



Press Release: RCS MediaGroup Board of Directors

Results as at 31 December 2015 approved ¹

OUTLOOK 2016

**GROUP ADVERTISING REVENUES: IMPROVED IQ VS. IQ 2015 AND VS BUDGET
IMPROVEMENT OF EBITDA IQ CONTRIBUTING OVER 25% TO THE TOTAL 2016 IMPROVEMENT
IQ EFFICIENCIES IN LINE WITH THE ANNUAL TARGET OF EUR 40-45 MILLION
OVER 30,000 READERS SUBSCRIBE TO C+, THE NEW DIGITAL OFFERING FROM *CORRIERE*
RCS LIBRI DISPOSAL CLOSING IN MID-APRIL**

2015 GUIDANCE ACHIEVED

**GROUP CONSOLIDATED NET REVENUE IN SLIGHT DECLINE (-3%)
EBITDA MARGIN BEFORE NON-RECURRING ITEMS AT 7%
NET FINANCIAL DEBT BELOW EUR 500 MILLION**

RESULTS AT 31 DECEMBER 2015

**Consolidated revenue totalling EUR 1,032.2 million (EUR 1,065.1 million as at 31.12.2014)
EBITDA before non-recurring items of EUR 71.8 million (EUR 60.7 million at 31.12.2014)
EBITDA after non-recurring items amounts to EUR 16.4 million (EUR 27.9 million at 31.12.2014)
Net financial debt stands at EUR 487 million
Cash flow from operations improved by around EUR 32 million
Net loss of EUR 175.7 million (EUR 110.8 million as at 31.12.2014)**

¹ As at 31 December 2015 the costs and revenue from Books activities were classified in the Profit (loss) from discontinued operations for which a sales contract was signed on 4 October 2015 – its finalisation is subject to the approval of the competent regulatory authorities: any conditional authorisation provision will not affect the completion of the transaction and will not entail changes to the economic conditions established for RCS Mediagroup S.p.A. As at 31 December 2014 the profit and loss from discontinued operations was retreated to take into account the result of the Books area, as well as the results of IGP Decaux and Gruppo Finelco investments classified as discontinued operations at the end of 2014.

EBITDA - Considered as the operating income before depreciation, amortisation and write-downs. Includes income and expenses from investments accounted for using the equity method.

The financial ratio determined as the result of current and non-current financial payables net of cash and cash equivalents as well as current and non-current financial assets related to derivatives. The net financial position defined by CONSOB communication DEM/6064293 of 28 July 2006 excludes non-current financial assets. Non-current financial assets recognized for derivatives at 31 December 2015 and 31 December 2014 are equal to zero and therefore the financial ratio of RCS at 31 December 2015 and 31 December 2014 coincides with the net financial position as defined in the aforesaid CONSOB communication.

Ordinary management: figure from management reporting.



Consolidated Figures (EUR million)	31/12/2015	31/12/2014	Δ%
Consolidated revenue	1,032.2	1,065.1	-3.1
EBITDA before non-recurring items	71.8	60.7	+18.3
EBITDA after non-recurring items	16.4	27.9	-41.2
EBIT	(107.0)	(51.9)	N/A
Net loss	(175.7)	(110.8)	N/A

Equity Figures (EUR million)	31/12/2015	31/12/2014
Net financial debt	486.7	482.5

Milan, 22 March 2016 – The Board of Directors of RCS MediaGroup met today chaired by Maurizio Costa and examined and approved the results at 31 December 2015, as shown in the table above compared with 2014 figures.

The Group delivered on its 2015 guidance, with consolidated net revenue down slightly (-3%). EBITDA before non-recurring items increased in absolute terms as did the margin, reaching 7% of total revenue. Net financial debt ended at less than EUR 500 million.

Group Operations at 31 December 2015

In 2015 the Italian economy confirmed the signs of moderate growth while the recovery of the Spanish economy continued to stand out. These developments do not impact significantly on Italian advertising market, which in 2015 confirmed its negative trend, showing a 0.5% decline (print -5.47%, Internet -0.7% - Source: Nielsen), while in Spain during the same year an overall increase of 5.8% was recorded (print +0.3%, internet +12.3% - source I2P/ArceMedia).

Taking into consideration that as of 30 September 2015, revenue and EBITDA do not include results from the Books division,, **the Group's consolidated net revenues** at 31 December 2015 amounted to EUR 1,032.2 million, compared to EUR 1,065.1 million on a comparable basis in the same period in 2014. **Circulation revenues** amounted to EUR 421 million, down EUR 25 million compared to the same period in 2014, mainly due to the trends in the Spanish market. **Advertising revenues** amounted to EUR 475 million, a decrease of 3.2% compared to the same period in 2014 (EUR -16 million). The comparison is affected by the positive effect of the special initiatives and the football World Cup in 2014, the exclusion of which - net of revenues related to EXPO - would have led to a decrease in the RCS Group's advertising revenues of 2%. **In the fourth quarter the decline in advertising revenues was more moderate**, standing at -1.2%. **Other publishing revenues** grew by EUR 8 million, driven by the success of the initiatives of RCS Sport, coming in a. EUR 136 million.

EBITDA before non-recurring items is positive for EUR 71.8 million, an improvement of EUR 11.1 million (+18.3%) over the previous year **thanks to growth in business areas**. Specifically, Media Italy grew from EUR 61.8 million to EUR 65.3 million, Media Spain went from EUR 27.3 million to EUR 29.4 million, the increase in the result of RCS Sport contributed EUR 4 million, while the savings on Corporate amounted to about EUR 5 million. During the period, non-recurring expenses of EUR 55.4 million were allocated, whose financial impact is in line with the outlays for EUR 70-80 million in total over the next three years, as announced in the 2016-2018 Industrial Plan. **EBITDA after non-recurring items came to EUR 16.4 million**, compared to EUR 27.9 million at 31 December 2014.

This result was achieved thanks to continued efficiency gains, which **in 2015 generated gross benefits of over EUR 60 million** (of which about EUR 4 million related to Books). In parallel, RCS has strengthened its



in-house expertise with hires in strategic development areas: net of new hires and the inertial trend in labor costs, net efficiencies of 2015 amounted to EUR 40 million (of which about EUR 4 million related to Books).

The **operating result (EBIT)** was negative for EUR 107 million, a decrease of EUR 55.1 million compared to 2014, in part due to the effect of higher write-downs of fixed assets (EUR 64.1 million compared to EUR 20.9 million in the previous year).

Net financial expenses decreased by EUR 5.8 million from 2014, reaching EUR 34.9 million, mainly due to interest rate expense and the reduction in average debt and lower expenses from discounting.

The **net loss for the year** came to at EUR 175.7 million, compared to EUR -110.8 million in 2014, also acknowledging the result of assets held for sale and discontinued operations (RCS Libri), a loss of EUR 38.8 million (EUR -20.9 million in 2014).

Net financial debt stands at EUR 486.7 million (EUR 482.5 million at 31 December 2014) and shows a significant **improvement from operations of about EUR 32 million** compared to the same period in 2014.

The **exact headcount** at 31 December 2015 (excluding the Books division earmarked to be sold, which has 332 employees) totals **3,613** employees (of which 149 have short-term contracts and 1,204 people in Italy working with job security contracts) and reports, as the balance between restructuring and hiring plans aimed at developing new business/activities, an increase of 18 employees compared with the same period in 2014, originating from more fixed-term contracts (+29 units) and the reduction of permanent contracts (-47 units). The **average headcount** (excluding the Books division earmarked to be sold) totals **3,704** employees, 6 fewer employees compared with the same 2014 period.

The Board also approved the draft financial statements of the parent company RCS MediaGroup SpA, which show a net loss of EUR 49.7 million, an improvement compared to EUR -117.6 million in 2014, mainly determined by the result of the discontinued operations, net finance expense and the effect of depreciation, partially offset by the positive result at EBITDA level of EUR 11.6 million and net income from financial assets, including the partial impairment reversal totaling EUR 85.7 million related to the investments in RCS International Newspapers BV and RCS Investimenti SpA, companies that hold the investment in Unidad Editorial. The Parent Company's shareholders' equity totals EUR 360.5 million, against a share capital of EUR 475.1 million. The Board resolved to ask the Shareholders' Meeting to carry forward the net loss of EUR 49,654,568.00.

To remark the presence of a significant uncertainty regarding the following:

- the failure to achieve, under the circumstances, an agreement with the lending banks in relation to the failure to meet financial commitments at 31 December 2015;
- the new terms and conditions of the Loan agreement.

