CAIRO COMMUNICATION

Interim Management Report as at 30 September 2011

Cairo Communication S.p.A.
Head office: Via Tucidide 56, Milan
Share capital €4,073,856.80

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

Corporate Governance

Board of Directors

Dott. **Urbano Cairo***	Chairman
Dott. **Uberto Fornara**	Chief Executive Officer
Dott. **Roberto Cairo**	Director
Avv. **Marco Janni**	Director
Avv. **Antonio Magnocavallo**	Director
Dott. **Marco Pompignoli**	Director
Dott. **Roberto Rezzonico**	Director
Dott. **Mauro Sala**	Director

Audit Committee

Dott. **Roberto Rezzonico**	Director
Avv. **Antonio Magnocavallo**	Director
Dott. **Mauro Sala**	Director

Compensation Committee

Avv. **Antonio Magnocavallo**	Director
Dott. **Roberto Rezzonico**	Director
Avv. **Marco Janni**	Director

Related Party Committee

Dott. **Mauro Sala**	Director
Dott. **Roberto Rezzonico**	Director
Avv. **Marco Janni**	Director

Board of Auditors

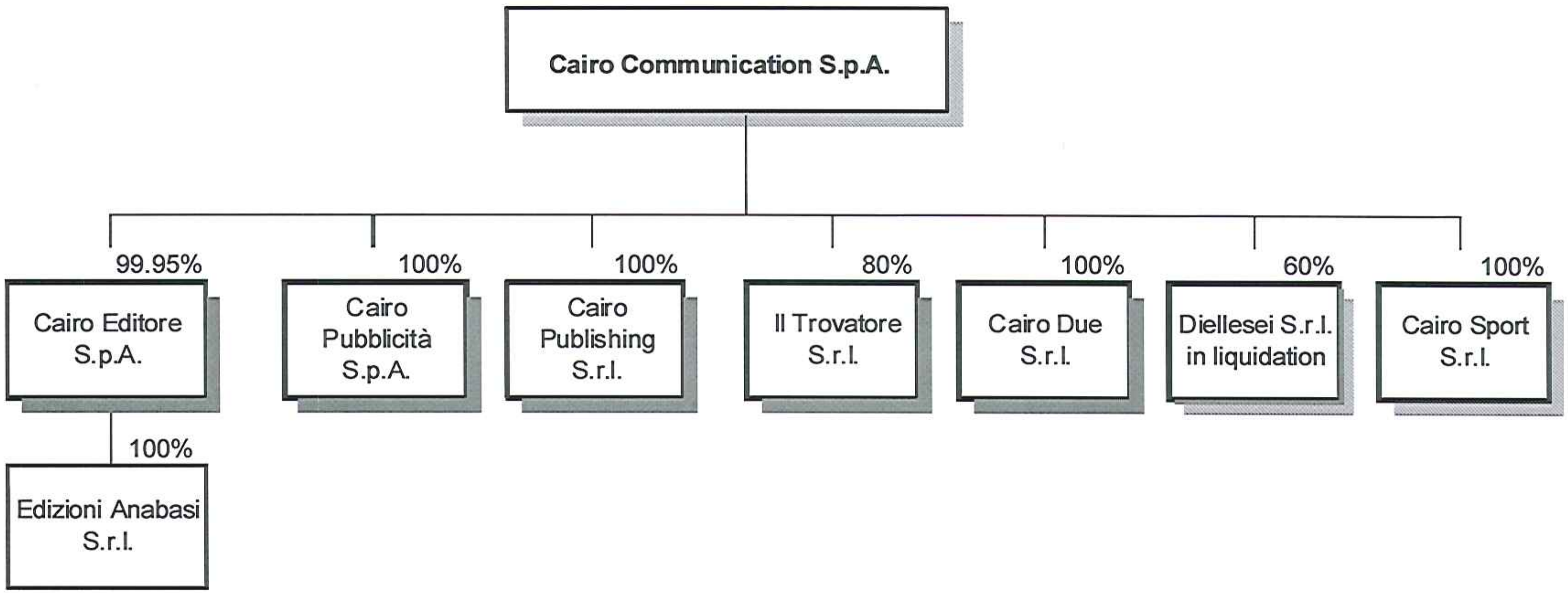
Dott. **Marco Moroni**	Chairman
Dott. **Marco Giuliani**	Statutory auditor
Dott.ssa **Maria Pia Maspes**	Statutory auditor
Dott. **Mario Danti**	Alternate auditor
Dott. **Enrico Tamborini**	Alternate auditor

Audit Firm

KPMG S.p.A.

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

The Group as at 30 September 2011



1. Valuation principles and criteria adopted in preparing the interim management report as at 30 September 2011

The financial statements in this interim management report have been prepared following the reclassified statements usually adopted for the "Directors' Report on Management" and in accordance with international accounting standards.

The consolidated income statement figures and the income statement figures of the parent company in 3Q11 and in the first nine months of 2011 are shown versus the corresponding periods of 2010. Balance sheet and net equity figures appearing in the financial statements are compared with the figures of the consolidated financial statements and the parent company financial statements as at 31 December 2010.

The quarterly financial statements as at 30 September 2011 have been prepared net of tax and tax effects.

In 3Q11 and in the first nine months of 2011, the consolidation scope remained unchanged versus 31 December 2010.

In order to have a better reading of the economic and financial performance of the Cairo Communication Group, in addition to the conventional IFRS financial indicators, **alternative performance indicators** appear in this report, but must not be considered to replace the IFRS indicators.

The alternative performance indicators are:

· **EBITDA:** adopted by Cairo Communication as a target to monitor internal management and for public presentations (for analysts and investors), representing a unit of measurement to assess operating performance of the Group and Parent Company, alongside **operating profit (EBIT).** These indicators are calculated as follows:

<u>Pre-tax profit/(loss) of continuing operations</u>

+/- Net financial income

+/- Investment income (write-downs)

<u>EBIT- Operating profit (loss)</u>

+ Amortization and depreciation

+ Provisions for bad and doubtful debts

+ Provisions for liabilities and charges

<u>EBITDA – Gross operating profit before amortization, depreciation, provisions and write-downs.</u>

The Cairo Communication Group considers the **net financial position** a valid indicator of its capability to meet current and future financial obligations. As seen in the table included in this report, which shows the value of assets used for the calculation of net financial assets, this consolidated item includes cash and cash equivalents, fixed deposits and other current financial assets, offset by current and non-current bank borrowings.

2. Group performance

In 3Q11 and in the first nine months of 2011, the Cairo Communication Group continued to operate as a publisher of magazines and books (Cairo Editore/Editoriale Giorgio Mondadori and Cairo Publishing), as a multimedia advertising broker (Cairo Pubblicità) for the sale of advertising space on TV, in print media, on the Internet and in stadiums, and as operator of Internet sites (Il Trovatore).

