheet for the restructuring of the RCS debt deriving from the loan agreement of 14 June 2013 is approved, but the related loan agreements are not entered into by RCS and by its lending banks and/or the related closing does not take place before the Offer is successfully concluded, or if, for any reason or cause, these agreements are not concluded or not successively implemented, Cairo Communication Group might not have the financial resources necessary for the entire repayment of the debt of the RCS Group, with negative effects on the economic, financial and equity situation and on the possibility of the corporate continuity of the Post-Offer Cairo Communication Group.

We lastly point out that, with reference to the circumstances mentioned in points (1) and (3) above, the terms and conditions to which the RCS Group's financial debt will be subject in the period following the 12 months from the possible successful conclusion of the Offer cannot, at present, be foreseen, in so far as they are linked to the results of the negotiations which will be conducted by Cairo Communication Group before the possible successful conclusion of the Offer or in the 12 months after that date. Although Cairo Communication Group will make all efforts to obtain more favourable terms and conditions than those currently applied, if, in the period following the 12 months from the Offer closure date, the terms and conditions that are agreed with the new lenders are worse than the current Terms and Conditions of the RCS Loan, the economic, equity and financial situation of the Post-Offer Cairo Communication Group would be negatively affected.

A.1.2 Economic-equity situation of the Cairo Communication Group and of the RCS Group

If the Offer is successfully concluded, Cairo Communication will acquire control of RCS and, therefore, the RCS Group will be included in the consolidated companies of Cairo Communication.

The total net financial need (including the net floating capital) of the Post-Offer Cairo Communication Group for the 12 months following the Offer Document Date is estimated to be at least EUR 86 million: (i) taking into account the limits and the elements of uncertainty indicated under Paragraph B.1.19, Section B, of the Offer Document; (ii) consistently with the assumptions of the circumstances in which Cairo Communication reserves the right to waive the Financial Condition which involves the greater absorption of the cash flows linked to the repayment of the RCS Group's financial debt in the 12 months following the Offer Document Date; and (iii) based on the assumption that, by effect of the consolidation of the RCS Group by Cairo Communication as a result of the Offer, the financial covenants relating to a loan of the Cairo Communication Group (the non-current portion of which, as at 31 March 2016, was EUR 13.7 million) would not be complied with in the 12 months following the successful conclusion of the Offer, thereby giving the lending bank the right to request the termination of the loan agreement and involving the reclassification of EUR 13.7 million from the item “current financial payables and liabilities”.

If the Offer is successfully concluded, following the result of the estimated total net financial need of the Post-Offer Cairo Communication Group which will be carried out after having completed the due diligence on the RCS Group, the Offeror intends to cover that financial need by the remodelling of the payment terms to suppliers, by taking out a new medium/long-term loan at group level to replace the short-term debt and, if necessary, by the sale of non-strategic activities of the Post-Offer Cairo Communication Group.

In order to give evidence of the importance of the corporate integration operation for the successful conclusion of the Offer, certain summary values are given below regarding the Cairo Communication Group taken from the consolidated financial statements as at 31 December 2015 and referring to the Post-Offer Cairo Communication Group taken from the *pro-forma* financial information constructed on the basis of the fulfilment of the Financial Condition.

31 December 2015 (EUR millions)	**Cairo Communication Group**	**Pro-forma consolidated**
Total net financial position (total net financial debt)	**105.8**	**(380.9)**
Net result of the period	**11.1**	**(163.1)**
Shareholders' equity	**116.4**	**309.0**

With regard to the situation of financial tension of the RCS Group, the following table, taken from the quarterly report on operations as at 31 March 2016, from the section entitled “*Integrations at the request of CONSOB pursuant to Article 114, paragraph 5, of Legislative Decree 58/1998, of 27 May 2013*”, under the paragraph on “*The outstanding debt positions broken down according to type (financial, commercial, tax and social security) and the possible connected initiatives of reaction of the Group's creditors (reminders, payment orders, the suspension of supplies)*”, shows the outstanding debt positions of the RCS Group as at 31 March 2016.

Analysis of outstanding debt positions (EUR millions)								
31 March 2016	**30 days**	**31-90**	**91-180**	**181-360**	**>360**	**Total Outstandi**	**Not yet outstand**	**Total**

		days	days	days	days	ng	ing	
Commercial liability positions	12.1	20.2	6.4	4.7	20.5	63.9	309.5	373.4
Financial liability positions	-	-	-	-	-	-	534.9	534.9
Tax liability positions	-	-	-	-	-	-	9.7	9.7
Social security liability positions	-	-	-	-	-	-	10.1	10.1
Other liability positions	-	0.1	-	-	0.4	0.5	103.6	104.1
Total debt positions	**12.1**	**20.3**	**6.4**	**4.7**	**20.9**	**64.4**	**967.8**	**1,032.2**

The same section also states that "*No legal actions have been filed to recover significant sums allegedly due pursuant to trade agreements*".

We also point out that, if the Offer is successfully concluded, without prejudice to the financial and legal independence of Cairo Communication and of RCS, the prospect of the continuing existence of the Post-Offer Cairo Communication Group is closely linked to the occurrence of numerous events and circumstances, some of which are beyond the Offeror's sphere of control, including: (i) the successful result of the actions identified to cover the net financial need of the Post-Offer Cairo Communication Group in the 12 months subsequent to the Offer; (ii) the implementation, according to the expected measures and times, of the actions that will be programmed for the development of revenues and the generation of cash flows of the Post-Office Cairo Communication Group, adequate to sustain the financial debt of the RCS Group, the fact remaining that, as at the Offer Document Date, no business plan relating to the Post-Offer Cairo Communication Group which also takes into account the results of the due diligence on the RCS Group to be carried out after the successful conclusion of the Offer has been approved and is not expected to be approved by the end of 2016; (iii) in the case of the waiver of the Financial Condition in the event of the circumstance referred to under point (2) of Paragraph A.1.1.b, Warnings Section, of the Offer Document, the full and precise fulfilment of the obligations which ensue from the agreements between RCS and its own lending banks in relation to the financial debt of the RCS Group, and of the terms and conditions that will be contemplated by these agreements; (iv) in the case of the waiver of the Financial Condition in the event of the circumstances mentioned under points (1), (2) and (3) of Paragraph A.1.1(b), Warnings Section, of the Offer Document, if the Financial Condition is waived in the presence of only the submission to the governing bodies of the related lenders of the commitments indicated therein, the confirmation of the governing bodies of the related lenders of the assumption of the commitments contemplated therein and/or the effective execution or the performance of the loan agreements in the terms indicated; (v) in the case of the Offeror's waiver, including partial, of the Condition of Effectiveness of the Offer linked to obtaining the AGCM and AGCOM authorisations, the adoption by the authorities of deconcentration and structural measures that can significantly contract the operational and financial restructuring of the Post-Offer Cairo Communication Group; and (vi) in the case of the waiver, including partial, or amendment to the Conditions of Effectiveness of the Offer (without prejudice to the provision of Paragraph A.1.1.b, Warnings Section, of the Offer Document regarding the Financial Conditions), the fact that the partial waivers and/or amendments to the Conditions of Effectiveness of the Offer do not lead to significantly negative effects on the economic, equity and financial situation of the Post-Offer Cairo Communication Group.

We point out that, if the Offer is successfully concluded, the financial covenants contemplated by the loan agreement entered into by the holding company Cairo Network and by Unicredit S.p.A. in July 2014 – regarding the original EUR 25 million (EUR 18.7 million as at 31 March 2016) – would not be complied with at the consolidated level of the Post-Offer Cairo Communication Group. The Offeror will therefore assess whether to renegotiate the loan agreement or to proceed with full reimbursement. For further information, see Paragraph B.1.25, Section B, of the Offer Document.

We lastly mention that the RCS directors, in the quarterly report on operations as at 31 March 2016, in the paragraph "*Integrations at the request of CONSOB pursuant to Article 114, paragraph 5, of Legislative Decree 58/1998, of 27 May 2013*", under letter d), describe events and circumstances that indicate a relevant situation of uncertainty, which can cast important doubts on the corporate continuance of RCS. More specifically, the RCS directors refer to the current failure to reach a final agreement with their own Lending Banks regarding: (i) non-compliance with the financial commitments as at 31 December 2015; and (ii) the new terms and conditions of the loan agreement entered into on 14 June 2013 between RCS and the Lending Banks. In the same notes, the RCS directors explain the initiatives that they have launched, and the reasons for which they decided to continue to adopt the assumption of the Company's continuity in the preparation of the consolidated financial statements relating to the financial period which ended on 31 December 2015 and of the quarterly report on operations as at 31 March 2016.

Please note that on the Offer Document Date, negotiations are in progress between RCS and the Lending Bank regarding the remodelling of the debt deriving from the loan agreement entered into on 14 June 2013 between RCS and the Lending Banks. Based on the information publicly available, as at 31 March 2016 the remaining amount of that loan totalled EUR 418.6 million, included in an all-inclusive net financial debt of EUR 509.1 million. According to what is reported in the press release issued by RCS on 18 May 2016, "*two of the lending banks have resolved favourably and the other lending banks will submit the remodelling case to their respective boards in the period between 20 May 2016 and 7 June 2016*".

A.1.3 Parties related to RCS

We point out that, pursuant to the "*Procedura in materia di Operazioni con Parti Correlate*" approved by the RCS Board of Directors on 10 November 2010 (as later amended on 18 December 2013 and on 30 September 2015), the said procedure also applies to relations with RCS shareholders and the relative corporate groups (controlling and controlled companies and companies subject to common control) that hold more than 3% of the RCS shares with voting rights, calculated only on the shares owned or managed.

At the Offer Document Date, UTC holds RCS Shares representing 4.72% of the RCS share capital (see Paragraph D.1, Section D, of the Offer Document). Therefore, UTC and the Offeror - as an entity controlled by UTC (for further information see Paragraph B.1.5.a, Section B, of the Offer Document) - must be considered related parties to the Issuer pursuant to and for the effects of the Related Parties' Regulations and the "*Procedura in materia di Operazioni con Parti Correlate*" adopted by the Issuer's Board of Directors.

A.1.4 Summary of the Offeror's future programmes

The purpose of the Offer is to create a large multi-media publishing group with a stable and independent leadership, and to reinforce the economic-financial profile of the RCS Group, and consequently accelerating its restructuring and relaunch process.

The Offeror maintains that, subject to the definition of a debt structure consistent with the expected cash flows, to maintaining the control and to the satisfactory verification of the equity situation of the RCS Group, the RCS relaunch project may, in the medium term, be completed with the corporate integration between the Offeror itself and the latter, by merger. At present, the Offeror has not formulated hypotheses regarding the forecast dynamics of the cash flows of the RCS Group suitable to allow a corporate integration to be completed between Cairo Communication and RCS, also as regards reaching operational business synergies.

Programmes of the Post-Offer Cairo Communication Group

On the Offer Document Date, no business plans relating to the Cairo Communication Group or the Post-Offer Cairo Communication Group have been approved. With regard to the Post-Offer Cairo Communication Group, the Offeror maintains that the business plan can be approved by the end of 2016.

After the possible successful conclusion of the Offer, the Cairo Communication Group will continue its activity in its present operating sectors (magazine publishing, television broadcasting, network operator, advertising space agent), according to the indications outlined in Paragraph G.2, Section G, of the Offer Document.

After the possible successful conclusion of the Offer, in the short-term, the Post-Offer Cairo Communication Group will focus on executing the business plan which will be drawn up for RCS. In this context, the Cairo Communication Group will put into practice organisational solutions aimed at pursuing the synergies indicated under Paragraph G.2, Section G, of the Offer Document, which, it is forecast, will not require significant restructuring and/or reorganisation of the Cairo Communication activity after the Offer is successfully concluded.

We point out that the benefits deriving from implementing the strategies indicated in this Paragraph can be obtained only if the Offer is successfully concluded and Cairo Communication consequently acquires the control over RCS.

Based on the information available at the Offer Document Date, Cairo Communication Group contemplates, as from the financial year 2017: (i) for the achievement of its own business project for RCS, investments in line with the business needs of the establishments and limited investments for the acquisition of skills mainly in the digital sphere. In general, Cairo Communication does not expect total investments to be more than the past amounts of the RCS Group in the last two/three financial years, estimated at about EUR 25/30 million per year; and (ii) for the performance of the activity of the Cairo Communication Group in its present operating sectors, investments in television rights for the current channels La7 and La7*d* for EUR 10–15 million per year.

Cairo Communication Group does not foresee the need to make investments relating to the value increase of Cairo Communication's stake in RCS in addition to those described above, provided the results of the RCS Group are in line with the targets of the plan for the RCS Group which will be drawn up after the Offer successfully concludes and if no other events or circumstances occur that could have a negative influence on the economic, equity or financial situation of the RCS Group.

If, during the three-year term of the business plan which will be drawn up by the Post-Offer Cairo Communication Group, the results of the RCS Group are not in line with the expectations of the plan, or if other circumstances occur that could negatively influence the economic, equity and financial situation of the RCS group, the Offeror does not exclude the possible need to launch RCS recapitalisation initiatives.

Without prejudice to the equity and legal independence of Cairo Communication and of RCS, the prospect of the corporate continuance of the Post-Offer Cairo Communication Group will be strictly linked to the occurrence of events and circumstances – some of which are beyond the Offeror's control – including the implementation, according to the expected extent and the expected timing, of actions that will be programmed for the development of revenues and the generation of cash flows of the Post-Offer Cairo Communication Group adequate to sustain the financial debt of the RCS Group.

The Offeror's future programmes for the RCS Group

Strategic rationales of the Offer

The Offer has identified two strategic directions underlying the project to relaunch the RCS Group:

- **the achievement of maximum efficiency**; and
- **the achievement of the full potential growth of revenues**, through the enrichment of the editorial content of the existing products and the expansion of the offer in Italy and Spain, in a market context with decreasing traditional publishing revenues.

The Offeror maintains that the objectives of the RCS Group's business plan which will be drawn up on the basis of the above directions can lead to the reinforcement of the RCS Group's competitive positioning, the improvement of the financial situation and the progressive reduction of the RCS Group's debt. At present, it is forecast that these objectives can be reached within three years from the start of the actions of the plan.

Non-achievement or partial achievement, with reference to RCS, of the targets of the Offeror's business project, as outlined above, and/or the fact that the achievement of these objectives could take longer than contemplated, could cause even considerably negative effects on RCS' profitability and on the equity, economic and financial situation of the Post-Offer Cairo Communication Group.

As at the Offer Document Date, a business plan for the Post-Offer Cairo Communication Group, which the Offeror maintains can be approved by the end of 2016, has not been approved.

The achievement of maximum efficiency

The achievement of competitive performance requires improved operational efficiency through strategic structural initiatives, aimed at:

- rationalising the business costs structure of the RCS Group; and
- achieving the synergies that can be activated by collaborating with Cairo Communication.

With regard to the first point, Cairo Communication intends to streamline the operating costs of the RCS Group by precisely verifying them, following a logic of the relationship between costs and benefits, pursuing a "zero-base" approach (i.e., reformulating the cost structure based on standard business costs). The activity will also be aimed at, among other things:

- optimising the structure of the external costs, including assessing the re-internalisation of activities that are now outsourced;

- improving the saturation of the print centres (also in synergy with other operators);
- continuing the integration of print and digital editing; and
- reviewing business and procurement processes.

In addition, the business project will also be able to benefit from operational synergies, such as:

- the creation of a model of services shared between the RCS Group and Cairo Communication to reduce the overheads of the structures;
- the integration of the distribution activities;
- the creation of scale economies for the purchase of goods and services;
- the search for synergies between advertising space agents, including with the streamlining of costs over the country; and
- the possible concentration of the production of the magazines of the Cairo Communication Group and of the RCS Group in common press centres.

The achievement of the full potential growth of revenues

Cairo Communication sets itself the aim of maintaining and improving the leadership position that the RCS Group has constructed over the years, with the aim of increasing RCS' market share in the sectors in which it operates also to contrast the market trend of the reduction of the traditional publishing revenues.

From a business viewpoint, Cairo Communication intends to pursue these objectives by:

- enriching the editorial content of the daily newspapers and of the related websites in Italy and Spain by exploiting the journalistic excellence at the RCS Group's disposal, which can significantly contribute towards increasing traffic on digital media;

- increasing the capacity to monetise traffic on digital media, by more effective user profiling aimed at meeting needs in terms of content customisation and at increasing advertising revenues by selling targeted spaces in line with the users' features;

- expanding the RCS Group's digital offer and assessing whether to create a Cairo Communication video content access and broadcasting model, as well as creating new contents and specific formats;

- assessing whether to reinforce the RCS Group's technological platforms by attracting talents and by carrying out targeted acquisitions of start-ups with specific know-how that is useful for the achievement of their own targets;

- creating synergies in order to increase distribution, audiences and advertising revenues thanks to the good level of overlapping of the economic profiles of *Corriere della Sera* readers and the La7 audience;

- increasing advertising revenues including through synergies between the agencies of the RCS Group and those of the Cairo Communication Group, implementing multimedia projects and exploiting the reciprocal strong points on the market (e.g., by sharing exclusive customers or customers with which consolidated links exist in order to launch a cross-media offer);

- exploiting the RCS Group's leading position in the world of sport in Italy and in Spain;

- relaunching magazines in Italy and Spain, creating an editorial re-focusing on high-profile readers for certain magazines – in order to increase the advertising revenues thanks to a clearer positioning that more attractive to advertisers – and developing the potential of the very well-known magazines of the RCS Group, such as "*Oggi*";

- expanding the offer of printed and online magazines, with the development of new vertical publishing platforms featuring specialist content (for example, in sectors such as cars, real estate, health, work, reading, food and cuisine, furniture and design, travel);
- assessing the replicability for Spain of the magazine development model implemented by Cairo Editore, taking advantage of the presence on that market of the subsidiary Unidad Editorial;
- completing the RCS Group's offer by improving and developing the vertical platform for sports events, in order to make these a growing source of revenues and margins, taking as a reference the main events of the sector in Europe (e.g., the Tour de France). For this purpose, Cairo Communication not only pursues the development of advertising revenues from the *Giro d'Italia*, but it will also maximise the value of its television rights in Italy and abroad; and
- assessing possible opportunities in sectors such as local news, or in niche segments of its traditional activities (for example, institutional and financial advertising).

For further information, see Paragraph G.2, Section G, of the Offer Document.

A.1.5 Risks related to the Contribution

The Capital Increase is subject to the discipline of Articles 2440 and 2343-*ter* and following of the Civil Code on company capital increases to be executed by contributions in nature.

Prof. Andrea Amaduzzi, in the capacity of independent expert pursuant to Article 2343-*ter*, paragraph 2, letter b), of the Civil Code, on 20 April 2016 issued his own appraisal report on the RCS Shares at 31 December 2015. In the report, Prof. Andrea Amaduzzi maintained that, at the reference date of 31 December 2015, the unit value that could be attributed to the RCS Shares was not less than that attributed for the determination of the share capital and the premium for the Capital Increase.

We point out that Cairo Communication Board of Directors, pursuant to the combined provision of Articles 2343-*quater* and 2440 of the Civil Code, shall issue, within 30 days from the contribution or, if later, from the date of the annotation of the Capital Increase in the Companies Register, a statement to the effect that, after the date referred to by the appraisal drawn up by the independent expert pursuant to Article 2343-*ter*, paragraph 2, letter b), of the Civil Code, there have been no exceptional facts or new relevant facts such as to considerably modify the value attributed to the RCS Shares for the purposes of the Capital Increase, and also confirming the requirements of professional skill and independence of the expert who has issued the appraisal pursuant to Article 2343-*ter*, paragraph 2, letter b), of the Civil Code. We point out that until the said statement is filed in the Milan Companies Register, Cairo Communication Shares cannot be sold and must remain deposited with the Offeror.

In the case the Cairo Communication Board of Directors maintains that exceptional facts or relevant new facts have occurred such as to considerably alter the value attributed to the RCS Shares for the purposes of the Capital Increase, or that Prof. Andrea Amaduzzi does not have the requisites of professional skill and independence, in his capacity as the expert who has issued the appraisal report on the RCS Shares pursuant to Article 2343-*ter*, paragraph 2, letter b), of the Civil Code, the Cairo Communication Board of Directors, pursuant to Article 2343-*quater*, paragraph 2, of the Civil Code, must proceed with the ordinary procedure for the appraisal of contributions in nature contemplated by Article 2343 of the Civil Code, which requires, in particular, a sworn report on the appraisal of the assets contributed on the part of an expert appointed by the Court of the district in which the transferee company has its registered office.

Therefore, there is a risk that the Board of Directors may not be able to make the statement required by Article 2343-*quater*, paragraph 2, of the Civil Code and that it may have to proceed with a new appraisal pursuant to and for the effects of Article 2343 of the Civil Code, with consequent uncertainties regarding the time required for the appointment of the expert by the competent Court and the time required for the issue of the expert's appraisal report. Furthermore, pursuant to Article 2343 of the Civil Code, if the value of the assets contributed is more than 1/5 less than the value for which the contribution is made, the transferee company will have to proportionately reduce its share capital, annulling the shares that remain uncovered.

At the Offer Document Date, it is planned that the Cairo Communication Board of Directors meeting called to carry out these verifications, will be held within the Consideration Payment Date and, in any case, in time for the execution of the procedures connected to that payment.

For further information, see Paragraph E.7.6, Section E, of the Offer Document.

A.1.6 Valuation criteria underlying the determination of the Consideration

With regard to the nature of the Consideration, represented by newly issued Cairo Communication Shares in exchange for RCS Shares tendered to the Offer, Offeror carried out the valuation analyses underlying the determination of the Consideration to express a comparative estimate of the economic values of the Cairo Communication Group and the RCS Group. Therefore, according to a settled principle of appraisal practice, the Offeror's valuation approach has privileged relative similarity and comparability of the valuation criteria applied, in order to identify relatively similar and comparable value ranges of Cairo Communication and RCS. The estimates of the value of the economic capitals of Cairo Communication and RCS underlying the determination of the Consideration are therefore significant only in relative terms.

The valuation analyses carried out by the Offeror to determine the Consideration have the following main limits and difficulties:

(i) the Offeror has not carried out a due diligence of a financial, legal, commercial, tax, business or any other nature;

(ii) RCS, at the Offer Document Date, is undergoing an operational restructuring process and a financial restructuring process, the future results of which are uncertain as, depending on the effective execution of the Offer and the negotiations currently in progress with the banks with which RCS has loan agreements;

(iii) the economic-financial projections relating to the RCS 2016–2018 Plan, presented in an abridged form to the financial community on 21 December 2015, are not sufficiently detailed to determine the operational cash flows expected of the RCS Group for the purpose of the application of fundamental valuation methods;

(iv) the "non-current charges" of RCS, both past and future, are of very significant amounts: more specifically, in calculating the EBITDA before non-current charges, RCS has adjusted the EBITDA for charges of EUR 59.7 million, EUR 110.5 million, EUR 32.8 million and EUR 55.4 million for the financial years 2012, 2013, 2014 and 2015, respectively, with a percentage weight on the respective annual revenues of 3.7%, 8.4%, 3.1% and 5.4%. In addition, the RCS

2016–2018 Plan also gives an estimate of additional "non-current charges" for a total of EUR 70–80 million, for which no detailed information is available, regarding their nature and distribution over time;

(v) Cairo Communication and RCS are only partially comparable with other similar listed companies, some of which operate on different geographic markets, with different business mixes and different business volumes, expected growth profiles, profitability and risks; this limitation is particularly important for RCS, given the aforementioned financial and operational restructuring process and the relevant "non-current charges" that feature the company's past and expected future profitability values; and

(vi) no previous transactions have been identified that can offer an applicable parameter for estimating the value of the economic capitals of Cairo Communication and RCS for the purpose of determining the Consideration.

Therefore, given that these valuation limitations and, more specifically, the fact that the Offeror has not had access to detailed forecasts which would allow for the preparation of financial assessments of an analytical type for the RCS Shares, for the purpose of determining the Consideration, the Offeror has used a valuation approach based on market methodologies, in line with best appraisal practices at national and international level. More specifically, the main method is that based on Stock Exchange Listing. The Consideration is therefore based on the evaluations expressed by the market, understood as the community of investors and financial analysts, for the Cairo Communication and RCS securities or for the listed companies deemed comparable with the same.

The stock exchange prices only give a summary estimate of the economic capital of a company with listed shares, as shown by the market. In an efficient market, stock exchange prices are a reliable indicator of a company's value as they reflect the investors' expectations in terms of profit, equity solidity, risk and future growth of a company and, consequently, the investor's opinion of the company's value based on publicly available information, including its past and forecast operational and financial data. With regard to Cairo Communication, the importance of the stock exchange price may be limited to the reduced liquidity of the security itself. With regard to RCS, however, taking into account the negative results registered in recent years, the high debt level and the company's undergoing restructuring process, the estimate by the market of the operational and financial prospects of the company could be complex and subject to inevitable uncertainty. Consequently, as well as to mitigate these sources of uncertainty and the possible effects linked to the volatility of the stock exchange prices, the Consideration has been determined taking into account the stock exchange prices of the Cairo Communication and RCS securities for various time horizons, specifically one week, one month, three months and six months prior to the Offer announcement (see Paragraph E.1, Section E, of the Offer Document).

In addition, the values obtained by the application of the Stock Exchange Listing methodology have been checked by the application of the Target Prices and the Stock Exchange Multiples methods, always respecting the principle of relative similarity and comparability of the methodologies applied. With regard to the Stock Exchange Multiples method, the average multiples of listed companies comparable to Cairo Communication and RCS have been applied to the final EBITDA of 2015 of the two companies, as reported by the same (for RCS, expressed gross of non-current charges - the EBITDA prior to non-current charges), and to the forecast EBITDA of the financial years 2016 and 2017, as estimated by the research analysts who follow the two securities. We point out that the two companies adopt different EBITDA configurations (as described in the Glossary); rendered similar for the purposes of the *pro-forma* representation, as described in Paragraph B.1.15, Section B, of the Offer Document, the 2015 EBITDA of Cairo Communication and RCS would be approximately EUR 1.0

million and EUR 2.5 million lower, respectively, than the amounts reported by the two companies. The Offeror therefore maintains that the impact of the different EBITDA structures of Cairo Communication and RCS on the values obtained by the application of the Stock Exchange Multiples method are not significant for the determination of the Consideration.

The table below shows the comparison between the Consideration, calculated on the basis of the official price of the Cairo Communication Shares registered on 7 April 2016, adjusted to take into account the dividend approved by the Cairo Communication shareholders' meeting on 27 April 2016, and: (i) the official price of the RCS Shares on the Stock Exchange Trading Day prior to the date of the announcement of the Offeror's decision to launch the Offer (i.e., 7 April 2016); and (ii) the weighted averages of the official prices relative to one month, three months, six months and one year prior to the date of the announcement of the Offeror's decision to launch the Offer.

REFERENCE	IMPLICIT CONSIDERATION	CONSIDERATION OFFERED V. MARKET PRICE
	EX DIVIDEND	EX DIVIDEND
Consideration offered	0.527	
Official price at 7 April 2016	0.4156	26.8%
Average prices at 1 month	0.4911	7.3%
Average prices at 3 months	0.5486	(3.9%)
Average prices at 6 months	0.5908	(10.8%)
Average prices at 1 year	0.7557	(30.3%)

Source: Bloomberg, official prices

For further information, see Paragraph E.1, Section E, of the Offer Document.

A.1.7 Authorisations

The promotion of the Offer is not, in itself, subject to obtaining prior authorisation.

Taking into account that the Offer is subject, among other things, to the unconditioned approval by AGCM, pursuant to Law no. 287 of 10 October 1990, and by AGCOM, pursuant to Legislative Decree no. 177 of 31 July 2005, of the acquisition of the control of RCS by Cairo Communication, we point out the following:

(i) on 28 April 2016, the Offeror, pursuant to and for the effects of Article 16 of Law no. 287 of 10 October 1990, informed AGCM of the decision to promote the Offer. Pursuant to the applicable legislation, "Phase 1" of the procedure should have closed on 13 May 2016, i.e. within 15 calendar days from receiving the notice. However, the term was interrupted by a request from AGCM on 12 May 2016 for additional information. The 15 day term will be resumed on the day the Offeror transmits the additional information to AGCM (which the Offeror expects to transmit after the publication of the Offer Document).

    If AGCM deems it necessary to open an in-depth inquiry ("Phase 2"), the Authority, within the term of 45 days (which can be extended for a maximum of 30 more days), can: (i) authorise the transaction; or (ii) if it finds that the concentration involves the creation, or the reinforcement, of a dominant position on the market such as to eliminate or to substantially and lastingly reduce competition: (a) ban the transaction; (b) authorise it, prescribing corrective measures deemed suitable for eliminating the critical factors identified; (c) or, if the transaction has already been carried out, provide for the measures deemed necessary to restore conditions of effective competition, eliminating the distorting effects of the transaction (i.e. de-concentration measures or other less invasive measures);

(ii) on 28 April 2016, the Offeror presented to AGCOM the request for authorisation, pursuant to Article 1, paragraph 6, letter c), no. 13, of Law 249/1997, and simultaneous advance notice, pursuant to Article 43, paragraph 1, of Legislative Decree no. 177 of 31 July 2005.

On 19 May 2016, AGCOM informed Cairo Communication that: (i) in relation to the possible acquisition of the control of RCS by Cairo Communication, authorisation for the transfer of ownership is not necessary pursuant to Article 1, paragraph 6, letter c), no. 13, of Law 249/1997, since - according to the information in the Register of Communication Operators ("**ROC**") - RCS is not the direct holder of concessions, authorisations or other qualifying titles for the exercise of radio and television broadcasting; and (ii) with reference to the notification of concentration transactions pursuant to Article 43, paragraph 1, of Legislative Decree no. 177 of 31 July 2005, it is necessary - for the purposes of the execution of the preliminary inquiry - to present the definitive elements of the Offer after this latter has been approved by the competent authority.

Pursuant to the applicable provisions, AGCOM in fact has 60 days from receiving the communication (i.e. within 28 June 2016) to carry out the preliminary inquiry and to decide whether to open an in-depth inquiry or not (the said term may be interrupted to acquire additional documents and information, without prejudice to the fact that the said interruption may not, in any case, exceed 60 days for each request).

If AGCM decides to open the inquiry phase, the Authority, within the term of 120 days (which can be extended for a maximum of 60 more days), can: (i) dismiss the procedure, if it finds that the reported concentration transaction does not exceed certain limits contemplated by the applicable legislative provisions; (ii) issue a public deed of warning, if it maintains that the aforesaid limits, although not yet exceeded, will probably be exceeded; (iii) issue a provision to eliminate or prevent the formation of positions harmful to pluralism, if it finds that the aforesaid limits have been exceeded. Specifically, AGCOM can impose: (a) measures of conduct aimed at removing the effects of the transaction which leads to the said limits being exceeded; (b) structural measures, such as the disposal of a company or of a company business unit, to be carried out within the term indicated in the provision itself, which may not exceed twelve months.

Without prejudice to Offeror's faculty of waiving, entirely or in part, the aforesaid condition or of modifying the terms of the same, within the limits and according to the procedures contemplated by Article 43 of the Issuers' Regulations.

We mention that on 26 April 2016 the Offeror informed the Spanish anti-trust authority (*Comisión Nacional de Mercados y de la Competencia*) of its decision to promote the Offer, pursuant to and for the effects of Article 7 of Spanish law no. 15 of 3 July 2007. With a provision transmitted on 13 May 2016, the *Comisión Nacional de Mercados y de la Competencia* resolved to authorise the transaction.

The transaction was notified to AGCM pursuant to Article 16, paragraphs 1 and 5, of Law no. 287 of 10 October 1990. Under paragraph 1, in fact, all concentration transactions ([1]) between companies must "*be communicated in advance to AGCM if total domestic sales of all the companies involved amount to more than EUR 495 million and if total domestic sales of the transferee company exceeds EUR 50 million*" ([2]). Paragraph 5 also adds that "*a takeover bid which can give rise to concentration transactions subject to the communication contemplated under paragraph 1* [must] *be communicated to the Authority at the moment of the communication to the national Securities and Exchange Commission*".

Pursuant to Article 16, paragraph 4, of Law no. 287 of 10 October 1990, "*if the Authority maintains that a concentration transaction should be banned pursuant to Article 6, it must open, within thirty days from receiving the notice or from the date when, at any rate, it gains knowledge of the same, the inquiry adhering to the provisions of Article 14. If the Authority, in the case of a regularly communicated concentration transaction, deems it unnecessary to open the inquiry, it must inform the companies involved and the Ministry of Industry, Commerce and Small Businesses of its conclusions on the matter, within thirty days from receiving the notice*". Paragraph 6 specifies that "*in the case of a takeover* […] *the Authority must notify the opening of the inquiry* [ed. note: the so-called "Phase 2"] *within fifteen days from receiving the communication and it must simultaneously inform the National Securities and Exchange Commission".*

Pursuant to Article 6 of Law 287/90 "*the Authority assesses whether* [the concentration transactions notified pursuant to Article 16] *involve the creation or the reinforcement of a dominant position on the domestic market such as to eliminate or substantially and lastingly reduce competition. This situation must be assessed taking into account the possibilities of choice of the suppliers and of the users, of the position on the market of the companies concerned, of their access to provisioning sources or to market outlets, of the structure of the markets, of the competitive situation of the sector at national level, of the barriers to the entry to the market of competitive companies, and of the trend of the demand and of the offer of the products or services in question*".

With reference to the procedure before AGCM, the Offeror maintains that Cairo Communication's acquisition of the control of RCS - in the case of a positive result of the Offer - will not determine the creation or the reinforcement of a dominant position such as to eliminate or substantially and lastingly reduce competition on the relevant markets, i.e. those markets on which there would be an overlapping of the activities of magazine publishing and the sale of advertising space in print, on-line and on television carried out by the Cairo Communication Group and by the RCS Group.

In particular, with regard to the volumes in the printed magazine sector and the values of the sales of advertising space, in the case of a positive result of the Offer and of the acquisition of the control of RCS by Cairo Communication, the markets on which joint quotas of more than 25% will be registered are ([3]): (i) the market of weekly magazines, where the Post-Offer Cairo Communication Group will hold a share of 34.5% ([4]); (ii) the market of women's weekly magazines, where it will hold a share of 25.6% ([5]); (iii) the market of weekly family magazines, where it will hold a share of 39.4% ([6]); and (iv)

([1]) Pursuant to Article 5 of Law 287/90, "*A concentration transaction takes place: a) when two or more companies merge; b) when one or more subjects which control at least one company or one or more companies acquire directly or indirectly, whether by the purchase of shares or equity elements, or by agreement or by any other means, the control of all or parts of one or more companies; c) when two or more companies proceed, by the incorporation of a new company, with the incorporation of a common company. The assumption of the control of a company does not take place when a bank or a financial institute acquires, at the moment of the incorporation of a company or an increase in its capital, stakes in that company in order to resell them on the market, if it does not holds said stakes for more than twenty-four months and if, during that term, it does not exercise the voting rights inherent to the said stakes. Transactions for the purpose, or with the main effect, of coordinating the behaviour of independent companies do not give rise to a concentration*".

([2]) The amounts were most recently modified by AGCM Provision no. 25892 of 9 March 2016.

([3]) Average weekly or monthly circulation data.

([4]) Source: Cairo Communication processing of the data released by ADS.

([5]) Source: Cairo Communication processing of the data released by ADS together with, for 2015, the estimated date of the news agency sales of magazines not registered by ADS.

the market of monthly travel magazines, where it will hold a share of 29.1% ([7]). According to the Offeror, these markets still feature the absence of significant barriers to entry and the presence of a great number of qualified competing operators.

On the basis of the above, without prejudice to the fact that the Post-Offer Cairo Communication Group's market position which will be assessed by AGCM could be different from that assessed by the Offeror, this latter maintains that the transaction will not cause the creation or the reinforcement of a dominant position on any of the markets mentioned.

With reference to AGCOM authorisation, the Offeror maintains that the acquisition of the control of RCS by Cairo Communication - in the case of the positive outcome of the Offer - will not determine the creation of a dominant position for Cairo Communication which would be banned pursuant to Article 43 of Legislative Decree no. 177 of 31 July 2005 (the Italian Consolidated Act on Audiovisual and Radio Media Services, or the "**TUSMAR**"), inasmuch as all the limits contemplated therein are respected.

In particular, Article 43, paragraph 7, of the TUSMAR contemplates limits to the number of authorisations for the broadcasting of television programmes, ruling that "*a single supplier of contents, also through companies that can be qualified as subsidiaries or associated companies pursuant to paragraphs 13, 14 and 15* ([8])*,* [may] *not be the holder of authorisations that allow for broadcasting more than 20 percent of all television programmes* […] *that can be broadcast in the country on terrestrial frequencies by the networks contemplated by the* [national plan for the assignment of digital radio and television broadcasting frequencies]". To this regard, we point out that this threshold would not be exceeded by the acquisition of the control of RCS by Cairo Communication. The subsidiary La7, in fact, at present holds two authorisations for the domestic supply of audio visual media services on terrestrial frequencies, through the general television channel La7 and the semi-general television channel La7d. Considering that in 2014 there were 126 digital terrestrial television channels, the market share of La7 in that year was 1.4%([9]). This situation would remain unchanged also after the Offer, since RCS operates on satellite television channels which are not relevant as regards the obligation pursuant to Article 43, paragraph 7, of the TUSMAR.

With regard to respect for the anti-concentration limits, under paragraph 9 of Article 43 of the TUSMAR: "*Without prejudice to the ban on the creation of dominant positions on the single markets which comprise the integrated communications system, the subjects obliged to be listed on the communication operators' register introduced pursuant to Article 1, paragraph 6, letter a), number 5), of Law no. 249 of 31 July 1997, may not, directly or through*

([6]) Source: Cairo Communication processing of the data released by ADS together with, for 2015, the estimated date of the news agency sales of magazines not registered by ADS.

([7]) Source: Cairo Communication processing of the data released by ADS together with, for 2015, the estimated date of the news agency sales of magazines not registered by ADS.

([8]) Paragraphs 13, 14 and 15 of the said article rule as follows:
"*13. For identifying dominant positions forbidden by this consolidated act in the integrated communications system, interests in capital acquired or, in any case, held also through indirectly controlled companies, trust companies or by proxy are also considered. Interests are considered acquired if they result as belonging to a different subject than the previous owner also consequent to, or in connection with, mergers, spin-offs, unbundling, company transfers or similar which involve such subjects. If agreements exist between the various shareholders, concluded in any form whatsoever, regarding the concerted exercise of the vote or, in any case, regarding the management of the company, other than mere consultation between shareholders, each of the shareholders will be considered as the holder of the sum of the shares or stakes held, or controlled, by the contracting shareholders.*
14. For the purposes of this consolidated act, control exists, also with reference to subjects other than the companies, in the cases contemplated by Article 2359, paragraphs one and two, of the Civil Code.
15. Control is considered as existing in the form of dominant influence, unless proven otherwise, in the case of one of the following situations: a) the existence of a subject which, alone or in concert with other shareholders, has the possibility of exercising the majority of the votes at the ordinary shareholders' meeting and of appointing or revoking the majority of the directors; b) the existence of agreements, also between shareholders, of a financial or organisational or economic nature suitable to produce the following effects: 1) the transmission of profits and losses; 2) the coordination of the management of the company with that of other companies for the purpose of pursuing a common purpose; 3) the attribution of greater powers than those deriving from the shares or stakes held; 4) the attribution to subjects, other than those entitled according to the ownership structure, of powers in the choice of the company directors and managers; c) being subject to a common management, which may also result on the basis of the features of the composition of the governing bodies or other significant and qualified elements.".

([9]) Most recent data available. Source: CRTV – Confindustria Radio Televisioni.

controlled or associated subjects pursuant to paragraphs 14 and 15 (10)*, achieve profits of more than 20 percent of the total revenues of the system of integrated communications (SIC)*". Paragraph 10 of the same Article specifies that the revenues referred to under paragraph 9, "*are those deriving from the financing of the public radio-television service net of taxes, from national and local advertising also in a direct form, from sales via television, from sponsorships, from the broadcasting of products produced at the sale point excluding actions on prices, from agreements with public subjects of a continuous nature and from public grants issued directly to the subjects which practise the activities indicated under Article 2, paragraph 1, letter s)* (11)*, from pay television offers, from subscriptions and from the sale of newspapers and magazines, books and recorded products, as well as from national news agencies, from electronic publishing and from the publishing of directories also via the Internet, from on-line advertising and from the various platforms also in a direct form, including the resources collected from search engines, social and sharing platforms, and from the use of cinematographic works in the various forms in which they are used by the public*". The Offeror maintains that, in the case of the acquisition of the control of RCS by Cairo Communication, the 20% limit of total revenues of the SIC would not be exceeded. Pursuant to AGCOM 658/15/CONS Resolution (12) of 1 December 2015, in fact, Cairo Communication and RCS achieved revenues in 2014 (13) of respectively 1.5% (14) and 3% (15) of the total revenues achieved within the SIC in that year.

Lastly, pursuant to Article 43, paragraph 11, of the TUSMAR, "*Companies whose revenues, also through subsidiary and associated companies, in the electronic communications sector, as defined by Article 18 of Legislative Decree no. 259 of 1 August 2003, are more than 40 percent of the total revenues of the sector, cannot obtain in the System of Integrated Communications revenues of more than 10 percent of the said system*". This limit is not applicable in the case in point, inasmuch as, at the Offer Document Date, neither Cairo Communication nor, on the basis of the publicly available information, RCS obtain revenues in the electronic communications sector.

We lastly point out that the transaction will not lead to exceeding the dominance threshold prescribed by Article 3 of Law no. 67/1987, pursuant to which, in order to guarantee information pluralism in the newspaper sector, a subject is recognised as having a dominant position if, on the result of a concentration: (i) it publishes or controls companies which, in turn, publish newspapers whose circulation, in the previous year, exceeded 20% of the total circulation of newspapers in Italy; (ii) it publishes or controls companies which, in turn, publish a number of newspapers whose circulation, in the previous year, was more than 50% of the total number of newspapers circulated in the same inter-regional area; (iii) it becomes the holder of connections with companies which publish newspapers whose circulation, in the preceding calendar year, was more than 30% of the total circulation of newspapers in Italy. As pointed out above, in fact, the transaction will not have any impact on the newspaper market, in which only RCS operates and not Cairo Communication.

In the light of the above, without prejudice to the fact that the assessments of AGCM regarding the compliance with the above-mentioned limits could be different from those of the Offeror, this latter maintains that the transaction will not cause the creation of a dominant position forbidden by the applicable regulations.

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(10) See note 8.

(11) Article 2, paragraph 1, letter s) refers to the following activities: "*the publication of newspapers and magazines; the publication of directories and electronic publishing also via the Internet; radio and audio-visual services; cinema; outdoor advertising; advertising initiatives for products and services; sponsorships*".

(12) Most recent data available.

(13) The data relative to the size of the SIC for the year 2014 are given, inasmuch as the most recent available.

(14) The data have been extracted from the annual communications sent by Cairo Communication to AGCOM.

(15) AGCOM processing of company data.

Nevertheless, in the case of the Offeror's waiver, also partial, of the Condition of Effectiveness of the Offer related to obtaining the AGCM and AGCOM authorisations, we point out that the authorities could adopt deconcentration and structural measures, with possible negative effects on the business continuity and the economic, equity and financial situation of the Post-Offer Cairo Communication Group.

For further information, see Paragraph C.3, Section C, of the Offer Document.

A.1.8 Offeror's declaration regarding the fulfilment of the Purchase Obligation pursuant to Article 108, paragraph 2, of the TUF and the possible restoration of the float

The offer is not aimed at the Delisting of the RCS Shares.

Nevertheless, and without prejudice to the foregoing, in the event that, as a result of the acceptance of the Offer and/or the purchase of RCS Shares that may take place outside the Offer pursuant to the applicable laws, the Offeror comes to hold a stake higher than 90% and lower than 95% of the RCS share capital, the Offeror reserves the right to assess, depending on the number of RCS Shares tendered to the Offer and the market conditions, whether or not to proceed to restore a free float sufficient to ensure the regular trading of the RCS Shares on the MTA.

In particular, if, at the end of the Acceptance Period, the conditions for the applicability of the Purchase Obligation pursuant to Article 108, paragraph 2, of the TUF have been satisfied, the Offeror will indicate, in a specific section of the Press Release on the Offer Results - which will be published, pursuant to Article 41, paragraph 6, of the Issuers' Regulation, on 14 July 2016 (see Paragraph F.3, Section F and Paragraph G.3, Section G, of the Offer Document) - this circumstance as well as the decision to proceed or not to restore the float.

If the Offeror declares that it does not intend to restore the float, the Press Release on the Offer Results will also give information on the terms and methods by which the Offeror will fullfil the Purchase Obligation pursuant to Article 108, paragraph 2, of the TUF.

It must be noted that the RCS share capital threshold of more than 90% and less than 95% will be considered reached if: (a) RCS Shares representing more than 90% and less than 95% of the share capital are tendered to the Offer; or (b) by adding the RCS Shares tendered to the Offer to the RCS Shares held by UTC, if these latter shares are not tendered to the Offer, the Offeror and UTC hold a total stake in the RCS share capital of more than 90% and less than 95%.

If the Offeror fullfil the Purchase Obligation pursuant to Article 108, paragraph 2, of the TUF, the purchase price of the RCS Shares:

(i) if, as a consequence of the Offer, the Offeror has acquired RCS Shares representing no less than 90% of the capital with voting rights included in the Offer, will be a consideration for each RCS Share determined pursuant to the provisions referred to by Article 108, paragraph 3 and 5 of the TUF, and therefore equal to the Consideration. We point out that the holder of the RCS Shares can demand full payment, instead of the Consideration composed of no. 0.12 of Cairo Communication Shares for each RCS Share held, of the Full Cash Payment being determined by the valuation of the Cairo Communication shares on the basis of the weighted average of the official prices registered in the five Stock Exchange Trading Days prior to the Consideration Payment Date, pursuant to Article 50-*ter*, paragraph 1, letter a) of the Issuers' Regulation. The Offeror will communicate, by a specific press release which will be published in useful time before the execution of the Purchase Obligation pursuant to Article 108, paragraph 2, of the TUF, the information relative to the determination and the entity of the Full Cash Payment; or

(ii) in other cases, will be a consideration per RCS Share determined by CONSOB pursuant to Article 108, paragraph 4, of the TUF and Articles 50 and 50-*bis* of the Issuers' Regulation. We point out that RCS Shareholder can demand full payment of the Full Cash Payment instead of the Consideration of no. 0.12 of Cairo Communication Shares for each RCS Share held, pursuant to Article 50-*ter*, paragraph 1, letter b), of the Issuers' Regulation, determined as equal to the valuation in monetary terms calculated by CONSOB pursuant to Article 108, paragraph 4, of the TUF and of Articles 50 and 50-*bis* of the Issuers' Regulation. The Offeror will communicate, by a specific press release which will be published in useful time before the execution of the Purchase Obligation pursuant to Article 108, paragraph 2, of the TUF, the information relative to the determination and the entity of the Full Cash Payment.

Following the possible fullfillment of the Purchase Obligation pursuant to Article 108, paragraph 2, of the TUF, Borsa Italiana, pursuant to Article 2.5.1, paragraph 6, of the Stock Exchange Regulation, will order the Delisting as from the first Stock Exchange Trading Day following the last payment day of the consideration of the RCS Shares for which the Purchase Obligation has been fulfilled pursuant to Article 108, paragraph 2, of the TUF (without prejudice, in any case, for the provisions of the successive Paragraph A.1.9, Section A, of the Offer Document).

Therefore, the RCS shareholders who have decided not to tender the RCS Shares during the Acceptance Period, and/or who have not requested the Offeror to buy their RCS Shares during the possible procedure for fullfilment of the Purchase Obligation pursuant to Article 108, paragraph 2, of the TUF, shall remain holders of financial instruments that are not traded on any regulated market, with all the consequent difficulties in terms of liquidation of their investment (see Paragraph G.3, Section G, of the Offer Document).

A.1.9 The Offeror's declaration on the fulfilment of the Purchase Obligation pursuant to Article 108, paragraph 1, of the TUF and on the exercise of the Squeeze-Out Right

If - as a result of the Offer acceptances and/or the purchases of RCS Shares that may take place outside the Offer pursuant to the applicable laws and/or by effect of purchases carried out in fulfilment of the Purchase Obligation pursuant to Article 108, paragraph 2, of the TUF - the Offeror comes to hold a total stake of at least 95% of the Issuer's share capital, the Offeror will fulfil the Purchase Obligation pursuant to Article 108, paragraph 1, of the TUF for the remaining RCS Shares in issue, buying them from requesting RCS shareholders.

It must be noted that the RCS share capital threshold of at least 95% will be considered reached if: (a) RCS Shares representing at least 95% of the share capital are tendered to the Offer; or (b) by adding the RCS Shares tendered to the Offer to the RCS Shares held by UTC, if these latter shares are not tendered to the Offer, the Offeror and UTC hold a total stake in the RCS share capital of at least 95%.

Furthermore, the Offeror declares that it will not take exercise the Squeeze-Out Right in relation to the remaining RCS Shares in issue, pursuant to Article 111 of the TUF.

The purchase price for the remaining RCS shares will be equal to:

(i) if, as a consequence of the Offer, the Offeror has acquired RCS Shares representing no less than 90% of the capital with voting rights included in the Offer, a consideration for each RCS Share determined pursuant to the provisions referred to by Article 108, paragraph 3 and 5 of the TUF, and therefore equal to the Consideration, without prejudice to the fact that the holder of the RCS Shares may demand the Full Cash Payment. For further details on the methods for determining the Full Cash Payment, see the preceding Paragraph A.1.8, Warnings Section, of the Offer Document; or

(ii) in other cases, a consideration per RCS Share determined by CONSOB pursuant to Article 108, paragraph 4, of the TUF and Articles 50 and 50-*bis* of the Issuers' Regulation, without prejudice to the fact that holder of the RCS Shares may demand the Full Cash Payment. For further details on the methods for determining the Full Cash Payment, see the preceding Paragraph A.1.7, Warnings Section, of the Offer Document.

The Offeror will indicate, in a special section of the Press Release on the Offer Results or the press release on the results of the Purchase Obligation procedure pursuant to Article 108, paragraph 2, of the TUF, whether the conditions for the application of the Purchase Obligation pursuant to Article 108, paragraph 1, of the TUF, have been fulfilled. If they have been fulfilled, indications will also be given regarding: (i) the number of remaining RCS Shares; and (ii) the terms and methods by which the Offer will fulfilthe Purchase Obligation pursuant to Article 108, paragraph 1, of the TUF.

Consistently with what is contemplated in the preceding Paragraph A.1.8, Warnings Section, of the Offer Document, the Offeror may proceed, after fulfillingthe Purchase Obligation pursuant to Article 108, paragraph 1, of the TUF, to restore the float to a sufficient level to ensure the regular trend of the trading of the RCS Shares on the MTA.

If the float is not restored, after fulfilment of the Purchase Obligation pursuant to Article 108, paragraph 1, of the TUF, Borsa Italiana, pursuant to Article 2.5.1, paragraph 6, of the Stock Exchange Regulation, will order the Delisting as from the last payment day of the Consideration for the RCS Shares for which the Purchase Obligation has been fulfilled pursuant to Article 108, paragraph 1, of the TUF.

For further information, see Paragraph G.4, Section G, of the Offer Document.

A.1.10 Possible scarcity of float

Without prejudice to what is indicated in the preceding Paragraphs A.1.8 and A.1.9, Warnings Section, of the Offer Document, if, on conclusion of the Offer, there is a shortage of the float such as to fail to ensure the regular trend of the trading of the RCS Shares, also in consideration of the possible permanence among the RCS shareholders who/which hold relevant stakes of the Issuer's company (i.e. more than 3% of the share capital), Borsa Italiana could order the suspension of the trading of the RCS Shares and/or the Delisting pursuant to Article 2.5.1 of the Stock Exchange Regulation, unless the Offeror decides to restore the float to a sufficient level to ensure the regular trend of the negotiations (see also the successive Paragraph A.1.11, Warnings Section, of the Offer Document).

A.1.11 Alternatives for the shareholders to which the Offer is addressed

For greater clarity, in this Warning, we illustrate the possible scenarios for the present holders of the Issuer's shares if the Offer:

(i) is completed, by effect of the fulfilment of the Conditions of Effectiveness of the Offer or by effect of the waiver of the same by the Offeror, distinguishing between acceptance and non-acceptance of the Offer; or

(ii) is not completed, by effect of the non-fulfilment of the Conditions of Effectiveness of the Offer, without the Offeror waiving the same.

We point out that, while the Offer is pending, the RCS shareholders who have not tendered their RCS Shares to the Offer may, if appropriate, sell them on the market.

A.1.11.a. Scenarios in case of successful conclusion of the Offer

A. Scenario for the Issuer's shareholders who accepted the Offer

In case of fulfilment or waiver by the Offeror of the Conditions of Effectiveness of the Offer referred to under the preceding Paragraph A.1.1 and, therefore, the conclusion of the Offer, the Tendering Shareholders who have tendered their RCS Shares to the Offer will receive the Consideration, equal to no. 0.12 of Cairo Communication Shares for each RCS Share held by the same and tendered to the Offer and, therefore, they will become Cairo Communication shareholders.

B. Scenario for the Issuer's shareholders who do not accept the Offer

In case of fulfilment or waiver by the Offeror of the Conditions of Effectiveness of the Offer referred to in the previous Paragraph A.1.1 and, therefore, of the conclusion of the Offer, the scenarios for the Issuer's shareholders who have not accepted the Offer can be summed up as follows:

(a) The Offeror reaches a stake of at least 95% of the Issuer's share capital.

If - by effect of the Offer acceptances during the Acceptance Period and/or the acquisition of additional RCS Shares that the Offeror buys in conformity to the applicable legislation and/or by effect of the purchases carried out subsequent to fulfilment of the Purchase Obligation pursuant to Article 108, paragraph 2, of the TUF - the Offeror were to hold a total stake of at least 95% of the Issuer's share capital, the Offeror will comply with the Purchase Obligation pursuant to Article 108, paragraph 1, of the TUF for the remaining outstanding RCS Shares towards the requesting RCS shareholders. The Offeror will not take avail of the Purchase Right for the remaining outstanding RCS Shares, pursuant to Article 111 of the TUF. In this case, the Issuer's shareholders who have not accepted the Offer would have the right to request the Offeror to buy their RCS Shares, pursuant to Article 108, paragraph 1, of the TUF, at a purchase price for each RCS Share equal to: (i) if, as a consequence of the Offer, the Offeror has acquired RCS Shares representing no less than 90% of the capital with voting rights included in the Offer, a consideration for each RCS Share determined pursuant to the provisions referred to by Article 108, paragraph 3 and 5 of the TUF, and therefore equal to the Consideration, without prejudice to the fact that the RCS Shareholder may demand the Full Cash Payment; or (ii) in other cases, a consideration per RCS Share determined by CONSOB pursuant to Article 108, paragraph 4, of the TUF and Articles 50 and 50-*bis* of the Issuers' Regulations, without prejudice to the fact that the hoder of RCS Sharesmay demand the Full Cash Payment.

Consistently with what is contemplated in the preceding Paragraph A.1.7, Warnings Section, of the Offer Document, the Offeror may proceed, after fulfilling the Purchase Obligation pursuant to Article 108, paragraph 1, of the TUF, to restore the float to a sufficient level to ensure the regular trend of the trading of the RCS Shares on the MTA.

If the float are not restored, after fulfilment of the Purchase Obligation pursuant to Article 108, paragraph 1, of the TUF, Borsa Italiana, pursuant to Article 2.5.1, paragraph 6, of the

Stock Exchange Regulations, will order the Delisting as from the last payment day of the Consideration for the RCS Shares for which the Purchase Obligation has been fulfilled pursuant to Article 108, paragraph 1, of the TUF.

For further information, see Paragraph G.3, Section G, and Paragraph A.1.9, Warnings Section, of the Offer Document.

(b) <u>The Offeror reaches a stake of at least 90% but less than 95% of the Issuer's share capital.</u>

If – by effect of the Offer acceptances during the Acceptance Period and/or the acquisition by the Offeror of additional RCS Shares in conformity to applicable legislation – the Offeror holds more than 90%, but less than 95%, of the Issuer's share capital, the Offeror, according to the number of RCS Shares tendered to the Offer and the market conditions, will decide whether to restore, within 90 days, the float to a level sufficient to ensure regular trading (see Paragraph A.1.8, Section A, of the Offer Document).

<u>Restoration of the float</u>

If the Offeror, according to the number of RCS Shares tendered to the Offer and the market conditions, should decide to restore the float, the Issuer's shareholders who have not accepted the Offer would not have the right to request the Offeror to buy their RCS Shares, pursuant to Article 108, paragraph 2, of the TUF. The RCS Shares would, in any case, remain admitted for trading on the MTA and the Issuer's shareholders would remain the holders of financial instruments traded on a regulated market.

<u>Non-restoration of the float</u>

However, if the Offeror, according to the number of RCS Shares tendered to the Offer and the market conditions, should decide not to restore the float, the Offeror would have to fulfil the Purchase Obligation pursuant to Article 108, paragraph 2, of the TUF. In this case, the Issuer's shareholders who have not accepted the Offer would have the right to request the Offeror to buy their RCS Shares, pursuant to Article 108, paragraph 2, of the TUF, at a purchase price for each RCS Share equal to: (i) if, subsequent to the Offer, the Offeror has acquired RCS Shares representing no less than 90% of the capital with voting rights included in the Offer, a consideration for each RCS Share determined pursuant to the provisions referred to by Article 108, paragraph 3 and 5 of the TUF, and therefore equal to the Consideration, without prejudice to the fact that the holder of RCS Shares may demand the Full Cash Payment; or (ii) in other cases, a consideration per RCS Share determined by CONSOB pursuant to Article 108, paragraph 4, of the TUF and Articles 50 and 50-*bis* of the Issuers' Regulations, without prejudice to the fact that the RCS Shareholder may demand the Full Cash Payment.

On the contrary, if the Issuer's shareholders should decide not to take avail of this right – since, as already pointed out (see Paragraph A.1.8), subsequent to fulfilment of the Purchase Obligation pursuant to Article 108, paragraph 2, of the TUF, Borsa Italiana, pursuant to Article 2.5.1, paragraph 6, of the Stock Exchange Regulation, would order the Delisting – they would remain the holders of financial instruments not traded on any regulated market, with all the consequent difficulties linked to the liquidation of their investment, unless, subsequent to the fulfilment of the Purchase Obligation pursuant to Article 108, paragraph 2, of the TUF, the Offeror were to hold a total stake of at least 95% of the Issuer's share capital. In this case, reference must be made to what is indicated in the preceding point (a).

(c) <u>The Offeror reaches a stake equal to or less than 90% of the Issuer's share capital</u>.

If – by effect of the Offer acceptances during the Acceptance Period and/or by effect of the acquisitions by the Offeror of additional RCS Shares in conformity with the applicable legislation – the Offeror were to hold a total stake equal to or less than 90% of the Issuer's share capital, the Issuer's shareholders who have not accepted the Offer would remain the holders of RCS Shares not tendered to the offer, which would remain listed on the MTA. Because of the Issuer's shareholders' composition, there is the possibility, however, that also in such a case, on the conclusion of the Offer, there could be a suspension of the trading of and/or the Delisting (see Paragraph A.1.10, Section A, of the Offer Document).

In particular, if, on conclusion of the Offer, there is a shortage of the float such as to fail to ensure the regular trend of the trading of the RCS Shares, also in consideration of the possible permanence among the RCS shareholders of relevant stakes of the Issuer (i.e. more than 3% of the share capital), Borsa Italiana could order the suspension of the trading of the RCS Shares and/or the Delisting pursuant to Article 2.5.1 of the Stock Exchange Regulation, unless the Offeror decides to restore the float to a sufficient level to ensure the regular trend of the negotiations. Subsequent to the Delisting ordered by Borsa Italiana, the Issuer's shareholders who have not accepted the Offer would remain the holders of financial instruments not traded on any regulated market, with all the consequent difficulties linked to the liquidation of their investment.

A.1.11.b. <u>*Scenario in the case of non-conclusion of the Offer because of the non-fulfilment of even only one of the Conditions of Effectiveness of the Offer without the Offeror's waiver of the same*</u>

In case of non-conclusion of the Offer because of the non-fulfilment (and the Offeror's non-waiver) of even only one of the Conditions of Effectiveness of the Offer referred to in the preceding Paragraph A.1.1, the RCS Shares tendered to the Offer would be released within the first Stock Exchange Trading Day after the date on which the non-conclusion of the Offer would be announced, and they would be made available to the respective holders without any charge or expense bearing on the same (see Paragraph A.1.1, Warnings Section, of the Offer Document). Therefore, the RCS Shares would remain admitted for trading on the MTA and the Issuer's shareholders would remain the holders of financial instruments traded on a regulated market.

A.1.12 Competing offer and applicable provisions

On 16 May 2016, Mediobanca - Banca di Credito Finanziario S.p.A., Finanziaria di Diego Della Valle & C. S.r.l., Diego Della Valle & C. S.r.l., UnipolSai Assicurazioni S.p.A. also on behalf of Unipolsai Finance S.p.A., Pirelli & C S.r.l. and International Acquisitions Holding S.à r.l. announced that an agreement had been reached to promote, through an Italian company being incorporated and entirely held by the said companies, a voluntary public tender offer for all the RCS shares (less all the RCS shares already held by the offering shareholders), at the price of EUR 0.70 per RCS Share. On 20 May 2016, it was announced that the relative offer document had been filed with CONSOB.

Pursuant to Articles 103, paragraph 4, letter d) of the TUF and of Article 44 of the Issuers' Regulation, the above-described public tender offer is competitive in respect of the Offer.

We point out, in fact, that:

(i) pursuant to Article 44, paragraph 2, of the Issuers' Regulation, the possible increased offers and the other modifications to the offer must be made known within five Stock Exchange Trading Days from the publication of the competitive offer, by means of a press release issued pursuant to Article 36 of the Issuers' Regulation, containing the nature and the entity of the increased offer or of the modification and the issue of the additional guarantees, without prejudice to the fact that for the increased offers the quantity requested cannot be decreased;

(ii) without prejudice to the fact that there is no maximum limit to the number of possible increased offers, pursuant to Article 44, paragraph 4, of the Issuers' Regulation, no increased offer may be made after the fifth Stock Exchange Trading Day before the closure of the acceptance period of the last offer. Subject to notification to CONSOB, on that day all the offerors, except those for which the aforesaid term of five Stock Exchange Trading Days from the date of the publication of the last offer or increased offer has expired, may make another increased offer; however, other modifications to the offer are not admitted;

(iii) after the publication of a increased offer, the acceptances of the other offers can be revoked; and

(iv) in the five Stock Exchange Trading Days after the publication of the results of the offer that has prevailed, the shares tendered to the other offers, if their acceptance has been revoked, can be tendered to the offer that has prevailed.

A.1.13 Potential conflicts of interests

With referenced to the relationships between subjects involved in the Offer, we point out the following.

- Banca IMI, a company belonging to the Intesa Sanpaolo S.p.A. banking group, holds the role of the Offeror's Financial Advisor and Intermediary Appointed to Coordinate the Collection of the Acceptances within the Offer. Banca IMI is thus in a situation of potential conflict of interests, inasmuch as it receives commissions in payment for the services supplied in the roles it has assumed within the Offer.

- Intesa Sanpaolo S.p.A. will perform the role of Appointed Intermediary within the Offer and will receive a commission in payment for the services performed in relation to the role assumed within the Offer.

- One or more companies of the banking group Intesa Sanpaolo S.p.A. are among the main lenders and have issued important loans to RCS and the RCS Group, and they are also an active party and bank agent in the process of the current renegotiation of the debt exposure of RCS and of the RCS Group.

- On the Offer Document Date, Intesa Sanpaolo S.p.A. holds a stake in the RCS capital equal to about 4.173% and therefore it is one of the RCS shareholders to which the Offer is addressed. In addition, several companies of the Intesa Sanpaolo S.p.A. banking group hold, aggregately, about 0.048% of the RCS capital and therefore they are included among the RCS shareholders to which the Offer is addressed.

- One or more companies of the Intesa Sanpaolo S.p.A. banking group have provided, or could provide in the future, on-going lending, advisory and/or investment banking services to the Offeror, to RCS and to the groups to which they belong.

- EQUITA holds the role of the Offeror's Financial Advisor, Intermediary Appointed to Coordinate the Collection of the Acceptances and Appointed Intermediary within the Offer. EQUITA is thus in a situation of potential conflict of interests, inasmuch as it receives commissions in payment for the services supplied in the roles it has assumed within the sphere of the Offer.

- EQUITA performs the role of specialist operator for the Cairo Communication shares admitted for trading in the STAR segment of the MTA and the role of appointed intermediary for the execution of the treasury shares purchase and disposal programme approved by the Cairo Communication shareholders' meeting of 28 April 2015.

- EQUITA has provided, or could provide in the future, on-going advisory and/or investment banking services to the Offeror, to RCS and to the groups to which they belong.

A.1.14 The Issuer's Press Release

The Issuer's Board of Directors will issue, pursuant to the combine provision of Articles 103, paragraph 3, of the TUF and 39 of the Issuers' Regulation, a press release containing all useful data for the appraisal of the Offer, within the Stock Exchange Trading Day before the first day of the Acceptance Period.

The representatives of the Issuer's workers have the right to issue an independent opinion, pursuant to Article 103, paragraph 3-*bis*, of the TUF.

A.2 Warnings relative to Cairo Communication as the issuing subject of the Cairo Communication Shares offered in exchange

A.2.1 Warnings relative to Cairo Communication, to the Cairo Communication Group and to their business

A.2.1.a. Risks connected to the Cairo Communication Group's management trend

The Cairo Communication Group's activity and revenues are concentrated in Italy, and therefore the Cairo Communication Group's economic, equity and financial situation is influenced by the general economic situation of Italy and by the various macro-economic factors, such as the increase or decrease in the gross domestic product, the confidence level of consumers and of companies, the advertising expense/GDP ratio, the interest rates trend and the cost of raw materials.

These elements of a macro-economic nature in fact influence the two markets on which the Cairo Communication Group prevalently operates: on one side, the market of advertising space which suffers from companies' tendency to invest in advertising on the basis of their growth forecasts and the confidence level perceived by the end consumers; on the other side, the confidence of consumers themselves and their aptitude for spending determine behaviour as regards the purchase of consumer goods, including magazines, and they therefore influence the market of magazines sold at news-stands.

During 2015, the general economic and financial situation, featuring great uncertainties, continued to have negative effects, also involving a competitive scenario of increasingly greater complexity in the Cairo Communication Group's sector of reference.

The Cairo Communication Group's net revenues in the three-year term 2013/2015 amounted to EUR 226.6 million in 2015, EUR 240.3 million in 2014 and EUR 249.5 million in 2013. This revenue trend was mainly determined by the trend of the Italian advertising market and in particular, with reference to the Cairo Communication Group, by the trend of television advertising revenues, amounting, gross of agency discounts, to EUR 141.8 million in 2015, EUR 155.2 million in 2014 and EUR 163.2 million in 2013. In the same three-year period, however, the contribution to the Cairo Communication Group's revenues from magazine sales, amounting to EUR 72.6 million in 2015, EUR 73.4 million in 2014 and EUR 74.8 million in 2013, although in a market which, in the three-year term 2013-2015, registered a decrease in the average circulation of weekly magazines sold at news agents', with a CAGR of -9.2%, and in the average circulation of monthly magazines sold at news agents' with a CAGR of -17.6% ([16]). This result was possible also thanks to certain elements of the Cairo Communication Group's development strategy in the publishing compartment and, in particular, to the continuous expansion and enrichment of the products portfolio, attempting to take over the market segments with major potential.

The Cairo Communication Group's EBITDA in the period 2013-2015 was EUR 17.6 million in 2015, EUR 28.2 million in 2014 and EUR 24.8 million in 2013 and the operating margin was EUR 9.3 million in 2015, EUR 23.0 million in 2014 and EUR 19.2 million in 2013. The net result was EUR 11.1 million in 2015, EUR 23.8 million in 2014 and EUR 74.2 million in 2013 when there was a positive impact of a non-current income of EUR 57.1 million associated with the acquisition of La7.

The dynamics of the EBITDA and of the operating result in the three-year period 2013/2015 is mainly linked to the above-described trend of revenues. With reference to the operating result, we also draw attention to the increase between 2015 and 2014 in amortisation, mainly referring to the television rights bought from La7.

The consolidated net revenues, the EBITDA, the operating result and the net result of the Cairo Communication Group in the first quarter of 2016 amount, respectively, to EUR 56.3 million (EUR 54.4 million in the first quarter of 2015), EUR 3.5 million (EUR 2.6 million in the first quarter of 2015), EUR 1.2 million (EUR 0.7 million in the first quarter of 2015) and EUR 1.7 million (EUR 1.9 million in the first quarter of 2015).

To face the particular economic situation of the market, for some time now the Cairo Communication Group has put into practice a series of initiatives on costs to increase the efficiency and effectiveness of the production, publishing and broadcasting processes. With reference to the television publishing sector, in 2016 the Cairo Communication Group will continue, among other things, to pursue the consolidation of the results of the rationalisation and cost reduction initiatives adopted in the 2013-2015 period and the development of its activity in that sector.

In spite of the above-described initiatives, the possible continuance of the uncertainty of the global economy could have negative effects on the economic, equity and financial situation of the Cairo Communication Group.

In the case of the successful conclusion of the Offer, Cairo Communication will acquire control of RCS, whose activities are mainly in Italy and Spain, thus the Group's results will also be exposed to the trend of the economic situation of the latter country.

([16]) Source: ADS. The average circulation at news agents' refers to the average number of copies sold in the Italian news agents' shops and news-stands.

In the last financial periods RCS has had negative results and both operational (aimed at restoring profitability) and financial (in order to establish sources of external funding) restructuring processes are being carried out.

In particular, the net revenues of the RCS Group in the three year term 2013/2015 were EUR 1,032.2 million in 2015, EUR 1,279.4 million in 2014 (including EUR 222.6 million attributable to RCS Libri S.p.A.) and EUR 1,314.8 million in 2013 (including EUR 251.1 million attributable to RCS Libri S.p.A.). The RCS Group's EBITDA in the period 2013-2015 was EUR 16.4 million in 2015, EUR 30.0 million in 2014 and minus EUR 82.9 million in 2013, while the RCS Group's operating margin in the same period was always negative, and precisely minus EUR 107 million in 2015, minus EUR 53.5 million in 2014 and minus EUR 200.8 million in 2013. The RCS Group's net revenues before interests of third parties in the three-year term 2013/2015 was always negative, amounting to minus EUR 174.2 million in 2015, minus EUR 110.4 million in 2014 and minus EUR 219.2 million in 2013.

The consolidated net revenues, the EBITDA, the operating result and the net result of the RCS Group in the first quarter of 2016 amount, respectively, to EUR 219.8 million (EUR 229.4 million in the first quarter of 2015), EUR 3.7 million (minus EUR 16.2 million in the first quarter of 2015), minus EUR 17.5 million (minus EUR 30.9 million in the first quarter of 2015) and minus EUR 22.0 million (minus EUR 35.2 million in the first quarter of 2015).

After the conclusion of the Offer, the RCS Group will be included in the consolidation of Cairo Communication and, therefore, after the conclusion of the Offer, the trend of the revenues and margins of the Post-Offer Cairo Communication Group will be significantly influenced by the trend of the RCS Group's revenues and margins.

At 31 December 2015, the *pro-forma* net consolidated revenues, the *pro-forma* consolidated EBITDA - determined as described in the successive Paragraph B.1.15, Section B, of the Offer Document - and the *pro-forma* consolidated operating result and the *pro-forma* consolidated net result of the Post-Offer Cairo Communication Group are, respectively, EUR 1,258.8 million, EUR 30.4 million, minus EUR 97.7 million and minus EUR 163.1 million.

The EBITDA (*earnings before interest, taxes, depreciation and amortization*) is not identified as an accounting measure defined by the IFRS, and therefore the criteria used to determine it may not be comparable between companies or different groups. The Cairo Communication Group defines EBITDA as the operating result (EBIT) before amortization, impairment of fixed assets, impairment of bad debts and provisions for risks. The RCS Group defines EBITDA as the operating result (EBIT) before depreciation and impairment [of fixed assets] and also includes income and expenses from shareholdings accounted for using the equity method. The main differences between the two definitions of EBITDA are related to the provisions for risks and the provision for credit impairmentand to the "income and expenses from shareholdings accounted for using the equity method" that are included in EBITDA configuration adopted by RCS and are, instead, excluded from EBITDA configuration adopted by the Cairo Communication Group. Given the non-homogeneity of EBITDA definitions adopted by Cairo Communication and RCS, only for illustrative purposes related to the presentation of *pro-forma* data in this Offer Document, the *pro-forma* consolidated EBITDA of the Cairo Communication Group as at 31 December 2015 was determined starting from the adjusted *pro-forma* operating result of the result of the shareholdings and of the amortisation and impairment of fixed assets. Consistently with that definition of EBITDA adopted for the descriptive purposes connected to the presentation of the *pro-forma* data: (i) the Cairo Communication Group's EBITDA presumed from the annual financial report of 2015 was adjusted down by a total of EUR 1 million, under the item "allocations to the provisions for risks and to the provision for credit impairment" and (ii) the RCS Group's EBITDA presumed from the RCS 2015 annual financial report was adjusted down by a total of EUR 2.5 million, under the item "percentages and income/charges from the appraisal of equity investments with the net equity method" (see Paragraph B.1.15, Section B, of the Offer Document).

Cairo Communication intends to implement its own plan to increased offer the RCS Group, which will be prepared according to the strategic indications given in the successive Paragraph G.2, Section G, of the Offer Document, which contemplates, among other things, a rigid cost reduction programme and the achievement of the full potential for the growth of revenues, aimed at allowing RCS to improve its own financial and economic situation.

Nevertheless, also in consideration of the unfavourable macro-economic context, the non-achievement or partial achievement of the Offeror's business project objectives, as outlined above, and/or the fact that the achievement of such objectives could take longer than contemplated, could cause even considerably negative effects on the Cairo Communication Group's profitability and on its equity, economic and financial situation.

A.2.1.b. *Risks connected to the Post-Offer Cairo Communication Group's financial debts*

Subsequent to the possible conclusion of the Offer, Cairo Communication will acquire control of RCS and, therefore, the RCS Group will be included in the consolidated companies of Cairo Communication.

On 11 May 2016, RCS communicated that "*The parties' lawyers [ed. note: of RCS and of the lending banks] have in fact completed the Refinancing Term Sheet, which updates the main terms and conditions of the existing Loan Agreement, on the whole ameliorative for the Company and consistent with the related provisions of the Plan*".

On 18 May 2016, RCS issued a press release in which it described the RCS Refinancing Terms and Conditions – reported under Paragraph A.1.1(b), Warnings Section, of the Offer Document – laid down in the Refinancing Term Sheet and specified that: "*(i) Two of the lending banks have resolved favourably, and (ii) the other lending banks will submit the remodelling case to their respective boards in the period between 20 May 2016 and 7 June 2016".*

Cairo Communication has indicated that it reserves the right to waive the Financial Condition in the event of certain circumstances, specified in detail under Paragraph A.1.1.b, Warnings Section, of the Offer Document, including: (i) the approval of the Refinancing Term Sheet by the RCS Lending Banks and the fact that these Lending Banks have informed Cairo Communication that they will waive the right to request the early repayment of the debt deriving from the loan agreement of 14 June 2013 because of the change of the control in RCS which may take place subsequently to the conclusion of the Offer (or, if one or more of the Lending Banks is not willing to waive the right to exercise this power, other lenders have promised Cairo Communication that they will refinance part of the principal sum deriving from the loan agreement of 14 June 2013 previously covered by the banks that are not willing to waive their right to request early repayment, at terms and conditions of which none are pejorative than the corresponding RCS Refinancing Terms and Conditions); and (ii) the assumption by one or more lenders of the commitment to refinance the RCS debt deriving from the loan agreement of 14 June 2013, without prejudice to the fact that, for at least 12 months from the Offer conclusion date, none of the relative terms and conditions are pejorative than the corresponding RCS Refinancing Terms and Conditions.

Cairo Communication maintains that the sustainability of the Post-Offer Cairo Communication Group of the RCS Refinancing Terms and Conditions depends, among other things, on: (i) the successful result of the actions indicated to cover the total net financial need of the Post-Offer Cairo

Communication Group, estimated to be at least EUR 86 million; (ii) the achievement of the objectives of RCS' new business plan, which will be defined according to the strategic indications explained under Paragraph G.2.2, Section G, of the Offer Document; and (iii) the fact that, based on the results of the due diligence on the RCS Group which will be carried out after the possible conclusion of the Offer, no events or circumstances emerge that could cause a significant deterioration in the RCS Group's economic, financial and equity position.

The 2016–2018 plan – and the new RCS business plan that the Cairo Communication Group will define according to the strategic indications explained under Paragraph G.2.2, Section G, of the Offer Document, will be based on a series of hypothetical future events and circumstances, some of which are beyond the Cairo Communication Group's control, and on actions that RCS or the Cairo Communication Group maintain they can undertake, including hypothetical assumptions regarding future events and actions that will not necessarily come to pass, and that contain subjective and uncertain elements, as well as the risk that these hypothetical events and actions which will determine them may not come to pass or may come to pass to different extents and at different times than those forecast, whereas events could occur and/or actions could be taken that could not be predicted when these plans were or will be drawn up.

Therefore, if the RCS Group's results are entirely or partly lower than the targets of the plan to be drawn up by the Cairo Communication Group after the successful conclusion of the Offer, or if other events or circumstances occur that could negatively influence the RCS Group's economic, equity or financial situation, the RCS Group may not be able to respect the financial commitments and/or the repayment terms under the RCS Refinancing Terms and Conditions. In this event, the Cairo Communication Group will take action to refinance and/or amend the terms and conditions of RCS' medium/long-term financial debt, according to procedures that will be deemed most opportune, without excluding the possibility that it may be necessary to adopt RCS recapitalisation action.

However, if the above mentioned initiatives are not sufficient to allow for the refinancing and/or the remodelling of the RCS Group's debt, the Cairo Communication Group may not have the financial resources necessary to completely repay the debt, with negative effects on the Post-Offer Cairo Communication Group's equity, economic and financial situation and, without prejudice to the economic and legal autonomy of Cairo Communication and RCS, on the prospects of the continuing existence of the Post-Offer Cairo Communication Group.

Conversely, if the Lending Banks grant the grace period referred to in the Financial Condition, or if the Financial Condition is waived due to obtaining the shorter grace period of 12 months indicated under Paragraph A.1.1.b, Warnings Section, of the Offer Document, the Cairo Communication Group will take action so that RCS obtains, within the agreed grace period, the refinancing and/or the amendment of the terms and conditions of the RCS Group's financial debt in terms that are consistent with the new RCS business plan that the Cairo Communication Group intends to define according to the strategic indications indicated above under Paragraph G.2.2, Section G, of the Offer Document. For this purpose, the Cairo Communication Group will pursue the medium/long-term lending opportunities that it deems most opportune, without excluding the possibility that it may be necessary to adopt RCS recapitalisation action. However, if the described initiatives are not sufficient to allow for the refinancing and/or the remodelling of the RCS Group's debt within the grace period granted (i.e., at least 12 months from the conclusion of the Offer), the Cairo Communication Group might not have the financial resources necessary to completely repay the debt, with negative effects on the Post-Offer Cairo Communication Group's equity, economic and financial situation and, without prejudice to the economic and legal autonomy of Cairo Communication and RCS, on the prospects of the corporate continuity of the Post-Offer Cairo Communication Group.

A.2.1.c. *Risks connected to the clauses which limit the use of the financial resources resulting from the Cairo Communication Group's loan agreements*

Cairo Communication has issued to Unicredit S.p.A. a surety for the bank loan of an original sum of EUR 25 million (the remaining sum, at 31 March 2016, amounting to EUR 18.7 million) issued in July 2014 to the subsidiary Cairo Network in relation to the transaction for the purchase of the usage rights of television frequencies.

The loan agreement contemplates certain financial covenants, to be checked annually at Cairo Communication Group level: the debt cover (i.e. the net financial debt/EBITDA ratio) which must be equal to or less than 1.75 and the leverage (i.e. the net financial debt/own means ratio) which must be equal to or less than 1. Failure to respect the commitment and/or the financial covenants could lead to the cancellation of the loan agreement. At 31 December 2015, the covenants had been respected.

The loan agreement also contemplates certain commitment covenants which mainly include, until the complete repayment of the loan and the prior consent of Unicredit S.p.A. always being required, the commitment of Cairo Network (i) not to distribute, or to resolve to distribute, dividends and/or reserves, (ii) not to take out any new financial loans (loans received from shareholders and the new financial debt relative to the sale of receivables to satisfy the need for float or relative to new bank/insurance sureties to cover ordinary business needs, not being considered in this sense), (iii) not to grant guarantees to third parties in the interests of companies of the Cairo Communication Group or loans to companies of the Cairo Communication Group, (iv) not to dispose of Company assets and/or equity investments, (v) not to carry out extraordinary company transactions, (vi) not to constitute, or to permit the constitution of, privileges on own assets or to commit own assets as lien or collateral.

In the case of the successful outcome of the Offer, the financial covenants contemplated by the said loan agreement, subsequent to the inclusion of the RCS Group within the Cairo Communication consolidation, would not be respected in the 12 months following the successful conclusion of the Offer, giving Unicredit S.p.A. the right to request the cancellation of the loan agreement and the early repayment of the remaining debt.

For further information, see Paragraph B.1.25, Section B, of the Offer Document.

A.2.1.d. *Credit risk*

The Cairo Communication Group has an exposure to the credit risk mainly in respect of the sale of advertising space. However, this risk is mitigated by the fact that the exposure is spread over a large number of customers and by the implementation by Cairo Communication, of control and monitoring procedures that are constantly applied. We point out that, in terms of concentration, the first 10 customers represent about 11% of sales, while the first 100 customers represent about 50%. These indicators have remained substantially in line with those of previous periods.

The publishing sector is less exposed to the credit risk, inasmuch as, pursuant to the distribution contract at present in force, distribution revenues (which represent about 74% of publishing revenues) are guaranteed by the payment of an advance, equal to a very important percentage of the sales forecasts of each magazine.

The maximum theoretic exposure to the credit risk for the Cairo Communication Group at 31 December 2015 is represented by the book value of the trade receivables and other receivables posted on the financial statement, for a total of EUR 83.8 million, plus the nominal value of the guarantees granted on the loans or commitments of third parties.

The credit risk linked to the available cash and cash equivalents, with a maximum theoretic exposure of EUR 125.8 million, is not considered significant inasmuch as they are fractioned deposits in various banks.

For an analysis of the importance of the Cairo Communication Group's exposure to the credit risk in the case of the acquisition of the control of the RCS Group, the following table, drawn up also on the basis of the information publicly available on the RCS Group, of which Cairo Communication has not carried out any independent check, reflects the effects of the Offer on the Cairo Communication Group's maximum theoretic exposure to the credit risk as if the transaction had been concluded on 31 December 2015.

MAXIMUM THEORETIC EXPOSURE TO THE CREDIT RISK DATA AT 31 DECEMBER 2015 *(millions of Euro)*	**CAIRO COMMUNICATION GROUP (A)**	**RCS GROUP (B)**	**TOTAL (A)+(B)**
Trade receivables	87.7	331.2	418.9
Other receivables and other current assets	2.4	48.3	50.7
Assets for current taxes	2.9	9.5	12.4
Current financial receivables	-	3.6	3.6
Total theoretic gross exposure	**93.9**	**392.6**	**485.6**
Provision for impairment of trade receivables	(9.2)	(54.7)	(63.9)
Total theoretic net exposure	**83.8**	**337.9**	**421.7**

The trade and sundry receivables are posted net of a credit impairment provision of EUR 9.2 million for the Cairo Communication Group and of EUR 54.7 million for the RCS Group, and therefore amounting to a total of EUR 63.9 million.

The data relative to the RCS Group do not include, exclusively for the information purposes connected to this table, the theoretic exposure to the credit risk linked to the activities which will be sold, amounting to EUR 168.7 million and regarding mainly RCS Libri S.p.A.

The receivables which, at 31 December 2015 and 31 December 2014, had been outstanding for more than 30 days and which were not covered by the credit impairment provision, are analysed, broken down by the length of the outstanding term, in the following tables:

RECEIVABLES OVERDUE AND NOT WRITTEN DOWN DATA AT 31 DECEMBER 2015 *(millions of Euro)*	**30-60 DAYS**	**61-90 DAYS**	**91-180 DAYS**	**MORE THAN 180 DAYS**	**TOTAL**
Cairo Communication Group	1.3	0.2	1.3	3.2	6.0
RCS Group	2.6	0.1	2.7	8.7	14.1
Total	**3.9**	**0.3**	**4.0**	**11.9**	**20.1**

Receivables overdue and not written down data at 31 December 2014 (millions of Euro)	30-60 days	61-90 days	91-180 days	More than 180 days	Total
Cairo Communication Group	1.6	0.5	1.4	3.4	6.9
RCS Group	5.9	3.8	9.2	5.7	24.6
Total	**7.5**	**4.3**	**10.6**	**9.1**	**31.5**

With reference to the RCS Group's credit risk, as indicated by the directors in the chapter on "Main risks and uncertainties" of the consolidated financial statements at 31 December 2015, *"The management of trade receivables is entrusted to the single companies of the Group, in respect of the Group's economic targets, set sales strategies and operating procedures, which impose restrictions on the sale of products or services to customers without an adequate credit profile or collateral guarantees. The analysis of new customers and of their reliability, expressed by the creditworthiness rating attributed to the same, is generally carried out by an automatic creditworthiness assessment system. In addition, the receivables are constantly monitored throughout the period to contain late payments and to limit the losses of financial assets."*

The RCS Group's credit risk linked to cash and cash equivalents had a maximum theoretic exposure, at 31 December 2015, ofEUR 9.8 million.

The persisting existence of uncertainties on the economic scenario in the short and medium term, together with the consequent deterioration of credit access conditions, could have a negative impact on the quality of the credit and, in general, on the normal collection times, with negative consequences on the Cairo Communication Group's economic, equity and financial situation and, in the case of the successful outcome of the Offer, on that of the Post-Offer Cairo Communication Group.