Even in consideration of the significant uncertainties described above, which may lead to significant doubts on the Group's ability to continue operating as a going concern, the Directors, taking into account the current initiatives and in particular:

- (a) the operations of the negotiating table in place with the Lending Banks to define a draft *Term Sheet* that provides for an extension of the maturities of lines in place that is consistent with the expected results from the implementation of the 2016-2018 Plan and a general redefinition of principal 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) which is expected to be closed within the month of April 2016; and
- (c) approval by the Shareholders' Meeting of 16 December 2015 of the Delegation of a Capital Increase (Delegation 2015) for a maximum amount of EUR 200 million to be exercised by 30 June 2017

believe that it is reasonable to expect that the Group may possess adequate resources to continue to be operational in the foreseeable future and thus have adopted the assumption of a going concern to prepare the Annual Financial Statements as at 31 December 2015.

Comments on operations as at 31 December 2015

Media Italy posted revenue of EUR 517.4 million (-2.7% compared to 2014); the decrease was generated by the contraction of advertising revenues and the declining circulation of newspapers, partly offset by the increase in the price of the paper publications. **Publishing revenue** totalled EUR 282.9 million, with a decrease of -1.7% compared to the previous year. Specifically, publishing revenue from the *Sistema Corriere* showed a growing trend compared to 2014, with the decline in circulation being offset by the good performance of the side projects and the positive effect of the increase in the cover price of the publication; the *Gazzetta System* also suffered from the decline in circulation, partly offset by the increase in the cover price, while revenues from side projects were basically stable. Special note should be made of the excellent performance of the Sunday supplement *La Lettura*, which became a paid service from July. The publishing revenue of the *Vertical System*, however, showed an increase of EUR 0.7 million compared to the same figure for the 2014, largely attributable to the launch of two new products related to the monthly magazine *Oggi* (*Oggi Enigmistica* and *Oggi Cucino Free*), to the greater number of issues of the Monographs (the *Nomi di Oggi*) and the higher selling price of the side products compared to 2014. There was also an increase in the revenues derived from the monthly *Living*, which became a paid publication from May 2015. **Advertising revenue** totals EUR 209.7 million, down 4.5% from the previous year, while **other publishing** revenue increased compared to 2014 and stood at EUR 24.8 million.

Corriere della Sera and *La Gazzetta dello Sport* confirmed a leading circulation ranking in their sectors. In the latest ADS survey, *Corriere della Sera* confirmed its leadership in the overall distribution amounting to 434,000 copies. The total circulation of *La Gazzetta dello Sport* in 2015 totalled 237,000 copies on average, while digital copies came to 38,000. The *corriere.it* and *gazzetta.it* websites during the year reached a total of 57.3 million average individual browsers per month, up 25.2% from 2014. In terms of the mobile version of the two websites, in 2015 *Corriere Mobile* recorded 14.1 million unique visitors (+104% compared to 2014), while *Gazzetta Mobile* had 9.1 million unique visitors in 2014 (+145% versus 2014) (Source: Adobe SiteCatalyst). As for the *Vertical System* websites, particular attention was paid to *IoDonna.it* and *Oggi.it*, which have had a makeover; *Living.corriere.it* confirmed the leadership of RCS in the online market in the furniture and design industry while *Amica.it* was essentially stable compared to 2014.

EBITDA before non-recurring items was positive for EUR 65.3 million, an increase of EUR 3.5 million compared to 2014. Considering non-recurring items of EUR 13.2 million in 2015 and EUR 1.4 million in 2014, EBITDA amounted to EUR 52.1 million, a decrease of EUR 8.3 million compared to the same period in 2014.

Media Spain reported revenue of EUR 330 million, down from EUR 358.1 million in the same period in 2014. **Advertising revenue** came to EUR 151.8 million, a decrease of 3.1% from the same period of the previous year, mainly due to the decline in advertising sales made to third-party publishers. **Publishing revenue** reached EUR 137.7 million, a decrease of EUR 20.3 million due to the general decline in circulation. **Other revenue**, totalling EUR 40.5 million, posted a decrease compared to 2014 of EUR 2.9 million, mainly due to the closure of two television channels in May 2014.

El Mundo was once again the second-placed national newspaper with approximately 152,000 daily copies on average, including the digital editions, while *Marca* - the leading sports daily - reached 158,000 copies, including the digital editions, and *Expansion* reached 39,000 daily copies on average, including digital copies. The *elmundo.es* website has an average of 38.2 million unique visitors on a monthly basis (+16.2% compared to the same period in 2014), the website *marca.com* reached an average of 40.2 million unique visitors on a monthly basis (+6.1% compared to the same period in 2014), while *expansion.com* - which from March 2015 has had a new look online - with an average of 7.8 unique visitors, reported an increase of 20.6% over the previous year.

Unidad Editorial closed the 2015 financial year with an **EBITDA before non-recurring items of EUR 29.4 million, an improvement of EUR 2.1 million compared to the same period in 2014**, due to ongoing cost-cutting measures and efficiency gains and the growth in digital revenues. Considering the non-recurring items, the **EBITDA** was a loss of EUR 9.2 million, compared to a negative result for the same period in 2014 of EUR 0.5 million.

Outlook

In the 2015 financial year the first signs of economic recovery were seen in Italy, while the recovery of the Spanish economy was strengthened. The improvement in the labor market, the fall in oil prices and the ECB's monetary measures favoured an increase in consumption in both countries. The economic outlook, particularly in Italy, however, remains uncertain due to the weakening of growth in emerging countries, the weakness of world trade and the tensions in the geopolitical sphere.

The publishing industry for years has been going through a phase of profound change marked by a radical shift in the existing paradigms: on the one hand there is a structural decline of traditional print, and on the other a growing consumption of content, driven by the increase in time spent on-line. Currently, the advertising market for Italian newspapers is not showing signs indicating a clear inversion in 2016 of the negative trend observed in recent years, as the forecasts of the main institutions agree on an improved trend. The Internet market is expected to keep growing overall, while the reference market, in which RCS operates, expects substantial stability. In Spain in 2016 the advertising market is expected to grow by 5.0% (slower than the growth observed in 2015) with the online advertising component at +9.9% and the traditional press expected to remain stable. (Source: I2P ArceMedia). On the other hand, the persistence of uncertainty generated following the December elections could cause a further slowdown in the growth trend in advertising investment.

In this macroeconomic context, based on the 2016-18 Plan presented to the market on 21 December, the Budget for 2016 was approved on 22 February 2016 by the RCS Group's Board of Directors, **confirming the objectives of the first year of the Plan:**

- Stable revenues compared to 2015;
- Net efficiencies of EUR 40-45 million;
- EBITDA Margin before non-recurring charges at 10%;
- Slightly positive net result and net cash flow at break-even;
- Reduction of Debt/EBITDA ratio to about 4x.

Outlook 2016 and Progress Plan

The CEO has therefore updated the Board on the first results on the 2016 and the activities of the Business Plan, acknowledged with satisfaction by Directors.

Advertising sales for the first quarter 2016 is expected to improve compared to the first quarter of 2015, both in Italy and in Spain, showing an improving trend also compared to the budget. **There is also a positive trend for EBITDA**, which improved in the first quarter of the year and is expected to contribute **more than 25% to the increase expected in the RCS Group for 2016**.

In particular, all the **cost-cutting initiatives, both in terms of external costs and to labor costs have been identified and initiated**. In Italy union agreements are in place with all the journalistic and clerical profession representatives, involving the use of social safety nets such as solidarity contracts and extraordinary redundancy. In Spain, in addition to the initiatives already undertaken in past years, the opening of a trade union discussion table is imminent with the objective of a structural cost reduction. The expected efficiencies in the first quarter are **in line with the total annual target of savings of EUR 40-45 million**.