The first nine months of 2011 continued to suffer short- and medium-term economic uncertainty, despite signs of recovery in 2010, particularly in the TV advertising market.

Based on the latest ACNielsen figures available at the date of approval of this report (August 2011), advertising investments in Italy in the first eight months of 2011 came to approximately Euro 5.3 billion, down 4% versus the previous year. Nielsen's analysis by media shows that in the January-August eight-month period of 2011:

- the magazine advertising market dropped by 1.8% versus 2010, when it had slid in that same period by 8.4% versus 2009,
- the TV advertising market, instead, fell by 4.7% versus 2010, when in the same period it had progressed by 7.7% versus 2009.

Against this backdrop, in the first nine months of 2011, current operating results for the Cairo Communication Group were up versus the same period last year, with gross operating profit (EBITDA) of approximately Euro 26.8 million (+28.9%) and operating profit (EBIT) of approximately Euro 23.7 million (+35.9%). Group share in net profit in the nine months came to approximately Euro 15.8 million.

Mention must be made that the first nine months of 2010 had also included non-recurring income from the Cairo-Telepiù arbitration, as illustrated in the 2010 annual financial report, in the paragraph on "*Management Performance of the Cairo Communication Group - Consolidated figures*" of the Directors' Report on Operations and in the explanatory notes to the consolidated and parent company financial statements as at 31 December 2010 regarding "*Other operating revenues - non-recurring income from Cairo-Telepiù arbitration*".

Looking at each business segment, in the first nine months of 2011:

- for **<u>publishing</u>**, gross operating profit (EBITDA) and operating profit (EBIT) were up 5% and 5.7% respectively, reaching Euro 14.5 million and Euro 13.5 million versus the same period last year, despite the lower number of issues of "Settimanale Dipiù" versus 2010 (38 instead of 39), with a drop of approximately Euro 0.3 million in profits, the cut price (from Euro 1 to 50 cents) of five issues of "Dipiù TV", with a drop of approximately Euro 0.8 million, and the cut price (from 70 cents to 50 cents) of three issues of "TV Mia";
- for **<u>advertising</u>**, gross operating profit (EBITDA) and operating profit (EBIT) from current operations increased by 76.9% and 118.7% respectively, reaching Euro 12.2 million and Euro 10.2 million versus the same period last year, thanks mainly to the increase in TV advertising revenues (+34.9% overall). Advertising sales on LA7, approximately Euro 112.6 million, were up 32.9% versus 2010.

  Starting from September 2010, LA7 audience figures shot up, and increased further in the January-September nine month period of 2011 (3.7% average all-day share versus 3% in the same period of 2010), suggesting that the pace can be maintained in the upcoming months, impacting positively on advertising revenues. In particular, the 8 PM newscast's share in the first nine months of 2011 reached an average share of 9.39% versus 3.71% in the same period of 2010, continuing to gain widespread attention across the media, with benefits trickling down to the top news and in-depth programmes produced by the channel, such as "L'infedele" (6.36% average share versus 3.77% in the first nine months of 2010), "Otto e mezzo" (6.40% average share versus 3.31% in the first nine months of 2010), "Omnibus" and "Le invasioni barbariche".

3. Consolidated income statement figures

The main **consolidated income statement figures** in the **first nine months** of 2011 can be compared as follows with those of the same period of 2010:

	30/09/2011 (Nine months)			30/09/2010 (Nine months)		
(€ thousands)	Current operations	Non-recurring items	Total	Current operations	Non-recurring items	Total
Gross operating revenues	219,926	-	219,926	186,570	-	186,570
Advertising agency discounts	(23,916)	-	(23,916)	(18,503)	-	(18,503)
Net operating revenues	**196,010**	**-**	**196,010**	**168,067**	**-**	**168,067**
Inventory movements	(111)	-	(111)	(95)	-	(95)
Other operating revenues	1,847	-	1,847	1,748	-	1,748
Non-recurring income from arbitration	-	-	-	-	6,792	6,792
Total revenues	**197,746**	**-**	**197,746**	**169,720**	**6,792**	**176,512**
Cost of sales	(154,289)	-	(154,289)	(133,039)	-	(133,039)
Personnel costs	(16,682)	-	(16,682)	(15,916)	-	(15,916)
Gross operating profit (EBITDA)	**26,775**	**-**	**26,775**	**20,765**	**6,792**	**27,557**
Amortization, depreciation, provisions and write-downs	(3,115)	-	(3,115)	(3,351)	-	(3,351)
Operating profit (EBIT)	**23,660**	**-**	**23,660**	**17,414**	**6,792**	**24,206**
Net financial income	925	-	925	172	-	172
Investment income	(99)	-	(99)	-	-	-
Pre-tax profit	**24,486**	**-**	**24,486**	**17,586**	**6,792**	**24,378**
Income tax	(8,723)	-	(8,723)	(6,344)	(3,122)	(9,466)
Minorities	(4)	-	(4)	(4)	-	(4)
Group share in profit from continuing operations	**15,759**	**-**	**15,759**	**11,238**	**3,670**	**14,908**
Net profit / (loss) from discontinued operations	(8)	-	(8)	(86)	-	(86)
Minorities' share in loss from discontinued operations	-	-	-	-	-	-
Net Group share in profit / (loss) from discontinued operations	(8)	-	(8)	(86)	-	(86)
Group share in net profit	**15,751**	**-**	**15,751**	**11,152**	**3,670**	**14,822**

In the schedules of the consolidated income statement of the first nine months of 2010 appearing in this interim management report, as for the statements and Directors' Reports on Operations prepared in 2010, income arising from the Cairo-Telepiù arbitration is shown separately owing to its non-recurring nature.

As for the preparation of the consolidated financial statements as at 31 December 2010, Group net profit in Diellesei S.r.l. in liquidation has been shown separately under "net profit from discontinued operations".