A.2.1.e. Risks connected to extraordinary transactions carried out

The Cairo Communication Group entered the television publishing sector in 2013, when it bought the entire capital of La7 from Telecom Italia Media S.p.A. with effect as of 30 April 2013, thus achieving the upstream integration of its own activity as an advertising space sales agency and diversifying its own publishing business, previously focused on magazines.

At the purchase date, the economic situation of La7 required the implementationof a restructuring plan aimed at reorganising and simplifying the corporate structure and at reducing costs, maintaining the high quality level of the programme schedule.

Starting from the month of May 2013, the Cairo Communication Group began to put its plan into practice, managing to achieve, already over the eight months from May to December 2013, a positive EBITDA of EUR 3.7 million and to consolidate, in 2014 and 2015, the result of the cost rationalisation initiatives, achieving a positive EBITDA of EUR 9 million in 2014 and in 2015, in spite of the contraction in advertising revenues, a positive EBITDA of EUR 1.6 million.

In 2016 the Cairo Communication Group will continue to pursue the consolidation of the results of the rationalisation and cost reduction initiatives adopted in 2013-2015.

Nevertheless, the occurrence of extraordinary events or unforeseen difficulties in completing the consolidation of the cost reduction programme already in progress, could have negative effects on the Cairo Communication Group's economic, equity and financial situation.

A.2.1.f. *Risks connected to the estimated values of the intangible assets*

The Cairo Communication Group has entered under the intangible assets the costs, including connected charges, sustained for the acquisition of intangible resources, providing their number can be quantified and providing they can be clearly identified and controlled by the Cairo Communication Group, and if the use of the asset will probably generate economic benefits in the future. The said cost is subjected - inasmuch as relative to resources considered as having a finite lifetime - to amortisation on the basis of the period of future use.

In particular, with regard to the main items of the intangible assets, we point out that the publicationsare amortised over a period of twenty years from the acquisition date, depending on their remaining possibility of use. The amortisation period is reviewed periodically in the light of the expected economic trend of the subsidiaries which own the publications. The long term television exploitation rights (lasting more than 12 months) of films, series, TV films, cartoons, classical concerts, short films and similar, including the connected costs (dubbing, editions and materials), and also those included within productions, acquired by licence contract, are posted under the item "television rights" and amortised at constant annual rates over the period of their availability established by the licence contract starting from the financial period in which they become available and ready for use.

On 31 March 2016, the Cairo Communication Group holds intangible assets for a total value of EUR 61.4 million (EUR 60.9 million at 31 December 2015, mainly for the usage rights of the Cairo Network television frequencies (*mux*) for EUR 35 million (included in the fixed assets in progress), television rights for EUR 16.9 million (including EUR 2.6 million included in the fixed assets in progress), goodwill for EUR 7.2 million, publications for EUR 0.7 million and concessions, licences and trademarks for EUR 1.1 million).

Pursuant to IAS 36, Cairo Communication carries out an impairment test, i.e. it checks the possibility of recovering the book value of the intangible assets with an undefined useful lifetime, of the intangible assets in progress, of the equity investments and of the publications, at least once a year and every time indicators of the potential reduction in value are apparent for the technical fixed assets and for the intangible assets with a finite useful lifetime, in order to determine if these assets can have sustained a loss of value. In such a case, the value of the assets is reduced to the relative recoverable value. The recoverable value of an asset is defined as the greater of either the fair value net of sale costs, and the usage value of the same. The usage value is determined on the basis of the estimated cash flows expected from the use or the sale of the asset and adequate discount rates to calculated the current value.

For further information, see Paragraphs B.12 and B.1.13, Section B, of the Offer Document.

With regard to the RCS Group, at 31 March 2016 it holds intangible assets for a total value of EUR 409.8 million (EUR 416 million at 31 December 2015, mainly for concessions, licences, trademarks and similar rights for EUR 370.7 million and goodwill for EUR 39.5 million). At 31 December 2015, the item concessions, licences, trademarks and similar rights included assets with a finite useful lifetime for EUR 247.9 million - mainly for application software usage licences, costs sustained for web projects and for the development of Internet sites, television broadcasting licences and publications of the Unidad Editorial group - and assets with an undefined useful lifetime for EUR 122.8 million, of which EUR 110.3 million is relative to the *El Mundo* newspaper, and EUR 11.3 million is relative to the digital terrestrial television licence of *VEO Television*.

Pursuant to the IAS 36, the RCS Group's intangible assets are subjected to periodic appraisal to determine the recoverable value and to ascertain the congruity of the same in respect of the value posted on the balance sheet.

Pursuant to the IAS 36, the RCS Group checks the recoverability of the value of the assets with an undefined useful lifetime at least once a year (every six months for the assets of the Unidad Editorial group) or more frequently if there are indications of potential value loss, by means of the impairment test. The recoverable value is identified as the greater of either the fair value less cost to sell and the value in use. In developing its own estimates, RCS has mainly used the value in use. The process for determining the value in use is based on estimates and assumptions relative to the future, featuring a high degree of uncertainty, reinforced by the present context of macro-economic crisis and the consequently difficulty to predict the future trends of the main variables (economic and financial) on which the estimate is based.

Over the years, the Unidad Editorial group's intangible assets have been considerably written down (EUR 781.8 million), in the financial year 2011 (by EUR 321.8 million of which EUR 2.7 was on publications and EUR 319.1 million was on goodwill), in the financial year 2012 (by EUR 402.9 million of which EUR 89.9 million was on publications, EUR 312.8 million was on goodwill and EUR 0.2 million was on concessions, licences and trademarks), in the financial year 2014 (by EUR 0.6 million) and in the financial year 2015 (by EUR 56.5 million, entirely for publications).

We also point out that by effect of the consolidation of RCS, as mentioned in the *pro-forma* financial information, the difference between the fair value of the Cairo Communication Shares that will be issued to serve the Capital Increase and the consolidated shareholders' equity of the RCS Group at 31 December 2015 will bring to light additional intangible assets that, in the *pro forma* information note, have been provisionally posted under the "Intangible assets". The execution of the process to determine the fair value of the RCS Group's assets and liabilities necessary for the application, pursuant to IFRS 3, of the so-called "*acquisition method*", will require the calculation of the value of the RCS Group's assets and liabilities at the date of the corporate consolidation.

We lastly point out that if the macro-economic and financial context were to vary differently from the forecasts and hypotheses formulated on the occasion of the valuation or in the case of a future worsening of the cash flows in respect of the forecasts and estimates on which the impairment test is based, it might be necessary to adjust the book value of the intangible assets posted on the consolidated financial statement of the Post-Offer Cairo Communication Group, with the consequent need to post on the income statement the write-downs, with negative effects on the Post-Offer Cairo Communication Group's economic and equity situation.

A.2.1.g. Risks connected to the dependence on commercialagreements

In January 2015, the subsidiary Cairo Network and EI Towers S.p.A. entered intoan agreement for the execution and successive long-term technical management (hospitality, assistance and maintenance, use of the transmission infrastructure, etc.) of the *Mux*.

The possible termination of rescission, for any reason whatsoever, of the agreement stipulated with EI Towers S.p.A. could have a negative influence on the Cairo Communication Group's business; furthermore, any initiatives to be undertaken in order to replace EI Towers S.p.A. could involve charges or difficulties (also in terms of the time required for the replacement), with possible consequent negative effects on the Cairo Communication Group's activity and prospects, and on its economic, equity and financial situation.

For further information, see Paragraph B.1.25, Section B, of the Offer Document.

A.2.1.h. *Risks connected to the future programmes relative to the launch of new television and publishing products*

The Cairo Communication Group's capacity to increase its revenues and to pursue its growth and development targets, and to maintain adequate profitability levels, also depends on success in the execution of its business strategy.

The Cairo Communication Group's strategy is based on continuous expansion and enrichment of its product portfolio, in order to acquire the market segments with major potential.

In addition, in the development of its strategy, the Cairo Communication Group has taken into account certain hypothetical assumptions relative to the trend of certain economies and relative to the evolution of the demand for publishing and television products and to users' preferences.

If the Cairo Communication Group is not able to implement its strategy and/or if the basic assumptions on which the Cairo Communication Group bas based its strategy turn out to be incorrect, the Cairo Communication Group's business and prospects might be negatively influenced, with consequent negative effects on the Cairo Communication Group's economic, equity and financial situation.

For further information, see Paragraph B.1.7.c, Section B, of the Offer Document.

A.2.1.i. *Risks connected to the dependence on key figures*

The Cairo Communication Group's success also depends on the ability of its executive directors and of the other top management members to effectively manage the Cairo Communication Group and the single business sectors. In addition, the directors of the publications and the network anchor persons have an important role in respect of the magazines published and the programmes conducted.

The Cairo Communication Group's results also depend on the capacity to attract, maintain and foster the growth inside the Group of qualified and specialist personnel.

Although the Cairo Communication Group pays special attention to the growth of its personnel, the loss of the contribution of an executive director, a magazine director, a network anchorman or any other key resource, without an adequate replacement, as well as the difficulty to attract and retain new, qualified resources, could have negative effects on the Cairo Communication Group's business and economic, equity and financial situation.

For further information on the Board Directors and on the Key Managers, see Paragraph B.1.8, Section B, of the Offer Document.

A.2.1.j. *Risks connected to maintaining the value of the brands of the Cairo Communication Group's publications and programmes*

The Cairo Communication Group publishes some of the most successful Italian weekly magazines, such as, "*Settimanale Dipiù*" (516,571 copies), "*DipiùTV*" (317,128 copies), "*Settimanale Dipiù e DipiùTV Cucina*" (152,611 copies), "*TVMia*" (143,425 copies) "*Diva & Donna*" (191,796 copies), "*Settimanale Nuovo*" (215,883 copies), "*F*" (124,013 copies), "*Settimanale Giallo*" (108,717 copies) ([17]) and "*Nuovo TV*"

([17]) Source: ADS. Data on the average distribution through news stands in 2015.

(about 142,000 copies for the first 22 issues) ([18]). With regard to monthly magazines, "*Gardenia*", "*Bell'Italia*", "*For Men Magazine*", "*Natural Style*" and "*Arte*" are leading publications in their sectors of reference.

Positive audience shares have been obtained by the network's newscasts and the in-depth news programmes - in particular the news at 8 p.m. (5.1% from Monday to Friday), "*Otto e mezzo*" (5.1%), "*Piazza Pulita*" (4.4%), "*Crozza nel Paese delle Meraviglie*" (7.5%) "*Servizio Pubblico*" (5.5%), "*Le Invasioni Barbariche*" (3%), "*Coffee Break*" (4.4%), "*Omnibus*" (4.3%), "*La Gabbia*" (3.5%), "*L'aria che tira*" (5.5%), "*Bersaglio Mobile*" (4%), "*Di martedì*" (5.3%), "*In Onda*" (4%), "*L'Aria d'estate*" (4.6%) ([19]).

The brand value of the Cairo Communication Group's publications and programmes must be constantly safeguarded by maintaining the present quality and innovation levels.

The Cairo Communication Group's publishing strategy has always focused on the quality of its products, to which the management and the directors have addressed their efforts. The agreements with the directors may contemplate that a significant part of their remuneration is linked to the circulation, audience and/or advertising results of the publications and programmes.

Any difficulties for the Cairo Communication Group to maintain the brand value of its own publications and programmes, as well as possible changes in public preferences, could reduce the attraction of the Cairo Communication Group's products, with a consequent negative impact on the Cairo Communication Group's economic, equity and financial situation.

For further information, see Paragraph B.1.7, Section B, of the Offer Document.

A.2.1.k. *Risks connected to relations with suppliers, distributors and paper prices*

Some of the Cairo Communication Group's production processes, in particular the printing of magazines and the use of the transmission capacity for the television editorial sector, are outsourced. The outsourcing of the production processes requires close collaboration and careful monitoring of the suppliers, in order to guarantee and maintain the quality of the products created with the aid of the external suppliers. Such outsourcing can bring economic benefits in terms of flexibility, efficiency and the reduction of costs, but it also means that the Cairo Communication Group must count on the capacity of its suppliers to reach and maintain the quality standards requested by the Cairo Communication Group.

The distribution of magazines for the Cairo Communication Group is entrusted exclusively, with an agreement which expires on 31 December 2016, to "SO.DI.P S.p.A. - Società di Diffusione Periodico Angelo Patuzzi", a magazine distribution company which acts for Cairo Editore as the national distributor and which, in turn, maintains relations with local distributors for the capillary distribution of the magazines over the country.

Given the nature of its business, which requires the production of large volumes of printed copies, the Cairo Communication Group buys significant quantities of paper, and it is therefore exposed to the risk of changes in the price of paper.

([18]) Source: Cairo Communication.

([19]) Source: Auditel.

The Offeror considers that the Cairo Communication Group does not depend significantly on its own national distributor or on its own paper suppliers, inasmuch as, regarding the former, it also maintains relations with other subjects which operate at national level with features that are comparable to SO.DI.P S.p.A. and, regarding the latter, there are other operators on the market with the capacity to meet the Cairo Communication Group's needs. In fact, the market of paper for the printing of magazines is typically global and most of the products used by the Cairo Communication Group are genuinely raw materials, consequently they can be bought from any one of the many operators. The Cairo Communication Group's procurement policies consist of exclusive supply agreements for 12 months to satisfy the need for similar magazines, blocking the price and seeking to maximise, to its own advantage in the negotiations with several suppliers, the possibility of assigning orders for very large batches, also from a global viewpoint.

The termination of purchase agreements with the main suppliers or with the national distributor could have a negative influence on the Cairo Communication Group's business, inasmuch as any initiatives to be undertaken in order to replace such suppliers or the national distributor could involve charges or difficulties (also in terms of the time required for the replacement), with possible consequent negative effects on the Cairo Communication Group's activity and prospects, and on its economic, equity and financial situation.

With regard to RCS, as indicated by the directors in the chapter on "*Main risks and uncertainties*" of the consolidated financial statement at 31 December 2015, the RCS Group's results are influenced by the trend of the raw material price, essentially paper, and by energy costs. Any increases in procurement costs could have negative effects on the RCS Group's results. The paper market is oligopolistic. The macro-economic situation, reducing the paper manufacturers' profit margins, could cause some to close down, accentuating the oligopolistic nature of the market and generating tension on prices and provisioning difficulties, as well as dependence on suppliers, especially for pink paper.

Therefore, in the case of a successful outcome of the Offer, the Post-Offer Cairo Communication Group could be more exposed to the risk deriving from the trend of paper prices and by possible procurement difficulties, especially for pink paper.

For further information, see Paragraph B.1.25, Section B, of the Offer Document.

A.2.1.l. *Risks linked to litigation*

Because of the nature of its business, the Cairo Communication Group is subject, in the performance of its activities, to the risk of legal action.

At the Offer Document Date, during the normal execution of its activity, Cairo Communication and other companies of the Cairo Communication Group are parties to several legal and tax disputes. The total *petitum* for which the Cairo Communication Group is being sued, updated at 31 December 2015, amounts to about EUR 40.5 million, of which about EUR 30.6 million regard accusations of libel in the press (of which about EUR 20 million regard two main disputes described under Paragraph B.1.17, Section B, of the Offer Document). With reference to the lawsuits for libel, we point out that, on the basis of the Cairo Communication Group's experience, the cases which the Cairo Communication Group companies loses normally conclude with the awarding of compensation for damages of relatively small amounts compared to the original *petitum*. For that matter, for the television business, La7 has stipulated a specific insurance policy which covers professional liability.

The Cairo Communication Group monitors the development of the disputes, also with the assistance of external advisors, and it allocates the sums necessary to cover the expenses of the lawsuits pending according to the different probability degrees of losing the suits, proceeding – in conformity with the accounting standards – to make allocations to the provisions for risks to cover liabilities that are considered probable and, vice versa, only reporting in the Notes to the Accounts the potential liabilities which are considered as possible and which must, in any case, be taken into consideration and mentioned inasmuch as not remote. At 31 December 2015, the said provision, at consolidated level, amounted to about EUR 9 million.

In addition, in virtue of the activities performed, the Cairo Communication Group is party to certain civil and criminal lawsuits for libel. At 31 December 2015, the Cairo Communication Group is a party to 51 criminal and civil cases filed against the publications of the Cairo Communication Group for libel.

At the Offer Document Date, on the basis of the information publicly available, the RCS Group, in the course of the normal performance of its activities, is also party to certain legal procedures. On the basis of what is reported in the RCS consolidated financial statements at 31 December 2015, the provision for risks relative to legal disputes amounted, at 31 December 2015, to a total of approximately EUR 11 million.

Therefore there is a possibility of the Cairo Communication Group having to face costs and payment obligations in the future, not covered by the provision for the risk of legal and tax disputes, or covered only partially, with consequent negative effects on the Cairo Communication Group's financial situation and operating results.

In case the Offer is successful, the Post-Offer Cairo Communication Group would also be exposed to the risks connected to the RCS Group's present and future legal disputes.

For further information, see Paragraph B.1.17, Section B, of the Offer Document.

A.2.1.m. Reputation Risk

The Cairo Communication Group and, in particular, La7, stand out for the independence of the editorial line, as well as for their vocation for news and for in-depth journalist services and for the contribution to information, social and political pluralism, thanks to the presence of some of the most authoritative Italian journalists and opinion makers.

The reputation of the Cairo Communication Group and of La7 as subjects operating in respect of the aforesaid principles, represent key factors for the Cairo Communication Group in relations with their readers, viewers, shareholders, customers, business partners, employees and collaborators.

Any action or fact carried out or relative to the Cairo Communication Group or to other companies with which the Cairo Communication Group has developed close business relations which harm the Cairo Communication Group's reputation and image, inasmuch as not consistent with the above-illustrated principles, could have negative effects on the Cairo Communication Group's economic, equity and financial situation.

A.2.1.n. Risks relative to the protection of intellectual property rights

The Cairo Communication Group provides regularly for protecting its own intellectual property rights by filing applications for the registration of trademarks relative both to its own magazines and newspapers and television channels, and to the television formats edited by La7.

However, also in the case of obtaining the registration of trademarks, the property rights: (i) do not prevent competitive companies from developing substantially equivalent products, which do not breach the Cairo Communication Group's intellectual property rights and which, in any case, (ii) could turn out to be ineffective in preventing acts of unfair competition on the part of third parties. Furthermore, the issue of regular registrations does not prevent the intellectual properties rights granted being the subject matter of disputes with third parties.

Although the Cairo Communication Group is not at present party to any important disputes concerning intellectual property rights of which it takes avail, possible disputes linked to the Cairo Communication Group's intellectual property rights could involve the need of the latter to obtain licences from third parties, or to expose it to requests for damages, with consequent negative effects on the Cairo Communication Group's economic results, financial situation and prospects.

For further information, see Paragraph B.1.22, Section B, of the Offer Document.

A.2.1.o. *Risks connected to the distribution of dividends*

The Offeror has distributed dividends for EUR 15,7 million in 2016, for EUR 21.2 million in 2015, for EUR 21.2 million in 2014 and for EUR 21.0 million in 2013 inclusive of the advances paid in 2012. It is not possible to guarantee that in the future the Offeror will achieve distributable profits, or that in that case the competent body will resolve to distribute dividends to the shareholders.

The possible future distribution of dividends by the Offeror and the relative amount will depend on the future profits, the financial situation, the ratio of debt to net equity, the cash flows, and the needs relative to business transactions and other factors relative to the Offeror.

We point out that at the Offer Document Date the Offeror has not defined a policy for the distribution of dividends.

We lastly point out that, as indicated in the press release issued by the Offeror on 8 April 2016 pursuant to Articles 102, paragraph 1, of the TUF and 37 of the Issuers' Regulation, the valuation of the Consideration in respect of the official price of the RCS shares and of the ordinary Cairo Communication shares registered on 7 April 2016 (i.e. the day before the Offer announcement date) has been adjusted to take into account the payment - decided by a resolution of the Cairo Communication's shareholders' meeting on 27 April 2016 - of a dividend of EUR 0.20 per share.

For further information, see Paragraph B.1.16, Section B, of the Offer Document.

A.2.1.p. *Risks connected to the pro-forma data*

The *pro-forma* consolidated schedules, included in the Offer Document, have been drawn up to represent the main effects of the Cairo Communication Group's purchase of the controlling stake of RCS on the Cairo Communication Group's consolidated economic, equity and financial situation at 31 December 2015. In particular, the *pro-forma* consolidated schedules have been drawn up to simulate, according to valuation criteria consistent with past data and conforming to the relevant regulations, the main effects of the transaction on the Cairo Communication Group's equity, financial and economic situation, as if it had been concluded on 31 December 2015 with reference to the equity effects and, for the economic effects and cash flows, on 1° January 2015.

The information contained in the *pro-forma* consolidated schedules represents a simulation, given solely for illustrative purposes, of the possible effects that could ensue from the transaction. Since the *pro-forma* consolidated schedules are constructed to retroactively reflect the effects of transactions carried out successively, in spite of respect for commonly accepted rules and the use of reasonable assumptions, there are no limits connected to the nature of the *pro-forma* data. Therefore, it must be noted that if a transaction had really taken place at the hypothesised dates, the results represented in the *pro-forma* consolidated schedules would not necessarily have ensued. Furthermore, in consideration of the different purposes of the *pro-forma* data compared to the data of past financial statements and the different methods for calculating the effects of the transactions on the *pro-forma* consolidated balance sheet, the consolidated comprehensive income statement and the *pro-forma* consolidated cash flow statement, these documents must be read and interpreted without seeking accounting links between the same.

Lastly, we point out that the *pro-forma* consolidated schedules do not intend, in any manner, to represent a forecast of the Cairo Communication Group's future results and therefore they must not be used in that sense.

We point out that the information relative to the RCS Group used for the preparation of the *pro-forma* consolidated schedules contained in this Offer Document are taken exclusively from the RCS Group's consolidated financial statements relative to the period which closed at 31 December 2015, subjected to the complete accounting audit by the auditing firm appointed by RCS, on which the Offeror has made no independent check.

For further information, see Paragraph B.1.15, Section B, of the Offer Document.

A.2.1.q. *Risks connected to the information on RCS and the non-execution of the due diligence on RCS*

Cairo Communication has not had access to information on the RCS Group other than that publicly available and it has not carried out any due diligence activity on RCS.

Therefore the information on the RCS Group contained in this Offer Document is exclusively taken from the documentation released to the public by RCS itself such as, among other things, the financial statements, the annual and interim financial reports, the press releases, the presentations to the market and, in general, the company information disclosed pursuant to law.

This documentation has been drawn up by RCS and the information contained therein, when represented in this Offer Document, has not been independently checked by Cairo Communication, which assumes no responsibility for the same, which remains the exclusive responsibility of the RCS Group.

Cairo Communication might not know of potential unknown or past liabilities, or operating problems relative to the RCS Group that cannot be understood from the publicly available information. With reference to such liabilities or operating problems, subsequent to the successful conclusion of the Offer, the Cairo RCS Group could be requested to sustain costs that are unforeseeable at the Offer Document Date and which could have negative effects on the economic, equity and/or financial situation of the RCS Group and of the Cairo Communication Group.

A.2.1.r. *Risks connected to the representations relative to the market of reference and the declarations of pre-eminence*

The Offer Document contains declarations of pre-eminence, estimates on the nature and size of the market of reference and on the competitive positioning of the Cairo Communication Group, as well as assessments of the market and comparisons with competitors drawn up by the Offeror on the basis of the processing of public data, or estimated by the Offeror itself.

In addition, certain declarations of pre-eminence are not based on quantitative parameters, but rather on qualitative criteria.

Said assessments are subjective, and therefore such information cannot be guaranteed as confirmed by sources outside the Cairo Communication Group. The positioning of the Cairo Communication Group and the trend of the business sectors could be different from those assumed in such declarations because of known and unknown risks, uncertainties and other factors indicated, among other things, in this Paragraph.

For further information, see Paragraph B.1.7, Section B, of the Offer Document.

A.2.1.s. *<u>Risks connected to the network operators' activities</u>*

Cairo Network carries out the activity of a network operator, pursuant to the concession to use the *Mux* issued by the Ministry of Economic Development on 31 July 2014, protocol no. DGSCERP/111/48081, which guarantees Cairo Network band availability of about 22.4 Mbit. Cairo Network has entered intoan agreement with EI Towers S.p.A. for the execution and successive long-term technical management, in full service mode, of the *Mux*, pursuant to which EI Towers S.p.A. has assumed specific commitments regarding, among other things, the coverage of the population and of the territory, and the maintenance of predetermined service quality levels.

Subsequent to the start of the exploitation of the *Mux* pursuant to the aforesaid agreement, the Cairo Communication Group - to which Cairo Network belongs - will independently have avail of a transmission capacity of about 22.4 Mbit/s, compared to the present 7.2 Mbit/s supplied by operators outside the Cairo Communication Group. This transmission capacity will be in part used to transmit the La7 and La7*d*, channels as from 2017, and the remaining part will be used for possible new channels that the Cairo Communication Group plans to launch or, already in the second half of 2016, for the supply of transmission capacity to third parties.

The terrestrial radio-television transmission signal represents, today, the most common transmission method in this country. Nevertheless, the possible growth of alternative transmission methods (for example by satellite, cable or the Internet) could lead to a reduction in the demand for transmission capacity and a consequent greater difficulty for the Cairo Communication Group to offer to third parties the band of the *Mux* that it does not use for its own broadcasting, with negative consequences on the Cairo Communication Group's economic and equity situation.

The network operator's activity carried out by Cairo Network is subject to complex regulations at national and European level. In particular, the radio-television broadcasters are subject to the legislation which protects people and the environment from exposure to electro-magnetic fields. Although, as indicated above, the creation and management of the network has been entrusted in full service mode to a qualified operator of the sector, which has assumed commitments and guarantees considered adequate by Cairo Communication to ensure respect for the laws of the sector, any breaches of such laws could involve sanctions including the interruption of broadcasting, and this could have negative consequences on the Cairo Communication Group's economic and equity situation.

For further information, see Paragraph B.1.25, Section B, of the Offer Document.

A.2.1.t. *Risks connected to transactions with related parties*

The Cairo Communication Group has carried out, and still carries out, commercial and financial transactions with related parties, identified on the basis of the principles established by the International Accounting Standard (IAS) 24. Such transactions regard, mainly: (i) the activity of advertising space sales agency carried out by Cairo Communication for the subsidiary La7 (as well as for the theme channels Cartoon Network, Boomerang, CNN and for the publisher Editoriale Genesis) through the subsidiary Cairo Pubblicità; (ii) the agency agreement in force between the subsidiary Cairo Pubblicità and Torino F.C. S.p.A. (companies under the same control as the Offeror, inasmuch as subsidiaries of UTC), for the sale of advertising spaces in the stadium and of promo-advertising sponsorship packages; and (iii) the tax consolidation agreement with UTC, to which Cairo Communication and the subsidiaries Cairo Editore, Cairo Pubblicità, Diellesei S.r.l. in liquidation, Cairo Publishing S.r.l., La7 and Cairo Network have adhered.

The following table illustrates the impact on the Cairo Communication Group's economic, equity and financial situation of transactions concluded by the companies of the Cairo Communication Group with related parties in the financial periods which closed at 31 December 2015, 31 December 2014 and 31 December 2013.

CAIRO COMMUNICATION GROUP *(Euro/000)*	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2013
Net profit	**226,582**	**240,266**	**249,514**
of which with related parties	*178*	*165*	*176*
Incidence	*0.1%*	*0.1%*	*0.1%*
Other revenues and income	**9,403**	**11,927**	**7,985**
of which with related parties	*8*	*51*	42
Incidence	*0.1%*	*0.4%*	*0.5%*
Production costs	**(226,645)**	**(229,231)**	**(238,337)**
of which with related parties	*(2,436)*	*(2,111)*	(2,120)
Incidence	*1.1%*	*0.9%*	*0.9%*
Total current assets	**215,920**	**247,283**	**281,036**
of which with related parties	*3,311*	*7,057*	*6,075*
Incidence	*1.5%*	*2.8%*	2.2%
Total current liabilities	**112,582**	**122,293**	**130,511**
of which with related parties	*2,103*	*1,584*	*192*
Incidence	*1.9%*	*1.3%*	*0.1%*

The following table shows the impact on the Cairo Communication Group's economic, equity and financial situation of transactions concluded by Cairo Communication with related parties in the financial periods which closed at 31 December 2015, 31 December 2014 and 31 December 2013.

CAIRO COMMUNICATION *(Euro/000)*	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2013
Net profit	**106,026**	**116,595**	**121,047**
of which with related parties	*105,991*	*116,562*	*121,004*
Incidence	*99.9%*	*100%*	*100%*
Other revenues and income	**528**	**350**	**1,217**
of which with related parties	*236*	*231*	0
Incidence	*44.7%*	*66.6%*	*0.0%*
Production costs	**104,950**	**111,916**	**115,591**
of which with related parties	*(94,867)*	*(101,938)*	(104,758)
Incidence	*90.4%*	*91.1%*	*90.6%*
Financial and investment income	**7,241**	**7,449**	**14,190**
of which with related parties	*7,219*	*7,085*	*13,175*
Incidence	*99.7%*	*95.1%*	*92.8%*
Total non-current assets	**32,996**	**25,988**	**19,025**
of which with related parties	*23,027*	*23,124*	*17,614*
Incidence	*69.8%*	*88.9%*	92.6%
Total current assets	**63,309**	**93,509**	**114,346**
of which with related parties	*54,207*	*66,575*	77,367
Incidence	*85.6%*	*71.2%*	67.7%
Total non-current liabilities	**1,452**	**1,485**	**1,346**
of which with related parties	*129*	*129*	*128*
Incidence	*8.9%*	*8.7%*	*9.5%*
Total current liabilities	***51,704***	***60,839***	***64,189***
of which with related parties	*47,343*	*55,533*	*58,270*
Incidence	*91.6%*	*91.3%*	*90.8%*

From 31 December 2015 until the Offer Document Date, no transactions have been concluded such as to significantly modify the data given in the above tables.

Although Cairo Communication maintains that the conditions laid down and effectively implemented in transactions with related parties are in line with normal market conditions, it is not possible to absolutely guarantee that if such transactions had been concluded between, or with, third parties they would have been carried out under the same terms and conditions, or to exclude the possibility of different terms and conditions being adopted.

For further information, see Paragraph B.1.10, Section B, of the Offer Document.

A.2.1.u. *Risks connected to the possible inadequacy of the organisational and management model adopted by Cairo Communication pursuant to Legislative Decree 231/2001*

Legislative Decree no. 231/2001 ("*The code on the administrative liability of legal persons, of companies and of associations even without legal personality, pursuant to Article 11 of Law no. 300 of 29 September 2000*") has introduced into the Italian legal system, conforming to what is contemplated by European law, the administrative liability of enterprises, "enterprises" being companies, firms, partnerships and associations, even if without legal personality.

Cairo Communication has adopted the organisational and management model contemplated by Legislative Decree 231/2001 (the "**Model**") in order to create a system of rules to prevent the adoption of illegal behaviour by the top management or, in any case, subjects with the power to take decisions, or employees deemed relevant for the application of the said law. The Model has been updated by the Offeror's Board of Directors, on proposal of the Supervisory Board, most recently in February 2016, subsequent to certain amendments to the Legislative Decree 231/01 (of which, the main amendments regard "corruption between private subjects", environmental offences, criminal association, inducing others to make false statements, offences against industry and money laundering). A similar organisational and management model has been adopted – and successively updated – also by the subsidiaries Cairo Pubblicità, Cairo Editore and La7.

However, there is no certainty that the model adopted by Cairo Communication and by the said subsidiaries can be considered adequate by a judicial authority if called to verify the cases contemplated by the law itself. We also point out that in such a case, and if, in the case of an offence, the Offeror and/or of the aforesaid companies were not exonerated from liability on the basis of the provisions of Legislative Decree 231/2001, pursuant to the said Legislative Decree a fine would be imposed to the company involved in the offence committed. In more serious cases, additional sanctions are also contemplated, such as debarment from the practice of the company's business, or the suspension or revocation of authorisations, licences or concessions, ban on contracting with public administrations and ban on advertising goods and services. In addition, under Legislative Decree 231/2001, in certain cases the company which governs or supervises the company involved in the offence is also held liable.

We point out that, for the period to which the financial information contained in the Offer Document refers, no company of the Cairo Communication Group is party to any procedure concerning the ascertainment of the enterprise's liability pursuant to Legislative Decree 231/2001.

A.2.1.v. Risks connected to possible interruptions of the Cairo Communication Group's business

The companies of the Cairo Communication Group, in the performance of their businesses, take avail of employees and collaborators, including journalists and network directors. Strikes, down-tools or other forms of trade union action or any deterioration in relations with employees or collaborators could cause interruptions in the execution of the Cairo Communication Group's business.

Any interruptions, even partial, of the Cairo Communication Group's business, due to the above-mentioned events or to other events, beyond Cairo Communication's control, could have a negative effect on the Cairo Communication Group's business, on its economic, equity and financial situation and on its future prospects.

Furthermore, although there have been no such interruptions in the last three years, such as to have any significant effect on the Group's operations, it is not possible to exclude such interruptions in the future and, should this happen, the Cairo Communication Group's business could suffer negative effects.

For further information, see Paragraph B.1.7, Section B, of the Offer Document.

A.2.1.w. Risks connected to legal proceedings in progress and to sanction proceedings against the members of the Cairo Communication Board of Directors and Board of Auditors

Board of Directors

At the Offer Document Date, to the best knowledge of the Offeror, and without prejudice to what is indicated below regarding the director Uberto Fornara, in the last five years no member of the Cairo Communication Board of Directors has been sentenced for bankruptcy or fraud, or has been associated, in the performance of administration, management or supervisory duties, with receivership or liquidation procedures. In addition, none of these subjects has been officially accused and/or sanctioned by the public or supervisory authorities (including the professional associations) in the performance of their offices, nor has been banned as member of Cairo Communication boards of directors, boards of auditors or supervisory boards or from performing directorship or management duties for other broadcasters.

With a communication of 29 May 2015, CONSOB charged the director Uberto Fornara - in the capacity of a "*relevant person*" pursuant to Article 152-*sexies*, paragraph 1, letter c.1), of the Issuers' Regulation - with breach of Article 114, paragraph 7, of the TUF, in relation to certain transactions on Cairo Communication shares carried out by Uberto Fornara's wife in the period between 25 March 2014 and 16 May 2014 that Uberto Fornara did not communicate to CONSOB or Cairo Communication within the terms indicated by the applicable provisions.

With resolution no. 19502 of 28 January 2016, CONSOB imposed a fine of EUR 15,000 on the director Uberto Fornara for negligence in relation to the above-described facts, also providing for the non-publication of the resolution in the CONSOB Bulletin, pursuant to Article 195, paragraph 3, of the TUF.

Board of Auditors

At the Offer Document Date, to the best knowledge of the Offeror, and without prejudice to what is indicated below regarding the auditor Maria Pia Maspes, in the last five years no member of the Cairo Communication Board of Auditors has been sentenced for bankruptcy or fraud, or has been associated, in the performance of administration, management or supervisory duties, with receivership or liquidation procedures. In addition, none of these subjects has been officially accused and/or sanctioned by the public or supervisory authorities (including the professional associations) in the performance of their offices, nor has been banned as member of Cairo Communication boards of directors, boards of auditors or supervisory boards or from performing directorship or management duties for other broadcasters.

At the Offer Document Date, the auditor Maria Pia Maspes was committed for trial in relation to the office of member of the Board of Auditors of the company Olcese Immobiliare S.r.l., now under the extraordinary administration procedure, which she covered in the period between 14 May 2001 and 19 December 2002. In particular, Ms Maria Pia Maspes has been charged within the sphere of the criminal case docketed under no. 32738/14 of the Criminal Records Registry, pending at first instance before the Court of Milan, in relation to the crime of conspiracy in fraudulent bankruptcy contemplated by Articles 210 of the Criminal Code and 216 and 223 of the Royal Decree of 16 March 1942. At the Offer Document Date, the first hearing of the criminal case is set for 7 July 2016. If Ms Maria Pia Maspes is found guilty in the above-mentioned criminal trial, she will lose the requisite of integrity required by the applicable law.

For further information, see Paragraph B.1.8, Section B, of the Offer Document.

A.2.2 Warnings relative to the sector in which the Cairo Communication Group operates

A.2.2.a. Risks connected to the trend of the advertising and publishing market

The following table illustrates the breakdown of the Cairo Communication Group's consolidated net revenues according to the main business sectors in the financial year 2015.

Breakdown of consolidated net revenues									
(Values in millions of Euro)	**Magazine publishing**	**Magazine publishing (incidence)**	**Television broadcasting**	**Television broadcasting (incidence)**	**Advertising Sales Agency**	**Advertising Sales Agency (incidence)**	**Other sectors and infra-group (1)**	**Group total**	**Group total (incidence)**
Advertisements in the press	20.1		-		26.7		(19.9)	26.9	
Television advertising	-		98.7		137.4		(94.3)	141.8	
Advertisements on the Internet	-		1.0		0.8		(0.5)	1.3	
Posters in stadiums	-		-		3.1		-	3.1	
Agency discounts	-		-		(24.0)		-	(24.0)	
Total advertising revenues	**20.1**	**21.1%**	**99.7**	**97.7%**	**144.0**	**99.6%**	**(114.7)**	**149.1**	**65.8%**
Distribution and subscription revenues	75.4	79.4%	-	-	-	-	-	75.4	33.3%
Other operating revenues	1.0	1.1%	2.4	2.3%	0.6	0.4%	(0.4)	3.6	1.4%
VAT paid by the Publisher	(1.5)	(1.6%)	-	-	-		-	(1.5)	(0.5%)
Total net revenues	**95.0**	**100%**	**102.1**	**100%**	**144.6**	**100%**	**(115.1)**	**226.6**	**100%**

(1) Including mainly the infra-group eliminations between the agency sector and the television publishing sector and the magazine publishing sector.

The Cairo Communication Group has a significant exposure in respect of advertising revenues, which are structurally cyclical and directly linked to the general trend of the economic context. The market of advertising space sales has always been cyclical, with consequent growth in the periods of expansion and contraction in the periods of recession. In particular, the Italian economy, from the second half of 2011 until the end of 2014, went through a prolonged recession, with growth registered only in 2015: Italy's Gross Domestic Product (GDP), in fact, fell by 1.7% in 2013 and by 0.3% in 2014, while it increased by 0.8% in 2015 ([20]).

According to AC Nielsen data, in 2015 investments in advertising in Italy amounted to about Euro 6.3 billion, representing 0.5% less than the previous year.

The consolidated advertising revenues of the Cairo Communication Group, equal to EUR 149.1 million in 2015 (EUR 161.2 million in 2014 and EUR 168.8 million in 2013) represent about 65.8% of the consolidated net revenues of the Cairo Communication Group and show a negative trend over the three year period 2013/2015, influenced by the trend of the advertising market. With regard to the television advertising market, in 2015 Cairo Communication was the fifth operator, with a market share of about 4% ([21]). With regard to the magazine advertising market, in 2015 Cairo Communication had a market share of 5.7% ([22]).

Considering the publishing sector of the Cairo Communication Group relative to magazines, advertising revenues in the financial year 2015 (which do not include the percentage due to the agency sector) accounted for 21.1% of the net revenues of the sector. The remaining 78.9% was represented

([20]) Source: the Internet site of Istat [the Italian statistics institute], in the section on "Annual accounts and domestic economic aggregates".

([21]) Source: Nielsen.

([22]) Source: Cairo Communication processing of Nielsen data.

by revenues from distribution and subscriptions, which make the Cairo Communication Group's magazine publishing sector less exposed to the economic cycle of the advertising market. The advertising revenues achieved in the magazine publishing sector in the financial periods which closed on 31 December 2015, 31 December 2014 and 31 December 2013, were respectively EUR 20.1 million, EUR 20.9 million and EUR 21.8 million.

With reference to the television publishing sector and the advertising space agency activity, advertising revenues represent substantially the only revenue item, with an incidence of respectively 97.7% and 99.6% of the revenues of the sector.

The advertising revenues achieved in the television publishing sector in the financial periods which closed on 31 December 2015, 31 December 2014 and 31 December 2013 (from May to December 2013), were respectively EUR 99.7 million, EUR 107.8 million and EUR 73.7 million. In 2015 the average share of the channel La7 was 3.06% of throughout the day and 3.7% at prime time (the time bracket from 20:30 to 23:30) ([23]). In 2015 the average share of the channel La7d was 0.51% of throughout the day and 0.55% at prime time (the time bracket from 20:30 to 23:30) ([24]).

The advertising revenues achieved from the advertising space sales agency business in the financial periods which closed on 31 December 2015, 31 December 2014 and 31 December 2013, were respectively EUR 144.0 million, EUR 155.0 million and EUR 163.9 million.

The possible continuance of the factors of uncertainty of the global economy and of the stagnation of the economic growth of the Italian market could negatively impact the prospects of the advertising market. In this context, the Cairo Communication Group's possible incapacity to maintain or increase its revenues could have negative effects on the Cairo Communication Group's economic, equity and financial situation.

The economic situation and the contraction of advertising investments have, in general, also contributed to decreasing newspaper and magazine sales. Cairo Editore is the main operator in the sector of weekly magazines with a market share of 28.6% in 2015 (the RCS Group is third with a market share of 10.0%). Cairo Editore is the fourth operator with a market share of 6.7% in 2015 (the RCS Group is sixth with a market share of 3.0%) ([25]).

In the three year term 2013-2015 the average distribution of weekly and monthly magazines in the newsagents' shops fell, with a CAGR for the weeklies of 9.2% and CAGR for the monthlies of 17.6% ([26]). The distribution revenues from the sale of publications, including subscriptions, achieved by the Cairo Communication Group's magazine publishing sector in the financial periods that closed on 31 December 2015, 31 December 2014 and 31 December 2013 amounted, respectively, to EUR 75.4 million, EUR 76.3 million and EUR 77.8 million, therefore showing substantial stability throughout the three year term.

The RCS Group is also exposed to the risks connected to the trend of the advertising and publishing markets. In particular, in 2015, the advertising revenues of the RCS Group, of EUR 475.5 million (of which EUR 151.8 million achieved in Spain), represented about 46.1% of the consolidated revenues,

([23]) Source: Auditel.

([24]) Source: Auditel.

([25]) Source: ADS. The average circulation at news agents' refers to the average number of copies sold in the Italian news agents' shops and news-stands.

([26]) Source: ADS. The average circulation at news agents' refers to the average number of copies sold in the Italian news agents' shops and news-stands.

while the revenues from distribution, of EUR 420.9 million (of which EUR 137.7 million achieved in Spain), represented about 40.1% of the consolidated revenues.

As pointed out by the RCS directors in the chapter on "Main risks and uncertainties" of the consolidated financial statement at 31 December 2015 "*Advertising is the most critical business for the RCS Group, inasmuch as it is significantly impacted by the trend of the macro-economic cycle, amplifying the trends and consequently conditioning the results of the RCS Group in Italy and Spain. The advertising markets, albeit with the necessary differentiations, have had a uniform decreasing trend in recent years, except for the market of advertising on the Internet. This latter, from its initial affirmation and for the successive financial years except for 2013 (and 2015 in Italy), has had a generally increasing trend (albeit not as accelerated as at first and excluding the transitory effects deriving from the introduction of new legal provisions in Spain) even in the presence of unfavourable economic cycles. In Italy, in the financial years 2013 and 2015, this market has shown a contracting trend, albeit less accentuated than that of the advertising by other media. Given this, the increasingly greater importance of the revenues of advertising on the Internet mitigates the risk for the RCS Group. For that matter, it may be noted that this segment of the market features competitors of a different kind which progressively erode the margins linked to digital advertising, and rapid innovation, including the technological innovation of the products.*"

With regard to the financial year 2015, the incidence of the Cairo Communication Group's*pro-forma* consolidated advertising revenues on the Group's *pro-forma* consolidated revenues is 49.6% and the incidence of the Cairo Communication Group's *pro-forma* consolidated distribution revenues on the Group's *pro-forma* consolidated revenues is 39.4%.

A.2.2.b. *Risks connected to the evolution of the media sector*

The media sector is experiencing an increase of the degree of penetration of the new communication means, especially the Internet, and the development of new FTA [free to air] theme channels on digital terrestrial television, which could determine changes in consumers' demands.

While the development of the Internet could have an impact on the market share of the printed products, mainly newspapers and, to a lesser extent, magazines, published by the Cairo Communication Group, the development of the Internet and of digital theme television can influence the audience in respect of general TV.

In particular, Cairo Communication has identified the following main market trends:

- the demand for entertainment content continues to grow, both on the traditional media and on the new platforms;

- in the sector of general commercial television, the convergence between the distribution platforms, on one hand, can create opportunities for development but, on the other, it involves a risk of audience fragmentation and an increase in the total number of platforms available for the use of television content (satellite, the Internet, mobile devices), with consequent greater complexity of the competitive context;

- the technological evolution has progressively changed the way of using the content, with a move towards more interactive/on-demand media, favouring a switch on the part of the younger public towards more personalised usage forms;

- the absence of technological barriers increases the risk for the traditional broadcasters.

Although the Cairo Communication Group constantly monitors the evolution of business models relative to the distribution of the available contents and the degree of penetration of the new technological means, in order to assess whether to develop diverse distribution platforms, and if the Cairo Communication Group cannot maintain its own level of technological updating, or constantly renew its offer of services and products, especially on-line, this could cause a negative impact on the Cairo Communication Group's economic, financial and equity situation.

For further information, see Paragraph B.1.7, Section B, of the Offer Document.

A.2.2.c. *<u>Risks connected to the evolution of the legal and regulatory framework and to dependence on authorisations and concessions</u>*

The Cairo Communication Group operates in several business areas, which are strongly regulated. The possible failure to respect the applicable laws and regulations, with consequent economic prejudice (including the application of fines) and prejudice to the Group's image and reputation, as well as possible costs linked to adaptation to the legal and regulatory provisions, could have a negative impact on the Cairo Communication Group's economic, financial and equity situation.

In particular, the activity of La7 is disciplined, mainly, by Legislative Decree no. 177 of 31 July 2005 amended by Legislative Decree no. 44 of 15 March 2010 (hereinafter the amended Lgs. Decree no. 177/05, also known as the "Consolidated Act"), which defines the general principles for providing audio-visual media and radio services.

With regard to LCN, the numbers at present in use (7 for La7 and 29 for La7*d*) are those assigned by the Ministry of Economic Development in 2010, on the basis of AGCOM resolution 366/2010/CONS. This resolution was impugned by Telenorba - a general television channel of the Norba Group - and by other local broadcasters.

With judgment no. 4660 of 2012, the Council of State annulled the LCN assignment of the digital terrestrial channels, on the basis of which the position 7 was assigned to La7 (resolution no. 366/2010/CONS), with particular reference to the assignments of the positions 7, 8 and 9. In execution of the judgment, AGCOM adopted a new LCN (resolution no. 237/13/CONS), confirming the assignment of the numbers from 0 to 9 to the national general broadcasters. Telenorba filed a claim against compliance maintaining that the new Plan adopted by AGCOM had eluded the aforesaid judgment of the Council of State (no. 4660 of 2012). With judgment no. 6021 of 2013, the Council of State sustained the appeal and appointed a Commissioner *ad acta* for the correct implementation of the judgment.

With judgment no. 432 of 2016, the Council of State maintained the Commissioner's provision to be correct, in the part in which it rules that all three positions (7, 8 and 9) had to be assigned to national broadcasters and not to local broadcasters, and it confirmed that Telenorba, as a local broadcaster, was not entitled to any of the positions 7, 8 and 9.

With a simultaneous judgment, no. 1836 of 2016, the Supreme Court *en banc* annulled the Council of State judgment no. 6021 of 2013, for exceeding the outer limits of administrative jurisdiction.

At the Offer Document Date, it is not possible to predict the effects of the judgment of the Supreme Court on the activities carried out by AGCOM (and by the Commissioner) and especially on the effectiveness of the AGCOM resolutions no. 366/2010/Cons and no. 237/13/Cons. The possible further continuance of the above-described disputes, or the filing of new disputes on the LCN assignment, could cause a situation of uncertainty on the stability of the said assignment, which could lead to negative effects on the Cairo Communication Group's business and its economic, equity and financial situation.

For further information, see Paragraph B.1.17, Section B, of the Offer Document.

A.3 Warnings relative to Cairo Communication Shares

A.3.1 Issue and listing of the Cairo Communication Shares offered in exchange

The Cairo Communication Shares will be issued on the Consideration Payment Date and, in case of the fulfilment of the Purchase Obligation pursuant to Article 108, paragraph 2, of the TUF or of the Purchase Obligation pursuant to Article 108, paragraph 1, of the TUF, on the respective payment dates, which will be communicated with a special press release and, on the same date, they will be assigned to the Tendering Shareholders.

Without prejudice to what is indicated in the preceding Paragraph A.1.5, Warnings Section, of the Offer Document, the Cairo Communication Shares will be admitted for trading on the MTA, STAR segment, like the ordinary Cairo Communication shares already in circulation at the date of their issue.

For further information, see Paragraphs E.7.6 and E.7.7, Section E, of the Offer Document.

A.3.2 Dilution

The Cairo Communication Shares will be issued without option rights pursuant to Article 2441, paragraph 4, first sentence, of the Civil Code, inasmuch as offered in exchange to the RCS shareholders who tender RCS Shares to the Offer. The dilution percentage for the present Cairo Communication shareholders will depend on the outcome of the Offer, inasmuch as the number of Cairo Communication Shares to be issued to serve the Offer will depend on the number of Offer acceptances.

If the Offer is accepted by 50% of the holders of RCS shares, Cairo Communication will issue 31,311,897 Cairo Communication Shares to be assigned to the Tendering Shareholders in exchange and the dilution for the present Cairo Communication shareholders of their stake in the Offeror's share capital will be 28.55%.

The following table shows the stakes that will be held by the shareholders who, to the Offeror's best knowledge at the Offer Document Date, hold stakes in the Cairo Communication share capital equal to or more than 5%, presuming that: (i) RCS Shares representing 50% of the share capital are tendered to the Offer; (ii) after the Offer Document Date, no change to the entity of the Cairo Communication relevant stakes takes place; and (iii) UTC, the holder at the Offer Document Date of 4.72% of RCS share capital, does not tender any of its RCS Shares to the Offer.

DECLARANT	DIRECT SHAREHOLDER	% OF SHARE CAPITAL
Urbano Cairo	UT Communications S.p.A.	32.06%
	Urbano Cairo	8.85%
	UT Belgium Holding S.A.	11.22%
Total of relevant shareholders		**52.13%**
Market		47.87%
Total		**100%**

The following table shows the stakes that will be held by the shareholders who, to the Offeror's best knowledge at the Offer Document Date, hold stakes in the Cairo Communication share capital equal to or more than 5%, presuming that: (i) during the Acceptance Period RCS Shares representing 50% of the share capital, including the shares referred to in the following point (iii), are tendered to the Offer; (ii) after the Offer Document Date, no change takes place in the entity of the Cairo Communication relevant stakes; and (iii) UTC, the holder at the Offer Document Date of 4.72% of the RCS share capital, tenders all its RCS Shares to the Offer.

DECLARANT	DIRECT SHAREHOLDER	% OF SHARE CAPITAL
Urbano Cairo	UT Communications S.p.A.	34.76%
	Urbano Cairo	8.85%
	UT Belgium Holding S.A.	11.22%
Total of relevant shareholders		**54.83%**
Market		45.17%
Total		**100%**

The following table shows the stakes held by the shareholders who, to the Offeror's best knowledge at the Offer Document Date, hold stakes in the Cairo Communication share capital equal to or more than 5%, presuming that: (i) during the Acceptance Period RCS Shares representing 35% of the share capital are tendered to the Offer; (ii) after the Offer Document Date, no change takes place in the entity of the Cairo Communication relevant stakes; and (iii) UTC, the holder at the Offer Document Date of 4.724% of the RCS share capital, does not tender any of its RCS Shares to the Offer.

DECLARANT	DIRECT SHAREHOLDER	% OF SHARE CAPITAL
Urbano Cairo	UT Communications S.p.A.	35.07%
	Urbano Cairo	9.68%
	UT Belgium Holding S.A.	12.28%
Total of relevant shareholders		**57.03%**
Market		42.97%
Total		**100%**

The following table shows the stakes held by the shareholders who, to the Offeror's best knowledge at the Offer Document Date, hold stakes in the Cairo Communication share capital equal to or more than 5%, presuming that: (i) during the Acceptance Period RCS Shares representing 35% of the share capital, including the shares referred to in the following point (iii), are tendered to the Offer; (ii) after the Offer Document Date, no change takes place in the entity of the Cairo Communication relevant stakes; and (iii) UTC, the holder at the Offer Document Date of 4.724% of the RCS share capital, tenders all its RCS shares to the Offer.

DECLARANT	DIRECT SHAREHOLDER	% OF SHARE CAPITAL
Urbano Cairo	UT Communications S.p.A.	38.02%
	Urbano Cairo	9.68%
	UT Belgium Holding S.A.	12.28%
Total of relevant shareholders		**59.98%**
Market		41.02%
Total		**100%**

If the Offer is accepted by 100% of the holders of RCS shares, Cairo Communication will issue 62,623,795 Cairo Communication Shares to be assigned to the Tendering Shareholders in exchange and the dilution for the present Cairo Communication shareholders of their stake in the Offeror's share capital will be 44.42%.

The following table shows the stakes that will be held by the shareholders who, to the Offeror's best knowledge at the Offer Document Date, hold stakes in the Cairo Communication share capital equal to or more than 5%, presuming that: (i) RCS Shares representing 100% of the share capital (and therefore also all the RCS Shares held by UTC) are tendered to the Offer; and (ii) after the Offer Document Date no change takes place in the entity of the Cairo Communication relevant stakes.

DECLARANT	DIRECT SHAREHOLDER	% OF SHARE CAPITAL
Urbano Cairo	UT Communications S.p.A.	27.04%
	Urbano Cairo	6.88%
	UT Belgium Holding S.A.	8.73%
Total of relevant shareholders		**42.65%**
Market		57.35%
Total		**100%**

For further details, see Section J of the Offer Document.

A.3.3 Risks connected to the liquidity and volatility of the Cairo Communication Shares tendered for the exchange

The Cairo Communication Shares offered as Consideration present precisely the elements of risk of an investment in listed financial instruments of the same kind. The holders of Cairo Communication Shares will have the possibility of liquidating their investment by selling them on the MTA.

The Cairo Communication Shares could present problems of liquidity beyond the Offeror's control. Therefore, suitable counterparties might not be found immediately for sale requests, which might also be subject to fluctuations, even significant, in the price. Factors such as changes in the economic, financial, equity and income situation of the Offeror or its competitors, changes in the general conditions of the sector in which the Offeror operates or in the general economy and on the financial markets, changes in the legal and regulatory framework, or the circulation in the newspapers of news from journalistic sources regarding the Offeror, could, in fact, generate substantial fluctuations in the price of the Cairo Communication shares.

In addition, the price trends and the volumes traded on the stock markets in recent years have been highly unstable. Such fluctuations could negatively impact the market price of the Cairo Communication shares in the future, independently of the equity, economic and financial values that the Cairo Communication Group is able to achieve.

A.3.4 Management of the fractions of the Cairo Communication Shares tendered to the share exchange

For each RCS Share tendered to the Offer, a Consideration equal to no. 0.12 of Cairo Communication Shares will be attributed. Therefore, the number of Cairo Communication Shares to which some Tendering Shareholders are entitled might not be a whole number.

Fractions of Cairo Communication Shares will be treated as indicated *infra* in Paragraph F.6, Section F, of the Offer Document.

A.3.5 Rights that can be exercised by the Tendering Shareholders

The RCS Shares tendered to the Offer will remain tied to the Offer.

Therefore, until the Consideration Payment Date, the Tendering Shareholders will maintain, and will be able to exercise their economic and administrative rights deriving from, their ownership of the RCS

Shares, however they may not transfer their RCS Shares except within the possible competitive offers or increased offers of the Offer pursuant to Article 44 of the Issuers' Regulation.

For further details, see Paragraph F.2, Section F, of the Offer Document.

B. SUBJECTS PARTICIPATING IN THE OPERATION

B.1 The Offeror

B.1.1 Company name, legal form, incorporation, term and registered office

The Offeror's company name is "Cairo Communication S.p.A." and it is a joint stock company.

The Offeror was incorporated as a limited company on 31 May 1984. On 4 April 1997, Urbano Cairo bought the Offeror's entire equity, and the company name was changed to Cairo Due S.r.l. On 19 April 2000, Cairo Due S.r.l. changed its company name to Cairo Communication S.p.A.

The Offeror is listed on the Milan Companies Register, with Companies Register number, tax code and VAT number 07449170153, and it is listed on the Administrative Economic Index under no. MI - 1162150.

Pursuant to Article 5 of the Articles of Association, Cairo Communication will remain in existence until 30 September 2050, which term may be extended once or more times by resolution of the Shareholders' Meeting.

The Offeror's registered office is at Via Tucidide no. 56, Milan (telephone number 02 748131).

B.1.2 Corporate purpose

Cairo Communication's corporate purpose is defined under Article 2 of the Articles of Association, which is as follows:

"*2.1. The Company's purpose is the practice of the following activities, directly or through subsidiary companies:*

a) the acquisition of advertising on behalf of third parties, to be circulated by any media, including audio-visual media, the radio, the press, the affixing of printed matter in any form, multi-media and digital media, and by undertaking agency and representation mandates;

b) publishing in general, to be carried out in print and by every other media, also on radio, on television and on the Internet, excluding only the direct publishing of daily newspapers;

c) the conception, production, creation, distribution, concession and representation of advertising devices, media, vehicles and articles, and the study of promotional advertising campaigns for third parties;

d) the creation of digital networks aimed at both the promotion and the circulation of advertising of all kinds;

e) organisational, managerial, corporate and marketing assistance and assistance in external relations for the companies within the contractual sphere; and the execution of all the corporate procedures in general, all also by means of the use of automated systems;

f) the promotion and the execution of market studies, research and analyses, on its own behalf and on behalf of third parties, especially in the sectors of advertising, the organisation of services for companies and advertising and promotional campaigns, and the research, study, processing and drafting of economic plans and analyses;

g) *the provision of assistance and operational coordination services to companies, public and private enterprises, especially in the technical-production and commercial-advertising sectors;*

h) *entertainment activities in general, spare time management and the management of show business and sports events;*

i) *the creation, planning and development of software and of computerises services, data processing for third parties, the creation and management of network and interconnection applications in general.*

2.2 Any activity whatsoever for the practice of which the listing on specific registers is required is excluded.

2.3 It [Cairo Communication] *can carry out all industrial and commercial activities and activities concerning property that are deemed necessary or useful for achieving the Company's purpose and lastly, always if such activities are not "addressed to the public" and are functionally connected to achieving the Company's purpose, it may:*

– *buy and sell shares and stakes in companies and enterprises whose purpose is the same as, similar to or, in any case, connected with its own; and*

– *grant securities and in general secured and unsecured guarantees to third parties.*

2.4 The Company may also hold assets by the purchase of funds, with obligation of reimbursement, from shareholders in compliance with the provisions of the Inter-Departmental Committee for Credit and Savings adopted by resolution of 19 July 2005 and any successive provisions.".

B.1.3 Applicable law and jurisdiction

Cairo Communication is an Italian company, incorporated in Italy and it operates under Italian law.

Any disputes in which it is involved shall fall under the jurisdiction of the court of the place where the Offeror has its registered office, which is Milan.

B.1.4 Share Capital

B.1.4.a. *Share Capital underwritten and paid up*

At the Offer Document Date, Cairo Communication's share capital is equal to EUR 4,073,856.80, entirely underwritten and fully paid up, divided into 78,343,400 Cairo Communication shares without par value and listed in the STAR segment of the MTA.

We point out that on 12 May 2016, the Offeror's Extraordinary Shareholders' Meeting resolved the Capital Increase, for payment and in also in separate share issues, for a maximum par amount of EUR 3,256,437.340 (plus a share premium of a maximum of EUR 271,662,022.710), to be carried out on one or two occasions, and also in several trances, by the issue of a maximum of 62,623,795 Cairo Communication Shares, without option rights, pursuant to Article 2441, paragraph 4, first sentence, of the Civil Code, to be released by the contribution in nature of the RCS Shares tendered in acceptance of the Offer. Thus, in the case of the underwriting of the entire Capital Increase, the Offeror's share capital will be EUR 7,330,294.14, divided into 140,967,195 Cairo Communication shares.

On the Offer Document Date, Cairo Communication holds 779 treasury shares, equal to 0.001% of the share capital. At the same date, there are no Cairo Communication shares held by Cairo Communication subsidiaries or on behalf of Cairo Communication.

The following table shows the reconciliation between the number of Cairo Communication outstanding shares at 31 December 2015 and the number of Cairo Communication outstanding shares at 31 December 2014:

	31/12/2014	PURCHASE OF TREASURY SHARES	SALE OF TREASURY SHARES	31/12/2015
Cairo Communication Shares	78,343,400	-	-	78,343,400
Treasury shares	(779)	-	-	(779)
Cairo Communication Shares in issue	**78,342,621**	**-**	**-**	**78,342,621**

At the Offer Document Date there are no:

(i) shares issued by the Offeror which do not represent the share capital;
(ii) convertible bonds, exchangeable bonds or bonds with warrants;
(iii) option rights on the capital;
(iv) purchase rights and/or obligations on capital authorised but not issued or capital increase commitments.

At the Offer Document Date, the capital of the Cairo Communication Group companies has not been offered on option.

Pursuant to Article 7 of the Cairo Communication's Articles of Association, the capital can be increased once or more times by Shareholders' Meeting resolution, also by the issue of both preference shares or shares with different rights than those already issued, and saving shares, within the limits of and in compliance with the legal and regulatory provisions. The capital can also be increased by the contribution of assets in nature or of receivables.

In the case of increase by cash contribution, the shareholders have option rights on the new shares, without prejudice to what is contemplated by Article 2441, paragraphs 5. 6. 7 and 8 of the Civil Code. The option right on newly issued shares, in the case of share capital increase, can be excluded, up to the limit of 10% of the pre-existing share capital, providing the issue price corresponds to the market value of the shares and providing this is confirmed in a specific report drawn up by the firm appointed to carry out the statutory audit.

The Shareholders' Meeting may resolve to reduce the share capital also by the assignment to shareholders or to groups of shareholders of certain company assets or shares or stakes of other companies in which the company holds equity, all within the limits contemplated by Articles 2327, 2412 and 2413 of the Civil Code and with respect for the shareholders' right to equal treatment.

B.1.4.b. *Evolution of the share capital in previous financial periods*

Without prejudice to what is indicated above in Paragraph B.1.4.a, in the last three financial years there ave been no changes in the Offeror's share capital.

B.1.5 Main shareholders and Shareholders' Meetings

B.1.5.a. *<u>Main shareholders</u>*

The following table indicates the subjects which, at the Offer Document Date, according to the official communication and the other information available to the Offeror, hold Cairo Communication shares with voting rights representing, individually, 5% percent or more of the Offeror's share capital:

Declarant	Direct shareholder	% of share capital
Urbano Cairo	UT Communications S.p.A.	44.88%
	Urbano Cairo	12.39%
	UT Belgium Holding S.A.	15.71%
Total		**72.98%**

At the Offer Document Date, Urbano Roberto Cairo has the legal control of the Offeror, inasmuch as holding: (i) directly 12.39% of the Offeror's share capital; (ii) indirectly, through the subsidiaries UTC and U.T. Belgium Holding S.A., 60.59% of the Offeror's share capital; and therefore (iii) all together 72.98% of the Offeror's share capital.

At the Offer Document Date, no securities have been issued which confer special voting rights or rights of any other nature.

At the Offer Document Date, to the best of the Offeror's knowledge, there are neither shareholder agreements between the Cairo Communication shareholders nor agreements between them which, if implemented, could lead, at a later date, to a change in the structure of the control of Cairo Communication.

B.1.5.b. *<u>Convocation of and intervention at the Offeror's Shareholders' Meetings</u>*

Pursuant to Article 10 of Cairo Communication's Articles of Association, the ordinary and extraordinary Shareholders' Meetings are called in the cases and according to the terms established by law and by regulatory provisions. The Shareholders' Meeting is called by the directors with notice, containing the indications required by law and regulations, published on the Cairo Communication's Internet site, with the other procedures contemplated by the regulatory provisions, and in the Official Journal of the Italian Republic and in a national daily newspaper.

The Shareholders' Meeting may also be called, after communication to the Chairman of the Board of Directors, by the Board of Auditors or by two of its members, pursuant to Article 151, paragraph 2, of the TUF.

In the convocation notice, the day for the second and for ulterior convocations of the Shareholders' Meeting may be fixed.

The Shareholders' Meetings, whether ordinary or extraordinary, take place at the Company's registered office or elsewhere, providing it is in Italy, as indicated in the convocation notice.

The convocation is not necessary when the entire share capital is present or represented at the Shareholders' Meeting and when the majority of the members of the board of directors and of the board of auditors are in attendance, in respect of Article 2366 of the Civil Code.

The Ordinary Shareholders' Meeting is held at least once a year, at one hundred and twenty days from the closure of the financial period and, if the Company is required to draw up the consolidated financial statements or when required by particular needs relative to the Company's structure or purpose, within one hundred and eighty days from the closure of the financial period. In these cases the directors specify the reasons for the deferral in the report required by Article 2428 of the Civil Code.

Pursuant to Article 12 of the Cairo Communication's Articles of Association, the intervention of those who have the right to vote at the Shareholders' Meetings and their representation are disciplined by legal and regulatory provisions. Those entitled to vote may electronically communicate proxies issued pursuant to the laws in force, by means of the specific section of the Cairo Communication Internet site, according to the procedures indicated in the Shareholders' Meeting convocation notice.

B.1.6 Description of the Offeror and of the group to which it belongs

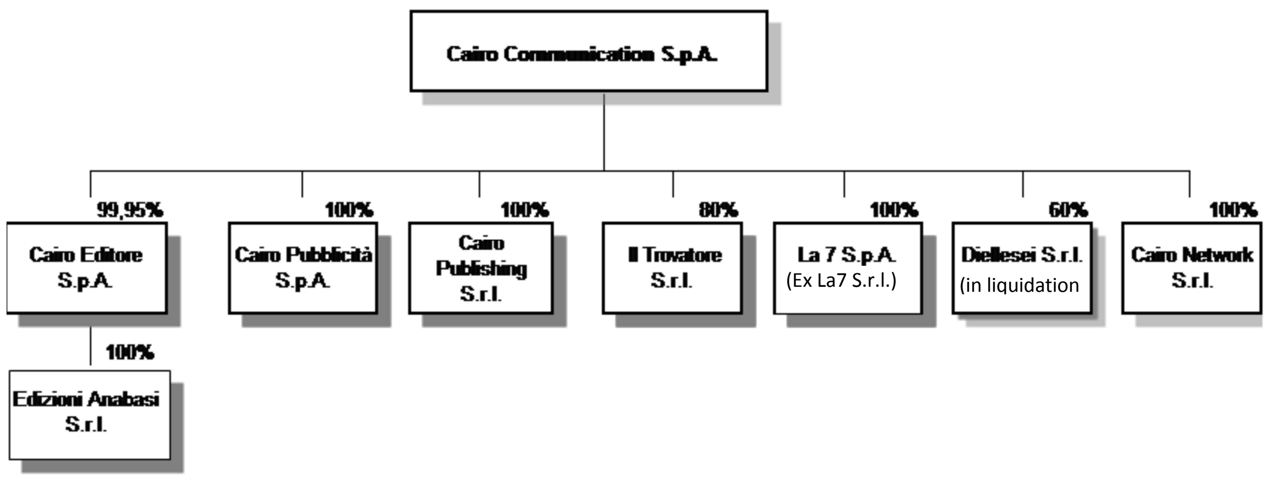
B.1.6.a. *Cairo Communication*

At the Offer Document Date, Urbano Roberto Cairo is the controlling shareholder of the Offeror, inasmuch as holding: (i) directly 12.39% of the Offeror's share capital; (ii) indirectly, through the subsidiaries UTC and U.T. Belgium Holding S.A., 60.59% of the Offeror's share capital; and therefore (iii) all together 72.98% of the Offeror’s share capital.

B.1.6.b. *The Cairo Communication Group*

The Offeror is at the head of the Cairo Communication Group, which operates mainly as a publisher of magazines (through Cairo Editore) and of books (through Cairo Publishing S.r.l.), as a television broadcaster (through La7), as an agency for the sale of advertising space on television, in magazines and newspapers, on the Internet and in stadiums (through Cairo Communication and Cairo Pubblicità), as a network operator (through Cairo Network) and as a provider of technological services (through Il Trovatore S.r.l.).

The following graph illustrates the structure of the Cairo Communication Group at the Offer Document Date.



The Offeror governs and coordinates the subsidiaries of the Cairo Communication Group, pursuant to Articles 2497 and following of the Civil Code.

The following table lists the companies of the Cairo Communication Group, with indication of their name, registered office, percentage of share capital held by the Offeror, and their core business.

COMPANY	REGISTERED OFFICE	% SHARE CAPITAL AND VOTING RIGHTS	BUSINESS
Cairo Communication S.p.A.	Milan		Advertising
Cairo Editore S.p.A.	Milan	99.95	Publishing
La7 S.p.A.	Rome	100	Television broadcasting
Cairo Pubblicità S.p.A.	Milan	100	Advertising
Cairo Publishing S.r.l.	Milan	100	Publishing
Il Trovatore S.r.l.	Milan	80	Internet services
Cairo Network S.r.l.	Milan	100	Network operator
Diellesei S.r.l. in liquidation	Milan	60	In liquidation
Edizioni Anabasi S.r.l.	Milan	99.95	Publishing

B.1.6.c. *<u>Important facts in the evolution of the Offeror's business</u>*

The Cairo Communication Group was founded in December 1995, the year in which Urbano Cairo incorporated, through its subsidiary Cairo Partecipazioni S.r.l. (now UTC) the company Cairo Pubblicità S.r.l., an agency for the sale of advertising space specialised in advertising space in printed media. The agency activity began on 10 January 1996, when Cairo Pubblicità S.r.l. obtained the exclusive mandate to sell the advertising space of certain magazines of the RCS Group, including "*Io Donna*" and "*Oggi*". The business of selling advertising space for the publications of the RCS Group continued until the end of 2002.

On 4 April 1997, the Offeror began its own activity of the sale of advertising spaces on innovative media alternative to the traditional media (mainly at the Rome Olympic Stadium in Rome and on video screens in airports).

In April 1998, the Telepiù Group bought the company Telepiù Pubblicità S.p.A. (later called Cairo TV S.p.A.), a licensed provider of pay TV. The sale of advertising space on the Telepiù networks (and later, in 2003/2004, on Sky, after Telepiù had been taken over by the Newscorp group in 2002) continued until the middle of 2004, the year of the merger by which Cairo TV S.p.A. was incorporated into Cairo Communication.

Always in 1998, with the American group Double Click, Double Click Italy S.r.l. was founded, thanks to which the Cairo Communication Group, one of the first in Italy, entered the market of the sale of advertising space on the Internet with customers such as "Altavista", "Clarence", "Affari Italiani" and "Soldi on line".

In February 1999, Cairo Communication bought all the shares of Editoriale Giorgio Mondadori S.p.A., the famous publishing house which publishes monthly magazines such as "*Bell'Italia*", "*Bell'Europa*", "*Airone*", "*In Viaggio*", "*Gardenia*", "*Arte*" and "*Antiquariato*". Although before the acquisition Editoriale Giorgio Mondadori S.p.a. had a loss of about EUR 6.6 million on a production value of about EUR 17 million, thanks to certain structural measures carried out and a new publishing policy, the economic break-even point was quickly reached, without any change in the number of employees or in the high quality level of the publications. The publishing structures of Editoriale Giorgio Mondadori S.p.A. gave a significant contribution to the creation of the "Cairo" brand publications which Cairo Editore has launched since 2003. In 2009 Editoriale Giorgio Mondadori S.p.A. was incorporated into Cairo Editore, becoming a division of the latter.

In July 2000, the Cairo Communication shares were admitted for listing on the "*New Market*", at the price of EUR 6.5 per share (post fractioning 1:10). Over the following 15 years, Cairo Communication has distributed dividends for a total of EUR 3.15 per share. The official price of the Cairo Communication security at 25 April 2016 is EUR 4.9264 per share. At the Offer Document Date, the sum of the market price of the Cairo Communication shares and the dividends distributed since the year of the listing is more than the above indicated IPO price of the Cairo Communication shares. As of today, the Cairo Communication shares are listed on the MTA, in the STAR segment.

Always in 2000, Cairo Communication bought 80% of the share capital of Il Trovatore S.r.l., an Internet search engine with proprietary technology.

In the autumn of 2002, Cairo Communication stipulated a long-term exclusive agreement for the sale of the advertising space on La7, thus entering the commercial TV sector, the most important segment of the Italian advertising market; in the first year of business sales rose from EUR 42.6 million in 2002 to approximately EUR 66 million, and in the third year they exceeded the contractually set targets for renewal and, thanks to further important results in a hardly dynamic market, in 2009 it consolidated the relationship with the network with a new long-term agreement.

In 2003, the company Cairo Editore was founded, which launched two new monthly magazines: "*For Men Magazine*" and "*Natural Style*", which are in new segments compared to those already controlled by Editoriale Giorgio Mondadori S.p.A. In April 2004, Cairo Editore launched "*Settimanale Dipiù*"; on 31 January 2005, it published the weekly "*DipiùTV*" which quickly reached the top positions for sales at newsagents' shops and stands; in November 2005, it launched "*Diva e Donna*" and in the same period "*Settimanale Dipiù*" and "*DipiùTV Cucina*" also came out. The development of Cairo Editore then continued, always with internal growth: in January 2008 it launched "*TV Mia*"; on 19 January 2012, "*Settimanale Nuovo*", on 5 June 2012 "*F*", on 11 April 2013 "*Settimanale Giallo*", on 21 September 2015 the television weekly "*Nuovo TV*", on 26 January 2016 the fortnightly "*Nuovo e Nuovo TV Cucina*" and on 20 April 2016 it launched in all the newsagents' shops and stands "*Enigmistica Più*", a weekly magazine of games and pastimes which marks the publishing house's entrance into the sector of puzzles.

In 2005, Cairo Publishing S.r.l. was founded, a company operating in the publishing of books.

In April 2013, Cairo Communication's purchase of La7 was concluded, a transaction which allowed Cairo Communication to enter the sector of television production, integrating upstream its business as an agent for the sale of advertising space on television and allowing for the diversification of its publishing business which had previously focused on the publishing of magazines. In May 2013, the Cairo Communication Group began to put into practice a restructuring plan aimed at reorganising and simplifying the corporate structure and at reducing the costs of La7, succeeding, in the eight months from May to December 2013 and 2014 and in 2015, to achieve a positive EBITDA instead of the negative EBITDA of about EUR 66 million in 2012, when the company did not belong to the Cairo Communication Group.

In 2014, with the company Cairo Network, the Cairo Communication Group participated in the procedure launched by the Ministry of Economic Development for the assignment of the usage rights of television band frequencies for digital terrestrial broadcasting, and for EUR 31.6 million it was awarded the usage rights, for a term of 20 years, of a batch of frequencies.

B.1.7 The Offeror's business and the markets in which it operates

B.1.7.a. *Description of the Offeror's business*

At management level, the Cairo Communication Group is organised in business units, corresponding to its own corporate structures or aggregations of the same, on the basis of the products and services offered. In particular, the Cairo Communication Group practices its business in the following five operating sectors:

- *magazine publishing*: the Cairo Communication Group operates as a publisher of magazines and books through the following subsidiaries: (i) Cairo Editore, which took over Editoriale Giorgio Mondadori S.p.A. in 2009, and which publishes the weekly magazines "*Settimanale Dipiù*", "*DipiùTv*", "*Diva e Donna*", "*Tv Mia*" and the supplements "*Settimanale Dipiù*", "*Dipiù Tv Cucina*", "*Settimanale Dipiù*", "*Dipiù Tv Stellare*", "*Nuovo*", *F*", "*Settimanale Giallo*", "*Nuovo TV*", the fortnightly "*Nuovo e Nuovo TV Cucina*" and the new weekly "*Enigmistica Più*"; (ii) Cairo Publishing S.r.l., which publishes books;
- *television broadcasting*: from 30 April 2013, after taking over La7, the Cairo Communication Group has operated as a television broadcaster with the channels La7 and La7*d*, on the digital terrestrial channels 7 and 29 respectively;
- *agent for the sale of advertising space*: the Cairo Communication Group operates in this sector through the companies Cairo Communication and Cairo Pubblicità, which sell advertising space in print for Cairo Editore and for Editoriale Genesis ("Prima Comunicazione"), on TV for La7 and La7*d* and for Turner Broadcasting (Cartoon Netwook, Boomerang, CNN), on the Internet, and at the Turin Olympic Stadium and for Torino FC S.p.A.;
- *network operator*: in 2014, the subsidiary Cairo Network participated in the procedure launched by the Ministry of Economic Development for the assignment of the usage rights of television band frequencies for digital terrestrial broadcasting, presenting its own binding offer and obtaining the usage rights - for a term of 20 years - of a batch of frequencies, the so-called *Mux*. With the acquisition of the *Mux*, the Cairo Communication Group has become active also as a network operator;
- *the management and development of Internet services:* activity practised through the subsidiary Il Trovatore S.r.l., which provides technological services, mainly within the Cairo Communication Group.

For further details on the economic trend of the business units in the three-year term 2013-2015, see Paragraph B.1.14.b, Section B, of the Offer Document.

B.1.7.a.1 *Magazine publishing*

The following table illustrates the results achieved in the magazine publishing sector in the financial periods which closed at 31 December 2015, 31 December 2014 and 31 December 2013.

MAGAZINE PUBLISHING (Euro/000)	**2015**	**2014**	**2013**
Net profit from operations	95,037	96,708	99,063
EBITDA	14,618	13,783	12,399
EBIT	13,479	12,522	11,076
Net profit	8,805	8,037	6,998

In the first quarter of 2016, the magazine publishing sector achieved net revenues from operations of EUR 22.2 million (EUR 21.7 million in the first quarter of 2015), an EBITDA of EUR 2.9 million (EUR 3.2 million in the first quarter of 2015), an EBIT of EUR 2.6 million (EUR 3 million in the first quarter of 2015) and a net result of EUR 1.7 million (EUR 2 million in the first quarter of 2015).

Cairo Communication's magazine publishing activity began in February 1999, subsequent to the purchase of Editoriale Giorgio Mondadori S.p.A., the publishing house which today publishes the monthly magazines "*Bell'Italia*", "*Bell'Europa*", "*In Viaggio*", "*Airone*", "*Gardenia*", "*Arte*" and "*Antiquariato*".

Thanks to certain structural measures and a new publishing policy, Editoriale Giorgio Mondadori S.p.a. quickly reached the economic break-even point, compared to a loss before the acquisition of about EUR 6.6 million, maintaining unchanged the number of employees and the high quality level of the publications. The company's publishing structures, dimensioned to support a greater load of activity than that of 2000, which the company decided to maintain after the acquisition, have significantly contributed, with the experience and skills accrued over years of activity, to the creation of the Cairo Communication brand publications which Cairo Editore has launched since 2003. In 2009 Editoriale Giorgio Mondadori S.p.A. was incorporated into Cairo Editore, becoming a division of the latter.

In 2003, Cairo Editore began its own activity, featuring the launch of numerous magazines of success, with the launch of the monthlies "*For Men Magazine*" and "*Natural Style*" and it continued in the following years with the launch of 9 weeklies between 2004 and 2015.

Since April 2004, Cairo Editore has also launched numerous weekly publications ([27]):

- in 2004, it launched "*Settimanale Dipiù*", with a circulation of about 517 thousand copies;
- on 31 January 2005, it published the weekly magazine "*DipiùTV*", which very quickly became one of the most sold in the newsagents' shops, with a average circulation of about 317 thousand copies;
- in November 2005, "*Diva e Donna*" was launched with a circulation of about 192 thousand copies;
- in the same period, "*Settimanale Dipiù*" and "*DipiùTV Cucina*" came out with an average circulation of 153 thousand copies;
- in January 2008, "*TV Mia*" was launched, a guide to TV programmes which has reached sales of about 143 thousand copies per week;
- on 19 January 2012, "*Settimanale Nuovo*" was launched (average circulation 216 thousand copies);
- on 5 June 2012, "*F*" was launched (average circulation 124 thousand copies);
- on 11 April 2013, "*Settimanale Giallo*" was launched (average circulation 109 thousand copies);
- on 21 September 2015, the weekly television guide "*Nuovo TV*" was launched (with an average circulation of 142 thousand copies per week for the first twenty-two issues) ([28]);

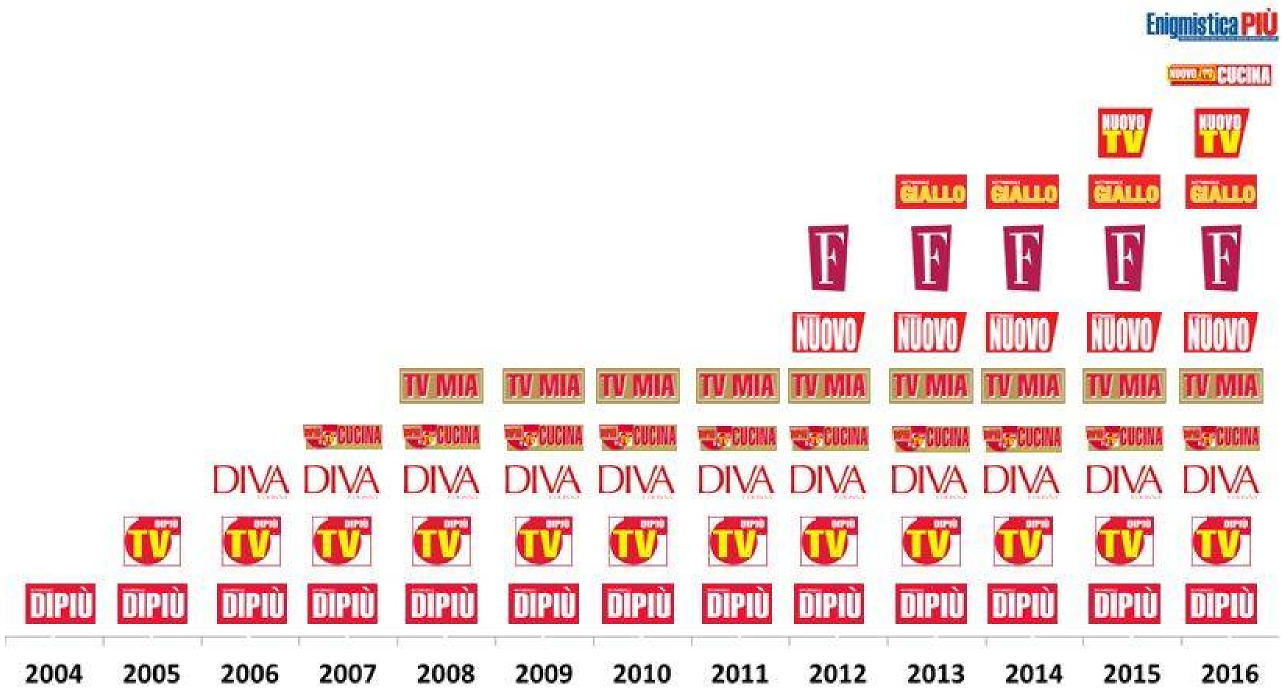
([27]) Source: ADS. Data on the average distribution through news stands in 2015.

([28]) Source of circulation data: Cairo Communication.

– on 26 January 2016, the fortnightly "*Nuovo e Nuovo TV Cucina*" was launched (average sales of 181 thousand copies for the first 6 issues) ([29]);

– on 20 April 2016, it launched "*Enigmistica Più*" in all the newsagents' shops, a weekly magazine of games and pastimes which marks the publishing house's entry into the sector of puzzles.

The following table shows the weekly magazines launched by Cairo Editore from 2004 until the Offer Document Date, together with the relative year of publication.



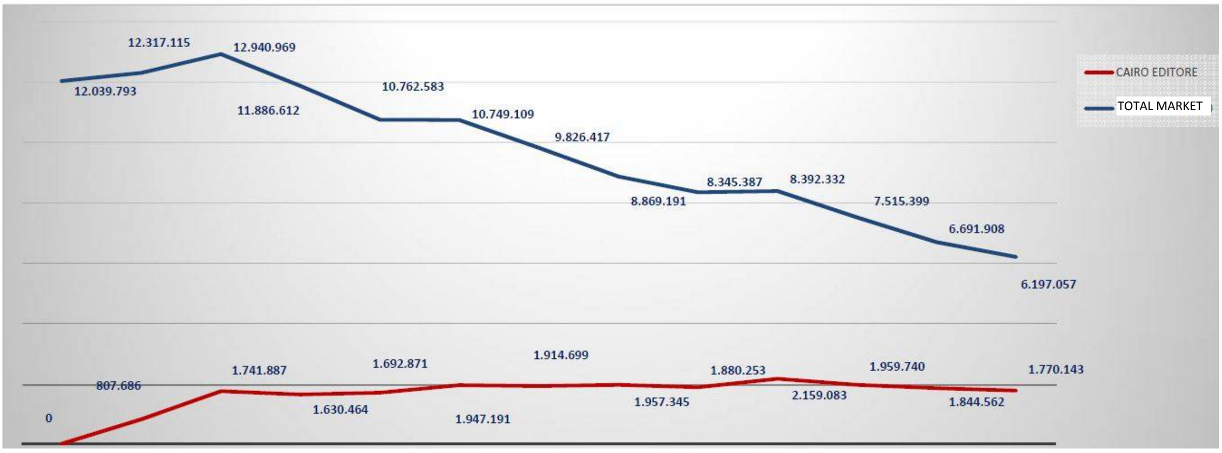
For further details on the economic trend of the magazine publishing sector in the three-year term 2013-2015, see Paragraph B.1.14.b, Section B, of the Offer Document.

In 2015, Cairo Editore is the leading publisher in Italy for copies of weeklies sold in the newsagents' shops, with approximately 1.8 million copies per week and a market share of about 28.6% ([30]).