It has been called the **new organization**, which reflects the strategic directives of the 2016-2018 Plan, ensuring the **maximum effectiveness of performance, integration and synergy, rationalization of the structure and cost benefits**. Next, in line with the new strategic organization of the Group, the new structure of the operating segments:

OLD OPERATING SEGMENTS	NEW OPERATING SEGMENTS
Media Italy Corriere della Sera System, La Gazzetta dello Sport System, Verticals, Digicast	News Italy Corriere della Sera System, Verticals, Digicast, Sfera
Media Spain El Mundo System, Marca System, Expansion System, Verticals, Last Lap Events, Other	News Spain El Mundo System, Expansion System, Verticals, Other
Advertising & Events Collection of the Group's titles, Collection for third parties, Sporting Events for RCS Sport	Sport La Gazzetta dello Sport System, Brand System, International Sport Events (RCS Sport and Last Lap) Format, International Audience
Corporate & Other Corporate Functions, Sfera, New Business	Social Activities Group Shared Services, Collection for third parties

The end of January also saw the launch of **the new digital offering from *Corriere della Sera***, the first generalist newspaper in Italy to enhance the quality of its content on every platform. The results have rewarded the commitment of the publisher: Today, **there are more than 30,000 readers subscribing to C+**. During the first two months of the *Gazzetta TV* broadcasts, previously on the digital terrestrial channel, they have been migrated to the web, immediately bringing excellent results: in February, ***gazzetta.it* reached the historical record of video views**, surpassing 19 million in streaming. Efforts continue aimed at **saturation of the Group's production system**: from January *Il Manifesto* is also being printed in the RCS factories in Pessano and Rome and the Group is exploring further opportunities in this area. Finally negotiations are ongoing for the sale of VEO and on xxxxx the agreement was **signed for the lease of one of the multiplex channels** (subject to authorization by the competent authority), while the **closing of the sale of the Books division, RCS Libri, is scheduled for mid-April**.

Notice of Call of Ordinary Shareholders Meeting on 28 April 2016

Lastly, the Board of Directors has called for an Ordinary Shareholders, in single call, on 28 April 2016 at the Group's offices in Via Balzan, 3, Milan.

The Assembly will be called to consider the following:

- approval of the financial statements at 31 December 2015 and the remuneration report;
- proposed authorization for disposal of treasury shares.

Riccardo Taranto, the Director responsible for drawing up the company's accounting statements, hereby declares, pursuant to Article 154-bis, paragraph 2 of the Consolidated Law on Finance (Testo Unico della Finanza - TUF), that the information contained in this press release accurately represents the figures contained in the Group's accounting records.

It should be noted that the Financial Statements and Consolidated Financial Statements for 2015 will be published by the deadline and using the procedures required by law. They have been audited by Independent Auditors.

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RCS MediaGroup
Reclassified consolidated income statement
(tables not subject to audit)

(EUR million)	31 December 2015	%	31 December 2014	%	Difference	Difference
	A		(4) B		A-B	%
Net revenue	1,032.2	100.0	1,065.1	100.0	(32.9)	(3.1%)
<i>Circulation revenue</i>	420.9	40.8	446.2	41.9	(25.3)	(5.7%)
<i>Advertising revenue (1)</i>	475.5	46.1	491.3	46.1	(15.8)	(3.2%)
<i>Other publishing revenue (2)</i>	135.8	13.2	127.6	12.0	8.2	6.4%
Operating costs	(680.2)	(65.9)	(712.1)	(66.9)	31.9	(4.5%)
Cost of labour	(318.3)	(30.8)	(303.4)	(28.5)	(14.9)	4.9%
Provisions for risks	(15.7)	(1.5)	(12.7)	(1.2)	(3.0)	23.6%
Receivable impairment	(4.1)	(0.4)	(8.4)	(0.8)	4.3	(51.2%)
Income (expense) from equity investments equity method (5)	2.5	0.2	(0.6)	(0.1)	3.1	(516.7%)
EBITDA (3)	16.4	1.6	27.9	2.6	(11.5)	(41.2%)
Intangible asset amortisation	(39.4)	(3.8)	(36.7)	(3.4)	(2.7)	
Property, plant and equipment depreciation	(19.2)	(1.9)	(21.2)	(2.0)	2.0	
Real estate investment depreciation	(0.7)	(0.1)	(1.0)	(0.1)	0.3	
Other asset impairment	(64.1)	(6.2)	(20.9)	(2.0)	(43.2)	
EBIT	(107.0)	(10.4)	(51.9)	(4.9)	(55.1)	
Net financial income (expense)	(34.9)	(3.4)	(40.7)	(3.8)	5.8	
Income (expense) from financial assets/liabilities	(1.4)	(0.1)	(2.4)	(0.2)	1.0	
EBT	(143.3)	(13.9)	(95.0)	(8.9)	(48.3)	
Income taxes	7.9	0.8	5.5	0.5	2.4	
Profit (loss) from continuing operations	(135.4)	(13.1)	(89.5)	(8.4)	(45.9)	
Profit (loss) from discontinued operations (4)	(38.8)	(3.8)	(20.9)	(2.0)	(17.9)	
Profit (loss) before non-controlling interests	(174.2)	(16.9)	(110.4)	(10.4)	(63.8)	
(Profit) loss pertaining to non-controlling interests	(1.5)	(0.1)	(0.4)	(0.0)	(1.1)	
Group's profit (loss) for the period	(175.7)	(17.0)	(110.8)	(10.4)	(64.9)	

(1) Advertising revenue at 31 December 2015 includes EUR 279.1 million realised by the Group's Communication Solution division (of which EUR 228.3 million from Media Italy, EUR 47.2 million from Third Party Publisher Spaces, EUR 1.8 million from Advertising and Events and EUR 1.8 million from Media Spain) and EUR 196.4 million directly from publishers (of which EUR 150.2 million is from Media Spain, EUR 20.3 million from Advertising and Events, EUR 14.4 million from Media Italy, EUR 12.3 million from Corporate Functions and Other Activities (Sfera) and EUR 0.8 million from eliminations from Group companies).

Advertising revenue at 31 December 2014 includes EUR 293.8 million realised by the Group's Communication Solution division (of which EUR 245.1 million from Media Italy, EUR 45.9 million from Third Party Publisher Spaces, EUR 1.4 million from Various Events and EUR 1.4 million from Media Spain) and EUR 197.5 million directly from publishers (of which EUR 155.5 million refer to Media Spain, EUR 18.7 million to Advertising and Events, EUR 10.8 million to Media Italy, EUR 13.4 million from Corporate Functions and Other Activities (Sfera) and EUR 0.9 million to eliminations from Group companies).

(2) Other publishing revenue mainly includes revenue from the television business of Media Italy and Media Spain, revenue from disposal of royalties to other companies, revenue from events and shows in Italy and Spain, revenue from the e-commerce business, as well as revenue from the sale of customer lists and children's book sets by the Sfera group companies, under Corporate Functions and Other activities.

(3) Considered as the operating income before depreciation, amortisation and write-downs. Includes income and expenses from investments accounted for using the equity method.

(4) As of 31 December 2015 the costs and revenue from Books division activities were classified in the Profit (loss) from discontinued operations for which a sales contract was signed on 4 October 2015 – its finalisation is subject to the approval of the competent regulatory authorities: any conditional authorisation provision will not affect the completion of the transaction and will not entail changes to the economic conditions established for RCS Mediagroup S.p.A. As at 31 December 2014 the profit and loss from discontinued operations was retreated to take into account the result of the Books division, as well as the results of IGP Decaux and Gruppo Finelco investments classified as discontinued operations at the end of 2014. (5) Net income from investments accounted for using the equity method, based on this Financial Report as at 31 December 2015, have been classified in a budget line before EBITDA (EUR +2.5 million) and as a result were reclassified during 2014 for comparison (EUR -0.6 million). This classification was deemed more consistent with the substance of the facts as a result of the sale, liquidation or total write-down of equity investments accounted for at equity, having a non-core nature, in the item remained the income and expenses of shareholdings whose activities are strictly functional to the activities of the Group.