The main **consolidated income statement figures** in **3Q11** can be compared versus those of 3Q10:

(€ thousands)	30/09/2011 (Quarter)	30/09/2010 (Quarter)
Gross operating revenues	64,277	56,463
Advertising agency discounts	(6,396)	(5,040)
Net operating revenues	**57,881**	**51,423**
Inventory movements	-	(1)
Other operating revenues	608	452
Total revenues	**58,489**	**51,874**
Cost of sales	(44,257)	(39,787)
Personnel costs	(5,100)	(4,935)
Gross operating profit (EBITDA)	**9,132**	**7,152**
Amortization, depreciation, provisions and write-downs	(1,292)	(1,194)
Operating profit (EBIT)	**7,840**	**5,958**
Net financial income	344	62
Investment income	(99)	-
Pre-tax profit	**8,085**	**6,020**
Income tax	(2,861)	(2,397)
Minorities	-	(2)
Group share in profit from continuing operations	**5,224**	**3,621**
Net profit / (loss) from discontinued operations	(4)	(24)
Minorities' share in loss from discontinued operations		-
Net Group share in profit / (loss) from discontinued operations	**(4)**	**(24)**
Group share in net profit	**5,220**	**3,597**

In the **first nine months** of 2011**,** looking at current operations:

- consolidated gross revenues were approximately Euro 221.8 million (Euro 188.3 million in the first nine months of 2010), which comprise operating revenues of Euro 219.9 million and other revenues of Euro 1.8 million, up overall by 17.8% versus the same period of 2010,
- consolidated gross operating profit (EBITDA), amounting to approximately Euro 26.8 million, was up 28.9% versus the first nine months of 2010 (Euro 20.8 million),
- operating profit (EBIT) amounted to roughly Euro 23.7 million, rising by 35.9% versus the first nine months of 2010 (Euro 17.4 million),
- Group share in net profit from current operations, amounting to approximately Euro 15.8 million, increased by 41.2% versus the first nine months of 2010 (Euro 11.2 million).

Including non-recurring income from the Cairo-Telepiù arbitration, in the first nine months of 2010, consolidated gross operating profit (EBITDA) and operating profit (EBIT) had amounted respectively to approximately Euro 27.6 million and to approximately Euro 24.2 million. Group share in net profit had amounted to approximately Euro 14.8 million.

As at 30 September 2011, investment income refers to the adjustment deriving from the equity method valuation of the investment in the associated company Dmail Group S.p.A.

In **3Q11:**

- consolidated gross revenues were approximately Euro 64.9 million (Euro 56.9 million in 3Q10), which comprise operating revenues of Euro 64.3 and other revenues of Euro 0.6 million, rising by 14% versus 2010;
- consolidated gross operating profit (EBITDA), amounting to approximately Euro 9.1 million, was up 27.7% versus 3Q10 (Euro 7.2 million);
- operating profit (EBIT) amounted to roughly Euro 7.8 million, rising by 31.6% versus 3Q10 (Euro 6 million);
- net profit was approximately Euro 5.2 million (Euro 3.6 million in 2010).

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

(€ thousands)	**30/09/2011 (Nine months)**	**30/09/2011 (Quarter)**	**30/09/2010 (Nine months)**	**30/09/2010 (Quarter)**
Consolidated statement of comprehensive income				
Group share in net profit	**15,751**	**5,220**	**14,822**	**3,597**
Impairment of investments available for sale	(8)	-	(1,276)	(427)
Total Group statement of comprehensive income	**15,743**	**5,220**	**13,546**	**3,170**

Impairment of investments available for sale refers to the write-down of the book value of the investment in the listed company Dmail Group (765,000 shares, or 10% of the share capital), with a contra-entry in net equity for a total of Euro 8 thousand, as illustrated in Note 17 of the condensed half-year consolidated statements as at 30 June 2011, *"Investments and non-current financial assets"*.

For a better understanding, Group performance in the first nine months of 2011 has been split up by **core business segment** (publishing, advertising and Il Trovatore), comparing the figures with the same period of 2010:

30/09/2011 (Nine months) (€ thousands)	**Publishing**	**Advertising** Current operations	**Advertising** Non-recurring items	**Trovatore**	**Unallocated operations**	**Intra-group**	**Total**
Gross operating revenues	74,454	167,314	-	271		(22,113)	219,926
Advertising agency discounts	-	(23,916)	-	-			(23,916)
Net operating revenues	**74,454**	**143,398**	**-**	**271**		**(22,113)**	**196,010**
Inventory movements	(111)	-	-	-		-	(111)
Other operating revenues	1,346	501	-	-		-	1,847
Non-recurring income from arbitration	-	-	-	-		-	-
Total revenues	**75,689**	**143,899**	**-**	**271**		**(22,113)**	**197,746**
Cost of sales	(48,932)	(127,260)	-	(210)		22,113	(154,289)
Personnel costs	(12,260)	(4,398)	-	(24)		-	(16,682)
Gross operating profit (EBITDA)	**14,497**	**12,241**	**-**	**37**		**-**	**26,775**
Amortization, depreciation, provisions and write-downs	(1,043)	(2,066)	-	(6)		-	(3,115)
Operating profit (EBIT)	**13,454**	**10,175**	**-**	**31**		**-**	**23,660**
Net financial income	142	784	-	(1)		-	925
Investment income	-	(99)	-	-		-	(99)
Pre-tax profit	**13,596**	**10,860**	**-**	**30**		**-**	**24,486**
Income tax	(4,814)	(3,888)	-	(21)		-	(8,723)
Minorities	-	-	-	(4)		-	(4)
Group share in profit from continuing operations	**8,782**	**6,972**	**-**	**5**		**-**	**15,759**
Net profit / (loss) from discontinued operations	-	-	-	-	(8)	-	(8)
Group share in net profit	**8,782**	**6,972**	**-**	**5**	**(8)**	**-**	**15,751**

30/09/2010 (Nine months) (€ thousands)	**Publishing**	**Advertising** Current operations	**Advertising** Non-recurring items	**Trovatore**	**Unallocated operations**	**Intra-group**	**Total**
Gross operating revenues	75,864	130,406	-	258	-	(19,958)	186,570
Advertising agency discounts	-	(18,503)	-	-	-	-	(18,503)
Net operating revenues	**75,864**	**111,903**	**-**	**258**	**-**	**(19,958)**	**168,067**
Inventory movements	(95)	-	-	-	-	-	(95)
Other revenues	1,325	423	-	-	-	-	1,748
Non-recurring arbitration income	-	-	6,792	-	-	-	6,792
Operating revenues	**77,094**	**112,326**	**6,792**	**258**	**-**	**(19,958)**	**176,512**
Cost of sales	(51,323)	(101,481)	-	(193)	-	19,958	(133,039)
Personnel costs	(11,967)	(3,924)	-	(25)	-	-	(15,916)
Gross operating profit (EBITDA)	**13,804**	**6,921**	**6,792**	**40**	**-**	**-**	**27,557**
Amortization, depreciation, provisions and write-downs	(1,078)	(2,268)	-	(5)	-	-	(3,351)
Operating profit (EBIT)	**12,726**	**4,653**	**6,792**	**35**	**-**	**-**	**24,206**
Investment income	-	-	-	-	-	-	-
Net financial income	18	155	-	(1)	-	-	172
Pre-tax profit	**12,744**	**4,808**	**6,792**	**34**	**-**	**-**	**24,378**
Income tax	(4,226)	(2,102)	(3,122)	(16)	-	-	(9,466)
Minorities	-	-	-	(4)	-	-	(4)
Group share in profit from continuing operations	**8,518**	**2,706**	**3,670**	**14**	**-**	**-**	**14,908**
Net profit / (loss) from discontinued operations	-	-	-	-	(86)	-	(86)
Group share in net profit	**8,518**	**2,706**	**3,670**	**14**	**(86)**	**-**	**14,822**