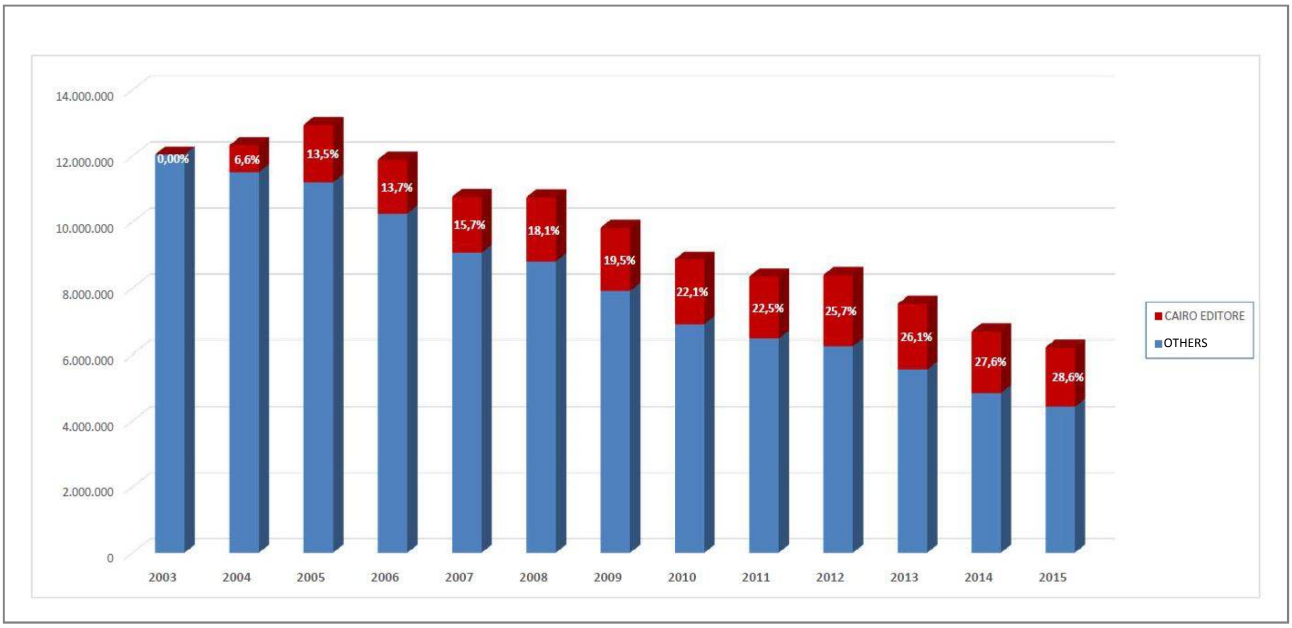
The following tables - which do not include "*Nuovo TV*" (there are no ADS records yet) - show the trend of the sales of weekly magazines in the newsagents' shops, expressed as the average number of copies sold per week in Italy from the incorporation of Cairo Editore until 31 December 2015.

([29]) Source of circulation data: Cairo Communication.

([30]) Source: ADS. Data on the average distribution through news stands in 2015.



Source: ADS sold in the newsagents' (copies) – average weekly data.



Source: ADS sold in the newsagents' (copies) – average weekly data.

The main levers on which the strategy of the publishing compartment has focused and which have allowed for achieving important margins which are also constant over the years, can be summed up as follows:

– constant focus on the quality of the products, obtained thanks to managed and editors or proven experience;

– more editorial pages than competitors;

– no joint sales between magazines, scarce use of gadget or "add-ons";

– investment in greater and more targeted circulation than competitors, in order to avoid missing any sales opportunity;

– contained prices, significantly lower than competitors and which, if increased in the future, will be able to generate an important increase in margins;

- high investments in communication, first through launch campaigns, and then with constant support by advertising on all the available media (especially TV and radio);

- constant advertising at the sales points (posters), contrary to the tendency of the rest of the market;

- continuous expansion and enrichment of the products portfolio, seeking to capture the market segments with major potential, privileging weekly publications and, in some cases, counting on magazines aimed prevalently at sale at the newsagent's rather than on income from advertising;

- constant attention to costs in general and to production costs in particular, according to a logic of continuous improvement of procurement conditions and processes.

Since 2003, the growth strategy based on the launch of new publications (focusing on the product and on the quality of the magazines) and the pursuit of opportunities for optimising the cost structure has allowed the Cairo Communication Group to develop its revenues (registering great growth in revenues between 2002 and 2007, which increased from approximately EUR 20 million to more than EUR 100 million) and to counter the general fall registered on the advertising markets of reference (-61.4% in the period 2008-2015 for the magazine sector according to ACNielsen data) and in sales (-46.0% in the period 2008-2015 for magazines according to ADS data). In 2015, the EBITDA was 15.1%.

The following table shows the results achieved by the publishing sector of the Cairo Communication Group in the eight years from 2008 to 2015:

PUBLISHING SEGMENT - PAST DATA (Source: Financial statement report)

(values in thousands of Euro)	Magazine publishing 2015	Magazine publishing 2014	Magazine publishing 2013	Magazine publishing 2012	Magazine publishing 2011	Magazine publishing 2010	Magazine publishing 2009	Magazine publishing 2008
Net profit from operations	**95,037**	**96,708**	**99,063**	**109,500**	**100,181**	**101,203**	**104,158**	**110,777**
Changes in inventories	33	-28	-61	-38	-124	-35	-165	-74
Other income	1,803	1,321	2,381	3,729	1,872	1,958	1,240	1,630
Total revenues	**96,873**	**98,001**	**101,383**	**113,191**	**101,929**	**103,126**	**105,233**	**112,333**
Production costs	-62,640	-65,098	-69,867	-78,412	-65,571	-68,628	-74,469	-83,726
Personnel costs	-19,615	-19,120	-19,117	-18,993	-16,746	-16,194	-16,894	-16,697
EBITDA	**14,618**	**13,783**	**12,399**	**15,786**	**19,612**	**18,304**	**13,870**	**11,910**
EBITDA %	**15.1%**	**14.1%**	**12.2%**	**13.9%**	**19.2%**	**17.7%**	**13.2%**	**10.6%**
Total depreciation, allocations and write-downs	-1,139	-1,261	-1,323	-1,355	-1,416	-1,489	-1,319	-1,458
Result of operations	**13,479**	**12,522**	**11,076**	**14,431**	**18,196**	**16,815**	**12,551**	**10,452**
Financial management	-16	17	40	205	177	61	47	30
Result before taxes	**13,463**	**12,539**	**11,116**	**14,636**	**18,373**	**16,876**	**12,598**	**10,482**
Income taxes	-4,658	-4,502	-4,118	-4,749	-6,451	-5,701	-4,710	-4,029
Net result of the period	**8,805**	**8,037**	**6,998**	**9,887**	**11,922**	**11,175**	**7,888**	**6,453**
Net result %	**9.1%**	**8.2%**	**6.9%**	**8.7%**	**11.7%**	**10.8%**	**7.5%**	**5.7%**

Note: Production costs include Launch Expenses sustained to support the new magazines, which can be summed up as follows (values in millions of Euro): 1.4 (2015), 1 (2013), 4.4 (2012), 2 (2008)

In a period in which the magazine sector has often featured the closure of publications, the Cairo Communication Group has pursued its strategy of growth, managing to quickly achieve results in terms of margins on the publications launched by the Cairo Communication Group. The last four weekly magazines launched ("*Settimanale Nuovo*" in January 2012, the women's weekly "*F*" in June 2012, the weekly magazine "*Giallo*" in April 2013 and "*Nuovo Tv*" in September 2015) have generated total revenues, in 2015, of EUR 24.4 million with a contribution margin of EUR 4.3 million.

On 20 April 2016, "*Enigmistica Più*" was launched in all the newsagents' shops, a weekly magazine of games and pastimes which marks the publishing house's entry into the sector of puzzles. The target of this magazines, with a wealth of crosswords, riddles, rebuses, charades,puzzles and intelligent humour, is addressed to the Italian family, at a price which makes it accessible to a very wide public.

With reference to circulation, the magazines published by the Cairo Communication Group feature:

– a lower price for the weekly magazines than that of the direct main competitors;

– revenues from sales of which 95% are through newsagent's shops, with revenues generated by gadgets and supplementary objects representing only about 2% of total publishing revenues, including advertising, in a general fluctuation of the publishing market;

– gross advertising revenues of the Cairo Communication Group accounting, in 2015, for 26% of total revenues (the same as in 2014), while the remaining 74% (the same as in 2014) was generated by magazines in the newsagents' and by subscriptions;

– the weekly magazines, which account for about 90% of revenues from the sales in the publishing sector, are sold alone and are not coupled with each other and/or with daily newspapers.

B.1.7.a.2 Television broadcasting

Cairo Communication began to operate as a television broadcaster on 30 April 2013, after taking over the television network La7.

The following table illustrates the results achieved in the television broadcasting sector in the financial periods which closed at 31 December 2015, 31 December 2014 and 31 December 2013.

TELEVISION BROADCASTING ***(Euro/000)***	**2015**	**2014**	**2013 (*)**
Net profit from operations	102,098	110,913	77,019
EBITDA	1,572	8,999	3,659
EBIT	(4,873)	6,221	1,961
Net profit	2,205	13,029	5,789

(*) Everyday management for the period May – December 2013 excluding non-recurrent items.

In the first quarter of 2016, the television sector (La7) achieved net revenues from operations of EUR 26.9 million (EUR 25.6 million in the first quarter of 2015), an EBITDA of EUR 31 thousand (a negative EBITDA of EUR –1.4 million in the first quarter of 2015), a negative Ebit of EUR –2 million

(EUR –2.7 million in the first quarter of 2015) and a negative net result of EUR –0.3 million (EUR –0.3 million in the first quarter of 2015).

For further details on the economic trend of the television broadcasting sector in the three-year term 2013-2015, see Paragraph B.1.14.b, Section B, of the Offer Document.

On the acquisition date, the economic situation of La7 involved the need of putting into practice a restructuring plan. In May 2013, the Cairo Communication Group began to carry out its own plan for the restructuring of La7, operating according to the following main guidelines:

- to confirm the editorial line and the programmes which are the strong points of the network;
- to contain costs, intervening in particular on the "non-productive" or excessive expense items, in consideration of a costs/benefits analysis, to recover efficiency;
- to give value to the highly qualitative targets of the La7 audiences, to maintain and develop the high level of advertising revenues in consideration of the general trend of the market.

Considering only the operating costs taken into account for calculating the EBITDA, therefore excluding amortisation, impairment and allocations to provisions for risks, the base costs in 2012 (when the company had registered a loss, at EBITDA level, of about EUR 65.9 million) amounted to approximately EUR 192.6, of which EUR 71.2 in the four months January-April and EUR 121.4 in the eight months May-December.

The following table analyses the evolution of the cost structure in the four-year term 2012-2015, divided within in each year into the two periods January-April and May-December:

OPERATING COSTS (MILLIONS OF EURO)	JANUARY - APRIL	MAY - DECEMBER	TOTAL
2012	71.2	121.4	192.6
2013	67.0	75.9	142.9
2014	39.5	72.4	111.9
2015	41.1	66.5	107.6

Taking into consideration the eight months May-December, the base costs fell in 2015 compared to 2012 by EUR 54.9 million; more than 83% of the reduction (EUR 45.5 million) had already been achieved in the first 8 months of activity, when the base costs were immediately reduced to EUR 75.9 million. Similar considerations hold firm for the four-month term January - April, when the base costs were reduced in 2015 compared to 2012 by EUR 30.1 million; practically all savings had already been made during 2014.

At the same time, investments for the purchase of televisions rights had been reduced, from a *capex* of EUR 26.6 million in 2012, to EUR 15.9 million in 2013 (of which EUR 12.5 million in the first four months), EUR 14.4 million in 2014 and EUR 8.5 million in 2015.

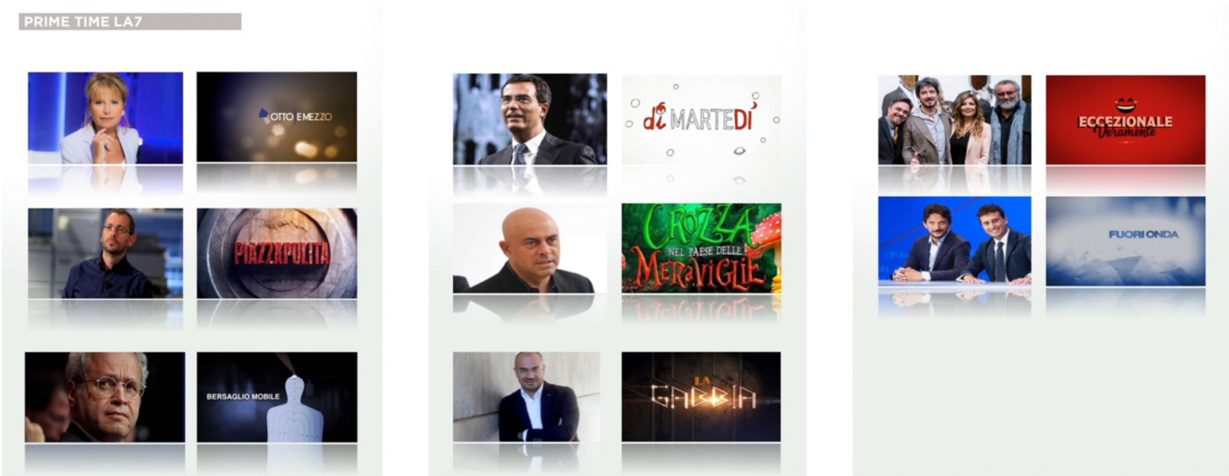
The program schedule of La7 features a strong presence (more than 67% of transmission time in the first quarter of 2016) of internal productions, the cost of which is posted on the income statement as from the first broadcast. This feature, on one hand, limits the need to buy rights from third parties and, on the other, allows for creating an important archive of contents that can be freely used on various channels and on various distribution platforms.

The rationalisation action and containment of costs allowed La7 - on an advertising market which, in the three-year term 2013-2015, was still weak - to consolidate the results of the rationalisation and cost reduction actions carried out in 2013 and 2014, and to achieve a positive EBITDA also in 2015.

As in the preceding cases of external acquisitions, these plans were completed without any reduction in the number of employees, optimising the work of the internal human resources which then became the basis on which to construct successive development activities. La7, in fact, is beginning to benefit from the initiatives of launching new channels.

The television offer comprises two channels, La7 and La7*d*, with distinct positioning on the market in relation to the contents offered.

La7 is a general free television channel whose platform schedule features a strong vocation for news and current affairs, and intelligent entertainment as well as films, TV films and TV series of quality, transmitted on the digital terrestrial channel number 7. It is recognised that La7 has a high editorial value on the national television panorama and that it makes an important contribution to informative, social and political pluralism, thanks to the presence of some of the most authoritative Italian journalists and programming which is always attentive to current affairs and matters of public interest: from Monday to Friday, more than 11 hours of direct transmissions a day in 2015. In addition to the newscasts directed by Enrico Mentana, every day, from 6:30 on, La7 offers news programmes and in-depth current events and entertainment programmes: *"Omnibus"*, *"Coffee Break"*, *"L'Aria che Tira"*, *"Tagadà"*, and the prime time programmes: *"Otto e Mezzo"*, *"Piazzapulita"*, *"DiMartedì"*, *"La Gabbia"*, *"Eccezionale Veramente"*, *"Crozza nel Paese delle Meraviglie"*, *"Bersaglio Mobile"* and *"Fuori Onda"*.



In 2015 La7 had an average share of 3.06% throughout the entire day and 3.7% in prime time (the 20:30-23:30 time bracket) ([31]), with higher levels for programmes with a highly qualitative audience target for a mainly adult male public, of higher social class and with high purchasing power and a good educational level.

La7*d* is a semi-general native digital channel, on the air since 2010 on the digital terrestrial channel 29. The editorial line of the channel, although consistent with that of La7, on which it is based, is lighter and less serious, for a younger, female public. It is an original, non-conventional, intelligent and not "frivolous" network, addressed to an audience which follows La7 less but always of a high social-economic level.

In the offer of La7*d* certain programmes linked to the world of cuisine and food are central ("*Cuochi e Fiamme*", *"Chef per un giorno", "I menù di Benedetta");* and there is no shortage of products linked to other family and domestic spheres ("*Non ditelo alla sposa*", "*Cambio Moglie*"), regarding health ("*Dottor Oz*", "*Dottori*") and children's education ("*Sos Tata*"). The offer of films and serials is original and unconventional ("*Sex and City*" and "*Grey's Anatomy*") with products that can attract a fond and enthusiastic public.

In 2015 the average share of the channel La7*d* was 0.51% throughout the day and 0.55% at prime time (the time bracket from 20:30 to 23:30) ([32]).

With the switch-over to digital terrestrial, the competitive television scenario has changed very quickly and the new technology has allows for the creation of a great number of broadcasters some of which have obtained considerable audience shares.

	2008	2015
Number of DTT broadcasters	4	44
Audience share	0.5%	23.6%

Source: Auditel.

([31]) Source: Auditel.

([32]) Source: Auditel.

The deep change in the television context has had an impact on the audiences of the general networks which have registered serious decreases in their audience shares.

	2008	2015	% CHANGE
Rai 1	21.8%	17%	-22%
Rai 2	10.6%	6.8%	-36%
Rai 3	9.1%	6.7%	-26%
Canale 5	20.4%	15.4%	-25%
Italia 1	10.8%	5.7%	-47%
Rete 4	8.3%	4.6%	-45%

Source: Auditel. Data of the entire day.

The La7 network has created a special relationship of loyalty with its public, achieving stable audience data in a highly dynamic market, and it has had the capacity to exploit the digital opportunity launching a new channel, La7*d*, increasing its audience share by 0.5%.

	2008	2015
La7	3.1%	3.1%
La7*d*	0.0%	0.5%

Source: Auditel. Data of the entire day.

The La7 public stands out for audience loyalty and stability, which is a competitive advantage on the advertising market also thanks to the social-demographic and consumption features of this public.

Auditel classifies the population according to various features, by age, geographic location and other features to trace a detailed profile. A particularly important classification is carried out on the basis of income and education, the highest level being defined as "AA", represented by those of a high social class and economic level, which is the most appreciated and sought-after advertising target with a high concentration of entrepreneurs, managers and professionals and the highest percentage of graduates, numbering more than 10 million individuals. The television public is generally qualified by number and less by quality level; in fact the AA segment is often under-represented in the case of most broadcasters.

The La7 network, with a share over the entire day of 3.56% of the total population in 2015, showing strong growth on the AA Auditel target, reaches a share of 6.20% on an average day with a peak of

7.22% in the prime time bracket (20:00-23:30) ([33]), the time bracket with the highest concentration of public and of advertising sales.

This positioning allows investors to communicate to a strongly reactive public with high spending capacity and to obtain swift increases in the sales of their products. The La7 network has approximately 95 exclusive clients in 2015 (those whose TV budget is dedicated entirely to La7) and 153 exclusive products.

Thanks to the particular nature of the La7 public, there are still ample growth margins today for the advertising revenue potential of the La7 network. To appreciate this potential, it is useful to compare the advertising market with the audience share developed; the comparison of this indicator (power index) relative to the La7 network with that of the main operator in the commercial TV segment (Publitalia), the La7 network shows lower indices and high possibilities of developing revenues.

2015			
	SHARE OF THE ADVERTISING MARKET (*)	**AUDIENCE SHARE (**)**	**POWER INDEX**
Publitalia	57.5%	32.23%	178
Cairo Pubblicità	4.2%	3.56%	118

(*) Source: Nielsen.

(**) Source: Auditel.

The growth potential of the advertising revenues of the La7 network is even more evident if one considers the qualitative profile of the audiences of the two operators analysed in the above table, comparing the audience concentration of the population belonging to the Auditel "AA" class (high social and economic level).

2015			
	AUDIENCE SHARE OF TOTAL POPULATION (*)	**AUDIENCE SHARE "AA" (**)**	**INDEX**
Canale 5 + Italia 1 + Rete 4	25.7%	18.5%	72
La7 + La7*d*	3.6%	6.2%	174

(*) Source: Auditel.

The table shows a particular concentration of the more highly qualified public among the audience of the La7 network, where the audience share of this target is higher (index 174) while the three main channels of the Publitalia network have an opposite performance (index 72, or 28 points below average) showing a smaller presence of the target of greater advertising value.

([33]) Source: Auditel.

The on-line La7 network

The offer of contents of the La7 and La7*d* channels is available on the on-line platform through the broadcaster's institutional website La7.it and the on-line news publication Tgla7.it, the dedicated spaces on the Youtube platform, the spaces dedicated to the broadcaster and to the single programmes on the main social networks (Facebook and Twitter), the on-demand service of La7 on the digital terrestrial platform "*Bollino Gold*", on the *X-Box One* console, on connected televisions sets and on the mobile applications TGLa7 and Crozza nel Paese delle Meraviglie present on the *iOS Apple* and *Android* platforms.

The on-line platforms represent an organic component of the broadcaster's offer, because they contribute to increasing the possibility of exploiting the contents and, therefore, to developing the advertising sales potential. In addition to *simulcasting* (i.e. the transmission of programmes or events by means of several communication media or several services on the same media exactly at the same time) in channel streaming, complete repetitions of the La7 and La7*d* programmes are available and a selection of shorter videos, as well as information on the programme schedules and on the single programmes, with interaction tools for the viewers.

The digital publishing offer of La7 in March 2016 reaches 2.5 million single surfers who follow the television schedule directly in streaming mode, taking avail of the wide archive of on-demand contents with the complete repeats, newscasts and the best moment of the programmes and of all the protagonists of La7, developing 10 million website pages visited.

In March 2016, the visualisations of the video pages on the websites of La7 and of the La7 channels on YouTube amounted to a total of 22.3 million visualisations ([34]).

B.1.7.a.3 *Agency for the sale of advertising space*

The sale of advertising space began in 1996, coinciding with the creation of the Cairo Communication Group. The main steps of the growth of the agency for the sale of advertising space on the media of third parties are the following:

- in 1996, the Cairo Communication Group obtained the mandate to sell the advertising space of certain magazines of the RCS Group, including "*Io Donna*" and "*Oggi*". In 1996, in 9 months of activity, gross advertising revenues amounted to approximately EUR 30 million, in 1997 they were around EUR 50 million and in 2000 (the last year of the mandate for the sales of space in the magazine "*Io Donna*", which exceeded EUR 50 million that year) they amounted to EUR 70 million. The sale of advertising space for the publications of the RCS Group continued until the end of 2002;

([34]) Sources: Google Analytics, Audiweb, YouTube Analytics, Facebook Analytics, Twitter Analytics, Google Store and Apple Store.

– in 1998, the Cairo Communication Group bought Telepiù Pubblicità S.p.A. (later called Cairo TV S.p.A.), a company mandated to sell advertising space on the Telepiù channels (which continued until June 2004); in the year before the takeover of Telepiù Pubblicità S.p.A., it had achieved advertising revenues of around EUR 18 million, with a loss of EUR 3.6 million. In 2002 revenues from advertising on the Telepiù networks exceeded EUR 53 million;

– in the autumn of 2002, Cairo Communication stipulated a long-term exclusive agreement for the sale of advertising space on La7 (which belonged to the Telecom Group until 2013) thus entering the commercial TV sector. In 2003, the first year of activity, the sales of La7 exceeded the minimum guaranteed of the agency agreement, of EUR 66 million, compared to EUR 42.6 million in 2002. In the third year of the agency agreement, Cairo Communication exceeded the three-year targets fixed for renewal (which were EUR 228 million) and in 2009 the relationship with the network was consolidated with a new long-term agreement, reaching a peak of revenues of EUR 178 million in 2011.

The following table illustrates the results achieved by the sale of advertising space in the financial periods which closed at 31 December 2015, 31 December 2014 and 31 December 2013.

AGENCY FOR THE SALE OF ADVERTISING SPACE ***(Euro/000)***	**2015**	**2014**	**2013**
Net profit from operations	144,567	155,584	164,491
EBITDA	1,335	5,226	10,563
EBIT	703	4,045	7,978
Net result	50	2,638	6,232

In the first quarter of 2016, the advertising agency sector achieved net revenues from operations of EUR 35.1 million (EUR 34.2 million in the first quarter of 2015), an EBITDA of EUR 0.6 million (EUR 0.8 million in the firs quarter of 2015), an EBIT of EUR 0.5 million (EUR 0.5 million in the first quarter of 2015) and a net result of EUR 0.3 million (EUR 0.3 million in the first quarter of 2015).

For further details on the economic trend of the advertising sector in the three-year term 2013-2015, see Paragraph B.1.14.b, Section B, of the Offer Document.

The advertising space agency activity is carried out by Cairo Pubblicità, and it regards the sale of advertising space on television, magazines, the Internet and the Turin Olympic Stadium for Torino FC S.p.A.

Cairo Pubblicità has its own sales network which is a key and distinctive factor on the market on which it operates. The capillary nature, the control over the area and the complete sector, the high professional standing of the agents, are the main advantages of the sales network, obtained also thanks to remarkable external training. The Cairo Communication Group also gives particular attention to after-sales service, which consists of optimising the sale of its services. In addition, the Cairo Communication Group takes avail of an internal marketing structure which carries out in-depth market analyses in order to exploit to the best the sale opportunities, and it performs an assistance service both to customers for the optimisation of their advertising budgets and of training and updating the sales network.

The sales staff are in general specialised in the media entrusted to them (TV, the press and stadiums) and this allows for operating with maximum effectiveness with the clients which often need valid support in the allocation of the advertising budgets; the sales persons with more experience, who manage the more evolved customers, are able to propose advertising planning on all the media of the agency's mandate. The agency also has a structure specialised in the creation and sale of cross-media advertising projects (television, magazines and the Internet) which also uses more advanced advertising than the classic tabular forms (e.g. Product Placement and Branded Content) and it can also provide creative assistance for customers which have this need, dealing with the production of film sequences and of the advertising pages.

Cairo Pubblicità has more than 1500 active customers (600 on TV and 1200 in magazines); according to Nielsen, the total Italian market comprises about 22,700 customers, 2000 on TV and 7,760 in magazines; consequently Cairo Pubblicità has low exposure to the cyclical nature of the market and, at the same time, ample possibilities of increasing its penetration of the market.

With regard to television, Cairo Pubblicità sells advertising space on the networks of the Cairo Communication Group's networks, La7 and La7*d*, and on the broadcasters Cartoon Network and Boomerang of the Turner group.

La7 and La7*d* stand out for a high profile audience in respect of social and economic aspects, with high spending capacity and reactivity to advertising, which are very attractive characteristics for the advertising market and uncommon for television audiences in general.

B.1.7.a.4 Network operator

In 2014, Cairo Network participated to the procedure launched by the Ministry of Economic Development for the assignment of the usage rights of television band frequencies for digital terrestrial broadcasting, presenting its own binding offer and obtaining the usage rights - for a term of 20 years - of a batch of frequencies (UHF channel 25 or 59, depending on the portion of the country).

Subsequent to the creation of the *Mux*, Cairo Network will therefore become active as a network operator, being the holder of the right to install, manage and supply an electronic communication network for the broadcasting of audio-visual media services on the waveband frequencies assigned. This transmission capacity will be used to offer audio-visual content producers, holding the relative authorisation and the LCN channel, the service of broadcasting programmes to the users.

In January 2015, Cairo Network signed an agreement with EI Towers S.p.A. for the execution and successive long-term technical management in full service mode (hospitality, assistance and maintenance, use of the transmission infrastructure, etc.) of the *Mux*.

The network in digital terrestrial technique (DVB-T), which will cover 94% of the national population with high quality service levels, is currently still under construction. The present transmission capacity is 22.4 Mbit/s. The network is completely ready for the changeover to the DBV-T2 technology standard. A single television program can occupy a variable quantity of television band, according to the quality of the video image. The video signals in standard definition are generally transmitted from a minimum band of 2 Mbit/s to a maximum of 5 Mbit/s, while high definition signals are transmitted with a band from a minimum of about 6 Mbit/s to a maximum of more than 10 Mbit/s.

The Cairo Communication Group will therefore have a transmission capacity autonomy of about 22.4 Mbit/s - compared to the present 7.2 Mbit/s provided by operators external to the Cairo Communication Group - which can be used in the future to transmit, from 2017, the La7 and La7*d* and the new channels that the Cairo Communication Group plans to launch, and, already from the second half of 2016, to supply transmission capacity to third parties.

For the current 7.2 Mbit/s supplied by third party operators, La7 is sustaining costs of about EUR 13 million per year. The agreement stipulated with EITowers S.p.A. for the full service management of the *Mux*, contemplates, for these services, for 2017 (the year in which the La7 channels will begin to be transmission on the Mux) a cost of EUR 7 million and for 2018 and the following years a net charge (also considering possible costs bearing on EITowers S.p.A. if the band available on the *Mux* is not entirely used by Cairo Network) of between EUR 12.3 and 16.3 million year, for a transmission capacity three times the present capacity.

At the Offer Document Date, Cairo Network transmits on its own *Mux* the signals of La7 and of La7*d* in HD for experimental purposes.

The following table illustrates the results achieved by the network operator sector in the financial periods which closed at 31 December 2015, 31 December 2014 and 31 December 2013.

NETWORK OPERATOR ***(Euro/000)***	**2015**	**2014**	**2013**
Net profit from operations	-	-	-
EBITDA	(102)	(6)	-
EBIT	(103)	(7)	-
Net result	(75)	(7)	-

In the first quarter of 2016, the network sector operator achieved net operating revenues of EUR 0.2 million, a negative EBITDA of minus EUR 49 thousand, a negative EBIT of minus EUR 49 thousand and a negative net result of minus EUR 36 thousand.

For further details on the economic trend of the network operator sector in the three-year term 2013-2015, see Paragraph B.1.14.b, Section B, of the Offer Document.

B.1.7.a.5 Management and development of Internet services

For some years the subsidiary Il Trovatore S.r.l. has focused on the provision of technological services, mainly within the Cairo Communication Group. In particular, after the acquisition of La7 - completed in April 2013 - Il Trovatore S.r.l. began to perform this latter service for the development of the new Internet platforms La7.it and TGLa7.it and of the Cairo Communication Group's Internet applications.

The following table illustrates the results achieved by the management and development of Internet services (Il Trovatore) in the financial periods which closed at 31 December 2015, 31 December 2014 and 31 December 2013.

IL TROVATORE ***(Euro/000)***	**2015**	**2014**	**2013**
Net profit from operations	893	834	485
EBITDA	134	181	65
EBIT	134	181	65
Net result	87	119	41

In the first quarter of 2016, the Internet services sector (Il Trovatore) achieved net revenues from operations of EUR 0.2 million (EUR 0.2 million in the first quarter of 2015), an EBITDA of EUR 32 thousand (EUR 21 thousand in the first quarter of 2015), an EBIT of EUR 32 thousand (EUR 21 thousand in the first quarter of 2015) and a net result of EUR 16 thousand (EUR 11 thousand in the first quarter of 2015).

For further details on the economic trend of the sector of Internet services management and development (Il Trovatore) in the three-year term 2013-2015, see Paragraph B.1.14.b, Section B, of the Offer Document.

During 2015, Il Trovatore S.r.l. also provided: (i) Cairo Communication with advisory services and assistance in the management of the Company's Internet networks and technical assistance for the hardware and software infrastructure, Internet connection services (band rental) and added value e-mail services (mail boxes, security, etc.), as well as services for the management and maintenance of the Internet sites; and (ii) Cairo Editore with Internet connection services (band rental) and added value e-mail services (mail boxes, security, etc.) and services for the development and maintenance of the Internet platform.

B.1.7.b. <u>Main markets</u>

B.1.7.b.1 The Italian magazine publishing market

The Italian magazine publishing market also includes the segment of daily publications as well as magazines. The Cairo Communication Group operates in the segment of magazines, which are weekly or monthly.

Weeklies

The Italian market of weeklies includes mainly: women's magazines, men's magazines, and magazines on cooking, well-being, families, TV programme guides, magazines on cars and motors, for children and youngsters, on furnishings, professional magazines, and magazines on nature ([35]).

The average circulation of weeklies distributed by newsagents' shops in the last three years has fallen with a CAGR of 9.2% in the period 2013-2015, from 7.5 million copies in 2013 to 6.7 million copies in 2014 and to 6.2 million copies in 2015 ([36]).

AVERAGE CIRCULATION AT NEWS AGENTS' OF WEEKLY MAGAZINES BROKEN DOWN BY OPERATOR, AND MARKET SHARE									
(NUMBER OF COPIES)	2015	%	2014	%	2013	%	2015 VS 2014 %	2014 VS 2013 %	CAGR 2013-2015
Cairo Editore	**1,770,143**	**28.6%**	**1,844,562**	**27.6%**	**1,959,740**	**26.1%**	**-4.0%**	**-5.9%**	**-5.0%**
Mondadori	1,654,681	26.7%	1,789,806	26.7%	1,834,319	24.4%	-7.5%	-2.4%	**-5.0%**
RCS	618,168	10.0%	672,684	10.1%	899,101	12.0%	-8.1%	-25.2%	**-17.1%**
Universo	607,060	9.8%	623,132	9.3%	651,596	8.7%	-2.6%	-4.4%	**-3.5%**
L'Espresso	595,093	9.6%	676,750	10.1%	762,646	10.1%	-12.0%	-11.3%	**-11.7%**
Hearst	293,595	4.7%	299,074	4.5%	329,870	4.4%	-1.8%	-9.3%	**-5.7%**
Others ([37])	658,317	10.6%	785,900	11.7%	1,078,127	14.3%	-16.2%	-27.1%	**-21.9%**
Total	**6,197,057**	**100.0%**	**6,691,908**	**100.0%**	**7,515,399**	**100.0%**	**-7.4%**	**-11.0%**	**-9.2%**

Source: ADS.

Cairo Editore is the main operator in the sector of weekly magazines with a market share of 28.6% in 2015.

The Cairo Editore weeklies include: "*Settimanale Dipiù*", "*Dipiù Tv*", "*DipiùTV Cucina*", "*Diva e Donna*", "*F*", "*Nuovo*", "*TV Mia*" and "*Giallo*" ([38]); however, they do not include the publications not yet registered by ADS, namely "*NuovoTV*", "*Nuovo e Nuovo TV Cucina*" and "*Enigmistica Più*", launched on 20 April 2016.

Mondadori is the second operator with a market share of 26.7% in 2015.

([35]) Source: Osservatorio Stampa FCP.

([36]) Source: Press circulation surveys. The average circulation through newsagents' refers to the average number of copies sold in the Italian news agents' shops and news-stands.

([37]) This includes other operators, such as, for example Condè Nast (Vanity Fair), Periodici San Paolo (Famiglia Cristiana), Editrice Quadratum (Intimità).

([38]) Source: ADS.

The Mondadori weeklies include: "*Chi*", "*Confidenze*", "*Dmod*", "*Grazia*", "*GuidaTV*", "*Panorama*", "*Starbene*", "*Telepiù*", "*Tu Style*" and "*TV Sorrisi e Canzoni*" ([39]).

RCS is the third operator of the segment with a market share of 10.0% in 2015.

The RCS weeklies include "*IoDonna*", "*Sportweek*", "*Oggi*", the weekly "*Corriere della Sera*" supplement and the weekly "*Gazzetta dello Sport*" supplement ([40]).

Monthlies

The Italian market of monthly magazines is typically composed of the so-called specialist publications. Among the main sectors of specialisation, those for women and those on children, motors, furnishing, cuisine, tourism and health stand out. The average circulation of monthlies distributed by newsagents' shops in recent years has fallen with a CAGR of -17.6% in the period 2013-2015, from 4.5 million copies in 2013 to 3.6 million copies in 2014 and to 3.1 million copies in 2015 ([41]).

AVERAGE CIRCULATION AT NEWS AGENTS' OF MONTHLY MAGAZINES BROKEN DOWN BY OPERATOR, AND MARKET SHARE

(NUMBER OF COPIES)	2015	%	2014	%	2013	%	2015 VS 2014 %	2014 VS 2013 %	CAGR 2013-2015
Universo	818,077	26.8%	847,013	23.8%	918,633	20.4%	-3.4%	-7.8%	**-5.6%**
Mondadori	517,995	16.9%	631,360	17.8%	694,099	15.4%	-18.0%	-9.0%	**-13.6%**
Grunher+Jahr /Mondadori	213,663	7.0%	222,133	6.2%	268,774	6.0%	-3.8%	-17.4%	**-10.8%**
Hearst	248,622	8.1%	265,893	7.5%	383,627	8.5%	-6.5%	-30.7%	**-19.5%**
Cairo Editore	**204,851**	**6.7%**	**226,340**	**6.4%**	**246,878**	**5.5%**	-9.5%	-8.3%	**-8.9%**
Ed. Condè Nast	158,910	5.2%	306,274	8.6%	437,979	9.7%	-48.1%	-30.0%	**-39.8%**
RCS	90,395	3.0%	103,870	2.9%	125,084	2.8%	-13.0%	-17.0%	**-15.0%**
L'Espresso	21,739	0.7%	26,256	0.7%	22,701	0.5%	-17.2%	+15.7%	**-2.1%**
Others ([42])	783,400	25.6%	926,148	26.0%	1,402,634	31.2%	-15.4%	-34.0%	**-25.3%**
Total	**3,057,652**	**100.0%**	**3,555,287**	**100.0%**	**4,500,409**	**100.0%**	**-14.0%**	**-21.0%**	**-17.6%**

Source: ADS.

([39]) Source: ADS.

([40]) Source: ADS.

([41]) Source: ADS. The average circulation through newsagents' refers to the average number of copies sold in the Italian news agents' shops and news-stands.

([42]) Source: This includes other operators, such as, for example Editoriale Domus (Meridiani, Quattroruote, etc.), Conti Editore (Auto, Am Automese, etc.).

Casa Editrice Universo, with its associated companies, is the main operator of the sector with a market share of 26.8% in 2015.

The Casa Editrice Universo monthlies include [43]: "*Al Volante*", "*Bimbisani e belli*", "*Casa in Fiore*", "*Come Stai*", "*Cose di Casa*", "*Cucinare Bene*", "*Silhouette Donna*" and "*Subito Pronto*".

Mondadori is the second operator of the segment with a market share of 16.9% in 2015.

The Mondadori monthlies include [44]: "*Casa Facile*", "*Cucina Moderna*", "*Cucina No Problem*", "*Grazia Casa*", "*Guida Cucina*" and "*Sale&Pepe*".

In July 2015 Mondadori bought Grunher+Jahr/Mondadori, shown on the table separately, with a market share of 7.0% in 2015.

Hearst is the third operator with a market share of 8.1% in 2015.

The Hearst monthlies include [45]: "*Cosmopolitan*", "*Elle*", "*Elle Decor*", "*Marie Claire*" and "*Marie Claire Maison*".

Cairo Editore is the fourth operator with a market share of 6.7% in 2015.

The Cairo Editore monthlies include [46]: "*Airone*", "*Bell'Italia*", "*Bell'Europa*", "*In Viaggio*", "*Gardenia*", "*For Men Magazine*" and "*Natural Style*".

B.1.7.b.2 The Italian television editorial market [47]

Television is one of the most common and most used communication means in Italy. The main television transmission platforms comprise: (i) DTT (Digital Terrestrial Television, both free and pay TV), (ii) DTH (satellite), (iii) IPTV (Internet), and (iv) cable TV. Italy makes much greater use of the DDT platform than the other European countries where the satellite platform (e.g. United Kingdom and Germany), cable TV (e.g. Germany) and IPTV (e.g. France) are much more widely used and competitive. The solid positioning of DTT on the Italian market is further sustained by the absence of cable TV and by a still embryonic penetration of IPTV (in which Telecom Italia and Fastweb operate, for example) due to the limited presence of broadband.

The television offer in Italy is thus highly fragmented, with a total of more than 180 channels [48] including local television broadcasters.

Main television operators

<u>Rai – Radiotelevisione italiana S.p.A.</u>

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(43) Source: ADS.

(44) Source: ADS.

(45) Source: ADS.

(46) Source: ADS.

(47) The Auditel data published on 1° October 2015 reported in this paragraph have been produced within the framework of a transition process which will lead to a complete replacement of the survey panel. During the period the data have been subjected to special monitoring aimed at detecting possible anomalies.

(48) Source: number of channels 12 April 2016 according to Auditel census.

Rai is the broadcaster at present appointed to provide the public service, controlled by the Ministry of Economy and Finance. Within the national television sector, Rai offers the public service with the widest free TV offer, composed of fourteen channels. The three main Rai channels are Rai 1, Rai 2 and Rai 3. In 2015, the Rai group was the leader on the national market in terms of audience, with a share of 37.4% for the whole day and 37.8% in the evening prime time ([49]).

In 2015: (i) the channel Rai 1 had an audience share of 17% for the day as a whole; (ii) the channel Rai 2 had an audience share of 6.8% for the day as a whole; and (iii) the channel Rai 3 had an audience share of 6.7% for the day as a whole ([50]).

Mediaset

The Mediaset group is controlled by the Fininvest holding and is the main Italian commercial broadcaster. The three main Mediaset channels are Canale 5, Italia 1 and Rete 4. In 2015, the Mediaset group had a share of 32.2% for the day as a whole and of 34.3% in the evening prime time ([51]). Mediaset Premium is the second pay TV platform after Sky, with more than 2 million customers at the end of 2015 ([52]). On 8 April 2016, Mediaset and Vivendi entered into an agreement which formalised a strategic alliance between the two European groups, with the sale of 100% of the Mediaset Premium share capital to Vivendi.

In 2015: (i) Canale 5 had an audience share of 15.4% for the day as a whole; (ii) Italia 1 had an audience share of 5.7% for the day as a whole; and (iii) Rete 4 had an audience share of 4.6% for the day as a whole ([53]).

Sky Italia

Sky Italia S.r.l., founded in 2003 subsequent to the merger between Stream S.p.A. and Telepiù S.p.A., is entirely controlled by the 21st Century Fox group. Sky Italia is the main pay TV platform, available on the DTH platform, with 4.7 million subscribers at 31 December 2015 ([54]). The company offers more than 150 channels ([55]) which focus on various topics, such as news, cinema, sport, entertainment, children and culture. Sky is also present on digital terrestrial with three channels: TV8, Cielo and SkyTG24. In 2015, Sky Italia had a share of 5.2% for the day as a whole and of 5.9% in the evening prime time ([56]).

Cairo Communication

La7 was funded in 1974 as Tele Monte Carlo (TMC), a channel of the Principality of Monaco in the Italian language, and it was last bought, in 2013, by Cairo Communication. The two channels of La7 are La7 (a general television channel with a programme schedule with a strong vocation for news and current affairs and intelligent entertainment, as well as films, TV films and TV series of quality) and

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([49]) Source: Auditel. The evening prime time data are those from 20:30 to 23:30 hours.

([50]) Source: Auditel. Data of the entire day.

([51]) Source: Auditel. The evening prime time data are those from 20:30 to 23:30 hours.

([52]) Source: http://www.tgcom24.mediaset.it/televisione/mediaset-premium-i-clienti-sono-oltre-2-milioni_2158644-201602a.shtml

([53]) Source: Auditel. Data of the entire day.

([54]) Source: https://corporate.sky.com/investors/annual-report-2015/strategic-report/operational-review/italy

([55]) Source: http://skyitalia.sky.it/it/skycorporate/profilo.html

([56]) Source: Auditel. The evening prime time data are those from 20:30 to 23:30 hours.

La7*d* (a semi-general native digital channel, on the air since 2010, addressed to a younger, female public with a lighter and less serious character). In 2015, La7 had a share of 3.6% for the day as a whole and of 4.3% in the evening prime time ([57]). Always in 2015, more than 53 millions of Italians (91% of the TV population) watched La7 ([58]).

Discovery

Discovery Italia S.r.l. is a company owned entirely by Discovery Communication LLC. Discovery Italia S.r.l. operates on various platforms through a series of thirteen channels, the offer of which is addressed to specific niches of the public. In 2015, the aggregate audience share of Discovery Italia S.r.l. was 6.3% for the day as a whole and 4.9% in the evening prime time ([59]).

Evolution of the terrestrial television platform

The changeover to digital broadcasting, which allows for greater compression of the signal, increasing the transmission capacity compared to analogue technique, has made available to Italian viewers more channels, better audio/video quality, interactive services and access to the pay TV/pay per view services. In this context, Italians have changed their television viewing habits, moving from the general television (the audience share of which has fallen from 84.1% in 2008 to 59.3% in 2015 ([60])) to specialist television (the share of which has increased from 15.9% in 2008 to 40.7% in 2015 ([61])). This effect has not regarded La7 which, on the contrary, has maintained its share, as shown in the following table.

SHARE	2008	2015	CHANGE %
Rai 1	21.8%	17.0%	-22%
Rai 2	10.6%	6.8%	-36%
Rai 3	9.1%	6.7%	-26%
Canale 5	20.4%	15.4%	-25%
Italia 1	10.8%	5.7%	-47%
Rete 4	8.3%	4.6%	-45%
La7	**3.1%**	**3.1%**	**-**
Total general	**84.1%**	**59.3%**	**-30%**
Rai - others	0.8%	6.9%	>100%

([57]) Source: Auditel. The evening prime time data are those from 20:30 to 23:30 hours.

([58]) Source: Auditel.

([59]) Source: Auditel. The evening prime time data are those from 20:30 to 23:30 hours.

([60]) Source: Auditel. Data of the entire day.

([61]) Source: Auditel. Data of the entire day.

SHARE	2008	2015	CHANGE %
Mediaset - others	0.0%	6.5%	-
La7*d*	**0.0%**	**0.5%**	**-**
Sky	2.9%	5.2%	79%
Fox	1.7%	1.2%	-29%
Discovery	0.3%	6.3%	>100%
Other	10.2%	14.1%	38%
Total specialist	**15.9%**	**40.7%**	**>100%**

Source: Auditel. Data of the entire day.

B.1.7.b.3 The Italian advertising market

Macro-economic stability and economic growth are factors that influence private consumption and, consequently, expenditure for advertising. The Italian economy, from the second half of 2011 until the end of 2014, went through a prolonged recession, with growth registered only in 2015: according to the data of the National Statistics Institute (ISTAT) for the last three years, Italy's Gross Domestic Product (GDP), in fact, fell by 1.7% in 2013 and by 0.3% in 2014, while it increased by 0.8% in 2015 ([62]).

In the 2013-2015 period, the Italian advertising market registered a CAGR of -0.7%, due to the difficult macro-economic context. Television was confirmed as the main advertising media, increasing its percentage from 55.5% in 2013 to 58.2% in 2015, with a CAGR of 1.7%.

ADVERTISING MARKET	2015	%	2014	%	2013	%	2015 VS 2014 %	2014 VS 2013 %	CAGR 2013-2015
Daily newspapers	755,558	12.0%	809,212	12.8%	897,690	14.1%	-6.6%	-9.9%	**-8.3%**
Magazines	475,081	7.6%	495,191	7.9%	528,874	8.3%	-4.1%	-6.4%	**-5.2%**
Television	3,649,531	58.2%	3,625,009	57.5%	3,526,821	55.5%	0.7%	2.8%	**1.7%**
Radio	373,788	6.0%	343,589	5.4%	352,915	5.5%	8.8%	-2.6%	**2.9%**
Internet	463,403	7.4%	466,876	7.4%	464,542	7.3%	-0.7%	0.5%	**-0.1%**

([62]) Source: the ISTAT Internet site, in the section on “Annual accounts and domestic economic aggregates”.

ADVERTISING MARKET	2015	%	2014	%	2013	%	2015 VS 2014 %	2014 VS 2013 %	CAGR 2013-2015
Posters	84,590	1.3%	81,874	1.3%	79,327	1.2%	3.3%	3.2%	**3.3%**
Cinema	23,056	0.4%	24,030	0.4%	29,376	0.5%	-4.1%	-18.2%	**-11.4%**
Other	446,549	7.1%	458,699	7.3%	479,940	7.5%	-2.6%	-4.4%	**-3.5%**
Total	**6,271,556**	**100.0%**	**6,304,480**	**100.0%**	**6,359,485**	**100.0%**	**-0.5%**	**-0.9%**	**-0.7%**

Source: Nielsen. Values in thousands of Euro

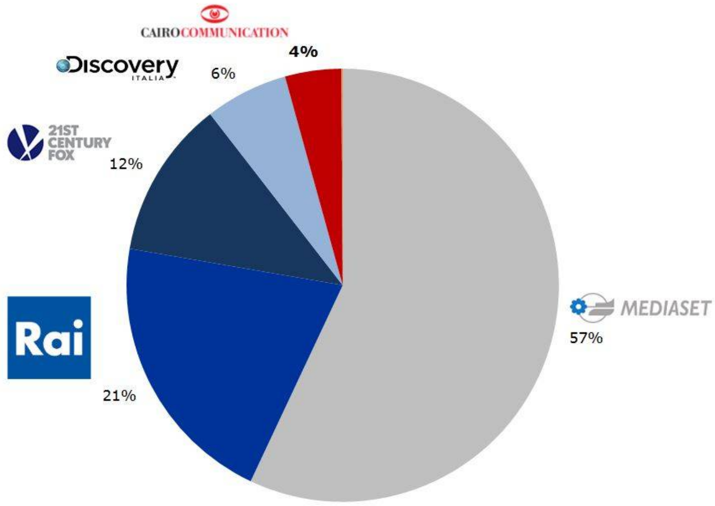
The first two months of 2016 show signs of recovery of the advertising market, with a growth of 3.7% compared to the same period of 2015, with the television sector being particularly positive with growth of 6.3%.

ADVERTISING MARKET	JAN-FEB 2016	%	JAN-FEB 2015	%	CHANGE %
Daily newspapers	98,905	10.4%	100,384	11.0%	-1.5%
Magazines	49,542	5.2%	51,943	5.7%	-4.6%
Television	609,941	64.4%	573,541	62.8%	6.3%
Radio	52,846	5.6%	51,911	5.7%	1.8%
Internet	62,391	6.6%	61,052	6.7%	2.2%
Posters	10,493	1.1%	9,175	1.0%	14.4%
Cinema	2,799	0.3%	2,246	0.2%	24.6%
Other	60,628	6.4%	63,312	6.9%	-4.2%
Total	**947,545**	**100.0%**	**913,564**	**100.0%**	**3.7%**

Source: Nielsen. Values in thousands of Euro.

With regard to the television advertising market, in 2015 the Cairo Communication Group was the fifth operator, with a market share of approximately 4%. The market share was 4.6% in 2014 and 4.5% in 2013. The following table illustrates the television advertising market in 2015, broken down according to operators ([63]).

([63]) Source: Nielsen.



parties. For the broadcasting and transmission of the television signal, the television companies usually take avail of the services of specialist companies.

EI Towers S.p.A. (with about 2,600 transmission sites (65)) and Rai Way S.p.A. (with about 2,300 transmission sites (66)) are the two main providers of transmission infrastructure on the broadcasting market (radio and television) in Italy. Although having traditionally concentrated on the supply of services for the radio and television infrastructures of the groups to which they belong, controlled respectively by Mediaset S.p.A. and Rai, over time both companies have increased their acceptance of third party customers (such as mobile telecommunications, for example). In 2015 EI Towers S.p.A. registered consolidated revenues of EUR 241.8 million, with a net result of EUR 47.8 million (67). In 2015 Rai Way S.p.A. registered consolidated revenues of EUR 212.3 million, with a net result of EUR 38.9 million (68).

Persidera S.p.A. (with about 1,250 transmission sites) was created by the joint venture of two network operators which already existed: Telecom Italia Media Broadcasting, belonging to the Telecomitalia Group, and Rete A, owned by the Editoriale L'Espresso Group.

In January 2015, Cairo Network, which in 2014 participated in the auction held by the Ministry of Economic Development for the assignment of the usage rights of the television band frequencies for digital terrestrial broadcasting system, having been awarded the usage rights, for a term of 20 years, of a *Mux*, entered into a long-term agreement with EI Towers S.p.A. for the creation, and the successive long-term technical management in full service mode (hospitality, assistance and maintenance, use of the transmission infrastructure, etc.) of the *Mux*. For further information on the agreement entered into with Ei Towers S.p.A., see Paragraph B.1.25, Section B, of the Offer Document.

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(64) Source: company processing of Nielsen data.

(65) Source: http://www.eitowers.it/bin/94.$plit/P_107_103_mappahome_listalink_it_link_it_0_documento_it.pdf.

(66) Source: http://www.raiway.it/index.php?lang=IT&cat=510.

(67) Source: company financial statements.

(68) Source: company financial statements.

B.1.7.c. *Possible future developments of the Offeror's activities*

The activity of the Cairo Communication Group will follow the main guidelines described below.

In the magazine publishing sector, the Cairo Communication Group will continue its strategy focused mainly on:

(i) the central importance of the quality of the products;

(ii) the support of the circulation levels of its publications, also through investments in distribution, advertising and the wealth of the editorial contents;

(iii) attention to costs in general and to production costs in particular, according to a logic of continuous improvement of industrial, publishing and procurement conditions and processes;

(iv) the continuous expansion and enrichment of the products portfolio, in order to acquire the market segments with major potential.

Since 2003, this strategy in the magazine publishing sector has allowed the Cairo Communication Group, in a first phase (from 2003 to 2007), to achieve strong development of its revenues and to then face the general recession registered on the markets of reference of advertising and circulation and to achieve high margins in line with the most efficient market benchmarks, also at international level.

From the beginning of 2016, Cairo Editore launched two new magazines: in January the fortnightly "*Nuovo e Nuovo TV Cucina*", sold as an alternative to the two weeklies "*Nuovo*" and "*Nuovo TV*", and on 20 April 2016 "*Enigmistica Più*", a weekly magazine of games and pastimes which marks the publishing house's entrance into the sector of puzzles, with sales of 330 thousand copies of the first issue, and sales of 380 thousand copies of the second issue.

In recent years, the magazines launched have normally succeeded in quickly achieving results in terms of profit margins.

In the television editorial and network operator sector, the Cairo Communication Group continues to follow its aim of consolidating the results of the initiatives taken in 2013-2015, of rationalising and reducing the costs of the television editing sector, maintaining the high quality level of the programme schedule

La7 is now considering development initiatives based on the creation of new programmes, the maximum exploitation of the audience potential of the La7*d* channel, the reinforcement of its digital presence, and the launch of new channels.

With regard to possible new channels, the Cairo Communication Group will be able to benefit from the opportunity represented by the availability of band consequent to the fact that Cairo Network has obtained the Mux.

Therefore the Cairo Communication Group will soon have a transmission capacity autonomy of about 22.4 Mbit/s - compared to the present 7.2 Mbit/s provided by operators external to the Cairo Communication Group - which can be used in the future to transmit, from 2017 on, the channels La7 and La7*d* and new channels that the Cairo Communication Group will launch, and, already from the second half of 2016, to supply transmission capacity to third parties.

With regard to the sale of advertising space, the Cairo Communication Group will continue to act as the sales agency for the television channels La7, La7*d*, Cartoon Network and Boomerang, for the publications of the Cairo Communication Group and at the Olympic Stadium of Turin and for Torino FC, with the intention of maintaining and of further developing the already high level of advertising revenues, also in consideration of the quality of the magazines published and of the exploitation of the high quality of the La7 audience target. In addition, it will also pursue the expansion of its product portfolio, also with the media of third parties with high advertising revenue potential.

B.1.7.d. *Exceptional factors that have influenced the Offeror's activity and/or the markets on which it operates*

The information given in the preceding paragraphs B.1.7.a and B.1.7.b, Section B, of the Offer Document, have not been influenced by exceptional events, in the periods of reference.

B.1.7.e. *The Offeror's dependence on patents or licences, industrial, commercial or financial agreements, of new manufacturing procedures*

Except as indicated below, at the Offer Document Date, the Cairo Communication Group's activity does not significantly depend on patents, licences, industrial, commercial or financial agreements or new manufacturing procedures.

We point out that in January 2015, the subsidiary Cairo Network and EI Towers S.p.A. entered into an agreement for the execution and successive long-term technical management of the *Mux*. For further information, see Paragraph B.1.25, Section B, of the Offer Document.

With regard to LCN, the numbers currentlyin use (7 for La7 and 29 for La7*d*) are those assigned by the Ministry of Economic Development in 2010, on the basis of AGCOM resolution 366/2010/CONS. We point out that this resolution was impugned by Telenorba - a general television channel of the Norba Group - and by other local broadcasters.

With judgment no. 4660 of 2012, the Council of State annulled the LCN assignment of the digital terrestrial channels, on the basis of which channel 7 was assigned to La7 (resolution no. 366/2010/CONS), with particular reference to the assignments of channels 7, 8 and 9. In execution of the judgment, AGCOM adopted a new LCN assignment plan (resolution no. 237/13/CONS), confirming the assignment of the numbers from 0 to 9 to the national general broadcasters. Telenorba filed a claim in order to obtain the fulfilment maintaining that the new Plan adopted by AGCOM had eluded the aforesaid judgment of the Council of State (no. 4660 of 2012). With judgment no. 6021 of 2013, the Council of State sustained the appeal and appointed a Commissioner *ad acta* for the correct implementation of the judgment.

With judgment no. 432 of 2016, the Council of State maintained the Commissioner's provision to be correct, in the part in which it rules that all three positions (7, 8 and 9) had to be assigned to national broadcasters and not to local broadcasters, and it confirmed that Telenorba, as a local broadcaster, was not entitled to any of the positions 7, 8 and 9.

With a simultaneous judgment, no. 1836 of 2016, the Supreme Court *en banc* annulled the Council of State judgment no. 6021 of 2013, for exceeding the outer limits of administrative jurisdiction.

For further information, see Paragraph B.1.17, Section B, of the Offer Document.

B.1.8 The Offeror's corporate bodies and the auditing firm

B.1.8.a. <u>*The Offeror's Board of Directors*</u>

Pursuant to Article 14 of the Articles of Association, Cairo Communication is governed by a Board of Directors composed of a variable number of members, from five to eleven. The Shareholders' Meeting determines the number of members and the length of their term of offices, within the limits established by law. The members of the Board of Directors are appointed by voting for a list, pursuant to the provisions of Article 15 of the Articles of Association. The directors can be re-elected.

The directors must hold the requirements of integrity, professional standing and independence established by law; at least one director, or the greater number contemplated by the legal and regulatory provisions, also regarding the listing segment of the Cairo Communication Shares (at the Offer Document Date, the Cairo Communication Shares are listed in the STAR segment of the MTA), must hold the requirements of independence pursuant to Article 147-*ter*, paragraph 4, of the TUF and of the Self-Regulatory Code. The composition of the Board of Directors must also comply with the legal and/or regulatory provisions in force *pro tempore* regarding gender balance.

Pursuant to Article 15 of the Cairo Communication's Articles of Association, the Board of Directors is appointed on the basis of lists presented by the shareholders; the candidates must be registered on the lists according to a progressive number and there must not be more than 11.

The lists admitted for voting must be presented by shareholders which, individually or jointly, hold at least 2.5% of the share capital or the diverse minimum percentage established by the discipline in force. For the determination of said minimum percentage, the shares taken into account are those registered in the name of the shareholders on the day the lists are deposited at Cairo Communication. The relative legal certification may also be produced after the deposit providing it is presented within the term established for the publication of the lists. Each candidate must be presented on only one list, on penalty of ineligibility. The shareholders may not participate, even by proxy or through a trust company, in the presentation of more than one list, nor may they vote for diverse lists; in the case of non-compliance, the relative signing and voting will not be taken into account. Shareholders belonging to a group may present only one list.

The lists must be deposited at the Company's registered office within the twenty-fifth day before the date of the shareholders' meeting called to pass resolution on the appointment of the Board of Directors' members, and they must be made available to the public at the Company's registered office, on the Company's Internet site and by the other means contemplated by law and by the regulatory provisions, at least twenty-one days before the date of the shareholders' meeting. Each list must be accompanied by full information on the candidates' professional and personal skills and standing (including indication of gender), by the declaration regarding the possible holding of the established requirements of independence referred to by Article 147-*ter*, paragraph 4, of the TUF and of the additional requirements contemplated by the Self-Disciplinary Code, and the identity details of the shareholders who have presented the lists and the aggregate stake held. Any list presented without respect for the above terms and procedures will not be admitted for voting. The terms and procedures for presenting the lists is also mentioned in the shareholders' meeting convocation notice.

For the purposes of electing the directors, only the lists that have obtained a percentage of votes representing at least half those requested by the Articles of Association for the presentation of the lists will be taken into account.

If several lists have obtained the above-mentioned percentage of votes, the election of the directors proceeds as follows:

- as many candidates, contained in the list that has obtained most votes, as the number of directors to be elected are elected to the office of director, except for the last, according to the progressive order of the list;

- the candidate indicated on the first place of the list that is second for number of votes obtained and who is not connected, even indirectly, to the shareholders who have presented or voted the list which obtained the highest number of votes, is also elected as director; however, if the elected candidates of the most voted list do not include the minimum number contemplated by legal and regulatory provisions holding the requirements of independence contemplated by Article 147-*ter*, paragraph 4, of the TUF and the other requirements contemplated by the Self-Disciplinary Code, also taking into account the segment in which the shares are listed, instead of the candidate indicated in the first position on the list which is second for number of votes, the first candidate, in progressive order, of that list who has the aforesaid requirements of independence will be elected.

If there are two or more lists that have the same number of votes, the list presented by the shareholders representing the higher portion of the share capital will prevail or, in the case of parity, by the greater number of shareholders. If only one list is presented, or only one list has obtained at least half of the votes required by the Articles of Association for the presentation of a list, all the directors will be taken from that list. If no list obtains the above-indicated percentage of votes, all the directors are taken from the list which has obtained the higher number of votes.

If, on the basis of the foregoing procedure, the number of directors of one gender are less than the number contemplated by the provisions in force *pro tempore*, as many candidates elected as necessary will be excluded, taken from those which, on the most voted list, are last in order of preference, and they will be replaced by candidates of the other gender taken from the same list on the basis of the progressive order of the listing. If, by this criterion, it is not possible to complete the number of directors to be elected, the shareholders' meeting will immediately elect a number of directors, always with respect for the gender requisites - such as to reach the required number, by resolution passed by simple majority on the proposal of the shareholders present,.

If no list is presented or admitted, the directors will be appointed by the Shareholders' Meeting by relative majority vote, always complying with the provisions in force *pro tempore* regarding the less represented gender, from candidates presented by the shareholders, the list of which, together with full information, is deposited at the Company's registered office at least seven days before the date set for the shareholders' meeting on first convocation.

Pursuant to Article 17 of the Articles of Association, the Board of Directors will elect a Chairman from among its members, unless this is provided for by the Shareholders' Meeting, and it may also elect a Vice Chairman who will take the Chairman's place in the case of the latter's absence or impediment.

At the Offer Document Date, the Offeror's Board of Directors is composed of 10 members, appointed by the Shareholders' Meeting of 29 April 2014: their office is for a three year term and, therefore, until the date of the Shareholders' Meeting called to approve the financial statements for the period closing at 31 December 2016.

FULL NAME	POSITION	PLACE AND DATE OF BIRTH
Urbano Cairo	Chairman	Milan - 21 May 1957
Uberto Fornara	Managing Director	Novara - 27 November 1959
Marco Pompignoli	Director	Forlì - 11 March 1967
Laura Maria Cairo	Director	Milan - 17 November 1973
Roberto Cairo	Director	Milan - 10 October 1965
Antonio Magnocavallo (1) (2)	Director	Milan - 11 April 1937
Stefania Petruccioli (*) (2) (3)	Director	Turin - 5 July 1967
Roberto Rezzonico (*) (1) (2)	Director	Milan - 24 January 1941
Mauro Sala (*) (1) (3)	Director	Ivrea - 25 December 1944
Marco Janni (*) (3)	Director	Milan - 18 September 1937

(*) Director holding the requisites of independence contemplated by Article 148, paragraph 3, of the TUF - as referred to by Article 147-*ter*, paragraph 4, of the TUF - and Article 3 of the Self-Regulatory Code.

(1) Member of the Control and Risks Committee.

(2) Member of the Remuneration Committee.

(3) Member of the Related Parties Committee.

A brief *curriculum vitae* of each director in office at the Offer Document Date is given below.

Urbano Cairo

Founder of the Cairo Communication Group, of which he has leaded the growth and development. Graduated in business administration from Bocconi University, he has gained significant experience in the publishing and advertising sector. He entered Fininvest S.p.A. in 1982, then in 1985 he entered Publitalia '80 S.p.A. becoming vice director general in 1990. In 1991 he became Managing Director of Mondadori Pubblicità S.p.A. In December 1995 he founded Cairo Pubblicità, which started its business as the advertising space agency of certain magazines of the RCS Group. He then led the growth of the Cairo Communication Group, the main steps of which are linked to the acquisition, in 1998, of the company Telepiù Pubblicità S.p.A. (later called Cairo TV S.p.A.), obtaining the advertising space sales agency dedicated to pay TV, the acquisition, in February 1999, of Editoriale Giorgio Mondadori S.p.A., the listing of Cairo Communication in 2000, the sale agreement for La7 at the end of 2002, the creation of Cairo Editore in 2003 and the successive development of new and successful publishing initiatives and the acquisition of La7 in 2013, with the consequently entry into the sector of television broadcasting.

Uberto Fornara

Graduated in business administration from Bocconi University, he has been working in the Cairo Communication Group from the creation of the Group, before which he gained significant experience in the advertising sector in Publitalia '80 S.p.A., as of 1988, and then in Mondadori Pubblicità S.p.A., where, in 1994, he became the Central Clients Director. He is also Managing Director of Cairo Pubblicità.

Marco Pompignoli

Head of Administration, Finance and Management Control of the Cairo Communication Group since June 2000 and Cairo Communication Financial Reporting Manager. Graduated in business management from Bocconi University, he previously worked in a leading auditing firm, gaining experience in Italy and abroad.

Laura Maria Cairo

Graduated in law, she collaborated with several law firms in Milan and Alessandria, gaining experience in bankruptcy law, civil law and corporate law; since 2006 she has practised in Alessandria.

Roberto Cairo

An entrepreneur in real estate intermediation with the company Il Metro Immobiliare S.r.l., with offices in Milan and in Liguria.

Antonio Magnocavallo

He has practised the legal profession, as a specialist in civil law and corporate law, in Milan since 1961, at present in associated form (Magnocavalli and Associates). He is a board director of the Credito Valtellinese Group foundation and Chairman of some important foundations and associations. Since 1998 he has provided legal assistance to the Cairo Communication Group.

Stefania Petruccioli

With a degree in business management from Bocconi University, where she also worked as a contract professor and assistant until 2004, she is a qualified accountant and has gained important experience as manager and partner in management companies specialised in private equity and venture capital operations. As of today, she is a fund manager for Principia SGR S.p.A. and an independent director for the listed companies De Longhi S.p.A. and Interpump Group S.p.A.

Marco Janni

After graduating in civil procedural law in 1960, he worked for a few years as assistant professor of civil procedural law at Milan University. He is a barrister and member of the NCTM law firm, in civil, commercial and corporate law. He has been a director of important banking groups.

Roberto Rezzonico

A certified accountant, at present he is an auditor of important industrial groups, for some of which he is also the chairman of the statutory board of auditors.

Mauro Sala

A certified accountant and qualified auditor, judge of the Regional Tax Commission of Lombardy from 1996 to 2007, at present he is chairman of the statutory board of auditors, or statutory auditor and/or director of several companies.

The following table shows the companies or partnerships of which the members of the Board of Statutory Auditors are or have been members of the board of directors, the board of auditors or the supervisory board, or shareholders, in the last five years, with indication of the status of their office or stake held at the Offer Document Date.

FULL NAME	COMPANY	OFFICE IN THE COMPANY OR STAKE HELD	STATUS AT THE OFFER DOCUMENT DATE
Urbano Cairo	Auditel S.r.l.	Director	In office
	Cairo Editore S.p.A.	Chairman of the Board of Directors	In office
	Cairo Pubblicità S.p.A.	Chairman of the Board of Directors	In office
	Cairo Publishing S.r.l.	Chairman of the Board of Directors	In office
	Collegio San Carlo S.r.l.	Director	Office terminated
	Il Trovatore S.r.l.	Chairman of the Board of Directors	In office
	Immobiliare Costruzioni Belvedere di Giuseppe Cairo e C. – S.n.c.	Shareholder and Director	In office
	La7 S.p.A.	Chairman of the Board of Directors	In office
	San Carlo Sport – non-professional sports limited company	Director	In office
	Torino Football Club S.p.A.	Chairman of the Board of Directors	In office
	Tortona Immobiliare S.r.l.	Sole Administrator	In office
	U.T. Communications S.p.A.	Chairman of the Board of Directors	In office
Uberto Fornara	Audipress S.r.l.	Director	In office
	Cairo Editore S.p.A.	Director	In office
	Cairo Pubblicità S.p.A.	Managing Director	In office
	La7 S.p.A.	Director	In office
	Torino Football Club S.p.A.	Director	In office

Marco Pompignoli	Cairo Editore S.p.A.	Director	In office
	Cairo Network S.r.l.	Chairman of the Board of Directors	In office
	Cairo Pubblicità S.p.A.	Director	In office
	Cairo Publishing S.r.l.	Director	In office
	Diellesei S.r.l. in liquidation	Liquidator	In office
	Il Trovatore S.r.l.	Director	In office
	La7 S.p.A.	Director	In office
	Mp service S.r.l.	Director	In office
	Torino Football Club S.p.A.	Director	In office
	U.T. Communications S.p.A.	Director	In office
Roberto Cairo	Il Metro Immobiliare S.r.l.	Sole Director and Shareholder	In office
	Inves.co S.r.l.	Director and Shareholder	In office
Antonio Magnocavallo	Itsright S.r.l.	Director and Shareholder	In office
	Palomar SCPA	Director	In office
	Videorights S.r.l.	Director and Shareholder	In office
Stefania Petruccioli	Comecer S.p.A.	Director	In office
	De' Longhi S.p.A.	Director	In office
	Duplomatic Oleodinamica S.p.A.	Director	Wound up
	Interpump Group S.p.A.	Director	In office
	Newton S.r.l.	Director	In office
	Progressio SGR S.p.A.	Director	Wound up
	Pteam S.r.l.	Shareholder and Director	Wound up
Roberto Rezzonico	Corporate express S.r.l.	Chairman of the Board of Statutory Auditors	Wound up
	Dorado cigs S.p.A.	Standing auditor	Wound up
	Finaster S.r.l. in liquidation	Standing auditor	Wound up
	Galderma Italia S.p.A.	Chairman of the Board of Statutory Auditors	In office

	Givaudan Italia S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Icmesa Industrie Chimiche Meda S.p.A. in liquidation	Chairman of the Board of Statutory Auditors	Wound up
	Istituto delle vitamine S.p.A.	Chairman of the Board of Statutory Auditors	Wound up
	Itsright S.r.l.	Chairman of the Board of Statutory Auditors	In office
	Macchingraf S.r.l.	Chairman of the Board of Statutory Auditors	Wound up
	Mondoffice S.r.l.	Chairman of the Board of Statutory Auditors	Wound up
	Nespresso italiana S.p.A.	Chairman of the Board of Statutory Auditors	Wound up
	Nestlé Italiana S.p.A.	Standing auditor	Wound up
	Osram S.p.A.	Chairman of the Board of Statutory Auditors	Wound up
	Pirelli Labs S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Pri.zeta S.p.A.	Standing auditor	Wound up
	Siemens S.p.A.	Alternate Auditor	Wound up
	Siemens Holding S.p.A.	Standing auditor	Wound up
	Sofia Holding S.p.A.	Standing auditor	Wound up
	Trench Italia S.r.l.	Standing auditor	Wound up
	Unigel S.p.A.	Standing auditor	In office
Mauro Sala	Agave S.p.A.	Standing auditor	In office
	Area consulting S.r.l.	Chairman of the Board of Directors	Wound up
	Area Due S.r.l.	Chairman of the Board of Directors and Shareholder	In office
	Berkel S.p.A.	Standing auditor	Wound up
	Bica S.p.A.	Standing auditor	In office
	Borsa Industrie Plastiche S.r.l.	Alternate Auditor	In office
	Brescia Holding S.p.A.	Standing auditor	Wound up
	Cairo Editore S.p.A.	Director	In office

	Cairo Pubblicità S.p.A.	Chairman of the Board of Statutory Auditors	Wound up
	Cisgem S.p.A.	Standing auditor	Wound up
	Co.mo.i. SIM S.p.A.	Standing auditor	In office
	Confidi Province Lombarde - cooperative society for collective guarantee of loans	Alternate Auditor	Wound up
	Diellesei S.r.l.	Chairman of the Board of Statutory Auditors	Wound up
	Digicamere S.c.a.r.l.	Alternate Auditor	Wound up
	FIM - finanziaria immobiliare - mobiliare S.r.l.	Chairman of the Board of Statutory Auditors	Wound up
	Finanziaria del Garda S.p.A.	Standing auditor	In office
	Finanziaria Le Muse S.r.l.	Alternate Auditor	In office
	Golf des Iles Borromees S.p.A.	Shareholder	In office
	Gruppo Maldarizzi S.r.l.	Alternate Auditor	Wound up
	Il Trovatore S.r.l.	Standing auditor	Wound up
	Immobiliare Bixio 4 S.p.A.	Chairman of the Board of Statutory Auditors	Wound up
	Langhiranese Prosciutti S.r.l.	Standing auditor	In office
	Liria S.S.	Standing auditor	Wound up
	Litur S.p.A.	Standing auditor	In office
	Lokven S.r.l.	Standing auditor	Wound up
	Master Group Sport S.r.l.	Chairman of the Board of Statutory Auditors	In office
	Metalsa Stagno S.r.l.	Chairman of the Board of Directors	In office
	Microcinema S.p.A.	Standing auditor	In office
	Milancetro S.p.A.	Alternate Auditor	In office
	Objectway financial software S.p.A.	Alternate Auditor	Wound up
	Ofg adv S.r.l.	Chairman of the Board of Statutory Auditors	In office

	Oldolon Italiana S.p.A.	Standing auditor	In office
	Palio S.p.A.	Standing auditor	In office
	Parcam S.r.l.	Alternate Auditor	Wound up
	Parco Immobiliare S.p.A.	Alternate auditor	Wound up
	Plana Impianti Industriali S.r.l.	Alternate auditor	Wound up
	SCA S.r.l.	Sole Administrator	Wound up
	Ses asa protection S.p.A.	Alternate Auditor	Wound up
	Scudo S.r.l.	Standing auditor	Wound up
	Sinenergia S.r.l.	Alternate Auditor	Wound up
	Tellus S.p.A.	Standing auditor	Wound up
	Torino F.C. S.p.A.	Chairman of the Board of Statutory Auditors	Wound up
	Trixi s.a.s.	Standing auditor	Wound up
	Trocardi S.p.A.	Standing auditor	In office
	Unifinmi S.p.A.	Alternate Auditor	In office
	Valcorte S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Veco S.p.A.	Alternate Auditor	In office
	Vis S.p.A.	Alternate Auditor	In office
	Zedar Servizi Aziendali S.r.l.	Sole Administrator	In office
Marco Janni	Co.mo.i. Group S.A.	Chairman of the Board of Directors and Shareholder	In office
	Co.mo.i SIM S.p.A.	Chairman of the Board of Directors	In office
	Intesa Lease Sec S.r.l.	Chairman of the Board of Directors	Wound up
	Intesa Sec 3 S.r.l.	Director	Wound up

At the Offer Document Date, to the best knowledge of the Offeror, and without prejudice to what is indicated below regarding the director Uberto Fornara, in the last five years no member of the Cairo Communication Board of Directors has been sentenced for bankruptcy or fraud, or has been associated, in the performance of administration, management or supervisory duties, with receivership or liquidation procedures. In addition, none of these subjects has been officially accused and/or sanctioned by the public or supervisory authorities (including the professional associations) in the performance of their offices, nor has been banned as member of Cairo Communication boards of directors, boards of auditors or supervisory boards or from performing directorship or management duties for other broadcasters.

With a communication of 29 May 2015, CONSOB charged the director Uberto Fornara - in the capacity of a "*relevant person*" pursuant to Article 152-*sexies*, paragraph 1, letter c.1), of the Issuers' Regulation - with breach of Article 114, paragraph 7, of the TUF, in relation to certain transactions on Cairo Communication shares carried out by Uberto Fornara's wife in the period between 25 March 2014 and 16 May 2014 thatUberto Fornara did not communicate to CONSOB or Cairo Communication within the terms indicated by the applicable provisions.

With resolution no. 19502 of 28 January 2016, CONSOB imposed a fine of EUR 15,000 on the director Uberto Fornara for negligence in relation to the above-described facts, also providing for the non-publication of the resolution in the CONSOB Bulletin, pursuant to Article 195, paragraph 3, of the TUF.

No agreements have been stipulated between the members of the Board of Directors and Cairo Communication or the latter's subsidiaries which contemplate indemnity in the case of resignation or dismissal without just cause or if the work relationship terminates subsequent to a take-over bid.

The members of the Board of Directors have domicile for their offices at the Offeror's registered office at Via Tucidide no. 56, Milan.

The Board of Directors' Powers

Pursuant to Article 21 of the Articles of Association, the Board of Directors has the widest powers for the ordinary and extraordinary management of the company without exceptions of any kind, and it may carry out all transactions that it deems opportune for the implementation and achievement of the company purpose, excluding only those that the law peremptorily reserves to the Shareholders' Meeting. The Board of Directors is responsible for resolving on:

- mergers, in the cases contemplated by Articles 2505 and 2505-*bis*, of the Civil Code;
- the establishment or suppression of secondary seats;
- the indication of which of the directors have the authority to represent the Offeror;
- share capital reduction in the case of a shareholder's withdrawal;
- amendments to the Articles of Association to adapt to mandatory legal provisions; and
- the transfer of the registered office within the country.

The Board of Directors is exclusively responsible for taking decisions concerning:

- the examination and approval of the Company's strategic, industrial and financial plans;
- the assignment of delegated powers to the managing directors and the executive committee and the revocation of such powers;

- the examination and approval of transactions: (i) of an extraordinary nature, and (ii) in potential conflict of interests or with related parties.

The Chairman of the Board of Directors, the Vice Chairman and the Managing Directors, the latter within the limits of their delegated powers, severally hold the legal representation of Cairo Communication before third parties and in court, and therefore the Company's signature.

The executive directors' powers

Pursuant to Article 22 of the Cairo Communication Articles of Association, the Board of Directors, within the limits allowed by law and by the said Articles, may delegate its powers to an executive committee composed of some of its members or to one or more of its members also with the qualification of managing directors, determining the term of office and the limits of the delegation. The executive committee and the managing director report to the Board of Directors, in the manner and terms fixed by it, on the performance of their duties. In particular, unless otherwise ruled by legal or statutory obligations, the managing director reports to the Board of Directors and to the Board of Statutory Auditors at least once every six months on the general business trend and on the business outlook, and on the transactions that are more important for their dimensions or features, carried out by the Company and its subsidiaries.

At the meeting of 14 May 2014, the Board of Directors conferred on the Chairman of the Board of Directors, Urbano Cairo, all the powers of ordinary and extraordinary governance, except the following powers:

(i) the power to busy, sell and exchange business units, or to contribute them to other companies already incorporated or being incorporated for considerations of more than EUR 10,000,000.00;

(ii) to grant endorsements, sureties and guarantees of any kind in favour of third parties for amounts above EUR 5,000,000.00.

At the same meeting of 14 May 2014, the Board of Directors of Cairo Communication appointed Uberto Fornara as Managing Director, conferring on him the following powers:

(i) the identification and the research and development of initiatives relative to the sale of advertising space and/or of advertising space agent, submitting to the Chairman of the Board of Directors and/or to the Board of Directors, his own inferences for the relative resolutions that involve commitments and obligations towards third parties on the part of Cairo Communication;

(ii) the management and development of the sale of advertising space within the programme lines approved by the Chairman of the Board of Directors and/or by the Board of Directors;

(iii) to hire, dismiss, manage and coordinate the activity of employees, agents and collaborators engaged on the sale of advertising space, giving them instructions and orders, supervising their activities and determining their duties, with the explicit specification that the assumption, appointment and dismissal of managers and of employees and collaborators with a gross annual salary/remuneration of more than EUR 100,000.00 including any variable incentives, requires the prior written consent of the Chairman of the Board of Directors;

(iv) to manage and coordinate the activity of employees, agents and business brokers engaged on the sale of advertising space and/or as advertising space agents, therefore issuing to the same instructions and orders, supervising their activities and determining their duties;

(v) to provide for the payment (by bank draft, withdrawal, current account cheques and banker's cheques) of the periodic remuneration of employees, agents and business brokers, and of the relative social security contributions and the obligatory withholding taxes;

(vi) to provide for the payment (by bank draft, withdrawal, current account cheques and banker's cheques and, in general, with the authority to carry out bank transactions on current accounts, within the limit of credit facilities granted and of current accounts opened) up to the maximum limit of EUR 50,000 per single transactions, to suppliers and third parties other than those mentioned in letter (v);

(vii) to deposit sums of money or cheques, money orders or credit titles in general, on the current accounts of Cairo Communication opened at the banks with the authorisation to sign for the relative endorsements;

(viii) to collect receivables and sums due to Cairo Communication, signing every necessary document;

(ix) to sign the correspondence of Cairo Communication and the deeds relative to the exercise of his functions with the qualification of managing director;

(x) as the person in charge of the sale of advertising space, to carry out the opportune checks and controls to ensure that Cairo Communication, in the said activity, does not breach any legal or regulatory provisions;

(xi) to represent Cairo Communication in relations regarding the sale of advertising space, with the public administration, with the administrative authorities (the publishing authority, the antitrust authority, the communications authority and others) and with the judicial authorities;

(xii) the duty and the responsibility, in relation to Cairo Communication activities and structures, and in any case regarding all the premises used by the company, with full managerial, organisational and expenditure independence, to carry out - in the capacity of "employer" as well as for protecting the workers' health and safety in the workplace and also for fire prevention, ecology and environmental protection - all the activities necessary, opportune or requested regarding the workers' health and safety, the prevention of accidents, industrial hygiene, fire prevention, environmental protection and the disposal of wastes, including the control of town-planning and building activities in relation to provisions of law, regulations and standards in force or which may be issued in the future, and standards of conduct issued by the competent public authority or suggested by technical specific experience and, in general, every other rule of prudence or diligence that must be applied in order to eliminate every possible risk and to prevent the consequences of damage to persons or property, i.e. also with specific regard to Legislative Decree no. 81 of 9 April 2008 and all the provisions issued now and in the future for the protection of health and safety in the workplace, industrial hygiene, fire prevention, environmental protection and the disposal of wastes. The Managing Director may confer on third parties all or part of the above powers, within the limits allowed by the applicable laws;

(xiii) pursuant to the provisions of law on the protection of personal data, regarding their processing by Cairo Communication with full managerial, organisational and expenditure independence, all the powers necessary for: (a) deciding on the purposes and the methods of the processing, and on the tools used and on the security level; (b) complying with the provisions of Legislative Decree no. 196/2003 and every other provision on personal data processing; (c) designating and revoking, in compliance with the relative provisions of law, data controllers and data processing managers;

(xiv) lastly, carrying out everything necessary and convenient for the successful execution of his mandate in the sole and exclusive interests of Cairo Communication.

Lastly, by resolution of 14 May 2014, the Cairo Communication Board of Directors conferred on the director Marco Pompignoli the mandate to superintend and supervise the administration, financial and management control functions of the Cairo Communication Group, conferring on him, within the sphere of such functions, the following delegated powers:

(i) to manage and coordinate the activity of employees engaged on administrative and accounting activities, therefore issuing to the same instructions and orders, supervising their activities and determining their duties;

(ii) to deposit sums of money or cheques, money orders or credit titles in general, on the current accounts of Cairo Communication opened at the banks with the authorisation to sign for the relative endorsements;

(iii) to collect receivables and sums due to Cairo Communication, signing every necessary document;

(iv) to sign the correspondence of Cairo Communication and the deeds relative to the exercise of his functions;

(v) to provide for the payment of direct and indirect taxes bearing on Cairo Communication;

(vi) to provide for the payment (by bank draft, withdrawal, current account cheques and banker's cheques and, in general, with the authority to carry out bank transactions on current accounts, within the limit of credit facilities granted and of current accounts opened) up to the maximum limit of EUR 50,000.00 per single transactions, to suppliers and third parties;

(vii) to coordinate the activity of the Cairo Communication professionals, according to their single specific duties in relation to corporate deeds, problems and tax and legal compliance, according to the instructions of the Chairman of the Board of Directors to which he must report on the performance of his duties;

(viii) lastly, to carry out everything necessary and convenient for the successful execution of his mandate in the sole and exclusive interests of Cairo Communication.

Lastly, the director Marco Pompignoli has been vested with the power to act in the name of and on behalf of the Offeror at the shareholders' meetings of the companies of which said Offeror holds stakes and to exercise the rights connected to the position of shareholder, expressly including the voting right; such powers and rights may be exercised also with the faculty of sub-delegation to third parties who need not necessarily be members of the Cairo Communication Board of Directors.

B.1.8.b. The Offeror's Internal Committees

By Board of Directors' resolution of 14 May 2014, a control and risks committee, a remuneration committee and a related parties committee have been formed, the composition and main features of which are reported below.

The Control and Risks Committee

The control and risks committee, which will remain in office until the date of the Shareholders' Meeting held to approve the financial statements at 31 December 2016, is composed of the following three non-executive directors, with a majority of independent directors.

MEMBER	ROLE
Roberto Rezzonico	Chairman
Mauro Sala	Member
Antonio Magnocavallo	Member

The control and risks committee must give the Board of Directors a prior opinion on the execution of the duties entrusted to this latter by the Self-Regulatory Code on internal control and risk management and, in particular:

(i) to define the guidelines of the internal control and risk management system, so that the main risks to which the issuer and its subsidiaries are subject are correctly identified and adequately measured, managed and monitored, also determining the degree of compatibility of such risks with a business management consistent with the strategic objectives identified;

(ii) to assess, at least once a year, the adequacy of the internal control and risk management system in respect of the company's characteristics and the risk profile assumed, as well as the effectiveness of the said system;

(iii) to identify an executive director appointed to supervise the internal control system functioning.

In addition, the control and risks committee:

(i) assesses, together with the financial reporting manager and after consulting the legal auditor and the board of statutory auditors, the correct application of the accounting standards and, in the case of groups, their uniformity for the preparation of the consolidated financial statements;

(ii) expresses opinions on specific aspects regarding the identification of the Company's main risks;

(iii) examines the periodic reports, for the assessment of the internal control and risk management system, and those of particular importance drawn up by the internal audit department;

(iv) monitors the independence, adequacy, effectiveness and efficiency of the internal audit department;

(v) may request the internal audit department to check specific operating areas, simultaneously informing the chairman of the board of statutory auditors; and

(vi) reports to the board of directors, at least once every six months, on the occasion of the approval of the annual financial statement and of the interim financial report, on the activity carried out and on the adequacy of the internal control and risk management system.

