CAIROCOMMUNICATION

Interim Management Report as at 31 March 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**	CEO
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

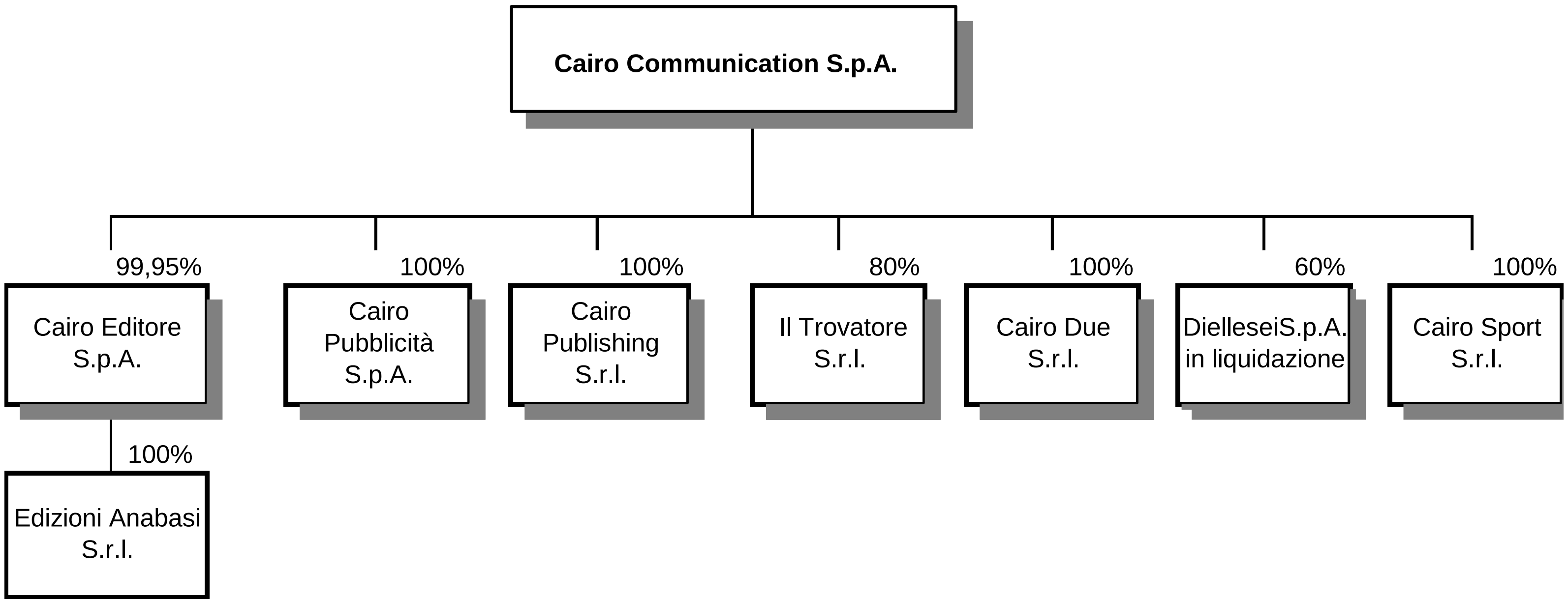
Dott. **Marco Moroni**	Statutory auditor
Dott. **Marco Giuliani**	Statutory auditor
Dott.ssa **Maria Pia Maspes**	Statutory auditor
Dott. **Mario Danti**	Alternate auditor
Dott. **Enrico Tamborini**	Alternate auditor

Audit Firm

KPMG S.p.A.

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

Cairo Communication Group as at 31 March 2011



1. Valuation principles and criteria adopted in preparing the interim management report as at 31 March 2011

The financial statements in this interim management report have been prepared following the reclassified statements usually adopted for the “Directors’ Report on Operations” and in accordance with international accounting standards.

The consolidated income statement figures and the income statement figures of the Parent Company referring to 1Q11 are shown versus 1Q10. Balance sheet and equity figures appearing in the financial statements are compared with the figures appearing in the consolidated and separate financial statements as at 31 December 2010.

The quarterly financial statements as at 31 March 2011 herein have been prepared net of tax and tax effects.

During 1Q11, 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:

· **Gross operating profit (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:

Pre-tax profit/(loss) of continuing operations

+/- Net financial income

+/- Investment income (write-downs)

EBIT- Operating profit (loss)

+ Amortization and depreciation

+ Provisions for bad and doubtful debts

+ Provisions for liabilities and charges

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

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 1Q11, 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 1Q11 period continued to suffer short- and medium-term economic uncertainty, despite signs of recovery in 2010, particularly in the TV advertising market.