RCS MediaGroup
Reclassified consolidated balance sheet
(tables not subject to audit)

(EUR million)	31 December 2015	%	31 December 2014	%
Intangible Assets	416.0	70.3	508.8	67.3
Property, plant and equipment	102.4	17.3	118.7	15.7
Real Estate Investments	21.5	3.6	24.9	3.3
Financial Assets	205.1	34.7	225.8	29.9
Net Non-current Assets	745.0	125.9	878.2	116.2
Inventories	21.4	3.6	78.8	10.4
Trade receivables	282.0	47.6	392.6	52.0
Trade payables	(284.2)	(48.0)	(395.2)	(52.3)
Other assets/liabilities	(83.4)	(14.1)	(22.8)	(3.0)
Net Working Capital	(64.2)	(10.8)	53.4	7.1
Provisions for risks and charges	(57.7)	(9.7)	(83.7)	(11.1)
Deferred tax liabilities	(57.9)	(9.8)	(75.6)	(10.0)
Employee benefits	(40.1)	(6.8)	(53.7)	(7.1)
Net Operating Capital Invested	525.1	88.7	718.6	95.1
Net invested capital - discontinued operations	66.8	11.3	36.9	4.9
Net invested capital	591.9	100.0	755.5	100.0
Shareholders' equity	105.2	17.8	273.0	36.1
Medium-long term financial payables	15.6	2.6	393.8	52.1
Short-term financial payables	517.7	87.5	97.7	12.9
Non-current financial liabilities for derivatives	11.0	1.9	16.5	2.2
Non-current financial assets for derivatives	-	-	-	-
Cash and short-term financial receivables	(13.4)	(2.3)	(25.5)	(3.4)
Net financial debt of continuing operations	530.9	89.7	482.5	63.9
Net financial debt (cash) of discontinued operations (1)	(44.2)	(7.5)	-	-
		-		-
Total net financial debt (1)	486.7	82.2	482.5	63.9
Total sources of financing	591.9	100.0	755.5	100.0

(1) The financial ratio determined as the result of current and non-current financial payables net of cash and cash equivalents as well as current and non-current financial assets related to derivatives. The net financial position defined by CONSOB communication DEM/6064293 of 28 July 2006 excludes non-current financial assets. Non-current financial assets recognized for derivatives at 31 December 2015 and 31 December 2014 are equal to zero and therefore the financial ratio of RCS at 31 December 2015 and 31 December 2014 coincides with the net financial position as defined in the aforesaid CONSOB communication.

RCS MediaGroup Revenue breakdown by Business sectors

(tables not subject to audit)

(EUR million)	Figures at 31/12/2015						
	Revenue	EBITDA BEFORE NON- RECURRING	% of revenue	EBITDA	% of revenue	EBIT	% of revenue
Media Italy	517.4	65.3	12.6%	52.1	10.1%	33.7	6.5%
Media Spain	330.0	29.4	8.9%	(9.2)	(2.8)%	(85.7)	(26.0)%
Advertising and Events	344.9	4.3	1.2%	3.3	1.0%	3.3	1.0%
Corporate Functions and Other Activities	75.7	(27.7)	(36.6)%	(30.3)	(40.0)%	(58.8)	N/A
Sundry and eliminations	(235.8)	0.5	(0.2)%	0.5	(0.2)%	0.5	N/A
Consolidated (1) (2)	1,032.2	71.8	7.0%	16.4	1.6%	(107.0)	(10.4)%

(EUR million)	Figures at 31/12/2014						
	Revenue	EBITDA BEFORE NON- RECURRING	% of revenue	EBITDA	% of revenue	EBIT	% of revenue
Media Italy	531.9	61.8	11.6%	60.4	11.4%	32.1	6.0%
Media Spain	358.1	27.3	7.6%	(0.5)	(0.1)%	(20.1)	(5.6)%
Advertising and Events	345.5	(0.6)	(0.2)%	(1.7)	(0.5)%	(1.8)	(0.5)%
Corporate Functions and Other Activities	78.0	(28.3)	(36.3)%	(30.8)	(39.5)%	(62.6)	N/A
Sundry and eliminations	(248.4)	0.5	(0.2)%	0.5	N/A	0.5	N/A
Consolidated (1) (2)	1,065.1	60.7	5.7%	27.9	2.6%	(51.9)	(4.9)%

1) In the 2015 financial year the costs and revenue from Books division activities were classified in the Profit (loss) from discontinued operations for which a sales contract was signed on 4 October 2015 – its finalisation is subject to the approval of the competent regulatory authorities. In keeping with the adopted classification, including in the above details Revenue, EBITDA and EBITDA before non-recurring expense related to Books were not reported.

(2) Net income from investments accounted for using the equity method, based on this Financial Report as at 31 December 2015, have been classified in a budget line before EBITDA (EUR +2.5 million) and as a result were reclassified during 2014 for comparison (EUR -0.6 million). This classification was deemed more consistent with the substance of the facts as a result of the sale, liquidation or total write-down of equity investments accounted for at equity, having a non-core nature, in the item remained the income and expenses of shareholdings whose activities are strictly functional to the activities of the Group.

The holding in m-dis Distribuzione Media S.p.A., the company distributing the Group's publishing products, was attributed to the Media Italy operating segment and as a result the segment disclosure was changed at 31 December 2014. As at 31 December 2015 the m-dis Group result was EUR 1.7 million (EUR 0.3 million at 31 December 2014)

RCS MediaGroup

Consolidated statement of cash flows

Figures for which auditing activity has not been completed

(EUR million)	2015	2014
		([^])
A) Cash flow from operations		
Profit (loss) from continuing operations before taxes	(143.3)	(95.0)
Profit (loss) from discontinued operations	(6.1)	(0.4)
Amortisation, depreciation and write-downs	123.4	79.8
(Capital gains) capital losses and other non-cash items	(7.0)	(17.2)
Result of net financing activities (including dividends received)	34.8	40.7
Increase (decrease) of personnel benefits and provisions for risks and charges	(5.1)	(7.4)
Changes in working capital	10.4	(16.9)
Income taxes paid	(1.9)	(4.8)
Income taxes paid / refunded relating to prior periods	1.9	-
Changes on discontinued operations	21.4	11.3
Total	28.5	(9.9)
B) Cash flow from investing activities		
Investments in equity investments (net of dividends received)	1.2	(5.4)
Investments in non-current assets	(56.8)	(57.0)
(Acquisitions) disposals of other non-current financial assets	(0.4)	(0.6)
Payments for disposal of equity investments	39.5	8.2
Payments from sale of non-current assets	3.4	30.8
Changes on discontinued operations	(6.9)	(7.9)
Total	(20.0)	(31.9)
<i>Free cash flow (A+B)</i>	<i>8.5</i>	<i>(41.8)</i>
C) Cash flow from financing activities		
Net change in financial debts and other financial assets	30.1	19.2
Net financial interest collected (paid)	(30.0)	(31.5)
Dividends paid	(1.4)	0.0
Change in shareholders' equity reserves	(0.1)	45.1
Changes on discontinued operations	(7.7)	(0.7)
Total	(9.1)	32.1
Net increase (decrease) in cash and cash equivalents (A+B+C)	(0.6)	(9.7)
Cash and cash equivalents at the beginning of the period	(25.2)	(15.5)
Cash and cash equivalents at the end of the period	(25.8)	(25.2)
Increase (decrease) for the period	(0.6)	(9.7)
ADDITIONAL DISCLOSURES FOR THE STATEMENT OF CASH FLOWS		
Cash and cash equivalents at the beginning of the period, breakdown	(25.2)	(15.5)
Cash and cash equivalents	10.1	6.3
Cash and cash equivalents of discontinued operations	1.5	2.5
Current payables due to banks	(36.8)	(24.3)
Cash and cash equivalents at the end of the period	(25.8)	(25.2)
Cash and cash equivalents	9.8	10.1
Changes on discontinued operations	2.8	1.5
Current payables due to banks	(38.4)	(36.8)
Increase (decrease) for the period	(0.6)	(9.7)

4) As at 31 December 2014 the costs and revenue from Books division activities were classified in *Profit (loss) from discontinued operations* for which a sales contract was signed on 4 October 2015 – its finalisation is subject to the approval of the competent regulatory authorities.

RCS MediaGroup

Reclassified consolidated income statement – 4th Quarter

(tables not subject to audit)

(EUR million)	4th quarter 2015	%	4th quarter 2014	%	Difference	Difference
			(4)			
	A		B		A-B	%
Net revenue	289.1	100.0	293.3	100.0	(4.2)	(1.4%)
<i>Circulation revenue</i>	97.0	33.6	111.8	38.1	(14.8)	(13.2%)
<i>Advertising revenue (1)</i>	148.0	51.2	149.8	51.1	(1.8)	(1.2%)
<i>Other publishing revenue (2)</i>	44.1	15.3	31.7	10.8	12.4	39.1%
Operating costs	(175.0)	(60.5)	(166.8)	(56.9)	(8.2)	4.9%
Cost of labour	(97.9)	(33.9)	(68.2)	(23.3)	(29.7)	43.5%
Provisions for risks	(5.8)	(2.0)	(9.5)	(3.2)	3.7	(38.9%)
Receivable impairment	(1.0)	(0.3)	(2.5)	(0.9)	1.5	(60.0%)
Income (expense) from equity investments equity method (5)	1.2	0.4	0.4	0.1	0.8	200.0%
EBITDA (3)	10.6	3.7	46.7	15.9	(36.1)	(77.3%)
Intangible asset amortisation	(10.6)	(3.7)	(10.5)	(3.6)	(0.1)	
Property, plant and equipment depreciation	(4.6)	(1.6)	(5.4)	(1.8)	0.8	
Real estate investment depreciation	(0.2)	(0.1)	(0.2)	(0.1)	0.0	
Other asset impairment	(28.2)	(9.8)	(12.1)	(4.1)	(16.1)	
EBIT	(33.0)	(11.4)	18.5	6.3	(51.5)	
Net financial income (expense)	(8.7)	(3.0)	(9.9)	(3.4)	1.2	
Income (expense) from financial assets/liabilities	0.2	0.1	(0.5)	(0.2)	0.7	
EBT	(41.5)	(14.4)	8.1	2.8	(49.6)	
Income taxes	(0.3)	(0.1)	(7.4)	(2.5)	7.1	
Profit (loss) from continuing operations	(41.8)	(14.5)	0.7	0.2	(42.5)	
Profit (loss) from discontinued operations (4)	(5.1)	(1.8)	(17.5)	(6.0)	12.4	
Profit (loss) before non-controlling interests	(46.9)	(16.2)	(16.8)	(5.7)	(30.1)	
(Profit) loss pertaining to non-controlling interests	(2.4)	(0.8)	(0.9)	(0.3)	(1.5)	
Group's profit (loss) for the period	(49.3)	(17.1)	(17.7)	(6.0)	(31.6)	