The Remuneration Committee

The remuneration committee, which will remain in office until the date of the Shareholders' Meeting held to approve the financial statements at 31 December 2016, is composed of the following three non-executive directors, with a majority of independent directors.

MEMBER	ROLE
Antonio Magnocavallo	Chairman
Stefania Petruccioli	Member
Roberto Rezzonico	Member

The remuneration committee must give advice and suggestions to the Board of Directors. In particular, the remuneration committee:

(i) presents to the Board of Directors proposals for the definition of the general policy for the remuneration of the executive directors, of the other directors vested with particular duties and of the key managers;

(ii) periodically assesses the adequacy, overall congruence and the concrete application of the general policy adopted for the remuneration of the executive directors, the other directors vested with particular duties and the key managers, taking avail, for the key managers, of the information supplied by the managing directors, and presenting proposals regarding said remuneration to the Board of Directors;

(iii) presents to the Board of Directors proposals for the remuneration of the managing directors and other directors which hold special offices, and on the performance targets connected to the variable component of the said remuneration, monitoring the application of the decisions adopted by the Board of Directors and checking, in particular, the effective achievement of the performance targets, and

(iv) periodically assesses the criteria adopted for the remuneration of the key managers and any stock option plans (at present there are none), supervises their application on the basis of the information provided by the managing directors and presents general recommendations on the subject to the Board of Directors.

The Related Parties Committee

The related parties committee, which will remain in office until the date of the Shareholders' Meeting held to approve the financial statements at 31 December 2016, is composed of the following three non-executive, independent directors.

MEMBER	ROLE
Marco Janni	Chairman
Stefania Petruccioli	Member
Mauro Sala	Member

The related parties committee must carry out all the activities attributed to the same by the Related Parties Regulations and by the "Procedures for transactions with related parties", adopted by the Cairo Communication Board of Directors on 11 November 2010. In particular, the related parties committee must issue a reasoned opinion on Cairo Communication's interest (or, as the case may be, the interests of its subsidiaries) in carrying out transactions with related parties, and on the convenience and the substantial correctness of the relative conditions. If required by the nature, entity and features of the transaction, the related parties committee may be assisted, at the Company's expense, by one or more independent experts of its own choice, by the acquisition of specific reports and/or fairness reports or legal opinions.

B.1.8.c. The Offeror's Board of Statutory Auditors

Pursuant to Article 26 of the Cairo Communication Articles of Association, the Board of Statutory Auditors is appointed by voting a list, and it is composed of three standing auditors and two alternate auditors.

In particular, the members of the Board of Statutory Auditors are appointed on the basis of lists presented by the shareholders, containing no more than five candidates indicated by a progressive number. The list has two sections: one with candidates for the office of standing auditor, and the other with candidates for the office of alternate auditor. Lists which contain more than three candidates must ensure respect for the gender balance at least to the minimum extent required by the legal and regulatory provisions in force *pro tempore*.

The lists admitted for voting must be presented by shareholders which, individually or jointly, hold at least 2.5% of the share capital or the diverse minimum percentage established by the discipline in force. For the determination of said minimum percentage, the shares taken into account are those registered in the name of the shareholders on the day the lists are deposited at Cairo Communication. The shareholders may not participate, even by proxy or through a trust company, in the presentation of more than one list, nor may they vote for diverse lists; in the case of non-compliance, the relative signing and voting will not be taken into account. Shareholders belonging to a group may present only one list. Each candidate can be presented on only one list, on penalty of ineligibility. The lists may not contain candidates who hold the office of statutory auditor in 5 (five) other listed companies (subsidiary companies, even if listed, are not taken into account) or which, in any case, exceed the number of offices allowed by law or by CONSOB or who do not have the requirements of independence, integrity and professional standing or the conditions of eligibility, compatibility or validity contemplated by law.

If the requirements contemplated by law or by the Articles of Association are no longer fulfilled, the auditor in question falls from office. Outgoing auditors can be re-elected.

The lists presented must be deposited at the Cairo Communication's registered office within the twenty-fifth day before the date of the shareholders' meeting called for the appointment of the Board of Auditors' members, and they must be made available to the public at the Company's registered office, on the Company's Internet site and by the other means contemplated by law and by the regulatory provisions, at least twenty-one days before the date of the shareholders' meeting. Each list must be accompanied by:

(a) information on the identity of the shareholders who have presented the lists, with indication of the percentage of the total equity held and the legal certification of the equity held, which may also be produced after the deposit provided it is produced within the term contemplated for the publication of the lists;

(b) a declaration of the shareholders who do not hold, also jointly, a controlling stake or a relative majority of the equity, testifying to the absence of connections, pursuant to the applicable provisions;

(c) full information regarding the professional and personal features (including the gender) of the candidates, and a declaration by which the single candidates accept the candidature and state, under their own responsibility, that no reason for their ineligibility or incompatibility exists and that the requirements prescribed for the office by law and by the Articles of Association are fulfilled.

If, on the expiry of the aforesaid term, only one list has been deposited or only lists presented by shareholders who are connected with each other, pursuant to the applicable provisions, lists can be presented up to the fourth day after that date. In such a case, the threshold is divided by half.

Any list which is invalid pursuant to the above rules, which will be mentioned in the shareholders' meeting convocation notice, will be considered as not presented.

The voting for the auditors is carried out as follows:

(a) from the list which has obtained most votes, two standing auditors and one alternate auditor are chosen, on the basis of the progressive order by which they are listed in the sections of the list;

(b) from the list which is second for number of votes obtained and for which the relative shareholders are not connected, pursuant to the applicable provisions, even indirectly, with the shareholders who have presented or voted for the list which is first for number of votes, the third standing auditor and the second alternate auditor are chosen, on the basis of the progressive order in which they are positioned in the sections of the list.

The Chair of the Board of Statutory Auditors is taken by the person indicated in the first place on the list which is second for number of votes.

If there are two or more lists that have the same number of votes, the list presented by the shareholders representing the higher portion of the share capital will prevail or, in the case of parity, by the greater number of shareholders.

If only one list is presented, the three standing auditors and the two alternate auditors are taken from that list, on the basis of the progressive order with which they are listed; in such a case, the Chair of the Board of Directors is taken by the candidate in the first place on the said list.

If, on the basis of the foregoing procedure, the composition of the Board of Statutory Auditors does not respect the gender balance contemplated by legal or regulatory provisions in force *pro tempore*, the necessary substitutions will be made according to the progressive order of the candidates on the list.

If no list is presented or admitted, the Board of Statutory Auditors and its Chairman are appointed by the Shareholders' Meeting by a relative majority vote according to the legal or regulatory provisions in force *pro tempore* on the gender balance.

Pursuant to Article 25 of the Cairo Communication Articles of Association, the Board of Statutory Auditors supervises:

- compliance with law and with the deed of incorporation;
- respect for the principles of correct corporate governance;
- the adequacy of the organisational structure for the aspects of competence, of the internal control system and of the administrative-accounting system, and the reliability of this latter in correctly representing management facts;
- the methods of concrete implementation of the corporate governance rules contemplated by the Self-Regulatory Code;
- the adequacy of the provisions issued by the Offeror to the subsidiary companies, pursuant to Article 114, paragraph 2, of the TUF.

At the Offer Document Date, the Offeror's Board of Auditors is composed of three standing auditors and two alternate auditors, appointed by the Shareholders' Meeting of 29 April 2014: their office is for a three year term and, therefore, until the date of the Shareholders' Meeting called to approve the financial statements for the period closing at 31 December 2016.

At the Offer Document Date, the Board of Statutory Auditors is composed of the following members.

FIRST NAME AND SURNAME	POSITION	PLACE AND DATE OF BIRTH
Marco Moroni	Chairman	Milan - 10 May 1963
Marco Giuliani	Standing auditor	Naples - 18 June 1959
Maria Pia Maspes	Standing auditor	Sondrio - 28 April 1970
Emilio Fano	Alternate Auditor	Rome - 19 January 1954
Enrico Tamborini	Alternate Auditor	Rome - 06 January 1967

A brief *curriculum vitae* of each auditor in office at the Offer Document Date is given below.

Marco Moroni

Certified accountant and legal auditor, graduated in business management from the Luigi Bocconi Business School of Milan. In 1996 he qualified for professional practice as a certified accountant.

Before working as an independent professional, he worked for 6 years for the auditing firm KPMG S.p.A. He now works as an independent professional as consultant on business, corporate management, technical-legal matters and out-of-court settlements. He is listed on the register of the technical experts of the Milan Court, with specialisation in the valuation of companies, assets and estates and in accounts, financial statements and accounting audits. He is a member of the "Corporate Governance Commission" of the Association of Certified Accountants of Milan and, together with his professional practice, he also carries out teaching and training activities (as lecturer for post-graduate courses, professional associations, etc.).

Marco Giuliani

Marco Giuliani graduated in Business Management from the Luigi Bocconi University of Milan in 1985. He began his career in A. Andersen, first in the audit division and then in the connected firm of tax experts. Later, in 1990, he constructed the Tax Practice of Deloitte, which was then integrated, in 2003, with that of Andersen derivation by effect of the international merger. Until February 2005 he was Co-Managing Partner, as well as international senior partner of the firm of tax experts connected to Deloitte (STS). He later decided to pursue his professional practice independently together with his partner Guido Pignanelli, forming the firm MGP Studio Tributario e Societario, affiliated to the international PKF network. The firm now includes about twenty professionals.

Maria Pia Maspes

Maria Pia Maspes graduated in Economics from the Catholic University of Milan in 1995, qualifying for professional practice as a certified accountant in the same year.

She has practised as an accountant since 1996, principally as a consultant on tax and corporate matters, at first with the firm Studio Professionale Dott. A. Guastoni, in Milan, at Via Montenapoleone 8. Since July 2004 she has collaborated on a stable basis with the firm Consulenza Tributaria e Societaria, in Milan - Viale Majno no. 10, providing tax and corporate advisory services to companies, mainly belonging to listed groups, operating in the industrial, insurance and banking sectors.

Emilio Fano

Graduated in economics from the L. Bocconi Business School awarded in 1979, he has been listed on the Association of Certified Accountants of Milan since 9 June 1982. He is also listed on the Register of Legal Auditors pursuant to Ministerial Decree of 12 April 1995, published in the Official Journal of the Italian Republic no. 31-*bis* of 21 April 1991. Emilio Fano practises as an accountant for the firm Studio BFC & Associati of Milan, of which he has been a partner since 1982, mainly in the corporate and strategic areas, and providing advisory services on company management and taxation.

Enrico Tamborini

A certified accountant and auditor, he graduated in economics from the Bocconi University of Milan and he has been registered with the Association of Certified Accountants of Milan since 1996, and on the Register of Legal Auditors since 1999.

After working for KPMG S.p.A. (from 1992 to 1995), in 1996 he joint the firm Studio Piccinelli Attardi e Associati with offices in Rome and Milan. Later, in 1997, he decided to pursue his professional activity independently and in 2014, together with two colleagues, he founded the firm Studio BTWM and Partners, specialised in corporate matters, taxation and financial statements, especially regarding extraordinary transactions and bankruptcy. He is listed on the register of the technical experts of the

Milan Court, with specialisation in the valuation of companies, assets and estates and in accounts, financial statements and accounting audits. He is an official receiver at the Court of Milan.

In 2001, with three other partners, he founded the audit firm REVICOM S.r.l. with registered office in Milan.

The following table shows the companies or partnerships of which the members of the Board of Statutory Auditors are or have been members of the board of directors, the board of auditors or the supervisory board, or shareholders, in the last five years, with indication of the status of their office or stake held at the Offer Document Date.

FULL NAME	COMPANY	OFFICE IN THE COMPANY OR STAKE HELD	STATUS AT THE OFFER DOCUMENT DATE
Marco Moroni	Aerotecnica Star S.p.A.	Standing auditor	Wound up
	Aromatagroup S.r.l.	Sole Statutory Auditor	In office
	Asscom S.p.A.	Standing auditor	In office
	Aston&Cooper S.p.A.	Chairman of the Board of Statutory Auditors	Wound up
	Betfair Italia S.r.l.	Standing auditor	In office
	Cairo Editore S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Cairo Pubblicità S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Caseificio del Cigno S.p.A.	Standing auditor	In office
	Dataprocess Holding S.p.A.	Chairman of the Board of Statutory Auditors	Wound up
	Dmail Group S.p.A.	Chairman of the Board of Statutory Auditors	Wound up
	Elettrodelta S.p.A. in liquidation	Standing auditor	In office
	Fratelli Giacomel S.p.A.	Standing auditor	In office
	Giacomel Group S.r.l.	Standing auditor	In office
	Immobiliare Ulpiano S.r.l.	Standing auditor	Wound up
	La7 S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Locauto Rent S.p.A.	Standing auditor	In office
	Locauto S.p.A.	Standing auditor	In office
	Ostello Bello S.p.A.	Chairman of the Board of Statutory Auditors	In office

	Publicitas International S.p.A.	Standing auditor	In office
	Revicom S.r.l.	Shareholder - Chairman of the Board of Directors	In office
	SCF Consorzio Fonografici	Standing auditor	In office
	Sony Music Entertainment Italy S.p.A.	Standing auditor	In office
	Toshiba Tec Italia S.r.l.	Chairman of the Board of Statutory Auditors	Wound up
	Ut Communications S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Wine Capital S.p.A.	Standing auditor	Wound up
Marco Giuliani	Ali S.p.A.	Standing auditor	Wound up
	Arcalgas Energie S.p.A.	Chairman of the Board of Statutory Auditors	Wound up
	Axopower S.r.l.	Chairman of the Board of Statutory Auditors	Wound up
	Banca Esperia S.p.A.	Standing auditor	In office
	Banca Mediolanum S.p.A.	Standing auditor	In office
	Belmond Esercizi S.r.l.	Standing auditor	In office
	Belmond Investimenti S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Belmond Italia S.r.l.	Standing auditor	In office
	BG Italia Power S.p.A.	Standing auditor	In office
	Brindisi LNG S.p.A.	Standing auditor	In office
	BTC Specialty Chemical Distribution S.p.A.	Standing auditor	Wound up
	Burlodge S.r.l.	Standing auditor	Wound up
	Cariso Communication S.p.A.	Standing auditor	In office
	Colori di Tollens Bravo S.r.l.	Standing auditor	In office
	Dihr S.p.A.	Standing auditor	Wound up
	Dmail Group S.p.A.	Standing auditor	Wound up
	Donizzetti Trading S.p.A.	Chairman of the Board of Statutory Auditors	Wound up
	Duomo S.r.l.	Standing auditor	Wound up

	Edra S.p.A.	Standing auditor	Wound up
	Elsevier S.r.l.	Standing auditor	Wound up
	Energie Investimenti S.p.A.	Chairman of the Board of Statutory Auditors	Wound up
	Esmach Group S.p.A.	Standing auditor	In office
	Esperia Trust Company S.r.l.	Chairman of the Board of Statutory Auditors	In office
	Fiduciaria San Babila S.p.A.	Chairman of the Board of Statutory Auditors	Wound up
	F.I.L.A. S.p.A.	Standing auditor	Wound up
	Fineurop Soditic S.p.A.	Standing auditor	In office
	Frimont S.p.A.	Standing auditor	Wound up
	Foot Locker Italy S.r.l.	Standing auditor	Wound up
	Friuli Nox S.r.l.	Standing auditor	Wound up
	Hotel Caruso S.r.l.	Chairman of the Board of Statutory Auditors	Wound up
	Hotel Cipriani S.p.A.	Standing auditor	Wound up
	Hotel Splendido S.r.l.	Sole Statutory Auditor	In office
	Hoverspeed Italia S.r.l.	Standing auditor	Wound up
	Huntsman Advanced Materials S.r.l.	Standing auditor	In office
	Huntsman Surface Sciences Italia S.r.l.	Chairman of the Board of Statutory Auditors	Wound up
	Huntsman Patrica S.r.l.	Chairman of the Board of Statutory Auditors	In office
	Huntsman P&A Italy S.r.l.	Standing auditor	In office
	Insiamo S.c.a.r.l.	Chairman of the Board of Statutory Auditors	In office
	Instumentation Laboratory S.p.A.	Standing auditor	Wound up
	Italcogim Energie S.p.A.	Chairman of the Board of Statutory Auditors	Wound up
	Kvadrat S.p.A.	Standing auditor	In office
	Kromo S.r.l.	Standing auditor	Wound up

	Maepa S.r.l.	Director	In office
	Marsh & Co. S.p.A.	Standing auditor	Wound up
	Marsh S.p.A.	Standing auditor	Wound up
	Materis Paints Italia S.p.A.	Standing auditor	Wound up
	Mediolanum Corporate University S.p.A.	Standing auditor	Wound up
	Mediolanum Fiduciaria S.p.A.	Standing auditor	In office
	Mediolanum Gestione Fondi SGR	Standing auditor	In office
	Metos S.p.A.	Standing auditor	Wound up
	Nastrofer S.p.A.	Standing auditor	In existence
	Nuova Termi Industrie Chimiche S.p.A.	Standing auditor	Wound up
	Pierrel S.p.A.	Standing auditor	Wound up
	Rapsel S.p.A.	Standing auditor	Wound up
	Rothschild S.p.A.	Standing auditor	In office
	Sagas Blu S.r.l.	Chairman of the Board of Statutory Auditors	Wound up
	Schattdecor S.r.l.	Chairman of the Board of Statutory Auditors	Wound up
	SEA Containers Italia Holdings S.r.l.	Standing auditor	Wound up
	Space 2 S.p.A.	Standing auditor	In office
	TCM Immobiliare S.r.l.	Chairman of the Board of Statutory Auditors	Wound up
	Tioxide Europe S.p.A.	Standing auditor	In office
	Villa S. Michele S.r.l.	Standing auditor	In office
	Yara Italia S.p.A.	Standing auditor	In office
	2i Rete Gas S.p.A.	Standing auditor	In office

Maria Pia Maspes	Aliserio S.r.l.	Standing auditor	In office
	Alto Partnes SGR S.p.A.	Standing auditor	In office
	Cairo Editore S.p.A.	Standing auditor	In office
	Cairo Pubblicità S.p.A.	Standing auditor	In office
	Caminetti Montegrappa S.r.l.	Chairman of the Board of Statutory Auditors	Wound up
	CRE - Centro ricerche ecologiche S.p.A.	Standing auditor	Wound up
	Eurofly services S.p.A.	Standing auditor	In office
	G.B.H S.p.A.	Standing auditor	In office
	Italholding S.p.A.	Standing auditor	In office
	Kelly Service S.p.A.	Standing auditor	In office
	LA7 S.r.l.	Standing auditor	In office
	Link Snc di Azzola Santa e C.	Shareholder	In existence
	Loellum Consorzio di Cooperative - Cooperativa sociale	Standing auditor	Wound up
	Mab S.p.A.	Standing auditor	Wound up
	Rovreplastik S.p.A.	Standing auditor	Wound up
	Torino FC S.p.A.	Standing auditor	In office
	U.T. Communications S.p.A.	Standing auditor	In office
Emilio Fano	Amplifon S.p.A.	Standing auditor	In office
	BSI Wealth & Family SIM S.p.A.	Standing auditor	Wound up
	Cairo Editore S.p.A.	Standing auditor	In office
	Cairo Pubblicità S.p.A.	Standing auditor	In office
	Clubtre S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Corporate Express S.r.l.	Standing auditor	Wound up
	Dafe 4000 S.p.A.	Standing auditor	Wound up
	Eataly S.r.l.	Chairman of the Board of Statutory Auditors	In office
	Etalyworld S.r.l.	Alternate Auditor	In office

	EOS Servizi Fiduciari S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Givaudan Italia S.p.A.	Standing auditor	In office
	Gotam SGR S.p.A.	Standing auditor	Wound up
	Grc Parfum S.p.A.	Chairman of the Board of Statutory Auditors	In office
	iGuzzini Illuminazione S.p.A.	Standing auditor	In office
	Icmesa S.p.A.	Chairman of the Board of Statutory Auditors	Wound up
	Idrabel Italia S.r.l.	Standing auditor	Wound up
	Istituto delle Vitamine S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Itsright S.r.l.	Standing auditor	In office
	LA7 S.p.A.	Standing auditor	In office
	Macchingraf S.r.l.	Standing auditor	Wound up
	Management & Capitali S.p.A.	Standing auditor	Wound up
	Nespresso Italiana S.p.A.	Standing auditor	In office
	Pvm Fiduciaria S.p.A.	Chairman of the Board of Statutory Auditors	In office
	U.T. Communications S.p.A.	Alternate Auditor	In office
Enrico Tamborini	Advance Capital SGR S.p.A.	Standing auditor	In office
	Cooperativa Omega S.c.r.l.	Standing auditor	In office
	Immobiliare Angima S.r.l.	Sole Administrator	In office
	International Logistic Services S.p.A.	Standing auditor	Wound up
	Locauto S.p.A.	Managing Director	In office
	Locauto Rent S.p.A.	Managing Director	In office
	Manudieci S.r.l.	Director	In office
	Marzotto Sim S.p.A.	Standing auditor	Wound up
	Miltec S.p.A.	Standing auditor	In office
	New Consultant S.r.l.	Shareholder and Chairman of the Board of Directors	In office
	Revicom S.r.l.	Shareholder and Director	In office
	Sesto Gallo S.p.A.	Standing auditor	In office
	T&L S.r.l.	Chairman of the Board of Directors	In office

At the Offer Document Date, to the best knowledge of the Offeror, and without prejudice to what is indicated below regarding the auditor Maria Pia Maspes, in the last five years no member of the Cairo Communication Board of Auditors has been sentenced for bankruptcy or fraud, or has been associated, in the performance of administration, management or supervisory duties, with receivership or liquidation procedures. In addition, none of these subjects has been officially accused and/or sanctioned by the public or supervisory authorities (including the professional associations) in the performance of their offices, nor has been banned as member of Cairo Communication boards of directors, boards of auditors or supervisory boards or from performing directorship or management duties for other broadcasters.

At the Offer Document Date, the auditor Maria Pia Maspes was committed for trial in relation to the office of member of the Board of Auditors of the company Olcese Immobiliare S.r.l., now under the extraordinary administration procedure, which she covered in the period between 14 May 2001 and 19 December 2002. In particular, the auditor Maria Pia Maspes has been charged within the criminal case docketed under no. 32738/14 of the Criminal Records Registry, pending at first instance before the Court of Milan, in relation to the crime of conspiracy in fraudulent bankruptcy contemplated by Articles 210 of the Criminal Code and 216 and 223 of the Royal Decree of 16 March 1942. At the Offer Document Date, the first hearing of the criminal trial is set for 7 July 2016.

No agreements contemplating an end-of-mandate indemnity have been stipulated with the members of the Board of Statutory Auditors of Cairo Communication or its subsidiaries.

The members of the Board of Statutory Auditors have domicile for their offices at the Offeror's registered office at Via Tucidide no. 56, Milan.

B.1.8.d. Key Managers

The following table gives information on the Offeror's managers with strategic responsibilities (the "**Key Managers**") at the Offer Document Date:

FULL NAME	POSITION	PLACE AND DATE OF BIRTH
Giuseppe Ferrauto	Executive Director, Director General and manager of Cairo Editore	Palermo, 3 June 1953
Giuliano Cesari	Executive Director and Director General of Cairo Pubblicità and manager of Cairo Communication	Bologna, 19 November 1956
Marco Ghigliani	Managing Director, Director General and manager of La7	Asti, 2 March 1965

A brief *curriculum vitae* of each Key Manager in force at the Offer Document Date is given below.

Giuseppe Ferrauto

He has worked in the publishing and communications field since 1979, specifically in personnel management and trade union relations, for the most important companies of the sector (the Rizzoli-Corriere della Sera Group; the Monti-Riffeser Group; Arnoldo Mondadori Editore). From 1997 to 1999 he was Director General of Editrice Il Giorno, the publishing house of the daily newspaper Il Giorno, and in 2000 he became Vice Director General of R.T.I. (the Mediaset Group) with responsibility for the information area. Between 2001 and 2002 he was the Central Staff Director and also responsible for La7 operations. Since 2002 he has been Director General of Cairo Editore, the Cairo Communication Group's publishing house. He is a member of the Federal Council and of the Presidential Committee of the FIEG (the Italian Federation of Newspaper Publishers) if which he was Vice Chairman, and on designation of the FIEG is also on the ADS Board of Directors. He has been a board director of the ANSA press agency, of several companies of the HMC Group (La7) in the 2001/2002 period, of the complementary pension fund for daily newspaper employees and of the Teatro Massimo Foundation of Palermo.

Giuliano Cesari

Giuliano Cesari graduated in law from Bologna University. He began his career as a member of the sales staff of Sipra until 1985; he then became a Publitalia Division Director, successively holding the office of Vice Director General of Mondadori Pubblicità with responsibility for Special Initiatives and External Areas. In 1996 he became a member of the Cairo Pubblicità Board of Directors, with responsibility for the revenues of printed matter until 2002. In Conde Nast he was publisher of Vanity Fair, and Vice President of Advertising Sales until 2004 before moving to the Class Group as Managing Director for advertising space sales until 2006. Since 2007 to date he has been Director General of Cairo Pubblicità and he is also, at present, on the board of directors of Cairo Pubblicità, La7 and Cairo Editore.

Marco Ghigliani

In May 2013 he was confirmed as Managing Director of La7 after the company was taken over by the Cairo Communication Group. He is on the Presidential Council and on the General Council of Confindustria Radio Televisioni and he is also a Cairo Network director. In December 2012, within the Telecom Italia Media Group, he took office as Managing Director of La7. He has held office as Director and as Chairman of MTV Italia and of Director for the companies Telecom Italia Media Broadcasting and TM News. Since February 2007 he has held the office of Director General of Telecom Italia Media S.p.A. From 2003 to 2007 he was Human Resources Director of Telecom Italia Media. From 2002 to 2003 he was Human Resources Director of the Seat Pagine Giallo Group. In 2001 he was Human Resources Manager of the Local Unit of the Milan Network of Telecom Italia S.p.A. Between 1988 and 2000, within the Personnel Organisation and Management of Fiat Auto, he held several offices including Personnel and Organisation Manager in several production plants.

The following table shows the companies and partnership in which the Key Managers are or have been members of the boards of directors, the steering boards, the supervisory boards or shareholders in the last five years, with indication of the status of the office or the percentage of their stake at the Offer Document Date.

FULL NAME	COMPANY	OFFICE IN THE COMPANY OR STAKE HELD	STATUS AT THE OFFER DOCUMENT DATE
Giuseppe Ferrauto	Accertamenti Diffusione Stampa S.r.l.	Director	In office
	Cairo Editore S.p.A.	Director	In office
	Cairo Network S.r.l.	Director	In office
	Cairo Publishing S.r.l.	Chief Executive Officer	In office

	Diellesei S.r.l. in liquidation	Liquidator	In office
	Teatro Massimo Foundation	Director	Wound up
	La7 S.p.A.	Director	In office
	Torino F.C. S.p.A.	Director	In office
Giuliano Cesari	Cairo Editore S.p.A.	Director	In office
	Cairo Pubblicità S.p.A.	Director	In office
	La7 S.p.A.	Director	In office
Marco Ghigliani	Cairo Network S.r.l.	Director	In office
	Consortium for the audio-visual and information and communication technology areas	Director	In office
	Effetv S.r.l.	Director	Wound up
	La7 S.p.A.	Chief Executive Officer	In office
	Mtv Italia S.r.l.	Chairman of the Board of Directors	Wound up
	Persidera S.p.A.	Director	Wound up
	Telecom Italia Media S.p.A.	Director general	Wound up

Pursuant to Article 24 of the Cairo Communication Articles of Association, the Board of Directors appoints by majority vote, after hearing the obligatory opinion of the Board of Statutory Auditors, the Financial Reporting Manager, who is vested with the powers and duties established by law, and those established by the Board of Directors at the moment of appointment or pursuant to later resolution.

The Board of Directors, at the meeting of 18 July 2007, appointed Marco Pompignoli, the Administration and Finance Manager of the Cairo Communication Group, with the necessary professional requirements (a degree in business management and prior experience for a leading auditing firm, where he gained significant experience in Italy and abroad, and he is listed on the Register of Certified Accountants and Tax Experts of Forlì-Cesena), as the Company's Financial Reporting Manager, pursuant to Article 154-*bis* of the TUF.

At the Offer Document Date, to the best knowledge of the Offeror, in the last five years no Key Manager of Cairo Communication has been sentenced for bankruptcy or fraud, or has been associated, in the performance of administration, management or supervisory duties, with bankruptcy, receivership or liquidation procedures. In addition, in the last five years, none of these subjects has been officially accused and/or sanctioned by the public or supervisory authorities (including the professional associations) in the performance of their offices, nor has been banned as member of Cairo Communication boards of directors, boards of auditors or supervisory boards or from performing directorship or management duties for other broadcasters.

All the Cairo Communication Key Managers have domicile for their office at the Cairo Communication registered office at Via Tucidide no. 56, 20134 Milan (Prov. MI).

B.1.8.e. *Relationship connections and conflicts of interests*

The Chairman of the Cairo Communication Board of Directors, Urbano Cairo, and the Cairo Communication directors Laura Cairo and Roberto Cairo, are siblings.

Except for this relationship, there are no other family relationships between the other Cairo Communication directors, statutory auditors and key managers.

Except for: (i) the stakes in the Offeror's share capital held by the Cairo Communication directors, as indicated in Paragraph B.1.8.f; (ii) the offices held by the directors Urbano Cairo and Marco Pompignoli in the UTC Board of Directors; (iii) the UTC stake held by the director Urbano Cairo, for 99.5% of the share capital; and (iv) the office held by the director Urbano Cairo in the Board of Directors of UT Belgium Holding S.A., at the Offer Document Date the Offeror is not aware of conflicts of interests between the Offeror and the members of its Board of Directors, Board of Statutory Auditors or Key Managers.

To the best knowledge of Cairo Communication, at the Offer Document Date there are no agreements or understandings in force between the main shareholders, customers, suppliers or other subjects pursuant to which the members of the Board of Directors, the Board of Statutory Auditors or the Key Managers of Cairo Communication have been chosen or appointed.

To the best knowledge of Cairo Communication, at the Offer Document Date the members of the Board of Directors, the Board of Statutory Auditors and the Key Managers of Cairo Communication have not agreed on restrictions to the sale of Cairo Communication shares that they may hold.

B.1.8.f. *Remuneration and benefits*

With regard to the financial period which closed at 31 December 2015, pursuant to Annex 2A of the Issuers' Regulation and to Article 7, paragraph 5, of the Issuers' Regulation, and to Article 28 of Regulation 809/2004/EC, Cairo Communication takes avail of the system of incorporation according to the 2015 Remuneration Report, drawn up by the Offeror pursuant to Articles 123-*ter* of the TUF and 84-*quater* of the Issuers Regulations, approved by the Offeror's Board of Directors on 14 March 2016 and published on the Offeror's Internet site (www.cairocommunication.it, "Assemblea 2016" section), and also at the storage mechanism named 1INFO available at www.1info.it, containing information regarding the remuneration (including any future or deferred remuneration) and of the fringe benefits paid by Cairo Communication and the companies of the Cairo Communication Group, for services rendered in any manner to Cairo Communication and the companies of the Cairo Communication Group, attributed:

(i) to the Cairo Communication Board of Directors' members Urbano Cairo, Antonio Magnocavallo, Laura Cairo, Roberto Cairo, Marco Janni, Stefania Petruccioli, Mauro Sala, Roberto Rezzonico, Uberto Fornara (also a Cairo Communication manager) and Marco Pompignoli (also a Cairo Communication manager) (see pages 15-21 of the 2015 Remuneration Report);

(ii) to the members of the Board of Statutory Auditors Marco Moroni, Maria Pia Maspes and Marco Giuliani (see pages 15-21 of the 2015 Remuneration Report);

(iii) to the Key Managers Giuseppe Ferrauto, Giuliano Cesari and Marco Ghigliani (see pages 15-21 of the 2015 Remuneration Report).

The 2015 Remuneration Report, approved by the Board of Directors on 14 March 2016, was subjected to a merely consultative vote of the shareholders' Meeting of 27 April 2016 which resolved in favour of the first section of the Remuneration Report, which contains the policy for the remuneration of the Board of Directors members and the Key Managers and the procedures used for the adoption and implementation of the remuneration policy.

We point out that the directors Uberto Fornara and Marco Pompignoli are linked by a managerial work relationship with Cairo Communication. With regard to the information on the amount of the remuneration paid to the directors Uberto Fornara and Marco Pompignoli in their capacity as Cairo Communication managers, in the period which closed at 31 December 2015, pursuant to Annex 2A of the Issuers' Regulation and of Article 7, paragraph 5, of the Issuers' Regulation, and of Article 28 of Regulation 809/2004/EC, Cairo Communication uses the incorporation system referred to in the 2015 Remuneration Report, drawn up by the Offeror pursuant to Articles 123-*ter* of the TUF and 84-*quater* of the Issuers' Regulation, approved by the Offeror's Board of Directors on 14 March 2016 and published on the Offeror's Internet site (www.cairocommunication.it, in the "2016 Meetings" section), and in the storage mechanism called 1INFO available at www.1info.it (see pages 15-18 of the 2015 Remuneration Report).

At 31 December 2015, the Cairo Communication severance indemnity provision (TFR) amounted to EUR 1,288 thousand.

At the Offer Document Date, the following numbers of the Offeror's shares are held by the members of the Board of Directors and by the Key Managers:

FULL NAME	POSITION	NUMBER OF CAIRO COMMUNICATION SHARES
Urbano R. Cairo *	Chairman	57,170,000
Laura Maria Cairo	Director	200
Roberto Cairo	Director	100,000
Uberto Fornara	Managing Director and manager	14,695
Marco Janni	Director	-
Antonio Magnocavallo	Director	-
Stefania Petruccioli	Director	-
Marco Pompignoli	Executive Director and manager	112,000
Roberto Rezzonico	Director	-
Mauro Sala	Director	-
Marco Moroni	Statutory Auditor	-

Marco Giuliani	Statutory Auditor	-
Maria Pia Maspes	Statutory Auditor	-
Key managers	-	88,200

* Shares held directly and/or through UTC and its subsidiaries.

At the Document Offer Date, the above-indicated subjects do not hold any option rights on the Offeror's shares.

At the Offer Document Date, there are no remuneration plans based on financial instruments to be offered to the Offeror's Board Directors or Key Managers.

B.1.8.g. The Offeror's Auditing Firm

On 28 April 2011, the Cairo Communication Shareholders' Meeting conferred the mandate for the legal auditing of the accounts for the financial years 2011-2019 on KPMG S.p.A., with registered office at Via Vittor Pisani no. 25, Milan, listed on the special register of legal auditors pursuant to Legislative Decree no. 39 of 27 January 2010.

Cairo Communication's company and consolidated financial statements for the periods which closed at 31 December 2013, 31 December 2014 and 31 December 2015 have been subjected to auditing by the Auditing Firm, which has expressed its opinion without observations.

With regard to the period to which the financial information contained in the Offer Document refer, the Auditing Firm has made no observations nor has it refused to certify the accounts, nor has it resigned from its mandate or been removed from office by the Company, nor has its mandate been revoked.

B.1.8.h. Implementation of corporate governance provisions

Cairo Communication must observe the provisions on corporate governance in force in Italy and, in particular, those applicable contained in the Civil Code, in the TUF, in Legislative Decree no. 231 of 8 June 2001 and the regulatory provisions issued by CONSOB.

In addition, Cairo Communication adheres to the Self Regulatory Code.

More in detail, the present Board of Directors of the Company, appointed by the Shareholders' Meeting of 29 April 2014, is composed of four independent directors in compliance with the applicable provisions of the Self Regulatory Code, and one fifth of the members are women in compliance with the provisions of law on equal rights to both genders in respect of access to the governance bodies of listed companies.

With regard to adhesion to the recommendations of the Self Regulatory Code, Cairo Communication has:

- set up a control and risks committee, a remuneration committee and a related parties committee;
- introduced into its Articles of Association a procedure for appointing the Board of Directors' members on the basis of lists presented by the shareholders;

- introduced into its Articles of Association a procedure to allow minority shareholders to appoint Board of Directors' members;

- adopted a procedure for the internal management and external disclosure of confidential documents and information, in particular those that are price sensitive, pursuant to the applicable legal and regulatory provisions;

- adopted shareholders' meeting regulations;

- appointed the director Marco Janni as lead independent director of the Company, in consideration of the fact that the Chairman of the Board of Directors, Urbano Cairo, is the person mainly responsible for the management of the enterprise (the chief executive officer);

- adopted, since 2008, its own "Organisational, management and control model" pursuant to Legislative Decree 231/2001, last updated in May 2015;

- introduced a special "Investor Relations" Office;

- adopted, on 11 November 2010, the "*Procedures for Transactions with Related Parties*", pursuant to the Related Parties Regulations;

- adopted its own policy on the remuneration of the Board of Directors' members and the Key Managers.

B.1.9 Employees

The following table shows the numeric evolution in the employees of the Cairo Communication Group for the period referred to by the information in the Offer Document.

	AT 31 DECEMBER 2015	AT 31 DECEMBER 2014	AT 31 DECEMBER 2013
DESCRIPTION	CAIRO COMMUNICATION GROUP	CAIRO COMMUNICATION GROUP	CAIRO COMMUNICATION GROUP
Permanent contracts	727	711	697
Managers	30	23	24
Middle Managers	80	83	82
Clerks	395	384	371
Journalists, employees and free lance	222	221	220
Temporary contracts	46	26	40
Managers	-	1	-

Middle Managers	-	-	-
Clerks	19	12	31
Journalists, employees and free lance	27	13	9
Grand total	**773**	**737**	**737**

At 31 December 2015, the larger percentage of employees (total 438) are engaged in television and magazine publishing (225). The advertising space sales sector has 74 employees and a sales network of 100 agents (direct and indirect).

At the Offer Document Date, the number of Cairo Communication Group employees has not undergone any significant change.

On the Offer Document Date, there are no stock option plans for employees relative to the Cairo Communication capital.

B.1.10 Transactions with Related Parties

On 11 November 2011, the Cairo Communication Board of Directors adopted the "*Procedures for Transactions with Related Parties*", in execution of Article 2391-*bis* of the Civil Code and the Related Parties Regulations, to ensure the transparency and the actual and procedural correctness of transactions with related parties carried out by Cairo Communication directly or through its subsidiaries.

The information on transactions with related parties, as defined by the principles adopted pursuant to Regulation no. 1606/2002/EC, can be found in the annual financial reports, which include the Cairo Communication company and consolidated financial statements, at 31 December 2015 (see pages 209 and following), 31 December 2014 (see pages 213 and following) and 31 December 2013 (see pages 208 and following). These documents have been filed at CONSOB and Borsa Italiana in compliance with the applicable legal and regulatory provisions and they are available to the public at the Offeror's registered office at Via Tucidide no. 56, Milan and on the Offeror's Internet site at www.cairocommunication.it and on the Borsa Italiana Internet site at www.borsaitaliana.it.

Cairo Communication takes avail of the incorporation system by reference to the above-mentioned documents, pursuant to Annex 2A of the Issuers' Regulation and Article 7, paragraph 5, of the Issuers' Regulation, and Article 28 of Regulation 809/2004/EC.

Between 31 December 2015 and the Offer Document Date, Cairo Communication has not carried out any transactions with related parties other than those carried out during the financial periods which closed at 31 December 2015, 31 December 2014 and 31 December 2013.

None of the transactions with related parties carried out in the period to which the financial information contained in this Offer Document refers can be qualified as either atypical or unusual, being included in the normal activities of the companies of the Cairo Communication Group. The above mentioned transactions have been carried out under market conditions, taking into account the features of the goods and services provided.

The following table illustrates the impact on the Cairo Communication Group's economic, equity and financial situation of transactions concluded by the companies of the Cairo Communication Group with related parties in the financial periods which closed at 31 December 2015, 31 December 2014 and 31 December 2013.

CAIRO COMMUNICATION GROUP (Euro/000)	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2013
Net profit	**226,582**	**240,266**	**249,514**
of which with related parties	*178*	*165*	*176*
incidence	*0.1%*	*0.1%*	*0.1%*
Other revenues and income	**9,403**	**11,927**	**7,985**
of which with related parties	*8*	*51*	42
Incidence	*0.1%*	*0.4%*	*0.5%*
Production costs	**(226,645)**	**(229,231)**	**(238,337)**
of which with related parties	*(2,436)*	*(2,111)*	(2,120)
incidence	*1.1%*	*0.9%*	*0.9%*
Total current assets	**215,920**	**247,283**	**281,036**
of which with related parties	*3,311*	*7,057*	*6,075*
Incidence	*1.5%*	*2.8%*	2.2%
Total current liabilities	**112,582**	**122,293**	**130,511**
of which with related parties	*2,103*	*1,584*	*192*
Incidence	*1.9%*	*1.3%*	*0.1%*

The following table illustrates the impact on the Cairo Communication Group's economic, equity and financial situation of transactions concluded by the companies of the Cairo Communication Group with related parties in the financial periods which closed at 31 December 2015, 31 December 2014 and 31 December 2013.

CAIRO COMMUNICATION (Euro/000)	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2013
Net profit	**106,026**	**116,595**	**121,047**
of which with related parties	*105,991*	*116,562*	*121,004*
incidence	*99.9%*	*100%*	*100%*
Other revenues and income	**528**	**350**	**1,217**
of which with related parties	*236*	*231*	0
Incidence	*44.7%*	*66.6%*	*0.0%*
Production costs	**104,950**	**111,916**	**115,591**
of which with related parties	*(94,867)*	*(101,938)*	(104,758)
incidence	*90.4%*	*91.1%*	*90.6%*
Financial and investment income	**7,241**	**7,449**	**14,190**
of which with related parties	*7,219*	*7,085*	*13,175*
incidence	*99.7%*	*95.1%*	*92.8%*
Total non-current assets	**32,996**	**25,988**	**19,025**
of which with related parties	*23,027*	*23,124*	*17,614*
Incidence	*69.8%*	*88.9%*	92.6%

Total current assets	**63,309**	**93,509**	**114,346**
of which with related parties	*54,207*	*66,575*	*77,367*
Incidence	*85.6%*	*71.2%*	*67.7%*
Total non-current liabilities	**1,452**	**1,485**	**1,346**
of which with related parties	*129*	*129*	*128*
Incidence	*8.9%*	*8.7%*	*9.5%*
Total current liabilities	***51,704***	***60,839***	***64,189***
of which with related parties	*47,343*	*55,533*	*58,270*
Incidence	*91.6%*	*91.3%*	*90.8%*

From 31 December 2015 until the Offer Document Date, no transactions have been concluded such as to significantly modify the data given in the above tables.

We give below a brief description of the most important transactions with related parties carried out by Cairo Communication during the financial years which closed at 31 December 2015, 31 December 2014 and 31 December 2013.

B.1.10.a. Infra-group transactions

With regard to transactions with related parties, carried out directly or indirectly, during the financial years 2015, 2014 and 2013 by Cairo Communication with the companies of the Cairo Communication Group, we mention that Cairo Communication has operated as an agency for the sale of advertising space for the subsidiary La7 (which was included in the consolidated companies in April 2013), as well as for the theme channels Cartoon Network, Boomerang and CNN and for the publisher Editoriale Genesis, through the subsidiary company Cairo Pubblicità, which operates as a sub-agency, invoicing the advertising space directly to the customers and reversing to the agency Cairo Communication a percentage of the revenues generated thanks to the sub-agency rights. Cairo Communication, in turn, reverses a percentage of the revenues generated by sub-agency agreements to the publishers.

In the financial years 2015, 2014 and 2013, the sub-agency fees debited to the subsidiary Cairo Pubblicità and the publishers' portions recognised to La7 are summed up in the following table:

SUB-AGENCY FEES (VALUES IN EURO/000)	**31/12/2015**	**31/12/2014**	**31/12/2013**
Sub-agency agreement Cairo Pubblicità - Television broadcasting	101,050	111,592	116,228
Sub-agency agreement Cairo Pubblicità - Magazine publishing	728	716	877
Sub-agency agreement Cairo Pubblicità - the Internet	611	653	297
Total	**102,389**	**112,961**	**117,402**
Stake of La7	94,284	101,831	104,650

Cairo Communication also provides a series of services to some of the subsidiary and partly owned companies, mainly regarding the use of the computerised accounting and management system, the use of equipped spaces, administration, financial and treasury services, credit control and management and marketing activities, to allow the single companies to benefit from scale economies and to thus achieve greater management efficiency.

In the financial years 2015, 2014 and 2013, the fees charged to the other companies of the Cairo Communication Group for these services were:

FOR SERVICES PROVIDED TO COMPANIES OF THE GROUP (VALUES IN EURO/000)	31/12/2015	31/12/2014	31/12/2013
Cairo Pubblicità	3,000	3,000	3,000
Il Trovatore S.r.l.	22	22	22
Cairo Editore	480	480	480
Total	**3,502**	**3,502**	**3,502**

Cairo Pubblicità entered into an agreement with Cairo Editore to act as exclusive agent for the sale of advertising space in the latter's publications. Cairo Pubblicità invoices the customers directly for the advertising spaces, and then transfers to Cairo Editore a percentage of the revenues generated by the relative activity. Cairo Pubblicità consequently reversed to Cairo Editore EUR 19,651 thousand for 2015, EUR 20,349 thousand for 2014 and EUR 21,321 thousand for 2013.

The subsidiary company Il Trovatore S.r.l. provides the other companies of the Cairo Communication Group with advisory services and assistance in the management of the companies' information networks, technical assistance for the hardware and software infrastructures, ADV Server services, Internet connection services and added value e-mail services (mail boxes, security, etc.), and services for the development and maintenance of the Internet platforms. For the infra-group services rendered, Il Trovatore S.r.l. received EUR 871 thousand for 2015, EUR 822 thousand for 2014 and EUR 448 thousand for 2013.

B.1.10.b. Transactions with other related parties

With regard to transactions carried out by Cairo Communication in the financial periods 2015, 2014 and 2013, directly or indirectly with related parties other than the companies of the Cairo Communication Group, we mention the following:

- the agency agreement in force between the subsidiary Cairo Pubblicità and Torino F.C. S.p.A. (a company under common control with the Offeror, inasmuch as owned by UTC), for the sale of advertising spaces around the football field and of promo-advertising sponsorship packages. By effect of this agreement in the financial year 2015 the mandating company gained EUR 2,357 thousand (EUR 2,002 thousand in 2014 and EUR 1,988 thousand inn 2013) compared to revenues of EUR 2,728 thousand (EUR 2,337 thousand in 2014 and EUR 2,403 thousand in 2013) net of the agency discounts. In 2015 Cairo Pubblicità also earned commissions of EUR 78 thousand (EUR 65 thousand in 2014 and EUR 76 thousand in 2013);

- the agreement in force between Cairo Communication and Torino FC S.p.A. (a company under common control with the Offeror, inasmuch as owned by UTC) for the provision of administration services such as keeping the accounts, for an annual fee of EUR 100 thousand, which has remained the same in the three years of reference;

- Cairo Communication and its subsidiaries Cairo Editore, Cairo Pubblicità, Diellesei S.r.l. in liquidation, Cairo Publishing S.r.l., La7 and Cairo Network have adhered to the tax consolidation of UTC. Pursuant to the consolidation agreement, which disciplines the economic aspects relative to the sums paid or received in exchange for advantages or disadvantages sustained pursuant to the tax consolidation, the holding company will compensate any greater charges or lesser benefits that may result for the companies as a consequence of their adherence;

- fees have accrued in favour of the firm Studio Magnocavallo e Associati, of which the lawyer Antonio Magnocavallo, a Cairo Communication director, is a partner, for professional services performed for the Cairo Communication Group companies for EUR 214 thousand in 2015, EUR 267 thousand in 2014 and EUR 232 thousand in 2013.

B.1.11 Present and future investments

The table below shows the Cairo Communication Group's investments, broken down by type, in the financial periods which closed at 31 December 2015, 31 December 2014 and 31 December 2013 and in the quarter which closed at 31 March 2016.

INVESTMENTS (VALUES IN EURO/000)	QUARTER WHICH CLOSED AT 31/03/2016	FINANCIAL PERIOD WHICH CLOSED AT 31/12/2015	FINANCIAL PERIOD WHICH CLOSED AT 31/12/2014	FINANCIAL PERIOD WHICH CLOSED AT 31/12/2013
Plant and machinery	23	170	531	124
Other fixed assets	52	342	161	326
Total investments in plant and machinery	**75**	**512**	**692**	**450**
Television rights	2,059	8,518	14,354	3,441
Concessions, licences and trademarks	108	254	848	1,503
Television band frequency usage rights	606	1,991	33,015	-
Total investments in intangible assets	**2,733**	**10,763**	**48,217**	**4,944**
Total investments	**2,848**	**11,275**	**48,909**	**5,394**

The item "television rights" includes the investments made by the subsidiary La7, acquired on 30 April 2013, in long-terms rights for the television exploitation of films, serials and television films.

The investments in television band frequency usage rights, for digital terrestrial broadcasting systems, concentrated in 2014, are for the *Mux* 2-SFN using the channels 25 and 59. The rights will be held for twenty years. The investment is currently in progress and the network plan contemplates completion during 2016.

We point out the future commitments described in the following Paragraph B.1.25, Section B, of the Offer Document, relative to the agreement entered into between Cairo Network and EI Towers S.p.A. for the execution and the successive long-term technical management of the *Mux*.

After 31 March 2016 and until the Offer Document Date, the Cairo Communication Group has made no significant investments other than those for the Cairo Communication Group's normal operations.

The investments currently being made and the future investments will be financially covered by the cash flows generated by the Cairo Communication Group's day-to-day management.

B.1.12 Financial information relating to the financial years closed on 31 December 2015, 2014, 2013

The financial information relating to the Offeror and to the Cairo Communication Group for the three financial years closed on 31 December 2015, on 31 December 2014 and on 31 December 2013 are contained in the consolidated financial statements at 31 December 2015, at 31 December 2014 and at 31 December 2013. All aforementioned financial statements have been subject to statutory audit, in respect of which the Auditing Firm has issued the relative audit reports.

Please note that the reports issued by the Auditing Firm must be read together with the financial reports subject to statutory audit and that they refer to the date on which they were issued. The aforementioned audit reports do not contain any negative findings, exceptions and/or requests for disclosure.

The consolidated financial statements at 31 December 2015, at 31 December 2014 and at 31 December 2013 were drawn up in compliance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and endorsed by the European Union, and with the measures issued in implementation of Article 9 of Legislative Decree no. 38/2005. The term IFRS is to be intended as including also all revised International Accounting Standards ("**IAS**") and all interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**"), formerly called the Standing Interpretations Committee ("**SIC**"). These accounting standards have been applied consistently in the three-year period from 2013 to 2015 and in accordance with current legislation.

Pursuant to Annex 2A of the Issuers' Regulation and Article 7, paragraph 5, of the Issuers' Regulation, as well as Article 28 of Regulation (EC) No. 809/2004, Cairo Communication takes avail of the regime of incorporation by reference for the financial information relating to the financial years closed on 31 December 2015, on 31 December 2014 and on 31 December 2013. These documents have been filed with CONSOB and Borsa Italiana in accordance with the applicable statutory and regulatory provisions and are available to the public at the Offeror's registered office in Milan at Via Thucydides 56, on the Offeror's website under www.cairocommunication.it and on Borsa Italiana website under www.borsaitaliana.it.

The financial information relating to the 2015, 2014 and 2013 financial years, subject to statutory audit within the terms referred to above and contained in the consolidated financial statements at 31 December 2015, at 31 December 2014 and at 31 December 2013, respectively, incorporated herein by reference, were drawn up in a form consistent with that which will be adopted for future consolidated financial statements, with reference to the accounting standards applied from time to time, and to the policies and legislation applicable to such financial statements.

The Offeror has decided not to include the selected financial information related to the separate financial statements of Cairo Communication, deeming that they do not provide significant additional elements with respect to those of the Cairo Communication Group's consolidated financial statements.

After 31 December 2015, the closing date of the last financial year, there have been no material changes in the Cairo Communication Group's financial and commercial situation.

The consolidated financial statements at 31 December 2015, at 31 December 2014 and at 31 December 2013 have been drawn up on a going concern basis. Cairo Communication, in fact, has determined that there are no material uncertainties (as defined in paragraphs 25 and 26 of IAS 1) on the company as a going concern in view of both the income prospects of the Cairo Communication Group companies and the make-up of its capital structure.

In order to facilitate the consultation of the financial information contained in the documents incorporated herein by reference, the following table is an outline containing the indication of the first pages of the main sections of the consolidated financial statements incorporated by reference in the Offer Document.

	THE CAIRO COMMUNICATION GROUP'S CONSOLIDATED FINANCIAL STATEMENTS		
	AT 31 DECEMBER 2015	**AT 31 DECEMBER 2014**	**AT 31 DECEMBER 2013**

Consolidated balance sheet	85	87	87
Consolidated income statement and consolidated comprehensive income statement	84	86	86
Prospectus of the changes in consolidated shareholders' equity	88	90	90
Consolidated cash flow statement	86	88	88
Directors' report on operations	15	15	17
Notes to the consolidated financial statements	94	96	96
Significant accounting standards	94	96	96
Report of the Auditing Firm	161	165	163

B.1.12.a. *Consolidated balance sheet*

In order to provide a summary of the Cairo Communication Group's historical accounting information relating to the 2015, 2014 and 2013 financial years incorporated by reference in the Offer Document, the Cairo Communication Group's consolidated balance sheet relating to the 2015, 2014 and 2013 financial years is reported below.

CONSOLIDATED BALANCE SHEET *(EUR/000)*	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2013
Property, plant and equipment	3,080	3,069	2,829
Intangible assets	60,917	56,871	12,986
Equity investments	62	62	72
Non-current financial assets	1,640	1,113	483
Deferred tax assets	4,186	3,983	4,589
Total non-current assets	**69,885**	**65,098**	**20,959**
Inventories	3,141	3,296	4,104
Trade receivables	78,539	79,957	90,065
Receivables due from parent companies	3,167	6,539	5,583
Sundry receivables and other current assets	5,297	8,430	8,369
Cash and other cash equivalents	125,776	149,061	172,915
Total current assets	**215,920**	**247,283**	**281,036**
Total assets	**285,805**	**312,381**	**301,995**
Capital	4,074	4,074	4,074
Share premium reserve	30,495	41,062	45,452
Earnings (losses) from previous financial years and other reserves	70,573	57,384	938
Profit for the period	11,054	23,791	74,194
Shareholders' equity attributable to the Group	**116,196**	**126,311**	**124,658**
Capital and reserves attributable to minority interests	**54**	**36**	**12**
Total shareholders' equity	**116,250**	**126,347**	**124,670**
Non-current financial payables and liabilities	15,000	20,000	–
Severance indemnity	13,315	13,398	11,832
Provisions for risks and charges	28,658	30,343	34,982
Total non-current liabilities	**56,973**	**63,741**	**46,814**
Current financial payables and liabilities	5,000	5,000	0
Trade payables	82,382	87,884	105,926
Payables to parent companies	818	156	11
Tax payables	3,560	5,487	3,752
Other current liabilities	20,822	23,766	20,822
Total current liabilities	**112,582**	**122,293**	**130,511**
Total liabilities	**169,555**	**186,034**	**177,325**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**285,805**	**312,381**	**301,995**

The consolidated balance sheet is drawn up according to the format that shows the breakdown of assets and liabilities into "current" and "non-current" and with an indication, in two separate headings, of any "Assets held for sale" and of any "Liabilities held for sale or discontinued operations", as required by IFRS 5. In particular, an asset/a liability is classified as current when it meets any of the following criteria: (i) it is expected that it will be realised/extinguished or it is expected that it will be sold or used in the company's normal operating cycle, (ii) it is owned primarily for trading, (iii) it is expected that it will be realised/extinguished within 12 months from the balance sheet closing date. In the absence of all three conditions, the assets/liabilities are classified as non-current.

The Cairo Communication Group:

- has a positive available net financial position at 31 December 2015 amounting to EUR 105.8 million;
- has no substantial exchange rate exposure, whereas the interest rate risk affects the performance of available funds (EUR 125.8 million at 31 December 2015, EUR 149.1 million at 31 December 2014, and EUR 172.9 million at 31 December 2013) and the bank funding cost (EUR 20 million at 31 December 2015, EUR 25 million at 31 December 2014 and nil at 31 December 2013) obtained by Cairo Network;
- makes limited use of financial hedging instruments, used only to hedge the exchange rate risk for the purchase of television rights from movie studios;
- is partially exposed to credit risk, primarily with respect to its advertising sales activities, which risk is however mitigated by the fact that such exposure is divided across a large number of customers and that credit control and monitoring procedures were implemented therefor. Please note that, in terms of concentration, in 2015 approximately 11% (12% in 2014 and 15% in 2013) of the advertising revenues was achieved with the top 10 customers, while approximately 50% (54% in 2014 and 58% in 2013) was achieved with the top 100 customers . Therefore, the customer concentration/turnover ratio has not significantly changed over the last three-year period.

B.1.12.b. Consolidated income statement and consolidated comprehensive income statement

In order to provide a summary of the Cairo Communication Group's historical accounting information relating to the 2015, 2014 and 2013 financial years incorporated by reference in the Offer Document, the Cairo Communication Group's consolidated income statement and consolidated comprehensive income statement relating to the 2015, 2014 and 2013 financial years are reported below.

CONSOLIDATED INCOME STATEMENT *(EUR/000)*	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2013
Net revenues	226,582	240,266	249,514
Other revenue and income	9,403	11,927	7,985
Changes in inventories of finished products	33	(28)	(61)
Consumption of raw and subsidiary materials and consumables	(21,864)	(24,589)	(28,287)
Costs for services	(113,550)	(113,827)	(134,121)
Costs for non-recurring services	0	0	(1,917)
Costs for use of third-party assets	(20,420)	(22,811)	(17,828)
Personnel costs	(60,955)	(60,634)	(48,789)
Amortisation, provisions and impairment	(8,217)	(5,221)	(5,606)
Other operating costs	(1,672)	(2,121)	(1,728)
EBIT	**9,340**	**22,962**	**19,162**
Equity investment profit or loss	0	(2)	699
Non-recurring income associated with the acquisition of La7 S.r.l.	0	0	57,066
Net financial income	692	1,829	2,901
Profit before taxes	**10,032**	**24,789**	**79,828**
Taxes for the period	1,040	(973)	(5,620)
Net profit or loss from continuing operations	**11,072**	**23,816**	**74,208**

Net profit or loss from discontinued operations	**(1)**	**(1)**	**(6)**
Net profit or loss for the financial year	**11,071**	**23,815**	**74,202**
– Attributable to the Group	11,053	23,791	74,194
– Attributable to minority interests deriving from discontinued operations	0	0	0
– Attributable to minority interests deriving from continuing operations	18	24	8
Earnings per share (EUR)	**11,071**	**23,815**	**74,202**
– Earnings per share from continuing and discontinued operations	0.141	0.304	0.949
– Earnings per share from continuing operations	0.141	0.304	0.949

The consolidated income statement is drawn up according to the format that shows the allocation of the expenses by nature, illustrating the interim results for EBIT and the profit before taxes, in order to allow a better assessment of the normal operating performance trend. The reporting formats also show separately the cost and revenue items deriving from events or operations that by nature and significance of the amount must be considered as non-recurring, as defined in the CONSOB Communication no. 6064293 of 28 July 2006. The economic effects of discontinued operations are shown in a specific item in the income statement called "Net profit or loss from discontinued operations", as required by IFRS 5.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT ***(EUR/000)***	**31 DECEMBER 2015**	**31 DECEMBER 2014**	**31 DECEMBER 2013**
Net profit or loss for the financial year	**11,071**	**23,815**	**74,202**
Other non-reclassifiable items of the comprehensive income statement			
Actuarial profits (losses) from defined benefit plans	(38)	(1,367)	(510)
Tax effect	10	376	140
Total comprehensive income statement for the period	**11,043**	**22,824**	**73,832**
– Attributable to the Group	11,025	22,800	73,824
– Attributable to minority interests deriving from discontinued operations	0	0	0
– Attributable to minority interests deriving from continuing operations	18	24	8
	11,043	**22,824**	**73,832**

B.1.12.c. Prospectus of the changes in consolidated shareholders' equity

In order to provide a summary of the Cairo Communication Group's historical accounting information relating to the 2015, 2014 and 2013 financial years incorporated by reference in the Offer Document, the prospectus of the changes in consolidated shareholders' equity relating to the 2015, 2014 and 2013 financial years is reported below.

This prospectus shows the changes in the items of the consolidated shareholders' equity relating: (i) to the allocation of the profit for the period, (ii) to the amounts related to transactions with shareholders (purchase/sale of treasury shares and distribution of dividends), and (iii) separately to the income and expenses defined as "changes generated by transactions with non-shareholders", which are also reported in the consolidated comprehensive income statement set out in the previous paragraph.

EUR/000	Share capital	Share premium reserve	Earnings (losses) from previous financial years and other reserves	Interim dividend	Profit or loss for the period	Group's shareholders' equity	Minority interests' capital and reserves	Total
Balance at 31 December 2012	**4,074**	**45,452**	**2,287**	**(10,126)**	**18,663**	**60,350**	**4**	**60,354**
Effects from the application of the amended IAS 19	-	-	(94)	-	94	**0**	-	**0**
Balance at 1 December 2013	**4,074**	**45,452**	**2,193**	**(10,126)**	**18,757**	**60,350**	**4**	**60,354**
Allocation of profit			18,757		(18,757)	**0**	-	**0**
Distribution of dividends			(21,031)	10,126	-	**(10,905)**	-	**(10,905)**
Sale of treasury shares			1,382			**1,382**	-	**1,382**
Actuarial profits (losses) from defined benefit plans			(370)		370	**0**		**0**
Other changes			7			**7**		**7**
Total profit or loss for the period					73,824	**73,824**	8	**73,832**
Balance at 31 December 2013	**4,074**	**45,452**	**938**	**0**	**74,194**	**124,658**	**12**	**124,670**
Allocation of profit			74,194		(74,194)	**0**		**0**
Distribution of dividends		(4,390)	(16,762)			**(21,152)**		**(21,152)**
Actuarial profits (losses) from defined benefit plans			(991)		991	**0**		**0**
Other changes			5			**5**		**5**
Total profit or loss for the period					22,800	**22,800**	24	**22,824**
Balance at 31 December 2014	**4,074**	**41,062**	**57,384**	**0**	**23,791**	**126,311**	**36**	**126,347**
Allocation of profit			23,791		(23,791)	**0**		**0**
Distribution of dividends		(10,567)	(10,585)			**(21,152)**		**(21,152)**
Actuarial profits (losses) from defined benefit plans			(28)		28	**0**		**0**
Other changes			11			**11**		**11**
Total profit or loss for the period					11,026	**11,026**	18	**11,043**
Balance at 31 December 2015	**4,074**	**30,495**	**70,573**	**0**	**11,054**	**116,196**	**54**	**116,250**

The Shareholders' Meeting of 29 April 2013 has resolved the distribution of a dividend of EUR 0.27 per share gross of statutory withholding taxes, of which EUR 0.13 per share, totalling EUR 10.1 million, had already been distributed as an interim dividend under the resolution of the Board of Directors on 14 November 2012. The dividend balance of EUR 0.14 per share, totalling EUR 10.9 million, was distributed with coupon detachment date on 13 May 2013 (value date on 16 May 2013).

The Shareholders' Meeting of 29 April 2014 has resolved the distribution of a dividend of EUR 0.27 per share, gross of statutory withholding taxes. The dividend, totalling EUR 21.2 million, was distributed with coupon detachment date on 12 May 2014 (value date on 15 May 2014).

The Shareholders' Meeting of 28 April 2015 has resolved the distribution of a dividend of EUR 0.27 per share, gross of statutory withholding taxes. The dividend, totalling EUR 21.2 million, was distributed with coupon detachment date on 11 May 2015 (value date on 13 May 2014).

During the three-year period from 2013 to 2015, the Company paid dividends totalling EUR 63.4 million, inclusive of interim dividends in 2013, paid in 2012.

B.1.12.d. Consolidated cash flow statement

In order to provide a summary of the Cairo Communication Group's historical accounting information relating to the 2015, 2014 and 2013 financial years incorporated by reference in the Offer Document, the Cairo Communication Group's consolidated cash flow statement relating to the 2015, 2014 and 2013 financial years is reported below.

The consolidated cash flow statements for the 2015, 2014 and 2013 financial years were drawn up using the indirect method by means of which EBIT are adjusted to take into account the effects of non-cash transactions, of any deferrals or accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing cash flows. Income and expenses relating to medium/long-term financing transactions, and dividends paid, are included in the financing activities.

CONSOLIDATED CASH FLOW STATEMENT *(EUR/000)*	**31 DECEMBER 2015**	**31 DECEMBER 2014**	**31 DECEMBER 2013**
INITIAL CASH AND OTHER CASH EQUIVALENTS	**149,061**	**172,915**	**61,234**
OPERATING ACTIVITIES			
Net profit or loss	11,071	23,815	74,202
Non-recurring income associated with the acquisition of La7	0	0	(57,066)
Amortisation	7,217	3,609	1,628
Equity investment profit or loss	0	2	(699)
Net financial income	(692)	(1,829)	(2,901)
Income tax	(1,040)	973	5,620
Net change in severance indemnity	(280)	1,439	108
Net change in provisions for risks and charges	(1,685)	(4,639)	527
Cash flows from operating activities before changes in working capital	**14,591**	**23,370**	**21,419**
(Increase) decrease in trade receivables and other receivables	4,551	10,047	9,893
Increase (decrease) in trade payables and other liabilities	(8,444)	(15,098)	(14,922)
(Increase) decrease in inventories	155	808	1,310
TOTAL CASH FROM OPERATING ACTIVITIES	**10,853**	**19,127**	**17,700**
Income taxes paid	2,944	557	(4,529)
Financing costs paid	(95)	(512)	(27)
TOTAL NET CASH GENERATED FROM OPERATING ACTIVITIES (A)	**13,702**	**19,172**	**13,144**
INVESTMENT ACTIVITIES			
Net (investments) disinvestments of property,	(11,274)	(47,734)	(5,394)

plant and equipment and of other intangible assets			
Cash acquired net of the purchase price of La7	0	0	109,199
Financial interest and income collected	983	2,468	3,391
Net increase in other non-current assets	(527)	(622)	1,235
NET CASH USED IN INVESTMENT ACTIVITIES (B)	**(10,818)**	**(45,888)**	**108,431**
FINANCIAL ASSETS			
Dividends distributed	(21,152)	(21,152)	(10,905)
(Investments in) disinvestments of treasury shares	0	0	1,382
Remeasuring of defined benefit plans inclusive of tax effect	(28)	(991)	(370)
Increase in financial debt	(5,000)	25,000	0
Other changes in shareholders' equity	11	5	(1)
NET CASH USED IN FINANCIAL ACTIVITIES (C)	**(26,169)**	**2,862**	**(9,894)**
CASH FLOW FOR THE PERIOD (A) + (B) + (C)	**(23,285)**	**(23,854)**	**111,681**
CLOSING NET CASH AND OTHER CASH EQUIVALENTS	**125,776**	**149,061**	**172,915**

In the 2013 financial year, the acquisition of La7 has produced an increase in cash of EUR 109.2 million, an amount equal to the difference between the acquired cash (EUR 115 million) and the acquisition price paid (EUR 5.8 million).

B.1.12.e. Accounting standards and notes

The Cairo Communication Group's consolidated financial statements at 31 December 2015, at 31 December 2014 and at 31 December 2013 were drawn up in compliance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and endorsed by the European Union, and with the measures issued in implementation of Article 9 of Legislative Decree no. 38/2005. The term IFRS is to be intended as including also all revised International Accounting Standards ("**IAS**") and all interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**"), formerly called the Standing Interpretations Committee ("**SIC**").

The most significant accounting standards adopted by the Cairo Communication Group are set out in the section "*Significant Accounting Standards*" included on page 94 of the Annual Financial Report at 31 December 2015, on page 96 of the Annual Financial Report at 31 December 2014 and on page 96 of the Annual Financial Report at 31 December 2013, to which reference is made.

The comments on the main items included in the prospectuses of the consolidated financial statements at 31 December 2015, at 31 December 2014 and at 31 December 2013 are set out in chapters "*Notes to the consolidated financial statements for the financial year closed on 31 December 2015*", "*Notes to the consolidated financial statements for the financial year closed on 31 December 2014*" and "*Notes to the consolidated financial statements for the financial year closed on 31 December 2013*", included in the Annual Financial Reports for the financial years in question on page 94, on page 96 and on page 96, respectively.

B.1.13 Financial information for the quarter closed on 31 March 2016

At its meeting held on 4 May 2016, the Board of Directors of Cairo Communication approved the interim management report at 31 March 2016.

Pursuant to Annex 2A of the Issuers' Regulation and Article 7, paragraph 5, of the Issuers' Regulation, as well as Article 28 of Regulation (EC) No. 809/2004, Cairo Communication takes avail of the regime of incorporation by reference for the financial information relating to the quarter closed on 31 March 2016. The interim management report has been filed with CONSOB and Borsa Italiana in accordance with the applicable statutory and regulatory provisions and is available to the public at the registered office of Cairo Communication in Milan at Via Thucydides 56, on the Offeror's website under www.cairocommunication.it and according to the further rules laid down in the applicable statutory and regulatory provisions.

In the first two months of the 2016 financial year, the advertising market showed positive signs, with growth of 3.7%, driven by the television advertising market (+ 6.3%), while the magazine advertising market recorded a drop of 4.5%.

In 1Q 2016, although operating in a general economic context and in the specific framework of the relevant markets (advertising and publishing) still characterised by uncertainty, the Cairo Communication Group:

- achieved improved results compared to 1Q 2015 - the consolidated EBITDA and the consolidated EBIT, amounting to EUR 3.5 million and EUR 1.2 million, respectively, have increased by 33.2% and 56.5%, respectively, over the first quarter - also thanks to the positive performance of advertising sales on the La7 and La7*d* channels and on the Cairo Communication Group publications. The net profit attributable to the Cairo Communication Group amounted to approximately EUR 1.7 million;

- continued its growth strategy by launching "*Nuovo e Nuovo TV Cucina*", the fortnightly magazine sold optionally with the two weeklies "*Nuovo*" and "*Nuovo TV*", which recorded average sales of approximately 99 thousand copies over the first 11 issues, and by planning the launch, which took place on 20 April 2016, of "*Enigmistica Più*, a weekly packed with games and pastimes that marks the entry of Cairo Editore in the segment of puzzle and brainteaser games; the first issue with a launch price of 50 cents sold approximately 250 thousand copies;

- in the magazine publishing segment, it reported EBITDA and EBIT amounting to EUR 2.9 million and EUR 2.6 million, confirming the circulation levels of the published magazines, and it pursued its efforts to improve the levels of efficiency achieved in cost containment (production, publishing and distribution).

With reference to the following business segments, in 1Q 2016:

- as regards the magazine publishing segment, EBITDA and EBIT amounted to EUR 2.9 million and EUR 2.6 million, respectively. Total costs of approximately EUR 0.1 million were incurred for the launch of "*Nuovo*" and "*Nuovo TV*". The circulation results were confirmed during the period under review (EUR 17.7 million as in 1Q 2015).

- as regards the television publishing segment (LA7), the Cairo Communication Group continued its efforts to consolidate the results of the cost rationalisation and reduction measures implemented in the three-year period 2013-2015, managing to achieve also in 1Q 2016 positive EBITDA of approximately EUR 31 thousand. EBIT were negative for approximately EUR 2 million and benefited in the consolidated financial statements from lower amortisation of EUR 1.9 million due to the effects of the impairment of tangible and intangible assets carried out in 2013 as part of the allocation of the purchase price for the equity investment in La7. In 1Q 2015, EBITDA and EBIT were negative, amounting to approximately EUR -1.4 million and EUR -2.7 million, respectively, and EBIT had benefited in the consolidated financial statements from lower amortisation of EUR 3.5 million;

- as regards the advertising segment, EBITDA and EBIT amounted to EUR 0.6 million and EUR 0.5 million, respectively (EUR 0.8 million and EUR 0.5 million, respectively, in 1Q 2015). In 1Q 2016, the gross advertising sales on the LA7 and La7*d* channels amounted to EUR 36.6 million, an increase of about 4% compared to 1Q 2015 (EUR 35.2 million). Advertising sales for the Cairo Communication Group publications reached EUR 5.1 million, up 16% (+ 6% on a like-for-like basis of publications and number of issues) compared to the same quarter of the previous financial year (EUR 4.4 million);

- as regards the network operator sector, Cairo Network continued its *Mux* implementation activities.

In 1Q 2016, the economic performance was broadly in line with the Cairo Communication Group's expectations.

In 1Q 2016, the La7 channel had an average all-day share of 2.79% and a prime time (i.e. from 8:30 PM to 11:30 PM) share of 3.34%. The share of La7d was 0.56% (0.59% in prime time). The audience figures of the network's news and discussion programmes - specifically the 8 PM newscast (5.1% from Monday to Friday), "*Otto e mezzo*" (5%), "*Piazza Pulita*" (3.1%), "*Crozza nel Paese delle Meraviglie*" (7.1%), "*Coffee Break*" (3.7%), "*Omnibus*" (3.4%), "*La Gabbia*" (2.9%), "*L'aria che tira*" (4.7%), "*Bersaglio Mobile*" (3.3%), "*Di martedì*" (5.2%) and the new programme "*Eccezionale Veramente*" (3.3%) - were positive. In April 2016, the share of the La7 channel rose to 3.08%([69]).

B.1.13.a. Consolidated financial figures

The following table shows the main consolidated financial figures for the quarter closed on 31 March 2016, compared with the same financial figures for the quarter closed on 31 March 2015.

(FIGURES IN EUR/THOUSAND)	31/03/2016 (QUARTER)	31/03/2015 (QUARTER)
Gross operating revenue	62,149	60,155
Agency discounts	(5,831)	(5,714)
Net operating revenue	56,318	54,441
Change in inventories	(33)	4
Other revenue and income	1,513	3,993
Total revenue	**57,798**	**58,438**
Production costs	(38,127)	(41,519)
Personnel costs	(16,191)	(14,307)
Gross operating margin	**3,480**	**2,612**
Amortisation, provisions and impairment of receivables	(2,308)	(1,863)
EBIT	**1,172**	**749**
Financial transactions	152	161
Equity investment profit or loss	-	-
Profit before taxes	**1,324**	**910**
Income taxes	349	1,019
Minority interests' stake	(4)	(2)
Net profit or loss attributable to the Group from continuing operations	**1,669**	**1,927**
Net profit or loss attributable to the Group from discontinued operations	-	-

([69]) Source: Auditel.

Net profit attributable to the Group	**1,669**	**1,927**

In 1Q 2016, consolidated gross revenue amounted to approximately EUR 63.7 million (comprising a gross operating revenue of EUR 62.1 million and other revenue and income of EUR 1.6 million), thus essentially confirming the gross revenue realised in the comparable quarter of the previous financial year (EUR 64.1 million, comprising a gross operating revenue of EUR 60.1 million and other revenue and income of EUR 4 million).

As explained earlier, in 1Q 2016, EBIT of the television publishing segment (LA7) benefited in the consolidated financial statements from lower amortisation of EUR 1.9 million due to the effects of the impairment of tangible and intangible assets carried out in 2013 as part of the allocation of the purchase price for the equity investment in La7. In 1Q 2015, EBIT of the television publishing segment (LA7) had benefited in the consolidated financial statements, for the same reason, from lower amortisation of EUR 3.5 million.

The tax charge for the period considers the benefit arising from the tax loss of La7 that in its financial statements includes among the costs also the aforementioned EUR 1.9 million in amortisation. Because of the uncertainties inherent in the profitability prospects of the subsidiary La7 on the acquisition date (April 2013), no tax effect (prepaid taxes) was considered in the purchase price allocation transaction. In 1Q 2016, the misalignment shown above between the financial statements of the subsidiary and the Cairo Communication Group's consolidated financial statements has produced a positive effect on the income taxes (and on the net profit) of approximately EUR 0.5 million. In 1Q 2015, due to amortisation, the misalignment between the financial statements of the subsidiary and the Cairo Communication Group's consolidated financial statements had been higher (amounting to EUR 3.5 million), resulting in a higher positive effect (amounting to approximately EUR 1 million) on the income taxes for the period. This lower tax benefit was the main cause of the reduction in the net profit for the period compared to 1Q 2015.

B.1.13.b. Consolidated income statement

The following table analyses the comprehensive income statement attributable to the Cairo Communication Group at 31 March 2016 and at 31 March 2015.

(FIGURES IN EUR/THOUSAND)	**31/03/2016 (QUARTER)**	**31/03/15 (QUARTER)**
Consolidated comprehensive income statement		
Net profit or loss attributable to the Group	1,669	1,927
Other non-reclassifiable items of the comprehensive income statement		
Actuarial profit (loss) from defined benefit plans	(33)	-
Tax effect	13	-
Total comprehensive income statement for the period	**1,649**	**1,927**

A better understanding of the Cairo Communication Group's economic performance is gained by focusing the analysis on the results achieved in 1Q 2016 by the individual business segments, which have been identified as required by IFRS 8, and by comparing them with the results achieved in 1Q 2015 by the individual business segments.

31/03/2016 (QUARTER) (FIGURES IN EUR/THOUSAND)	MAGAZINE PUBLISHING	ADVER-TISING	TV PUBLISHING	IL TROVATORE	NETWORK OPERATOR	INFRA-GROUP AND NON-ALLOCATED	TOTAL
Gross operating revenue	22,177	40,922	26,870	231	218	(28,269)	62,149
Agency discounts	-	(5,831)	-	-	-	-	(5,831)
Net operating revenue	**22,177**	**35,091**	**26,870**	**231**	**218**	**(28,269)**	**56,318**
Change in inventories	(33)	-	-	-	-	-	(33)
Other income	590	106	783	1	33	-	1,513
Total revenue	**22,734**	**35,197**	**27,653**	**232**	**251**	**(28,269)**	**57,798**
Production costs	(14,975)	(32,620)	(18,351)	(187)	(263)	28,269	(38,127)
Personnel costs	(4,897)	(1,973)	(9,271)	(13)	(37)	-	(16,191)
Gross operating margin	**2,862**	**604**	**31**	**32**	**(49)**	**-**	**3,480**
Amortisation, provisions and impairment	(243)	(62)	(2,003)	-	-	-	(2,308)
EBIT	**2,619**	**542**	**(1,972)**	**32**	**(49)**	**-**	**1,172**
Equity investment profit or loss	-	-	-	-	-	-	-
Financial transactions	(4)	11	146	(1)	-	-	152
Profit before taxes	**2,615**	**553**	**(1,826)**	**31**	**(49)**	**-**	**1,324**
Income taxes	(926)	(216)	1,489	(11)	13	-	349
Minority interests' stake	-	-	-	(4)	-	-	(4)
Net profit or loss attributable to the Group from continuing operations	**1,689**	**337**	**(337)**	**16**	**(36)**	**-**	**1,669**
Net profit or loss from discontinued operations	-	-	-	-	-	-	-
Net profit or loss for the period	**1,689**	**337**	**(337)**	**16**	**(36)**	**-**	**1,669**

31/03/2015 (QUARTER) (FIGURES IN EUR/THOUSAND)	MAGAZINE PUBLISHING	ADVER-TISING	TV PUBLISHING	IL TROVATORE	NETWORK OPERATOR	INFRA-GROUP AND NON-ALLOCATED	TOTAL
Gross operating revenue	21,674	39,939	25,617	232	-	(27,307)	60,155
Agency discounts	-	(5,714)	-	-	-	-	(5,714)
Net operating revenue	**21,674**	**34,225**	**25,617**	**232**	**-**	**(27,307)**	**54,441**
Change in inventories	4	-	-	-	-	-	4
Other income	515	125	3,353	-	-	-	3,993
Total revenue	**22,193**	**34,350**	**28,970**	**232**	**-**	**(27,307)**	**58,438**
Production costs	(14,398)	(31,775)	(22,463)	(190)	-	27,307	(41,519)
Personnel costs	(4,585)	(1,753)	(7,948)	(21)	-	-	(14,307)
Gross operating margin	**3,210**	**822**	**(1,441)**	**21**	**-**	**-**	**2,612**
Amortisation, provisions and impairment	(216)	(363)	(1,284)		-	-	(1,863)
EBIT	**2,994**	**459**	**(2,725)**	**21**	-	-	**749**
Equity investment profit or loss	-	-	-	-	-	-	-
Financial transactions	(25)	(6)	192	-	-	-	161
Profit before taxes	**2,969**	**453**	**(2,533)**	**21**	**-**	**-**	**910**
Income taxes	(990)	(189)	2,206	(8)	-	-	1,019
Minority interests' stake	-	-	-	(2)	-	-	(2)
Net profit or loss attributable to the Group from continuing operations	**1,979**	**264**	**(327)**	**11**	**-**	**-**	**1,927**
Net profit or loss from discontinued	-	-	-	-	-	-	-

operations							
Net profit or loss for the period	**1,979**	**264**	**(327)**	**11**	**-**	**-**	**1,927**

The following tables analyse the make-up of the gross operating revenue in 1Q 2016, broken down by main business segments, compared to the same financial figures for 1Q 2015.

GROSS REVENUE (FIGURES IN EUR/THOUSAND)	31/03/2016 (QUARTER)						
	MAGAZINE PUBLISHING	ADVERTISING	TV PUBLISHING	IL TROVATORE	NETWORK OPERATOR	INFRA-GROUP AND NON-ALLOCATED	TOTAL
Sale of publications	17,690	-	-	-	-	-	17,690
Print media advertising	3,964	5,170	-	-	-	(3,904)	5,230
TV advertising	-	34,555	26,407	-	-	(23,791)	37,171
Stadium signage	-	1,023	-	-	-	-	1,023
Internet advertising	-	24	-	144	-	(143)	25
Revenue from programming schedule advertising slots	-	-	142	-	-	-	142
Other TV-related revenue	-	-	321	-	-	-	321
Subscriptions	686	-	-	-	-	-	686
Books and catalogues	138	-	-	-	-	-	138
Other revenue	13	150	-	87	-	(213)	37
Signal transport services	-	-	-	-	218	(218)	-
VAT paid by publisher	(314)	-	-	-	-	-	(314)
Total gross operating revenue	**22,177**	**40,922**	**26,870**	**231**	**218**	**(28,269)**	**62,149**
Other revenue	590	106	783	1	33	-	1,513
Total revenue	**22,767**	**41,028**	**27,653**	**232**	**251**	**(28,269)**	**63,662**

GROSS REVENUE (FIGURES IN EUR/THOUSAND)	31/03/2015 (THREE MONTHS)						
	MAGAZINE PUBLISHING	ADVERTISING	TV PUBLISHING	IL TROVATORE	NETWORK OPERATOR	INFRA-GROUP AND NON-ALLOCATED	TOTAL
Sale of publications	17,689	-	-	-	-	-	17,689
Print media advertising	3,394	4,476	-	-	-	(3,340)	4,530
TV advertising	-	34,252	24,899	-	-	(23,499)	35,652
Stadium signage	-	860	-	-	-	-	860
Internet advertising	-	201	155	3	-	(113)	246
Revenue from concession of advertising spaces in the programming schedule	-	-	298	-	-	-	298
Other TV-related revenue	-	-	265	-	-	-	265
Subscriptions	732	-	-	-	-	-	732
Books and catalogues	150	-	-	-	-	-	150
Other revenue	-	150	-	229	-	(355)	24
Network services	-	-	-	-	-	-	--
VAT paid by publisher	(291)	-	-	-		-	(291)
Total gross operating revenue	**21,674**	**39,939**	**25,617**	**232**	**-**	**(27,307)**	**60,155**
Other revenue	515	125	3,353	-	-	-	3,993
Total revenue	**22,189**	**40,064**	**28,970**	**232**	**-**	**(27,307)**	**64,148**

B.1.13.c. Consolidated balance sheet figures

The following table analyses the Cairo Communication Group's balance sheet figures at 31 March 2016 and at 31 March 2015.

(FIGURES IN EUR/THOUSAND)	31/03/2016	31/12/2015
Balance sheet figures		
Tangible assets	3,032	3,080
Intangible assets	61,443	60,917
Financial assets	1,022	1,702
Prepaid taxes	3,944	4,186
Net working capital	(19,254)	(17,438)
Total assets used	**50,188**	**52,447**
Long-term liabilities and provisions	40,871	41,973
(Financial position)/Net debt	(108,586)	(105,776)
Group's shareholders' equity	117,845	116,196
Minority interests' shareholders' equity	58	54
Total third-party funding and equity	**50,188**	**52,447**

In the table set out above, the Cairo Communication Group's net financial position at 31 March 2016 includes the non-current portion (EUR 13.7 million) of a bank loan. The current net financial position amounts to EUR 122.3 million.

The Shareholders' Meeting of Cairo Communication held on 27 April 2016 approved the distribution of a dividend of EUR 0.20 per share, gross of statutory withholding taxes, with coupon detachment date on May 9, 2016. As of 31 March 2016, the amount for this purpose, totalling EUR 15.7 million, is still included in the capital reserves.

The Cairo Communication Group:

- has a positive available net financial position at 31 March 2016 amounting to EUR 108.6 million;

- has no substantial exchange rate exposure, whereas the interest rate risk affects the performance of available funds (EUR 127.3 million at 31 March 2016) and the bank funding cost (EUR 18.7 million at 31 March 2016) obtained by Cairo Network;

- makes limited use of financial hedging instruments, used only to hedge the exchange rate risk for the purchase of television rights from movie studios;

- is partially exposed to credit risk, primarily with respect to its advertising sales activities, which risk is however mitigated by the fact that such exposure is divided across a large number of customers and that credit control and monitoring procedures were implemented therefor. The customer concentration/turnover ratio has not significantly changed with respect to previous financial years. However, the continuing uncertainty in the short and medium term economic outlook could have a negative impact on credit quality and on general collection times.

B.1.13.d. Consolidated net financial position

The consolidated net financial position at 31 March 2016 and at 31 December 2015, reported as required by paragraph 127 of the recommendations set out in the document no. 319 of 2013 drawn up by ESMA, is summarised in the following table.

(Figures in EUR/thousand)	31/03/2016	31/12/2015	Change
Cash and other cash equivalents	127,336	125,776	1,560
Current financial assets	-	-	-
Current and non-current bank loans	(18,750)	(20,000)	1,250
Total	**108,586**	**105,776**	**2,810**

The bank loan granted by Unicredit S.p.A. and used by the company Cairo Network to pay part of the rights of use of the television frequencies, is secured by a guarantee issued by the parent company Cairo Communication.