According to AC Nielsen data, advertising investments in Italy during 1Q11 came to approximately Euro 2.1 billion, dropping by 3,2% versus the previous year. Nielsen's analysis by media shows that in 1Q11:

- the magazine advertising market dropped by 2.1% versus 2010, when it had slid in that same period by 10.3% versus 2009,
- the TV advertising market, instead, fell by 2.9% versus 2010, when in the same period it had progressed by 6.0% versus 2009.

Against this backdrop, in 1Q11 current operating results for the Cairo Communication Group were up versus the same period last year, with gross operating profit (EBITDA) of approximately Euro 6.5 million (+27.8%) and operating profit (EBIT) of approximately Euro 5.6 million (+34.2%), thanks mainly to the surge in TV advertising revenues, in particular on LA7. Group share in net profit came to approximately Euro 3.8 million.

Mention must be made that the 1Q10 results 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 1Q11:

- for **publishing**, gross operating profit (EBITDA) and operating profit (EBIT) were up 3.1% and 3.5% respectively, reaching Euro 2.7 million and Euro 2.3 million versus 2010, despite the lower number of issues of "Settimanale Dipiù" versus 2010 (12 instead of 13), with a drop of approximately Euro 0.2 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 in profits, and the cut price (from 70 cents to 50 cents) of three issues of “TV Mia”;

- for **advertising**, gross operating profit (EBITDA) and operating profit (EBIT) from current operations increased by 53.5% and 69.3% respectively, reaching Euro 3.9 million and Euro 3.3 million versus the same period last year, attributable mainly to the increase in TV advertising revenues (+37.2% overall). Advertising sales on LA7, approximately Euro 39.6 million, were up 30.3% versus 2010.

Starting from September 2010, LA7 audience figures shot up, confirming the shares in the January-March 2011 three-month period (3.4% average all-day share versus 2.71% in 1Q10), 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 1Q11 peaked to 10% (8.41% average share in the January-March 2011 three-month period versus 2.4% in the same period of 2010), gaining 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” (5.55% average share versus 3.72% in 1Q10), ”Otto e mezzo” (5.78% average share versus 2.98% in 1Q10), “Omnibus” and “Le invasioni barbariche”.

3. Consolidated income statement figures

The main **consolidated income statement figures** in 1Q11 can be compared as follows with those of 1Q10:

	31/03/2011 (Quarter)	31/03/2010 (Quarter)		
(€ thousands)		Current operations	Non-recurring income	Total
Gross operating revenues	71,626	59,735	-	59,735
Advertising agency discounts	(8,006)	(6,035)	-	(6,035)
Net operating revenues	**63,620**	**53,700**	**-**	**53,700**
Inventory movements	(100)	(40)	-	(40)
Other operating revenues	564	763	-	763
Non-recurring income from Telepiù arbitration	-	-	6,792	6,792
Operating revenues	**64,084**	**54,423**	**6,792**	**61,215**
Cost of sales	(52,047)	(44,025)	-	(44,025)
Personnel costs	(5,497)	(5,282)	-	(5,282)
Gross operating profit (EBITDA)	**6,540**	**5,116**	**6,792**	**11,908**
Amortization, depreciation, provisions and write-downs	(910)	(922)	-	(922)
Operating profit	**5,630**	**4,194**	**6,792**	**10,986**
Net financial income	247	61	-	61
Pre-tax profit	**5,877**	**4,255**	**6,792**	**11,047**
Income tax	(2,114)	(1,633)	(3,122)	(4,755)
Minorities	-	-	-	-
Group share in net profit from continuing operations	**3,763**	**2,622**	**3,670**	**6,292**
Net profit/(loss) from discontinued operations	(3)	(7)	-	(7)
Minorities' share in loss from discontinued operations	-	-	-	-
Group share in net profit/(loss) from discontinued operations	**(3)**	**(7)**	-	**(7)**
Group net profit	**3,760**	**2,615**	**3,670**	**6,285**

In 1Q11**,** looking at current operations:

- consolidated gross revenues were approximately Euro 72.2 million (Euro 60.5 million in 1Q10), which comprise operating revenues of Euro 71.6 million and other revenues of Euro 0.6 million, up 19.3% overall versus 1Q10,
- consolidated gross operating profit (EBITDA), amounting to approximately Euro 6.5 million, was up 27.8% versus 1Q10 (Euro 5.1 million),
- operating profit (EBIT) amounted to approximately Euro 5.6 million, rising by 34.2% versus 1Q10 (Euro 4.2 million)
- net profit was approximately Euro 3.8 million, increasing by 43.8% versus 1Q10 (Euro 2.6 million).

In the schedules of the consolidated income statement of 1Q10 appearing in this interim management report, as for the statements and Directors' Reports on Operations prepared in 2010, income arising from the Telepiù arbitration is shown separately owing to its non-recurring nature. Including non-recurring income, in 1Q10 consolidated gross operating profit (EBITDA) and operating profit (EBIT) had amounted to approximately Euro 11.9 million and approximately Euro 11 million respectively. Group share in net profit had come to approximately Euro 6.3 million.