Quarter as at 30/09/2011 (€ thousands)	Publishing	Advertising Current operations	Advertising Non-recurring items	Trovato-re	Unallocated operations	Intra-group	Total
Gross operating revenues	26,630	44,778	-	86	-	(7,217)	64,277
Advertising agency discounts	-	(6,396)	-	-	-	-	(6,396)
Net operating revenues	**26,630**	**38,382**	**-**	**86**	**-**	**(7,217)**	**57,881**
Inventory movements	-	-	-	-	-	-	-
Other revenues	341	267	-	-	-	-	608
Non-recurring arbitration income	-	-	-	-	-	-	-
Operating revenues	**26,971**	**38,649**	**-**	**86**	**-**	**(7,217)**	**58,489**
Cost of sales	(16,967)	(34,435)	-	(72)	-	7,217	(44,257)
Personnel costs	(3,879)	(1,213)	-	(8)	-	-	(5,100)
Gross operating profit (EBITDA)	**6,125**	**3,001**	**-**	**6**	**-**	**-**	**9,132**
Amortization, depreciation, provisions and write-downs	(325)	(965)	-	(2)	-	-	(1,292)
Operating profit (EBIT)	**5,800**	**2,036**	**-**	**4**	**-**	**-**	**7,840**
Investment income	-	(99)	-	-	-	-	(99)
Net financial income	18	326	-	-	-	-	344
Pre-tax profit	**5,818**	**2,263**	**-**	**4**	**-**	**-**	**8,085**
Income tax	(2,003)	(854)	-	(4)	-	-	(2,861)
Minorities	-	-	-	-	-	-	-
Group share in profit from continuing operations	**3,815**	**1,409**	**-**	**-**	**-**	**-**	**5,224**
Net profit / (loss) from discontinued operations	-	-	-	-	(4)	-	(4)
Group share in net profit	**3,815**	**1,409**	**-**	**-**	**(4)**	**-**	**5,220**

Quarter as at 30/09/2010 (€ thousands)	Publishing	Advertising Current operations	Advertising Non-recurring items	Trovato-re	Unallocated operations	Intra-group	Total
Gross operating revenues	27,147	35,565	-	85	-	(6,334)	56,463
Advertising agency discounts	-	(5,040)	-	-	-	-	(5,040)
Net operating revenues	**27,147**	**30,525**	**-**	**85**	**-**	**(6,334)**	**51,423**
Inventory movements	(1)	-	-	-	-	-	(1)
Other revenues	376	76	-	-	-	-	452
Non-recurring arbitration income	-	-	-	-	-	-	-
Operating revenues	**27,522**	**30,601**	**-**	**85**	**-**	**(6,334)**	**51,874**
Cost of sales	(18,024)	(28,030)	-	(67)	-	6,334	(39,787)
Personnel costs	(3,791)	(1,137)	-	(7)	-	-	(4,935)
Gross operating profit (EBITDA)	**5,707**	**1,434**	**-**	**11**	**-**	**-**	**7,152**
Amortization, depreciation, provisions and write-downs	(349)	(848)	-	3	-	-	(1,194)
Operating profit (EBIT)	**5,358**	**586**	**-**	**14**	**-**	**-**	**5,958**
Investment income	-	-	-	-	-	-	-
Net financial income	12	50	-	-	-	-	62
Pre-tax profit	**5,370**	**636**	**-**	**14**	**-**	**-**	**6,020**
Income tax	(1,924)	(466)	-	(7)	-	-	(2,397)
Minorities	-	-	-	(2)	-	-	(2)
Group share in profit from continuing operations	**3,446**	**170**	**-**	**5**	**-**	**-**	**3,621**
Net profit / (loss) from discontinued operations	-	-	-	-	(24)	-	(24)
Group share in net profit	**3,446**	**170**	**-**	**5**	**(24)**	**-**	**3,597**

4. Consolidated balance sheet figures

The main **consolidated balance sheet figures** as at 30 September 2011 can be compared versus the situation as at 31 December 2010:

(€ thousands)	30/09/2011	31/12/2010
Balance sheet		
Property, plant and equipment	2,546	2,656
Intangible assets	9,252	9,552
Investments	2,203	2,319
Prepaid tax	4,672	4,480
Net current assets	(4,460)	(1,147)
Total assets	**14,213**	**17,860**
Non-current borrowings and provisions	5,777	6,015
(Net financial assets)/Net debt	(59,295)	(58,339)
Net equity	67,727	70,184
Minorities	4	0
Total equity and liabilities	**14,213**	**17,860**

The Shareholders' Meeting of 28 April 2011 approved the distribution of a dividend of Euro 0.25 per share, inclusive of tax, with detachment date on 9 May 2011 (coupon n. 3 post-split), for a total of Euro 19.4 million.

In 2011, as part of the share buy-back plans, 400,000 treasury shares were sold (0.511% of the share capital) following entry in the shareholding structure of an institutional investor of prominent standing, at a unit price of Euro 3.00 per share, equivalent to a total value of Euro 1.2 million. As a result of the sale, as at 30 September 2011, Cairo Communication held a total of n. 371,326 treasury shares, or 0.474% of the share capital, subject to art. 2357-ter of the Civil Code.

An analysis of the financial position indicates that the Cairo Communication Group is suitably capitalized to maintain financial equilibrium in the medium/long term and has a very sound equity position as it has significant cash resources and generates positive results capable of financing its operations.

The Cairo Communication Group:

- is not exposed to liquidity risk, in that on the one hand, significant financial resources are held, with a net available positive financial position of Euro 59.3 million, whilst on the other, the Group expects to ensure that an appropriate ability to generate cash is maintained through operations, notwithstanding the current market context,
- is not exposed to the risk of foreign exchange, while interest rate risk only affects the yield on available cash; the Group does not use financial derivative and/or hedging instruments,

- is partly exposed to credit risk, primarily in relation to its advertising sales activities. This risk is however mitigated by the fact that exposure is distributed across a large number of clients and that credit monitoring and control procedures are in place. Client concentration/total sales remained basically unchanged versus the previous periods. However, economic uncertainty in the short and medium term may impact negatively on the quality of credit and on general payment terms. In 2011, average payment time of advertising receivables improved by about 6 days versus last year.