B.1.14 Selected financial information

The following are reported below:

- the Cairo Communication Group's consolidated net financial position at 31 December 2015, at 31 December 2014 and at 31 December 2013;
- the Cairo Communication Group's reclassified consolidated income statements at 31 December 2015, at 31 December 2014 and at 31 December 2013 included in the directors' reports on the annual consolidated financial statements that show, as interim results, EBITDA and EBIT for the financial years under review and the industry disclosure as required by IFRS 8;
- the Cairo Communication Group's reclassified consolidated balance sheets at 31 December 2015, at 31 December 2014 and at 31 December 2013 included in the directors' reports on the annual consolidated financial statements that show the resources employed and the funding sources broken down into equity and third party funding at the reporting date.

B.1.14.a. Consolidated net financial position

The consolidated net financial position at 31 December 2015, at 31 December 2014 and at 31 December 2013, reported as required by paragraph 127 of the recommendations set out in the document no. 319 of 2013 drawn up by ESMA, is summarised in the following table:

CONSOLIDATED NET FINANCIAL POSITION *(EUR/000)*	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2013
A. Cash on hand	31	19	82
B. Bank deposits	125,745	149,042	172,833
C. Cash position (A+B)	**125,776**	**149,061**	**172,915**
D. Current portion of non-current bank debt	(5,000)	(5,000)	-
E. Current financial debt (D)	**(5,000)**	**(5,000)**	**-**
F. Non-current borrowings	(15,000)	(20,000)	-
G. Non-current financial debt (F)	**(15,000)**	**(20,000)**	**-**
H. Net financial position (C+E+G)	**105,776**	**124,061**	**172,915**

The financial debt, totalling EUR 20 million at 31 December 2015 (EUR 25 million at 31 December 2014), refers to the bank loan granted to the subsidiary company Cairo Network for an original amount of EUR 25 million in connection with the purchase transaction of the rights of use of the television frequencies. This loan is secured by a guarantee issued by the parent company Cairo Communication and contains certain financial covenants to be verified annually at the Cairo Communication Group level: the debt cover (i.e. the net financial debt/EBITDA ratio), which must be less than or equal to 1.75, and the leverage (i.e. the net financial debt/equity ratio), which must be less than or equal to 1. The failure to meet the commitment and/or financial covenants may result in the termination of the loan agreement. At 31 December 2015, these covenants have been met, inasmuch as the shareholders' equity at the Cairo Communication Group level amounted to EUR 116.2 million and EBITDA amounted to EUR 17.6 million.

It is the Cairo Communication Group's policy to maintain the available liquidity in very short-term or at sight bank deposits, with the primary objective of maintaining a ready liquidity of these investments. The counterparties are selected based on their credit rating, their reliability and the quality of services rendered. There were no restrictions on the use of available liquidity.

At 31 December 2015, the Cairo Communication Group's net financial position amounts to EUR 105.8 million.

B.1.14.b. *Reclassified consolidated income statement*

The Cairo Communication Group's reclassified consolidated income statement at 31 December 2015, at 31 December 2014 and at 31 December 2013 is reported below.

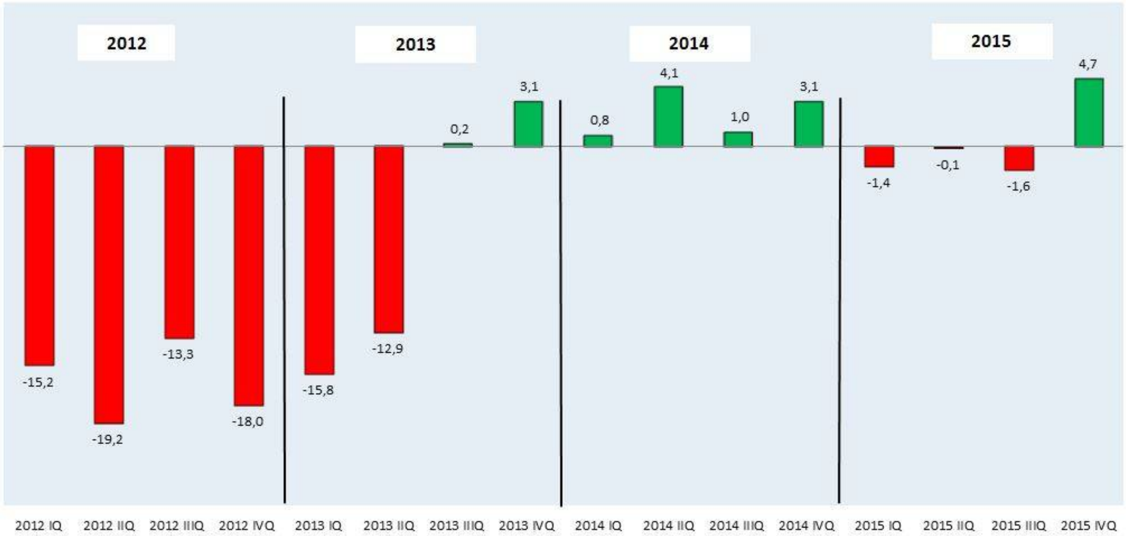
RECLASSIFIED INCOME STATEMENT *(EUR/000)*	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2013
Gross operating revenue	250,603	266,014	276,704
Agency discounts	(24,021)	(25,748)	(27,190)
Net operating revenue	**226,582**	**240,266**	**249,514**
Change in inventories	33	(28)	(61)
Other revenue and income	9,403	11,627	7,985
Total revenue	**236,018**	**251,865**	**257,438**
Production costs	(157,505)	(163,048)	(183,880)
Personnel costs	(60,955)	(60,634)	(48,789)
EBITDA	**17,557**	**28,183**	**24,768**
Amortisation, provisions and impairment of receivables	(8,217)	(5,221)	(5,606)
EBIT	**9,340**	**22,962**	**19,162**
Financial transactions	692	1,829	2,901
Equity investment profit or loss	0	(2)	699
Non-recurring income associated with the acquisition of La7	0	0	57,066
Profit before taxes	**10,032**	**24,789**	**79,828**
Income tax	1,040	(973)	(5,620)
Minority interests' stake	(18)	(24)	(8)
Net profit or loss attributable to the Group from continuing operations	**11,054**	**23,792**	**74,200**
Net profit or loss attributable to the Group from discontinued operations	(1)	(1)	(6)
Net profit or loss attributable to the Group	**11,053**	**23,791**	**74,194**

In the three-year period 2013/2015, although operating in a general economic context characterised by strong uncertainty and despite the drop recorded in advertising revenues also due to the market trend, the Cairo Communication Group:

- continued its growth strategy in the publishing segment, with the launch of the weeklies "*Settimanale Giallo*" and "*Nuovo TV*";

- confirmed the high circulation levels of the other titles published and pursued its efforts to improve the levels of efficiency achieved in cost containment (production, publishing and distribution) in the magazine publishing segment;

- concluded, on 30 April 2013, the acquisition of La7 and began operating as a television publisher, thus integrating upstream its business as concessionaire for the sale of advertising spaces and diversifying its publishing activities, previously focused on the magazine publishing segment. At the acquisition date, the economic situation of La7 entailed the need to implement a restructuring plan aimed at reorganising and streamlining the corporate structure and at reducing costs, while preserving the high quality of the programming schedule. The Cairo Communication Group began to implement its plan starting in May 2013, managing to achieve positive EBITDA of EUR 3.7 million already during the eight months from May to December 2013. In 2014 and 2015, the Group consolidated the results of the implemented cost rationalisation measures, achieving positive EBITDA of EUR 9 million in 2014 and positive EBITDA of EUR 1.6 million in 2015 despite the contraction in advertising revenues. The EBITDA trend of La7 since 2012 - the year before it was acquired by the Cairo Communication Group - can be analysed in the following graph:



- participated in the procedure called by the Ministry of Economic Development for the assignment of the rights of use of television band frequencies for digital terrestrial broadcasting systems, presenting its binding offer and winning the rights of use - for a term of 20 years - of a batch of frequencies (the so-called *Mux*) with an investment of EUR 31.6 million.

Pursuant to CONSOB Communication no. DEM/6064296 of 28 July 2006, it is noted that in 2015 and 2014, the Cairo Communication Group did not carry out any atypical and/or unusual transactions, as defined in the said Communication. However, it is recalled that the acquisition of the entire capital of La7 was finalised on 30 April 2013. This transaction, which by nature and significance of amount is to be considered as non-recurring, generated non-recurring income and charges in the income statement for the 2013 financial year amounting to EUR 57,066 thousand and EUR 1,917 thousand, respectively.

A better understanding of the Cairo Communication Group's economic performance is gained by focusing the analysis on the results achieved by the individual business segments, which have been identified as required by IFRS 8:

2015 (Twelve months) (Figures in EUR/thousand)	**Magazine Publishing**	**Advertising**	**TV publishing**	**Il Trovatore**	**Network operator**	**Infra-Group and non-allocated**	**Total**
Gross operating revenue	95,037	168,588	102,098	893	-	(116,013)	250,603
Agency discounts	-	(24,021)	-	-	-	-	(24,021)
Net operating revenue	**95,037**	**144,567**	**102,098**	**893**	**-**	**(116,013)**	**226,582**
Change in inventories	33	-	-	-	-	-	33
Other income	1,803	1,151	6,349	2	98	-	9,403
Total revenue	**96,873**	**145,718**	**108,447**	**895**	**98**	**(116,013)**	**236,018**
Production costs	(62,640)	(136,368)	(73,684)	(684)	(143)	116,013	(157,505)
Personnel costs	(19,615)	(8,015)	(33,191)	(77)	(57)	-	(60,955)
Gross operating margin	**14,618**	**1,335**	**1,572**	**134**	**(102)**	**-**	**17,557**
Amortisation, provisions and impairment	(1,139)	(632)	(6,445)	-	(1)	-	(8,217)
EBIT	**13,479**	**703**	**(4,873)**	**134**	**(103)**	**-**	**9,340**
Equity investment profit or loss	-	-	**-**	-	-	-	-

Financial transactions	(16)	73	631	4	-	-	692
Profit before taxes	**13,463**	**776**	**(4,242)**	**138**	**(103)**	**-**	**10,032**
Income taxes	(4,658)	(726)	6,447	(51)	28	-	1,040
Net profit or loss attributable to the Group from continuing operations	**8,805**	**50**	**2,205**	**87**	**(75)**	**-**	**11,072**
Net profit or loss from discontinued operations	-	-	-	-	-	(1)	(1)
Net profit or loss for the period	**8,805**	**50**	**2,205**	**87**	**(75)**	**(1)**	**11,071**
Of which attributable to minority interests	**-**	**-**	**-**	**18**	**-**	**-**	**18**

2014 **(Twelve months)** (Figures in EUR/thousand)	**Magazine Publishing**	**Advertising**	**TV publishing**	**Il Trovatore**	**Network operator**	**Infra-Group and non-allocated**	**Total**
Gross operating revenue	96,708	181,332	110,913	834	-	(123,773)	266,014
Agency discounts	-	(25,748)	-	-	-	-	(25,748)
Net operating revenue	**96,708**	**155,584**	**110,913**	**834**	**-**	**(123,773)**	**240,266**
Change in inventories	(28)	-	-	-	-	-	(28)
Other income	1,321	919	9,323	62	2	-	11,627
Total revenue	**98,001**	**156,503**	**120,236**	**896**	**2**	**(123,773)**	**251,865**
Production costs	(65,098)	(144,026)	(77,016)	(673)	(8)	123,773	(163,048)
Personnel costs	(19,120)	(7,251)	(34,221)	(42)	**-**	**-**	(60,634)
Gross operating margin	**13,783**	**5,226**	**8,999**	**181**	**(6)**	**-**	**28,183**
Amortisation, provisions and impairment	(1,261)	(1,181)	(2,778)	-	(1)	**-**	(5,221)
EBIT	**12,522**	**4,045**	**6,221**	**181**	**(7)**	-	**22,962**
Equity investment profit or loss	-	(2)	-	-	-	-	(2)
Financial transactions	17	390	1,423	(1)	-	-	1,829
Profit before taxes	**12,539**	**4,433**	**7,644**	**180**	**(7)**	**-**	**24,789**
Income taxes	(4,502)	(1,795)	5,385	(61)	-	-	(973)
Net profit or loss attributable to the Group from continuing operations	**8,037**	**2,638**	**13,029**	**119**	**(7)**	-	**23,816**
Net profit or loss from discontinued operations	-	-	-	**-**	**-**	(1)	(1)
Net profit or loss for the period	**8,037**	**2,638**	**13,029**	**119**	**(7)**	**(1)**	**23,815**
Of which attributable to minority interests	**-**	**-**	**-**	**24**	**-**	**-**	**24**

2013 **(Twelve months)** (Figures in EUR/thousand)	**Magazine Publishing**	**Advertising**	**TV publishing La7 (*)**		**Il Trovatore**	**Network operator**	**Infra-Group and non-allocated**	**Total**
			Current operations	**Non-recurring items**				
Gross operating revenue	99,063	191,681	77,019	-	485	-	(91,544)	276,704
Agency discounts	-	(27,190)	-	-	-	-	-	(27,190)
Net operating revenue	**99,063**	**164,491**	**77,019**	**-**	**485**	**-**	**(91,544)**	**249,514**
Change in inventories	(61)	-	-	-	-	-	-	(61)
Other income	2,381	5,539	2,391	-	1	-	(2,327)	7,985
Total revenue	**101,383**	**170,030**	**79,410**	**-**	**486**	**-**	**(93,871)**	**257,438**
Production costs	(69,867)	(152,936)	(52,644)	(1,917)	(387)	-	93,871	(183,880)
Personnel costs	(19,117)	(6,531)	(23,107)	-	(34)	**-**	**-**	(48,789)
Gross operating margin	**12,399**	**10,563**	**3,659**	**(1,917)**	**65**	**-**	**-**	**24,768**

Amortisation, provisions and impairment	(1,323)	(2,585)	(1,698)	-	-	-	-	(5,606)
EBIT	**11,076**	**7,978**	**1,961**	**(1,917)**	**65**	-	-	**19,162**
Equity investment profit or loss	-	699		-	-	-	-	699
Financial transactions	40	1,165	1,697		(1)	-	-	2,901
Non-recurring income associated with the acquisition of La7 S.r.l.	-	-	-	57,066	-	-	-	57,066
Profit before taxes	**11,116**	**9,842**	**3,658**	**55,149**	**64**	**-**	**-**	**79,828**
Income taxes	(4,118)	(3,610)	2,131	-	(23)	-	-	(5,620)
Net profit or loss attributable to the Group from continuing operations	**6,998**	**6,232**	**5,789**	**55,149**	**41**	**-**	**-**	**74,208**
Net profit or loss from discontinued operations	-	-	-	-	-		**(6)**	(6)
Net profit or loss for the period	**6,998**	**6,232**	**5,789**	**55,149**	**41**		**(6)**	**74,202**
Of which attributable to minority interests	**-**	**-**	**-**	**-**	**8**	**-**	**-**	**8**

(*) The figures shown for the television publishing segment refer to the eight-month period from 1 May 2013 to 31 December 2013.

B.1.14.c. Reclassified consolidated balance sheet

The Cairo Communication Group's reclassified consolidated balance sheet at 31 December 2015, at 31 December 2014 and at 31 December 2013 is reported below.

RECLASSIFIED BALANCE SHEET *(EUR/000)*	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2013
Tangible assets	3,080	3,069	2,829
Intangible assets	60,917	56,871	12,986
Financial assets	1,702	1,175	555
Prepaid taxes	4,186	3,983	4,589
Net working capital	(17,438)	(19,071)	(22,390)
Total assets used	**52,447**	**46,027**	**(1,431)**
Long-term liabilities and provisions	41,973	43,741	46,814
(Financial position)/Net debt	(105,776)	(124,061)	(172,915)
Group's shareholders' equity	116,196	126,311	124,658
Minority interests' shareholders' equity	54	36	12
Total third-party funding and equity	**52,447**	**46,027**	**(1,431)**

B.1.15 Pro forma financial information

This paragraph includes the document "*Pro Forma Consolidated Balance Sheet, Pro Forma Consolidated Income Statement, Pro Forma Consolidated Comprehensive Income Statement, Pro Forma Consolidated Cash Flow Statement and related notes of the Cairo Communication Group S.p.A. at 31 December 2015*" (the "**Pro Forma Consolidated Prospectuses**"), drawn up to illustrate the main effects of the Offer on the Cairo Communication Group's equity, financial and economic situation, as if the said Offer had been finalised on 31 December 2015 with reference to the equity effects, and on 1 January 2015 with reference to the economic and cash flow effects. Should the Offer be successful, Cairo Communication will acquire the controlling stake in RCS against the Capital Increase to service the Offer described in the "Premise" of this Offer Document. The Pro Forma Consolidated Prospectuses have been subject to review by the Auditing Firm, which issued its report on 23 May 2016, with reference to the reasonableness of the underlying assumptions made, to the correctness of the methodology used and to the correctness of valuation criteria and the accounting standards used.

Pro Forma Consolidated Balance Sheet, Pro Forma Consolidated Income Statement, Pro Forma Consolidated Comprehensive Income Statement, Pro Forma Consolidated Cash Flow Statement and related notes of the Cairo Communication Group S.p.A. at 31 December 2015

1 Premise

This chapter presents, solely for informational purposes, the Pro Forma Consolidated Prospectuses.

The Pro Forma Consolidated Prospectuses have been drawn up as required by Regulation (EC) No. 809/2004 for their inclusion in the Offer Document, drawn up pursuant to Article 34-*ter*, paragraph 1, letter j), and Article 57, paragraph 1, letter c), of the Issuers' Regulation.

The Pro Forma Consolidated Prospectuses were drawn up in order to simulate, in accordance with valuation criteria consistent with the historical figures and in compliance with the relevant regulations, the main effects of the Offer on the Cairo Communication Group's equity, financial and economic position and results, as if the said Offer had virtually taken place on 31 December 2015 with reference to the equity effects, and on 1 January 2015 with reference to the economic and cash flow effects.

The pro forma financial information, by its nature, concerns a hypothetical situation and, therefore, does not represent the Cairo Communication Group's equity and financial position or its actual results for the year closed on 31 December 2015.

Furthermore, as previously stated, please note that the information contained in the Pro Forma Consolidated Prospectuses represent a simulation, provided merely for illustrative purposes, of the possible effects that may arise from the transaction. In particular, since the pro forma figures are constructed to reflect retroactively the effects of successive transactions, despite compliance with the generally accepted rules and the use of reasonable assumptions, there are limitations inherent in the very nature of the pro forma figures. Therefore, it is stated that if the transaction had actually taken place on the dates assumed, it is not said that the same results as presented in the Pro Forma Consolidated Prospectuses would have been obtained. Moreover, in view of the differing purposes of the pro forma figures with respect to the figures of the historical financial statements and of the different methods used in calculating the effects of the Offer with reference to the Pro Forma Consolidated Prospectuses, these documents must be read and interpreted without seeking accounting links between the same.

It is noted that the Pro Forma Consolidated Prospectuses are not intended in any way to represent a forecast of the Cairo Communication Group's future results and, therefore, must not be used in this sense. Therefore, the Pro Forma Consolidated Prospectuses do not include the effects arising from the implementation of the actions described in Paragraph G.2.2, Section G, of the Offer Document, which relate mainly to the implementation of the industrial project concerning the RCS Group.

The Pro Forma Consolidated Prospectuses must be read in conjunction:

- with the Cairo Communication Group's consolidated financial statements at 31 December 2015 subject to statutory audit by the Auditing Firm, which issued its unqualified report on 5 April 2016;

- with the RCS Group's consolidated financial statements at 31 December 2015 subject to statutory audit by the Auditing Firm appointed by RCS, which issued its unqualified report on 6 April 2016. This report refers to the information given by the directors in note 6 "*Basis of* *preparation – adoption of the going concern assumption in drawing up the financial statements*", as regards the events and circumstances that indicate the existence of material uncertainty that could cast significant doubts on the RCS Group's ability to continue to operate as a going concern. The same note illustrates both the steps taken by management and the reasons for which the directors considered it appropriate to continue to adopt the going concern assumption in drawing up the consolidated financial statements.

The underlying assumptions used in constructing the pro forma figures relate to the following hypothesised elements:

- acquisition of a percentage equal to 50% plus 1 (one) RCS Share of the RCS share capital by the Cairo Communication Group through the Capital Increase;

- consolidation of the RCS Group;

- fulfilment of the Financial Condition.

2. *Pro Forma* Consolidated Prospectuses

This paragraph shows the tables relating to the Pro Forma Consolidated Balance Sheet, Pro Forma Consolidated Income Statement, Pro Forma Consolidated Comprehensive Income Statement, Pro Forma Consolidated Cash Flow Statement relating to the financial year closed on 31 December 2015 and the related notes.

The pro forma financial information is presented in columnar format and comprises:

(a) the financial information of the Cairo Communication Group and of the RCS Group relating to the 2015 financial year drawn from the annual consolidated financial statements at 31 December 2015;

(b) the pro forma adjustments; and

(c) the pro forma consolidated financial information resulting in the last column.

2.1 Pro Forma Consolidated Balance Sheet

The following table shows the pro forma adjustments broken down by type, with comments provided in the following paragraph 2.5.2, carried out to represent the significant effects of the Offer on the Cairo Communication Group's consolidated balance sheet at 31 December 2015.

PRO FORMA CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2015 (EUR/MILLION)	CAIRO COMMUNICATION GROUP	RCS GROUP	PRO FORMA SHARE CAPITAL INCREASE EFFECTS	PRO FORMA CONSOLIDATION EFFECTS	OTHER PRO FORMA ADJUSTMENTS	PRO FORMA CONSOLIDATED
Assets						
Property, plant and equipment and real estate investments (1)	3.0	123.9	-	-	-	126.9
Intangible assets	61.0	416.0	-	87.5	-	564.5
Equity investments	0.1	51.0	137.5	(137.5)	-	51.1
Non-current financial assets (2)	1.6	19.6	-	-	-	21.2
Non-current financial assets available for sale	-	5.2	-	-	-	5.2
Deferred tax assets	4.2	129.3	-	-	-	133.5
Total non-current assets	**69.9**	**745.0**	**137.5**	**(50.0)**	**-**	**902.3**
Inventories	3.1	21.4	-	-	-	24.5
Trade receivables	78.5	282.0	-	-	-	360.5
Receivables due from parent companies	3.2	-	-	-	-	3.2
Sundry receivables and other current assets (3)	5.3	55.9	-	-	-	61.2
Cash and other cash equivalents	125.8	9.8	-	-	-	135.6
Total current assets	**215.9**	**369.1**	**-**	**-**	**-**	**585.0**
Non-current assets held for sale and discontinued operations	**-**	253.7	-	-	-	253.7
Total assets	**285.8**	**1,367.8**	**137.5**	**(50.0)**	**-**	**1,741.0**
Shareholders' equity and Liabilities						
Capital	4.1	475.1	1.6	(475.1)	-	5.7
Share premium reserve	30.5	110.4	135.9	(110.4)	-	166.3
Earnings (Losses) from previous financial years and other reserves (4)	70.6	(309.8)	-	309.8	-	70.6
Profit for the period	11.1	(175.7)	-	175.7	-	11.1
Shareholders' equity attributable to the Group	**116.3**	**100.0**	**137.5**	**(100.0)**	**-**	**253.8**
Capital and reserves attributable to minority interests	0.1	5.2	-	50.0	-	55.3
Total shareholders' equity	**116.4**	**105.2**	**137.5**	**(50.0)**	**-**	**309.0**
Non-current financial payables and liabilities (5)	15.0	26.6	-	-	320.3	361.9
Severance indemnity	13.3	40.1	-	-	-	53.4
Deferred tax provision	-	57.9	-	-	-	57.9
Provisions for risks and charges	28.6	17.2	-	-	-	45.8
Other non-current liabilities	-	3.6	-	-	-	3.6

Total non-current liabilities	**56.9**	**145.4**	**-**	**-**	**320.3**	**522.6**
Payables to banks	-	38.4	-	-	-	38.4
Current financial payables and liabilities	5.0	479.3	-	-	(320.3)	164.0
Trade payables	82.4	284.2	-	-	-	366.6
Payables to parent companies	0.8	-	-	-	-	0.8
Tax payables	3.5	0.5	-	-	-	4.0
Other current liabilities (6)	20.8	172.1	-	-	-	192.9
Total current liabilities	**112.5**	**974.5**	**-**	**-**	**(320.3)**	**766.7**
Liabilities associated with assets held for sale and discontinued operations	**-**	**142.7**	-	-	-	142.7
Total liabilities	**169.4**	**1,262.6**	**-**	**-**	**-**	**1,432.0**
Total shareholders' equity and liabilities	**285.8**	**1,367.8**	**137.5**	**(50.0)**	**-**	**1,741.0**

(1) This item shows in aggregate form the following items shown separately in the statement of financial position included in the RCS Group's annual consolidated financial statements: Property, plant and equipment (EUR 102.4 million) and Real estate investments (EUR 21.5 million).

(2) This item shows in aggregate form the following items shown separately in the statement of financial position included in the RCS Group's annual consolidated financial statements: Non-current financial receivables (EUR 4.8 million), Other non-current assets (EUR 14.8 million).

(3) This item shows in aggregate form the following items shown separately in the statement of financial position included in the RCS Group's annual consolidated financial statements: Sundry receivables and other current assets (EUR 42.8 million), Current tax assets (EUR 9.5 million), Current financial receivables (EUR 3.6 million).

(4) This item shows in aggregate form the following items shown separately in the statement of financial position included in the RCS Group's annual consolidated financial statements: Legal reserve (EUR 19.1 million), Treasury shares (negative for EUR 27.1 million), Equity transaction (negative for EUR 147.7 million), Valuation reserve (EUR 8.6 million), Cash flow hedge reserve (negative for EUR 6.3 million), Profits (losses) carried forward (negative for EUR 156.4 million).

(5) This item shows in aggregate form the following items shown separately in the statement of financial position included in the RCS Group's annual consolidated financial statements: Non-current financial payables and liabilities (EUR 15.6 million), Financial liabilities for derivative instruments (EUR 11 million).

(6) This item shows in aggregate form the following items shown separately in the statement of financial position included in the RCS Group's annual consolidated financial statements: Current portion of provisions for risks and charges (EUR 40.5 million), Sundry payables and other current liabilities (EUR 131.6 million).

To better understand the Pro Forma Consolidated Balance Sheet, it must be noted, as shown in the RCS Group's annual consolidated financial statements at 31 December 2015, that:

- at 31 December 2015, the sale to Arnoldo Mondadori Editore S.p.A. of the entire equity investment held by RCS in RCS Libri S.p.A. was being finalised. Consequently, the assets and liabilities attributable to RCS Libri have been classified in the RCS Group's consolidated financial statements at 31 December 2015 under specific balance sheet items. In particular, the RCS Group's consolidated balance sheet at 31 December 2015 includes non-current assets held for sale of EUR 253.7 million, of which a positive net financial position of EUR 44.2 million, and liabilities associated with assets held for sale of EUR 142.7 million;
- as a result of the failure to comply with the covenants set out in the loan agreement concluded on 14 June 2013 and taking into account the provisions of IAS 1, paragraph 74, the RCS Group has classified under the current liabilities at 31 December 2015, the portion of debt that was originally long-term of EUR 302.8 million. The current debt portion relating to this loan amounted to EUR 100.8 million at the same date of 31 December 2015.

2.2 Pro Forma Consolidated Income Statement

The following table shows the pro forma adjustments, with comments provided in the following paragraph 2.5.2, carried out to represent the significant effects of the Offer on the Cairo Communication Group's consolidated income statement for the financial year closed on 31 December 2015.

PRO FORMA CONSOLIDATED INCOME STATEMENT 31 DECEMBER 2015 (EUR/million)	CAIRO COMMUNICATION GROUP	RCS GROUP	PRO FORMA ADJUSTMENTS	PRO FORMA CONSOLIDATED
Net revenues	226.6	1,032.2	-	1,258.8
Other revenue and income	9.4	27.0	-	36.4
Changes in inventories of finished products	-	0.5	-	0.5
Consumption of raw and subsidiary materials and consumables (1)	(21.9)	(164.8)	-	(186.7)
Costs for services (1)	(113.5)	(453.1)	-	(566.6)
Costs for use of third-party assets (1)	(20.4)	(59.6)	-	(80.0)
Personnel costs	(61.0)	(318.3)	-	(379.3)
Amortisation, provisions and impairment (2)	(8.2)	(143.2)	-	(151.4)
Income from the valuation of equity investments using the equity method	-	2.5	-	2.5
Other operating costs	(1.7)	(30.2)	-	(31.9)
EBIT	**9.3**	**(107.0)**	**-**	**(97.7)**
Net financial income (3)	0.7	(36.3)	-	(35.6)
Profit before taxes	**10.0**	**(143.3)**	**-**	**(133.3)**
Taxes for the period	1.1	7.9	-	9.0
Net profit or loss from continuing operations	**11.1**	**(135.4)**	**-**	**(124.3)**
Net profit or loss from discontinued operations	-	(38.8)	-	(38.8)
Net profit or loss for the financial year	**11.1**	**(174.2)**	**-**	**(163.1)**
- Attributable to the Group	11.1	(175.7)	87.1	(77.5)
- Attributable to minority interests	-	1.5	(87.1)	(85.6)
Net profit or loss for the financial year	**11.1**	**(174.2)**	**-**	**(163.1)**

(1) The Prospectus of the RCS Group's consolidated income statement shows these items in a single item, "Consumption of raw materials and services", totalling EUR 677.5 million.

(2) This item shows in aggregate form the following items shown separately in the prospectus of the consolidated income statement included in the RCS Group's annual consolidated financial statements: Provisions (EUR 15.7 million), Impairment of trade and other receivables (EUR 4.1 million), Amortisation of intangible assets (EUR 39.4 million), Depreciation of property, plant and equipment (EUR 19.2 million), Depreciation of real estate investments (EUR 0.7 million), Impairment of fixed assets (EUR 64.1 million). With reference to the Cairo Communication Group, this item includes Amortisation of intangible assets (EUR 6.7 million), Depreciation of property, plant and equipment (EUR 0.5 million), Allocations to provision for bad debts (EUR 0.8 million), Provisions the risks and charges (EUR 0.2 million).

(3) This item shows in aggregate form the following items shown separately in the prospectus of the consolidated income statement included in the RCS Group's annual consolidated financial statements: Financial income (positive for EUR 2.2 million), Financing costs (EUR 37.1 million), Other income and charges from financial assets and liabilities (negative for EUR 1.4 million).

To better understand the Pro Forma Consolidated Income Statement, it must be noted that:

- at 31 December 2015, the sale to Arnoldo Mondadori Editore S.p.A. of the entire equity investment held by RCS in RCS Libri S.p.A. was being finalised. Consequently, the economic result attributable to RCS Libri S.p.A., amounting to a loss of EUR 38.8 million, was classified under a specific item of the consolidated income statement;
- the prospectus of the consolidated income statement drawn up pursuant to CONSOB Resolution no. 15519 of 27 July 2006 and included in the RCS Group's annual consolidated financial statements shows the non-recurring charges totalling EUR 61.4 million and the non-recurring income totalling EUR 2.4 million for the 2015 financial year;
- in the 2015 financial year, the item "other revenue" of the Cairo Communication Group, amounting to EUR 9.4 million, includes mainly revenue from pulp and/or sale of paper for approximately EUR 0.9 million, recharged costs and other revenue for approximately EUR 1 million, contingent assets related to operating activities for approximately EUR 6.7 million

(mainly due to non-existent liabilities and/or to their extinction for lesser amounts than those posted in previous financial years, related to the personnel for EUR 1.8 million and to the suppliers of services for EUR 4.6 million) and release of provisions for risks and charges and of provisions for bad debts for a total of EUR 0.8 million. The item other revenues of the RCS Group, amounting to EUR 27 million, includes mainly sales returns waste and various materials for EUR 3.2 million, other revenue for EUR 7.2 million, cost recovery for EUR 5.6 million, ordinary recovery provisions for risks for EUR 3.6 million, ordinary recovery and use provisions for bad debts for EUR 2.7 million, capital gains from disposal for EUR 1.3 million, rental income for EUR 2.9 million and income for contributions for EUR 0.5 million.

2.2.1 Pro Forma EBITDA

EBITDA is not identified as an accounting measure defined by the IFRS, and therefore the criteria used to determine it may not be comparable between different companies or groups.

Given the non-comparable nature of the EBITDA definitions adopted by Cairo Communication and by RCS, only for illustrative purposes related to the presentation of the pro forma figures in this Offer Document, the Cairo Communication Group's Pro Forma Consolidated EBITDA at 31 December 2015 was determined according to a literal definition, starting from EBIT adjusted for the equity investment profit or loss and for the amortisation/depreciation and impairment of property, plant and equipment and of intangible assets.

For that matter, it is specified that in the Annual Report 2015 of RCS, the RCS directors have indicated that "*as of this Financial Report at 31 December 2015, the net income from equity investments accounted for using the equity method has been classified in a pre-EBITDA balance sheet line and, for consistency, was reclassified during the 2014 period used for comparison. This classification was deemed more in line with the substance of the facts as a result of the sale, liquidation or total impairment of equity investments accounted for at equity, having non-core nature, the item now contains only the income and expenses of equity investments whose activities are strictly functional to the [RCS] Group's activities*".

The Cairo Communication Group's Pro Forma Consolidated EBITDA can be reconciled as follows with the Cairo Communication Group's Pro Forma Consolidated EBIT for the 2015 financial year and with the consolidated income statements relating to the same financial year of the Cairo Communication Group and of the Group RCS:

PRO FORMA CONSOLIDATED EBITDA AT 31 DECEMBER 2015 (EUR/MILLION)	CAIRO COMMUNICATION GROUP	RCS GROUP	PRO FORMA ADJUSTMENTS	PRO FORMA CONSOLIDATED
EBIT	**9.3**	**(107.0)**	**-**	**(97.7)**
Amortisation	7.2	59.3	-	66.5
Allocations to provisions for risks and to provision for bad debts	1.0	-	-	1.0
Impairment of property, plant and equipment and of intangible assets	-	64.1	-	64.1
Reported EBITDA (1)	**17.5**	**16.4**	**-**	**33.9**
Allocations to provisions for risks and to provision for bad debts	(1.0)	-	-	(1.0)
Shares and income/expenses from valuation of equity investments using the equity method	-	(2.5)	-	(2.5)
EBITDA	**16.5**	**13.9**	**-**	**30.4**
Revenues	226.6	1,032.2		1,258.8
EBITDA margin %	7.3%	1.3%		2.4%

(1) EBITDA inferable from the 2015 Annual Financial Report of the Cairo Communication Group and of the RCS Group.

Consistently with the literal definition of EBITDA adopted solely for illustrative purposes related to the presentation of the pro forma figures:

- the Cairo Communication Group's EBITDA inferable from the Cairo Communication Group's 2015 Annual Financial Report was subject to adjustment for a total of EUR 1 million attributable to the item "allocations to provisions for risks and to provision for bad debts",
- the RCS Group's EBITDA inferable from the RCS Group's 2015 Annual Financial Report was subject to adjustment for a total of EUR 2.5 million attributable to the item "shares and income/expenses from valuation of equity investments using the equity method".

2.3 Pro Forma Consolidated Comprehensive Income Statement

The following table shows the pro forma adjustments, with comments provided in the following paragraph 2.5.2, carried out to represent the significant effects of the Offer on the Cairo Communication Group's consolidated comprehensive income statement for the financial year closed on 31 December 2015.

Pro Forma Consolidated Comprehensive Income Statement 31 December 2015 (EUR/million)	**Cairo Communication Group**	**RCS Group**	**Pro Forma Adjustments**	**Pro Forma Consolidated**
Net Profit or Loss for the Financial Year	**11.1**	**(174.2)**	**-**	**(163.1)**
Other reclassifiable items of the comprehensive income statement				
Profits (Losses) arising from translation of financial statements in foreign currencies	-	2.3	-	2.3
Profits (Losses) on cash flow hedges	-	(1.2)	-	(1.2)
Reclassification to income statement of Profits (Losses) on cash flow hedges	-	7.5	-	7.5
Tax effect	-	(1.8)	-	(1.8)
Other non-reclassifiable items of the comprehensive income statement				
Actuarial profits (losses) from defined benefit plans	-	1.5	-	1.5
Tax effect	-	(0.4)	-	(0.4)
Total comprehensive income statement for the period	**11.1**	**(166.3)**	**-**	**(155.2)**
- Attributable to the Group	11.1	(167.8)	83.2	**(73.6)**
- Attributable to minority interests	-	1.5	(83.2)	**(81.7)**
Total comprehensive income statement for the period	**11.1**	**(166.3)**	**-**	**(155.2)**

2.4 Pro Forma Consolidated Cash Flow Statement

The following table shows the Cairo Communication Group's Pro Forma Consolidated Cash Flow Statement for the financial year closed on 31 December 2015.

No pro forma adjustments have been identified to represent the significant effects of the Offer on the Cairo Communication Group's consolidated cash flow statement for the financial year closed on 31 December 2015 due to the fact that the Capital Increase arising from the Offer is matched by the acquisition of the equity investment in RCS without causing any cash flow.

Pro Forma Consolidated Cash Flow Statement at 31 December 2015 (EUR/million)	Cairo Communication Group	RCS Group	Pro Forma Adjustments	Pro Forma Consolidated
INITIAL CASH AND OTHER CASH EQUIVALENTS	**149.1**	**(25.2)**	-	**123.9**
OPERATING ACTIVITIES				
Profit or loss from continuing operations before tax	10.0	(143.3)	-	(133.3)
Profit or loss from assets held for sale/discontinued operations before tax	-	(6.1)	-	(6.1)
Amortisation and impairment	7.2	123.4	-	130.6
Net financial income	(0.7)	34.8	-	34.1
(Capital gains) capital losses and other non-monetary items	-	(7.0)	-	(7.0)
Net change in severance indemnity	(0.3)	(5.1)	-	(5.4)
Net change in provisions for risks and charges	(1.7)	-	-	(1.7)
Cash flows from operating activities before changes in working capital	**14.5**	**(3.3)**	-	**11.2**
Changes in working capital	(3.7)	10.4	-	6.7
Changes in assets held for sale and discontinued operations	-	21.4	-	21.4
TOTAL CASH FROM OPERATING ACTIVITIES	**10.8**	**28.5**	-	**39.3**
Income taxes collected (paid)	2.9	-	-	2.9
TOTAL NET CASH GENERATED FROM OPERATING ACTIVITIES (A)	**13.7**	**28.5**	-	**42.2**
INVESTMENT ACTIVITIES				
Net (investments) disinvestments of property, plant and equipment and of intangible assets	(11.3)	(56.8)	-	(68.1)
Proceeds on disposal of equity investments and sale of fixed assets (1)	-	42.9	-	42.9
Changes in assets held for sale and discontinued operations	-	(6.9)	-	(6.9)
Net increase in other non-current assets (2)	(0.5)	0.8	-	0.3
NET CASH USED IN INVESTMENT ACTIVITIES (B)	**(11.8)**	**(20.0)**	-	**(31.8)**
FINANCIAL ACTIVITIES				
Dividends distributed	(21.2)	(1.4)	-	(22.6)
Financial interest and income collected (paid)	1.0	(30.0)	-	(29.0)
Increase (decrease) in financial debt	(5.0)	30.1	-	25.1
Changes in assets held for sale and discontinued operations	-	(7.7)	-	(7.7)
Other changes in shareholders' equity	-	(0.1)	-	(0.1)
NET CASH USED IN FINANCIAL ACTIVITIES (C)	**(25.2)**	**(9.1)**	-	**(34.3)**
CASH FLOW FOR THE PERIOD (A)+(B)+(C)	**(23.3)**	**(0.6)**	-	**(23.9)**
CLOSING NET CASH AND OTHER CASH EQUIVALENTS	**125.8**	**(25.8)**	-	**100.0**
ADDITIONAL INFORMATION OF THE CASH FLOW STATEMENT				
Cash and cash equivalents	125.8	9.8	-	135.6
Cash and cash equivalents of assets held for sale	-	2.8	-	2.8
Current payables to banks	-	(38.4)	-	(38.4)
Cash and cash equivalents at end of financial year	**125.8**	**(25.8)**	-	**100.0**

(1) This item shows in aggregate form the following items shown separately in the cash flow statement included in the RCS Group's annual consolidated financial statements: Proceeds on disposal of equity investments (EUR 39.5 million), Proceeds on sale of fixed assets (EUR 3.4 million).

(2) This item shows in aggregate form the following items shown separately in the consolidated income statement included in the RCS Group's annual consolidated financial statements: Investments in equity investments, net of dividends received (positive for EUR 1.2 million), Acquisitions of other financial fixed assets (negative for EUR 0.4 million).

2.5 Note to the Pro Forma Consolidated Prospectuses

2.5.1 Basis of presentation and accounting standards used

The Pro Forma Consolidated Prospectuses were drawn up, as regards both their form and content, in accordance with the CONSOB Communication No. DEM/1052803 of 5 July 2001 and on the basis of the indications set out in Annex II to Regulation (EC) No. 809/2004. In particular, the Pro Forma Consolidated Balance Sheet, Pro Forma Consolidated Income Statement, Pro Forma Consolidated Comprehensive Income Statement, Pro Forma Consolidated Cash Flow Statement were prepared by adjusting the Cairo Communication Group's historical figures, derived from the Cairo Communication Group's Consolidated Financial Statements, in order to simulate the main equity, financial and economic effects that could arise from the Offer.

The accounting standards adopted in drawing up the Pro Forma Consolidated Prospectuses are those used in drawing up the Cairo Communication Group's Consolidated Financial Statements, and in particular the International Financial Reporting Standards that include all the "International Accounting Standards", all the "International Financial Reporting Standards" and all interpretations of the "International Financial Reporting Interpretations Committee" previously known as the "Standing Interpretations Committee", adopted by the European Union ("**IFRS**").

The assumptions used in constructing the pro forma figures are derived from the content of the Offer, from the articulated terms of the Condition of Effectivenesss and from further clarifications reported below.

Should the Offer be successful, Cairo Communication will acquire the controlling stake in RCS through the Capital Increase to service the Offer. Consequently, the Cairo Communication Group will include the RCS Group in its scope of consolidation.

The underlying assumptions used in constructing the pro forma figures relate to the following hypothesised elements:

- acquisition of a percentage equal to 50% plus 1 (one) RCS Share of the RCS share capital by the Cairo Communication Group through the Capital Increase;
- consolidation of the RCS Group;
- fulfilment of the Financial Condition.

The fulfilment of the Financial Condition implies that the repayment of the debt principal referred to in the loan agreement of 14 June 2013 will be postponed at least until the approval of the RCS financial statements at 31 December 2017, without prejudice to partial early repayment of the net proceeds deriving from the sale of RCS Libri S.p.A..

Since the RCS Group's consolidated financial statements at 31 December 2015 do not allow for inferring detailed information regarding the short-term credit lines granted to RCS, in drawing up the Pro Forma Consolidated Prospectuses it was not possible to make any assumption regarding a possible change in the repayment terms of this debt.

In order to complete the information framework required for constructing the pro forma figures, the following is also specified:

- the Cairo Communication Group's net financial position at 31 December 2015 includes a bank loan of EUR 20 million, of which EUR 15 million are classified under the non-current financial liabilities, which contains certain financial covenants to be verified annually at the Cairo Communication Group level: the debt cover (i.e. the net financial debt/EBITDA ratio), which must be less than or equal to 1.75, and the leverage (i.e. the net financial debt/equity ratio), which must be less than or equal to 1. The failure to meet the commitment and/or financial covenants may result in the termination of the loan agreement. Should the Offer be successful and if the financial covenants set out in the loan agreement are not met, at the level of the consolidated financial statements of the Cairo Communication Group including the RCS Group, the Offeror will consider whether it is best to renegotiate the loan agreement or to make the full repayment according to the schedule set out in the agreement. Having considered (i) that at 31 December 2015, with reference to the Cairo Communication Group's consolidated financial statements, these covenants have been respected and (ii) that the effects deriving from any possible non-compliance with the covenants as a result of the consolidation of the RCS Group would occur after the twelve months following 31 December 2015, no pro forma adjustments related to the classification of such financial liabilities have been made;

- in drawing up the Pro Forma Consolidated Prospectuses, for simplicity, the effects deriving from the accessory transaction charges relating to the Capital Increase and acquisition of the equity investment in RCS are not considered;

- in drawing up the Cairo Communication Group's Pro Forma Consolidated Income Statement and Pro Forma Consolidated Comprehensive Income Statement at 31 December 2015, an amount of financing costs equal to that for the financial year closed on 31 December 2015 was assumed;
- the information related to RCS used in drawing up the Pro Forma Consolidated Prospectuses contained in this Offer Document are taken solely from the consolidated financial statements drawn up by the RCS Group for the financial year closed on 31 December 31, 2015, subject to statutory audit by the Auditing Firm appointed by RCS, on which the Offeror has not carried out any independent verification;

- the prospectuses of the RCS Group's consolidated income statement, consolidated comprehensive income statement, consolidated financial position statement and consolidated cash flow statement at 31 December 2015 have been adapted, based on publicly available information, to the prospectuses of the Cairo Communication Group's consolidated income statement, consolidated comprehensive income statement, consolidated financial position statement and consolidated cash flow statement in order to make them comparable. These adaptations, consisting mainly of aggregations of items reported separately in the prospectuses of the RCS Group's consolidated income statement, consolidated comprehensive income statement, consolidated financial position statement and consolidated cash flow statement at 31 December 2015 are illustrated by the notes at the foot of each of the Pro Forma Consolidated Prospectuses;

- the data included in the Cairo Communication Group's Pro Forma Consolidated Prospectuses are shown in millions of EUR, whereas the Cairo Communication Group's financial information included in the annual consolidated financial statements are presented in thousands of EUR. Any differences found in certain tables are due to rounding of conversion to millions of EUR of the figures originally expressed in thousands of EUR.

2.5.2 Description of the pro forma adjustments made in drawing up the Pro Forma Consolidated Prospectuses

Below is a brief description of the pro forma entries made in drawing up the Pro Forma Consolidated Prospectuses.

2.5.2.1 Pro Forma Consolidated Balance Sheet

The pro forma adjustments reflect the effects:

- of the capital increase resolved by the Extraordinary Shareholders' Meeting held on 12 May 2016 and regarding the issue of a maximum number of 62,623,795 Cairo Communication Shares, to be paid by contribution in kind of the RCS shares tendered to the Offer, with an exchange ratio of EUR 0.12 to which it is attached, pursuant to Articles 2343-*ter* and 2440 of the Civil Code, a unit value of EUR 0.527. This capital increase, assuming the case that the acceptances of the Offer are such as to allow Cairo Communication to obtain a percentage of the share capital of RCS of 50% plus 1 (one) RCS Share, would result in an increase in Cairo Communication's share capital of EUR 1.6 million, in an increase in Cairo Communication's share premium reserve of EUR 135.9 million and in the corresponding recognition of an equity investment representing 50% plus 1 (one) RCS Share, equal to EUR 137.5 million. In this regard it is noted that in drawing up the pro forma figures, the Capital Increase corresponds to the recognition of the acquisition value of the equity investment in RCS, which is quantified in an amount equal to the issue price (amounting to EUR 4.39 per share), it being understood that for the purposes of the Cairo Communication's financial statements, the transaction will be accounted for in accordance with IFRS 3 – Business Combinations;

- the consolidation of the RCS Group carried out according to the full consolidation method, assuming the entire amount of the assets and liabilities of the RCS Group at 31 December 2015, regardless of the equity investment stakes held, and eliminating the book value of consolidated equity investment against the related shareholders' equity at 31 December 2015. In drawing up this pro forma financial information, at this time no valuation has been made regarding the fair value of the consolidated assets and liabilities of the RCS Group necessary for the application, in accordance with IFRS 3, of the so-called "acquisition method". Therefore, the difference between the fair value of the new Cairo Communication shares that will be issued to service the Capital Increase considered as representative of the acquisition cost of the equity investment in RCS (EUR 137.5 million) and the RCS Group's consolidated shareholders' equity at 31 December 2015 (EUR 100 million, of which EUR 50 million attributable to minority interests), amounting to EUR 87.5 million, was provisionally recognized under the "Intangible assets".
  It is noted that the completion of the valuation process required by the aforementioned IFRS 3, could have entailed a measurement of the RCS Group's assets and liabilities at the date of the business combination different with respect to the assumptions used in drawing up the Pro Forma Consolidated Prospectuses with consequent economic and equity effects, among which the amortisation of any intangible assets with finite useful life, that could have been significant;

- of the assumption that - in line with the provisions of the Financial Condition - the repayment of the debt principal referred to in the loan agreement of 14 June 2013 (shown in the RCS Group's consolidated financial statements at 31 December 2015 as EUR 403.6 million) will be delayed at least until the approval of the RCS financial statements at 31 December 2017, net of the partial early repayment through use of the net amounts collected as consideration for the sale of RCS Libri S.p.A., which, not having full information, was assumed for the sole purpose of drawing up the Pro Forma Consolidated Prospectuses as amounting to EUR 83.3 million (calculated based on the expected sale price indicated by the Directors in the RCS Group's consolidated financial statements at 31 December 2015 as EUR 127.5 million, net of the positive net financial position of the "assets held for sale" indicated in the RCS consolidated financial statements as EUR 44.2 million). As a result of this assumption, a net amount of € 320.3 million was reclassified from the item "current financial payables and liabilities" to the item "non-current financial payables and liabilities".

The pro forma net financial debt is shown in the following table:

Pro forma net financial debt at 31 December 2015 (EUR/million)	**Cairo Communication Group**	**RCS MediaGroup Group**	**Pro forma Adjustments**	**Pro forma Consolidated**
Cash and other cash equivalents	125.8	9.8	-	135.6
Other short-term financial assets and financial receivables	-	3.6	-	3.6
Short term financial payables	(5.0)	(517.7)	320.3	(202.4)
Short-term Net financial position (Net financial debt) of continuing operations	**120.8**	**(504.3)**	**320.3**	**(63.2)**
Medium-long-term financial payables	(15.0)	(15.6)	(320.3)	(350.9)
Non-current financial liabilities for derivative instruments	-	(11.0)	-	(11.0)
Medium-long-term Net financial position (Net financial debt) of continuing operations	**(15.0)**	**(26.6)**	**(320.3)**	**(361.9)**
Net financial position (Net financial debt) of continuing operations	**105.8**	**(530.9)**	**-**	**(425.1)**
Net financial assets of assets held for sale	-	44.2	-	44.2
Total net financial position (Total net financial debt)	**105.8**	**(486.7)**	**-**	**(380.9)**

The pro forma adjustments reflect the effect of the reclassification of part of the RCS Group's financial debt from the item "short term financial payables" to "medium-long-term financial payables" as described above, for a net amount of EUR 320.3 million.

The Pro Forma Consolidated Balance Sheet was drawn up assuming the case that the acceptances of the Offer are such as to allow Cairo Communication to obtain a percentage of the share capital of RCS of 50% plus 1 (one) RCS Share.

If 100% of the RCS shareholders were to accept the Offer, the effects that would be produced on the Pro Forma Consolidated Balance Sheet at 31 December 2015 would be as follows:

- an increase in the consolidated net shareholders' equity attributable to the Cairo Communication Group of EUR 137.5 million;
- a decrease in the item "capital and reserves attributable to minority interests" of EUR 50 million;
- an increase in the item "intangible assets" of EUR 87.5 million.

With reference to the Minimum Acceptance Level Condition, as described in the previous paragraph A.1.1.b, Warnings Section, of the Offer Document, the Offeror reserves the right to waive this condition should the number of RCS Shares tendered to the Offer during the Acceptance Period allow Cairo Communication to obtain an equity investment suitable to exercise de facto control over RCS, which Cairo Communication has identified as a percentage of at least 35% plus 1 (one) RCS Share of the RCS capital.

In particular, should the acceptances of the Offer be such as to allow Cairo Communication to obtain a percentage of 35% plus 1 (one) RCS Share of the RCS share capital, the effects that would be produced on the Pro Forma Consolidated Balance Sheet at 31 December 2015 would be as follows:

- a decrease in the consolidated net shareholders' equity attributable to the Cairo Communication Group of EUR 41.2 million;
- an increase in the item "capital and reserves attributable to minority interests" of EUR 15 million;
- a decrease in the item "Intangible assets" of EUR 26.2 million.

2.5.2.2 Pro Forma Consolidated Income Statement

The Pro Forma Consolidated Income Statement reflects the consolidation of the RCS Group with effect from 1 January 2015 carried out according to the full consolidation method, assuming the entire amount of the RCS Group's costs and revenues for the 2015 financial year, regardless of the equity investment stakes held.

The Pro Forma Consolidated Income Statement was drawn up assuming that the acceptances of the Offer will be such as to allow Cairo Communication to obtain a percentage of 50% plus 1 (one) RCS Share of the share capital of RCS. If 100% of the RCS shareholders were to accept the Offer, the effects that would be produced on the Pro Forma Consolidated Income Statement at 31 December 2015 would be as follows:

- an increase in the loss attributable to the Cairo Communication Group of EUR 87.1 million;
- a decrease in the loss attributable to minority interests of EUR 87.1 million.

With reference to the Minimum Acceptance Level Condition, as described in the previous paragraph A.1.1.b, Warnings Section, of the Offer Document, the Offeror reserves the right to waive this condition should the number of RCS Shares tendered to the Offer during the Acceptance Period allow Cairo Communication to obtain an equity investment suitable to exercise de facto control over RCS, which Cairo Communication has identified as a percentage of at least 35% plus 1 (one) RCS Share of the RCS capital.

In particular, should the acceptances of the Offer be such as to allow Cairo Communication to obtain a percentage of 35% plus 1 (one) RCS Share of the RCS share capital, the effects that would be produced on the Pro Forma Consolidated Income Statement at 31 December 2015 would be as follows:

- a decrease in the loss attributable to the Cairo Communication Group of EUR 26.1 million;
- an increase in the loss attributable to minority interests of EUR 26.1 million.

2.5.2.3 Pro Forma Consolidated Comprehensive Income Statement

The Pro Forma Consolidated Comprehensive Income Statement was drawn up assuming that the acceptances of the Offer will be such as to allow Cairo Communication to obtain a percentage of 50% plus 1 (one) RCS Share of the share capital of RCS. If 100% of the RCS shareholders were to accept the Offer, the effects that would be produced on the Pro Forma Consolidated Comprehensive Income Statement at 31 December 2015 would be as follows:

- an increase in the loss attributable to the Cairo Communication Group of EUR 83.2 million;
- a decrease in the loss attributable to minority interests of EUR 83.2 million.

With reference to the Minimum Acceptance Level Condition, as described in the previous paragraph A.1.1.b, Warnings Section, of the Offer Document, the Offeror reserves the right to waive this condition should the number of RCS Shares tendered to the Offer during the Acceptance Period allow Cairo Communication to obtain an equity investment suitable to exercise de facto control over RCS, which Cairo Communication has identified as a percentage of at least 35% plus 1 (one) RCS Share of the RCS capital.

In particular, should the acceptances of the Offer be such as to allow Cairo Communication to obtain a percentage of 35% plus 1 (one) RCS Share of the RCS share capital, the effects that would be produced on the Pro Forma Consolidated Comprehensive Income Statement at 31 December 2015 would be as follows:

- a decrease in the loss attributable to the Cairo Communication Group of EUR 24.9 million;
- an increase in the loss attributable to minority interests of EUR 24.9 million.

<u>2.5.2.4 Pro Forma Consolidated Cash Flow Statement</u>

The Pro Forma Consolidated Cash Flow Statement reflects the consolidation of the RCS Group with effect from 1 January 2015 carried out according to the full consolidation method, assuming the entire amount of the RCS Group's costs and revenues for the 2015 financial year, regardless of the equity investment stakes held.

No pro forma adjustments have been identified to represent the significant effects of the Offer on the Cairo Communication Group's consolidated cash flow statement for the financial year closed on 31 December 2015 due to the fact that the Capital Increase arising from the Offer is matched by the acquisition of the equity investment in RCS without causing any cash flow.

<u>2.5.3 Pro forma effects arising from the assumptions of waiver of the Financial Condition</u>

As indicated in paragraph A.1.1.b, Warnings Section, of the Offer Document, the Offeror reserves the right to waive the Financial Condition upon occurrence of the following alternative circumstances:

1) the Lending Banks of RCS have undertaken in respect of Cairo Communication the commitment to grant (or have confirmed to Cairo Communication that they have submitted with favourable opinion to their governing bodies the granting of) a moratorium of the principal debt arising from the loan agreement of 14 June 2013 (net of the net amounts collected as consideration for the sale of RCS Libri S.p.A. and possibly not yet used to repay such debt) for at least twelve months from the Offer finalisation date, without the application, during that period, of any additional charges with respect to the currently applicable financing costs; or

2) the Lending Banks of RCS have resolved to approve the term sheet for the restructuring of the debt arising from the loan agreement of 14 June 2013, under terms and conditions that are individually not pejorative with respect to the corresponding individual terms and conditions communicated by RCS to the market on 18 May 2016 (the "**Terms and Conditions of the RCS Refinancing**"), and:

(A) the same Lending Banks have communicated to Cairo Communication that they waive (or have confirmed to Cairo Communication that they have submitted with favourable opinion to their governing bodies to waive) the right to demand the early repayment of the debt arising from the loan agreement of 14 June 2013 by virtue of the change of control over RCS that can be realised following the finalisation of the Offer; or

(B) should one or more of the said Lending Banks have expressed their unwillingness to waive the exercise of the right to demand the early repayment referred to in letter (A) above, the other lenders have undertaken in respect of Cairo Communication a commitment to refinance (or have confirmed to Cairo Communication that they have submitted with favourable opinion to their governing bodies the refinancing of) the portion of the debt principal arising from the loan agreement of 14 June 2013 relating to the institutions that have expressed their unwillingness to waive the exercise of the right to demand the early repayment referred to in letter (A) above, under terms and conditions that are individually not pejorative with respect to the corresponding individual Terms and Conditions of the RCS Refinancing;

or

3) the Lending Banks of RCS, or the other lenders, have undertaken in respect of Cairo Communication a commitment to refinance (or have confirmed to Cairo Communication that they have submitted with favourable opinion to their governing bodies the refinancing of) the debt of RCS arising from the loan agreement of 14 June 2013, it being understood that, for at least twelve months from the Offer finalisation date, each individual term and condition of such refinancing may not be pejorative with respect to the corresponding individual Terms and Conditions of the RCS Refinancing.

<u>2.5.3.1. Pro forma effects arising from the circumstance of waiver referred to in point (1) of the preceding paragraph</u>

The circumstance described in point (1) of the preceding paragraph sets out that the repayment of the debt principal referred to in the Loan Agreement of 14 June 2013 (net of the net amounts collected as consideration for the sale of RCS Libri S.p.A. and possibly not yet used to repay such debt) must occur no earlier than twelve months from the Offer finalisation date, without the application, during that period, of any additional charges with respect to the currently applicable financing costs. Therefore, any waiver of the Financial Condition upon the occurrence of such circumstance would not produce any change with respect to the Pro Forma Consolidated Prospectuses reported in Paragraphs 2.1, 2.2, 2.3 and 2.4 of this Paragraph B.1.15, Section B, of the Offer Document, and in particular on the current and non-current composition of the pro forma net debt.

It is noted that the effects on the financing costs arising from the occurrence of the circumstance of waiver of the Financial Condition referred to in point (1) were not considered, since the burden for financing costs would be unchanged with respect to the case of fulfilment of the Financial Condition.

<u>2.5.3.2. Pro forma effects arising from the circumstance of waiver referred to in point (2) of the preceding paragraph</u>

The circumstance described in point (2) of the preceding paragraph sets out that the repayment of the debt principal referred to in the loan agreement of 14 June 2013 (net of an amount not exceeding EUR 71.6 million, relating to a part of the amounts collected by RCS as a result of the sale of RCS Libri) must occur no earlier than twelve months from 31 December 2015. Therefore, any waiver of the Financial Condition upon the occurrence of such circumstance would determine, in the Pro Forma

Consolidated Balance Sheet at 31 December 2015, a decrease in the item "current financial payables and liabilities" for a minimum amount of EUR 11.7 million (calculated as the difference between EUR 83.3 million and EUR 71.6 million) and a corresponding increase in the item "non-current financial payables and liabilities".

The effects on the financing costs arising from the occurrence of the circumstance of waiver of the Financial Condition referred to in point (2) were not considered, since that circumstance provides for individual terms and conditions that are not pejorative with respect to the corresponding individual Terms and Conditions of the RCS Refinancing. It is noted that in the press release issued by RCS on 11 May 2016, these terms and conditions have been described as an improvement over the currently applicable terms and conditions of the loan agreement of 14 June 2013. On the basis of the data and information available to date, the assumptions made in the construction of the pro-forma figures constitute the most reasonable estimate for the determination of the financing costs. For periods subsequent to the first twelve months from the Offer finalisation date, the actual terms and conditions will be negotiated taking into account both the Post-Offer Cairo Communication Group's equity and economic positions, as well as the market conditions existing at the time of the renegotiation.

<u>2.5.3.3. Pro forma effects arising from the circumstance of waiver referred to in point (3) of the preceding paragraph</u>

The circumstance described in point (3) of the preceding paragraph sets out that the Lending Banks of RCS, or the other lenders, have undertaken in respect of Cairo Communication a commitment to refinance (or have confirmed to Cairo Communication that they have submitted with favourable opinion to their governing bodies the refinancing of) the debt of RCS arising from the loan agreement of 14 June 2013, it being understood that, for at least twelve months from the Offer finalisation date, each individual term and condition of such refinancing may not be pejorative with respect to the corresponding individual Terms and Conditions of the RCS Refinancing. Therefore, any waiver of the Financial Condition upon the occurrence of such circumstance, as represented within the context of the circumstance above, would determine, in the Pro Forma Consolidated Balance Sheet at 31 December 2015, a decrease in the item "current financial payables and liabilities" for a minimum amount of EUR 11.7 million (calculated as the difference between EUR 83.3 million and EUR 71.6 million) and a corresponding increase in the item "non-current financial payables and liabilities".

The effects on the financing costs arising from the occurrence of the circumstance of waiver of the Financial Condition referred to in point (3) were not considered, since that circumstance sets out that, for at least twelve months from the finalisation date of Offer, each individual term and condition may not be pejorative with respect to the corresponding individual Terms and Conditions of the RCS Refinancing. It is noted that in the press release issued by RCS on 11 May 2016, these terms and conditions have been described as an improvement over the currently applicable terms and conditions of the loan agreement of 14 June 2013. On the basis of the data and information available to date, the assumptions made in the construction of the pro-forma figures constitute the most reasonable estimate for the determination of the financing costs. For periods subsequent to the first twelve months from the Offer finalisation date, the actual terms and conditions will be negotiated taking into account both the Post-Offer Cairo Communication Group's equity and economic positions, as well as the market conditions existing at the time of the renegotiation.

B.1.16 Dividend policy

Pursuant to Article 30 of Cairo Communication's articles of association, the net profits resulting from the financial statements approved, after allocating an amount of no less than five per cent to the legal reserve until it reaches one-fifth of the share capital, are assigned to the shares unless otherwise resolved by the Shareholders' Meeting. Pursuant to Article 31 of Cairo Communication's articles of association, the dividend payment is made with the start date and at the banks counters established annually by the Board of Directors. Lastly, pursuant to Article 32 of Cairo Communication's articles of association, dividends not collected within five years from the date they become payable will revert to the company.

At the Offer Document Date, the Offeror has not defined a dividend distribution policy.

The following table shows the amount of the dividends distributed by Cairo Communication in the periods covered by the historical financial information included in the Offer Document.

FINANCIAL YEAR	TOTAL AMOUNT (EUR/THOUSAND)	DIVIDEND PER SHARE (EUR)
2015	21,152	0.27
2014	21,152	0.27
2013	21,031	0.27

The Shareholders' Meeting of Cairo Communication approved on 27 April 2016 the distribution of a dividend of EUR 0.20 per share, for a total amount of EUR 15,669 thousand.

B.1.17 Legal and arbitration proceedings

At the Offer Document Date, Cairo Communication and the Cairo Communication Group companies are parties to certain civil and administrative litigation proceedings, which are analysed below.

The total claims of the litigation proceedings to which the Cairo Communication Group is a party as a defendant at 31 December 2015 amounted to approximately EUR 40.5 million, of which approximately 30.6 million are attributable to litigation proceedings for libel in the press (of which EUR 20 million attributable to two main litigation proceedings described below). Please note that the Cairo Communication Group presents in its financial statements a provision for risks and charges to cover potential liabilities that could arise from any legal and arbitration proceedings. The Cairo Communication Group does not make allocations to the provision for risks and charges in the absence of definite or objective elements or if the negative outcome of the litigation proceedings is not considered probable. At 31 December 2015, this provision amounted, at the consolidated level, to approximately EUR 9 million.

B.1.17.a. Administrative litigation proceedings

B.1.17.a.1 Appeal against the LCN assignment plan

On the subject of the LCN, the numbers currently in use (7 for La7 and 29 for La7d) are those allocated by the Ministry of Economic Development in 2010, on the basis of AGCOM Resolution 366/2010/CON. This resolution was appealed against by Telenorba and other local broadcasters, and it was annulled in part, with particular reference to the assignment of the numbers 7, 8 and 9 by the State Council with Judgment 4660/12.

Subsequently, on 21 March 2013, AGCOM unanimously approved the new LCN assignment plan by Resolution 237/13/CONS, confirming the assignment to the national general broadcasters of the numbers 0-9 of the first LCN range.

Deeming that the new LCN assignment plan circumvented the ruling of the State Council, Telenorba filed an appeal for the implementation of the Judgment no. 4660/12. The appeal was upheld by the State Council (Judgment no. 6021 of 16 December 2013) which declared invalid the new LCN limited to the numbers 8 and 9, and also appointed a Special Commissioner entrusted with the task of verifying the correct attribution of the numbers 8 and 9, within 90 days after the start of the procedure which began on 24 February 2014. However, since the annulment of the previous LCN assignment plan originally concerned the number 7, in the document initiating the procedure the Special Commissioner also referred to the number 7, which however, based on the judgment, is not subject to any verification by the Commissioner.

Following Orders nos. 5041, 5127 and 5859 of 2014 and Order no. 27 of 2015, by which the State Council gave the Commissioner certain instruction on the conduct of the activity, the Commissioner adopted a new measure format (no. 7 of 2015), accompanied by an explanatory report.

With these deeds, deeming his assignment concluded, the Commissioner stated that the planning of the LCN numbers 7, 8 and 9, made by AGCOM in the first plan of 2010 (Resolution no. 366/2010/CONS), must be confirmed. Telenorba filed a complaint with the State Council asking for the annulment or for a declaration of invalidity and/or non-effectiveness of the Special Commissioner's decision no. 7 of 2015 and the relative annexes (as well as all of other decisions adopted by the Commissioner within the limits of interest of Telenorba). By Judgment no. 432 of 2016, the State Council considered correct the Commissioner's measure, in so far as he ruled that all three positions, 7, 8 and 9, had to be assigned to national broadcasters and not to local broadcasters, and confirmed that Telenorba, as a local broadcaster, is not entitled to receive any one of the positions 7, 8 and 9.

With concurrent Judgment no. 1836 of 2016, the Supreme Court in Joint Session overturned the Judgment no. 6021 of 2013 of the State Council (by which the LCN assignment plan made by AGCOM in 2013 had been annulled and the Commissioner had been appointed), for violation of the outer limits of the administrative jurisdiction.

At the Offer Document Date, it is not possible to predict what effects the Supreme Court judgment might have on the activities carried out by AGCOM (and by the Commissioner) and, in particular, with reference to the effectiveness of AGCOM Resolutions no. 366/2010/Cons and no. 237/13/Cons.

B.1.17.a.2 Appeal against the administrative measure by which a procedure for payment was called for the assignment of the lots of the so-called Mux frequencies

Europa Way has filed two appeals with the Lazio Regional Administrative Court in Rome for the annulment of the deed by which the administrations, in implementation of Law Decree no. 16 of 2012, had called a procedure for payment for the assignment of the lots of the so-called *Mux* frequencies, replacing the previous free procedure (the so-called beauty contest). A similar appeal was also filed by Persidera S.p.A. and the two cases were joined.

At first instance, the Lazio Regional Administrative Court rejected the two appeals, also claiming the unconstitutionality of the Italian legislation and the violation of European rules. An appeal against the judgment of the Lazio Regional Administrative Court filed with the State Council.

During the proceedings before the State Council, Cairo Network entered an appearance as the successful tenderer of the rights of use of the frequencies covered by the new tender procedure for payment, pleading the inadmissibility and groundlessness of the appeal.

By Judgment no. 4678 of 2015, the State Council rejected all the appellant's allegations and, with reference to the alleged violations of European legislation, stayed the appeal proceedings, referring the decision in this regard to the Court of Justice of the European Union (Order no. 4774 of 2015).

In a brief sent on 19 February 2016, Cairo Network submitted its written observations in the proceedings before the Court of Justice. The hearing for discussion of the case has not yet been set.

B.1.17.b. *Civil litigation proceedings*

The subsidiary company Immobiledit S.r.l., merged into Cairo Editore in 2009, is party to a legal dispute regarding a real estate purchase transaction. In 2004, at first instance, the Court of Milan had rejected the applications of the counterparty, ordering the latter to pay compensation for damages, to be settled in separate proceedings, and to reimburse the legal costs. The Court of Appeals partially reversed the judgment at first instance, ordering Immobiledit S.r.l. to reimburse the expenses of the first and second instances, however, it rejected the claim for damages of the counterparty, which appealed to the Supreme Court against that rejection. By Judgment no. 25351/14, the Supreme Court, rejecting all other grounds of the principal appeal, upheld the first ground of appeal, concerning the compensation for the damages suffered by the appellant for the fitting-out of the property covered by the preliminary agreement; the Court referred the case to the Milan Court of Appeals, in a different formation, which will have to re-examine the issue of compensation for damages only as regards the point indicated above; the counterparty's claim for compensation amounts to approximately EUR 319 thousand, plus interest and revaluation. By deed served on 25 May 2015, Reale Immobili (as assignee of the company) and the counterparty have resumed, following the Supreme Court judgment, the trial before the Milan Court of Appeals. At the hearing held on 29 October 2015, the Bench postponed the case for closing arguments to the hearing set for 14 July 2016.

B.1.17.c. *Litigation proceedings for libel in the press*

A brief description of the most significant proceedings for libel in the press to which the Cairo Communication Group is party at the Offer Document Date is given below.

Please note that, pursuant to the acquisition agreement entered into between Cairo Communication and Telecom Italia S.p.A. (formerly Telecom Italia Media S.p.A.) concerning the acquisition by Cairo Communication of the entire share capital of La7, any damages that will be suffered by La7 or Cairo Communication in connection with the litigation proceedings described below will be indemnified by Telecom Italy S.p.A.. Moreover, the insurance company AIG Europe S.A. was impleaded during both proceedings described above; the said company has confirmed the operativeness of the insurance policy for professional liability.

Enav S.p.A. - Massimo Garbini / La7

By writ of summons served on 29 March 2013, ENAV S.p.A. and Massimo Garbini sued La7 before the Court of Rome, claiming the liability of the defendant for libel in the press in relation to the transmission of several television reports aired in February 2013 in the newscast of La7. The claimants have demanded damages of EUR 10,600,000.00. The hearing for closing arguments is set for 25 October 2016.

Labo Europa / La7

By writ of summons served on 11 June 2012, Labo Europe sued Telecom Italia Media S.p.A. (now, Telecom Italia S.p.A.) and Mr Enrico Mentana - as director of the newscast of La7 - before the Court of Padua asserting the liability of defendants for libel in a television report arising from a news piece broadcast during the newscast of La7 in March 2012. The adversarial proceedings were subsequently extended to La7 - as assignee of the television company branch and of the resulting legal relationships - and to the insurance company AIG Europe (as per policy, required to indemnify the defendants against the risks of professional liability). The claimant demanded damages of EUR 10,000,000.00.

The hearing for closing arguments held on 28 April 2016 was adjourned to 7 July 2016, since the claimant has expressed its willingness to discontinue all applications made in respect of all the defendants, in exchange for of an all-inclusive reimbursement of EUR 10,000.

B.1.17.d. *Tax litigation proceedings*

In the context of a tax verification for VAT purposes against Cairo Communication, in the related report of verification, the Finance Police has raised a number of negative findings for 2002 and the following years (2003, 2004, 2005 and 2006) regarding the application, or non-application, of VAT to trading rights granted to media centres, which were then incorporated in the verification notices received and against which appeals were filed. For the 2002, 2003, 2004 and 2005 financial years, the Provincial Tax Commission of Milan has accepted with favourable ruling the appeals filed by Cairo Communication. The Revenue Agency filed an appeal with the Regional Tax Commission of Milan against those judgments. The Regional Tax Commission of Milan, by judgment filed in April 2010, accepted the Office's appeal relating to 2002, and by judgment filed in October 2011, accepted the Office's appeal relating to 2003, 2004 and 2005. Cairo Communication has filed an appeal with the Supreme Court against both the judgment relating to 2002, for which the tax claim amounts to EUR 41 thousand plus penalties of EUR 51 thousand, and the judgment relating to the tax claim concerning 2003, 2004 and 2005 (for which the tax claim totals EUR 217 thousand plus penalties of EUR 272 thousand and interest). In relation to these appeals before the Supreme Court, no discussion hearings have been set yet at the Offer Document Date.

Cairo Communication has filed an appeal also for the 2006 financial year; the discussion hearing was held on 23 May 2014 and by judgment filed on 31 March 2015, the Provincial Tax Commission of Milan has accepted the appeal with favourable judgment. The Revenue Agency filed an appeal with the Regional Tax Commission of Milan (for 2006, the tax claim amounts to EUR 63 thousand plus penalties of EUR 79 thousand and interest). The hearing was set for 11 July 2016.

In relation to the tax claim contained in the aforementioned deeds, the directors, having obtained also the opinion of its tax advisors, believe that there are substantiated reasons in fact and in law to oppose the negative findings.

In the context of a tax verification for corporate income tax (IRES) purposes against Cairo Communication, in the report of verification, the Finance Police has raised a number of negative findings for 2010 and 2011 concerning the non-deductibility of certain losses on receivables, which were then incorporated in the verification notices received and against which an appeal was filed in December 2015 as regards 2010 (for which the tax claim amounts to EUR 37 thousand, plus penalties for the same amount) and an appeal/complaint as regards 2011 (for which the tax claim amounts to EUR 18 thousand, plus penalties of 18 thousand). In relation to the complaint, the agency has proposed the reduction of the penalties alone. Considering this proposal as unacceptable, Cairo Communication promptly filed an appeal.

The Provincial Tax Commission of Milan, in the hearing held on 18 October 2010, accepted the appeal of Cairo Editore in relation to a verification notice for the 2004 tax year. The Revenue Agency filed an appeal with the Regional Tax Commission of Milan against that judgment. At its hearing held on 25 May 2013, the Regional Tax Commission of Milan rejected the Agency's appeal. On 16 June 2014, the

Agency filed an appeal with the Supreme Court and on 25 July 2014, Cairo Editore served notice of its defence on the counterparty. No discussion hearings have been set yet at the Offer Document Date.

B.1.18 Account of the operating and financial situation

B.1.18.a. Reclassified consolidated income statement

A summary of the Cairo Communication Group's reclassified consolidated income statement at 31 December 2015, at 31 December 2014 and at 31 December 2013 is reported below.

RECLASSIFIED INCOME STATEMENT *(EUR/000)*	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2013
Gross operating revenue	250,603	266,014	276,704
Agency discounts	(24,021)	(25,748)	(27,190)
Net operating revenue	**226,582**	**240,266**	**249,514**
Change in inventories	33	(28)	(61)
Other revenue and income	9,403	11,627	7,985
Total revenue	**236,018**	**251,865**	**257,438**
Production costs	(157,505)	(163,048)	(183,880)
Personnel costs	(60,955)	(60,634)	(48,789)
EBITDA	**17,557**	**28,183**	**24,768**
Amortisation, provisions and impairment of receivables	(8,217)	(5,221)	(5,606)
EBIT	**9,340**	**22,962**	**19,162**
Financial transactions	692	1,829	2,901
Equity investment profit or loss	0	(2)	699
Non-recurring income associated with the acquisition of La7	0	0	57,066
Profit before taxes	**10,032**	**24,789**	**79,828**
Income tax	1,040	(973)	(5,620)
Minority interests' stake	(18)	(24)	(8)
Net profit or loss attributable to the Group from continuing operations	**11,054**	**23,792**	**74,200**
Net profit or loss attributable to the Group from discontinued operations	(1)	(1)	(6)
Net profit or loss attributable to the Group	**11,053**	**23,791**	**74,194**

Main factors determining the performance of revenues

According to data from AC Nielsen, advertising investments in Italy in 2015 amounted to approximately EUR 6.3 billion, a 0.5% decrease compared to 2014, in which a decrease of 0.9% compared to 2013 had been recorded. The analysis using the Nielsen data shows that the magazine advertising market in 2015 dropped by 4.1% compared to 2014, in which a drop of 6.4% compared to 2013 had been recorded, whereas the television advertising market essentially confirmed (0.7%) the 2014 figures.

In the three-year period 2015-2013, the Italian advertising market recorded a CAGR of -0.7%([70]).

In the three-year period 2013-2015, the average newsstand circulation of weeklies dropped with a CAGR of -9.2% and the average newsstand circulation of monthlies dropped with a CAGR of -17.6%([71]).

The make-up of the gross operating revenue in the three-year period 2015-2013, broken down by main business segments (magazine publishing, advertising, television publishing, network operator and Il Trovatore) can be analysed as follows.

Gross operating revenue 2015 (Figures in EUR/thousand)	**Magazine publishing**	**Advertising**	**Television publishing (La7)**	**Il Trovatore**	**Network operator (Cairo Network)**	**Infra-group eliminations and non-allocated**	**Totals**
Sale of publications	72,557	-	-	-	-	-	72,557
Print media advertising	20,106	26,675	-	-	-	-19,865	26,916
TV advertising	-	137,427	98,706	-	-	-94,284	141,849
Stadium signage	-	3,057	-	-	-	-	3,057
Internet advertising	-	828	971	552	-	-1,021	1,330
Revenue from concession of advertising spaces in the programming schedule	-	-	1,200	-	-	-	1,200
Other TV-related revenue	-	-	1,221	-	-	-	1,221
Subscriptions	2,831	-	-	-	-	-	2,831
Books and catalogues	971	-	-	-	-	-	971
Other revenue	4	601	-	341	-	-843	103
VAT paid by publisher	-1,432	-	-	-	-	-	-1,432
Total gross operating revenue	**95,037**	**168,588**	**102,098**	**893**	**-**	**-116,013**	**250,603**

Gross operating revenue 2014 (Figures in EUR/thousand)	**Magazine publishing**	**Advertising**	**Television publishing (La7)**	**Il Trovatore**	**Network operator (Cairo Network)**	**Infra-group eliminations and non-allocated**	**Totals**
Sale of publications	73,400	-	-	-	-	-	73,400
Print media advertising	20,931	27,687	-	-	-	-20,641	27,977
TV advertising	-	149,636	106,991	-	-	-101,412	155,215
Stadium signage	-	2,537	-	-	-	-	2,537
Internet advertising	-	870	759	494	-	-878	1,245
Revenue from concession of advertising spaces in the programming schedule	-	-	982	-	-	-	982
Other TV-related revenue	-	-	2,181	-	-	-	2,181
Subscriptions	2,883	-	-	-	-	-	2,883
Books and catalogues	980	-	-	-	-	-	980
Other revenue	-	602	-	340	-	-842	100
VAT paid by publisher	-1,486	-	-	-	-	-	-1,486
Total gross operating revenue	**96,708**	**181,332**	**110,913**	**834**	**-**	**-123,773**	**266,014**

([70]) Source: Nielsen.

([71]) Source: ADS. Average newsstand circulation means the average number of copies sold at Italian newsstands.

Gross operating revenue 2013 (Figures in EUR/thousand)	Magazine publishing	Advertising	Television publishing (La7)	Il Trovatore	Network operator (Cairo Network)	Infra-group eliminations and non-allocated	Totals
Sale of publications	74,791	-	-	-	-	-	74,791
Print media advertising	21,768	28,975	-	-	-	-21,514	29,229
TV advertising	-	159,194	73,227	-	-	-69,208	163,213
Stadium signage	-	2,536	-	-	-	-	2,536
Internet advertising	-	396	427	143	-		966
Revenue from concession of advertising spaces in the programming schedule	-	-	1,295	-	-	-	1,295
Other TV-related revenue	-	-	2,070	-	-	-	2,070
Subscriptions	2,992	-	-	-	-	-	2,992
Books and catalogues	910	-	-	-	-	-	910
Other revenue	-	580		342	-	-822	100
VAT paid by publisher	-1,398	-	-	-	-	-	-1,398
Total gross operating revenue	**99,063**	**191,681**	**77,019**	**485**	**-**	**-91,544**	**276,704**

(*) The figures shown for the "Television publishing" segment refer to the eight-month period from 1 May 2013 to 31 December 2013.

The main results for the three-year period 2015-2013 at the level of the individual main segments (magazine publishing, advertising, television publishing, network operator and Il Trovatore) can be analysed as follows.

2015 (Figures in EUR/thousand)	Magazine Publishing	Adver-tising	TV publishing La7	Il Trovatore	Network operator (Cairo Network)	Infra-Group and non-allocated	Total
Gross operating revenue	95,037	168,588	102,098	893	-	(116,013)	250,603
Agency discounts	-	(24,021)	-	-	-	-	(24,021)
Net operating revenue	**95,037**	**144,567**	**102,098**	**893**	**-**	**(116,013)**	**226,582**
Change in inventories	33	-	-	-	-	-	33
Other income	1,803	1,151	6,349	2	98	-	9,403
Total revenue	**96,873**	**145,718**	**108,447**	**895**	**98**	**(116,013)**	**236,018**
Gross operating margin	**14,618**	**1,335**	**1,572**	**134**	**(102)**	**-**	**17,557**
Amortisation, provisions and impairment	(1,139)	(632)	(6,445)	-	(1)	-	(8,217)
EBIT	**13,479**	**703**	**(4,873)**	**134**	**(103)**	**-**	**9,340**

2014 (Figures in EUR/thousand)	Magazine Publishing	Adver-tising	TV publishing La7	Il Trovatore	Network operator (Cairo Network)	Infra-Group and non-allocated	Total
Gross operating revenue	96,708	181,332	110,913	834	-	(123,773)	266,014
Agency discounts	-	(25,748)	-	-	-	-	(25,748)
Net operating revenue	**96,708**	**155,584**	**110,913**	**834**	**-**	**(123,773)**	**240,266**
Change in inventories	(28)	-	-	-	-	-	(28)
Other income	1,321	919	9,323	62	2	-	11,627
Total revenue	**98,001**	**156,503**	**120,236**	**896**	**2**	**(123,773)**	**251,865**
Gross operating margin	**13,783**	**5,226**	**8,999**	**181**	**(6)**	**-**	**28,183**
Amortisation, provisions and impairment	(1,261)	(1,181)	(2,778)	-	(1)	-	(5,221)
EBIT	**12,522**	**4,045**	**6,221**	**181**	**(7)**	-	**22,962**

2013 (Figures in EUR/thousand)	Magazine Publishing	Adver-tising	TV publishing La7 (*)		Il Trovatore	Network operator (Cairo Network)	Infra-Group and non-allocated	Total
			Current operations	Non-recurring items				
Gross operating revenue	99,063	191,681	77,019	-	485	-	(91,544)	276,704
Agency discounts	-	(27,190)	-	-	-	-	-	(27,190)
Net operating revenue	**99,063**	**164,491**	**77,019**	**-**	**485**	**-**	**(91,544)**	**249,514**
Change in inventories	(61)	-	-	-	-	-	-	(61)
Other income	2,381	5,539	2,391	-	1	-	(2,327)	7,985
Total revenue	**101,383**	**170,030**	**79,410**	**-**	**486**	**-**	**(93,871)**	**257,438**
Gross operating margin	**12,399**	**10,563**	**3,659**	**(1,917)**	**65**	**-**	**-**	**24,768**
Amortisation, provisions and impairment	(1,323)	(2,585)	(1,698)	-	-	-	-	(5,606)
EBIT	**11,076**	**7,978**	**1,961**	**(1,917)**	**65**	-	-	**19,162**

Main changes 2015 vs 2014

In 2015, although operating in a general economic context and in the specific framework of the relevant markets (advertising and publishing) still characterised by strong uncertainty and despite the drop recorded in advertising revenues also due to the market trend, the Cairo Communication Group:

- continued its growth strategy with the launch of new television weekly "*Nuovo TV*", on sale at newsstands as of 21 September, which posted average sales of about 142 thousand copies in the first 22 issues. Also in the light of the results achieved with "*Nuovo TV*", the fortnightly "*Nuovo e Nuovo TV Cucina*" was launched on 26 January 2016;

- achieved improved results in the magazine publishing segment which, despite incurring total costs of EUR 1.4 million in September and October to launch the new weekly, realised EBITDA and EBIT up by approximately 6.1% and 7.7%, respectively, compared to 2014), confirming the high circulation levels of the published magazines, and it pursued its efforts to improve the levels of efficiency achieved in cost containment (production, publishing and distribution);

- continued its efforts - in a persistently weak advertising market - to consolidate the results of the cost rationalisation and reduction measures for the television publishing segment (La7) implemented in 2013 and 2014, obtaining also in 2015 positive EBITDA amounting to approximately EUR 1.6 million.

In 2015, the consolidated gross revenues (inclusive of Other income) amounted to approximately EUR 260 million (EUR 277.6 million in 2014). The consolidated EBITDA and EBIT amounted to

EUR 17.6 million and EUR 9.3 million, respectively (EUR 28.2 million and EUR 23 million, respectively, in 2014). The net profit attributable to the Cairo Communication Group amounted to approximately EUR 11.1 million (EUR 23.8 million in 2014).