(1) Advertising revenue in the 4th quarter of 2015 includes EUR 89.1 million realised by the Group's Communication Solution division (of which EUR 71.8 million from Media Italy, EUR 15.9 million from Third Party Publisher Spaces, EUR 0.9 million from Advertising and Events and EUR 0.5 million from Media Spain) and EUR 58.9 million directly from publishers (of which EUR 50.2 million is from Media Spain, EUR 3.2 million from Advertising and Events, EUR 2.9 million from Media Italy, EUR 3 million from Corporate Functions and Other Activities (Sfera) and EUR 0.4 million from eliminations from Group companies).

Advertising revenue in the 4th quarter of 2014 includes EUR 89.7 million realised by the Group's Communication Solution division (of which EUR 73.5 million from Media Italy, EUR 15.8 million from Third Party Publisher Spaces, EUR 0.4 million from Media Spain) and EUR 60.1 million directly from publishers (of which EUR 50.9 million refer to Media Spain, EUR 1.6 million to Advertising and Events, EUR 4 million to Media Italy, EUR 3.9 million from Corporate Functions and Other Activities (Sfera) and EUR 0.3 million to eliminations from Group companies).

(2) Other publishing revenue mainly includes revenue from the television business of Media Italy and Media Spain, revenue from disposal of royalties to other companies, revenue from events and shows in Italy and Spain, revenue from the e-commerce business, as well as revenue from the sale of customer lists and children's book sets by the Sfera group companies, under Corporate Functions.

(3) Considered as the operating income before depreciation, amortisation and write-downs. Includes income and expenses from investments accounted for using the equity method.

(4) In the 4th quarter of 2015 the costs and revenue from Books division activities were classified in the Profit (loss) from discontinued operations for which a sales contract was signed on 4 October 2015 – its finalisation is subject to the approval of the competent regulatory authorities. In the 4th quarter of 2014 the profit and loss from discontinued operations was retreated to take into account the result of the Books division, as well as the results of IGP Decaux and Gruppo Finelco investments classified as discontinued operations at the end of 2014.

(5) Net income from investments accounted for using the equity method, based on this Financial Report as at 31 December 2015, have been classified in a budget line before EBITDA (EUR +1.2 million) and as a result were reclassified during 2014 for comparison (EUR 0.4 million). This classification was deemed more consistent with the substance of the facts as a result of the sale, liquidation or total write-down of equity investments accounted for at equity, having a *non-core* nature, in the item remained the income and expenses of shareholdings whose activities are strictly functional to the activities of the Group.

RCS MediaGroup S.p.A.
Reclassified income statement

Figures not subject to audit

<i>(Values in EUR million)</i>	Financial Year		Financial Year		Difference
	2015	%	2014	%	
	A		A		A-B
Net revenue	616.3	100.0	630.7	100.0	(14.4)
<i>Circulation revenue</i>	285.2	46.3	289.8	45.9	(4.6)
<i>Advertising revenue</i>	290.8	47.2	305.5	48.4	(14.7)
<i>Other publishing revenue</i>	40.3	6.5	35.4	5.6	4.9
Operating costs	(427.2)	(69.3)	(432.6)	(68.6)	5.4
Cost of labour	(170.4)	(27.6)	(166.3)	(26.4)	(4.1)
Provisions for risks	(4.2)	(0.7)	(9.2)	(1.5)	5.0
Receivable impairment	(2.9)	(0.5)	(5.6)	(0.9)	2.7
EBITDA (1)	11.6	1.9	17.0	2.7	(5.4)
Intangible asset amortisation	(19.3)	(3.1)	(18.3)	(2.9)	(1.0)
Real estate investment depreciation	-	-	(0.3)	(0.0)	0.3
Property, plant and equipment depreciation	(11.6)	(1.9)	(13.9)	(2.2)	2.3
Non-current asset impairment	(3.5)	(0.6)	(17.0)	(2.7)	13.5
EBIT	(22.8)	(3.7)	(32.5)	(5.2)	9.7
Net financial income (expense)	(42.0)	(6.8)	(48.6)	(7.7)	6.6
Income (expense) from financial assets/liabilities	76.9	12.5	(24.5)	(3.9)	101.4
EBT	12.1	2.0	(105.6)	(16.7)	117.7
Income taxes	8.0	1.3	10.7	1.7	(2.7)
Profit (loss) from continuing operations	20.1	3.3	(94.9)	(15.0)	115.0
Profit (loss) from discontinued operations	(69.8)	(11.3)	(22.7)	(3.6)	(47.1)
Profit (loss) for year	(49.7)	(8.1)	(117.6)	(18.6)	67.9

(1) Considered as the operating income before depreciation, amortisation and write-downs.

RCS MediaGroup S.p.A.
Reclassified balance sheet

Figures not subject to audit

<i>(Values in EUR million)</i>	31 December 2015	%	31 December 2014	%
Property, plant and equipment	62.6	4.6	69.2	5.0
Intangible assets	55.6	4.1	58.0	4.2
Real estate investments	2.3	0.2	3.5	0.3
Financial assets	1,219.8	89.7	1,319.9	95.9
Net non-current assets	1,340.3	98.5	1,450.6	105.4
Inventories	13.5	1.0	12.7	0.9
Trade receivables	198.5	14.6	230.4	16.7
Trade payables	(183.9)	(13.5)	(207.5)	(15.1)
Other assets/liabilities	(48.4)	(3.6)	(44.8)	(3.3)
Net Working Capital	(20.3)	(1.5)	(9.2)	(0.7)
Employee benefits	(33.6)	(2.5)	(41.9)	(3.0)
Provisions for risks and charges	(36.8)	(2.7)	(59.3)	(4.3)
Deferred tax liabilities	(0.8)	(0.1)	(0.9)	(0.1)
Net Invested Capital	1,248.8	91.8	1,339.3	97.3
Net invested capital from discontinued operations	111.8	8.2	36.8	2.7
Net Invested Capital	1,360.6	100.0	1,376.1	100.0
Shareholders' equity	360.5	26.5	405.3	29.5
Net financial debt (cash and cash equivalents) ⁽³⁾	1,000.1	73.5	970.8	70.5
Total sources of financing	1,360.6	100.0	1,376.1	100.0

(3) The financial ratio determined as the result of current and non-current financial payables net of cash and cash equivalents as well as current and non-current financial assets related to derivatives. The net financial position defined by CONSOB communication no. DEM/6064293 of 28 July 2006 excludes non-current financial assets. There were none at 31 December 2015, therefore the value totals EUR 1,000.1 million (EUR 970.8 million at 31 December 2014).

RCS MediaGroup S.p.A.