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

(€ thousands)	**31/03/2011**	**31/03/2010**
Consolidated statement of comprehensive income		
Group share in net profit	**3,760**	**6,285**
Loss from valuation of investments available for sale	(344)	(130)
Total statement of Group comprehensive income	**3,416**	**6,155**

Loss from valuation 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) measured at fair value, equal to the share price as at 31 March 2011 (Euro 2.47 per share versus a book value of Euro 5.8), with a contra-entry in reduction of net equity for a total of Euro 344 thousand in the three months (total net equity reserve is Euro 2,547 thousand).

For a better understanding, Group performance in 1Q11 has been split up by **core business segment** (publishing, advertising and Il Trovatore), comparing the figures with those of 1Q10:

31/03/2011 (Quarter) (€ thousands)	Publishing	Advertising		Trovatore	Unallo-cated opera-tions	Infra group	Total
		Current operation	Non-recurring items				
Gross operating revenues	21,673	55,713	-	87	-	(5,847)	71,626
Advertising agency discounts	-	(8,006)	-	-	-	-	(8,006)
Net operating revenues	**21,673**	**47,707**	-	-	-	**(5,847)**	**63,620**
Inventory movements	(100)	-	-	-	-	-	(100)
Other operating revenues	473	91	-	-	-	-	564
Non-recurring arbitration income	-	-	-	-	-	-	-
Total revenues	**22,046**	**47,798**	-	**87**	-	**(5,847)**	**64,084**
Cost of sales	(15,394)	(42,433)	-	(67)	-	5,847	(52,047)
Personnel costs	(3,984)	(1,505)	-	(8)	-	-	(5,497)
Gross operating profit (EBITDA)	**2,668**	**3,860**	-	**12**	-	-	**6,540**
Amortization, depreciation, provisions and write-downs	(360)	(548)	-	(2)	-	-	(910)
Operating profit (EBIT)	**2,308**	**3,312**	-	**10**	-	-	**5,630**
Investment income	-	-	-	-	-	-	-
Net financial income	46	201	-	-	-	-	247
Pre-tax profit	**2,354**	**3,513**	-	**10**	-	-	**5,877**
Income tax	(926)	(1,181)	-	(7)	-	-	(2,114)
Minorities		-	-		-	-	-
Group share in net profit from continuing operations	**1,428**	**2,332**	-	**3**	-	-	**3,763**
Net profit / (loss) from discontinued operations	-	-	-		(3)	-	(3)
Group share in net profit	**1,428**	**2,332**	**-**	**3**	**(3)**	**-**	**3,760**

31/03/2010 (Quarter) (€ thousands)	Publishing	Advertising		Trovato-re	Unallo-cated opera-tions	Infra group	Total
		Current opera-tion	Non-recurrin g items				
Gross operating revenues	22,619	42,251	-	88	-	(5,223)	59,735
Advertising agency discounts	-	(6,035)	-	-	-	-	(6,035)
Net operating revenues	**22,619**	**36,216**	-	**88**	-	**(5,223)**	**53,700**
Inventory movements	(40)	-	-	-	-	-	(40)
Other revenues	533	230	-	-	-	-	763
Non-recurring arbitration income	-	-	6,792	-	-	-	6,792
Operating revenues	**23,112**	**36,446**	**6,792**	**88**	-	**(5,223)**	**61,215**
Cost of sales	(16,610)	(32,572)	-	(66)	-	5,223	(44,025)
Personnel costs	(3,913)	(1,360)	-	(9)	-	-	(5,282)
Gross operating profit (EBITDA)	**2,589**	**2,514**	**6,792**	**13**	-	-	**11,908**
Amortization, depreciation, provisions and write-downs	(360)	(558)	-	(4)	-	-	(922)
Operating profit (EBIT)	**2,229**	**1,956**	**6,792**	**9**	-	-	**10,986**
Investment income	-	-	-	-	-	-	-
Net financial income	6	56	-	(1)	-	-	61
Pre-tax profit	**2,235**	**2,012**	**6,792**	**8**	-	-	**11,047**
Income tax	(878)	(742)	(3,122)	(13)	-	-	(4,755)
Minorities	-	-	-	-	-	-	-
Group share in net profit from continuing operations	**1,357**	**1,270**	**3,670**	**(5)**	-	-	**6,292**
Net profit / (loss) from discontinued operations	-	-	-	-	(7)	-	(7)
Group share in net profit	**1,357**	**1,270**	**3,670**	**(5)**	**(7)**	-	**6,285**