With reference to the Cairo Communication Group's segments:

- as regards the magazine publishing segment, EBITDA and EBIT amounted to EUR 14.6 million and EUR 13.5 million, respectively, in 2015 (EUR 13.8 million and EUR 12.5 million, respectively, in 2014). The circulation results were confirmed in the financial year under review (EUR 72.6 million compared to EUR 73.4 million in 2014). Total costs of approximately EUR 1.4 million were incurred in September and October 2015 for the launch of "*Nuovo TV*", which was supported by an advertising campaign that included newsstands. As regards weeklies, with an average of about 1.8 million copies sold in the twelve months from January to December 2015, the Cairo Communication Group confirmed its position as the leading publisher in terms of copies of weeklies sold at newsstands, with a market share of approximately 28.6%([72]). Considering also the average sales of the first 22 issues of "*Nuovo TV*", the total copies sold exceed 1.9 million;

- as regards the television publishing segment (LA7), the Cairo Communication Group continued its efforts to consolidate the results of the cost rationalisation and reduction measures implemented in 2014 and 2013, managing to achieve also in 2015 positive EBITDA of approximately EUR 1.6 million. EBIT were negative for approximately EUR 4.9 million and benefited in the consolidated financial statements from lower amortisation of EUR 9.2 million due to the effects of the impairment of tangible and intangible assets carried out in 2013 as part of the allocation of the purchase price for the equity investment in La7. In 2014, EBITDA and EBIT amounted to approximately EUR 9 million and EUR 6.2 million, respectively, and EBIT had benefited in the consolidated financial statements from lower amortisation of EUR 18.2 million;

- as regards the advertising segment, EBITDA and EBIT amounted to EUR 1.3 million and EUR 0.7 million, respectively (EUR 5.2 million and EUR 4 million, respectively, in 2014). In 2015, gross advertising revenues on the LA7 and La7d channels totalled EUR 140.1 million (EUR 152.9 million in 2014); in particular, thanks to the results achieved in December, gross advertising revenues in 4Q 2015 recorded a rising performance (approximately -3%) compared to the first nine months of the financial year (in excess of -10%).

Main changes 2014 vs 2013

In 2014, although operating in a general economic context and in the specific framework of the relevant markets (advertising and publishing) still characterised by strong uncertainty, the Cairo Communication Group:

- consolidated the results of the cost rationalisation measures for the television publishing segment (La7) implemented in the eight months of activity in 2013, managing to achieve also in 2014 positive EBITDA of approximately EUR 9 million, whereas in the twelve months from January to December 2013 (when in the first four months La7 was not yet included in the Cairo Communication Group's scope of consolidation), the loss to EBITDA was EUR 25.4 million;

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[72] Source: Accertamenti Diffusione Stampa. Average newsstand circulation means the average number of copies sold at Italian newsstands.

- consolidated the results of *"F", "Settimanale Nuovo"* and *"Settimanale Giallo*", confirmed the circulation levels of the other titles published and pursued its efforts to improve the levels of efficiency achieved in cost containment (production, publishing and distribution) in the magazine publishing segment;

- maintained the level of advertising revenues, taking into account the general market trend;

- achieved EBITDA and EBIT in the magazine publishing segment up 11.2% and 13.1% compared to 2013, reaching EUR 13.8 million and EUR 12.5 million;

- participated with the subsidiary company Cairo Network in the procedure called by the Ministry of Economic Development for the assignment of the rights of use of television band frequencies for digital terrestrial broadcasting systems, presenting its binding offer and winning the rights of use - for a term of 20 years - of a batch of frequencies ("*Mux*").

To gain a better understanding of the figures presented for comparative purposes, please recall that the income statement of 2013 included the results of La7, which entered the Cairo Communication Group's scope of consolidation as of 1 May 2013, i.e. only for the eight months from May to December 2013.

In 2014, the consolidated gross revenues (inclusive of Other income) amounted to approximately EUR 277.6 million (EUR 284.7 million in 2013). The consolidation of La7 for all twelve months (versus the eight months from May to December 2013 included in the previous financial year) did not result in a significant change in revenues, since more than 90% of the revenues of La7 is attributable to advertising sales made by Cairo Communication by virtue of the advertising concession contract already in force before the acquisition. The consolidated EBITDA and EBIT amounted to approximately EUR 28.2 million and EUR 23 million, up 5.6% and 8.9% compared to the same results of current operations in 2013 (EUR 26.7 million and EUR 21.1 million, respectively). The consolidated net profit, amounting to approximately EUR 23.8 million, rose sharply by approximately 24.9% compared to the figure of current operations in 2013 (EUR 19 million). In 2013, the net profit (EUR 74.2 million) included EUR 55.1 million net as non-recurring income and expenses associated with the acquisition of La7. In particular:

- as regards the television publishing segment (LA7), the Cairo Communication Group pursued the consolidation of the results of the cost rationalisation and reduction measures implemented in 2013. EBITDA and EBIT amounted to approximately EUR 9 million and EUR 6.2 million, respectively. At 31 December 2014, the net financial position of La7 amount to EUR 106.5 million, and the change compared to 31 December 2013 (EUR 115.8 million) is mainly attributable to fluctuations in the net working capital and to investments for the acquisition of TV rights. EBIT benefited in the consolidated financial statements from lower amortisation of EUR 18.2 million due to the effects of the impairment of tangible and intangible assets carried out in 2013 as part of the allocation of the purchase price for the equity investment. In the twelve months from January to December 2013 (when La7 was not yet included for the entire period in the Cairo Communication Group's scope of consolidation), the loss to EBITDA was approximately EUR 25.4 million. In 2014. The La7 channel had an average all-day share of 3.25% and a prime time (i.e. from 8:30 PM to 11:30 PM) share of 3.84%, with a high-quality target audience. The share of La7*d* was confirmed at 0.5%([73]);

([73]) Source: Auditel.

- as regards the magazine publishing segment, EBITDA and EBIT amounted to EUR 13.8 million and EUR 12.5 million, up 11.2% and 13.1 % compared to the corresponding results of 2013 (EUR 12.4 million and EUR 11.1 million, respectively). The circulation results were confirmed in the financial year under review, with revenues of EUR 73.4 million (EUR 74.8 million in 2013). As regards weeklies, with an average of about 1.8 million copies sold in the twelve months from January to December 2014, the Cairo Communication Group confirmed its position as the leading publisher in terms of copies of weeklies sold at newsstands, with a market share exceeding 27% ([74]);

- as regards the advertising segment, EBITDA and EBIT amounted to EUR 5.2 million and EUR 4 million, respectively (EUR 10.6 million and EUR 8 million, respectively, in 2013). In 2014, gross advertising revenues on the LA7 and La7*d* channels totalled EUR 152.9 million (EUR 157.5 million in 2013).

In 2013, although operating in a general economic context and in the specific framework of the relevant markets (advertising and publishing) characterised by strong uncertainty, the Cairo Communication Group:

- continued its growth strategy with the launch of "*Settimanale Giallo*", on sale at newsstands as of 11 April with good circulation results;

- consolidated the results of "*Settimanale Nuovo*" and "*F*" launched in 2012;

- pursued its efforts to improve the levels of efficiency achieved in containing the production, publishing and distribution costs;

- achieved positive results in its traditional segments, despite the drop in advertising revenues resulting from the relevant market trend;

- completed the acquisition of La7 and started operating also as television (La7, La7*d*) and Internet (La7.it, La7.tv, TG.La7.it) publisher.

The acquisition of La7 was finalised on 30 April 2013. The economic situation of La7 entailed the need to implement a restructuring plan aimed at reorganising and streamlining the corporate structure and at reducing costs, while preserving the high quality of the programming schedule. Under the agreements, the seller undertook to contribute to the realisation of this project, with Telecom Italia Media's commitment to ensure that at the transaction finalisation date, the net financial position, the net working capital and the shareholders' equity would amount at least to certain agreed thresholds.

In the 2013 financial year, the consolidated gross revenues amounted to approximately EUR 276.7 million. EBITDA and EBIT amounted to EUR 24.8 million and EUR 19.2 million, respectively. The net profit attributable to the Cairo Communication Group amounted to approximately EUR 74.2 million.

Considering the Cairo Communication Group's entire perimeter, and therefore the results of eight months from May to December of the television publishing segment (LA7), the consolidated gross revenues in the 2013 financial year amounted to approximately EUR 284.7 million, slightly over the EUR 276.7 million on a like-to-like basis since more than 90% of the revenues of La7 is attributable to

[74] Source: ADS. Average newsstand circulation means the average number of copies sold at Italian newsstands.

the advertising concession contract already in place with Cairo Communication. With reference to the current operations alone, EBITDA and EBIT amounted to EUR 26.7 million and EUR 21.1 million, respectively. The net profit attributable to the Cairo Communication Group amounted to approximately EUR 19 million. In particular:

- as regards the television publishing segment, starting in May, the Cairo Communication Group started to implement its restructuring plan of La7 with the goal of containing losses and pursuing its turnaround already in 2013. In terms of current operations, in the eight months from May to December 2013, EBITDA and EBIT of the television publishing segment (La7) amounted to approximately EUR 3.7 million and EUR 2 million, respectively. EBIT benefited in the consolidated financial statements from lower amortisation of EUR 16.5 million due to the effects of the impairment of tangible and intangible assets carried out as part of the allocation of the purchase price for the equity investment; net of these effects, EBIT would have been negative for EUR 14.5 million. In the nine months from April to December 2012, net of impairment of goodwill and non-current assets, the loss to EBITDA and to EBIT amounted to approximately EUR 50.5 million and approximately EUR 73.3 million, respectively([75]).

  In 2013, La7's day share (7:00 AM to 2:00 AM) grew by 11.3% and its prime time share (8:30 PM to 11:30 PM) by 23.2% (3.85% average day share and 4.83% average prime time share), with a high-quality target audience. La7d's audience share grew by 24.4% reaching 0.51%([76]);

- as regards the magazine publishing segment, EBITDA and EBIT amounted to EUR 12.4 million and EUR 11.1 million. As regards weeklies, with an average of about 1.9 million copies sold per week in 2013, the Cairo Communication Group confirmed its position as the leading publisher in terms of copies of weeklies sold at newsstands, with a market share of approximately 26% ([77]). In 2013, "*Settimanale Giallo*" recorded average sales of approximately 143 thousand copies. Total costs of approximately EUR 1 million were incurred for the launch, which was supported by an advertising campaign that included newsstands.

- as regards the advertising segment, EBITDA and EBIT amounted to EUR 10.6 million and EUR 8 million, respectively.

Including the "non-recurring income and expenses associated with the acquisition of La7", the Cairo Communication Group's EBITDA and EBIT amounted to EUR 24.8 million and EUR 19.2 million, respectively. The net profit attributable to the Cairo Communication Group amounted to approximately EUR 74.2 million, mainly due to the "non-recurring income associated with the acquisition of La7" of EUR 57.1 million, recorded in accordance with IFRS 3 by applying the so-called acquisition method, which refers to the difference between the fair value of the assets acquired and the liabilities assumed at the acquisition date and the acquisition price paid, and finds its main economic reason in future operating losses that may be recorded before the plan restructuring is completed.

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(75) Source: Estimated figure based on the segment reporting obtained from the interim management report at 31 March 2012 and the the 2012 Annual Financial Report of Telecom Italia Media S.p.A that are available on the websites of Borsa Italiana and Telecom Italia Media.

(76) Source: Auditel.

(77) Source: ADS. Average newsstand circulation means the average number of copies sold at Italian newsstands.

B.1.18.b. Consolidated balance sheet

A summary of the Cairo Communication Group's consolidated balance sheet at 31 December 2015, at 31 December 2014 and at 31 December 2013 is reported below.

CONSOLIDATED BALANCE SHEET *(EUR/000)*	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2013
Property, plant and equipment	3,080	3,069	2,829
Intangible assets	60,917	56,871	12,986
Equity investments	62	62	72
Non-current financial assets	1,640	1,113	483
Deferred tax assets	4,186	3,983	4,589
Total non-current assets	**69,885**	**65,098**	**20,959**
Inventories	3,141	3,296	4,104
Trade receivables	78,539	79,957	90,065
Receivables due from parent companies	3,167	6,539	5,583
Sundry receivables and other current assets	5,297	8,430	8,369
Cash and other cash equivalents	125,776	149,061	172,915
Total current assets	**215,920**	**247,283**	**281,036**
Total assets	**285,805**	**312,381**	**301,995**
Capital	4,074	4,074	4,074
Share premium reserve	30,495	41,062	45,452
Earnings (losses) from previous financial years and other reserves	70,573	57,384	938
Profit for the period	11,054	23,791	74,194
Shareholders' equity attributable to the Group	**116,196**	**126,311**	**124,658**
Capital and reserves attributable to minority interests	**54**	**36**	**12**
Total shareholders' equity	**116,250**	**126,347**	**124,670**
Non-current financial payables and liabilities	15,000	20,000	–
Severance indemnity	13,315	13,398	11,832
Provisions for risks and charges	28,658	30,343	34,982
Total non-current liabilities	**56,973**	**63,741**	**46,814**
Current financial payables and liabilities	5,000	5,000	0
Trade payables	82,382	87,884	105,926
Payables to parent companies	818	156	11
Tax payables	3,560	5,487	3,752
Other current liabilities	20,822	23,766	20,822
Total current liabilities	**112,582**	**122,293**	**130,511**
Total liabilities	**169,555**	**186,034**	**177,325**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**285,805**	**312,381**	**301,995**
Total current liabilities	**112,582**	**122,293**	**130,511**
Total liabilities	**169,555**	**186,034**	**177,325**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**285,805**	**312,381**	**301,995**

<u>*Main changes 2015 vs 2014 and 2014 vs 2013*</u>

The most significant changes can be summarised as follows:

- the increase in intangible assets at 31 December 2015, compared to 31 December 2014, relates mainly to the net increase of the "TV rights" following the investments made by La7 in multi-year rights (lasting more than 12 months) to broadcast movies, series and TV films and in part to the investment in progress for the network plan relating to the *Mux* 2-SFN;

- the change in intangible assets at 31 December 2014, compared to 31 December 2013, is mainly attributable to the acquisition, as part of the procedure called by the Ministry of Economic Development for the assignment of the rights of use of television band frequencies for digital terrestrial broadcasting systems (EUR 31.6 million plus accessory charges);

- the change in non-current financial payables and liabilities at 31 December 2015 and at 31 December 2014 relates to the non-current portion of a bank loan totalling EUR 25 million, granted in 2014 by Unicredit S.p.A. and used by the company Cairo Network to pay the rights of use of the television frequencies.

The Cairo Communication Group's economic and financial situation, on a stand-alone basis, is analysed in the following table, through the main balance sheet ratios.

(figures in EUR/thousand)	Description	31/12/2015	31/12/2014	31/12/2014
Solvency indicators				
Availability margin	Current assets - Current liabilities	103,338	124,990	150,525
Availability ratio	Current assets /Current liabilities	1.92	2.02	2.15
Treasury margin	(Deferred+immediate liquidity)-Current liabilities	100,197	121,694	146,421
Cash ratio	(Deferred+immediate liquidity)/Current liabilities	1.89	2.00	2.12
Financing indicators of fixed assets				
Equity less fixed assets margin	Equity – fixed assets	46,365	61,249	103,711
Equity less fixed assets ratio	Equity/fixed assets	1.7	1.9	5.9
Equity plus Consolidated Liabilities less fixed assets margin	(Equity+ Consolidated Liabilities) – fixed assets	88,338	104,990	150,525
Equity plus Consolidated Liabilities less fixed assets ratio	(Equity+ Consolidated Liabilities)/fixed assets	2.3	2.6	8.2
Indicators on the financing structure				
Total debt ratio	(Consolidated + current liabilities)/Equity	1.5	1.5	1.4
Financial debt ratio	Financing liabilities/Equity	0.2	0.2	
Net Operating Working Capital	Financing liabilities/Equity	(17,438)	(19,071)	(22,390)
Profitability indicators				
ROE	Net income/Equity	9.50%	18.80%	59.50%
ROE current operations*	Net income current operations/Equity	9.50%	18.80%	15.30%
ROI	(Gain from investment – cost of investment)/cost of investment	5.20%	11.80%	11.20%
ROI current operations	(Gain from investment – cost of investment)/cost of investment	5.20%	11.80%	11.20%
Other indicators	(Operating capital invested – Operating liabilities)			
Turnover rate of receivables		105	101	110

* For 2013, net of non-recurring income and charges associated with the acquisition of La7.

In this case, the indicators as a whole show that there are no risks linked to the balance of the composition of the balance sheet assets and liabilities.

The consolidated net financial position at 31 December 2015, 2014 and 2013 is summarised in the following table:

(Figures in EUR/thousand)	31/12/2015	31/12/2014	31/12/2013
Cash and other cash equivalents	125,776	149,061	172,915
Bank loans	(20,000)	(25,000)	-
Total	**105,776**	**124,061**	**172,915**

B.1.19 Working Capital Statement

In accordance with Regulation (EC) No. 809/2004, and based on the definition of working capital set out in ESMA Recommendation 319/2013, at the Offer Document Date, the Cairo Communication Group has sufficient working capital to meet its current needs for a period of at least 12 months following the Offer Document Date.

If the Offer is successfully completed, Cairo Communication will acquire control over RCS and, therefore, the RCS Group will become part of Cairo Communication's scope of consolidation.

The Post-Offer Cairo Communication Group's net borrowing requirements for the 12 months following the Offer Document Date can be estimated as the sum of the Cairo Communication Group's net borrowing requirements and the RCS Group's net borrowing requirements, determined by taking into account the effects of the fulfilment of the provisions of the Financial Condition or of the circumstances referred to in point (1) of Paragraph A.1.1 (b), Warnings Section, of the Offer Document, as they determine the highest absorption of financial resources bearing on the Post-Offer Cairo Communication Group in that time span.

With regard to the Cairo Communication Group, based on the figures contained in the interim management report as at 31 March 2016, approved on 4 May 2016 and not audited, the net working capital, defined as the difference between current assets and liabilities, amounts to EUR 103.1 million. On the Offer Document Date, the net working capital does not differ from that as at 31 March 2016, except for the dividend distribution resolved by the Shareholders' Meeting of Cairo Communication of 27 April 2016, amounting to EUR 15.7 million. For the 12 months following the Offer Document Date, the main items of the net borrowing requirements relate to the implementation of investments for a total of EUR 12.5 million and to the repayment of loans for EUR 5 million. However, it is expected that continuing operations will produce a positive cash flow that will sufficiently cover at least these borrowing requirements.

With regard to the RCS Group's net working capital trend and estimated net borrowing requirements, the Cairo Communication Group has made certain assumptions based solely on information publicly disclosed by RCS, as the Group was unable to carry out any due diligence activity.

Based on the figures reported in the RCS Group's interim management report as at 31 March 2016, approved on 11 May 2016 and not audited, the RCS Group's net working capital, defined as the difference between current assets and liabilities, was estimated as having a deficit of at least EUR 480.3 million.

The item provisions for short-term risks and charges (RCS' interim management report as at 31 March 2016 does not report the breakdown of the provisions for risks and charges into non-current portion and current portion, which as at 31 December 2015 amounted to EUR 40.5 million) were not considered because, based on publicly available information, it is assumed that these charges are included in the net cash flows shown in the 2016–2018 Plan. In the press release issued on 22 March 2016, at the time of approval of the 2015 financial statements, the RCS directors state, among other things, that "*in the year, provisions for non-recurring charges were set aside for EUR 55.4 million, the financial impacts of which are in line with the outlays for a total of EUR 70/80 million over the next three years, as announced in the 2016-2018 Business Plan*". The 2016–2018 Plan specifies that the cash outflows for these non-recurring charges are included in the expected net cash flows. Furthermore, it is also noted that, as RCS itself states in the paragraph "*Supplementary information at the request of CONSOB pursuant to Article 114, paragraph 5, of Legislative Decree 58/1998 of 27 May 2013*", these items have no contractual expiry.

Based on forecasts made public by the RCS directors, in the 12 months following the Offer Document Date, the net borrowing requirements are not expected to rise with respect to the working capital deficit indicated above. More specifically, on 21 December 2015, the RCS Group presented the 2016–2018 Plan to the market, which:

- for 2016, envisages a reduction in net debt of approximately EUR 100 million as a result of an essentially break-even "net cash flow" and of cash flows arising from the "disposal net impact" of assets for approximately EUR 100 million (attributable to the sale of RCS Libri S.p.A.); and

- for 2017, envisages a further reduction in net debt of approximately EUR 40 million as a result of a positive "net cash flow" of approximately EUR 25/30 million and for the remainder attributable to the "disposal net impact" of assets.

The information made public by RCS for the 2016–2018 Plan does not provide any detailed indication of the breakdown of the borrowing requirements into operational management, investment management and financial management.

In 2016, most recently in the interim management report as at 31 March 2016, RCS confirmed the first-year objectives of the 2016–2018 Plan.

In the interim management report as at 31 March 2016, the RCS directors state that "*[...] the Company and the Lending Banks have continued these contacts and held numerous meetings to renegotiate the terms and conditions of the Loan Agreement. In this context, the lawyers of the parties have agreed on a Term Sheet that updates the main terms and conditions of the existing Loan Agreement, generally in favour of the Company, and consistent with the relative provisions of the Plan*". On 18 May 2016, RCS disclosed the Terms and Conditions of the Refinancing, described in Paragraph A.1.1 (b), Warnings Section, of the Offer Document.

In order to determine RCS' borrowing requirements referred to in this paragraph, we have assumed the occurrence of the circumstance that, in terms of borrowing requirements, is the most onerous of the Financial Conditions and of the circumstances set out in points (1), (2) and (3) of Paragraph A.1.1 (b) of the Warnings Section of this Offer Document. This circumstance was identified in the Financial Condition and in the circumstance set out in point (1) of Paragraph A.1.1 (b), Warnings Section, of the Offer Document as, although these circumstances do not require the reimbursement of any amount due by RCS as principal under the loans until, respectively, the approval date of the financial statements for the financial year closing on 31 December 2017 and for at least 12 months from the Offer finalisation date, both set out that, in the 12 months following the Offer finalisation date, RCS may make early repayment by using the net amounts collected as the consideration for the sale of RCS Libri S.p.A. As can be seen from the press release "*RCS MediaGroup's Board of Directors - The results as at 31 March 2016 are approved*" of 11 May 2016, in order to determine the effects of Financial Condition, the net amounts collected from the sale of RCS Libri S.p.A. have been estimated at EUR 98 million (equal to the difference between the price collected of EUR 127.1 million and the net financial position of the "books area" as at 31 March 2016, which was positive for EUR 29.1 million).

With regard to the circumstances referred to in points (2) and (3) of Paragraph A.1.1(b), Warnings Section, of the Offer Document, both these circumstances refer, for a period of at least 12 months from the Offer finalisation date, to the Terms and Conditions of the RCS Refinancing, which provide for the full reimbursement of credit line A, referred to in the loan agreement of 14 June 2013, for a total amount of EUR 71.6 million, by using part of the net proceeds collected by the Company as a result of the sale of RCS Libri S.p.A. and the payment of a EUR 10 million instalment maturing on 31 March 2017, for a total requirement of EUR 81.6 million. The difference between the amount estimated as the net proceeds from the sale of RCS Libri S.p.A. (EUR 98 million as assumed above) and the requirement provided for in the Terms and Conditions of the RCS Refinancing (EUR 81.6 million) is therefore positive for EUR 16.4 million. The circumstances referred to in points (2) and (3) of Paragraph A.1.1(b), Warnings Section, of the Offer Document set out, for at least 12 months from the Offer finalisation date, terms and conditions that are individually not pejorative compared to the corresponding individual Terms and Conditions of the RCS Refinancing.

In view of the above, the following table provides an analysis of the Post-Offer Cairo Communication Group's net borrowing requirements, based on the figures as at 31 March 2016 of the Cairo Communication Group and of the RCS Group reported in their respective non-audited interim management reports, and of the Post-Offer Cairo Communication Group's borrowing requirements for the 12 months following the Offer Document Date.

(EUR/million)	**Cairo Communication Group as at 31 March 2016**	**RCS Group as at 31 March 2016**	**Aggregate as at 31 March 2016**	**Adjustments**	**Post-Offer Consolidated as at 31 March 2016**
Historical net working capital (current assets less current liabilities, excluding financial assets and liabilities)	(19.2)	(76.8)	(96.0)	-	(96.0)
Historical net working capital assets (liabilities) held for sale or discontinued operations	-	81.4	81.4	-	81.4
Current Financial position/(Financial debt)	122.3	(514.0)	(391.7)	306.9	(84.8)
Financial position (Financial debt) of assets held for sale	-	29.1	29.1	-	29.1
Dividend distributed on 11 May 2016	(15.7)				(15.7)
Difference between historical current assets and liabilities	**87.4**	**(480.3)**	**(392.9)**	**306.9**	**(86.0)**
Borrowing requirements 12 months after Offer Document Date	-	-	-	-	-
Total estimated requirements 12 months after Offer Document Date	**87.4**	**(480.3)**	**(392.9)**	**306.9**	**(86.0)**

Structurally, the Cairo Communication Group has a negative net working capital (current assets minus current liabilities, excluding financial assets and liabilities), which as at 31 March 2016 amounted to EUR 19.2 million, as part of the trade receivables (those deriving from the circulation revenues of the publishing segment) turns into cash more quickly than the average payment times of suppliers.

The adjustment shown in the table set out above reflects the effects of:

- the assumption that – in line with the provisions of the Financial Condition – the repayment of debt principle referred to in the loan agreement of 14 June 2013 (indicated in the interim management report as at 31 March 2016 as EUR 418.6 million) will be postponed until the approval of RCS' financial statements as at 31 December 2017, net of the partial early repayment through use of the net amounts collected as consideration for the sale of RCS Libri S.p.A. For the sole purpose of drawing up this table, this early repayment is assumed to be EUR 98 million, based on the indications given by RCS in the press release – "*RCS MediaGroup's Board of Directors - The results as at 31 March 2016 are approved*" – of 11 May 2016. As a result of this assumption, a net amount of EUR 320.6 million reclassified from the "current financial payables and liabilities" item to the "non-current financial payables and liabilities" item; and

- the assumption that, due to the effect of the consolidation of the RCS Group by Cairo Communication upon completion of the Offer, the financial covenants related to the Cairo Communication Group's non-current debt as at 31 March 2016 (EUR 13.7 million) would not be complied with in the 12 months following the finalisation of the Offer, entitling the lending bank to request the termination of the loan agreement. As a result of this assumption, an amount of EUR 13.7 million was reclassified from the "non-current financial payables and liabilities" item to the "current financial payables and liabilities" item.

If the Offer is finalised, the Post-Offer Cairo Communication Group's consolidated net working capital deficit for the 12 months following the Offer Document can be estimated as amounting to at least EUR 86 million.

If the Offer is finalised, upon completion of the estimate of the Post-Offer Cairo Communication Group's total net borrowing requirements, which will be carried out after performing the due diligence activity on the RCS Group, the Offeror intends to hedge these borrowing requirements by readjusting the payment terms with suppliers, by taking on new medium/long-term funding at group level to replace the short-term debt and, by potentially selling the Post-Offer Cairo Communication Group's non-core operations.

Lastly, it is noted that the estimates relating to the borrowing requirements of the Cairo Communication Group and the RCS Group are based on a set of assumptions of the occurrence of future events and circumstances, some of which cannot be controlled by the Cairo Communication Group, and of actions that RCS or the Cairo Communication Group believe they can undertake, including assumptions concerning future events and actions that may not necessarily occur, and that are subjective and uncertain, as well as carrying the risk that the assumed events and actions that determine them may not occur, or may occur to an extent and at times that differ from the related projections, whereas events may occur and/or actions be undertaken that cannot be predicted at the time these plans are prepared.

B.1.20 Equity and debt

The following tables show the composition of equity and debt of the Cairo Communication Group and the RCS Group at 31 December 2015 and 31 March 2016.

B.1.20.a. The Cairo Communication Group's equity and debt

Equity and debt **Cairo Communication Group** (EUR/million)	**31 December 2015**	**31 March 2016**
Current financial payables – portion due within 12 months (A)	5.0	5.0

Non-current financial payables – portion due after 12 months (A)	15.0	13.7
Cash and cash equivalents (C)	(125.8)	(127.3)
Total (Net Financial Position) Aggregate net financial debt (A+B+C)	**(105.8)**	**(108.6)**
Equity		
Share capital	4.1	4.1
Share premium reserve	30.5	30.5
Profits (losses) from previous financial years and other reserves, including profit or loss for the financial year	81.7	83.2
Group's shareholders' equity	116.3	117.8
Shareholders' equity attributable to Minority Interests	0.1	0.1
Total Equity (D)	**116.4**	**117.9**
Total Equity and Net Financial Debt (A+B+C+D)	**10.6**	**9.3**

The financial liabilities included in the Cairo Communication Group's net financial position, amounting to a residual total of EUR 18.7 million, refer to a bank loan granted to the subsidiary company Cairo Network secured by a guarantee issued by the Parent Company Cairo Communication.

The Shareholders' Meeting of Cairo Communication held on 27 April 2016 approved the distribution of a dividend of EUR 0.20 per share, gross of statutory withholding taxes, with coupon detachment date on May 9, 2016. As of 31 March 2016, the amount for this purpose, totalling EUR 15.7 million, is still included in the capital reserves and in the net financial position.

B.1.20.b. *The RCS Group's equity and debt*

Equity and debt RCS MediaGroup (EUR/million)	**31 December 2015**	**31 March 2016**
Current financial payables – portion due within 12 months (A)	517.7	529.4
Non-current financial payables – portion due after 12 months (A)	26.6	24.2
Cash and cash equivalents (C)	(9.8)	(12.8)
Financial assets other than fixed assets (D)	(3.6)	(2.6)
Total (Net Financial Position) Net financial debt of continuing operations (A+B+C+D)	**530.9**	**538.2**
(Net financial position) Net financial debt of assets held for sale (E)	(44.2)	(29.1)
Total (Net Financial Position) Aggregate net financial debt (A+B+C+D+E)	**486.7**	**509.1**
Equity		
Share capital	475.1	475.1
Share premium reserve	110.4	110.4
Profits (losses) from previous financial years and other reserves, including profit or loss for the financial year	(485.5)	(510.4)
Group's shareholders' equity	100.0	75.1
Shareholders' equity attributable to Minority Interests	5.2	4.7
Total Equity (F)	**105.2**	**79.8**
Total Equity and Net Financial Debt (A+B+C+D+E+F)	**591.9**	**588.9**

The information disclosure on the RCS Group's secured financial debt is not provided because it is not available.

Please refer to Paragraph B.1.15 above, and in particular to the notes to the Pro Forma Consolidated Financial Prospectuses, for the examination of the composition of the debt resulting from the pro forma balance sheet at 31 December 2015.

B.1.21 Property, plant and equipment

The following table shows the net book value of the Cairo Communication Group's tangible fixed assets at 31 December 2015.

DESCRIPTION (EUR/THOUSAND)	BUILDINGS	PLANT AND MACHINERY	OTHER ASSETS	TOTAL
Consolidated net book value at 31 December 2013	1,324	195	1,310	2,829
Consolidated net book value at 31 December 2014	1,281	628	1,160	3,069
Consolidated net book value at 31 December 2015	1,240	649	1,191	3,080

At the Offer Document Date, there are no encumbrances on tangible fixed assets indicated above.

As regards the conduct of its business, the Cairo Communication Group has outsourced its production processes. Therefore, there are no environmental issues that may affect the use of the tangible fixed assets.

B.1.22 Intellectual property

B.1.22.a. Trademarks

The following table shows the characteristics of the main trademarks owned by the Cairo Communication Group companies.

TRADEMARK	COUNTRY	CLASSES	TRADEMARK SPECIMEN
AIRONE and figure	Italy	09, 16	Airone
AIRONE characters	Italy	12, 22, 25	Airone
EDITORIALE GIORGIO MONDADORI figure	Italy	16	EDITORIALE GIORGIO MONDADORI
NATURAL STYLE	Italy	16, 35	
SETTIMANALE DIPIU'	Italy	16, 35	
DIPIU' TV	Italy	16, 35	
DIPIÙ CUCINA	Italy	16, 35	

DIPIU' TV characters	Italy	16, 35	
DIPIU' CUCINA characters	Italy	16, 35	
FOR MEN MAGAZINE colour figure	Italy	16, 35	
NATURAL STYLE characters	Italy	16, 35	
SETTIMANALE DIPIU' characters	Italy	16, 35	
BELL'ITALIA characters	Canada	16	
DIVA E DONNA	Italy	16, 41	
DIPIU' TV STELLARE colour figure	Italy	16, 41	
DIPIU' TV STELLARE	Italy	16, 41	
BELL'EUROPA characters	Int. Agreement & Protocol	09, 16, 43	
BELL'ITALIA characters	Int. Agreement & Protocol	09, 16, 41	
BELL'ITALIA characters	Italy	09, 16, 41	
BELL'EUROPA characters	Italy	09, 16, 41	
TV MIA	Italy	16, 41	
SETTIMANALE TV MIA figure	Italy	16, 41	
EDITORIALE GIORGIO MONDADORI	European Union	09, 16, 41	
DIPIU' colour characters	Italy	16, 41	
SETTIMANALE NUOVO colour characters	European Union	16, 41	
SETTIMANALE NUOVO CAIRO EDITORE colour characters	European Union	16, 41	
F character	European Union	16, 41	
SETTIMANALE GIALLO	Italy	16, 41	
NUOVO TV	Italy	16, 41	
NUOVO TV colour figure	Italy	16, 41	
GARDENIA characters	Italy	01, 03, 05, 16, 20, 21, 24, 27, 31	

NUOVO E NUOVO TV CUCINA colour figure	Italy	16.41	
ENIGMISTICA Più figure	Italy	16.41	
OCCHIO figure only	Italy	09, 16, 35, 36, 38, 41, 42	
CAIRO COMMUNICATION and figure	Italy	09, 16, 35, 36, 38, 41, 42	
CAIRO PUBBLICITA' and figure	Italy	09, 16, 35, 36, 38, 41, 42	
CAIROTV and figure	Italy	09, 16, 35, 36, 38, 41, 42	
CAIROWEB and figure	Italy	09, 16, 35, 36, 38, 41, 42	
CAIRO	Italy	09, 16, 35, 36, 38, 41, 42	
M VIDEO VIDEOMUSIC figure	Italy	03, 18	
LA7 colour figure	European Union	09, 16, 18, 25, 35, 38, 41, 42	
LA7D figure	Italy	38, 42	
TG LA 7 2 colour figures	Italy	09, 16, 18, 25, 38, 41	
PIAZZAPULITA colour figure	European Union	09, 16, 35, 38, 41, 42	
ITALIALAND NUOVE ATTRAZIONI figure	Italy	09, 16, 35, 38, 41, 42	
8 1/2 colour figure	Italy	09, 16, 18, 25, 38, 41	

L'ARIA CHE TIRA NOI E L'ECONOMIA colour figure	European Union	09, 16, 35, 38, 41, 42	
20 ALLE 20 characters	Italy	09, 16, 35, 38, 41, 42	
La GABBIA	Italy	09, 16, 35, 38, 41, 42	
TAGADA	Italy	38, 41, 42	
COFFEE BREAK	Italy	09, 16, 35, 38, 41, 42	
OMNIBUS	Italy	09, 16, 18, 25, 38, 41	

B.1.22.b. *__Domain names__*

The Cairo Communication Group companies are holders of registered domain names, in the various extensions depending on the Countries of interest. The following list contains the most significant domain names registered by the Cairo Communication Group companies: (i) aironeonline.eu; (ii) belleuropa.com; (iii) belleuropa.it; (iv) bellitalia.it; (v) tgla7.com; (vi) settimanaledipiu.com; (viii) cairocommunication.com; (viii) iltrovatore.it; (ix) cairocommunication.it; (x) la7d.it; (xi) naturalstyle.it; (xii) cairoeditore.com; (xiii) la7.it; (xiv) cairoeditore.it; (xv) caironetwork.it; (xvi) cairopubblicita.com; (xvii) cairopublishing.eu; (xviii) cairosport.eu; (xix) cairoweb.eu; (xx) dipiusettimanale.com; (xxi) dipiutv.com; (xxii) divaedonna.eu; (xxiii) formenmagazine.it; (xxiii) gardenia.eu; (xxiv) giorgiomondadori.eu; (xxv) trovatore.it.

B.1.23 Information on expected trends

During 2016, the Cairo Communication Group, on a stand-alone basis, will continue:

- to pursue the development of its traditional business segments (magazine publishing and advertising sales), and as regards the publishing sector it will also proceed with the ongoing strategy to expand and enrich the product portfolio, aiming to seize the market segments with the greatest potential, with the launch the new publication "*Enigmistica Più*", a weekly of games and pastimes that marks the entry of Cairo Editore in the interesting and highly potential segment of puzzle and brainteaser games; for these segments, despite the economic and competitive environment, given the quality of its publications and of the media under concession, the Group considers feasible the goal of continuing to achieve positive operational results;

- to pursue its efforts to consolidate the results of the cost rationalisation and reduction measures for the television publishing segment implemented in 2013-2015 and to develop its activities in this segment, which is expected to achieve positive EBITDA also in 2016.

It is noted that the information set out above does not constitute an estimate of the result expected for the 2016 financial year of the Cairo Communication Group on a stand-alone basis, which could be influenced by additional factors such as, *inter alia*, the evolution of the general economic situation.

In April and May 2016, the television advertising sales on the La7 and La7d channels, the advertising sales on the publications of Cairo Editore (on a consistent number of issues), the circulation revenues and EBITDA (without considering the costs incurred for the launch of the new weekly "*Enigmistica Più*") are expected to be substantially in line with the corresponding period of 2015 and with the expectations. "*Enigmistica Più*", which was launched with the support of a major advertising campaign also in the points of sale, sold approximately 245 thousand copies in the first four issues.

B.1.24 Forecasts and estimates of profits

This Offer Document does not contain any forecasts or estimates of profits.

B.1.25 Major agreements

Except as described in the following paragraphs, in the two years preceding the Offer Document Date, no major agreements have been concluded other than those entered concluded in the ordinary course of business, having as parties the Offeror or members of the Cairo Communication Group, nor any agreements containing provisions under which any member of the Cairo Communication Group has an obligation or entitlement which is material to the Cairo Communication Group.

B.1.25.a. Loan agreement with Unicredit S.p.A.

Cairo Communication has issued to Unicredit S.p.A. a guarantee against the bank loan for an original amount of EUR 25 million (with a residual amount of EUR 18.7 million at 31 March 2016) paid out in July 2014 to the subsidiary company Cairo Network in relation to the transaction for the purchase of rights of use of the television frequencies.

The loan agreement contains certain financial covenants to be verified annually at the Cairo Communication Group level): the debt cover (i.e. the net financial debt/EBITDA ratio), which must be less than or equal to 1.75, and the leverage (i.e. the net financial debt/equity ratio), which must be less than or equal to 1.

The loan agreement also contains certain covenants of commitment that include, mainly, until the complete repayment of the loan and subject to the prior consent of Unicredit S.p.A., the commitment by Cairo Network: (i) not to distribute or resolve the distribution of dividends and/or reserves, (ii) not to take on new financial debt (not considering as such any loans received from shareholders and the new financial debt related to the factoring of receivables for working capital requirements or to the issue of new bank/insurance guarantees for ordinary business needs), (iii) not to grant guarantees to third parties in the interest of Cairo Communication Group companies or loans to Cairo Communication Group companies, (iv) not to dispose of corporate assets and/or equity investments, (v) not to carry out extraordinary corporate transactions, (vi) not to establish liens, pledges or mortgages, or allow the aforementioned to be established, on its assets.

The failure to meet the commitment and/or financial covenants could result in the termination of the loan agreement. At 31 December 2015, the covenants were met.

Furthermore, a provision is made for early repayment: (i) if there is a change of control over La7; and (ii) if Urbano Cairo ceases to hold, whether directly or indirectly, the controlling interest, pursuant to Article 2359 of the Civil Code, in Cairo Communication.

The failure to meet the commitment and/or financial covenants could result in the termination of the loan agreement. At 31 December 2015, the covenants are met. Should the offer be successful, the financial covenants contemplated by the said loan agreement, following the entry of the RCS Group in the Cairo Communication Group's scope of consolidation, would not be met in the 12 months following the finalisation of the Offer, entitling Unicredit S.p.A. to request the termination of the loan agreement and the early repayment of the residual debt.

B.1.25.b. *Agreement between Cairo Network and EI Towers S.p.A. concerning the realisation and subsequent multi-year technical management of the Mux*

In 2014, the subsidiary company Cairo Network participated in the procedure called by the Ministry of Economic Development for the assignment of the rights of use of television band frequencies for digital terrestrial broadcasting systems, presenting its binding offer and winning the rights of use - for a term of 20 years - of a batch of frequencies, the so-called Mux.

In January 2015, Cairo Network therefore entered into with EI Towers S.p.A. the agreements for the realisation and subsequent multi-year, full-service technical management (hosting, assistance and maintenance, use of the infrastructure transmission, etc.) of the MUX.

The agreements contemplate, *inter alia*:

(i) a transitional phase - during which the realisation, the commissioning and the first period of operation of the *Mux* will be implemented - that extends from the date of execution of the agreements until 31 December 2017, and a full operation phase of the *Mux* lasting 17 years (2018-2034);

(ii) the right of free withdrawal by Cairo Network as of 1 January 2025;

(iii) guaranteed coverage in the full operation phase of at least 94% of the national population, aligned to the highest-coverage national *mux*;

(iv) the payment of the following fees to EI Towers S.p.A.:

(a) for the transitional phase (2015-2017), a total amount of EUR 11.5 million for the full three-year term;
(b) for the full operation phase (as of 2018), a yearly amount of EUR 16.3 million.

These amounts include the fee for the provision of the transmitters;

(v) an annual cost for EI Towers S.p.A., payable to Cairo Network, as of 2018, ranging between EUR 0 and a maximum of EUR 4 million, if the available bandwidth on the Mux is not fully exploited by Cairo Network.

B.1.25.c. *Agreements with the main suppliers of the Cairo Communication Group*

The printing and packaging activities for the magazines published by the Cairo Communication Group are outsourced.

The main three suppliers of the Cairo Communication Group, with which Cairo Editore has concluded agreements that will expire on 31 December 2017, are listed below:

(i) Elcograf S.p.A., with an estimate of approximately 60% of the value of the printing and packaging activities;
(ii) Eurogravure S.p.A. and Nuovo Istituto Italiano d'Arti Grafiche S.p.A., with an estimate of approximately 24% of the value of the printing and packaging activities;

(iii) Rotolito Lombarda S.p.A., with an estimate of approximately 12% of the value of the printing and packaging activities.

Cairo Editore is also party to supply agreements with Arti Grafiche Boccia S.p.A. e Caleidograf S.r.l. for the printing and packaging of some monthly magazines.

B.1.25.d. *Distribution agreement between Cairo Editore and SO.DI.P S.p.A.*

The distribution activity for the Cairo Communication Group is awarded exclusively, with an agreement expiring on 31 December 2016, to SO.DI.P S.p.A. - Società di Diffusione Periodico "Angelo Patuzzi", a long-standing partner of Cairo Editore and before that of Editoriale Giorgio Mondadori S.p.A. since its founding.

SO.DI.P. S.p.A. operates in respect of Cairo Editore as national distributor that deals with the distributors at the local level, which, in turn, supply the more than 35 thousand([78]) points of sale (primarily newsstands). The national distributor, which operates according to the sale or return agreement scheme and in compliance with the provisions of the "*National Agreement on the sale of daily newspapers and magazines*" in force, is remunerated by Cairo Editore with a consideration consisting of a percentage of the cover price of the products distributed. The economic dealings are accounted for in monthly statements and SO.DI.P. S.p.A., which collects from the distribution network, is required to an advance amounting to a very significant percentage of the estimated sales of each magazine distributed.

B.1.25.e. *Agreement between La7 and Persidera S.p.A. (formerly Telecom Italia Media Broadcasting S.r.l.) for the supply of transmission capacity*

As part of the understandings reached for the acquisition of the entire capital of La7 - finalised in May 2013 - a multi-year agreement was entered into between La7 and Persidera S.p.A. for the supply of transmission capacity, which contemplates, *inter alia*, the issue by Cairo Communication of a parent company guarantee to secure the payment obligations assumed by said La7, for a maximum yearly amount of EUR 6.6 million (including VAT).

At the Offer Document Date, the transmission capacity used is 7.2 Mbit/s.

The contract runs until 31 December 2023, it being understood that, as of 1 January 2017, La7 will be entitled to withdraw, also partially, from the agreement for one or both channels, or for bandwidth blocks of at least 3 Mbit/s.

In view of the provision of the transmission services, the agreement requires La7 to pay Persidera S.p.A. a total yearly consideration calculated by multiplying the unit price per Mbit/s of EUR 1.8 million by the number of Mbit/s under contract.

B.1.26 Persons acting in concert with the Offeror in connection with the Offer

At the Offer Document Date, UTC and Roberto Urbano Cairo are to be considered as persons acting in concert with the Offeror pursuant to Article 101-*bis*, paragraph 4-*bis*, letter b), of the TUF, inasmuch as parties that control, directly or indirectly, the Offeror.

U.T. Belgium Holding S.A., *société anonyme* under Luxembourg law with its registered office in Brussels (Belgium), Avenue Louise 65/65, enterprise code 0471.666.755, is also to be considered as a person acting in concert with the Offeror pursuant to Article 101-*bis*, paragraph 4-*bis*, letter b), of the TUF, inasmuch as a company subject to common control with the Offeror.

([78]) Source: http://www.sodip.it/wp/media/la-rete.

B.2 The Issuer and the RCS Group

The information relating to RCS and to the RCS Group are drawn exclusively from the data made public by the Issuer and from other publicly available information at to the Offer Document Date. The documents relating to the Issuer can be found, *inter alia*, on the RCS Internet website (www.rcsmediagroup.it).

B.2.1 Name, legal form, registered office

The Issuer's company name is "Rizzoli Corriere della Sera MediaGroup S.p.A." or, in abbreviated form, "RCS MediaGroup S.p.A." or "RCS S.p.A." and it is incorporated as a public limited company.

RCS is a company under Italian law, with registered office in Milan at Via Angelo Rizzoli, Tax Code, VAT Number and Milan Companies Register enrolment number 12086540155.

The RCS Shares are listed on the MTA since 2014.

B.2.2 Incorporation, corporate form and duration

RCS was incorporated by a notarial deed of 3 March 1997 executed by the Notary Piergaetano Marchetti.

The duration of RCS is set until 31 December 2061.

B.2.3 Governing law and choice of court

RCS is a public limited company under Italian law, incorporated in Italy and operating in accordance with Italian law.

The court with general jurisdiction in the case of disputes is the court of the registered office of RCS, located in Milan.

B.2.4 Share capital

At the Offer Document Date, the share capital of RCS is EUR 475,134,602.10, fully subscribed and paid up, divided into 521,864,957 RCS shares, with no indication of the par value.

The Extraordinary Shareholders' Meeting of RCS held on 16 December 2015 resolved to grant the Board of Directors, pursuant to Article 2443 of the Civil Code, the right to increase the share capital against payment in tranches, by 30 June 2017, for a further maximum amount of EUR 200,000,000.00, including any share premium, by issuing ordinary shares, to be offered as options to shareholders, in proportion to the number of shares they hold, authorising the Board of Directors to execute the aforementioned mandate and thus, specifically and *inter alia*, to establish, from time to time and in compliance with the aforementioned limits, all procedures, terms, timeframes and conditions of the capital increase including the number and issue price of the shares to be issued (including any share premium) and the option ratio.

RCS has not issued any shares of a category other than that of the RCS Shares.

B.2.5 Major shareholders

Based on the information disclosed pursuant to Article 120 of the TUF, the following shareholders are owners of RCS shares with voting rights equal to or greater than 3% of the share capital on the Offer Document Date:

DECLARANT	DIRECT SHAREHOLDER	% OF THE SHARE CAPITAL
Urbano Roberto Cairo	U.T. Communications S.p.A.	**4.616%([79])**
Paolo Rotelli	Pandette S.r.l.	**3.486%**
China National Chemical Corporation	Pirelli & C. S.p.A.	**4.433%**
Finsoe S.p.A.	UnipolSai Finance S.p.A.	0.079%
	SIAT Società Italiana Assicurazioni e Riassicurazioni S.p.A.	0.006%
	UnipolSai Assicurazioni S.p.A.	4.516([80])%
	Total	**4.601%**
Diego Della Valle	DI.VI. Finanziaria di Diego Della Valle & C. S.r.l.	2.693%
	Diego Della Valle & C. S.r.l.	4.632%
	Total	**7.325%**
Intesa San Paolo S.p.A.	Cassa di Risparmio del Veneto S.p.A.	0.001%
	Cassa di Risparmio di Firenze S.p.A. - Banca CR Firenze	0.001%
	Intesa Sanpaolo S.p.A.	4.174%
	Total	**4.176%([81])**
Mediobanca - Banca di Credito Finanziario S.p.A.	Mediobanca - Banca di Credito Finanziario S.p.A.	**9.930([82])%**
Market		**61.433%**

Please note that on 16 May 2016, DI. VI. Finanziaria Di Diego Della Valle & C. S.r.l. and Diego Della Valle & C. S.r.l., Mediobanca - Banca di Credito Finanziario S.p.A., Unipol Sai Assicurazioni S.p.A. also on behalf of UnipolSai Finance S.p.A., Pirelli & C. S.p.A. and International Acquisitions Holding S.à r.l. entered into a co-investment agreement containing significant shareholders' agreements pursuant to Article 122, first and fifth paragraphs, of the TUF and designed to govern a transaction aimed at promoting, by means of an Italian company being set up that will be wholly owned by the parties to the agreement, a full voluntary public tender offer in competition pursuant to Articles 102 and 106, fourth paragraph, of the TUF and Article 44 of the Issuers' Regulation, concerning all RCS ordinary shares.

At the Offer Document Date, to the Offeror's best knowledge, there are no further voting syndicates or blocks, stipulated in any form, that are relevant pursuant to Article 122 of the TUF.

To the Offeror's best knowledge, there are no persons exercising control over the Issuer pursuant to Article 93 of the TUF.

([79]) Please note that on the Offer Document Date, the shareholding of U.T. Communications S.p.A. in RCS amounts to 4.724% of the share capital.

([80]) Please note that based on the statement pursuant to Article 102 of the TUF published on 16 May 2016 by Mediobanca - Banca di Credito Finanziario S.p.A., DI.VI. Finanziaria di Diego Della Valle & C. S.r.l., Diego Della Valle & C. S.r.l., UnipolSai Assicurazioni S.p.A. also on behalf of UnipolSai Finance S.p.A. and Pirelli & C. S.p.A., UnipolSai Assicurazioni S.p.A. owns a shareholding of approximately 4.592% in the capital of RCS.

([81]) Please note that on the Offer Document Date, Intesa Sanpaolo S.p.A. holds a shareholding of approximately 4.173% in the capital of RCS.

([82]) Please note that based on the statement pursuant to Article 102 of the TUF published on 16 May 2016 by Mediobanca - Banca di Credito Finanziario S.p.A., DI.VI. Finanziaria di Diego Della Valle & C. S.r.l., Diego Della Valle & C. S.r.l., UnipolSai Assicurazioni S.p.A. also on behalf of UnipolSai Finance S.p.A. and Pirelli & C. S.p.A., Mediobanca - Banca di Credito Finanziario S.p.A. owns a shareholding of approximately 6.247% in the capital of RCS.

B.2.6 Financial information relating to the financial years closed on 31 December 2015, 2014, 2013 of the RCS Group

The financial information relating to the RCS Group for the financial years closed on 31 December 2015, on 31 December 2014 and on 31 December 2013 reported below, on which the Offeror has not carried out any independent verification, are extracted from the consolidated financial statements at 31 December 2015, at 31 December 2014 and at 31 December 2013. These consolidated financial statements have been subject to statutory audit by the Auditing Firm appointed by RCS.

Pursuant to Annex 2A of the Issuers' Regulation and Article 7, paragraph 5, of the Issuers' Regulation, as well as Article 28 of Regulation (EC) No. 809/2004, Cairo Communication takes avail of the regime of incorporation by reference for the financial information relating to the financial years closed on 31 December 2015, on 31 December 2014 and on 31 December 2013 of the RCS Group. These documents are available to the public on the RCS Internet website under www.rcsmediagroup.it, on Borsa Italiana Internet website under www.borsaitaliana.it, and at the Issuers' registered office.

The RCS Group's consolidated financial statements at 31 December 2015, at 31 December 2014 and at 31 December 2013 were drawn up in compliance with the International Reporting Standards as adopted by the European Union and on the going concern basis. In particular, in note 6 of the notes to the consolidated financial statements for the financial year closed on 31 December 2015 - "*Basis of preparation – adoption of the going concern assumption in drawing up the financial statements*" - the RCS directors describe events and circumstances that indicate a material uncertainty that could cast significant doubts on the RCS Group's ability to continue to operate as a going concern. In particular, the RCS directors refer to the failure to reach, to date, an agreement with its Lending Banks regarding: (i) the failure to meet the financial covenants at 31 December 2015; and (ii) the new terms and conditions of the loan agreement entered into on 14 June 013 between RCS and the Lending Banks. In the same note, the directors state that, "*While considering the material uncertainty described above that may cast significant doubts on the ability of the Group to continue to operate based on the assumption of going concern, the Directors, taking into account the initiatives under way and in particular: (a) the ongoing negotiations with the Lending Banks in order to define a draft Term Sheet that provides for an extension of the maturities of the existing lines, consistent with the results expected from the implementation of the 2016 -2018 Plan, and a general redefinition of the main terms and conditions of the Loan Agreement; (b) the upcoming revenue from the net proceeds of the sale of RCS Libri S.p.A. (based on an agreed price of EUR 127.5 million, as described in note 27), the closing of which is expected by April 2016; and (c) the approval by the Shareholders' Meeting held on 16 December 2015 of the 2015 Mandate for an amount of EUR 200 million to be exercised by 30 June 2017, deem it reasonable to expect that the Group will have sufficient financial resources to continue operations in the foreseeable future and, therefore, have adopted the going concern assumption in drawing up the Annual Financial Report at 31 December 2015.*"

In order to facilitate the consultation of the financial information contained in the documents incorporated herein by reference, the following is an outline containing the indication of the first pages of the main sections of the consolidated financial statements incorporated by reference in the Offer Document.

	CONSOLIDATED FINANCIAL STATEMENTS OF THE RCS GROUP		
	AT 31 DECEMBER 2015	AT 31 DECEMBER 2014	AT 31 DECEMBER 2013
Prospectus of the financial position statement	88	128	100
Prospectus of the Income statement and of the Comprehensive income statement	86	126	90

Prospectus of the changes in shareholders' equity	90	130	102
Cash flow statement	89	129	101
Directors' report on operations	12	26	12
Specific notes	93	135	105
Valuation criteria	102	146	110

B.2.6.a. Consolidated balance sheet of the RCS Group

In order to provide a summary of the RCS Group's historical accounting information relating to the 2015, 2014 and 2013 financial years incorporated by reference in the Offer Document, the RCS Group's consolidated balance sheet relating to the 2015, 2014 and 2013 financial years is reported below.

Prospectus of the Consolidated financial position statement (EUR/million)	31 December 2015	31 December 2014	31 December 2013
Property, plant and equipment	102.4	118.7	132.1
Real estate investments	21.5	24.9	30.3
Intangible assets	416.0	508.8	516.9
Equity investments in related companies and joint ventures	51.0	48.5	115.0
Financial assets available for sale	5.2	4.6	5.9
Non-current financial receivables	4.8	5.6	7.6
Other non-current assets	14.8	19.3	19.2
Deferred tax assets	129.3	147.8	148.4
Total non-current assets	**745.0**	**878.2**	**975.4**
Inventories	21.4	78.8	87.5
Trade receivables	282.0	392.6	393.0
Sundry receivables and other current assets	42.8	99.1	106.3
Current tax assets	9.5	8.7	10.8
Current financial receivables	3.6	11.8	15.1
Cash and cash equivalents	9.8	13.7	10.7
Total current assets	**369.1**	**604.7**	**623.4**
Non-current assets held for sale	**253.7**	**36.9**	**20.1**
TOTAL ASSETS	**1,367.8**	**1,519.8**	**1,618.9**
Share capital	475.1	475.1	475.1
Treasury shares	(27.1)	(27.1)	(27.1)
Reserves	(15.9)	(23.2)	7.7
Profits (losses) carried forward	(156.4)	(45.6)	94.6
Profit (loss) for the financial year	(175.7)	(110.8)	(218.5)
Group's total shareholders' equity	**100.0**	**268.4**	**331.8**
Minority interests' shareholders' equity	5.2	4.6	19.0
Total	**105.2**	**273.0**	**350.8**
Non-current financial payables and liabilities	15.6	393.8	430.6
Financial liabilities for derivative instruments	11.0	16.5	15.6
Benefits relating to personnel	40.1	53.7	52.5
Provisions for risks and charges	17.2	28.5	43.9
Deferred tax liabilities	57.9	75.6	89.6
Other non-current liabilities	3.6	3.3	3.0
Total Non-current liabilities	**145.4**	**571.4**	**635.2**
Payables to banks	38.4	38.9	27.2
Current financial payables	479.3	58.8	26.9

Financial liabilities for derivative instruments	-	-	1.5
Current tax liabilities	0.5	1.1	0.5
Trade payables	284.2	395.2	369.2
Short-term portions of provisions for risks and charges	40.5	55.2	77.1
Sundry payables and other current liabilities	131.6	126.2	130.5
Total current liabilities	**974.5**	**675.4**	**632.9**
Liabilities associated with assets held for sale	**142.7**	**-**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,367.8**	**1,519.8**	**1,618.9**

To better understand the RCS Group's Consolidated Balance Sheet at 31 December 2015, it must be noted, as shown in the RCS Group's annual consolidated financial statements relating to the period, that:

- at 31 December 2015, the sale to Arnoldo Mondadori Editore S.p.A. of the entire equity investment held by RCS in RCS Libri S.p.A. was being finalised. Consequently, the assets and liabilities attributable to RCS Libri S.p.A. have been classified in the RCS Group's consolidated financial statements at 31 December 2015 under specific balance sheet items. In particular, the RCS Group's consolidated balance sheet at 31 December 2015 includes non-current assets held for sale of EUR 253.7 million, of which a positive net financial position of EUR 44.2 million, and liabilities associated with assets held for sale of EUR 142.7 million;
- as a result of the failure to comply with the covenants set out in the loan agreement concluded on 14 June 2013 and taking into account the provisions of IAS 1, paragraph 74, the RCS Group has classified under the current liabilities at 31 December 2015, the portion of debt that was originally long-term of EUR 302.8 million. The current debt portion relating to this loan amounted to EUR 100.8 million at the same date of 31 December 2015;
- the consolidated balance sheet of RCS includes an important and complex set of intangible fixed assets (EUR 416 million at 31 December 2015, EUR 508.8 million at 31 December 2014 and EUR 504.4 million at 31 December 2013), which must be subjected to periodic assessment in accordance with the international accounting standards in order to verify the recoverability of the book value.

The trend of the consolidated net financial debt during the last three years is shown in the following table:

Equity and debt **RCS MediaGroup** (EUR/million)	**31 December 2015**	**31 December 2014**	**31 December 2013**
Current financial payables – portion due within 12 months (A)	517.7	97.7	54.6
Non-current financial payables – portion due after 12 months (B)	26.6	410.3	446.2
Cash and cash equivalents (C)	(9.8)	(13.7)	(10.7)
Financial assets other than fixed assets (D)	(3.6)	(11.8)	(15.8)
Total (Net Financial Position) Net financial debt of continuing operations (A+B+C+D)	**530.9**	**482.5**	**474.3**
(Net financial position) Net financial debt of assets held for sale (E)	(44.2)	-	-
Total (Net Financial Position) Aggregate net financial debt (A+B+C+D+E)	**486.7**	**482.5**	**474.3**

As regards the financial payables, RCS entered into a loan agreement on 14 June 2013, pursuant to which the pool of Lending Banks, led by Banca IMI as agent bank, granted to RCS a maximum total loan of EUR 600 million.

The loan agreement contemplates three distinct credit lines:

- Credit Line A (bullet), a term line of EUR 225 million to be repaid in one instalment at the earlier of (i) the third anniversary of the relative date of use or (ii) 31 July 2016;

- Credit Line B (amortising), a term line of EUR 275 million to be repaid at the earlier of (i) the fifth anniversary of the relative date of use or (ii) 31 July 2018, according to an amortisation schedule attached to the loan agreement (with the first instalment due on 30 June 2016); and

- Revolving Credit Line, a revolving line of EUR 100 million to be repaid at the earlier of (i) the fifth anniversary of the first date of use or (ii) 31 July 2018;

At 31 December 2015, these lines are still granted for a total nominal value of EUR 423.6 million, and are used for a total of EUR 403.6 million, of which EUR 71.6 million drawn on line A, EUR 252 million on the line B and EUR 80 million on C line (with respect to EUR 100 million granted).

Note 6 of the notes to the consolidated financial statements for the financial year closed on 31 December 2015 - "*Basis of preparation – adoption of the going concern assumption in drawing up the financial statements*" describes in detail the financial covenants of RCS provided for in the loan agreement.

B.2.6.b. *Consolidated income statement and consolidated comprehensive income statement of the RCS Group*

In order to provide a summary of the RCS Group's historical accounting information relating to the 2015, 2014 and 2013 financial years incorporated by reference in the Offer Document, the RCS Group's consolidated income statement and consolidated comprehensive income statement relating to the 2015, 2014 and 2013 financial years are reported below.

Prospectus of the Consolidated income statement (EUR/million)	2015	2014	2013
Revenues from sales	1,032.2	1,279.4	1,314.8
Changes in work in progress, finished and semi-finished products	0.5	0.7	(4.0)
Consumption of raw materials and services	(677.5)	(889.2)	(925.5)
Personnel costs	(318.3)	(325.5)	(414.0)
Other operating revenue and income	27.0	29.8	32.0
Other management charges	(30.2)	(31.4)	(47.0)
Allocations	(15.7)	(15.2)	(11.9)
Impairment of trade and other receivables	(4.1)	(18.6)	(27.3)
Shares of income (charges) from valuation of equity investments using the equity method (*)	2.5	-	-
Amortisation of intangible fixed assets	(39.4)	(39.3)	(43.7)
Depreciation of property, plant and equipment	(19.2)	(21.5)	(24.8)
Depreciation of real estate investments	(0.7)	(1.0)	(1.4)
Impairment of fixed assets	(64.1)	(21.7)	(48.0)
EBIT	**(107.0)**	**(53.5)**	**(200.8)**
Financial revenues	2.2	2.4	3.2
Financing costs	(37.1)	(43.8)	(36.0)
Other income and charges from financial assets and liabilities	(1.4)	(2.3)	0.8
Shares of income (charges) from valuation of equity investments using the equity method (*)	-	(1.4)	(21.9)
Profit before taxes	**(143.3)**	**(98.6)**	**(254.7)**
Income taxes	7.9	4.3	28.3
Profit or loss from continuing operations	**(135.4)**	**(94.3)**	**(226.4)**
Profit or loss from assets held for sale and discontinued operations	(38.8)	(16.1)	7.2
Profit/(loss) for the period/financial year	**(174.2)**	**(110.4)**	**(219.2)**
Profit/(loss) attributable to minority interests	1.5	0.4	(0.7)
Profit/(loss) attributable to shareholders of the Parent Company	(175.7)	(110.8)	(218.5)
Profit/(loss) for the period/financial year	**(174.2)**	**(110.4)**	**(219.2)**

(*) The item "Shares of income (charges) from valuation of equity investments using the equity method" was classified by RCS as an item of EBIT in the 2015 financial year (positive for EUR 2.5 million) and excluded from EBIT in the 2014 and 2013 financial years (negative for EUR 1.4 million and for EUR 21.9 million, respectively).

Prospectus of the Consolidated comprehensive income statement (EUR/million)	2015	2014	2013
Profit or loss for the period	**(174.2)**	**(110.4)**	**(219.2)**
Other items of the comprehensive income statement			
Other comprehensive profits/(losses) that will subsequently be reclassified to the profit/(loss) for the financial year:			
Profits (losses) arising from translation of financial statements in foreign currencies	2.3	2.4	(0.9)
Reclassification to income statement of profits (losses) arising from translation of financial statements in foreign currencies	-	-	6.1
Profits (losses) on cash flow hedges	(1.2)	(6.4)	0.9
Reclassification to income statement of profits (losses) on cash flow hedges	7.5	8.8	10.7
Tax effect	(1.8)	(0.7)	(3.2)
Other comprehensive profits/(losses) that will not subsequently be reclassified to the profit/(loss) for the financial year:			
Actuarial profit (loss) on defined benefit plans	1.5	(3.9)	2.2
Tax effect	(0.4)	1.0	(0.6)
Total other items of the comprehensive income statement	**7.9**	**1.2**	**15.2**
Total comprehensive income statement	**(166.3)**	**(109.2)**	**(204.0)**
Total comprehensive income statement attributable to:			
Total (Loss)/Profit Comprehensive income statement share of minority interests	1.5	0.4	2.1
Total (Loss)/Profit Comprehensive income statement share of the Group	(167.8)	(109.6)	(206.1)
Total comprehensive income statement	**(166.3)**	**(109.2)**	**(204.0)**

To better understand the RCS Group's consolidated income statement, it must be noted that:

- at 31 December 2015, the sale to Arnoldo Mondadori Editore S.p.A. of the entire equity investment held by RCS in RCS Libri S.p.A. was being finalised. Consequently, the economic result attributable to RCS Libri S.p.A. for 2015, amounting to a loss of EUR 38.8 million, was classified under a specific item of the consolidated income statement;
- the prospectuses of the consolidated income statement drawn up pursuant to CONSOB Resolution no. 15519 of 27 July 2006 and included in the RCS Group's annual consolidated financial statements at 31 December 2015, at 31 December 2014 and at 31 December 2013 report:
  a) for the 2015 financial year, non-recurring charges totalling EUR 61.4 million and non-recurring income totalling EUR 2.4 million;
  b) for the 2014 financial year, non-recurring charges totalling EUR 43.6 million;
  c) for the 2013 financial year, non-recurring charges totalling EUR 136.2 million and non-recurring income totalling EUR 0.5 million.

The RCS Group reported negative results in the past financial years and is currently undergoing both an operational restructuring process (aimed at restoring profitability) and a financial restructuring process (aimed at stabilising the outside financing sources), whose future results are characterised by uncertainty since they depend on the actual implementation of the restructuring plan in progress and on negotiations with the Lending Banks.

The trend of net income, EBITDA, EBITDA before non-recurring income and charges, EBIT and net profit or loss for the 2015, 2014 and 2013 financial years, of the RCS Group and the individual business segments in which the RCS Group operates, extrapolated from the annual consolidated financial statements at 31 December 2015, at 31 December 2014 and at 31 December 2013 is shown in the following summary tables.

RCS GROUP **SELECTED FINANCIAL FIGURES** ***(EUR/million)***	**2015**	**2014**	**2013**
Net revenues	1,032.2	1,279.4	1,314.8
EBITDA	16.4	30.0	(82.9)
EBITDA before non-recurring	71.8	70.1	27.1
EBITDA/Net revenues	1.6%	2.3%	(6.3%)
EBIT	(107.0)	(53.5)	(200.8)
Net profit or loss	(174.2)	(110.4)	(219.2)

SELECTED ECONOMIC FIGURES BY BUSINESS SEGMENT	**2015**			**2014**			**2013 (**)**		
(EUR/million)	***Revenues***	***EBITDA***	***EBITDA before non-recurring***	***Revenues***	***EBITD A***	***EBITDA before non-recurring***	***Revenu es***	***EBITD A***	***EBITDA before non-recurring***
MEDIA ITALY	517.4	52.1	65.3	531.9	60.1	61.5	557.0	(21.0)	38.9
MEDIA SPAIN	330.0	(9.2)	29.4	358.1	(0.5)	27.3	371.7	(11.0)	7.0
BOOKS (*)	-	-	-	222.6	2.0	9.3	251.1	3.8	8.8
PUBLICITY FOR EVENTS	344.9	3.3	4.3	345.5	(1.7)	(0.6)	330.4	(31.6)	(13.6)
CORPORATE FUNCTIONS	75.7	(30.3)	(27.7)	78.0	(29.9)	27.4	78.5	(23.6)	(14.0)
SUNDRY AND ELIMINATIONS	(235.8)	0.5	0.5	(256.7)	-	-	(274.6)	-	-
	1,032.2	**16.4**	**71.8**	**1,279.4**	**30.0**	**70.1**	**1,314.1**	**(83.4)**	**27.1**

(*) The profit or loss of the books segment for the purpose of drawing up the consolidated income statement was classified under profit or loss from discontinued operations.

(**) The financial information by segment relating to the 2013 financial year are drawn from the financial information presented for comparative purposes in the RCS Group's consolidated financial statements at 31 December 2014.

B.2.6.c. Prospectus of the changes in RCS Group's consolidated shareholders' equity

In order to provide a summary of the RCS Group's historical accounting information relating to the 2015, 2014 and 2013 financial years incorporated by reference in the Offer Document, the prospectus of the changes in consolidated shareholders' equity relating to the 2015, 2014 and 2013 financial years is reported below.

Prospectus of the changes in consolidated shareholders' equity (EUR/million)	Share capital	Other instruments Representative of shareholders' equity	Share premium reserve	Treasury shares	Other reserves (*)	Profit (loss) for the financial year	**Group's consolidated shareholders' equity**	Minority interests' shareholders' equity	**Shareholders' equity**
Balances at 31/12/2012	**762.0**	**5.2**	**71.2**	**(27.1)**	**(165.8)**	**(507.1)**	**138.4**	**24.4**	**162.8**
Allocation of the net profit or loss for the financial year 31/12/2012	-	-	-	-	-	-	**-**	-	**-**
-to profits (losses) carried forward	-	-	-	-	(507.1)	507.1	**-**	-	**-**
-to hedge losses	(622.8)	(4.1)	(71.2)	-	698.1	-	**-**	-	**(0.0)**
Share Capital Increase	335.9	-	74.0	-	-	-	**409.9**	-	**409.9**
Charges related to the capital increase (net of tax effects)	-	-	(9.4)	-	-	-	**(9.4)**	-	**(9.4)**
Income from the sale of unexercised rights	-	-	0.5	-	-	-	**0.5**	-	**0.5**
Stock option	-	(1.1)	-	-	1.1	-	**-**	-	**-**
Equity transaction	-	-	-	-	(1.5)	-	**(1.5)**	0.7	**(0.8)**
Changes in minority interests' shareholders' equity	-	-	-	-	-	-	**-**	(24.6)	**(24.6)**
Total comprehensive income statement	-	-	-	-	12.4	(218.5)	**(206.1)**	2.6	**(203.5)**
Balance at 31/12/2013	**475.1**	**-**	**65.1**	**(27.1)**	**(37.2)**	**(218.5)**	**331.8**	**3.1**	**334.9**
Allocation of the net profit or loss for the financial year 31/12/2013	-	-	-	-	-	-	**-**	-	**-**
- to hedge losses	-	-	-	-	(78)	78.0	**-**	-	**-**
- to profits (losses) carried forward	-	-	-	-	(140.5)	140.5	**-**	-	**-**
Collection from conversion of savings shares	-	-	47.0	-	-	-	**47.0**	-	**47.0**
Charges related to the conversion of savings shares	-	-	(1.2)	-	-	-	**(1.2)**	-	**(1.2)**
Equity transaction	-	-	-	-	0.4	-	**0.4**	-	**0.4**
Other changes	-	-	-	-	-	-	**-**	(0.1)	**(0.1)**
Changes in minority interests' shareholders' equity	-	-	-	-	-	-	**-**	1.2	**1.2**
Total comprehensive income statement	-	-	-	-	1.2	(110.8)	**(109.6)**	0.4	**(109.2)**
Balances at 31/12/2014	**475.1**	**-**	**110.9**	**(27.1)**	**(179.7)**	**(110.8)**	**268.4**	**4.6**	**273.0**
Allocation of the net profit or loss for the financial year 31/12/2014	-	-	-	-	-	-	**-**	-	**-**
- to profits (losses) carried forward	-	-	-	-	(110.8)	110.8	**-**	-	**-**
Tax rate change on charges related to capital transactions 2013 and 2014	-	-	(0.5)	-	0.2	-	**(0.3)**	-	**(0.3)**
Equity transaction	-	-	-	-	(0.3)	-	**(0.3)**	0.3	**-**
Other changes	-	-	-	-	-	-	**-**	0.2	**0.2**
Dividends paid to minority interests	-	-	-	-	-	-	**-**	(1.4)	**(1.4)**
Total comprehensive income statement	-	-	-	-	7.9	(175.7)	**(167.8)**	1.5	**(166.3)**
Balances at 31/12/2015	**475.1**	**-**	**110.4**	**(27.1)**	**(282.7)**	**(175.7)**	**100.0**	**5.2**	**105.2**

(*) The item "Other reserves" includes the following items reported separately in the statement of changes in shareholders' equity included in the annual consolidated financial statements of the RCS Group: "Legal reserve", "Equity transaction", "Valuation reserve", "Cash flow hedge reserve", "Profits (Losses) brought forward" and "Losses in the formation of the Parent Company".

In the three financial years closed on 31 December 2015, 2014 and 2013, the following is noted with regard to the changes in shareholders' equity:

- the capital increase resolved on 30 May 2013 and concluded on 22 July 2013 with a net effect on the RCS Group's shareholders' equity of approximately 400.5 million as the difference between the capital increase subscribed for 409.9 million and the costs incurred for approximately 9.4 million net of the tax effect (the financial benefit of which is deferred) amounted to 4.3 million, as well as the sale value at auction of the unexercised rights;

- the operation of conversion in 2014 of the savings shares of class A and B into common shares, which had a positive financial effect of EUR 47.0 million and a corresponding increase in shareholders' equity.

B.2.6.d. *Consolidated cash flow statement of the RCS Group*

In order to provide a summary of the RCS Group's historical accounting information relating to the 2015, 2014 and 2013 financial years incorporated by reference in the Offer Document, the RCS Group's consolidated cash flow statement relating to the 2015, 2014 and 2013 financial years is reported below.

Cash flow statement (EUR/million)	**2015 Financial year**	**2014 Financial year**	**2013 Financial year**
A) Cash flow from operating activities			
Profit or loss from continuing operations before tax	(143.3)	(98.6)	(254.7)
Profit or loss from assets held for sale and discontinued operations	(6.1)	-	1.5
Amortisation and impairment	123.4	83.5	117.9
(Capital gains) capital losses and other non-monetary items	(7.0)	(18.5)	12.1
Net financial result (including dividends)	34.8	41.4	32.8
Increase (decrease) in benefits relating to personnel and provisions for risks and charges	(5.1)	(9.4)	50.2
Changes in working capital	10.4	(2.5)	(66.4)
Income taxes paid	(1.9)	(5.8)	(6.8)
Income taxes paid / refunded relating to previous financial years	1.9	-	-
Changes in assets held for sale and discontinued operations	21.4	-	-
Total	**28.5**	**(9.9)**	**(113.4)**
B) Cash flow from investment activities			
Equity investments (net of dividends received)	1.2	(6.1)	3.3
Investments in fixed assets	(56.8)	(64.3)	(56.1)
(Acquisitions) sales of other financial fixed assets	(0.4)	(0.5)	(3.3)
Considerations for the disposal of equity investments	39.5	8.2	33.6
Considerations for the sale of fixed assets	3.4	30.8	89.6
Changes in assets held for sale and discontinued operations	(6.9)	-	-
Total	**(20.0)**	**(31.9)**	**67.1**
Free cash flow (A+B)	8.5	(41.8)	(46.3)
C) Cash flow from financial activities			
Net change in financial payables and other financial assets	30.1	19.2	(331.4)
Net financial interest collected (paid)	(30.0)	(32.2)	(38.7)
Dividends paid	(1.4)	-	-
Changes in shareholders' equity reserves	(0.1)	45.1	396.8
Changes in assets held for sale and discontinued operations	(7.7)	-	-
Total	**(9.1)**	**32.1**	**26.7**
Net increase (decrease) in cash and cash equivalents (A+B+C)	**(0.6)**	**(9.7)**	**(19.6)**
Cash and cash equivalents at start of financial year	(25.2)	(15.5)	3.1
Cash and cash equivalents at end of financial year	(25.8)	(25.2)	(16.5)
Increase (decrease) for the financial year	**(0.6)**	**(9.7)**	**(19.6)**
ADDITIONAL INFORMATION OF THE CASH FLOW STATEMENT			
(EUR/million)			
Cash and cash equivalents at start of financial year, detailed as follows	**(25.2)**	**(15.5)**	**3.1**
Cash and cash equivalents	10.1	10.7	25.1
Cash and cash equivalents of assets held for sale and discontinued operations	1.5	-	-
Current payables to banks	(36.8)	(26.2)	(22.0)

Cash and cash equivalents at end of financial year	**(25.8)**	**(25.2)**	**(16.5)**
Cash and cash equivalents	9.8	13.7	10.7
Changes in assets held for sale and discontinued operations	2.8	-	-
Current payables to banks	(38.4)	(38.9)	(27.2)
Increase (decrease) for the financial year	**(0.6)**	**(9.7)**	**(19.6)**

In the three financial years closed on 31 December 2015, 2014 and 2013, the RCS Group's Cash Flow Statement reflects:

- positive cash flows totalling EUR 205.1 million from the disposal of equity investments and the sale of fixed assets. In particular, during the three-year period, the RCS Group sold (i) 54.6% of the subsidiary company Dada S.p.A., (ii) the real estate complex at Via San Marco and at Via Solferino, (iii) the equity investment stake of 44.45% in the Finelco Group and (iv) the entire equity investment in RCS Libri S.p.A.. With reference to the latter transaction, the financial effects were produced during the 2016 financial year;

- positive cash flows totalling EUR 447.5 million resulting from (i) the capital increase transaction and (ii) the conversion of the savings shares of class A and B into common shares.

The cash generated from the disposals and from the shareholders' equity transactions previously described, totalling EUR 653.1 million, was used for repayment of debt for approximately EUR 282.1 million and, for the difference, substantially absorbed by negative cash flows generated from operating activities, from the payment of financing costs and from the investment activities.

B.2.7 Interim management report of the RCS Group

The RCS Group's interim management report at 31 March 2016 was approved by the RCS Board of Directors on 11 May 2016.

In the interim management report at 31 March 2016, under letter d) of the paragraph "*Supplementary information at the request of CONSOB pursuant to Article 114, paragraph 5, of Legislative Decree 58/1998 of 27 May 2013*", the RCS directors describe events and circumstances that indicate a material uncertainty that could cast significant doubts on the RCS Group's ability to continue to operate as a going concern. In particular, the RCS directors refer to the failure to reach, to date, an agreement with its Lending Banks regarding: (i) the failure to meet the financial covenants at 31 December 2015; and (ii) the new terms and conditions of the loan agreement entered into on 14 June 013 between RCS and the Lending Banks. In the same note, the directors state that, "*While considering the material uncertainty described above that may cast significant doubts on the ability of the Group to continue to operate based on the assumption of going concern, the Directors, with respect to the situation found on 31 December 2015, highlight the following points of progress: (a) the evolution of the ongoing negotiations with the Lending Banks with the definition of an agreed Term Sheet currently under approval as described above; (b) the successful collection of the net proceeds from the sale of RCS Libri S.p.A. (based on an agreed price of EUR 127.1 million), as described in the paragraph, Material events after the end of the quarter. The Directors therefore deem that the expectation that the Group will have sufficient financial resources to continue operations in the foreseeable future is strengthened compared to 31 December 2015 and, therefore, have adopted the going concern assumption in drawing up the Interim Management Report at March 31, 2016.*".

In the interim management report at 31 March 2016, the RCS administrators also communicate the successful finalisation of the sale of RCS Libri and the "*successful collection of the net proceeds from the sale of RCS Libri S.p.A.*".

B.2.7.a. *Consolidated economic figures*

The RCS Group's main economic figures for 1Q 2016 compared with 1Q 2015 are reported below.

(EUR/million)	31 March 2016	31 March 2015
Net revenues	**219.8**	**229.4**
Circulation revenues	94.7	107.1
Advertising revenues	97.4	96.3
Other revenues	27.7	26.0
Operating costs	(151.0)	(169.5)
Labour costs	(71.1)	(73.9)
Provisions for risks	(1.6)	(1.6)
Impairment of receivables	(0.4)	(1.2)
Income (charges) from equity investments according to equity method	0.6	0.6
EBITDA	**(3.7)**	**(16.2)**
Amortisation of intangible fixed assets	(9.2)	(9.2)
Depreciation of tangible fixed assets	(4.4)	(5.0)
Depreciation of real estate investments	(0.2)	(0.2)
Other impairment of fixed assets	0.0	(0.3)
EBIT	**(17.5)**	**(30.9)**
Net financial income (charges)	(8.0)	(8.8)
Income (charges) from financial assets/liabilities	0.1	(0.2)
Profit before taxes	**(25.4)**	**(39.9)**
Income taxes	3.2	9.2
Profit or loss from continuing operations	**(22.2)**	**(30.7)**
Profit or loss from assets held for sale and discontinued operations	0.0	(4.9)
Net profit or loss before minority interests	**(22.2)**	**(35.6)**
Net (profit) loss attributable to minority interests	0.2	0.4
Net profit or loss for the period attributable to the Group	**(22.0)**	**(35.2)**

The RCS Group's consolidated net revenues at 31 March 2016 amount to EUR 219.8 million, a decrease compared to EUR 229.4 million on a like-to-like basis (excluding RCS Libri S.p.A.) in the same period of the previous financial year. The circulation revenues amount to EUR 94.7 million, down by EUR 12.4 million compared to the same period in 2015, broken down by business segment as reported in the following table:

Circulation revenues (EUR/million)	31/03/2016	31/03/2015
News Italy	39.4	46.6
News Spain	20.2	23.1
Sport	35.1	37.6
Other Activities and eliminations	-	(0.2)
Total circulation revenues	**94.7**	**107.1**

EBITDA and EBIT for 1Q 2016 are, respectively, negative for EUR 3.7 million (negative for EUR 16.2 million in 1Q 2015) and negative for EUR 17.5 million (negative for EUR 30.9 million in 1Q 2015). The improvement in EBITDA and EBIT at 31 March 2016, which was driven by all business areas, was sustained by the cost containment commitment, by the implementation of the efficiency measures provided for in 2016-2018 Plan and by an essentially stable situation in advertising revenues.

The net profit or loss for 1Q 2016 is negative for EUR 22 million (negative for EUR 35.2 million in 1Q 2015).

B.2.7.b. Reclassified consolidated balance sheet

The RCS Group's reclassified consolidated balance sheet at 31 March 2016 and at 31 December 2015 is reported below.

Reclassified consolidated balance sheet (EUR/million)	**31 March 2016**	**31 December 2015**
Intangible fixed assets	409.8	416.0
Tangible fixed assets	98.4	102.4
Real estate investments	21.8	21.5
Financial fixed assets	203.9	205.1
Net fixed assets	**733.9**	**745.0**
Inventories	19.8	21.4
Trade receivables	250.1	282.0
Trade payables	(292.6)	(284.2)
Other assets/liabilities	(54.1)	(83.4)
Working capital	**(76.8)**	**(64.2)**
Provisions for risks and charges	(52.8)	(57.7)
Deferred tax liabilities	(57.1)	(57.9)
Benefits relating to personnel	(39.7)	(40.1)
Net Capital Employed	**507.5**	**525.1**
NCE assets held for sale	**81.4**	**66.8**
Net capital invested	**588.9**	**591.9**
Shareholders' equity	**79.8**	**105.2**
Medium-long-term financial payables	14.4	15.6
Short term financial payables	529.4	517.7
Non-current financial liabilities for derivative instruments	9.8	11.0
Short-term financial assets and receivables	(15.4)	(13.4)
Net financial debt of continuing operations	**538.2**	**530.9**
Net financial debt (assets) of assets held for sale	(29.1)	(44.2)
Total net financial debt	**509.1**	**486.7**
Total financing sources	**588.9**	**591.9**

The consolidated shareholders' equity at 31 March 2016 shows a reduction compared to 31 December 2015 of EUR 25.4 million. In particular, the RCS Group's shareholders' equity decreased by EUR 24.9 million, while minority interests' shareholders' equity decreased by EUR 0.5 million. The change is primarily attributable to the result for 1Q 2016.

B.2.7.c. Net financial position

The RCS Group's net financial position at 31 March 2016 and at 31 December 2015 is reported below.

Consolidated net financial position (EUR/million)	**31/03/2016**	**31/12/2015**
TOTAL NON-CURRENT FINANCIAL ASSETS	**-**	**-**
Securities	-	-
Financial receivables	2.6	3.6
Current financial assets for derivative instruments	-	-
Current financial receivables and assets	**2.6**	**3.6**
Cash and cash equivalents	12.8	9.8
TOTAL CURRENT FINANCIAL ASSETS	**15.4**	**13.4**
Non-current financial payables and liabilities	(14.4)	(15.6)
Non-current financial liabilities for derivative instruments	(9.8)	(11.0)
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**(24.2)**	**(26.6)**
Current financial payables and liabilities	(529.4)	(517.7)
Current financial liabilities for derivative instruments	-	-
TOTAL CURRENT FINANCIAL LIABILITIES	**(529.4)**	**(517.7)**
Net financial debt of continuing operations	**(538.2)**	**(530.9)**

Net financial assets (debt) of assets held for sale	29.1	44.2
Total Net Financial Debt	**(509.1)**	**(486.7)**

The net financial position at 31 March 2016 was negative for EUR 509.1 million (negative for EUR 538.2 million with reference to continuing operations), with an increase in total net debt of EUR 22.4 compared to 31 December 2015.

Taking into account the provisions of paragraph 74 of IAS 1 in the event of failure to meet the covenants, the long-term debt portion of approximately EUR 320 million relating to the loan agreement entered into in the summer of 2013 for an original amount of EUR 600 million was classified under short term at 31 March 2016 in continuity with the indication given in the Annual Financial Report at 31 December 2015.

B.3 Intermediaries

The Intermediaries Appointed to Coordinate the Collection of Acceptances, by the signing and delivery of the specific Acceptance Form, are Banca IMI S.p.A., with registered office in Milan at Largo Mattioli 3, and EQUITA SIM S.p.A., with registered office in Milan at Via Turati 9.

The Intermediaries Appointed to coordinate the collection of acceptances of the Offer, authorised to carry out their activities in Italy, by the signing and delivery of the Acceptance Form, are the following:

- Banca IMI S.p.A. – Intesa Sanpaolo S.p.A. Group;
- EQUITA S.I.M. S.p.A.;
- Banca Akros S.p.A. - Bipiemme Banca Popolare di Milano Group;
- Banca Aletti & C. S.p.A. - Banco Popolare Group;
- Banca Monte dei Paschi di Siena S.p.A.;
- BNP Paribas Securities Services - Milan Branch;
- Citibank NA - Milan Branch;
- Istituto Centrale delle Banche Popolari Italiane S.p.A..