Statement of cash flows

Figures for which auditing activity has not been completed

(Values in EUR million)	Financial Year	Financial Year
	2015	2014
A) Cash flow from operations		
Profit (loss) from continuing operations before taxes	12.1	(105.6)
Profit (loss) from discontinued operations	(69.8)	(21.5)
Amortisation, depreciation and write-downs	34.4	49.5
(Capital gains) capital losses and other non-cash items	(0.2)	(2.5)
Equity investment write-downs/revaluations	(19.0)	48.6
Result of net financing activities (including dividends received)	38.6	48.6
Increase (decrease) of provisions	(31.5)	(37.4)
Changes in working capital	18.9	3.7
Income taxes (paid) collected	10.2	(1.0)
Total	(6.3)	(17.6)
B) Cash flow from investing activities		
Investments in equity investments (net of dividends received)	(0.8)	(25.1)
Investments in non-current assets	(30.1)	(26.9)
Consideration from sale of investments	39.5	1.5
Consideration from sale of non-current assets	0.3	30.0
Other changes	2.6	6.9
Total	11.5	(13.6)
<i>Free cash flow (A+B)</i>	<i>5.2</i>	<i>(31.2)</i>
C) Cash flow from financing activities		
Net change in financial debts and other financial assets	44.1	1.0
Financial interest collected/paid	(49.2)	(27.8)
Conversion of preferred shares/Capital increase	-	45.3
Total	(5.1)	18.5
Net increase (decrease) in cash and cash equivalents (A+B+C)	0.1	(12.7)
Cash and cash equivalents at the beginning of the period	(36.1)	(23.4)
Cash and cash equivalents at the end of the period	(36.0)	(36.1)
Increase (decrease) for the period	0.1	(12.7)
ADDITIONAL DISCLOSURES FOR THE STATEMENT OF CASH FLOWS		
(Values in EUR million)		
Cash and cash equivalents at the beginning of the period, breakdown	(36.1)	(23.4)
Cash and cash equivalents	0.7	0.9
Current payables due to banks	(36.8)	(24.3)
Cash and cash equivalents at the end of the period	(36.0)	(36.1)
Cash and cash equivalents	2.3	0.7
Current payables due to banks	(38.3)	(36.8)
Increase (decrease) for the period	0.1	(12.7)

INTEGRATIONS REQUIRED BY CONSOB ON 27 MAY 2013, IN ACCORDANCE WITH ART. 114, PARAGRAPH 5 OF LEGISLATIVE DECREE 58/1998

a) The net financial position of the RCS Group and its subsidiary, highlighting short-term elements separately from medium-and long-term components

(EUR million)	Carrying amount		Change
	31/12/2015	31/12/2014	
Non-current financial liabilities recognised for derivatives	-	-	-
TOTAL NON-CURRENT FINANCIAL ASSETS	-	-	-
Securities	-	-	-
Financial receivables	3.6	11.8	(8.2)
Current financial assets for derivatives	-	-	-
Current financial receivables and assets	3.6	11.8	(8.2)
Cash and cash equivalents	9.8	13.7	(3.9)
TOTAL CURRENT FINANCIAL ASSETS	13.4	25.5	(12.1)
Non-current financial payables and liabilities	(15.6)	(393.8)	378.2
Non-current financial liabilities for derivatives	(11.0)	(16.5)	5.5
TOTAL NON-CURRENT FINANCIAL LIABILITIES	(26.6)	(410.3)	383.7
Current financial payables and liabilities	(517.7)	(97.7)	(420.0)
Current financial liabilities for derivatives	-	-	-
TOTAL CURRENT FINANCIAL LIABILITIES	(517.7)	(97.7)	(420.0)
Net financial debt related to continuing operations (1)	(530.9)	(482.5)	(48.4)
Financial debt after discontinued operations	44.2		44.2
Total Net Financial Debt (1)	(486.7)	(482.5)	(4.2)

(1) The financial ratio determined as the result of current and non-current financial payables net of cash and cash equivalents as well as current and non-current financial assets related to derivatives. The net financial position defined by CONSOB communication DEM/6064293 of 28 July 2006 excludes non-current financial assets. Non-current financial assets at 31 December 2015 and 31 December 2014 are equal to zero and therefore the financial ratio of RCS at 31 December 2015 and 31 December 2014, coincide with the net financial position as defined in the aforesaid CONSOB communication.

The net financial position as at 31 December 2015 was negative for EUR 486.7 million (negative for EUR 530.9 million with reference to ongoing activities). In particular, the balances pertaining to the RCS Libri group at 31 December 2015 are classified as assets/liabilities held for sale, while at 31 December 2014, since the RCS Libri group was not yet intended for sale, they are classified in the individual debt lines, making the line-by-line comparison inconsistent. Moreover, the relations between companies from the RCS Group and companies from the RCS Libri group, eliminated in 2014 as intragroup, remained in place in 2015 to the extent that the completion of the sale will confirm them again, now as transactions with third parties.

The change in the net financial position of EUR -4.2 million is mainly due to disbursements related to the new investments and non-recurring costs and benefits of net revenue related to the sale of investments in Finelco, IGP Decaux, Adelphi and Digital Holding Academy and the sale of a property in Spain for a total of EUR 47 million.

There was improvement over last year of more than EUR 30 million reported by cash flows from ordinary operations.

Also taking into account the provisions of paragraph 74 of IAS 1 in the event of failure to comply with these covenants, the long-term debt of EUR 302.8 million related to the loan agreement signed in the summer of 2013 for the original EUR 600 million (now reduced to a nominal EUR 423.6 million), was classified as short-

term.

Below is the net financial position of the parent company RCS MediaGroup S.p.A., highlighting short-term elements separately from medium-and long-term components.

(EUR million)	31 December 2015	31 December 2014	Change
Current financial receivables			
Cash and cash equivalents	2.3	0.7	1.6
Current financial receivables	51.9	47.9	4.0
A) Total current financial receivables	54.2	48.6	5.6
Current financial payables			
Payables due to c/a banks	(38.3)	(36.8)	(1.5)
Current financial payables	(997.9)	(585.2)	(412.7)
B) Total current financial payables	(1,036.2)	(622.0)	(414.2)
(A+B) Total net current financial (debt)	(982.0)	(573.4)	(408.6)
Non-current financial receivables			
Financial assets for derivatives	-	-	-
C) Total non-current financial receivables	-	-	-
Non-current financial payables			
Non-current financial payables	(7.1)	(380.8)	373.7
Non-current financial liabilities for derivatives	(11.0)	(16.6)	5.6
D) Total non-current financial payables	(18.1)	(397.4)	379.3
(C+D) Total net non-current financial (debt)	(18.1)	(397.4)	379.3
TOTAL Net Financial (Debt)	(1,000.1)	(970.8)	(29.3)

The net financial debt of the Parent Company increased by EUR 29.3 million, rising from EUR 970.8 million as at 31 December 2014 to EUR 1,000.1 million as at 31 December 2015. Contributing to the change were the outlays for capital expenditures and payments related to the continuation of the restructuring plans in progress, offset by the revenue from the sale of investments, particularly in Finelco Group S.p.A. and IGP Decaux. The cash flow from operations was substantially in line.

Taking into account the provisions of paragraph 74 of IAS 1 in the event of failure to comply with these covenants, the long-term debt of EUR 302.8 million related to the loan agreement signed in the summer of 2013 for the original EUR 600 million (now a nominal EUR 423.6 million), was classified as short-term.

- b) Mature debt positions distributed by category (financial, commercial, tax and social security) and connected to potential reactions from Group creditors (reminders, injunctions, suspensions of supplies)**

(EUR million)	
Analysis overdue debt positions	

31/12/2015	30 days	31 - 90 days	91-180 days	181-360 days	> 360 days	Total Due	Total maturing	Total
Trade Debt Positions	10.1	10.4	3.7	2.8	22.8	49.8	329.1	378.9
Financial Debt Positions							520.8	520.8
Tax debt positions							21.1	21.1
Social security debt positions							16.4	16.4
Other debt positions	0.1	0.2			0.3	0.6	106.6	107.2
Total debt position	10.2	10.6	3.7	2.8	23.1	50.4	994.0	1,044.4

(1) The total of the reported values includes the debt positions related to the Books division, classified in Liabilities associated with assets held for sale and discontinued operations.

The short-term portion of provisions for risks and charges as well as payables resulting from measurement of Group investments at equity, have been eliminated from the total debt positions.

Debt positions at 31 December total EUR 1,044.4 million (EUR 670.4 million as at 30 September 2015). The non-overdue positions, of EUR 994 million, represent approximately 95.2% of the total. As at 31 December 2015 there were no overdue accounts on financial, tax or social security debt positions.

Taking into account the provisions of paragraph 74 of IAS 1 in the event of failure to comply with these covenants, the long-term debt of EUR 302.8 million related to the loan agreement signed in the summer of 2013 for the original EUR 600 million (now reduced to a nominal EUR 423.6 million), was classified as short-term.

Overdue debt positions, mainly commercial in nature, total EUR 50.4 million (EUR 69.9 million as at 30 September 2015), reporting a decrease of EUR 19.5 million.