5. Variation in the consolidated net financial position

The consolidated **net financial position** as at 30 September 2011, compared with the situation as at 31 December 2010, can be summarized as follows:

(€ thousands)	**30/09/2011**	**31/12/2010**	**Change**
Cash and cash equivalents	59,295	58,260	1,035
Short-term investments	-	79	(79)
Bank overdrafts	-	-	-
Bank loans	-	-	-
Total	**59,295**	**58,339**	**956**

6. Sales performance

Gross operating revenues in the first nine months of 2011, split up by core business segment (publishing, advertising and Il Trovatore), can be analyzed as follows versus the amounts of the same period of 2010:

Gross revenues (€ thousands)	Interim management report as at 30/09/2011 (Nine months)				
	Publishing	**Advertising**	**Trovatore**	**Intra-group eliminations**	**Total**
Magazine over-the-counter sales	50,894	-	-	-	50,894
Print media advertising	21,637	29,429		(21,499)	29,567
TV advertising	-	135,068	-	-	135,068
Stadium signage	-	1,603	-	-	1,603
Internet advertising	-	763	33	-	796
Subscriptions	2,337	-	-	-	2,337
Books and catalogues	551	-	-	-	551
Other revenues	-	451	238	(614)	75
VAT relating to publications	(965)	-	-	-	(965)
Total gross operating revenues	**74,454**	**167,314**	**271**	**(22,113)**	**219,926**
Other revenues	1,346	501			1,847
Revenues from current operations	**75,800**	**167,815**	**271**	**(22,113)**	**221,773**
Non-recurring arbitration income	-	-	-	-	-
Total revenues	**75,800**	**167,815**	**271**	**(22,113)**	**221,773**

Gross revenues (€ thousands)	Interim management report as at 30/09/2010 (Nine months)				
	Publishing	**Advertising**	**Trovatore**	**Intra-group eliminations**	**Total**
Magazine over-the-counter sales	54,396		-		54,396
Print media advertising	19,463	28,335	-	(19,344)	28,454
TV advertising	-	100,148	-	-	100,148
Stadium signage	-	853		-	853
Internet advertising	-	632	20	-	652
Subscriptions	2,169	-	-	-	2,169
Audiovisuals and miscellaneous	-	-	-	-	-
Books and catalogues	844		-	-	844
Other revenues		438	238	(614)	62
VAT relating to publications	(1,008)	-	-	-	(1,008)
Total gross operating revenues	**75,864**	**130,406**	**258**	**(19,958)**	**186,570**
Other revenues	1,325	423	-	-	1,748
Revenues from current operations	**77,189**	**130,829**	**258**	**(19,958)**	**188,318**
Non-recurring arbitration income	-	6,792	-	-	6,792
Total revenues	**77,189**	**137,621**	**258**	**(19,958)**	**195,110**

The breakdown of **gross revenues** in 3Q11, split up by business segment, can be analyzed as follows with the figures of 3Q10:

Gross revenues	**Interim management report as at 30/09/2011**				
(€ thousands)	**(three months)**				
	Publishing	**Advertising**	**Trovatore**	**Intra-group eliminations**	**Total**
Magazine over-the-counter sales	19,150	-	-	-	19,150
Print media advertising	7,033	9,543	-	(7,012)	9,564
TV advertising	-	34,586	-	-	34,586
Stadium signage	-	265	-	-	265
Internet advertising	-	234	6	-	240
Subscriptions	793	-	-	-	793
Books and catalogues	90	-	-	-	90
Other revenues	-	150	80	(205)	25
VAT relating to publications	(436)	-	-	-	(436)
Total gross operating revenues	**26,630**	**44,778**	**86**	**(7,217)**	**64,277**
Other revenues	341	267	-	-	608
Revenues from current operations	**26,971**	**45,045**	**86**	**(7,217)**	**64,885**
Non-recurring arbitration income	-	-	-	-	-
Total revenues	**26,971**	**45,045**	**86**	**(7,217)**	**64,885**

Gross revenues	**Interim management report as at 30/09/2010**				
(€ thousands)	**(three months)**				
	Publishing	**Advertising**	**Trovatore**	**Intra-group eliminations**	**Total**
Magazine over-the-counter sales	20,402	-	-	-	20,402
Print media advertising	6,178	8,904	-	(6,123)	8,959
TV advertising	-	26,155	-	-	26,155
Stadium signage	-	85	-	-	85
Internet advertising	-	270	-	-	270
Subscriptions	708	-	-	-	708
Audiovisuals and miscellaneous	-	-	-	-	-
Books and catalogues	310	-	-	-	310
Other revenues	-	151	85	(211)	25
VAT relating to publications	(451)				(451)
Total gross operating revenues	**27,147**	**35,565**	**85**	**(6,334)**	**56,463**
Other revenues	376	76	-	-	452
Revenues from current operations	**27,523**	**35,641**	**85**	**(6,334)**	**56,915**
Non-recurring arbitration income	-	-	-	-	-
Total revenues	**27,523**	**35,641**	**85**	**(6,334)**	**56,915**

PUBLISHING

CAIRO EDITORE - CAIRO PUBLISHING

Sales revenues from Group publications, amounting to Euro 50.9 million, were down 6.4% versus 2010, due mainly to the lower amount of issues of “Settimanale Dipiù” versus 2010 (38 instead of 39), which caused a loss in revenues over the period of approximately Euro 0.6 million, the cut price (from 1 Euro to 50 cents) of five issues of “Dipiù TV”, with a loss in revenues of approximately Euro 0.9 million, and the cut price (from 70 cents to 50 cents) of three issues of “TV Mia”, with a loss in revenues of approximately Euro 0.1 million.

Group gross advertising revenues, which reached Euro 28.8 million, grew by 4% (*ACNielsen* -1.8% magazine advertising market in the January-August eight-month period of 2011 versus the same period of 2010) versus the same period of 2010 (Euro 27.7 million), despite one issue less of “Settimanale Dipiù”, confirming the turnaround and positive trend that had already started in 2Q10.

Despite the lower number of issues of “Settimanale Dipiù” (with a loss of about Euro 0.3 million) and the higher promotional costs for the cut prices made (with a negative effect on margins of Euro 0.8 million), in the first nine months of 2011, <u>gross operating profit</u> (EBITDA) and <u>operating profit</u> (EBIT) in the publishing segment were up 5% and 5.7% respectively, reaching Euro 14.5 million and Euro 13.5 million versus the same period last year (Euro 13.8 million and Euro 12.7 million respectively in the first nine months of 2010), thanks essentially to the high quality of the Group’s publications and to the increased levels of efficiency reached in previous periods to curb production, publishing and distribution costs.