The Offer Document and, for consultation, the documents indicated in Section N of the Offer Document are available at the registered office of the Offeror and of the Intermediaries Appointed to Coordinate the Collection of Acceptances. The Offer Document is also made available to interested parties at the Appointed Intermediaries, and as set out in Section N of the Offer Document.

The Acceptance Forms may be sent to the Appointed Intermediaries also through the Depository Intermediaries, as described in Paragraph F.1.2, Section, of the Offer Document. The Appointed Intermediaries will collect the Acceptance Forms, will hold on deposit the RCS Shares tendered to the Offer and will arrange for the payment of the Consideration due to the Offer's Tendering Shareholders (according to the procedures and timeframes specified in Section F of the Offer Document).

At the Consideration Payment Date, the Appointed Intermediaries will transfer the RCS Shares tendered to the Offer - through EQUITA, which will act also on behalf of Banca IMI - to a securities deposit account made out in the to the Offeror's name.

B.4 Global Information Agent

Sodali S.p.A., with registered office in Rome at Via XXIV Maggio 43, and Georgeson S.r.l., with registered office in Rome at Via Emilia 88, were appointed by the Offeror as Global Information Agent, in order to provide information on the Offer, to all RCS shareholders (for further information, please refer to Section N of the Offer Document).

To this end, Sodali S.p.A. has set up an email account, opa.rcs@sodali.com, and the freephone number 800.198.926. This phone number will be active on weekdays, from 9:00 AM to 6:00 PM (Central European Time), for the entire term of the Acceptance Period.

C. TYPE AND QUANTITY OF THE FINANCIAL INSTRUMENTS COMPRISING THE OFFER

C.1 Type and quantity of the RCS Shares comprising the Offer

The Offer comprises all of the RCS Shares issued by the Issuer as at the Offer Document Date, i.e. 521,864,957 RCS Shares.

Note that, as at the Offer Document Date, the Issuer has 4,575,114 treasury shares, representing approximately 0.88% of the Issuer's share capital.

The number of RCS Shares covered by the Offer could be reduced if, during the Acceptance Period, the Offeror buys RCS Shares outside the Offer, subject to the provisions of Article 41, paragraph 2 and Article 42, paragraph 2 of the Issuers' Regulation.

The RCS Shares tendered to the Offer must be freely transferable to the Offeror and free of constraints of any kind - real, mandatory or personal.

The Offer is open, without distinction and at the same conditions, to all RCS shareholders.

C.2 Convertible financial instruments

The Offer does not include financial instruments convertible into RCS Shares or financial instruments that give the right to subscribe to RCS Shares.

C.3 Communications or authorisation requests

Promotion of the Offer does not in itself require prior authorisation.

Given that the Offer is subject, among other things, to the unconditional approval by AGCM, under the provisions of Law no. 287 of 10 October 1990, and by AGCOM, under the provisions of Legislative Decree no. 177 of 31 July 2005, of Cairo Communication acquiring control of RCS, please note the following:

(i) On 28 April 2016, the Offeror notified the AGCM of its decision to promote the Offer, in accordance with and pursuant to Article 16 of Law no. 287 of 10 October 1990. Under the provisions of the applicable law, 'Phase 1' of the procedure should have been completed by 13 May 2016, i.e. within 15 calendar days of receipt of the notice. However, the term was suspended following the request from AGCM for additional information on 12 May 2016. The 15-day term will start again from the day on which the Offeror sends AGCM the additional information.

In the event that ACGM considers it necessary to carry out an in-depth investigation ('Phase 2'), the Authority may, within 45 days (which may be extended by a maximum of 30 days): (i) authorise the operation; or (ii) should it find that the concentration involves the establishment or reinforcement of a dominant position on the market such that it eliminates or substantially reduces competition in the long-term: (a) prohibit the operation; (b) authorise it, specifying the mandatory corrective measures deemed appropriate in order to eliminate the critical issues identified; (c) or, in the event that the operation has already been carried out, set out the measures deemed necessary in order to restore effective competition, by eliminating the distortive effects of the operation (i.e. deconcentration measures or other, less invasive measures);

(ii) on 28 April 2016, the Offeror presented the authorisation request to AGCOM, in accordance with Article 1, paragraph 6, letter c), number 13 of Law no. 249/1997, along with prior notice, in accordance with Article 43, paragraph 1 of Legislative Decree no. 177 of 31 July 2005.

On 19 May 2016, AGCOM informed Cairo Communication that: (i) with regard to the possible acquisition of a controlling share in RCS by Cairo Communication, no authorisation for the transfer of ownership is necessary under the provisions of Article 1, paragraph 6, letter c), number 13 of Law no. 249/1997, provided that - from the information present in the Communications Companies Register ('**ROC**') - RCS is not shown to be the direct holder of concessions, licenses or other entitlements to provide radio and television services; and (ii) with regard to the notification of concentration operations under the provisions of Article 43, paragraph 1 of Legislative Decree no. 177 of 31 July 2005, in order to carry out the preliminary investigation, the definitive elements of the Offer must be provided after its approval by the competent authority.

Under the terms of the applicable law in fact, AGCOM has 60 days from receipt of the notification (i.e. by 28 June 2016) to carry out the preliminary investigation and to decide whether or not to carry out a more in-depth investigation (this term may be suspended in order to acquire further documents or information, for a maximum of 60 days per request).

In the event that AGCOM decides that it is necessary to carry out the investigation phase, the Authority may, within 120 days (which may be extended by a maximum of 60 days): (i) dismiss the procedure, should it consider that the concentration operation notified does not exceed certain limits provided for by the applicable law; (ii) adopt a public deed of recall, should it consider that although said limits have not yet been exceeded, they are likely to be; (iii) issue a measure to eliminate or prevent the creation of positions prejudicial to pluralism, should it find that said limits have been exceeded. Specifically, AGCOM may impose: (a) conduct-related measures for the purpose of removing the effects of the operation that have led to said limits being exceeded; (b) structural measures, such as the disposal of a company or company division, to be carried out within the term indicated in the measure itself, which must not exceed 12 months.

On 26 April 2016, the Offeror notified the Spanish competition authority (*Comisión Nacional de Mercados y de la Competencia*) of its decision to promote the Offer, in accordance with and pursuant to Article 7 of Spanish Law no. 15 of 03 July 2007. In its measure announced on 13 May 2016, the *Comisión Nacional de Mercados y de la Competencia* decided to authorise the operation.

AGCM was notified of the operation in accordance with Article 16, paragraphs 1 and 5 of Law no. 287 of 10 October 1990. Paragraph 1 in fact requires that all concentration operations ([83]) between enterprises must "*be previously notified to the AGCM if the total revenues realised at national level by all of the enterprises involved are higher than EUR 495 million and if the total revenues realised at national level by the enterprise to be acquired are higher than EUR 50 million*" ([84]). Paragraph 5 adds that "*a tender offer that can lead to a concentration operation subject to the notification required under paragraph 1* [must] *be notified to the Authority at the same time as it is notified to the the Italian Securities and Exchange Commission*".

([83]) Pursuant to Article 5 of *Law no. 287/90*, "*A concentration operation takes place: a) when two or more enterprises merge; b) when one or more entities in a position of control of at least one enterprise or one or more enterprises directly or indirectly acquire control of all or part of one or more enterprises, whether through the acquisition of shares or parts of equity, or by contract or any other means; c) when two or more enterprises proceed to set up a shared enterprise through the setting up of a new company. Control of an enterprise is not gained if a bank or financial institution acquires shares in said enterprise when the enterprise is set up or increases its capital in order to resell them on the market, provided that it does not exercise the voting rights inherent in said shares during the period of ownership of said shares, which in any case must not exceed 24 months. Operations having as their main purpose or effect the coordination of independent enterprises do not result in a concentration*".

([84]) The amounts were recently amended by AGCM Measure no. 25892 of 9 March 2016.

Under the provisions of Article 16, paragraph 4 of Law no. 287 of 10 October 1990, "*if the Authority considers that a concentration operation should be prohibited pursuant to Article 6, it shall initiate the investigation in accordance with the provisions of Article 14 within 30 days of receiving the notification, or of the time when it has become aware of said operation. Should the Authority not consider it necessary to initiate an investigation into a properly notified concentration operation, it must inform the enterprises involved and the Ministry of Industry, Commerce and Small Businesses about its conclusions on the matter, within 30 days f receiving the notice*". Paragraph 6 sets out that "*in the case of a tender offer* [...] *the Authority must notify initiation of the investigation within 15 days of receiving notification and at the same time inform the Italian Securities and Exchange Commission*".

Pursuant to Article 6 of Law no. 287/90 "*the Authority shall assess whether* [the concentration operations notified in accordance with Article 16] *involve the establishment or reinforcement of a dominant position on the market such that they eliminate or substantially reduce competition in the long term. The situation must be assessed taking into account the options for choice of the suppliers and end users, the market position of the enterprises involved, their access to sources of supply or to sales on the market, the structure of the markets, competition in the industry within the country, the barriers to entry onto the market of competitor enterprises and the trend in demand and supply of the products and services in question*".

With regard to the procedure before AGCM, the Offeror considers that acquisition of the control of RCS by Cairo Communication - should the Offer be successful - is not such that it would result in the establishment or reinforcement of a dominant position that would eliminate or substantially reduce competition in the long term in the relevant markets, i.e. the markets in which there would be an overlap between the activities of periodical publication and advertising sales in the press, online or on television by the Cairo Communication Group and RCS Group.

More specifically, with regard to volumes in the periodical publication sector and the values in the advertising sales sector, should the Offer be successful and Cairo Communication acquire control of RCS, the markets in which the joint share will exceed 25% are ([85]): (i) the weekly periodical market, where the Post-Offer Cairo Communication Group will have a 34.5% share ([86]); (ii) the women's weekly market, where the share will be 25.6% ([87]); (iii) the family weekly market, where the share will be 39.4% ([88]); and (iv) the travel monthly market, with a 29.1% share ([89]). In the opinion of the Offeror, said markets are in any case without significant barriers to entry and have numerous, quality competitors. Based on the above, without prejudice to the fact that the valuation of the market position of the Post-Offer Cairo Communication Group to be carried out by AGCM could differ from that carried out by the Offeror, the latter considers that the operation is not likely to bring about the establishment or reinforcement of a dominant position on any of the markets mentioned above.

As regards the AGCOM authorisation, the Offeror considers that the acquisition of control of RCS by Cairo Communication - should the Offer be successful - is not likely to bring about a dominant position on the part of Cairo Communication prohibited by Article 42 of Legislative Decree no. 177 of 31 July 2005 ('**TUSMAR**'), as all the limits specified therein are complied with.

([85]) Data expressed in average weekly or monthly sales figures.

([86]) Source: Data published by ADS processed by Cairo Communication.

([87]) Source: Data published by ADS processed by Cairo Communication with the inclusion of 2015 estimated news-stand sales figures for publications not measured by ADS.

([88]) Source: Data published by ADS processed by Cairo Communication with the inclusion of 2015 estimated news-stand sales figures for publications not measured by ADS.

([89]) Source: Data published by ADS processed by Cairo Communication with the inclusion of 2015 estimated news-stand sales figures for publications not measured by ADS.

Specifically, Article 43, paragraph 7 of the TUSMAR sets limits to the number of licenses for the broadcasting of television programmes, providing that "*a single content provider, also through companies classifiable as subsidiaries or associates pursuant to paragraphs 13, 14 and 15* (90), *may* [not] *be the holder of licenses that allow the broadcasting of more than 20 percent of the total television programmes* [...] *broadcast nationally on terrestrial frequencies via the networks provided for by the* [national plan for assignment of radio and television frequencies using digital technology]". In this regard, it should be noted that this threshold would not be exceeded in the event that Cairo Communication acquires control of RCS. The subsidiary La7, in fact, currently holds two licenses to provide national audiovisual media services on terrestrial frequencies, for the general television channel La7 and the semi-general television channel La7*d*. Given that in 2016 there were 126 digital terrestrial television channels, the 2014 La7 share was 1.4%(91). This situation would remain unchanged after the Offer, as RCS operates in satellite television channels that are not relevant for the purpose of compliance with the obligation provided for under Article 43, paragraph 7 of the TUSMAR.

In terms of compliance with anti-concentration limits, Article 43, paragraph 9 of the TUSMAR provides as follows: "*Without prejudice to the prohibition on creating dominating positions in the individual markets that make up the integrated communications system, entities required to be enrolled on the communication operators' register set up pursuant to Article 1, paragraph 6, letter a), number 5) of Law no. 249 of 31 July 1997 may not either directly, or via subsidiaries or associates under the terms of paragraphs 14 and 15* (92)*, receive revenues of more than 20 percent of the total revenues of the integrated communications system*". Paragraph 10 of the same article specifies that the revenues of the aforementioned paragraph 9, "*are those resulting from the funding of the public radio and television service net of inland revenue rights, national and local advertising including in direct form, telesales, sponsorships, the dissemination of the end product to the retail outlet not including any price changes, ongoing agreements with public bodies and public provisions paid directly to the entities carrying on the business indicated in Article 2, paragraph 1, letter s)*(93)*, television pay-to-view offers, subscriptions and the sale of daily papers and periodicals including books and recordings sold in conjunction, as well as national press agencies, electronic and annual publications including via the internet, advertising online and on various platforms including directly, including the resources collected by search engines, social and sharing platforms and from the use of films in the various uses available to the public*". The Offeror considers that, should Cairo Communication acquire control of RCS, the 20% threshold of the total

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(90) I paragraphs 13, 14 and 15 of the aforementioned article state:

"*13. For the purpose of identifying the dominant positions prohibited by this consolidated act in the integrated communications system, equity interests acquired or in any case held through companies including those indirectly controlled, trusts or intermediaries are included. Interests are considered to have been acquired when they are owned by an entity other than the one that previously owned them also as a result of or in connection with mergers, spin-offs, demergers or transfers of companies or suchlike involving such entities. When there are agreements between the various shareholders, of whatever type, regarding agreed voting, or management of the company, other than mere consultation of other shareholders, each of the shareholders shall be considered the owner of all the shares or stakes held by the contracting shareholders or controlled by them.*

14. For the purpose of this consolidated act, control exists, also with reference to entities other than the companies, in the cases provided for by Article 2359, paragraphs 1 and 2 of the Civil Code.

15. Control is considered to exist in the form of a dominating influence, unless proven otherwise, when one of the following situations exists: a) the existence of an entity which, by itself or based on concerted action with other shareholders, can exercise a majority vote at the ordinary shareholders' meeting or appoint or revoke the majority of the directors; b) the existence of relations, including between shareholders, of a financial or organisational or economic nature that can bring about one of the following effects: 1) the transfer of profits and losses; 2) the coordination of management of the enterprise with that of other enterprises in order to pursue a common aim; 3) the attribution of greater powers than those deriving from the shares or stakes held; 4) the attribution to entities other than those legally endowed based on the share ownership with powers to choose the directors and managers of enterprises; c) the subjection to shared direction, which can also be the result of the type of composition of the administrative bodies or for other significant, qualified elements.".

(91) Latest data available. Source: CRTV – Confindustria Radio Televisioni.

(92) See note 90.

(93) Article 2, paragraph 1, letter s) refers to the following activities: "*daily and periodical press; annual and electronic publishing also via the internet; radio and audiovisual services; film; external advertising; advertising initiatives for products and services; and sponsorship*".

revenues of the integrated communications system would not be exceeded. In fact, pursuant to Resolution 658/15/CONS ([94]) of 1 December 2015, in 2014 ([95]), Cairo Communication and RCS respectively achieved revenues of 1.5% ([96]) and 3% ([97]) of the total revenues generated by the integrated communications system in the same year.

Finally, pursuant to Article 43, paragraph 11 of the TUSMAR, **"***enterprises, including via subsidiaries or associates, of which the revenues in the electronic communication sector, as defined under Article 18 of Legislative Decree no. 259 of 1 August 2003, are more than 40 percent of the total revenues in that sector may not achieve revenues of more than 10% of the integrated communications sector within said sector***"**. This limit does not apply to the case in question as, on the Offer Document Date, neither Cairo Communication nor, based on the information in the public domain, RCS have revenues from the electronic communications sector.

Note finally that the operation will not exceed the dominance thresholds established by Article 3 of Law no. 67/1987, according to which, in order to guarantee pluralist information in the daily press, an entity shall be considered to have a dominant position following a concentration when: (i) it edits or controls companies that in turn edit daily newspapers with a circulation the previous year of more than 20% of the total circulation of daily newspapers in Italy; (ii) it edits or controls companies that in turn edit a number of publications that had a circulation the previous year of more than 50% of the total copies circulated of daily papers in the same inter-regional areas; (iii) it becomes the holder of links with companies publishing daily newspapers that had a circulation the previous calendar year of more than 30% of the total circulation of daily newspapers in Italy. As shown above, in fact, the operation will not have any impact on the daily press market, in which only RCS operates, and not Cairo Communication.

In the light of the above, bearing in mind that the AGCOM valuations regarding the aforementioned limits may be different to those of the Offeror, the latter considers that the operation is not liable to result in a dominant position prohibited under the relevant legislation.

([94]) Latest data available.

([95]) The data referring to the dimensions of the integrated communications system in 2014 has been reported, as it is the most recent data available.

([96]) The data has been extracted from the annual reports sent to AGCOM by Cairo Communication.

([97]) AGCOM figures produced from company data.

However, in the event that the Offeror should, even in part, waive the Condition of Validity of the Offer relating to the obtention of the authorisations from AGCM and AGCOM, it should be noted that the authorities may adopt deconcentration and structural measures, with potential negative effects on the company's status as a going concern and on the capital, financial position and operating results of the Post-Offer Cairo Communication Group.

D. ISSUERS' FINANCIAL INSTRUMENTS OR WITH UNDERLYING FINANCIAL INSTRUMENTS OWNED BY THE OFFEROR, ALSO BY MEANS OF TRUSTS OR INTERMEDIARIES

D.1 Number and type of RCS Shares owned by the Offeror and by people acting in concert

As at the Offer Document Date, the Offeror does not, directly or by means of trusts or intermediaries, hold RCS Shares or other financial instruments issued by the Issuer.

As at the Offer Document Date, UTC, which controls the Offeror and acts in concert with the Offeror according to Article 101-*bis*, paragraphs 4 and 4-*bis*, letter b) of the TUF, holds 24,653,643 RCS Shares, which represent 4.724% of the Issuer's share capital.

D.2 Contango agreements, share loans, usufruct and pledge rights or other contracts with RCS Shares as underliers

As at the date of the Offer Document, neither the Offeror nor the entities acting in concert with the Offeror in relation to the Offer, have entered into contango agreements, share loans, implemented usufruct or pledge rights on RCS Shares, or agreed other commitments of other type in which RCS Shares are underliers (such as, merely as an example, options, futures, swaps or forward contracts on said financial instruments), including through trusts or intermediaries.

E. UNIT CONSIDERATION FOR THE FINANCIAL INSTRUMENTS AND ITS JUSTIFICATION

E.1 Indication of the Consideration and the criteria used to determine it

The Offeror shall recognise a Consideration represented by 0.12 newly issued Cairo Communication Shares for each RCS Share tendered to the Offer, the former being the result of the Capital Increase servicing the Offer.

The newly issued Cairo Communication Shares shall have ordinary rights and, therefore, will give the holders the same rights as the outstanding Cairo Communication at the time of the issue, and will be traded on the MTA, STAR segment, from the Consideration Payment Date.

The Consideration will be paid on the Consideration Payment Date, i.e. 15 July 2016.

The Consideration shall be net of duty, costs, fees and commission, which shall be payable by the Offeror, while the substitute tax on any capital gains shall be payable by the Tendering Shareholders.

The Consideration was determined by the Board of Directors based on its own analyses and considerations, carried out with the advice and support of its Financial Advisors.

On 8 April 2016, when determining the comparative estimate of the financial capital of the Cairo Communication Group and the RCS Group for the purpose of determining the Consideration, the Offeror's Board of Directors selected the Borsa Italiana list price method as the main valuation method, and the Target Prices published by the research analysts monitoring Cairo Communication and RCS securities and the Market Multiples of comparable listed companies as the control methods.

Given the nature of the Consideration, which comprises newly issued Cairo Communication Shares offered in exchange for the RCS Shares tendered to the Offer, the valuation analyses underlying determination of the Consideration were carried out by the Offeror in order to make a comparative estimate of the financial value of the Cairo Communication Group and the RCS Group. Therefore, based on an established principle in valuation practice, the Offeror's valuation approach favoured the principle of relative standardisation and comparability of the valuation criteria applied, in order to identify standard and comparable relative value intervals for Cairo Communication and RCS. The value estimates of the financial capital of Cairo Communication and RCS underlying the determination of the Consideration are therefore only significant in relative terms.

The valuation analyses carried out by the Offeror for the purpose of determining the Consideration presented the following limitations and difficulties:

(i) the Offeror did not carry out a financial, legal, business, fiscal, industrial or any other type of due diligence on RCS;

(ii) as at the Offer Document Date, RCS is in the process of carrying out an operational and financial restructuring process, the future results of which are uncertain, inasmuch as they depend on its effective implementation and on the ongoing negotiations with the lending institutions that have finance agreements in place with RCS;

(iii) the income and financial projections relating to the RCS 2016-2018 Plan, presented in summary form to the financial community on 21 December 2015, are not sufficiently detailed to be able to determine the RCS Group operational cash flow forecasts for the purpose of applying fundamental valuation methods;

(iv) the RCS historic and future 'non-recurring costs' are very significant in amount: specifically, when calculating the EBITDA before non-recurring costs, RCS adjusted the EBITDA by costs of EUR 59.7 million, 110.5 million, 32.8 million and 55.4 million respectively in the 2012, 2013, 2014 and 2015 financial years, the equivalent in percentage terms of the respective annual revenues of 3.7%, 8.4%, 3.1% and 5.4%. In addition, the RCS 2016-2018 Plan also indicated an estimate of further 'non-recurring costs' amounting to a total of between EUR 70 and 80 million, with no details available about their type and distribution over time;

(v) Cairo Communication and RCS are only partially comparable with other similar listed companies, some of which operate in different geographical markets, with different business mixes and different turnovers, expected growth, profitability and risk profiles; this limitation is particularly relevant for RCS, in consideration of the aforementioned financial and operational restructuring process and the considerable 'non-recurring costs' that characterise the company's historic and future profit metrics;

(vi) No previous transactions that could provide a valuation parameter applicable to the value estimate of the financial capital of Cairo Communication and RCS for determining the Consideration were identified.

Therefore, given the above limits and valuation difficulties, and in line with valuation best practice in Italy and abroad, in order to determine the Consideration the Offeror used a valuation approach based on market methodologies; specifically the main methodology was that based on Stock Market Trading Prices. Stock market prices in fact provide a summary estimate of the financial capital of a listed company, as expressed by the market. In an efficient market, stock market prices are a reliable indicator of a company's value, as they reflect the investors' expectations in terms of a company's profitability, asset solidity, risk and growth prospects and, therefore, the value judgement of the company's investors based on the information in the public domain, including its historic and expected future operating and financial figures. From this point of view, especially as regards RCS, given the negative results recorded in the last financial years, the high levels of debt and the ongoing company restructuring process, the market's estimate of the company's operating and financial prospects could be complex and subject to inevitable uncertainty. Therefore, also in order to mitigate these sources of uncertainty and the possible effects linked to the volatility of stock market prices, the Consideration was determined based on the stock market prices of the Cairo Communication and RCS securities over different time horizons, i.e. in the week, the month, the three months and the six months before announcement of the Offer, in addition to the benchmark prices recorded the day before announcement of the Offer.

In addition, the valuations obtained by applying the Stock Market Trading Prices method were controlled by applying the Target Price and Market Multiples methods, retaining the principle of relative standardisation and comparability of the methods applied.

Note that the Offeror felt that the Discounted Cash Flow method could not be used to support valuation of the Consideration, as the 2016-2018 business plan presented by RCS on 21 December 2015 identifies the objectives and key actions and, only in summary form, the financial projections, without analytical level of detail. Application of the Discounted Cash Flow method would, therefore, have had the limitation of the high level of subjectivity due to the hypotheses that would have had to have been developed for an accurate estimate of the RCS cash flows.

In the case in question it was also not considered possible to use the Transaction Multiples method, because no previous transactions comparable to the Offer were identified that could provide a valuation parameter useful for the purpose of estimating the value of the Companies' financial capital.

The following is a summary description of the methods applied in order to determine the Consideration.

(a) Principal method: Stock Market Trading Prices

The Stock Market Trading Prices method involves attributing a value to the company being valued in line with the value attributed to the company by the market on which its shares are traded. This criterion assumes the efficiency of the market on which the company is listed, and translates into the possibility of identifying its financial value with the value expressed by list prices measured over appropriate timescales. The following tables show the average weighted market prices of the Cairo Communication and RCS securities respectively in different periods to 7 April 2016 (the day before announcement of the Offer) and the resulting exchange ratios:

	CAIRO COMMUNICATION CUM DIVIDEND WAP(EURO)	**CAIRO COMMUNICATION EX DIVIDEND (1) WAP (EURO) (A)**	**RCS WAP (EURO) (B)**	**EXCHANGE RATIOS (B/A)**
1 day (7 April 2016)	4.59	4.39	0.42	0.095
1-week average	4.67	4.47	0.43	0.096
1-month average	4.52	4.32	0.49	0.114
3-month average	4.17	3.97	0.55	0.138
6-month average	4.30	4.10	0.59	0.144

(1) For the purpose of calculating the exchange ratios, the average weighted market price of the Cairo Communication shares was adjusted to take into account the payment of a dividend of EUR 0.20 per share, as decided by the Cairo Communication shareholders' meeting on 27 April 2016.

Based on the analyses carried out using the Stock Market Trading Price method, the following interval was therefore arrived at:

	MINIMUM	**MAXIMUM**
Exchange ratio	0.095	0.144

(b) *Control methods*

(b.1) *Target Price*

The Target Price method determines the value of a company based on the target valuations the financial analysts publish about the company. Target prices are indications of value that express an assumption on the price that a share can reach on the stock market and are based on several valuation methods at the discretion of the individual market analyst.

For the purpose of applying the target price method, the target prices of the Cairo Communication and RCS securities indicated by the research analysts monitoring the securities were used, as publicly available on 7 April 2016, the day before announcement of the Offer.

Specifically, the target prices indicated by the research analysts after publication of the Cairo Communication and RCS preliminary results as at 31 December 2015 announced respectively on 12 February 2016 and 22 February 2016 were used.

Therefore, three target prices were used for the Cairo Communication security and five target prices for the RCS security, as shown below.

<u>Cairo Communication</u>

BROKER	DATE	RECOMMENDATION	TARGET PRICE (€)
Mediobanca	21 March 2016	*Outperform*	5.67
Kepler	17 March 2016	*Buy*	5.40
Equita SIM	9 March 2016	*Hold*	4.90
Average			**5.32**
Median			**5.40**

Source: Bloomberg to 7 April 2016, excluding the target prices referring a date prior to the date of publication of the preliminary results as at 31 December 2015.

<u>RCS</u>

BROKER	DATE	RECOMMENDATION	TARGET PRICE (€)
Mediobanca	4 April 2016	*Neutral*	0.96
Equita SIM	31 March 2016	*Hold*	0.78
Kepler	29 March 2016	*Hold*	0.70
Banca Akros	24 March 2016	*Accumulate*	0.85
Banca Aletti	7 March 2016	*In-line*	0.75
Average			**0.81**
Median			**0.78**

Source: Bloomberg to 7 April, excluding the target prices referring a date prior to the date of publication of the preliminary results as at 31 December 2015.

The following tables show the median and average Target Prices of the research analysts that monitor the Cairo Communication and RCS securities and their relative exchange ratios:

	CAIRO COMMUNICATION (EURO)	RCS (EURO)	EXCHANGE RATIOS
Average target price	5.40	0.78	0.144
Average target price	5.32	0.81	0.152

Source: Bloomberg; research published after publication of the RCS 2016-2018 Business Plan on 21 December 2015 and before 7 April 2016.

(b.2) Market multiples

The Market Multiples method is based on an analysis of the stock market trading prices of a sample of companies comparable to the ones being valued, compared against certain financial/operating parameters of the companies themselves.

The Market Multiples Method comprises the following phases:

a) selecting the benchmark sample;

b) determining the reference timeframe;

c) identifying the fundamental ratios (the multiples) considered significant and representative for each company to be valued;

d) determining the relevant prospective parameters of the companies in the sample and calculation of the multiples;

e) identifying the multiples interval and its application to the companies being valued, in order to determine a value interval for each company.

The level of reliability of this valuation method depends on the method being appropriately adapted to the specific valuation in question.

Given the type of method, the affinities in operating and financial terms between the companies included in the benchmark sample and those being values is particularly critical. The significance of the results in fact depends on the comparability of the sample. The practical impossibility of identifying companies identical in every sense means it is necessary to determine the features considered most important in building the sample for the comparison, and consequently in selecting the companies that are comparable in terms of the criteria selected. The securities of the selected companies must also have a good liquidity level and not be influenced by specific contingent situations.

For the purposes of this analysis, a sample of medium to large Italian and foreign companies the prices of which are considered to be significant was selected. The data available as at 7 April 2016 was used to calculate the capital value of the companies included in the sample. A number of ratios, or multiples, considered significant for the analysis based on this criteria were calculated. The multiples were selected based on the characteristics of the publishing/media sector and market practice, according to which the EV/EBITDA ratio is considered particularly important.

The EV/EBITDA value was obtained by calculating the ratio between the Enterprise Value, calculated as the sum of a company's market capitalisation, net financial debt, pension obligation liabilities, provisions for risks and charges and third-party equity, less investments in associates values using the equity method and other non-operating equity components or components valued separately, and the EBITDA before non-recurring costs and revenue.

Taking into account the limitations and critical issues of the analysis illustrated above, the exchange ratio was determined by applying the average EV/EBITDA multiples of the companies in the sample to the figures for the future financial years 2016 and 2017 and to the final figures for the 2015 financial year, also in view of the uncertainty of future results, in particular for RCS, as depending on the effective implementation of the financial and operating restructuring plan currently ongoing. Note also that, when applying the above method, for the purposes of a standardised comparison for both companies, the EBITDA estimates provided by FactSet expressing the consensus of research analysts for the 2016 and 2017 financial years were used, along with the figures from the respective draft financial statements for the 2015 financial year including non-recurrent costs (EUR 55.4 million) for RCS (EBITDA before non-recurring costs).

Based on the above considerations and limitations, the following companies were included in the reference sample: Arnoldo Mondadori Editore, Gruppo Editoriale L'Espresso, Axel Springer, Independent News & Media, Johnston Press, New York Times Company, Tamedia, Promotora de Informaciones and Trinity Mirror. The sample was used both for Cairo Communication and RCS, given the fact that both companies belong to the same business sector. Furthermore, as for RCS and Cairo Communication, the final figures for the 2015 financial year and the estimates provided by a consensus of research analysts for the future 2016 and 2017 financial years were used for the companies included in the sample.

The following table shows the average EV/EBITDA multiples for the above sample regarding the figures for the 2015 financial year and the estimates for the 2016 and 2017 financial years, along with the relative exchange ratios.

	EV / EBITDA(1)	EXCHANGE RATIOS(2)
2015A	7.4	0.059
2016E	7.2	0.106
2017E	6.9	0.134

(1) Source FactSet and financial information available as at 7 April 2016.

(2) For the purpose of calculating the exchange ratios, the price of the Cairo Communication shares was adjusted to take into account of the payment of a dividend of EUR 0.2 per share, as decided by the Cairo Communication shareholders' meeting on 27 April 2016.

According to the analyses carried out according to the above criteria, the Cairo Communication Board of Directors identified the following exchange ratios (Cairo Communication shares for each RCS share).

METHOD	EXCHANGE RATIO		
	Minimum -	Maximum	Average (1)
Main method:			
Stock market trading prices	0.095	0.144	0.119
Control method:			
Target Prices	0.144	0.152	0.148
Market multiples	0.059	0.134	0.096

(1) Calculated as the average between the minimum and the maximum values.

Given the above, the Cairo Communication Board of Directors determined the Consideration, which implies an exchange ratio that is the average of the values obtained using the main method of Stock Market Trading Prices (0.12 Cairo Communication Shares for each RCS Share).

<u>*Monetary valuation of the Consideration*</u>

Note that, for the purpose of attributing a 'monetary' value to the Consideration, each Cairo Communication offered in exchange has been valued based on the issue price of the Cairo Communication Shares set by the Offeror's Board of Directors in its Capital Increase (EUR 4.39). When this price is applied to the Consideration (i.e., by multiplying EUR 4.39 by the 0.12 Cairo Communication Shares offered for each RCS share tendered to the Offer), the implicit monetary value of the Consideration is EUR 0.527 for each RCS Share tendered to the Offer (the **"Unit Monetary Value"**).

E.2 Total Value of the Offer

The Offer is made on a maximum of 521,864,957 RCS Shares, representing the Issuer's entire share capital.

In the event of total acceptance of the Offer, the Tendering Shareholders will be assigned a total of 62,623,795 Cairo Communication Shares from the Capital Increase, based on the exchange ratio described in Paragraph E.1, Section E of the Offer Document.

In the event of total acceptance of the Offer, the total value of the Offer will therefore be EUR 274,918,460.05 (the **'Total Value'**) based on a valuation at the Unit Monetary Value.

E.3 Comparison of the Consideration with some indicators concerning the Issuer

The following table shows the main indicators per share for the RCS Group financial years ending on 31 December 2015 and 31 December 2014.

IN MILLIONS OF EURO, EXCEPT FOR THE VALUES PER SHARE INDICATED IN EUR AND THE NUMBER OF SHARES	2015	2014
Number of shares issued (1) (a)	521,864,957	521,864,957
Number of treasury shares (b)	4,575,114	4,575,114
Number of outstanding shares (c = a - b)	**517,289,843**	**517,289,843**
Dividends (2)	0	0
Ordinary operating results (3)	(135.4)	(89.5)
(Net loss) pertaining to the Issuer's shareholders	(175.7)	(110.8)
per share (€)	(0.34)	(0.21)
Cash flow (4)	(52.3)	(31.0)
per share (€)	(0.10)	(0.06)
Equity pertaining to the Issuer's shareholders	100.0	268.4
per share (€)	0.19	0.52

Source: Issuers' consolidated financial statements; for the year ended 31 December 2014 the figures were adjusted to take into account the assets for divestment and divested or sold during the year.

(1) Shares making up the Issuer's share capital at the end of the year.

(2) No dividends were distributed during the 2015 and 2014 financial years.

(3) Result of assets that will continue.

(4) Calculated as the sum of the (net loss) pertaining to the Issuer's shareholders and amortisations and impairment, as shown in the Issuers' consolidated financial statements.

The Consideration has also been compared with the market multiples of Italian and international listed companies with similar characteristics to the Issuer in terms of business sector, type of operations and size.

To this end, given the type of business carried out by the Issuer and the multipliers normally used by financial analysts, the following value multipliers were used:

(i) EV/EBITDA, representing the ratio between the Enterprise Value, calculated as the sum of a company's market capitalisation, net financial debt, pension obligation liabilities, third-party equity, less investments in associates values using the equity method and the EBITDA before non-recurring costs and revenue

(ii) P/Own capital, representing the ratio between the Consideration and Equity pertaining to the Issuers' shareholders per Share at the end of the period.

The following table shows the EV/EBITDA multiplier of the Issuer with reference to the financial years ended on 31 December 2015 and 31 December 2014, based on the value of the Issuer's financial capital (Consideration multiplied by the number of shares issued net of treasury shares on the Offer Document Date) and the most recent financial figures publicly available on the Offer Document Date on net financial debt, pension obligation liabilities, third-party equity and investments in associates values using the equity method and the P/Own capital multiplier of the Issuer based on the shareholders' equity per share for the financial years ended on 31 December 2015 and 31 December 2014.

PRICE MULTIPLIERS (1)	2015	2014
EV/EBITDA(2)	10.8x	12.8x
P/Own capital	2.7x	1.0x

Source: Issuers' consolidated financial statements as at 31 December 2015 and 31 December 2014 and interim management report as at 31 March 2016; for the year ended 31 December 2014 the figures were adjusted to take into account the assets for divestment and divested or sold during the year.

(1) The multiples P/Cash Flow and P/E were not included in the above table as they were negative for both the financial years in question.

(2) Note that the EBITDA value used to calculate the multiplier is before non-recurring costs and revenue of EUR 55.4 million in the 2015 financial year and EUR 32.8 million in the 2014 financial year; if the EBITDA value including non-recurring costs and revenue had been used, the multiplier would have been 47.3x and 27.8x.

The Issuer's multipliers were compared with the similar figures, calculated for the 2015 and 2014 financial year, for a sample of international listed companies operating in the same business sector as the Issuer and considered potentially comparable, and in some cases partially comparable.

The following is a short description of each of these companies.

- **Arnoldo Mondadori Editore**: established in 1907, the biggest book and periodical publisher in Italy and the third in France for consumer magazines. The company also operates in retail sales, with a network of around 600 shops throughout the country. The company's business is divided into the following areas: Books (2015 revenues: 25.3%), Periodicals (2015 revenues: 55.9%), Retail (2015 revenues: 17.4%) and Other (2015 revenues: 1.4%) ([98]).

- **Gruppo Editoriale l'Espresso**: established in 1955, one of the main Italian media companies. The company operates in the following business areas: National press (dailies and periodicals), Radio, Television, Advertising sales, Digital media. The company publishes the national daily *La Repubblica* and the weekly magazine *l'Espresso*, and also publishes 18 local papers, runs three national radio stations (Radio Deejay, Radio Capital and Radio m2o) and several national television networks; it also offers internet services and sells advertising via the group or third-party publishers.

- **Axel Springer SE:** established in 1946, one of the main European media companies. The company publishes daily papers, periodicals, books and magazine and owns television networks and radio broadcasters. The company also operates in the digital media sector, offering digital marketing services to companies.

([98]) Source: Annual report 31 December 2015.

- **Independent News & Media:** established in 1904, the leading Irish media company. The company publishes five daily newspapers, thirteen regional papers and works in the digital media sector.

- **Johnston Press Plc:** established in 1767**,** it operates in the UK and Ireland in the media business. The company publishes newspapers, weeklies and magazines and provides digital content. The company operates in the following business areas: Publishing (2015 revenues: 94.4%) and Press (2015 revenues: 5.6%) ([99]).

- **The New York Times Co. (NYT)**: established in 1851, one of the main US media companies. The company operates through two divisions: The New York Times Media Group and the New England Media Group. The New York Times Media Group includes the New York Times, International Herald Tribune, NYTimes.com and related activities. The New England Media Group includes The Boston Globe, BostonGlobe.com, Boston.com, Worcester Telegram & Gazette, Telegram.com.

- **Tamedia:** established in 1893, one of the leading media companies in Switzerland. The company publishes daily papers, weeklies and magazines, as well as offering an online platform and press services. The company's business comprises the following divisions: regional press, national press and digital media. The Regional Press division covers all the regional newspapers and gazettes. The National Press division comprises newspapers and magazines with a national focus. The digital media division includes all the online services.

- **Promotora de Informaciones SA (PRISA)**: established in 1958, the leading Spanish communication, education, culture and entertainment group with a presence in 22 countries in Europe and the Americas. The company operates through the following segments: Audiovisual (2015 revenues: 16%), Education (2015 revenues: 45%), Radio (2015 revenues: 22%) and Press (2015 revenues: 17%) ([100]). The Audiovisual segment concentrates on advertising and audiovisual products, the Education segment on educational books and systems, the Radio segment on advertising and events organisation and management and the Press segment on selling newspapers, magazines and advertising.

- **Trinity Mirror Plc:** established in 1999, publishes newspapers and magazines in the UK. The company operates through three segments: Publishing (2015 revenues: 89.2%), Press (2015 revenues: 7.6%) and Digital (2015 revenues: 2.6%) and Other (2015 revenues: 0.6%) ([101]). The Publishing segment publishes national newspapers, regional newspapers including free papers and manages a portfolio of related digital products. The Press segment provides press services to the Publishing segment and to third parties. The Digital segment includes digital marketing services for businesses.

([99]) Source: Factset.

([100]) Source: Factset.

([101]) Source: Factset.

COMPARABLE COMPANIES (1)	EV/EBITDA		P/TREASURY SHARES (2)	
	2015	2014	2015	2014
Mondadori	7.0x	7.6x	0.9x	1.0x
Espresso	4.5x	4.4x	0.6x	0.6x
Axel Springer	12.9x	13.3x	2.4x	2.3x
Independent News & Media	5.4x	6.1x	5.2x	n.m.
JohnstonPress	4.3x	4.1x	0.2x	0.2x
NYT	8.3x	9.4x	2.4x	2.8x
Tamedia	7.7x	7.8x	1.2x	1.4x
Prisa	7.6x	8.4x	n.m.	n.m.
Trinity Mirror	5.4x	5.5x	0.5x	0.5x
Average	7.0x	7.4x	1.7x	1.3x
Median	7.0x	7.6x	1.1x	1.0x
RCS	**10.8x**	**12.8x**	**2.7x**	**1.0x**

Source: Company financial statements, FactSet and Bloomberg.

(1) The multipliers were calculated based on the number of shares issued net of treasury shares as at the latest available data before the Offer Document Date and based on the ordinary share market price as at 18 May 2016. In the case of RCS the multipliers were calculated based on the Consideration.

(2) The multiplier P/Own capital was calculated based on the ordinary share market price as at 18 May 2016 (in the case of RCS based on the Consideration) and the shareholders' equity per share with reference to the financial years ended on 31 December 2015 and 31 December 2014.

E.4 Monthly arithmetic and weighted mean of the RCS Share registered list prices in the twelve months before the Offer

The weighted monthly averages for the daily trading volumes of the official RCS Share prices registered in each of the twelve months before the date of the announcement by the Offeror of the decision to make the Offer (i.e. 8 April 2016 exclusive) are shown below.

REFERENCE PERIOD	AVERAGE WEIGHTED PRICE (EURO)	TOTAL VOLUMES (SHARES)	TOTAL VALUES (EURO)
8 April - 30 April 2015	1.2171	76,283,708	92,844,386
May 2015	1.2161	32,880,114	39,985,278
June 2015	1.1583	30,689,895	35,547,649
July 2015	1.0553	42,821,075	45,189,748
August 2015	0.9931	35,820,889	35,574,024
September 2015	0.8986	33,952,617	30,509,699
October 2015	0.8048	103,709,564	83,463,592
November 2015	0.6362	97,329,219	61,924,062
December 2015	0.5374	165,728,844	89,055,301
January 2016	0.5893	107,935,478	63,603,796
February 2016	0.5167	42,107,894	21,756,496
March 2016	0.5342	71,227,431	38,050,706
1 April - 7 April 2016	0.4295	7,074,721	3,038,361
Last 12 months	**0.7557**	**847,561,449**	**640,543,098**

Source: Bloomberg, official prices

The official price of the RCS Shares measured on 7 April 2016 was EUR 0.4156.

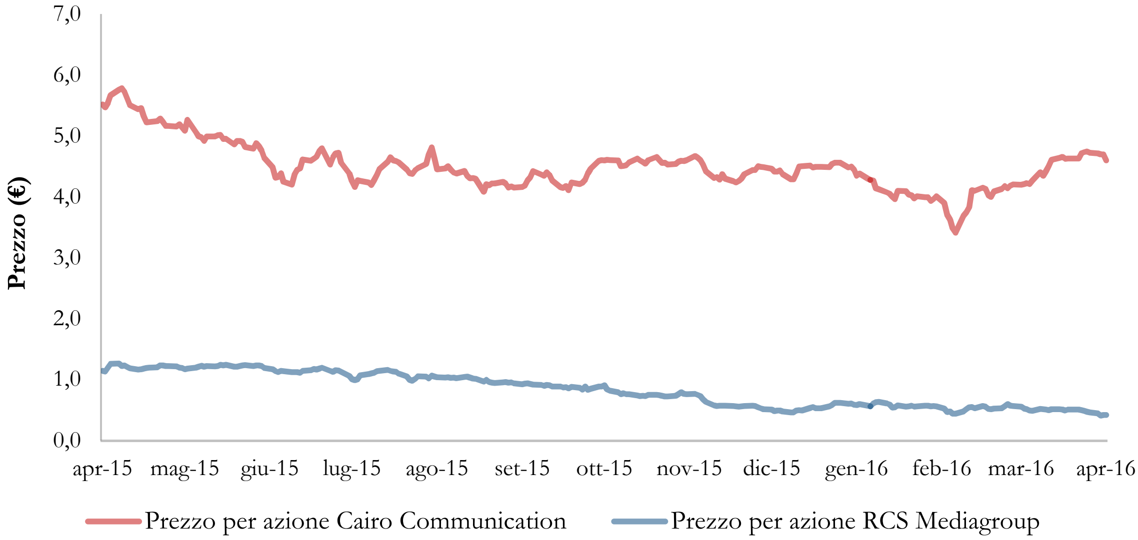
For information, the following table shows the weighted average for the volumes of Cairo Communication ordinary share prices, the total values and total volumes, for each of the 12 calendar months before 8 April 2016 (exclusive), the date on which the Offeror's decision to make the Offer was announced.

REFERENCE PERIOD	AVERAGE WEIGHTED PRICE (EURO)	TOTAL VOLUMES (SHARES)	TOTAL VALUES (EURO)
8 April - 30 April 2015	5.4648	3,720,809	20,333,386
May 2015	5.0197	3,229,359	16,210,387
June 2015	4.5079	5,353,422	24,132,809
July 2015	4.4010	2,100,868	9,245,896
August 2015	4.4839	1,977,126	8,865,154
September 2015	4.2608	971,551	4,139,577
October 2015	4.5480	1,186,764	5,397,384
November 2015	4.4212	1,231,018	5,442,553
December 2015	4.4426	964,902	4,286,665
January 2016	4.1633	996,564	4,148,968
February 2016	3.8146	1,287,225	4,910,246
March 2016	4.4396	1,461,503	6,488,482
1 April - 7 April 2016	4.6730	207,504	969,672
Last 12 months	**4.6406**	**24,688,615**	**114,571,177**

Source: Bloomberg, official prices

The official price of the Offeror's ordinary shares measured on 7 April 2016 was EUR 4.5924.

The following table shows the trend in the official stock market prices of the Cairo Communication ordinary shares and RCS Shares in the 12 months before 8 April 2016 (exclusive), the date on which the Offeror's decision to make the Offer was announced.



Source: Bloomberg, official prices

The following table shows a comparison between the Consideration, calculated on the basis of the official Cairo Communication share price recorded on 7 April 2016, adjusted to take into account the dividend approved by the Cairo Communication shareholders' meeting on 27 April 2016, and (i) the official price of the RCS Shares on the Stock Exchange Trading Day before the date on which the Offeror's decision to make the Offer was announced (i.e. 7 April 2016), and (ii) the weighted averages of the official prices 1, 3 and 6 months and 1 year before the date on which the Offeror's decision to make the Offer was announced.

REFERENCE	CONSIDERATION IMPLICIT	CONSIDERATION OFFERED V. MARKET PRICES
	EX DIVIDEND	EX DIVIDEND
Consideration offered	0.527	
Official price as at 7 April 2016	0.4156	26.8%
Average prices at 1 month	0.4911	7.3%
Average prices at 3 months	0.5486	(3.9%)
Average prices at 6 months	0.5908	(10.8%)
Average prices at 1 year	0.7557	(30.3%)

Source: Bloomberg, official prices

The official price of the Cairo Communication shares at the close of trading of the last Stock Exchange Trading Day before the Offer Document Date, i.e. 27 May 2016, was EUR 4.8237.

The official price of the RCS shares at the close of trading of the last Stock Exchange Trading Day before the Offer Document Date, i.e. 27 May 2016, was EUR 0.7561.

E.5 Values attributed to the RCS Shares for financial operations carried out in the last and current financial years.

To the knowledge of the Offeror, no financial operations - such as mergers and spin-offs, capital increases, public offers, warrant issues and transfers of significant share packages - involving the valuation of RCS Shares took place in the course of the financial year ended on 31 December 2015 and the current financial year.

E.6 Values at which the purchase and sale of RCS Shares have been carried out by the Offeror, in the last 12 months

In the last 12 months, meaning the 12 months before the date of the announcement by the Offeror of the decision to make the Offer (: i.e. 8 April 2016), the Offeror and (to the knowledge of the Offeror) the people acting in concert with the Offeror have carried out the purchase and/or sale of the Issuer's shares as shown below.

On 12 February 2016, UTC, a company that holds 44.876% of the Offeror's share capital and is controlled by Urbano Cairo, acquired 564,000 RCS Shares at a unit price of EUR 0.44960.

E.7 Description of the financial instruments offered in exchange as Consideration for the Offer.

E.7.1 Description of the Cairo Communication Shares servicing the Offer

The Cairo Communication Shares to be assigned as Consideration to the RCS Shareholders accepting the Offer in accordance with paragraph E.1 above are the maximum newly issued 62,623,795 Cairo Communication ordinary shares from the Capital Increase servicing the Offer decided by the Extraordinary Shareholders' Meeting of Cairo Communication on 12 May 2016.

The Cairo Communication Shares will have the same ISIN code as the Cairo Communication shares currently outstanding, i.e. IT0004329733.

The Cairo Communication Shares will be issued on the Consideration Payment Date (i.e. the payment date in the event of a Purchase Obligation pursuant to Article 108, paragraph 1 of the TUF, or the payment date in the event of a Purchase Obligation pursuant to Article 108, paragraph 2 of the TUF, depending on the case) and will be traded on the same market on which, at the time of the issue, the Cairo Communication ordinary shares are traded, i.e. the MTA, STAR segment.

The shareholders' book of the Cairo Communication ordinary shares is held by SPAFID S.p.A., with registered offices in Milan, at Foro Buonaparte 10.

E.7.2 Laws based on which the Cairo Communication Shares servicing the Offer are issued.

The Cairo Communication Shares servicing the Offer are issued in accordance with Italian law.

E.7.3 Characteristics of the Cairo Communication Shares servicing the Offer

The Cairo Communication Shares are demateralised named financial instruments admitted to the centralised management system managed by Monte Titoli and listed on the MTA.

The Cairo Communication Shares are indivisible and freely transferable.

The Cairo Communication Shares have ordinary enjoyment rights and the same characteristics as those outstanding on the issue date and give the same equity and administrative rights as the latter.

E.7.4 Issue currency of the Cairo Communication Shares servicing the Offer

The Euro is the issue currency of the Cairo Communication Shares servicing the Offer

E.7.5 Description of the rights of the Cairo Communication Shares servicing the Offer

The Cairo Communication Shares will have the same characteristics and, in line with the requirements of the law and the articles of association, give the same equity and administrative rights as the Cairo Communication ordinary shares outstanding on the date of their issue and will be traded on the MTA.

The main rights of holders of Cairo Communication ordinary shares, pursuant to Articles 6, 7, 30, 31, 32 and 33 of the Cairo Communication articles of association are listed below.

There is no restriction on the free transfer of Cairo Communication Shares in the company's articles of association.

Option Rights

In the event of an increase to be carried out by a cash contribution, the shareholders will have an option right on the new shares, except as provided for under Article 2441, paragraphs 5, 6, 7 and 8 of the Italian Civil Code

Option rights on newly issued shares in the event of a share capital increase may be excluded on up to ten percent of the pre-existing share capital, on condition that the issue price is that of the market value of the shares and that this is confirmed in a special report prepared by the independent auditors appointed by the Company.

Profit-sharing rights

After the allocation of a sum of no less than five percent for the statutory reserve until this has reached one fifth of the share capital, the profits shown on the approved financial statements will be allocated to shares unless a shareholders' meeting resolution decides otherwise.

Payment of the dividends is carried out from the date and to the banks established each year by the Board of Directors.

Dividends not collected within five years following the date on which they become payable shall revert to the company.

Rights in the event of the Company being dissolved

If at any time and for any reason whatsoever the company should be dissolved, the shareholders' meeting shall decide the manner of the liquidation and shall appoint one or more liquidators, establishing their powers.

In the event of the Company being dissolved, the shareholders will have a right proportionate to their share of the capital to first refusal to purchase any stakes in subsidiaries or associates in accordance with Article 2359 of the Italian Civil Code held by the Company on that date.

Shareholders wishing to avail themselves of this right must inform the liquidatorand the other shareholders, indicating the price offered.

If, within 30 days of the notice being given, the liquidatore does not receive offers for a higher value the liquidator may then sell the stake to the shareholder making the application.

If, within 30 days of the notice being given, the liquidator receives an offer for a higher price, the latter must inform the shareholder who may then proceed to buy the stake at the same price within seven days of the 30-day term.

The liquidation may be revoked with a favourable vote of all the shareholders.

E.7.6 Issue of the Cairo Communication Shares

The Cairo Communication Shares will be issued on the Consideration Payment Date (either on the payment date in the event of a Purchase Obligation pursuant to Article 108, paragraph 1 of the TUF, or on the payment date in the event of a Purchase Obligation pursuant to Article 108, paragraph 2 of the TUF, depending on the case).

The issue of Cairo Communication shares will take place in the execution of the Capital Increase decided by the Cairo Communication Extraordinary Shareholders' Meeting on 12 May 2016.

For the purposes of the Capital Increase, the Offeror's Board of Directors decided, in accordance with Article 2440 of the Italian Civil Code, to apply the provisions of Articles 2343-*ter* and 2343-*quater* of the Civil Code for the valuation of the RCS Shares being contributed. These provisions specifically provide that there is no need to request a sworn expert estimate of the value of the assets contributed by an expert appointed by the Court of the district in which the company contributing the shares is based, should the value attributed to the assets, for the purpose of determining the share capital and any share premium, be the same or less than the value given by a valuation made no earlier than six months before contribution of the shares and in line with the generally accepted principles and criteria for valuing the assets to be contributed, on condition that the valuation is carried out by an independent expert of the entity contributing the shares, the company and the shareholders that individually or jointly control the contributing entity or the company itself, and has appropriate, proven professional qualifications (see Article 2343-*ter*, paragraph 2, letter b) of the Italian Civil Code).

Cairo Communication therefore appointed Professor Andrea Amaduzzi - an independent expert as required by Article 2343-*ter*, paragraph 2, letter b) of the Italian Civil Code - to prepare his valuation of the RCS Shares for the contribution in kind. On 20 April 2016, Andrea Amaduzzi delivered his value estimate of the RCS Shares as at 31 December 2015.

Furthermore, on 21 April 2016, the Auditing Firm delivered its report on the congruence between the issue price of the Cairo Communication Shares servicing the Capital Increase, in accordance with the combined provisions of Article 2441, paragraph 6 of the Italian Civil Code and Article 158, paragraph 1 of the TUF.

The statement by the directors of Cairo Communication, issued pursuant to Article 2343-*quater*, paragraph 4 of the Italian Civil Code, will be recorded in the Milan Companies Register by the Consideration Payment Date and, in any case, in good time to allow payment of the Consideration.

E.7.7 Admission of the Cairo Communication Shares to Trading

As at the Offer Document Date, the Cairo Communication ordinary shares are traded on the MTA, STAR segment.

The Cairo Communication Shares will be automatically listed from the Consideration Payment Date (or from the payment date in the event of a Purchase Obligation pursuant to Article 108, paragraph 1 of the TUF, or from the payment date in the event of a Purchase Obligation pursuant to Article 108, paragraph 2 of the TUF, depending on the case), in accordance with the provisions of Article 2.4.1, paragraph 6 of the Stock Exchange Regulations and Article IA.2.1.9 of the Stock Exchange Instructions, as they are fungible and have the same characteristics as the Cairo Communication ordinary shares already listed.

Assignment to the Tendering Shareholders and the listing of the Cairo Communication Shares servicing the Offer do not require the publication of a subscription invitation and listing prospectus, as the exemptions under Article 34-*ter*, paragraph 1, letter j) and Article 57, paragraph 1, letter c) of the

Issuers' Regulation apply to the Offer. In particular, this Offer Document contains information that CONSOB considers equivalent to those of a prospectus, as it includes, also as reference, the information required by Regulation 809/2004/EC for the offer and listing of the Cairo Communication Shares to be assigned to the Tendering Shareholders in exchange for the RCS Shares tendered to the offer, in accordance with the aforementioned provisions of the Issuers' Regulation. Therefore, in accordance with the exemptions under Article 34-*ter*, paragraph 1, letter j) and Article 57, paragraph 1, letter c) of the Issuers' Regulation, the Offeror will not publish a subscription invitation and listing prospectus for the purpose of assigning and listing the Cairo Communication Shares servicing the Offer.

As at the Offer Document Date, the Cairo Communication Shares are not listed on any regulated market other than the MTA.

No stabilisation activities are planned by the Offeror or other entities engaged by the same.

E.7.8 Tax regime applicable to the Cairo Communication Shares

The information provided herebelow summarises some general aspects of the tax regime applicable to the holding and sale of Cairo Communication Shares in accordance with Italian tax law in force on the Offer Document Date, as interpreted by accepted practice at that date, and in relation to specific classes of investor.

In this regard, note that Italian tax law and accepted practice are subject to possible changes that could also have retrospective effects and that, should this happen, the Offeror will not update this section to take into account the changes that have taken place, even if, as a consequence thereof, the information contained herein is no longer applicable.

Note that Decree Law No. 66 of 24 April 2014, converted with amendments by Law No. 89 of 23 June 2014 ('**Decree 66**'), made significant changes to the tax regime applicable to financial income. For the purposes of this document, note in particular that, pursuant to Article 3, paragraph 1 of Decree 66, withholding and substitute tax on capital income as specified in Article 44 of Decree of the President of the Republic No. 917 of 22 December 1986 ('**TUIR**') and on other income as specified in Article 67, paragraph 1, letters c-*bis* to c-*quinquies* of the TUIR, where these apply, are set at 26% (instead of 20%), with some exceptions in which the previous tax rates apply. The 26% tax rate applies, in this case, also to dividends paid and capital gains made, as well as to the results of asset management classified as accrued assets under management from 1 July 2014.

The following is not intended to be a exhaustive analysis of all the taxation-related consequences of the purchase, holding and sale of shares. Furthermore, some classes of investors may be subject to specific regulations not analysed below.

Therefore, investors are required to consult their advisors regarding the tax regime applicable to the purchase, holding and sale of shares, and to check the type and origin of sums paid out on Cairo Communication Shares (dividends or reserves).

Definitions

For the purposes of this Paragraph E.7.8, the following terms will be defined as shown below:

- '**Sale of Non-Qualifying Investments**': the sale of shares, rights or securities via which shares may be purchased, other than a Sale of Qualifying Investments;

- '**Sale of Qualifying Investments**': the sale of shares other than savings shares, rights or securities via which shares may be purchased in excess, over a 12-month period, of the limits for qualifying as a Qualifying Investment. The 12-month term begins from the time the securities and rights owned represent a percentage of the voting or investment rights higher than the above limits. For rights and securities via which investments may be acquired, the percentages of voting rights or capital investment rights potentially linked to the investments are taken into account;

- '**Non-Qualifying Investments**': investments in listed companies on regulated markets other than Qualifying Investments.

- '**Qualifying Investments**': investments in listed companies on regulated markets comprising shareholdings, rights or securities via which the above investments may be purchased, representing a total percentage of the voting rights that can be used at ordinary shareholders' meetings of more than 2%, or a shareholding in the capital or assets of more than 5%.

- '**TUIR**': Decree of the President of the Republic No. no. 917 of 22 December 1986.

- '**White List**': the list of countries and areas that permit an adequate exchange of information with Italy, currently specified in Ministerial Decree of 4 September 1996, as subsequently amended, and will in the future be specified in any other decree or measure issued for such purposes once in force, including countries or areas that will temporarily be included in accordance with any temporary provisions.

A) Taxation regime applicable to dividends

The dividends paid on Cairo Communication Shares will be subject to the taxation ordinarily levied on dividends paid by companies for shares resident in Italy for tax purposes.

The taxation regimes applicable to the distribution of dividends depends on the residence and type of the recipient.

(A) *Persons resident for tax purposes in Italy*

(i) Natural persons not carrying on business activities.

<u>Non-Qualifying Investments</u>

Except as provided for by paragraph (A)(ii) below, dividends paid to natural persons resident in Italy on Cairo Communication Shares owned outside business operations and constituting Non-Qualifying Investments, issued in the central securities depositary system managed by Monte Titoli S.p.A. (as Cairo Communication Shares), are subject to a substitute tax of 26%, with recovery obligation, pursuant to Article 27-*ter* of the Decree of the President of the Republic No. 600/1973; shareholders are not required to indicate dividends collected on their annual tax return. This substitute tax is applied by the resident entities with which the securities are deposited, belonging to the central securities depositary system managed by Monte Titoli S.p.A., and, by means of a tax representative appointed in Italy (specifically, a bank or stoke brokerage company resident in Italy, a fixed base in Italy of non-resident banks or investment companies or a centralised financial instruments management company authorised in accordance with Article 80 of the TUF), by non-resident (depositary) entities belonging to the Monte Titoli system or foreign central depositary systems belonging to the Monte Titoli system.

Qualifying investments

The dividends paid to natural persons tax resident in Italy on Cairo Communication Shares owned outside business operations and constituting Qualifying Investments, are not subject to any withholding at source or substitute tax on condition that at the time of payment, the rights holders declare that the profits collected are from Qualifying Investments. These profits partly contribute to the creation of the shareholders' total taxable income subject to personal income tax (IRPEF), which is collected by instalments at rates of between 23% and 44% (plus regional and municipal taxes and any charity contributions). Ministerial Decree of 2 April 2008, implementing Article 1, paragraph 38 of Law No. 244 of 24 December 2007 (Financial Law 2008) changed the percentage contributing to the creation of the income to 49.72%. This percentage applies to dividends created from the profits generated by the company from the financial year after the one ongoing as at 31 December 2007. The application of the previous percentage contributing to the creation of the income, 40%, remains applicable to the profits generated up to the financial year ongoing as at 31 December 2007. Furthermore, from the distribution resolutions following that applicable to the profit for the year ongoing as at 31 December 2007, for the effects of taxation of the recipient, the dividends distributed shall be considered to have been primarily created with profits generated by the company up to that date.

(ii) Natural persons resident in Italy not carrying on business activities and holding Non-Qualifying Investments in the context of the assets under management regime.

Dividends paid to natural persons tax resident in Italy on Cairo Communication Shares, owned outside business operations and constituting Non-Qualifying Investments, in an asset management relationship with an authorised intermediary, on which the option of the assets under management regime under Article 7 of Legislative Decree No. 461/2007 are not subject to any withholding tax at source or substitute tax and contribute to the creation of the annual accrued management result, subject to substitute tax of 26%.

(iii) Natural persons tax resident in Italy carrying on business activities.

The dividends paid to natural persons tax resident in Italy on Cairo Communication Shares owned under a business regime are not subject to any withholding at source or substitute tax on condition that at the time of payment, the rights holders declare that the profits collected are from investments forming part of their business activity. Such profits contribute to the creation of the shareholder's total taxable income for 49.72% of their total amount. In the event that profits generated until the financial year ongoing as at 31 December 2007 are received, these contribute to the creation of the recipient's taxable income for 40%. It is understood that, from the distribution resolutions following that applicable to the profit for the year ongoing as at 31 December 2007, for the effects of taxation of the recipient, the dividends distributed shall be considered to have been primarily created with profits generated by the company up to that date.

(iv) Collectively owned companies, limited partnerships ('in accomandita semplice'), simple companies ('società semplici') and equivalents as referred to in Article 5 of the TUIR, companies and entities as referred to in Article 73, paragraph 1, letters a) and b) of the TUIR, tax resident in Italy.

Dividends paid to collectively owned companies, limited partnerships (S.a.s.), simple companies and equivalents as referred to in Article 5 of the TUIR, of companies and entities as referred to in Article 73, paragraph 1, letters a) and b) of the TUIR, including, among others, companies limited by shares (S.p.A.) and partnerships limited by shares (S.a.p.a.), limited liability companies (S.r.l.), cooperatives and mutuals, as well as the European companies referred to in Regulation (EC) No. 2157/2001 and European cooperatives referred to in Regulation (EC) No. 1435/2003 resident in Italy and public and private entities other than companies, as well as trusts, resident in Italy that have as their sole or main purpose the carrying on of commercial business (commercial businesses) are not subject to any withholding tax at source or substitute tax in Italy and contribute to the creation of the recipient's total taxable income, to be taxed according to the ordinary rules, as follows:

(a) distributions to IRPEF subjects (i.e. collectively owned companies, limited partnerships and simple companies) contribute to the formation of the recipient's total taxable income for 49.72% of their total amount; in the event of profits generated up to the financial year ongoing as at 31 December 2007 contributing to the creation of income, they contribute to the creation of the recipient's taxable income for 40%, it being understood that, from the distribution resolutions following that applicable to the profit for the year ongoing as at 31 December 2007, for the effects of taxation of the recipient, the dividends distributed shall be considered to have been primarily created with profits generated by the company up to that date;

(b) distributions to IRES subjects the purpose of which is the carrying on of commercial business (i.e. companies limited by shares, limited liability companies, partnerships limited by shares and commercial entities) contribute to the formation of the recipient's total taxable income (subject to an ordinary rate currently of 27.5%) only for 5% of their total amount, or for the entire amount if regarding securities held for trading by entities applying IAS/IFRS.

For some types of company the dividends received contribute, at certain conditions and to certain extents, to the creation of the taxable income for IRAP purposes.

(v) Entities referred to in Article 73, paragraph 1, letter c) of the TUIR, tax resident in Italy.

Dividends paid to the entities referred to in Article 73, paragraph 1, letter c) of the TUIR, i.e. public and private entities tax resident in Italy, other than companies, and trusts tax resident in Italy, not having as their sole or main purpose the carrying on of commercial business, are not subject to any withholding tax at source or substitute tax in Italy and contribute to the creation of the recipient's total income subject to IRES (at a rate of 27.5%) for 77.74% of their total amount only.

(vi) Exempt entities resident in Italy and excluded from corporate income tax.

For shares, such as the Cairo Communication Shares issued by the Offeror, belonging to the central securities depositary system managed by Monte Titoli, the dividends received by entities resident in Italy exempt from IRES are subject to a substitute tax at 26%, applied by the resident entity (belonging to the central securities depositary system managed by Monte Titoli) where the shares are deposited, or, via a tax representative appointed in Italy, by the non-resident entity (depositary) belonging to the Monte Titoli system or foreign central securities depositary systems belonging to the Monte Titoli system.

The tax is not applicable in the case of entities 'excluded' from income tax under Article 74, paragraph 1 of the TUIR.

(vii) Italian pension funds and Italian UCITs (other than property funds - FIAs).

Dividends on Cairo Communication Shares received by (a) Italian pension funds subject to the tax regime under Legislative Decree No. 252/2005 and (b) Italian UCITs, other than property mutual investment funds and fixed-capital investment funds that invest in housing ('Property FIAs), subject to supervision are not subject to withholding tax or substitute tax.

For the above pension funds, the profits contribute according to the ordinary rules to the creation of the total annual management result accrued, subject to substitute tax at 20%. The pension funds may – by specific request to be presented to the Inland Revenue Agency – receive a tax credit of 9% of the net result accrued, subject to substitute tax at 20%, on condition that an amount equivalent to the net result accrued subjected to the above substitute tax is invested in medium to long-term financial assets identified by a specific decree of the Ministry of the Economy and Finance of 19 June 2015 and provided the conditions put in place by the Decree are met. The tax credit, which does not contribute to the creation of the net result accrued and which, for the purpose of creating the pension services, increases the part of the income already taxed, needs to be shown on the tax return for each tax period and may be used from the tax period following that in which the above investment has been made, exclusively for offsetting purposes, in accordance with Article 17 of Legislative Decree No. 241 of 9 July 1997, within the limits recognised by the Inland Revenue Agency based on the capacity of the allocation referred to in Paragraph 94 of Law No. 190 of 23 December 2014. The limitations of Article 1, paragraph 53 of Law No. 244 of 24 December 2007 and Article 34 of Law No. 388 of 23 December 2000 do not apply.

UCITs set up in Italy and subject to supervision (other than property FIAs) are exempt from income tax pursuant to Article 73, paragraph 5-*quinquies* of the TUIR. The profits of the above UCITs are not subject to any tax, and the revenue of such investment bodies received by participants when redeemed, reimbursed or distributed in relation to the stakes/shares held are subject to the withholding regime referred to in Article 26-*quinquies* of Decree of the President of the Republic No. 600/73, at 26%.

(viii) Italian Property Funds (FIA).

Pursuant to Decree Law No. 351 of 25 September 2001, converted with amendments by Law No. 410 of 23 November 2001, as amended, the distribution of profits received by Property FIAs are not subject to withholding tax or substitute tax and are not subject to any tax for the fund, as in Italy they are not subject to income tax or to the regional tax on production activities. In some cases, the revenues earned by a non-institutional Property FIA could be attributed for reasons of transparency to (and therefore contribute to the creation of the taxable income in Italy of) the relative non-institutional investors with more than 5% of the investment fund's capital.

(B) *Persons not resident for tax purposes in Italy*

(i) Entities not tax resident in Italy that hold Cairo Communication Shares via a permanent base in the country.

Dividends received by entities not resident in Italy holders of Cairo Communication Shares via a fixed base in Italy to which the investments are effectively linked are not subject to any withholding tax in Italy or substitute tax and contribute to creating the total income of the fixed base to be taxed in Italy according to the ordinary rules (27.5% IRES) for 5% of their total amount, or for the entire amount if regarding securities held for trading by entities applying IAS/IFRS.

Should the distributions regard Cairo Communication Shares connected to a non-resident recipient without a fixed base in Italy, paragraph (B)(ii) below applies.

Furthermore, said profits received by some types of company that hold the investment via a fixed base in Italy contribute, under certain conditions and to certain extents, to creating income taxable under IRAP.

(ii) Entities not tax resident in Italy that do not hold Cairo Communication Shares via a permanent base in the country.

Dividends received by entities not resident in Italy that do not hold the Cairo Communication Shares via a fixed base in the country are in principle subject to a substitute tax of 26% pursuant to Article 27-*ter* of Decree of the President of the Republic No. 600/1973. This substitute tax is applied by the resident entities with which the securities are deposited, belonging to the central securities depositary system managed by Monte Titoli S.p.A., and, by means of a tax representative appointed in Italy (specifically, a bank or stoke brokerage company resident in Italy, a fixed base in Italy of non-resident banks or investment companies or a centralised financial instruments management company authorised in accordance with Article 80 of the TUF), by non-resident (depositary) entities belonging to the Monte Titoli system or foreign central depositary systems belonging to the Monte Titoli system.

Shareholders not tax resident in Italy that pay the above 26% substitute tax on dividends, unlike savings shareholders, have the right, on presentation of an application in accordance with legal requirements, to reimbursement of up to eleven twenty-sixths (11/26) of the substitute tax paid in Italy pursuant to Article 27-*ter* of Decree of the President of the Republic No. 600/1973 of the tax that they can demonstrate having definitively paid on the same profits, subject to presentation to the Italian tax authorities of the relative certification from the foreign tax authorities.

As an alternative to the above reimbursement, entities resident in countries with which Italy has an agreement to avoid dual taxation on income may request that the substitute tax is applied to dividends in the (reduced) amount provided for by the agreement on each occasion. For this purpose, the entities with which the shares are deposited, belonging to the central securities depositary system managed by Monte Titoli, must promptly obtain:

- a statement from the non-resident entity that is the effective beneficiary of the profits on a form compliant with the approved model of the financial authorities, showing the entity's details, the fact that all the conditions to which application of the agreement regime are in place and any elements necessary to determine the rate applicable under the terms of the agreement;

- certification from the competent tax authority in the country in which the effective beneficiary of the profits is resident, showing residence in the country in question under the terms of the agreement.

The Italian financial authorities have moreover agreed with the financial authorities of some foreign countries on a set of forms in order to ensure the more efficient and simpler reimbursement or total or partial exoneration from the deduction at source applicable in Italy. The Measure of the Director of the Inland Revenue Agency of 10 July 2013 then approved the forms for requesting the application of the reduced rate under the terms of the agreements against dual taxation entered into by Italy. If the documentation is not presented to the depositary body before payment of the dividends, the substitute tax will be applied at a rate of 26%. In this case, the effective beneficiary of the dividends may in any case request reimbursement of the difference between the substitute tax applied and that applicable under the terms of the agreement from the Italian financial authorities by means of the appropriate reimbursement application, together with the above documentation, to be presented in accordance with legal requirements.

In the event that the recipients and beneficiaries of the dividends are companies or bodies (i) tax resident in one of the Member-States of the European Union or in one of the countries signatories to the Agreement on the European Economic Area and included in the White List ([102]), and (ii) subject there to a corporate income tax, such entities may benefit from the application of a substitute tax on dividends at a reduced rate of 1.375% of the relative amount. For the purpose of applying the substitute tax at the 1.375% rate, non-resident beneficiaries must make a specific request as soon as possible to the depositary holding the shares and required to deduct the substitute tax, together with appropriate certification of their residence and tax status issued by the competent authorities in the country to which they belong. These entities do not have a right to the 11/26 reimbursement mentioned above.

In the event that the recipients and beneficiaries of the dividends are pension funds set up in one of the Member-States of the European Union or in one of the countries signatories to the Agreement on the European Economic Area and included in the White List[103], such entities may benefit from the application of a substitute tax on dividends at a reduced rate of 11% of the relative amount. For the purpose of applying the 11% substitute tax, the non-resident pension funds must make a specific request to the Cairo Communication Shares depositary responsible for deducting the substitute tax as soon as possible, together with the appropriate documentation. These pension funds do not have a right to the 11/26 reimbursement mentioned above.

According to Article 27-*bis* of Decree of the President of the Republic No. 600/1973, approved as the transposition of Directive 435/90/EEC of 23 July 1990, then merged with Directive 2011/96/EU of 30 November 2011, in the event that dividends are received by a company (a) of one of the types provided for by the above Directive 2011/96/EU, (b) that is tax resident in a Member-State of the European Union, without being considered resident outside of the European Union, under the terms of a dual taxation agreement with a third country, (c) that in its country of residence is subject to one of the taxes indicated in the appendix to the above Directive, and cannot benefit from option or exoneration regimes that are not limited by place or time, and (d) that has a direct investment in the Offeror of no less than 10% of the share capital, for an uninterrupted period of at least a year, then the company has the right to request reimbursement from the Italian tax authorities of the substitute tax applied to the dividends it has received. For this purpose, the non-resident company must produce (i) certification issued by the competent tax authorities in the foreign country certifying that the non-resident company meets the above requirements, and (ii) a statement that the above conditions are in place on a form compliant with that approved by the financial authorities. Furthermore, as clarified by the Italian tax authorities, if the above conditions are in place and as an alternative to the presentation of a reimbursement request after distribution of the dividend, providing the minimum annual period for holding the investment in the Offeror has already been reached at the time the dividend is distributed, the non-resident company may directly request non-application of the substitute tax from the depositary intermediary by presenting the same documentation indicated above to the intermediary in question as soon as possible. In its measure of 10 July 2013, the Inland Revenue Agency approved the forms for the purpose of non-application of the substitute tax.

With regards to non-resident companies directly or indirectly controlled by entities not resident in European Union Member-States, the above reimbursement or non-application of the substitute tax

([102]) in accordance with Article 10, paragraph 3 of Legislative Decree No. 147 of 14 September 2015 "*When laws, regulations, decrees or other standards or measures refer to the list of countries and areas that allow an adequate exchange of information as referred to in Article 168-*bis*, paragraph 1 of the consolidated income tax act approved by Decree of the President of the Republic No. 917 of 22 December 1986, in force before the entry into force of this decree, the reference is to the decrees issued in implementation of Article 11, paragraph 4, letter c) of Legislative Decree No. 239 of 1 April 1996*".

([103]) See note 102.

may be applied for only on condition that the companies can demonstrate that they do not hold the investment in the Offeror solely or mainly for the purpose of benefiting from the tax regime in question. The same agreement – albeit with some differences – applies with regard to entities resident in Switzerland.

Dividends payable to international bodies or organisations that are exempt from tax in Italy under laws or international agreements effective in Italy are not subject to substitute tax.

B) Tax Regime applicable to reserves pursuant to article 47, paragraph 5 of the TUIR (Consolidated Income Tax Act)

The information provided in this paragraph summarises the tax regime applicable to the distribution by the Offeror – other than upon a reduction of excess capital, withdrawal, exclusion, redemption or liquidation – of the capital reserves indicated in TUIR Article 47 (5) or, among others, of reserves or other funds constituted with share premiums, with adjustment interest paid by subscribers, with sink fund or capital account contributions made by shareholders, and with tax-exempt currency revaluation balances (hereinafter also referred to as "Capital Reserves").

(A) *Persons residing in Italy for tax purposes*

(i) Individuals not undertaking business activities

Pursuant to article 47, paragraph 1, of the TUIR irrespective of the general meeting resolution, amounts received by individuals with tax residence in Italy not undertaking business activities, by way of distribution of capital reserves constitute income in the hands of the recipients within the limits and in so far as the company distributing them registers financial year profits and profits from reserves (except for the portion thereof set aside on a tax-deferred basis) payable by the company making the payout.

The amounts classified as profits are subject to the same regime as indicated above, depending on whether or not what is involved are non-qualified equity interests and/or interests not related to the company The amounts received as a distribution of Capital Reserves, net (based on what was just now indicated) of any amount classifiable as profit, shall reduce the cost basis of the equity interest for tax purposes by an equal amount. It follows that, upon a subsequent sale, the taxable capital gain is calculated as the difference between the selling price and the cost basis of the equity interest for tax purposes, less an amount equal to the sums received as distributions of capital reserves (net of any amount classifiable as profit). Under the interpretation made by the Italian tax authorities, sums received that represent distributions of Capital Reserves, for the portion exceeding the tax basis of the equity interest, constitute profits. In relation to equity interests for which the individual has opted for the so-called "managed assets" regime indicated in Article 7 of Legislative Decree 461/1997

(ii) Individuals undertaking business activities, general partnerships, limited partnerships, and similar pursuant to article 5 of the TUIR and companies and entities falling under art. 73, paragraph 1, lett. a) and b) of the TUIR having tax residence in Italy

For individuals carrying on business activities, partnerships, limited partnerships and companies treated as such (as indicated in TUIR Article 5, for the companies and entities indicated in TUIR Article 73 (1) (a) - (b) resident for tax purposes in Italy, amounts received as distributions from Capital Reserves constitute profits within the limits and insofar as, on the part of the distributing company, operating income and revenue reserves exist (except for the portion thereof set aside on a tax-deferred basis) for the company making the payout. The amounts classified as profits ought to be subject to the same regime as that presented above. Amounts received that represent distributions of Capital Reserves, for the portion exceeding the tax cost, constitute capital gains and, as such, are subject to the regime discussed in paragraph 0 below

(iii) Entities falling under art. 73, paragraph one , lett. c) of the TUIR

Amounts received by entities pursuant to article 73, paragraph one, lett. c), of the TUIR, that is state owned enterprise and entities other than companies, as well as trusts resident for tax purposes in Italy, by way of distribution of Capital Reserves, net of the amount qualified as profit in terms of the above, do not constitute revenue in the hands of the recipient and reduce the tax cost of the investment by an equal amount. Amounts received by way of distribution of Capital Reserve constitute distribution of profits for such part that exceeds the tax cost of the holding are as such subject to the regime referred to above applicable to dividends.

(iv) Persons exempt from IRES

The amounts received by persons resident in Italy for tax purposes and exempt from IRES by way of distribution of Capital Reserves, net of the amount qualified as profit on the basis of the above, do not constitute income of the recipient and reduce the tax cost of the shareholding by an equal amount. Amounts received by way of distribution of Capital Reserves constitute profits distributed for that part which exceeds the tax cost of the shareholding and, as such, are subject to the above referred to tax regime applicable to dividends.

(v) Italian pension funds and Italian Collective Investment Vehicles O.I.C.R. (other than Real estate AIF)

Pursuant to uniform interpretation of regulations, the amounts received by Italian pension funds subject to the regime pursuant to Italian Legislative Decree no. 252/2005, by way of distribution of the Capital Reserves, should be taken into consideration in forming the net operating surplus with respect to the tax period when the distribution is made, subject to substitute tax at the rate of 20%. Even the value of the holding for the purpose of the same tax period should be included in calculating the net operating surplus of the above referred to pension funds. By request to be made to the Tax Department a tax credit of 9% of the net accrued balance subject to substitute tax at 20%, could be granted, provided that such amount equal to the net accrued balance subject to the above substitute tax is invested in medium and long term financial activities identified by decree of 19 June 2015 issued by the Minister for Finance and Economic Affairs and provided that the conditions pursuant to such Decree are fulfilled. The tax credit that is not included in forming the net accrued balance and which, for the purposes of calculating pension services, increases the corresponding part of revenue already subject to tax is to be indicated in the income tax declaration with respect to each tax period and may be utilised as from the tax period following that when the investment was made exclusively by way of compensation. The amounts received by the Italian established O.I.C.R. subject to monitoring (other than real estate AIF) by way of distribution of Capital Reserves should not be subject to tax in the hands of the investment bodies.

(vi) Italian Real estate AIF

Amounts received by way of distribution of Capital Reserve by Italian Real estate AIF are not taxed in the hands of the said funds. Such funds are not generally subject to tax and to Corporate Tax (IRAP). In certain cases, income received by a non-institutional Real estate AIF could, for transparency, be imputed (and therefore form part of income taxable in Italy) with respect to non-institutional investors that hold shares exceeding 5% of the equity of the Real estate AIF.

(B) *Persons not resident in Italy for tax purposes*

(i) Persons not having a permanent establishment within State territory

With respect to persons who, for tax purposes, are not resident in Italy (whether individuals or companies), who do not have a permanent establishment in Italy, to which the investment is related, the tax situation with respect to the amounts received by way of distribution of Capital Reserves is the same as that of individuals who are tax residents in Italy. As in the case of individuals and companies residing in Italy for tax purposes, amounts received by way of distribution of Capital Reserves, net of amounts qualified as profit, are deducted from the tax cost of investments by the same amount. The recipient will be bound to calculate tax in terms of the tax treatment applicable in his tax residence country.

(ii) Persons having a permanent establishment within State territory

With respect to non-resident persons that hold shares through a permanent establishment in Italy to which the shares are actually related, the amounts received by way of distribution of Capital Reserves in the hands of the permanent establishment are subject to the same tax regime as that applicable to companies and entities pursuant to article 73 paragraph one, letter a) and b) of the TUIR, resident for tax purposes in Italy, indicated in the preceding paragraph (A)(ii). If the distribution of the Capital Reserve derives from shares not connected to a permanent establishment of the non-resident recipient in Italy, reference is to be made to the preceding Paragraph (B)(i).

C)Tax regime applicable to capital gains from transfer of shares

(A) *Shareholders who are resident in Italy for tax purposes*

(i) Individuals not undertaking business activities

Capital gains, other than those earned within the course of business activities, earned by individuals who are tax residents in Italy from sale under onerous title of company shares as well as securities or rights through which such shares may be acquired are subject to a different tax regime depending on whether it is a Transfer of Qualified Shares or Non Qualified Shares.

Transfer of Qualified Equity Interests

Capital gains from Transfer of Qualified equity interest other than in the conduct of a commercial business by individuals having their tax residence in Italy contribute in a partial amount towards the formation of the payee's taxable income (IRPEF) at the rate of 49.72% in the financial year in which they accrue. With respect to such capital gains, tax is levied upon filing of the annual tax declaration (declaration regime pursuant to article 5 of Legislative Decree no. 461/1997 - the only regime allowed with respect to this type of revenue). If a capital loss results from the Transfer of Qualified Equity Interests, the corresponding rate of 49.72% is deducted up to 49.72% of the amount of capital gains of the same nature realised during subsequent tax periods during which it was made but not exceeding the fourth, on condition that such capital loss is shown in the income tax declaration in relation to the tax period in which it was realised.

Transfer of Non Qualified Equity Interests

Capital gains not received from commercial activities earned by individuals who are tax residents in Italy by transfer under an onerous title of shares as well as securities or rights through which the said shares can be acquired, which do not qualify as Transfer of Qualified Equity Interests are subject to substitute tax at the rate of 26%.

With respect to capital gains realised through the transfer under onerous title of Non Qualified Equity Interests, the taxpayer may opt for application of one of the following taxation systems:

(a) Taxation based on the income declaration. The declaration is to indicate the capital gains and capital losses realised during the year. The 26% substitute tax is determined at that time on the capital gains minus the related capital losses, and is paid within the time periods provided for income taxes owed for the balance shown on the declaration. Provided they are reported on the income declaration, excess capital losses may be deducted up to the amount of the related capital gains for subsequent tax periods, but not beyond the fourth such period. The declaration method is obligatory if the party does not choose either of the two regimes indicated in points (b) and (c) below;

(b) Administered assets regime (optional) (art. 6 of Legislative Decree no. 461/1997).. This regime may apply provided that (i) the shares are deposited at resident banks or securities brokerage firms or other resident parties specified by appropriate ministerial decrees and (ii) the shareholder, by entered into written communication sent to the intermediary, opts for application of the administered savings regime pursuant to article 6 of Legislative Decree no. 461/1997. Should the party opt for such regime, the substitute tax at a rate of 26% shall be determined and paid at the time of the individual sale by the intermediary by which the shares are held in custody or under administration, on each capital gain realised. Any capital losses may be offset in connection with the same relationship by deducting the amount of the capital losses up to the amount of the capital gains realised in subsequent transactions engaged in during the same or in subsequent tax periods, but not beyond the fourth such period. If the custody or administration should cease, any capital losses (certified by the broker) may be deducted – but not beyond the fourth tax period subsequent to the period of realisation – from capital gains realised in connection with another administered savings relationship registered to the same parties as the original relationship or custodial deposit, or may be deducted when the income declaration is made. If the administered assets regime is selected, the taxpayer is not bound to include said capital gains and/or capital losses in his income tax declaration;

(c) asset management regime - optional (art. 7 del D.lgs. n. 461/1997) The prerequisite for choosing this regime is the engagement of an authorised intermediary as asset manager. Under this regime, a 26% substitute tax is applied by the intermediary at the end of each tax period on the increase in value of the managed assets accruing during the tax period, even if not received, less any income subject to withholding, exempt or otherwise non-taxable income, income that contributes towards forming the taxpayer's total income, and revenues deriving from units of Italian undertakings for collective investment in transferable securities as described in Article 8 of Legislative Decree 461/1997. Under the managed assets regime, capital gains realised through the sale of Non-Qualified Equity Interests contribute towards forming the incremental value of the managed assets accruing during the tax period, subject to a 26% substitute tax. A negative result of asset management obtained during a tax period may be deducted from the results of management for the following four tax periods, for the entire amount contained by each. Should the management relationship be ended, the accrued negative results of asset management (shown on appropriate certification issued by the manager) may be deducted – not beyond the fourth tax period subsequent to that in which they accrued – from capital gains realised in connection with another relationship to which the administered savings regime is applicable, or utilised (up to the amount it contains) in connection with another relationship for which the managed assets regime was chosen, provided that the relationship or custodial deposit in question is registered to the same parties as those to whom the original relationship or custodial deposit was registered, or may be deducted by the same parties when making their income declaration, in accordance with the same rules applicable to excess capital losses as those in the preceding point (a). In the case of the asset management regime, the taxpayer is not bound to include the capital gains and/or losses in its income tax declaration.