Specifically, the comparison with 30 September 2015 shows a decrease in overdue debt in almost all sections: EUR -11.4 million within 30 days, EUR -3.6 million between 31 and 90 days, EUR -3.4 million between 91 and 180 days, EUR -1.3 million between 181 and 360 days. Bucking the trend was the band of over 360 days, with an increase of EUR 0.2 million.

Overdue debt positions include EUR 10.2 million in accounts less than 30 days overdue (EUR 21.6 million as at 30 September 2015), which essentially relate to the company's operations (so-called operating payables). The positions expiring on 31 December 2015 were conventionally classified among the debts due for payment, and amount to approximately EUR 20.4 million. The remainder, of EUR 40.2 million, includes accounts payable to agents, totalling EUR 19 million (37.7% of the total overdue amount). In relations with agents, industry practice requires the payment of a monthly advance on their activities which is reported under trade receivables on the balance sheet. Advances to agents, which refer to overdue debts, totalled EUR 23.7 million, an amount that is greater than the specific overdue amount. It should be noted that payables due to agents overdue more than 360 days represent approximately 75.7% of this category of overdue accounts.

Overdue trade accounts of EUR 49.8 million (EUR 69.2 million as at 30 September 2015) mainly refer to the Parent Company (EUR 31.9 million).

There were no legal actions for the recovery of significant sums allegedly due in respect of commercial relations.

c) Transactions with the Company and RCS Group related parties

Details of the transactions with related parties of the Group and RCS MediaGroup S.p.A. are provided in the Annual Management Reports and Annual Financial Statements of RCS MediaGroup S.p.A.

d) Potential non-compliance with covenants, negative pledges and other clauses in the Group's borrowing commitments which could limit the use of financial resources, together with up-to-date details of the level of compliance

On 14 June 2013, RCS MediaGroup has signed a Loan agreement under which a pool of Lending Banks has granted the Company a loan for a maximum amount of EUR 600 million. As at 31 December 2015 these lines are granted for a nominal total of EUR 423.6 million and have been used for a total of EUR 403.6 million.

The Loan is composed of three separate credit facilities:

- Line of Credit A (bullet), term line of EUR 225 million to repay in a lump sum at the earlier date between (i) the third anniversary of the relative date of use and (ii) 31 July 2016 and whose use at 31 December 2015 was EUR 71.6 million. It should be noted that this line is repaid early with the income from the sale of non-core assets;
- Line of Credit B (amortizing), term line of EUR 275 million to repay at the earlier date between (i) the fifth anniversary of the relative date of use and (ii) 31 July 2018, based on an amortization plan attached the Loan agreement (with the first instalment due on 30 June 2016) and whose use as at 31 December 2015 was EUR 252 million; and
- Revolving Line of Credit, revolving line of EUR 100 million to repay at the earlier date between (i) the fifth anniversary of the relative first date of use and (ii) 31 July 2018 and the use of which on 31 December 2015 amounted to EUR 80 million.

The Loan agreement provides, in the event of violation of the applicable financial covenants (as described below), or upon the occurrence of other qualifying events occur such as, among others, failure to pay the amounts due under the Loan agreement, cross default in relation to the Group's financial debt or starting of proceedings by creditors, for amounts over certain thresholds, violations of obligations undertaken pursuant to the Loan agreement, change of control or the occurrence of events which have a significant negative effect as defined herein, the financial institutions have the right to ask for repayment of lines of credit as per the Loan agreement. In terms of Change of Control, the cancelation of the Shareholders' Agreement which occurred in October 2013 is not considered a change of control as governed by the Loan agreement.

Particularly for the 2015 financial year, even after amending the agreement signed on 11 August 2014, the Loan agreement provides for the following financial obligations for the Company (each a "Commitment" and together, the "Commitments"):

- (I) the obligation to ensure that, on the date of approval for the quarterly consolidated statements related to the quarter closing 30 September 2015, the Net Financial Position/EBITDA ratio (to be calculated before non-recurring expenses up to an amount equal to EUR 40 million) on a rolling last twelve months basis is not greater than 4.5x;
- (II) the obligation to ensure that the income deriving from disposals of Non-Core Assets actually collected by the company from the date of signing the Loan agreement, scheduled for 30 September 2015 and subsequently deferred to 13 November 2015 is not less than EUR 250 million (the "Income Target Amount") and that by the same date the Agent Bank is sent a written certification relating to the income actually collected by the Company as at 13 November 2015, deriving from disposals of *Non-Core Assets*;

the Loan Agreement plans as a remedy for non-compliance of the commitments referred to in points (I) and (II) that the Board of Directors should exercise the powers granted to it on 30 May 2013 by the Extraordinary Shareholders' Meeting of the company pursuant to Article 2443 of the Italian Civil Code to increase the paid-in divisible share capital, by 31 December 2015, for a maximum total amount of EUR 200 million, including any share premium, and up to a maximum total amount of EUR 600 million, net of the amount actually subscribed at the outcome of the capital injection in accordance with Article 2441, paragraph 1 of the Italian Civil Code of a maximum of EUR 500 million also approved on 30 May 2013 (the Delegated Rights Issue

2013) with actual release in cash by 31 March 2016 of the relative capital increase;

(III) The following financial obligations at the reporting date of 31 December 2015 (at the level of Group consolidated financial statements):

- (a) the obligation to ensure that the leverage ratio (Net Financial Position over EBITDA) of less than 3.50x;
- (b) the obligation to ensure that the Net Financial Position is not higher than EUR 440 million.

The loan agreement provides that, in case of failure to meet the commitments referred to in (III) and failed application by the Company of a so-called “*Equity Cure*”, the lending banks can request termination of the contract and full reimbursement of the Financing.

With reference to the commitment set out in point (I), the financial position as at 30 September 2015 showed a failure to meet the commitment.

With reference to the commitment set out in point (II), the total income from disposals of *non-core assets* received as at the conventional date of 13 November 2015 amounted to EUR 191 million, compared to a commitment of EUR 250 million. However, considering the expected income from the sale of RCS Libri S.p.A. planned for April 2016, the total proceeds from contractual disposals before the end of the conventional date of 13 November 2015 amounted to over EUR 315 million, significantly exceeding the commitment of EUR 250 million referred to in the foregoing point (II).

With reference to the commitments set out in point (III), the financial position as at 31 December 2015 shows a failure to meet the commitments. The commitment referred to in (III), letter b), it would be respected if account were taken of the financial effects of the sale of RCS Libri.

Also for the years subsequent to 2015, the Loan agreement provides for the following financial obligations for the Company:

Reference Date	<i>Financial Covenant</i> (at Group consolidated financial statements level)
31 December 2016	(i) Net Financial Position < or equal to EUR 410 million; (ii) Net Financial Position / EBITDA ratio (Leverage Ratio), less than 3.25x.
31 December 2017	(i) Net Financial Position < or equal to EUR 380 million; (ii) Net Financial Position / EBITDA ratio (Leverage Ratio), less than 3.00x.

Starting in 2014 and especially in recent months, the company has maintained constant contacts with its lending banks to provide them with the necessary information aimed at renegotiate a number of terms and conditions of the Loan agreement in favour of the Company itself.

In 2015, on 17 July, during the negotiations for the sale of the investments in RCS Libri, Finelco and Veo, the Company asked the Lending Banks to consent to the transfer of these investments and the renunciation of the commitments set out in points (I) , (II) and (III).

In this regard, the Lending Banks, while not having consented to the waiver request made by the Company in relation to the failure to comply with the covenants, have (i) authorized the sale of shares in RCS Libri, Finelco and Veo, (ii) denied permission to other requests, albeit differing the terms of analysis of the Commitments set out in points (I) and (II) from 30 September to 13 November 2015, (iii) represented the maximum availability to start, however, as planned by RCS in the request waiver, negotiations in good faith aimed at redefining the terms and conditions of the Loan agreement after receiving the new RCS Business



Plan and increased visibility of the sale of the investment in RCS Libri.

Following the signing of contracts for the sale of Finelco and RCS Libri S.p.A., which occurred respectively on 15 September and 4 October 2015, the Company on 9 October 2015 asked the Lending Banks to waive the application of the remedy provided for failing to meet the commitments referred to in the foregoing points (I) and (II), resulting in elimination of the obligation to exercise the Delegated Rights Issue, and the application of financial covenants for 31 December 2015 under the foregoing point (III).