“Settimanale DIPIU”, Italy's second best-selling magazine, with an average ADS circulation of 690,028 copies, “DIPIU’ TV”, with an average ADS circulation of 456,913 copies, and “Diva e Donna”, with an average ADS circulation of 198.453 copies (all three in the twelve months from August 2010 to July 2011) confirmed the outstanding sales results achieved.

As far as circulation is concerned, the features of the Group’s publications and the Group strategy help maintain a strong lead over competitors in the current publishing market. In detail:

- cover prices of the weeklies are lower, some significantly lower (even half the price) than those of main competitors; this gap increases appeal and allows space for potential price increases, hence for increased profitability;
- sales are mostly over-the-counter (95%), with a minimum incidence (about 2% on total publishing revenues, including advertising) of revenues generated by gadgets and collaterals, whose sales figures have collapsed in the publishing segment; the Group has opted to focus on the quality of its publications; in the first nine months of 2011, gross advertising revenues generated by the Group’s publications accounted for 38% - an extremely low figure if compared with the revenue breakdown of other major

publishing groups - while 62% was generated by direct sales and subscriptions, proof of the high editorial quality of publications;

- weekly magazines, which account for approximately 87% of total publishing revenues, are sold as single copies and not bundled with other weeklies and/or dailies to bolster sales.

In October, Cairo Editore chose Riccardo Signoretti and Marisa Deimichei to head two new upcoming weeklies scheduled for launch at the start of 2012.

Riccardo Signoretti, 40 years old, was editor-in-chief over the past few years of various weeklies and monthlies such as “Vero”, “Vero TV”, “Top”, “Vera”, “Stop” and “Di Tutto”.

Marisa Deimichei, since 2008 editor-in-chief of “Tu Style”, has achieved remarkable results in terms of circulation and image. She was formerly also deputy editor-in-chief of “Anna” and editor-in-chief of “Vanity Fair”, “Pratica”, “Sale e Pepe”, “Cucina Moderna” and “Starbene”.

ADVERTISING

In 2011, in the advertising segment, the Cairo Communication Group acted as advertising broker - with subsidiary Cairo Pubblicità - selling space in the print media for Cairo Editore (“For Men Magazine”, “Natural Style”, “Settimanale DIPIU’”, “DIPIU’ TV” and weekly supplements “Settimanale DIPIU’ e DIPIU’TV Cucina” and “Settimanale DIPIU’ e DIPIU’TV Stellare”, “Diva e Donna” and “TV Mia”), the Editoriale Giorgio Mondadori division (Bell’Italia”, “Bell’Europa”, “In Viaggio”, “Airone”, “Gardenia”, “Arte” and “Antiquariato”) and for Editoriale Genesis (“Prima Comunicazione” and “Uomini e Comunicazione”), and for the sale of advertising space on TV for third parties TIMedia (LA7 and LA7d), Interactive Group (Sportitalia, Sportitalia 2 and Sportitalia 24) and Turner Broadcasting (Cartoon Network, Boomerang, CNN), on the Internet mainly for TIMedia (La7.it and La7.tv), Sportitalia (Sportitalia.it) and Turner Broadcasting (Cartoon Network.it, Cnn.com, Cnnmoney.com) and for the sale of stadium signage and space at the Olimpico in Turin for Torino FC.

In the first nine months of 2011, in the advertising segment, gross operating profit (EBITDA) and operating profit (EBIT) from current operations were up 76.9% and 118.7% respectively, reaching Euro 12.2 million and Euro 10.2 million versus the same period last year (Euro 6.9 million and Euro 4.7 million respectively in 2010), thanks mainly to the rise in TV advertising revenues (+34.9% overall).

Television

In the first nine months of 2011, TV advertising revenues (including LA7, LA7d, Sportitalia channels and theme channels Cartoon Network, Boomerang, and CNN), totaling Euro 135 million, were up 34.9% overall versus 2010 (*ACNielsen*, -4.7% TV advertising market in the January-August eight-month period of 2011 versus the same period of 2010).

Specifically, advertising revenues on LA7, amounting to approximately 112.6 million, increased by 32.9% versus 2010, and exceeded the minimum contractual nine-month target (Euro 82.8 million). In the January-September nine-month period, LA7 confirmed the significant growth in shares that had started in September 2010 (3.7% average total day share versus 3% in the same period of 2010).

Advertising revenues on the unencrypted digital channel LA7d, amounting to approximately Euro 6.8 million, exceeded the minimum contractual nine-month target (Euro 5.5 million).

Looking at revenues on LA7 in October 2011, amounting to approximately Euro 18.6 million (up 28,2% versus the same month last year) and approximately Euro 1 million on LA7d:

- advertising revenues on LA7 in 2011, amounting at end October to Euro 131.3 million, already exceeded by far the minimum contractual target for the year of Euro 120 million,
- advertising revenues on LA7d, amounting at end October to Euro 7.8 million, almost reached the minimum annual contractual target of Euro 8 million,
- the three-year contractual target (Euro 378 million), securing Cairo a three-year renewal (2012-2014) of the advertising concession contract, has been achieved; in October 2011, Cairo and TIMedia acknowledged that the agreement entered into on 19 November 2008 is to be deemed renewed for the further three-year period of 2012-2014, in accordance with the terms and conditions established under the contract and under the additional agreements thereto.

In the nine-month period of January-September, the three digital and satellite channels Sportitalia, Sportitalia 2 and Sportitalia 24 generated gross revenues growing versus the same period last year, when advertising sales, which had kicked off in January, had started to come into full swing only from March.

Print media

As previously mentioned, Group magazine advertising revenues in the first nine months of 2011, amounting to Euro 28.8 million, grew by 4% (*ACNielsen* -1.8% magazine advertising market in the January-August eight-month period of 2011 versus the same period of 2010) versus the same period of 2010 (Euro 27.7 million), despite the lower number of issues of "Settimanale Dipiù", confirming the turnaround and positive trend that had already started in 2Q10.

IL TROVATORE

In the first nine months of 2011, Il Trovatore continued operations, providing technological services mainly to Group companies, as well as managing its search engine.