(ii) Individuals undertaking business activities, general partnerships, limited partnerships and similar pursuant to article 5 of TUIR, which are resident in Italy for tax purposes.

Capital gains realized by individuals in the course of business activities, general partnerships, limited partnerships and similar pursuant to article 5 of the TUIR, residing in Italy for tax purposes from sale under onerous title of shares fully constitute taxable income subject to tax in Italy according to the ordinary tax regime in the year in which they accrue.

In any event, for the purposes of establishing taxable income, the tax cost of the shares in SIIQ is considered as an increase of part of the profits corresponding to the Taxable Operating Income of the subsidiary (reduced by that part of the profits actually distributed). According to the finance Department (in Circular no, 8/E of 31 January 2008), negative income elements realized by individuals undertaking commercial activities, general partnerships, limited partnerships and similar pursuant to article 5 of the Income Tax Act (TUIR) by sale under onerous title of the Cairo Communications Shares would be entirely deductible from taxable income of the transferor. However, when the conditions pursuant to points (a), (b), (c) and (d) of the following Paragraph (A)(iii) subsist, capital gains will constitute taxable income of the company in part equal to 49,72% of the relative amount. Capital losses realized in relation to shareholdings falling under points (a), (b), (c) and (d) of the following Paragraph (A)(iii) are partly deductible in line with the provisions applicable to taxation of capital gains.

Pursuant to art. 86, paragraph 4 of TUIR, in the event that the shareholding is registered under financial fixed assets in the last three years of the financial statements, capital gains may, at the choice of the taxpayer, be included in taxable income at constant rates during the financial year in which they accrue and in subsequent financial years not beyond the fourth. Such choice must be stated in the income tax declaration; if the declaration is not presented the capital gain will be wholly considered as income in the year in which it accrued

For the purposes of establishing taxable capital gains and capital losses, the tax cost of the stock sold is taken net of depreciation made during the preceding tax periods.

(iii) Companies and entities pursuant to article 73, paragraph 1 lett a) and b) of the TUIR

Capital gains realised by the companies and entities referred to in TUIR Article 73 (1) (a) - (b), or by stock corporations, limited partnerships with shares, limited liability companies and public or private entities with the sole or primary objective of carrying on commercial activities, through the sale of shares for valuable consideration, contribute towards forming taxable business income in their full amount. However, pursuant to TUIR Article 87 (governing the so called “participation exemption regime”), capital gains realised on shares of companies and entities indicated in TUIR Article 73 do not contribute towards the formation of taxable income, in as much as being exempt to the extent of 95%, if the aforesaid shares meet the following requirements:

Capital gains realised by the companies and entities referred to in TUIR Article 73 (1) (a) - (b), or by stock corporations, limited partnerships with shares, limited liability companies and public or private entities with the sole or primary objective of carrying on commercial activities, through the sale of shares for valuable consideration, contribute towards forming taxable business income in their full amount or for the stake held for a period of not less than three years or posted under the financial fixed assets on the last three balance sheets, on option, at constant rates in the period itself and in the successive period, but not beyond the fourth.

However, pursuant to TUIR Article 87 (governing the so called "participation exemption regime"), capital gains realised on shares of companies and entities indicated in TUIR Article 73, such as Cairo Communication Shares, do not contribute towards the formation of taxable income, in as much as being exempt to the extent of 95%, if the aforesaid shares meet the following requirements:

a) Uninterrupted holding from the first day of the twelfth month preceding that in which the transfer of the first shares or stock acquired on the most recent date was made;

b) Classification as financial asset in the first financial statements for year ending during the period of possession. For persons that draw up financial states according to international accounting principles including EU Regulation no. 1606/2002 of the European Parliament and the Council, dated 19 July 20012, stock is considered financial fixed assets if it is not held for trading;

c) Tax residence of the owned company in a State included in the *White List*, or evidence is provided pursuant to paragraph 5 letter b) of article 167 of the TUIR, that as from the beginning on such shares there was never any localisation of income in States or Territories other than those included in the White List;

d) The owned company trades in terms of the definition under article 55 of the TUIR; provided that such requisite does not apply to shares in companies whose securities are traded on regulated markets.

The requirements pursuant to points (c) and (d) must subsist uninterruptedly at the time of realisation of the capital gain at least from the beginning of the third tax period preceding their realisation. Transfer of shares or shares falling under financial fixed assets and those falling under current assets are considered separately with reference to each category. In the presence of the above referred to requirements, capital losses realised from transfer of shares are not deductible from corporate revenue.

For the purpose of calculating taxable capital gains and capital losses, the tax cost of transferred Cairo Communication Shares is taken net of depreciation deducted during previous tax periods.

Pursuant to art. 86, paragraph 4 of the TUIR, in the event that the shares are registered as financial fixed assets in the last three financial statements, the capital gains, at the taxpayer's choice are included as taxable income in constant rates during the year when they accrue and in the following years up to the fourth year. Such choice must appear in the tax declaration; if the declaration is not presented the capital gain will be wholly included as revenue in the financial year in which it is realised.

Capital losses and the negative differences between revenue and costs in relation to shares that do meet the requirements for exemption are not calculated up to the non taxable amount of the dividends, that is of their accounts, received in the thirty six months preceding their realisation/receipt, provided they meet the conditions pursuant to points c) and d) but (ii) does not apply to persons that draw up their financial statements on the basis of international accounting standards including EU Regulation no. 1606/2002 of the European Parliament and the Council of 19 July 2002.

With respect to capital losses and the negative differences between earnings and costs in relation to shares deductible from corporate revenue, it must be noted that pursuant to article 5-*quinquies*, paragraph 3 of Italian Decree Law no. 203 of 30 September 2005 converted by amendment of Law no. 248 of 2 December 2005 n. 248, if the amount of such capital losses and/or negative difference deriving from transactions on shares traded on regulated markets exceeds Euro 50,000, even via a number of transactions, the taxpayer must notify the Tax department of the data and the information with respect to the transaction.

Pursuant to Article 1 (4) of Decree-Law no. 209 of 24 September, 2002, converted into law by Law no. 265 of 22 November, 2002 – capital losses totalling more than Euro 5,000,000, deriving from sales of equity interests constituting financial fixed assets, realised (even as a result of more than one act of disposition) must be reported by the taxpayer to the Revenue Office together with details and information necessary to allow assessment of compliance of the transaction with the provisions of art. 37-*bis* del D.P.R. no. 600/1973. Art. 1, paragraph 62 of Law no 244 of 24 December 2007 (Finance Act 2008) states that as from the tax period following that underway as at 31 December 2007 companies which adopt the international accounting standards in terms of EU Regulation 1606/2002 are no longer subject to this obligation. As from tax period 2013 such obligations of notification of capital losses will be fulfilled in the annual income tax declaration.

For certain types of company and under certain conditions, capital gains realised by the aforesaid parties through stock sales also contribute towards forming the related net value of production, subject to the IRAP regional income tax.

(iv) Entities falling under article 73, paragraph 1, lett. c) of the TUIR, resident in Italy for tax purposes.

Capital gains realised outside business activities by non commercial residents other than O.I.C.R. resident in Italy and by resident company are subject to taxation pursuant to the same regulations as those governing capital gains realised by individuals resident in Italy for tax purposes on shares held not in corporate regime.

(v) Italian Pension Funds and Italian Collective Investment Vehicles O.I.C.R. (other than Real estate AIF)

Capital gains in relation to Cairo Communication Shares held by Italian pension funds are subject to the regime pursuant to article 17 of Italian Legislative Decree no. 252/2005, and taken into consideration in forming the net operating surplus with respect to the tax period when the distribution is made, subject to substitute tax at the rate of 20%. As from 2015, by request to be made to the Tax Department a tax credit of 9% of the net accrued balance subject to substitute tax at 20%, could be granted, provided that such amount equal to the net accrued balance subject to the above substitute tax is invested in medium and long term financial activities identified by decree of 19 June 2015 issued by the Minister for Finance and Economic Affairs and provided that they meet the conditions pursuant to such Decree. The tax credit that is not included in forming the net accrued balance and which, for the purposes of calculating pension services, increases the corresponding part of revenue already subject to tax is to be indicated in the income tax declaration with respect to each tax period and may be utilised as from the tax period following that when the investment was made exclusively by way of compensation, pursuant to article 17 of Legislative Decree no. 241 of 9 July 1997 within the limits allowed by the Tax Department on the basis of the amount in respect of the allocation pursuant to paragraph 94 of Law no. 190 of 23 December 2014. The limits under article 1 paragraph 24 of Law no. 244 of 24 December 2007 and those under article 34 of Law no. 388 of 23 December 2000 do not apply to the tax credit.

Capital gains in relation to shares held by O.I.C.R. set up in Italy subject to monitoring (other than Real estate AIF) are not subject to any tax in the hands of investment vehicles.

(vi) Italian Common Investment Funds

Pursuant to Decree No. 351, Decree 78 and art 9 of Decree 44, revenue, including capital gains arising from sales of shares, received by Italian Real estate AIF, are not subject to tax in the hands of the investment vehicle. In some cases, gains made by non-institutional Real estate AIF could be imputed for transparency to (and therefore form part of taxable income) non-institutional investors who hold shares exceeding 5% of the equity of the Real estate AIF.

(B) *Shareholders who are not residents in Italy for tax purposes*

(i) Persons having a permanent establishment within State territory

With respect to non resident persons who hold shares through a permanent establishment in Italy to whom the shares are actually connected, the capital gains realised by transfer of stock constitute income of the permanent establishment according to the tax regime applicable to capital gains realised by companies and entities pursuant to article 73 paragraph 1 letters a) and b) of the TUIR, with tax residence in Italy, indicated above at Paragraph (A)(iii). If the shares are not linked to a permanent establishment in Italy of the non resident person, reference is to be made to the following paragraph (ii).

(ii) Persons not having a permanent establishment on State territory

<u>Transfer of non qualified Equity Interests</u>

Capital gains realised by persons who are not residents in Italy for tax purposes, who do not have a permanent establishment in Italy (through which the shares are held) deriving from the Transfer of Non Qualified Equity Interests in relation to shares or securities in Italian companies traded on regulated markets, such as Cairo Communication Shares, are not subject to tax in Italy, even if held therein. In order to benefit from such exemption from tax in Italy, to shareholders who do not reside in Italy for tax purposes to whom the asset management regime applies pursuant to articles 6 and 7 of Legislative Decree no. 461/1997, self-certification attesting that they do not reside in Italy for tax purposes is required.

<u>Transfer of qualified Equity Interests</u>

Capital gains realised by persons who do not reside in Italy for tax purposes, who do not have a permanent establishment in Italy (through which such shares are held) arising from Transfer of Qualified Equity Interests constitute taxable income in Italy in the hands of the recipient according to regulations governing individuals residing in Italy not exercising business activities. Such capital gains are subject to tax only upon the income tax declaration provided that they cannot be subject neither to the assets under administration regime nor the asset management regime. Without prejudice, where applicable, to the provisions of the international treaty on double taxation, if more favourable.

D) Tax on stock exchange contracts and registry fees

Pursuant to article 37 of Legislative Decree no. 248 converted into Law no. 31 of 28 February 2008, the tax on stock exchange contracts pursuant to Royal Decree no. 3278 of 30 December 1923 was repealed.

Following removal of the tax on stock exchange contracts, pursuant to applicable regulations at the Date of the Offer Document, registry fees for deeds governing trading of securities apply as follows: (i) to public deeds and authenticated private deeds the registry fee is fixed at Euro 200; (ii) with respect to private deeds which are not authenticated, the registry fixed fee is Euro 200 only "in case of use" or following voluntary registration.

E) Inheritance and Donation tax

Transfer of shares or securities by way of succession causa mortis, by donation or gratuitous title generally fall within the scope of application of the current Italian laws of succession and donation. Tax is applied also to incorporation of new conditioned vehicles.

With respect to persons resident in Italy succession and donation tax is generally applied on all assets and rights transfers, wherever they exist (save for some exceptions). For non resident persons, succession and donation tax is applied exclusively on assets and rights existing in Italian territory. Shares in companies registered in Italy or whose registered offices are in Italy who whose main objects are carried out in Italy (such as the Cairo Communication Shares) are considered to exist in Italy.

The tax is due by the heirs and the legatees for succession causa mortis, by donators for donations and the beneficiaries for other transfers inter vivos.

Both taxes apply at the following rates:

- 4% on the overall excess net value, per beneficiary Euro 1,000,000, if the heirs are the spouse and relatives in the first degree in the direct line;

- 6% on the overall excess net value, for each beneficiary Euro 100,000, if the heirs are brothers or sisters;

- 6% if the heirs are relatives up to the fourth degree, relatives in the direct line or collateral line even up to the third degree;

- 8% if the heirs are persons other than the above.

In the event that the heir is a person having a serious recognised disability pursuant to Law no. 104 of 5 February 1992, succession duty will apply only on that part of the value of the share or legacy that exceed the ceiling of Euro 1,500,000, at the same rates as above.

F) Stamp duty on financial instruments

Art. 19, paragraph 1 of Legislative Decree no. 201 of 6 December 2011 converted into Law no. 214 of 22 December 2011, provides as of 1st January 2012, that proportional stamp duty shall apply on regular notifications sent by banks and finance brokers in relation to financial products, even those not subject to deposit, including bank and post office deposits even if represented by certificates. Stamp duty applies on each notice in line with the market value of the financial product taken at the end of the reporting period or, in the absence of nominal or repayment value at 0.2% annually (for tax period 2012 the rate was fixed at 0.1% annually, while for tax period 2013, it was fixed at 0.15% annually). AS from 1st January 2014, stamp duty due cannot exceed Euro 14,000 annually with respect to persons other than individuals.

Duty is received by the banks and other financial intermediaries. The statement of account or report are considered sent at least once during the year even when there is not obligation of delivery or preparation; in such case stamp duty is applied on the value, as above indicated, of the financial products calculated as at 31 December of each year. Stamp duty due is related to the period covered independently of the existence or otherwise of an obligation of delivery.

Stamp duty is applied both with reference to resident investors as well as non residents on condition that the relative products or financial instruments are held at the intermediary having registered office in Italy. By express legal provision, stamp duty is not applied to notices received and issued on pension funds and healthcare funds.

G) Tax on foreign financial assets (IVAFE)

Pursuant to art. 19, paragraph 18 of Decree Law no. 201 of 6 December 2011 individuals residing in Italy who hold financial assets abroad – such as the Cairo Communication Shares – in ownership or under other real rights, independently of how they were acquired, and therefore even inherited or donated, are held to pay tax at the rate of 0.2% as from 2014, the so called IVAFE.

Such tax is calculated on taxable income equal to market value of the foreign financial asset at the end of each calendar year, in the place in which they are held, or – if such value is not available at the nominal value or the repayment value. Pursuant to paragraph 19 of art. 19 of Decree Law no 201 of December 2011, the tax is due proportionately to the shares held at the period of possession..

Irrespective of whether the issuing party or the counterparty reside in Italy or not, financial activities – such as the Cairo Communication Shares – held overseas but administered by Italian financial intermediaries - are excluded (in such case they are subject to stamp duty on deposit of securities and foreign assets held by the tax payer in Italy for tax purposes. .

A tax credit equal to the amount of the actual property tax paid during the reference year in the foreign State in which the financial assets were held, is deducted up to its amount. The tax credit cannot exceed the tax due in Italy. If a double taxation treaty is in place with the State where the assets are situated which covers also tax on property and which provides that such assets are taxed in the country of residence of the possessor then no tax credit can be claimed on property tax paid abroad. In such cases, a refund can be claimed from the Tax Department of the Country where the said tax was applied notwithstanding any other agreement provision.

H) Tax on financial transactions ("Tobin tax")

(i) Tax on transfer of ownership of the Cairo Communication Shares

Law no. 228 of 24 December 2012 (known as Legge di stabilità 2013) in article 1, paragraphs from 491 to 500, introduced a tax on financial transactions. This tax is applied, *inter alia*, on transfers of ownership of shares issued by resident company with registered office in Italy (such as the Cairo Communication Shares), financial instruments pursuant to paragraph 6 of art. 2346 of the Civil Code issued by companies with registered address in Italy and securities representing the above irrespective of the residence of the issuer. By Ministerial Decree dated 21 February 2013, as amended by Ministerial Decree of 16 September 2013, ("**M.D. 21 February 2013**"), the application provisions were provided in order for such tax to be levied.

Applicable tax rate is 0.2% on the value of the transaction. If the shares sold are traded on a regulated market or in a multilateral trading facility, the applicable rate is reduced to 0.1% (0.12% for transactions regulated in 2013). M.D of 21 February 2013 (article 6) specifies that reduction of the rate applies even to the purchase of shares, financial investment securities and equity instruments through the intervention of a finance broker acting as intermediary between the party in the transaction acquiring such shares on a regulated market or a multilateral trading facility, provided that the purchase and sale transaction is made at the same price, overall quality and settlement date.

To transfer of ownership of shares, securities and equity instruments taking place following the regulation of derivatives pursuant to article 1, paragraph 3 of the TUF as well as securities listed on the stock exchange pursuant to article 1, paragraph 1-*bis*, lett. c) and d) of the TUF a rate of 0.2% is applied.

Tax applies on transfer of ownership or bare ownership of shares, financial instruments or securities for regulated transactions as from 1st March 2013 if negotiated after 28 February 2013.

For the purpose of application of the Tobin Tax, transfer of ownership of shares issued within the centralised deposit system managed by Monte Titoli (such as the Cairo Communication Shares) is considered to have taken place at the date of registration of the transfers made on finalisation of the relative transaction. Alternatively, the person responsible for payment of tax, with the consent of the taxpayer, date in terms of the agreement may consider the payment date to be the date of the transaction..

Tax is calculated on the value of the transaction which the party responsible for payment of tax establishes on the basis of the net balance of daily transactions in relation to same financial security and concluded on the same day by the same person. Alternatively tax is calculated on the amount paid.

Tax is due by persons in whose favour the transfer of shares, securities and equity instruments is made, irrespective of their residence and the place in which the agreement was entered into. Tax is not levied on persons who act as intermediaries. Nonetheless, persons located in States and territories with which there are no agreements on exchange of information or credit recovery identified by notice of the Tax Department Director of 1st March 2013 who have no permanent establishment in Italy shall for all intents and purposes be considered as purchasers unless they opt to identify themselves pursuant to the procedures defined in the provision of the Income Tax Department dated 18 July 2013.

In the event of transfer of ownership of the shares, securities and equity instruments, tax is paid by the banks, the trust company and the investment company licensed to carry out investment services and activities as well as other persons that act as intermediaries in the execution of the above referred to transactions (for example, notaries) including non resident intermediaries. If more than one party intervenes in the transaction, tax is paid by the person that directly receives from the purchaser or the final counterparty the execution order. In other cases (that is cases where the transaction takes place without involving a third party), tax is paid by the taxpayer.

Payment of tax must be made by not later than the 16th day of the month following that of the transfer of ownership of the shares, securities and equity instruments.

The following are, inter alia, excluded from application: (i) issue and annulment transactions of securities and equity instruments taking place on the primary market; (ii) purchase of newly issued shares if this takes place following conversion, exchange or reimbursement of bonds or exercise of the pre-emption rights by the shareholder of the issuing company; (iii) temporary purchase transaction of securities indicated in article 2, point 10 of EU Regulation no. 1287/2006; (iv) transfer of ownership of securities made between companies where there is a control relationship pursuant to article 2359, paragraph 1, nos. 1 and 2 e paragraph 2 of the Civil Code or which are controlled by the same company or these arising from corporate restructuring operations pursuant to article 4 of EU Directive 2008/7/ as well as (vi) mergers and demergers of OICR. Moreover the tax does not apply if the transfer of ownership takes place by succession or donation.

Tax shall not be levied in the case of transfer of ownership of shares traded on regulated markets or multilateral trading systems issued by companies whose average capital during the month of November of the year preceding the transfer of ownership is below Euro 500 million as well as transfer of ownership of shares or equity instruments issued by the same companies. Pursuant to article 17 of M.D of 21 February 2013, Consob (Italian Securities and Exchange Commission), by 10 December of each year, draws up and sends the Minister for Finance and Economic Affairs a list of companies with shares traded on regulated markets or Italian multilateral trading systems which fall within the above referred to limit of capitalisation. On the basis of information received, the Minister for Finance and Economic Affairs draws up and publishes on the web, by not later than 20 December of each year a list of companies resident within the territory to which the exemption applies. The exemption applies also to transfers which take place on regulated markets and on multilateral trading systems. In the case of entry of trading on regulated markets or multilateral systems, verification on inclusion in the above referred to list takes place as from the year following that on which it becomes possible to calculate average capitalisation for the month of November; until such financial year, capitalisation shall be presumed to be lower than Euro 500 million.

Moreover, pursuant to article 15, paragraph 2 of M.D of 21 February 2013, the tax is also not levied on:

- Purchases and transaction made by a financial intermediary interposed between two parties as counterparty of each, acquiring from one party and selling to the other securities or equity instruments if the two transactions are at the same price, overall quantity and at the same date of settlement of purchase and sale, except for cases in which the person to whom the intermediary transfers the security or equity instrument does not fulfil its obligations;

- Purchase of securities pursuant to paragraph 491 and transactions pursuant to paragraph 492 undertaken by systems which are interposed with respect to the purchase or the transaction for compensation and guarantee of the purchase and the transaction itself. In this respect, reference is to be made to authorised or licensed persons pursuant to EU Regulation no. 648/2012 which interpose in a transaction on securities with the scope of compensation and guarantee; for Countries in which such regulation does not apply, reference is made to equivalent foreign systems which are licensed and monitored by a state authority, provided that they are set up in States or territories included in the decree issued for the implementation of article 11, paragraph 4, letter c), of legislative decree no. 239 of 1st April 1996 ([104]). For the purposes of article 16 of M.D of 21 February 2013, transactions which have as counterparty the following are exempt:

- The European Union, or European Union institutions, the European Atomic Energy Community, organisations to which the protocol on privileges and immunities of the European Union applies;

- The European Central Bank and the European Investment Bank;

- The central banks of the member States of the European Union;

- The central banks and organisations which manage official reserves of other States;

- Bodies and international organisations set up in terms of international agreements applicable in Italy.

([104]) See note 102. See also the list of countries indicated in the Provision of the Director of the Income Tax Department dated 1 March 2013.

Moreover, tax on transfer of shares and equity instruments does not apply:

(a) To persons who carry out the transactions and the operations subject to tax in view of market making activities, and only for this purpose as defined in art. 2 § 1 lett. k) of EU Regulation no. 236/2012;

(b) To persons who, on behalf of the issuing company, undertake transactions and operation subject to tax in order to encourage liquidity of the shares issued by the said issuing company within the regulatory framework of market practices accepted by Consob in application of EU Directive No. 2003/6 and EC Directive No. 2004/72;

(c) To pension funds subject to supervision pursuant to EC Directive 2003/41 and mandatory contributions entities set up by member States of the European Union and in States parties to the European Economic Zone Agreement included in the White List as well as other pension schemes pursuant to Legislative Decree no. 252 of 5 December 2005. The exemption applies also in the case of persons and bodies held exclusively by funds as per above;

(d) Transactions and operations in relation to products and services which are classified as ethically or socially relevant pursuant to article 117 -ter of the TUF and implementation regulations.

The exemption applicable to persons under points (a) and (B) applies only to activities specified in the said points and the tax remains applicable in the event that the same is the person in whose favour the transfer is carried out

The Tobin Tax is not deductible for the purposes of income tax (IRPEF and IRES), of substitute tax of said tax and from IRAP.

(ii) "High frequency" Trading

Special provisions apply to so called "high frequency" trading, that is algorithmic trading which automatically determines the decisions on delivery, modification or cancellation of orders and the relative parameters when delivery, modification and cancellation of orders of securities are undertaken at an interval not exceeding half a second.

E.7.9 Further information on Cairo Communication Shares

During the last financial year and the current financial year no third party public purchase offers and/or exchange of shares of the Offeror took place.

Cairo Communication Shares will be subject to the provisions of the TUF and the relative implementation regulations including the Issuers' Regulation, with specific reference to norms governing public offers of purchase and public offers of sale.

F. OFFER TERMS AND CONDITIONS, DATE AND TERMS OF PAYMENT OF THE CONSIDERATION AND RETURN OF SECURITIES FORMING COVERED BY THE OFFER.

F.1 Terms and conditions on submitting the Offer and depositing the RCS Shares

F.1.1 Acceptance Period

The Acceptance Period agreed with the Borsa Italiana pursuant to art. 40, paragraph 2, of the Issuers' Regulation shall commence at 8:30 of 13 June 2016 and end at 17:30 of 8 July 2016 (both dates included). 8 July 2016 therefore represents the end of the Acceptance Period unless extended in terms of legal provisions and regulations.

The Offeror shall communicate possible modifications to the Offer pursuant to legal provisions and current regulations.

Acceptance of the Offer may take place on any Exchange Trading Day included in the Acceptance Period between 8:30 hrs and 17:30 hrs.

For the examination of the effects which the procedures for the fulfilment of the Purchase Obligation pursuant to article 108 paragraph 2 of the TUF and/or for fulfilment of the Purchase Obligation pursuant to article 108 paragraph 1, of the TUF would have on the Consideration, reference is to be made to Paragraphs A.1.8 e A.1.9, Warning Section of the Offer Document.

F.1.2 Acceptance procedure and deposit of RCS Shares

Acceptances of the Offer by owners of RCS Shares (or the relative empowered representatives) are irrevocable save for the provisions of article 44, paragraph 7 of the Issuers' Regulation which expressly provide for revocation of acceptances after publication of a competing offer or a raised offer.

Pursuant to art. 44 paragraph 2, of the Issuers' Regulation possible raised offers or other modification of the offer must be notified within five Exchange Trading Days from publication of the competing offer, by notice made pursuant to article 36 of the Issuers' Regulation including the nature and size of the raised offer and the amendment and the modification and actual issue of the supplementary guarantee.

Pursuant to article 44, paragraph 4, of the Issuers' Regulation, no raised offer may be made after the fifth Exchange Trading Day prior to closure of the acceptance period of the last offer. Subject to notification to Consob, at such date all the offerors, with the exception of those in respect to which the said five Exchange Trading Day term from date of publication of the last offer or raised offer has expired, may make a further raised offer; no modifications may however be made to the offer. During the five Exchange Trading Days following publication of the winning offer results, shares included in other offers may, subject to revocation of acceptance, be included therein.

Acceptance of the Offer must take place by signature of the Acceptance Form duly filled in and by depositing the RCS shares at the Appointed Intermediaries as per Paragraph B.3, Section B of the Offer Document. The shareholders of the Issuer who intend to accept the Offer may deliver the Acceptance Form and deposit the RCS Shares therein included at the Intermediary Depositories provided that delivery and deposit are made in time to allow the Intermediary Depositories to deposit the RCS Shares at the Appointed Depositories by and not later than the last day of the Acceptance Period.

RCS Shares are subject to the dematerialisation of stock regime pursuant to article 83 -*bis* et seq of the TUF, and the Regulations adopted by Consob and Banca d'Italia resolution of 22 February 2008 as subsequently amended.

Only RCS Shares that at the moment of acceptance are properly registered and available on the securities account of the Accepting Shareholder open at an intermediary pertaining to the central management of Monte Titoli S.p.A can be tendered in acceptance of the Offer.

More specifically RCS Shares deriving from purchase transactions made on the market can be tendered in acceptance of the Offer only after regulation of the said transaction has been completed through the liquidation system.

Those who intend to bring their RCS Shares in acceptance of the Offer must be owners of RCS dematerialised Shares properly registered in a securities account held by one of the Intermediary Depositories and must refer to their respective intermediaries for instructions on how to accept the Offer.

Persons in possession of non dematerialised RCS Shares who intend to accept the Offer must first delivery the relative share certificates to an authorised intermediary pertaining to the Monte Titoli S.p.A centralised management system for their dematerialisation by crediting them to a securities account held by the owner of RCS Shares and opened by it at a Depository Intermediary.

Signature of the Acceptance Form, therefore in consideration of the above referred to dematerialisation of securities regime, will be valid even as irrevocable instruction given by the individual owner of the RCS Shares to the Appointed Intermediary or the relative Depository Intermediary at whom the RCS Shares are deposited in securities account, to transfer the above referred to RCS Shares in deposits at such Appointed Intermediary or Depository Intermediary in favour of the Offeror.

The Intermediary Depositories, in their capacity as mandatories, must countersign the Acceptance Forms. The shareholders shall remain exclusively responsible for risk that the Intermediary Depositories do not deliver the Acceptance Forms or, where applicable, do not deposit the RCS Shares at an Appointed Intermediary by the last day of the Acceptance Period.

Upon signature of the Offer acceptance deed and deposit of the RCS Shares by signature of the Acceptance Forms, a mandate will be given to the Appointed Intermediary and the Depository Intermediary to execute all the formalities necessary and required to transfer the RCS Shares to the Offeror who shall bear the relative cost.

Allotted RCS Shares must be free from liens and burdens of any kind and nature, both real, obligatory or personal and must be freely transferable to the Offeror.

Acceptances of the Offer during the Acceptance Period by minors or persons entrusted to tutors or curators pursuant to legal provisions, entered into by those having parental care, tutorship or curatorship, not accompanied by the authorisation of the Court will be provisionally accepted and not counted for the purpose of establishing the percentage of acceptance of the Offer. Payment will be made only when authorisation is given.

F.2 Instructions on the ownership and exercise of management and equity rights of RCS Shares pending the Offer.

RCS Shares tendered in acceptance of the Offer during the Acceptance Period will be transferred to the Offeror at the Consideration Payment Date.

During the entire period that the RCS Shares are subject to the Offer and therefore until the Consideration Payment Date, the Tendering Shareholders will retain and may exercise the ownership and management rights deriving from ownership of the RCS Shares; in any event the Tendering Shareholders may not transfer their RCS Shares forming the subject of the acceptance except in case of acceptance of possible concurrent offers or increased offers pursuant to article 44 of the Issuers' Regulation.

At the Consideration Payment Date, RCS Shares tendered in the Offer will be transferred to the securities deposit account of the Offeror.

Therefore, as from the Consideration Payment Date, Tendering Shareholders will no longer be able to exercise ownership and management rights in relation to the RSC shares tendered for acceptance in the Offer

F.3 Communications concerning the developments and Offer results

Throughout the Offer, EQUITA, even on behalf of Banca IMI, pursuant to art. 41, paragraph 2, lett. d), of the Issuers' Regulation shall, on a daily basis, provide Borsa Italiana with information on the RCS Shares deposited as well as the percentage that such quantities represent with respect to the RCS Shares forming the subject of the Offer.

By not later than the day following receipt of such information Borsa Italiana shall proceed with publication of the said data by proper notice.

The Offeror will notify fulfilment or non-fulfilmentof the Conditions of Effectiveness of the Offer and in the event that the Conditions of Effectiveness of the Offer have not been met, renunciation thereto, by not later then:

- With respect to the Minimum Acceptance Level Condition, by not later than 7:59 of the first Stock Exchange Trading Day following the end of the Acceptance Period (that is 11 July 2016, unless extended);

- With respect to the Conditions of Validity of the Offer pursuant to articles (b) and (e), of Notice **A.1.1**, together with the publication of the Press Release of the Offer Results, that is by not later than 7:59 of the Stock Exchange Trading Day preceding the Consideration Payment Date (that is 14 July 2016, unless extended).

As soon as they are available, the Offeror shall notify provisional results of the Offer, pursuant to article 36 of the Issuers' Regulation.

Final results on the Offer will be published by the Offeror on the date preceding the Consideration Payment Date, that is by 14 July 2016 (unless extended), pursuant to article 41, paragraph 6, of the Issuers' Regulation by statement to be published in the "*Corriere della Sera*".

In the above mentioned press release, the Offeror will state whether the requirements for compliance to the Purchase Obligation pursuant to article 108 paragraph 2 of the TUF have been met, or those in relation to the Purchase Obligation pursuant to article 108 paragraph 1 of the TUF

In this respect, it must be borne in mind that the scope of this Offer is not that of Delisting. Nonetheless, depending on the number of RCS Shares tendered in acceptance of the Offer and the market conditions, in the event that the Offeror holds – by way of acceptance of the Offer and/or the purchase of further RCS Shares which the Offeror may make outside the Offer in line with applicable regulations – an overall shareholding exceeding 90% (but lower than 95%) of the share capital of the Issuer, the same Offeror reserves the right to evaluate whether to proceed or otherwise by restoreing sufficient float to ensure successful conclusion of the negotiation of RCS Shares on the MTA, in such case notifying Consob and the market in the proper section of the Press Release on Offer Results (see Paragraph A.1.9, Notices Offer Document section and the following Paragraph G.3, Section G of the Offer Document).

Lastly, in the event that the Offeror decides to exercise the right to modify the Offer terms pursuant to article 43 paragraph 1 of the Issuers' Regulation it will give due notice pursuant to article 36 of the Issuers' Regulation.

Moreover, if by the Consideration Payment Date, the Offeror acquires directly and/or indirectly, further RCS Shares outside the Offer, the Offeror will by that day notify Consob and the market pursuant to art. 41, paragraph 2, letter c) of the Issuers' Regulation.

F.4 Market on which the Offer is made

The Offer is being made exclusively in Italy since the RCS Shares are listed only on the MTA and refers, at the same terms and conditions, to all RCS Shareholders.

The Offer was not made and unless authorised by the competent authority, will ever be made or promoted in Other Countries in which such Offer is not allowed nor using means of national or international communication in Other Countries (including by way of example, fax, post, telex, email, telephone or internet) or through any other kind of structure of a financial intermediary in any Other Country, or in any other manner.

A copy of the Offer Document or that part of it as well as a copy of any subsequent document which the Offeror issues in relation to the Offer are not and must not be sent, nor in any way transmitted, distributed directly or indirectly to the Other Countries. Whoever receives such documents must not distribute, sent or delivery them (by post or any other means of communication or trade) to Other Countries.

Offer acceptances resulting from any solicitation made in breach of the above provisions will not be accepted.

The Offer Document does not constitute nor will ever be interpreted as an offer of financial instruments made to residents of Other Countries. No instrument can be offered or sold in the Other Countries in the absence of specific authorisation in line with applicable local laws of said states or in terms of exceptions with respect to such provisions.

Acceptance of the Offer by persons residing in countries other than Italy may be subject to specific obligations or restrictions in terms of legal provisions or regulations. Persons intending to accept the Offer must comply with such norms and therefore, before accepting the Offer such persons must verify its existence and application making reference to their consultants.

F.5 Consideration Payment Date

Subject to fulfilment of the Conditions for Validity of the Offer (or waiver thereof by the Offeror), payment of the Consideration to the holders of the RCS Shares which will be tendered in acceptance of the Offer will be made on 15 July 2016 (that is the fifth Stock Exchange Trading Day following the last day of the Acceptance Period).

In the event of extension of the Acceptance Period, payment of the Consideration will be made on the fifth Stock Exchange Trading Day following the end of the Acceptance Period as extended. The new payment date, thus established will be made known to the Offeror through a public notice pursuant to article 36 of the Issuers' Regulation.

F.6 Terms of payment of the Consideration

Subject to fulfilment of the Conditions for Validity of the Offer (or waiver thereof by the Offeror), the Consideration will be paid by the Offeror at the Consideration Payment Date through EQUITA, even on behalf of Banca IMI. More specifically, Cairo Communication Shares will be inserted in the securities dossier of the Tendering Shareholders opened at the Appointed Intermediary and/or the Depository Intermediary pursuant to the instructions of the Accepting Shareholder in the Acceptance Form.

In the event that as a result of the exchange pursuant to Paragraph **E.**1, Section E, of the Offer Document the Accepting Shareholder is to receive a number of Cairo Communication Shares which is not a whole number, the Depository Intermediary shall in the Acceptance Form indicate that part of the Cairo Communication Shares to be received by the Offering Shareholder. By not later than the Stock Exchange Trading Day following the end of the Acceptance Period, the Appointed Intermediaries will, even on behalf of the Depository Intermediary, notify EQUITA of the number of Cairo Communication Shares deriving from aggregation of the fractioned parts.

EQUITA – in the name and on behalf of the Tendering Shareholders – shall aggregate the parts of the fractioned Cairo Communication Shares and upon transfer on the MTA of the whole number of Cairo Communication Shares arising from such aggregation, crediting the amount of the transfer to the Depository Intermediaries through the Appointed Intermediaries by not later than 10 Stock Exchange Days from the Consideration Payment Date.

The Depository Intermediaries shall pay the Tendering Shareholders the amounts in relation to the above referred to fractions of the Cairo Communication Shares. Therefore the amounts resulting from such transfer, which are to be paid to the Tendering Shareholders in relation to the fractioned part of the Cairo Communication Shares will be equal to the average of the transfer price of the whole number of Cairo Communication Shares arising from the aggregation and will be paid pursuant to the terms and conditions indicated in the Acceptance Form.

The Accepting Shareholder will not bear any cost or commission neither at delivery of the Cairo Communication Shares nor for payment of amounts resulting from transfer of the fractioned parts of the Cairo Communication Shares. Interest will also not be paid.

The obligation of the Offeror of paying the Consideration pursuant to the Offer shall be intended to have been fulfilled at the moment in which the relative Consideration will be transferred to the Appointed Intermediaries. The Tendering Shareholders shall bear the risk that such Appointed Intermediaries or Depository Intermediary fail to remit the price or delay such remittance to the Offering Shareholders.

F.7 Law governing contracts stipulated between the Offeror and the Tendering Shareholders as well as jurisdiction.

With respect to acceptance of this Offer, the governing law shall be Italian law and Italian Courts shall have jurisdiction.

F.8 Terms and conditions applicable to return of securities in the event that the Offer and/or the allotment is invalid.

In the event that the Offer Conditions are not met or if the Offeror does not exercise the option of renunciation with the consequent nullity of the Offer, RCS Shares included in the Offer will be returned to the holders by not later than the second Exchange Trading day following the date when failure to complete the offer was notified and no expense, or fee will be charged.

G. OPERATING TERMS, PROPER COMPLIANCE GUARANTEES AND FUTURE PLANS OF THE OFFEROR

G.1 Financing the Offer and guaranteeing compliance

The Offeror intends to finance the overall value of the Offer equal, in the event of full acceptance of the Offer, to a maximum 62,623,795 Cairo Communication Shares, through a Capital Increase

By way of guarantee of the proper fulfilment of the payment obligation of the Consideration, undertaken by the Offeror upon the terms and conditions of this Offer Document, the General Meeting of Shareholders of Cairo Communication resolved to approve the Capital Increase by resolution dated 12 May 2016.

G.2 Reasons for making the Offer and the Offeror's plans for the future

G.2.1 Reasons for making the Offer

The Offer is aimed at creating a large multimedia publishing group with a stable and independent leadership, and at reinforcing the financial-economic profile of the RCS Group, and consequently accelerating its restructuring and relaunch process.

The Offeror maintains that, subject to the definition of a debt structure in line with expected cash flow, maintenance of control and satisfactory verification of the equity situation of the RCS Group, the project to relaunch RCS may, in the medium term, be the corporate integration of the Offeror and the latter by merger. The Offeror does not currently have any hypothesis regarding the cash flow dynamics of the RCS Group that are sufficiently adequate to allow the completion of the corporate integration of Cairo Communication and RCS, even in terms of achieving industrial synergy.

The fields within which Cairo Communication and the RCS Group operate are complementary and combining them enables the creation of a publishing group which, given the high level of quality and diversification of its products within the newspaper, television, web and sports event sectors, could become the leading operator in the Italian market, with a strong international presence, and therefore taking full advantage of the opportunities arising from a combination of traditional media and digital platforms.

The Offeror intends to implement a high impact plan to relaunch the RCS Group, which includes a rigid industrial cost optimisation exercise, maximisation of published product potential, extending the offer to non-publishing activities such as sports events, and further enhancing the development of digital products.

To implement this business plan, the Offeror will take full advantage of its experience in executing complex company restructurings, its skills gained in advertising and the growth possibility in the publishing sector.

The Offeror maintains that the success of the Offer will lead to the creation of a sizeable group with the required resources and skills to reinforce its leadership position in the sector and create a platform for possible future aggregation transactions at national and European level.

G.2.2 The Offeror's plans for the future

G.2.2.a *The reference background*

The Italian newspaper market contains three national newspapers (Corriere della Sera, La Repubblica and Il Sole24 Ore), which represent approximately 25% of the total circulation, and a number of local newspapers (including La Stampa, il Messaggero, il Resto del Carlino, La Nazione, il Giornale, l'Avvenire, etc.), which represent approximately 63% of the total circulation. Sports newspapers make up 12% of the circulation, with the most important being a national newspaper (Gazzetta dello Sport) ([105]).

The RCS Group publishes the Corriere della Sera (which makes up 42% of the national circulation) and Gazzetta dello Sport (which is a strong leader in the sports market)([106]). The RCS Group is also active in publishing magazines that are partly distributed with newspapers. Over the years, the RCS Group has pursued expansion abroad through the acquisition of a Spanish publishing group, which to date publishes the second most important Spanish national newspaper (El Mundo), the leading sports newspaper (Marca) and the leading financial newspaper (Expansión).

Italian newspaper circulation has seen a steady decline over the years. In 2010, the average newspaper copies sold was 4.7 million. In 2015, this number went down to 3 million with a CAGR of -8.6% ([107]). This downward trend prevails in all newspaper segments, (national, local and sports), despite the local newspaper market proving to be more resilient than the national one in the last few years.

Even newspaper circulation saw a significant decline: since 2010, circulation of weekly magazines diminished with a CAGR of -8% yearly, falling from approximately 11.1 million copies to approximately 7.2 million in 2015, whereas monthly magazines went down from 12.6 million copies to 5.4 million in 2015 (-16% CAGR)([108]).

The Spanish market saw similar trends to the Italian market in the last few years. The decrease in circulation of newspapers has in fact been at a CAGR of -10% annually, falling from an average of 2.5 million copies daily in 2010 to approximately 1.5 million in 2015([109]).

Advertising, the source of revenue for publishers, also suffered from the crisis, which levelled out in 2013. The total sales of advertising in Italy amounted to approximately EUR 6.4 billion in 2013 going down to EUR 6.3 billion in 2015; this scenario also saw a strong decline in the sale of traditional media, with an increase in digital channel rates. Sales of advertising in newspapers fell from approximately EUR 0.9 billion in 2013 to approximately EUR 0.76 billion in 2015. Sales of magazines advertising went down from approximately EUR 530 million in 2013 to EUR 475 million in 2015([110]).

Advertising sales were directed towards digital media: more specifically, new digital operators (e.g., Google and Facebook) or operators with vertical platforms or classified announcements.

([105]) In this chapter, "circulation" includes the total copies sold at newsagents, other sales, paid subscriptions, block sales, membership fees, free memberships, gifts coupons, foreign. Data does not include Monday editions of sports magazines. Source ADS 2015 data.

([106]) Source: ADS 2015 data.

([107]) Source: ADS data

([108]) Source: ADS data. Total media circulation.

([109]) Market penetration data of the Spanish market exclude "hyperlocal" newspapers. Data source: OJD.

([110]) Data source: Nielsen.

Advertising market forecasts for 2016 and 2017 are showing a slight upward trend (around 2% per annum) mainly moved by the Online medium. TV and radio forecasts are stable or slightly increasing, whereas sales of newspaper and magazine advertising continue to decline ([111]).

In Spain, total sales from advertising went from approximately EUR 5.5 billion in 2011 to slightly over EUR 4.8 billion in 2015. Even in this case, sales in digital channels increased from approximately EUR 900 million in 2011 to slightly over EUR 1 billion in 2015, whereas sales from all other media went down, particularly with respect to newspapers and magazines. Market projections on advertising sales look set to show a steadier increase in the Italian market (approximately 6% per year compared to approximately 2% previously) in the next two years, driven by the online channel as well as television ([112]). Contrary to Italy, advertising sales market in newspapers and magazines are forecast to slightly improve ([113]).

G.2.2.b Post-Offer Cairo Communication Group plans

The business plans for Cairo Communication Group and Post Offer Cairo Communication Group had not been approved as at the Offer Document Date. With regard to Post Offer Cairo Communication Group, the Offeror maintains that, after the Offer is finalised, the business plan will be approved by the end of 2016.

After the Offer is completed, the Cairo Communication Group will continue its activity in its current business sectors (magazine publishing, television, web operator, advertising) following the main guidelines described below:

- In the magazine publishing sector, the Cairo Communication Group will continue with this strategy centred mainly around: (i) the importance of the quality of the products; (ii) supporting circulation levels of its newspapers, including through proper distribution and enhancement of editorial content; (iii) attention to costs in general and production costs in particular, with a view to improving conditions and industrial processes, printing and supply; and (iv) the continuous expansion and enrichment of the products portfolio in order to reach market segments that show higher potential.

- Within the television and web sectors: the Cairo Communication Group will continue to endeavour to consolidate results of the efforts made during 2013–1015 to cut costs in the television sector, preserving the high quality level of the programming schedule. La7 is currently evaluating initiatives to develop new programmes, maximise the viewership potential of LA7d, reinforce digital presence and launch new channels. With regard to possible new channels, the Cairo Communication Group could benefit from the opportunity offered by the band resulting from the creation of the Cairo Network Mux.

- Within the advertising concession sector: The Cairo Communication Group will continue with its endeavours to sell television advertising for La7, La7*d*, Cartoon Network and Boomerang and the newspapers of the Cairo Communication Group at the Turin Olympic Stadium for Torino FC, in order to maintain and develop the high level of advertising sales reached, also in consideration of the quality of the newspapers published, the possibility of enhancing the high-level listener target of La7, and the possibility of expanding the product portfolio, including by

([111]) Data source: ZenithOptimedia June 2015.

([112]) Data source: ZenithOptimedia June 2015.

([113]) Data source: ZenithOptimedia June 2015.

using third party means which offer potential in the sale of advertising.

- In order to undertake these activities in the current operating sectors, the Cairo Communication Group mainly forecasts investment in television rights for the stations La7 and La7d for an amount equal to EUR 10/15 million per annum.

After the Offer is finalised, over the short term, Post Offer Cairo Communication will focus implementing the RCS business plan, which will be carried out in line with the strategy outlined in the following Paragraph. In this context, the Cairo Communication Group will implement solutions aimed at pursuing the following synergies, which will not require significant restructuring and/or reorganising the Cairo Communication activities after the Offer is completed:

- implementing between the RCS Group concessionaires and the Cairo Communication group concessionaires multimedia projects, using reciprocal points of strength on the market (for example, though sharing exclusive clients or clients with long-standing relationships to launch the cross-media offer), and seeking synergies between advertising concessionaires, including by cutting down costs on the territory;

- cutting down structure costs by creating common services models for the RCS Group and Cairo Communication;

- creating economies of scale for the purchase of goods (e.g., paper) and services (e.g., advertising, IT contracts, agencies/intermediaries, professional services, and market research);

- supplementing distribution activities and the possibility of concentrating production of magazines of the Cairo Communication Group and the RCS Group in common printing centres to reduce the overall cost;

- the opportunity of creating an access and transmission model for Cairo Communication video content on the RCS digital platforms; and

- achieving synergy in the development of advertising revenues of the Giro d'Italia, in view of the skills and activities within the television and sports sector of the Cairo Communication Group.

These management solutions, which require significant investment from the Cairo Communication Group, can be undertaken only after the Offer is finalised, in view of the business plan which will be adopted by the RCS Group and will be implemented in line with governance principles pursuant to the procedures applicable to Cairo Communication and RCS.

It must be noted that the Cairo Communication Group, following the acquisition of control of RCS, intends to adopt all necessary action to appoint its representatives on RCS' board of directors in line with the regulations pursuant to the company's articles of association.

As at the Offer Document Date, the Offeror had not identified any specific amendment to be made to RCS' current articles of association.

The Cairo Communication Group holds that, if the results are in line with the objectives of the RCS Group plan that will be drawn up after the Offer is completed, and no further events or circumstances occur which could negatively influence the financial, equity or economic situation of the RCS Group, no further investment will be required other than that indicated in the following Paragraph G.2.2.c.4, Se**ction** G.2.2 of the Offer Document in relation to the evaluation of the Cairo Communication Group shares in RCS.

The Offeror expects that the Post Offer Cairo Communication Group, by immediately implementing the cost effectiveness measures described in Paragraph C.2.2.c.2, Section G, of the Offer Document could, no later than the third year of the business plan to be drawn up by Post Offer Cairo Communication Group, cut costs for 2015, estimated to be a total of EUR 140 million per year.

Reaching the objectives of the Cairo Communication Group in relation to its future plans, including achieving the above indicated synergy and cost cutting exercises, presents numerous aspects that could involve operating and management issues, including the management of a significantly larger group and the coordination of organisations which are geographically distant and coordination of separate company structures. Reaching these objectives and achieving synergy and economies of scale depends on a number of hypotheses involving the occurrence of future events and circumstances, some of which are outside the control of the Cairo Communication Group, and the actions which RCS and the Cairo Communication Group believe that can be taken, including the possible implementation of future events and actions that may, in fact, not materialise involving subjective and uncertain elements, as well as the risk that these events and actions may actually not materialise or may happen to an extent or at times other than those anticipated, whereas other events and/actions that were not foreseen when the plans were drawn up, may occur. Therefore, no guarantee may be given that if the Offer is successfully concluded, Post Offer Cairo Communication will be able to enjoy the benefits expected.

If, during the above three-year business plan to be drawn up by Post Offer Cairo Communication Group, the achievements of the RCS Group are not in line with the forecasts of this plan, or if other circumstances occur that negatively influence the economic, equity and financial situation of the RCS Group, the Offeror does not exclude that it may become necessary to proceed with action to recapitalise RCS.

The Offeror holds that subject to a debt restructuring exercise in line with the expected cash flow, maintenance of control and positive due diligence of the RCS Group financial situation, the project to relaunch RCS could, in the medium term, be complementary to the corporate integration between the Offeror and the latter by merger. To date, the Offeror has not made any assumptions on the cash flow forecast of the RCS Group, which will be required to complete the corporate integration between Cairo Communications and RCS, including in terms of achieving commercial synergy.

G.2.2.c Offeror's future plans for the RCS Group

G.2.2.c.1 Strategic Reasons for the Offer

The Offeror has identified two strategic plans underlying the project to relaunch the RCS Group:

- **reaching maximum efficiency**, to take place both by bringing costs into line with the sector's best practices and by achieving synergy between the RCS Group and Cairo Communication; and

- **creating full earnings growth potential,** by enhancing the editorial content of products and increasing the offer in Italy and Spain in a market where revenues from traditional publishing are on the decline.

The Offeror holds that the aims of the RCS Group business plan, which will be drawn up in line with directives that may strengthen the competitive edge of the RCS Group, are to improve the financial situation and reduce the debt of the RCS Group. Currently, it is forecast that these objectives can be reached within three years from the commencement of the action plan.

From a business perspective, the plan has the following objectives:

- reducing fixed costs;
- enhancing editorial content to newspapers and the related websites in Italy and Spain, using the excellent journalistic skills available within the RCS Group;
- relaunching magazines in Italy and Spain, with a focus on specific segments and the aim of increasing circulation and advertising sales;
- boosting advertising sales through synergies between the concessionaires of the RCS Group and the concessionaires of the Cairo Communication Group and the implementation of multimedia projects;
- increasing earning potential through the development of sports and other events;
- optimising distribution processes to users and maximising digital earnings;
- developing new business areas in the local newspaper sector; and
- identifying evolved digital models

G.2.2.c.2 Optimisation of cost structure

Against the background of a sector facing difficulties, in the three-year period 2013–2015, the RCS Group adopted initiatives focused on reducing operating costs. Even as a result of the drop in revenues, in 2015 the effect on costs remained around 98% of earnings, above the results achieved by many competitors ([114]).

Reaching competitive performance requires an improvement in the operating efficiency through structural strategies aimed at streamlining the industrial cost structure of the RCS Group and creating synergies through cooperation with Cairo Communication.

More specifically, on the basis of experience matured in previous operations, the Offeror intends to rationalise operating costs of the RCS through regular monitoring of costs, following a logic of cost/benefit relationship and following a "zero based budget approach" (that is restricting the cost structure based on standard industrial costs). This activity will, among other things, be aimed at:

(a) revising external costs (i.e., costs relating to production factors purchased by the RCS Group), including assessing whether to re-insource activities that are currently outsourced;

(b) improving the concentration of printing centres by maximising the usage rate and the synergy with other local and national operators;

([114]) Source: Cairo Communication report based on Factset data

(c) continuing with the integration of printed and digital publishing; and

(d) revising industrial processes and supplies.

Moreover, the business plan could benefit from operating synergies such as:

(a) the rationalisation of structural costs, through the creation of a model of services shared between the RCS Group and Cairo Communication management in line with the best cost indices in the sector;

(b) the integration of the distribution activities to reduce the overall costs;

(c) the realisation of economies of scale for the purchase of goods (e.g., paper) and services (e.g., advertising space, IT contracts, agencies/ intermediaries, professional services and market research);

(d) the search for synergy between advertising concessionaires, including streamlining costs pertaining to the territory; and

(e) the possible concentration of the production of the Cairo Communication Group and RCS Group magazines in common printing centres.

As at the Offer Document Date, the Offeror has no plans to proceed with a restructuring or reorganisation that could prejudice occupational levels.

G.2.2.c3 Improving and extending the offer

Cairo Communication has the objective of preserving and improving the leading position that the RCS Group has built over the years, with the aim of increasing RCS' market share in the sectors in which it operates and contrasting the downward market trend in publishing.

Newspapers, magazines and digital media

The Offeror believes that its plans to enhance the editorial content of traditional RCS Group products in both Italy and Spain are a starting point. The Offeror in fact maintains that, by exploiting the excellent journalistic skills within the RCS Group editorial departments and maintaining full editorial independence, it is possible to meet the demand of a high-level journalistic product and the opportunities offered by the market sector with the highest potential.

The Offeror retains that the socio-economic profiles of readers of the Corriere della Sera and viewers of La7 are compatible, which makes it possible to create useful synergies to build up distribution, viewers and the sale of commercials and advertising.

The Offeror believes that improvements on the traditional offer and enhancement of editorial content could significantly contribute to increasing performance of traffic on digital media. In this respect, the Offeror has the objective of increasing the capacity of monetising traffic on digital means through a more efficient proliferation of users aimed at satisfying user requirements by personalising content and increasing advertising sales by selling specific advertising space to match user profiles.

Moreover, the Offeror believes that it is possible to improve the current monetisation of the digital offer through improvement of website fruition, increase the length of time that website visitors spend on the site (minutes and number of pages) and, above all, through mechanisms involving the innovative development of editorial content already used in more evolved markets.

For this purpose, the Offeror will take into consideration the opportunity to reinforce the technological platforms of the RCS Group, including by attracting talents and acquired specific start-ups in possession of a specific know-how useful in the achievement/performance of its objectives.

Moreover, the Offeror will assess the opportunity of entering into strategic agreements with the main internet and social media providers, aimed at maximising the distribution of its high quality products on digital media.

In line with the evolution of user trends and the progressive convergence of models of use of the content between the different media, the Offeror intends to enhance the digital offer of the RCS Group and, in this respect, assess the opportunity of creating an access and distribution model of Cairo Communication platforms on the RCS digital platforms. This strategy could include both the use of existent contents and the creation of new video content and specific formats, with the objective of placing at the disposal of RCS users new products maximising the opportunity to generate new revenues.

Development in advertising sales may be sought through synergy between the RCS Group concessionaires and the Cairo Communication Group concessionaires, the implementation of multimedia projects and the use of reciprocal strong points on the market (for example, through sharing exclusive clients or clients with whom long-standing relationships exist to launch a cross-media offer).

The Offeror also intends to use the RCS Group's leader position in sports in Italy and Spain, where it publishes the most popular sports newspapers (*Gazzetta dello Sport* in Italy and *Marca* in Spain), to develop a pan-European integrated sport content platform that could represent a global point of reference for content and news regarding football – the Italian Serie A and the Spanish Liga – and cycling.

With regard to magazines in Italy and Spain, the Offeror – including thanks to its experience gained in the sector – intends to place more focus on publications intended for high profile readers, with the aim of increasing the advertising content thanks to a clearer and more attractive positioning with respect to advertisers. In the Offeror's opinion, the main sectors on which to act are:

- luxury fashion (target: women), a reference sector of the Italian market which represents one of the most important investment areas for advertisers within the magazine sector;
- news magazines and style (target: men), with the aim of obtaining a leading position in the male segment; and
- economy and finance (financial and business community), by proposing an in-depth approach which reflect the needs of the sophisticated and evolved user.

The Offeror, in terms of the skills within Cairo Editore, intends to develop the potential of popular magazines of the RCS Group such as "*Oggi*".

The Offeror is also taking into consideration the possibility of replicating in Spain the magazines development model implemented by Cairo Editore, by exploiting the presence of its subsidiary, Unidad Editorial, on the territory and its subsidiary's knowledge of this market.

The Offeror is also considering the opportunity of further improving printed and online publications by developing new vertical platforms with specialised content in sectors such as cars, real estate, health, work, books, food and cookery, furniture, design and travel.

With regard to online content, the enhancement and specialisation of content allows for the progressive introduction of modern digital subscription models (which offer free access to the basic version and additional content in exchange for payment) generating direct revenues from users.

Events

The Offeror maintains that the enhancement and development of sports events represents a further opportunity to complete the RCS offer and could become a growing source of revenues and margins, based on the principle benchmarks of the sector in Europe (e.g., the Tour de France). For this purpose, in addition to increasing the advertising revenues of the Giro d'Italia, the Offeror intends to maximise the opportunities offered by television rights in Italy and abroad, also given the Cairo Communication Group skills and activities in the television and sports sector.

Moreover, in this sector, the Offeror intends to take into consideration the development of event organisation activities in the sports sector and in similar sectors, by taking advantage of:

- organisational skills developed in the organisation of events and the owner's formats (e.g., Giro d'Italia and the Milan Marathon) or those of third parties (e.g., The Color Run and the Dubai Tour), both in Italy and abroad; and
- availability of "icon" brands (such as the Giro d'Italia), which are also well known on international markets.

Further opportunity of growth in earnings potential

The Offeror will take into consideration possible opportunities in sectors such as local information or niche markets within traditional activities (for example, institutional and financial advertising).

More specifically, the Offeror will take into consideration the opportunity of extending its presence in local and municipal information markets, by both optimising and extending the current offer (e.g., local editions of the Corriere della Sera, and specific local inserts such as "Vivimilano"), both for external lines, by acquiring local and/or municipal newspapers

G.2.2.c4 Investments

Cairo Communication envisages investments for the RCS Group in line with the industrial requirements, together with small investments for the acquisition of special skills within the digital field. Generally, Cairo Communication expects investments not to exceed the historical amounts of the RCS Group in the last two/three financial years and estimates investments to be approximately EUR 25/30 million per year, which will be financed by cash flow generated from operations.

G.3 Restoring the float

The Offer is not aimed at delisting RCS Shares.

This notwithstanding, depending on the number of RCS Shares tendered in acceptance of the Offer and the market conditions, if by reason of acceptances of the Offer and purchases made outside this offer pursuant to applicable legislation, the Offeror acquires more than 90% shareholding and less than 95% of RCS' share capital, it will evaluate whether to re-establish a sufficient float to ensure proper trading of RCS Shares on the MTA.

More specially, in the event that upon completion the Acceptance Period the conditions for applying the Purchase Obligation in terms of Article 108 sub-article 2, of the TUF exist, the Offeror will indicate in the Press Release on the Offer Results, pursuant to Article 41, sub-article 6, of the Issuers' Regulations, on 14 July 2016, both this fact and the decision as to whether to proceed with restoring the float.

If the Offeror declares that it intends not to restore the float, the Press Release on the Offer Results will also include information on the terms and conditions under which the Offeror will fulfil the Purchase Obligation pursuant to Article 108, sub-article 2, of the TUF.

In the event that – by reason of acceptances of the Offer and/or acquisition of RCS Shares made outside this Offer, pursuant to applicable laws and/or if the Offeror decides to fulfil the Purchase Obligation pursuant to Article 108, sub-article 2, of the TUF, via the purchases made as a result of fulfilment of the said obligation – the Offeror holds an overall shareholding of 95% of the Issuer's share capital, the Offeror shall comply with the Purchase Obligation pursuant to Article 108 sub-article 1 of the TUF of the remaining RCS Shares in circulation vis-à-vis the RCS shareholders who so request.

In the Press Release on the Offer Results or the press release regarding the results of the Purchase Obligation procedure pursuant to Article 108, sub-article 2, of the TUF, the Offeror shall state whether the conditions for the application of the Purchase Obligation pursuant to Article 108 sub-article 1 of the TUF have been met. If so, information will also be provided regarding: (i) the number of remaining RCS Shares; and (ii) the terms and conditions under which the Offeror shall fulfil the Purchase Obligation pursuant to Article 108 sub-article 1 of the TUF.

In terms of the provisions of Paragraph A.1.9 Notices, the Offeror may proceed, following the fulfilment of the Purchase Obligation pursuant to Article 108, sub-article 1, of the TUF, to restore the float in order to ensure trading of the RCS Shares on the MTA.

In the event the float is restored, following the fulfilment of the Purchase Obligation pursuant to Article 108, sub-article 1, of the TUF, Borsa Italiana will proceed with the Delisting, pursuant to Article 2.5.1, sub-article 6, of the Stock Exchange Regulations, as from the Stock Exchange Trading Day following the date of payment of the consideration for the RCS Shares with respect to which the Purchase Obligation was fulfilled pursuant to Article 108, sub-article 1, of the TUF.

If the Offeror proceeds with restoring the float, this may, by way of example, take place as follows:

(a) reallocation, privately or publically of part of the RCS Shares held by the Offeror as at the date the Offer is concluded; and/or

resolution on and execution of an increase in the Issuer's capital, with the partial or total exclusion of pre-emption rights pursuant to Article 2441 of the Italian Civil Code.

H. FUTURE AGREEMENTS AND TRANSACTIONS BETWEEN THE OFFEROR, THE PERSONS ACTING TOGETHER WITH THE OFFEROR AND THE ISSUER OR SIGNIFICANT SHAREHOLDERS OR THE MEMBERS OF THE BOARD OF DIRECTORS OR BOARD OF AUDITORS OF THE ISSUER

H.1 Agreements between the Offeror and the shareholders and the members of the board of directors and board of auditors of the Issuer which are relevant to the Offer

At the Document Date no agreements between the Offeror and the shareholders and the members of the board of directors and board of auditors of the Issuer which are relevant to the Offer are in place.

H.2 Agreements and financial and/or commercial transaction resolved or carried out in the twelve months preceding the publication of the Offer between the above persons which could have or have had significant effects on the activities of the Offeror and/or the Issuer.

At the Offer Document Date, there are no agreements or financial and/or commercial transactions between the above parties during the twelve months preceding the publication of the Offer which could have or have had significant effects on the activities of the Offeror.

With respect to agreements and financial and/or commercial transactions resolved or carried out between the above referred to parties in the twelve months preceding the publication of the Offer and which could have or have had significant effects on the activities of the Issuer, reference is to be made to the information already published by RCS pursuant to current laws in force.

H.3 Agreements between the above referred to parties concerning the exercise of the right to vote or the transfer of RCS Shares and/or the other financial instruments of the Issuer.

At the Offer Document Date there are no agreements between the parties regarding the exercise of the right or the transfer of the RCS Shares.

I. FEES PAYABLE TO INTERMEDIARIES

By way of compensation for the activities undertaken in view of the Offer, the Offeror shall pay the following, by way of commission including any compensation including any brokerage fee.

(i) Intermediaries Appointed to Coordinate the Collection of Acceptances, a fixed commission equal to Euro 225,000.00, to be divided between them for the organisation and coordination of collection activities in relation to the Offer; and

(ii) To each Appointed Intermediary (including the Intermediaries Appointed to Coordinate the Collection of Acceptances) :

(a) A commission equal to 0.10% of the value of the RCS Shares acquired directly throught them and/or indirectly through the Depository Intermediaries who delivered them, up to a maximum of Euro 5,000.00 per Acceptance Form; and

(b) A fixed fee equal to Euro 5.00 for each Acceptance Form presented.

The Appointed Intermediaries will pay back 50% of commissions pursuant to point (ii)(a) in relation to the countervalue of the RCS Shares acquired through the latter as well as the entire fixed fees pursuant to point (ii)(b) above.

For the purpose of calculating the countervalue for commissions pursuant to point (ii)(a) the Unit Cash Value will be considered (see Paragraph Paragrafo E.1, Sezione E, of the Offer Document).

J. DILUTION ARISING FROM THE OFFER

The Cairo Communication Shares arising from the Capital Increase for the purposes of the Offer will be issued with the exclusion of pre-emption rights pursuant to art. 2441 paragraph 4, part 1 of the Civil Code since they are offered to the Tendering Shareholders by way of exchange.

This results in a dilution with respect to the current Cairo Communication Shareholders. More specifically, the dilution percentage of the current Cairo Communication shareholders depends on the result of the Offer, since the number of Cairo Communication Shares to be issued with respect to the Offer depend on the number of acceptances.

At the Document Offer Date, according to official notifications and other information available to the Offeror, the shareholders who hold shares in Cairo Communication share capital equal to or exceeding 5% are the following:

DECLARANT	DIRECT SHAREHOLDER	% OF SHARE CAPITAL
Urbano Cairo	UT Communications S.p.A.	44.88%
	Urbano Cairo	12.39%
	UT Belgium Holding S.A.	15.71%
Total significant shareholders		**72.98%**
Market		27.02%
Total		**100%**

In the event of acceptance of the Offer by 50% of RCS shareholders, Cairo Communication shall issue a total of 31,311,897 Cairo Communication Shares to be allotted by way of exchange to the Tendering Shareholders and dilution of the current shareholders of Cairo Communication in the share capital of the Offeror will be equal to 28,55%.

The table hereunder shows shares held by shareholders which, to the Offeror's knowledge, at the Date of the Offer Document, hold shares in the capital of Cairo Communication equal or exceeding 5%, assuming that: (i) during the Acceptance Period a number of RCS which represent 50% of the share capital including shares pursuant to the following point (iii); (ii) following the Offer Document Date, there are no modifications to the size of the significant shareholding in Cairo Communication and (iii) UTC, owner at the Offer Document Date of a shareholding representing 4.724% of the share capital of RCS, brings no RCS Shares to the offer.

DECLARANT	DIRECT SHAREHOLDERS	% OF SHARE CAPITAL
Urbano Cairo	UT Communications S.p.A.	32,06%
	Urbano Cairo	8,85%
	UT Belgium Holding S.A.	11.22%
Total significant shareholders		**52.13%**
Market		47.87%
Total		**100%**

The table hereunder shows shares held by shareholders which, to the Offeror's knowledge, at the Date of the Offer Document, hold shares in the capital of Cairo Communication equal or exceeding 5%, assuming that: (i) during the Acceptance Period a number of RCS which represent 50% of the share capital including shares pursuant to the following point (iii); (ii) following the Offer Document Date, there are no modifications to the size of the significant shareholding in Cairo Communication and (iii) UTC, owner at the Offer Document Date of a shareholding representing 4.724% of the share capital of RCS, brings to the Offer the total RCS Shares held..

DECLARANT	DIRECT SHAREHOLDER	% OF SHARE CAPITAL
Urbano Cairo	UT Communications S.p.A.	34.76%
	Urbano Cairo	8.85%
	UT Belgium Holding S.A.	11.22%
Total significant shareholders		**54.83%**
Market		45.17%
Total		**100%**

The table hereunder shows shares held by shareholders which, to the Offeror's knowledge, at the Date of the Offer Document, hold shares in the capital of Cairo Communication equal or exceeding 5%, assuming that: (i) during the Acceptance Period a number of RCS which represent 35% of the share capital; (ii) following the Offer Document Date, there are no modifications to the size of the significant shareholding in Cairo Communication and (iii) UTC, owner at the Offer Document Date of a shareholding representing 4.724% of the share capital of RCS, brings no RCS Shares held to the Offer.

DECLARANT	DIRECT SHAREHOLDER	% OF SHARE CAPITAL
Urbano Cairo	UT Communications S.p.A.	35.07%
	Urbano Cairo	9.68%
	UT Belgium Holding S.A.	12.28%
Total significant shareholders		**57.03%**
Market		42.97%
Total		**100%**

The table hereunder shows shares held by shareholders, which to the Offeror's knowledge at the Date of the Offer Document, hold shares in the capital of Cairo Communication equal or exceeding 5%, assuming that: (i) during the Acceptance Period a number of RCS which represent 50% of the share capital including shares pursuant to the following point (iii); (ii) following the Offer Document Date, there are no modifications to the size of the significant shareholding in Cairo Communication and (iii) UTC, owner at the Offer Document Date of a shareholding representing 4.724% of the share capital of RCS, brings to the Offer all of the RCS Shares held.

DECLARANT	DIRECT SHAREHOLDER	% OF SHARE CAPITAL
Urbano Cairo	UT Communications S.p.A.	38.02%
	Urbano Cairo	9.68%
	UT Belgium Holding S.A.	12.28%
Total significant shareholders		**59.98%**
Market		41.02%
Total		**100%**

In the event of acceptance of the Offer by 100% of RCS shareholders, Cairo Communication shall issue a total of 62.623.795 Cairo Communication Shares to be allotted by way of exchange to the Tendering Shareholders and dilution of the current shareholders of Cairo Communication in the share capital of the Offeror will be equal to 44.42%.

The table hereunder shows shares held by shareholders which, to the Offeror's knowledge, at the Date of the Offer Document, hold shares in the capital of Cairo Communication equal or exceeding 5%, assuming that: (i) during the Acceptance Period a number of RCS which represent 100% of the share capital (including therefore all the RCS Shares held by UTC); and (ii) following the Offer Document Date, there are no modifications to the size of the significant shareholding in Cairo Communication.

DECLARANT	DIRECT SHAREHOLDER	% OF SHARE CAPITAL
Urbano Cairo	UT Communications S.p.A.	27.04%
	Urbano Cairo	6.88%
	UT Belgium Holding S.A.	8.73%
Total significant shareholders		**42.65%**
Market		57.35%
Total		**100%**

L. EXPECTED SHARE ALLOTMENT

The Offer concerns all the RCS Shares issued by the Issuer and therefore there are no expectations on the share allotment.

M. ANNEXES

M.1 KPMG S.p.A. report on the consolidated financial statements for year ending 31 December 2015

KPMG S.p.A.
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Independent auditors report pursuant to articles. 14 and 16 of Legislative Decree no. 39 of 27 January 2010, n. 39

To the Shareholders of
Cairo Communication S.p.A

Report on the consolidated financial statements

We have undertaken the audit of the attached consolidated financial statements of the Cairo Communication Group, made up of the consolidated balance sheet as at 31 December 2015, the consolidated profit and loss, the consolidated net equity adjustment statement, the consolidated financial report and the notes thereto.

Directors' Responsibility

The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative Decree No 38/05.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the audit in line with International accounting standards (ISA Italy) pursuant to art. 11 sub-article 3 of Legislative Decree no. 39/10. These standards require respect of ethics and planning and performing the audit to obtain reasonable assurance on whether the separate financial statements are free of material misstatement.

The accounting audit involves undertaking procedures aimed at acquiring evidence and support on the information contained in the consolidated financial statements. Procedures are chosen at the professional discretion of the auditor including the evaluation of risks of significant errors in the consolidated financial statements due to fraudulent conduct or unintended circumstances .In undertaking such risk evaluation the auditor takes into consideration internal control in relation to the company's consolidated financial statements which provide a true and correct representation to define the more appropriate auditing procedures and not to express a judgement on the effectiveness of the internal control. The audit includes an evaluation of the suitability of accounting standards adopted and the reasonableness of the accounting estimates made by the directors as well as an evaluation of the presentation of the consolidated financial statements in their entirety.

We are of the opinion that we have obtained sufficient and appropriate elements on which to base our opinion.

Opinion

In our opinion, the consolidated financial statements of the Cairo Communication Group as at 31 December 2015 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05

Report on other legal provisions and regulations

Opinion on the consistency of the management report and information contained in the report on corporate governance and ownership structure with the consolidated financial statements

We have undertaken the procedures indicated under accounting standard no. 720B (SA Italia) in order to express, as requested by law, an opinion on the consistency of the management report and the information in the company management report on corporate governance and company ownership pursuant to article 123-bis, sub-article 4, of Legislative Decree no. 58/98, which falls under the responsibility of Cairo Communication S.p.A., with the consolidated financial statement of the Cairo Communication Group as at 31 December 2015. In our opinion the management report and the information and the report on corporate governance and company ownership above referred to are consistent with the consolidated financial statements of the Cairo Communication Group as at 31 December 2015. .

Milan, 5 April 2016

KPMG S.p.A.

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Francesco Spadaro
Shareholder

M.2 KPMG S.p.A. report on the consolidated financial statements for year ending 31 December 2014

KPMG S.p.A.
Revisione e organizzazione contabile
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Independent auditors report pursuant to articles. 14 and 16 of Legislative Decree no. 39 of 27 January 2010, n. 39

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

1 We have undertaken the audit of the consolidated financial statements comprising the consolidate balance sheet, the consolidated profit and loss, the consolidated net equity adjustment statement, the consolidate financial report and the notes thereto of the Cairo Communication group at year end 31 December 2014. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative Decree No 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob. These standards require that we plan and perform the audit to obtain reasonable assurance on whether the separate financial statements are free of material misstatement and are, as a whole reliable. An audit includes examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting standards used and significant estimates made by the directors, We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to our report issued on 7 April 2014 for the opinion on the prior year's consolidated financial statements which included the corresponding figures for comparative purposes.

3 In our opinion, the consolidated financial statements of the Cairo Communication Group as at 31 December 2014 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore they are clearly stated and provide a true and fair view of the financial and equity affairs of Cairo Communication Group S.p.A during the year in reference to which they were drawn up.

4 The Directors of Cairo Communications S.p.A are responsible for the preparation of the financial statements in accordance with applicable laws and regulation. Our responsibility is to express an opinion on the consistency of the directors' report and its specific section on corporate governance limited to information required pursuant to article 1, letters c), d), f), 1), m) and article 2, letter b), of art. 123-bis of Legislative Decree no. 58/98, with the financial statements as required by law. For this purpose, we have performed the procedure required in terms of accounting standard no.001 issued by the Italian Accounting Profession . and recommended by Consob. In our opinion the directors' report and the information required by 1, letters c), d), f), I), m) and article 2, letter b), of art. 123-bis of Legislative Decree no. 58/98 disclosed in the specific section of such report are consisted with the separate financial statements of Cairo Communications S.p.A as at and for the year ending 31 December 2014.

Milan, 3 April 2015

KPMG S.p.A.

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Francesco Spadaro
Shareholder

M.3 KPMG S.p.A. report of the consolidated financial statements for year ending 31 December 2013

KPMG S.p.A.
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PEC kpmgspa@pec

Independent auditors report pursuant to articles. 14 and 16 of Leglisative Decree no. 39 of 27 January 2010, n. 39

To the Shareholders of
Cairo Communication S.p.A

1 We have undertaken the audit of the consolidated financial statements comprising the consolidate balance sheet, the consolidated profit and loss, the consolidated net equity adjustment statement, the consolidate financial report and the notes thereto of the Cairo Communication group at year end 31 December 2013. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative Decree No 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob. These standards require that we plan and perform the audit to obtain reasonable assurance on whether the separate financial statements are free of material misstatement and are, as a whole reliable. An audit includes examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting standards used and significant estimates made by the directors, We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to our report issued on 5 April 2013 for the opinion on the prior year's consolidated financial statements which included the corresponding figures for comparative purposes

3 In our opinion, the consolidated financial statements of the Cairo Communication Group as at 31 December 2013 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore they are clearly stated and provide a true and fair view of the financial and equity affairs of Cairo Communication Group S.p.A during the year in reference to which they were drawn up.

4 The Directors of Cairo Communications S.p.A are responsible for the preparation of the financial statements in accordance with applicable laws and regulation. Our responsibility is to express an opinion on the consistency of the directors' report and its specific section on corporate governance limited to information required pursuant to article 1, letters c), d), f), 1), m) and artciel 2, letter b), of art. 123-bis of Legislative Decree no. 58/98, with the financial statements as required by law. For this purpose, we have performed the procedure required in terms of accounting standard no.001 issued by the Italian Accounting Profession . and recommended by Consob. In our opinion the directors' report and the information required by 1, letters c), d), f), I), m) and article 2, letter b), of art. 123-bis of Legislative Decree no. 58/98 disclosed in the specific section of such report are consistent with the separate financial statements of Cairo Communications S.p.A as at and for the year ending 31 December 2013.

Milano, 7 April 2014

KPMG S.p.A.

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Francesco Spadaro
Shareholder

M.4 KPMG S.p.A. report in relation to the proforma data pursuant to Paragraph B.1.15, , Sezione B, of this Offer Document

KPMG S.p.A.
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Report on examination of the consolidated Pro-forma Balance Sheet, consolidated Pro-forma Profit and Loss Statement, of the Pro-forma General consolidated Profit and Loss Statements and the Pro-forma consolidated financial report of the Cairo Communication Group for financial year ending 31 December 2015

To the Board of Directors of
Cairo Communication S.p.A.

1 We have examined statements in relation to the Consolidated Pro-forma Balance Sheet, the Consolidated Pro-forma Profit and Loss Statement, the General Consolidated Pro-forma Profit and loss Statement and the Consolidated Financial Report drawn up in the Explanatory Notes of Cairo Communications S.p.A for financial year ending 31 December 2015 (hereinafter the Pro-forma Consolidated Statements) included in chapter B.1.15 of the Offer Documents of the voluntary all inclusive offer pursuant to articles 102 and 106, sub-article 4, of legislative decree no. 58 of 24 February 1998, with respect to ordinary shares in RCS MediaGroup S.p.A. (hereinafter the "Offer Document").

The Pro-forma Consolidated Statements were drawn up on the basis of the hypotheses described in the explanatory notes to retroactively reflect the effects of the operation of possible acquisition by the Cairo Communication Group of the controlling interest in RCS MediaGroup S.p.A. by an increase in share capital pursuant to the Offer Document to be released by allotment in kind of the RCS MediaGroup shares involved (the Transaction). The Pro-forma Consolidated Statements were drawn up as though the Transaction had taken place on 31 December 2015 with reference to the effect on equity and from 1st January 2015 with respect to economic and cash flow effects.

The Consolidated Pro-forma statements are based on historical data relative to the consolidated accounts of the Cairo Communication Group for year ending 31 December 2015, from historical date relative to the consolidated accounts of the RCS Group for year ending 31 December 2015, for historical data relative to the consolidated accounts of the RCS Group for year ending 31 December 2015 and from pro-forma adjustment statements applicable thereto. The effects which could result from alternative scenarios with regards the conditions imposed by Cairo Communication S.p.A as conditions for properly carrying out the Transaction, were also described in the Explanatory Notes.

Following our audit of the consolidated financial statements for year ending 31 December 2015 we drew up the report dated 5 April 2016.

The consolidated financial statements of MediaGroup RCS ending on 31 December 2015 were audited by KPMG S.p.A, appointed by the RCS MediaGroup S.p.A following which a report was issued on 6 April 2016.

2 The Consolidated Financial Statements were drawn up pursuant to Commission Regulation 809/2004/EC to be included in the Offer Document drawn up pursuant to articles 34-ter sub-article 1, letter j) and 57 sub-article 1, letter c) of the "Implementation regulation of Legislative Decree no. 58 of 24 February 1998 regarding issuers' regulations" adopted by Consob by resolution no. 11971 of 14 May 1999, as subsequently modified and supplemented.

The reason for drawing up the Consolidate Pro-forma statements is that of representing, according to evaluation criteria which are compatible with historical data and in line with reference legislation, the effects on economic development and the equity situation of the Cairo Communication Group of the above referred to Transaction as though it happned on 31 December 2015 and with respect to the economic and financial effects as from 1 January 2015. Nonetheless, it must be noted that if the acquisition of the Cairo Communication Group of the controlling shareholding in RCS MediaGroup S.p.A had actually occurred at the date envisaged the results herein represented may not have actually been obtained.

The directors of Cairo Communications S.p.A are responsible for drawing up the Pro-forma consolidated Statements of Cairo Communication S.p.A. We are responsible for providing our professional opinion on the reasonableness of the hypotheses adopted by the directors in drawing up the Consolidated Pro-forma Statements and on the correctness of the methods used for drawing up the said Pro-forma Consolidated Statements. Moreover it is our responsibility to provide a professional opinion on the correctness of the evaluation criteria and the accounting standards used.

3 Our examination was made according to the criteria recommended by Consob in Recommendation DEM/1061609 of 9 August 2001 for the verification of pro-forma data and effecting controls which we believe necessary for the purpose of our appointment.

4 In our opinion, the hypothesis adopted by Cairo Communication S.p.A for drawing up the Consolidated Pro-forma Statements with respect to financial year ending 31 December 2015, to represent the effects of the potential acquisition by the Cairo Communication Group of the controlling interest in RCS MediaGroup S.p.A. by an increase in share capital pursuant to the Offer Document to be released by allotment in kind of shares in RCS MediaGroup included in the offer are reasonable and the method used for drawing up the said Pro-forma Consolidated Financial States was properly applied for the scope of providing information previously detailed. Moreover, in our opinion proper evaluation criteria and accounting standards were used in drawing up the said statements.

Milan, 23 May 2016

KPMG S.p.A.

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Francesco Spadaro
Shareholder

N. DOCUMENTS PUBLICALLY AVAILABLE AND PLACES WHERE THEY ARE AVAILABLE FOR CONSULTATION

The Offer Document is available to interested parties at:

(i) The registered office of the Offeror in Milan, via Tucidide 56;

(ii) The registered office of the Intermediaries Appointed to Coordinate the Collection of Acceptances ,Banca IMI S.p.A., in Milan, Largo Mattioli, no. 3, and EQUITA SIM S.p.A., in Milan, via Turati, no. 9;

(iii) The registered office of the Appointed Intermediaries;

(iv) The Offeror's website, www.cairocommunication.it; and

(v) On Global Information Agent websites www.georgeson.it and www.sodali-transactions.com.

N.1 Documents regarding the Offer:

The documents indicated hereunder concerning the Offeror are available at the registered office of the Offeror in Milan, via Tucidide, n. 56, the registered office of the Intermediaries Appointed to Coordinate the Collection of Acceptances Banca IMI S.p.A., in Milan, Largo Mattioli, no 3, and EQUITA SIM S.p.A., in Milan, via Turati, no. 9, on the Offeror's website, www.cairocommunication.it and on the websites of Global Information Agent, www.georgeson.it and www.sodali-transactions.com:

- Articles of Association of Cairo Communication;
- Annual financial report including consolidated financial statements of Cairo Communication, for financial years ending 31 December 2015, 31 December 2014 and 31 December 2013;
- The interim management report dated 31 March 2016 drawn up by Cairo Communication;
- Cairo Communication 2015 Remuneration Report;
- Report of the directors of Cairo Communication issued on 12 April 2015 with respect to the Capital Increase pursuant to art. 2441, paragraph 6 of the Civil Code;
- Fairness opinion of 21 April 2016 issued by KPMG S.p.A., with registered office in Milano, via Vittor Pisani, no. 25, pursuant to art. 2441, paragraph 6, of the Civil Code and art. 158, paragraph 1, of the TUF;
- Evaluation as at 31 December 2015 issued on 20 April 2016 by an independent expert professor Andrea Amaduzzi, regarding the value of RCS Shares pursuant to article 2440 paragraph 2, letter b) of the Civil Code.

N.2 Documents in respect of the Issuer:

at the registered office of the Offeror in Milan, via Tucidide, n. 56, the registered office of the Intermediaries Appointed to Coordinate the Collection of Acceptances Banca IMI S.p.A., in Milan, Largo Mattioli, no 3, and EQUITA SIM S.p.A., in Milan, via Turati, no. 9 an on the websites of Global Information Agent, www.georgeson.it and www.sodali-transactions.com:

- RCS consolidated financial statements for years ending 31 December 2015, 31 December 2014 and 31 December 2013.

O. ADDITIONAL INFORMATION

O.1 Expert reports and opinions

Attached opinions, reports and certifications and those present in the Offer Document were released:

- On 21 April 2016, by KPMG S.p.A., with registered offices in Milano, via Vittor Pisani, no. 25, pursuant to art. 2441, paragraph 6, of the Civil Code and art. 158, paragraph 1, of the TUF;

- On 20 April 2016, by the independent expert Professor Andrea Amaduzzi, with respect to the value of the RCS shares pursuant to articles 2440 sub- article 1, and 2343-*ter*, paragraph 2, lett. b), of the Civil Code.

O.2 Third party information

The Offeror confirms that the information received from third parties indicated in the preceding Paragraph O.1was faithfully reproduced and in so far as the Offeror has been able to verify on the basis of information received from such third parties, no facts exist which could render the information provided herein incorrect or misleading. The Offeror also confirms that none of the persons indicated in the preceding Paragraph O.1holds significant interests in the Offeror.

It is to be noted that the information contained in this Offer Document in relation to RCS has been exclusively extracted from data made publically available by RCS and from other publically available information at the Offer Document Date.

P. DECLARATION OF RESPONSIBILITY

Responsibility for the completeness and veracity of the data and information contained in this Offer Document lies with the Offeror.

The Offeror declares that, to its knowledge, the data included in the Offer Document is true and correct and that no significant data was omitted.

Cairo Communication S.p.A.

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Urbano R. Cairo

(Chairman of the Board of Directors)