On 6 November 2015, the Company also requested that the Lending Banks, in the alternative to the subject of the request for a waiver of 9 October 2015, and given that:

- A. the Company has duly fulfilled all its payment obligations under the Loan agreement , including both principal and interest fees, expenses and anything else required by the Loan agreement ,
- B. with the outcome of the completion of the sale of RCS Libri, scheduled for the first months of 2016, the Company will record the receipt of the total proceeds from disposals of assets put in place from the date of signing for an amount at least equal to the Income Target Amount,

of:

- refrain until 30 April 2016 from exercising its rights and faculties due under the Loan agreement (Forfeiture Events, Termination Events and Withdrawal Events), as a result of any failure to meet the commitments referred to in points (I), (II), (III);
- to keep in place in favor of the Company, prior to 30 April 2016, the full availability of the revolving credit line as well as any revocable credit lines granted on a bilateral basis, while continuing to allow ordinary operations.

In the same note, the Company also expressed:

- its commitment to approve and submit to the market and to the same Lending Banks the Industrial and Financial Plan, by 20 December 2015.
- its readiness to start, with the Lending Banks, in the context of the presentation of the Industrial and Financial Plan to the market, a shared path of overall redefinition of the terms and conditions of the Loan agreement , in line with the needs of the Industrial and Financial Plan.

On 12 November 2015, the Lending Banks indicated, subject to (i) the convening of the time of the assembly of the Shareholders' Meeting of the company to be held by 20 December 2015, in order to extend the term of the delegation to the Delegated Rights Issue 2013 (or the conferring of new powers) for an appropriate time period and in any case up to a provisional date no later than 30 June 2016, for an amount not less than EUR 200 million and (ii) the provision to the Lending Banks, as soon as possible and no later than the end of November 2015, the content of the new Industrial and Financial Plan, or at least the general lines that could be of the most importance, the willingness to bring to the attention of the relevant decision-making bodies, with a favorable opinion, a standstill agreement until 30 April 2016 - with regard to the breaches of contract mentioned in the standstill request (i.e. violation of the commitments referred to in (I), (II), (III)) - according to mutually acceptable terms to be agreed and, in any case, provided, inter alia, that:

- the shareholders' meeting of the Company shall act by 20 December 2015 on the extension of the delegation for the Delegated Rights Issue 2013 (or the conferring of a new proxy) under the terms referred to above;
- the new Industrial and Financial Plan does not constitute an assumption materially adverse for the Lending Banks,
- there are no further defaults under the Loan agreement ;
- an agreement is reached about the amount of proceeds from the sale of investments in RCS Libri S.p.A. to Mondadori to be allocated to repayment of the credit lines.

The new Industrial and Financial Plan 2016-2018

On 12 November 2015, Ms. Laura Cioli following the resolution of the RCS MediaGroup Board of Directors held on 27 October 2015, took over as Managing Director and General Manager of the Company and simultaneously confirmed the setting of the strategic guidelines of the 2016-2018 Plan approved on 30 July



2015. The Industrial Plan 2016-2018 was finally approved by the Board of Directors of the Company on 18 December 2015 and communicated to the market on 21 December 2015. For comments on the Industrial and Financial Plan, please refer to paragraph “e)” below.

Delegation 2015

On 16 December 2015, the Shareholders' Meeting approved by a majority of 99.69% of shareholders present representing 50.80% of the capital the proposal by the Board of Directors to bestow on the Board of Directors itself, pursuant to Article 2443 of the Italian Civil Code, the power to increase the paid-in share capital by issuing new ordinary shares, to be offered as options to shareholders, in proportion to the number of shares held by them, in divisible form, by the deadline of 30 June 2017, for a maximum of EUR 200 million, including the share premium, against the revocation of the previous authorization granted by the Extraordinary Shareholders' Meeting of RCS off 30 May 2013, expiring on 31 December 2015 (the “**Delegation 2015**”).

According to the delegation, the Board of Directors has the right to establish the procedures, terms and conditions of the Delegation 2015, in compliance with the limits indicated in the Shareholders' Meeting resolution, including but not limited to the power to determine the number and issue price of the shares to be issued (including any share premium) as well as the option ratio.

The approval by the Shareholders' Meeting of the resolution on the “Delegation 2015” is placed in the best interest of the Company, as it allows the Board of Directors to finalize the 2016-2018 Plan, and redefine, on the basis of this Plan, the best conditions and terms of the Loan agreement with the Lending Banks, reserving the potential exercise of the delegation to increase the capital within a longer span of time in the light of a considered assessment and definition of a more efficient financial structure for the company.

Update about the relationship with the Lending Banks

On 11 January 2016, the CEO outlined to the Lending Banks the guidelines and key market and product assumptions underlying the 2016-2018 Plan, the expected cash flows every year, particularly in the first year, 2016, and the expected constant improvement in the Debt / EBITDA ratio, factors which have enabled the company to declare that the exercise of the Delegation 2015 is not necessary for the financing of the Plan.

On this basis, the Company and its Lending Banks have started a negotiating table and held numerous meetings for the renegotiation of the terms and conditions of the Loan agreement . In this context, the Company has provided more detail on the 2016-2018 Plan and responses to requests for information from the Lending Banks in order to better understand the underlying operational and financial conditions of the Plan, as well as the seasonal financial dynamic of the Company even after the planned completion of the sale of RCS Libri. In this context, the parties are negotiating a draft Term Sheet that contains the respective negotiating positions, and in particular the requirements of the Company in relation to the extension of the maturities of lines in place, consistent with the financial profile of the 2016-2018 Plan, and the revision of certain terms and conditions of the Loan agreement .

e) Progress of the business plan, showing any discrepancies between the forecast and actual data

The 2015 financial year was the last year of the 2013-15 Development Plan. At the beginning of 2015 the objectives were updated for the current year to reflect the latest estimates of trends in the reference markets. Consolidated revenues were therefore expected to be slightly up compared to 2014, and an EBITDA before non-recurring costs still rising with a return of 9%. Subsequently, the targets have been revised to reflect the change in the perimeter resulting from the planned sale of the Libri BU, and a performance of the market, both in Italy and in Spain, that was lower than expected. Therefore, the latest forecasts of 12 November 2015 foresaw consolidated revenues down 3% compared to 2014 on a comparable basis and a consolidated EBITDA before non-recurring expenses growing both in absolute terms and in terms of profitability (expected in the order of 7% of total revenues). The RCS Group closed the 2015 financial year in line with the latest forecasts; revenues, on a like-for-like basis, were about 3% lower than 2014, reflecting in Italy to the context of a continued recession in the advertising market and in Spain of the decline of printed circulation, in addition to the negative trend in the advertising market in the national newspapers.



Despite the decline in revenue, EBITDA before non-recurring charges improved compared to 2014 both in absolute terms and in terms of profitability; this result was achieved thanks to continued efficiency gains, which in 2015 generated gross profits of over EUR 60 million (of which about EUR 4 million related to Books).

The consolidated net financial debt at 31 December 2015 stood at EUR 487 million (EUR 483 million as at 31 December 2015) and showed an improvement in current operations of around EUR 32 million compared to 2014. As mentioned previously, the set of non-core asset disposals completed during 2013 and 2014 amounted to EUR 191 million.

When the sale of RCS Libri is also taken into account, overall sales proceeds from sales amounted to over EUR 315 million.

The new Industrial and Financial Plan 2016-2018:

Based on the latest closing forecasts of 2015 sent on 12 November, as well as the strategic guidelines approved by the Board of Directors in July 2015, the new Strategic Plan 2016-2018 has been developed. This Plan was finally approved by the Board of Directors of the Company on 18 December 2015 and communicated to the market on 21 December 2015.

The Industrial Plan 2016-2018 is based on three key objectives:

- to ensure economic and financial sustainability in the short and long term,
- to extract the maximum value from the Group's assets through a deep transformation of its business,
- to structure a foundation for future growth.

These objectives will be achieved through eight key actions:

- cost reductions while preserving investments and quality
- "Beyond digital": stabilization of revenues and margins of print + web + mobile publications
- development initiatives in high-growth potential areas
- strengthening and integration of the technology platform
- leading role in the printing industry consolidation process
- divestment of non-core assets
- simplified organization, integrated and focused on execution
- constant monitoring of the execution of the Plan.

In particular the targets set in 2018 (excluding Books) are:

- Slight increase in revenues (+1.5% CAGR)
- Net efficiencies of EUR 60 million
- Doubling of EBITDA versus 2015 – EBITDA margin at 13%
- Net income and net cash flow positive from the first year, constantly improving
- Reducing Debt/EBITDA at c. 2x.