8. Income statement figures of the Parent Company

The main **income statement figures of the Parent Company** in the first nine months of 2011 can be compared with those of 2010:

	30/09/2011 (Nine months)			**30/09/2010 (Nine months)**		
	Current operation	Non-recurring items	Total	Current operations	Non-recurring items	Total
Sales	94,944	-	94,944	93,364	-	93,364
Advertising agency discounts	-	-	-	-	-	-
Other revenues	155	-	155	280	-	280
Non-recurring income from arbitration	-	-	-	-	9,944	9,944
Total revenues	**95,099**	**-**	**95,099**	**93,644**	**9,944**	**103,588**
Cost of sales	(86,314)	-	(86,314)	(87,713)	-	(87,713)
Personnel costs	(1,965)	-	(1,965)	(1,731)	-	(1,731)
Gross operating profit (EBITDA)	**6,820**	**-**	**6,820**	**4,200**	**9,944**	**14,144**
Amortization, depreciation, provisions and write-downs	(269)	-	(269)	(167)	-	(167)
Operating profit (EBIT)	**6,551**	**-**	**6,551**	**4,033**	**9,944**	**13,977**
Net financial income	632	-	632	122	-	122
Investment income	12,439	-	12,439	7,466	-	7,466
Pre-tax profit	**19,622**	**-**	**19,622**	**11,621**	**9,944**	**21,565**
Income tax	(2,524)	-	(2,524)	(1,718)	(3,122)	(4,840)
Net profit from continuing operations	**17,098**	**-**	**17,098**	**9,903**	**6,822**	**16,725**
Net profit / (loss) from discontinued operations	(8)	-	(8)	(86)	-	(86)
Net profit	**17,090**	**-**	**17,090**	**9,817**	**6,822**	**16,639**

The main income statement figures of the Parent Company in **3Q11** can be compared with those of 3Q10:

(€ thousands)	**30/09/2011 (Quarter)**	**30/09/2010 (Quarter)**
Sales	24,022	25,765
Advertising agency discounts	-	-
Other revenues	35	55
Total revenues	**24,057**	**25,820**
Cost of sales	(21,399)	(24,306)
Personnel costs	(576)	(537)
Gross operating profit (EBITDA)	**2,082**	**977**
Amortization, depreciation, provisions and write-downs	(62)	(54)
Operating profit (EBIT)	**2,020**	**923**
Net financial income	274	34
Investment income	-	3
Pre-tax profit	**2,294**	**960**
Income tax	(770)	(516)
Net profit from continuing operations	**1,524**	**444**
Net profit / (loss) from discontinued operations	(4)	(24)
Net profit	**1,520**	**420**

In the first nine months of 2011, Cairo Communication continued to operate on the TV advertising sales market (LA7, LA7d and theme channels Cartoon Network, Boomerang, and CNN) and on the Internet through its subsidiary Cairo Pubblicità, which operates on a sub-concession basis, invoicing advertising spaces directly to its clients and returning to the sub-grantor Cairo Communication a share of revenues generated by resources managed on a sub-concession basis.

Starting from January 2011, Cairo Pubblicità has, instead, entered directly with Cairo Editore into an exclusive advertising concession contract on its publications. Until December 2010, print media advertising sales were also based on a sub-concession agreement.

The drop in revenues recorded by Cairo Communication on print media is attributable to this new contractual framework, more than offset in the nine months, however, by the surge in TV advertising revenues.

In the **first nine months** of 2011**,** looking at current operations:

- gross revenues were approximately Euro 95.1 million (Euro 93.6 million in 2010), which comprise operating revenues of Euro 94.9 million and other revenues of Euro 0.2 million, up 1.6% overall versus the same period last year;
- gross operating profit (EBITDA) of the Parent Company, amounting to approximately Euro 6.8 million, progressed by 62.5% versus the same period last year (Euro 4.2 million);
- operating profit (EBIT), amounting to approximately Euro 6.6 million, was up 62.4% versus the same period last year (Euro 4 million);

- net profit came to approximately Euro 17.1 million (Euro 9.8 million in the same period last year), increasing essentially for the variation in investment income.

"Investment income" mainly includes dividends received from subsidiaries Cairo Pubblicità, amounting to Euro 2.3 million (Euro 0.7 million in 2010), and Cairo Editore, amounting to Euro 10.2 million (Euro 6.8 million in 2010).

As for consolidated figures, in the schedules of the Parent Company income statement referring to the first nine months of 2010 appearing in this interim Directors' Report on Operations, income arising from the Cairo-Telepiù arbitration is shown separately owing to its non-recurring nature. Including non-recurring income, in the first nine months of 2010, gross operating profit (EBITDA) had been approximately Euro 14.1 million, operating profit (EBIT) approximately Euro 14 million, and net profit approximately Euro 16.6 million.

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

(€ thousands)	30/09/2011 (Nine months)	30/09/2011 (Quarter)	30/09/2010 (Nine months)	30/09/2010 (Quarter)
Statement of comprehensive income of Parent Company				
Net profit	**17,090**	**1,520**	**16,639**	**420**
Impairment of investments available for sale	(8)	0	(1,276)	(427)
Total statement of comprehensive income	**17,082**	**1,520**	**15,363**	**(7)**

As mentioned for consolidated figures, impairment of investments available for sale refers to the write-down of the book value of the investment in the listed company Dmail Group (765,000 shares, or 10% of the share capital), with a contra-entry in net equity for a total of Euro 8 thousand, as illustrated in Note 17 of the condensed half-year consolidated statements as at 30 June 2011, *"Investments and non-current financial assets"*.

9. Balance sheet figures of the Parent Company

The main **balance sheet figures** as at 30 September 2011 of Cairo Communication S.p.A. can be compared with the situation as at 31 December 2010:

(€ thousands)	30/09/2011	31/12/2010
Balance sheet		
Property, plant and equipment	391	352
Intangible assets	117	151
Investments	15,934	15,941
Other non-current assets	399	399
Net current assets	12,062	22,234
Total assets	**28,903**	**39,077**
Non-current borrowings and provisions for liabilities	997	837
(Net financial position)/Net borrowings	(41,964)	(32,742)
Net equity	69,870	70,982
Total equity and liabilities	**28,903**	**39,077**

As mentioned in the notes to the consolidated balance sheet, the Shareholders' Meeting of 28 April 2011 approved the distribution of a dividend of Euro 0.25 per share, inclusive of tax, with detachment date (coupon n. 3 post-split) on 9 May 2011, for a total of Euro 19.4 million.

10. Variation in the net financial position of the Parent Company

The **net financial position** of the Parent Company as at 30 September 2011, compared with the situation as at 31 December 2010, is summarized as follows:

(€ thousands)	30/09/2011	31/12/2010	Change
Cash and cash equivalents	41,964	32,663	9,301
Marketable securities	-	79	(79)
Total	**41,964**	**32,742**	**9,222**

10. Significant events in the quarter

The arbitration proceeding started by Cairo Communication against Telepiù Srl was concluded with the award rendered by the Board of Arbitrators on 16 September 2011, In such procedure, Cairo Communication was claiming that the breach by Telepiù (definitively acknowledged by the arbitration award rendered on 27 January 2010) of the 10 years exclusive concession for the advertising sale on Telepiù channels granted to Cairo TV by Telepiù, implies also the breach by Telepiù of the contract for the sale of the shares of Cairo TV (former Telepiù Pubblicità), being such contracts contextual and related.

The Board of Arbitrators acknowledged the claim filed by Cairo Communication, limited to breach of contract, but rejected Cairo's claim for compensation for damage arising from such breach by Telepiù. The Board of Arbitrators - with the motivated dissenting opinion of Prof. Francesco Benatti – taken the view that relevant damage was absorbed by the damage for loss of profit compensated to Cairo Communication (as acquirer of Cairo TV) under the foregoing award of 27 January 2010.

The outcome of the ruling had no consequence on the financial situation as at September 2011, (with the exception of the recording of the trial expenses as liquidated by Arbitrators).

11 Relations with controlling and subsidiary companies

Related party transactions in the period, including infra-group transactions, cannot be classified as atypical or unusual, since they are part of the normal business of the Group's companies. These transactions are settled at market conditions, taking into account the nature of goods and services offered.

In the first nine months of 2011, with the controlling company U.T. Communications and with its subsidiaries, the relations and transactions were the following:

- the concession contract between Cairo Pubblicità and Torino FC S.p.A. (a UT Communications subsidiary) for the sale of advertising space at the Olimpico football stadium and promotional sponsorship packages. In the first nine months of 2011, this contract resulted in payment to the grantor of Euro 1.2 million against profits of Euro 1.5 million, net of agency discounts. Cairo Pubblicità accrued further commissions of Euro 20 thousand. As part of the advertising contract, Cairo Pubblicità also purchased football tickets worth Euro 14 thousand and recharged Torino F.C. pertaining costs of Euro 26 thousand;
- the contract between Cairo Communication S.p.A. and Torino F.C. for the provision of administrative services, which sets an annual fee of Euro 100 thousand;
- the agreement relating to the purchase of advertising space at the Olimpico stadium between Cairo Editore and Torino FC., for a total fee of Euro 75 thousand in the nine months;
- the purchase by Cairo Pubblicità of receivables due to Torino F.C. S.p.A. from Dahlia TV S.p.A.; specifically, the transaction involved the sale with recourse from Torino FC to Cairo Pubblicità of receivables accrued by Torino FC from Dahlia TV for a total of Euro 300 thousand, under a sponsorship contract signed on 5 October 2009, promoted by Cairo Pubblicità, entitling a fee from Torino FC.

On 12 May 2011, the Board of Directors, on the proposal of the Compensation Committee and the favorable opinion of the Related Party Committee, pursuant to art. 2389, paragraph 3 of the Civil Code, resolved for:

- compensation to Chairman Urbano Cairo, CEO Uberto Fornara, and Director Marco Pompignoli, who hold particular responsibilities, amounting respectively to Euro 480 thousand, Euro 60 thousand and Euro 90 thousand,
- a variable compensation mechanism for CEO Uberto Fornara, based mainly on advertising revenue growth targets.

12 Significant events after the quarter and management outlook

As mentioned earlier, the first nine months of 2011 continued to suffer short- and medium-term economic uncertainty, aggravated by the general financial crisis of the last few months. To date, there remains uncertainty over the period required for a return to normal market conditions.

Based on *ACNielsen* figures, advertising investments in Italy in the January-August eight-month period of 2011 came to approximately Euro 5.3 billion, down 4% versus the previous year (in particular, -1.8% the magazine advertising market and -4.7% the TV advertising market versus the same period last year).

Despite such a harsh backdrop, in the first nine months of 2011, the Group’s operating results were much brighter than those of the same period last year, thanks mainly to the high quality of its publications and of the media under concession and to its editorial strategy, which helped implement cost-curbing measures to increase the effectiveness and efficiency of production, publishing and distribution processes.

In 4Q11, the Cairo Communication Group will continue to develop its core businesses:

- publishing, led by Cairo Editore and Cairo Publishing, with efforts geared towards maintaining circulation levels high, while continuing to benefit from the lower costs achieved as a result of measures implemented to curb production, publishing and distribution costs, and
- advertising sales on TV, on the Group's publications and on Prima Comunicazione, on the Internet and at the “Olimpico” stadium in Turin for Torino FC, with the aim of increasing advertising revenues, thanks also to the surge in LA7 audience shares and to the important levels of circulation of Group magazines.

Looking at the publishing segment, in October, Cairo Editore chose Riccardo Signoretti and Marisa Deimichei to head two new upcoming weeklies scheduled for launch at the start of 2012.

Cairo Editore's course is now set once again towards a strategy of development through the study, planning and launch of new publications, which had marked its strong growth in the 2003-2006 four-year period.

Riccardo Signoretti, 40 years old, was editor-in-chief over the past few years of various weeklies and monthlies, such as "Vero", "Vero TV", "Top", "Vera", "Stop" and "Di Tutto".

Marisa Deimichei, since 2008 editor-in-chief of "Tu Style", has achieved remarkable results in terms of circulation and image. She was formerly also deputy editor-in-chief of "Anna" and editor-in-chief of "Vanity Fair", "Pratica", "Sale e Pepe", "Cucina Moderna" and "Starbene".

Looking at the advertising segment, as mentioned earlier, starting from September 2010, LA7 audience figures shot up, and increased further in the January-September nine month period of 2011 (3.7% average all-day share versus 3% in the same period of 2010), suggesting that the pace can be maintained in the upcoming months, impacting positively on advertising revenues. In particular, the 8 PM newscast's share in the first nine months of 2011 reached an average share of 9.39% versus 3.71% in the same period of 2010, continuing to gain widespread attention across the media, with benefits trickling down to the top news and in-depth programmes produced by the channel, such as "L'infedele" (6.36% average share versus 3.77% in the first nine months of 2010), "Otto e mezzo" (6.40% average share versus 3.31% in the first nine months of 2010), "Omnibus" and "Le invasioni barbariche".

Based on the order book as at 9 November 2011, for advertising aired and to be aired on LA7 in the October-November two-month period, amounting to Euro 36 million, revenues achieved in the same two-month period of 2010 (Euro 29 million) have already been exceeded by over 24%.

Given the high quality of the Group's publications and the media under concession, an increase in profitability levels also in 4Q 2011 versus same period 2010 is considered a feasible target. However, the evolution of the general economic situation could affect the full achievement of these targets.

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Chairman of the Board of Directors

Dott. Urbano Cairo

Declaration, pursuant to art 154-bis paragraph 2 of Legislative Decree n. 58 of 24 February 1998 (T.U.F.)

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

Financial Reporting Manager

Dott. Marco Pompignoli