In 1Q11, based on segment analysis,

- for **publishing**, gross operating profit (EBITDA) and operating profit (EBIT) were up 3.1% and 3.5% respectively, reaching Euro 2.7 million and Euro 2.3 million versus 2010 (Euro 2.6 and Euro 2.2 million respectively in 1Q10), despite the lower number of issues of "Settimanale Dipiù" versus 2010 (12 instead of 13), with a drop of approximately Euro 0.2 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 in profits, and the cut price (from 70 cents to 50 cents) of three issues of "TV Mia";
- for **advertising**, gross operating profit (EBITDA) and operating profit (EBIT) from current operations were up 53.5% and 69.3% respectively, reaching Euro 3.9 million and Euro 3.3 million versus the same period last year (Euro 2.5 and Euro 2 million respectively in 2010), attributable mainly to the increase in TV advertising revenues (+37.2% overall). Advertising sales on LA7, approximately Euro 39.6 million, increased by 30.3% versus 2010 and greatly exceeded the agreed minimum quarterly revenue target (Euro 30 million).

As for the preparation of the consolidated financial statements as at 31 December 2010, the Group's share in the net loss of Diellesei S.p.A. in liquidation is shown separately under "net profit/(loss) from discontinued operations", and can be analyzed as follows:

(€ thousands)	31/03/2011 (Quarter)	31/03/2010 (Quarter)
Other operating revenues	1	-
Operating revenues	1	-
Cost of sales	(4)	(9)
Personnel costs	-	-
Gross operating profit (EBITDA)	**(3)**	**(9)**
Amortization, depreciation, provisions and write-downs	-	-
Operating profit (EBIT)	**(3)**	**(9)**
Net financial income	-	-
Pre-tax profit	**(3)**	**(9)**
Income tax	-	2
Minorities	-	-
Group share in net profit/(loss) from discontinued operations	**(3)**	**(7)**

4. Consolidated balance sheet figures

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

(€ thousands)	**31/03/2011**	**31/12/2010**
Assets		
Property, plant and equipment	2,584	2,656
Intangible assets	9,446	9,552
Investments	1,976	2,319
Prepaid tax	4,367	4,480
Net current assets	(9,805)	(1,147)
Total assets	**8,568**	**17,860**
Non-current borrowings and provisions	6,033	6,015
(Net financial assets)/Net debt	(71,066)	(58,339)
Net equity	73,601	70,184
Minorities	0	0
Total equity and liabilities	**8,568**	**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 (coupon n. 3 post-split) on 9 May 2011, for a total of Euro 19.4 million. As at 31 March 2011, this amount was still included in capital reserves.

In 2011, as part of the share buy-back plans, no treasury shares were purchased or sold. As at 31 March 2011, Cairo Communication held n. 771,326 treasury shares, or 0.985% of the share capital, subject to the requirements of art. 2357-ter of the Civil Code.

Investments refer mainly (Euro 1,890 thousand) to the 765,000 shares, or 10% of the share capital, in the listed company Dmail Group S.p.A., measured as at 31 March 2011 at fair value (a share price of Euro 2.47 as at 31 March 2011) as already illustrated in the explanatory notes to the "statement of comprehensive income".

An analysis of the financial position shows that the Cairo Communication Group has appropriate capital to maintain financial stability in the medium/long term, and strong equity solidity, since it holds a large amount of cash resources and generates positive results to finance its current operations also through the dynamics of working capital.

The Group 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.

The Group 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.

5. Variation in the consolidated net financial position

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

(€ thousands)	**31/03/2011**	**31/12/2010**	**Change**
Cash and cash equivalents	70,987	58,260	12,727
Escrow account held with Telepiù	-	-	-
Short-term investments	79	79	-
Bank overdrafts	-	-	-
Bank loans	-	-	-
Total	**71,066**	**58,339**	**12,727**

It is Group policy to invest available cash in on-demand or short-term bank deposits, with the prime objective of maintaining a ready liquidity of said investments. The investment products are selected on the basis of their credit rating, their reliability and the quality of services rendered.
Movements in the cash flow and the liquidity of the Group companies are centrally monitored and managed by Group Treasury, in order to guarantee effective and efficient management of financial resources.

6. Segment revenues and performance

Gross operating revenues in 1Q11, split up by core business (publishing, advertising brokerage and Il Trovatore), can be analyzed and compared with the figures of 1Q10:

Gross revenues (€ thousands)	**31/03/2011 (three months)**				
	Publishing	**Advertising**	**Trovatore**	**Infra-group eliminations**	**Total**
Magazine over-the-counter sales	15,251	-	-	-	15,251
Print media advertising sales	5,694	7,723	-	(5,641)	7,776
TV advertising sales	-	46,863	-	-	46,863
Stadium signage	-	745		-	745
Internet advertising	-	230	7	-	237
Subscriptions	759	-	-	-	759
Books and catalogues	221	-	-	-	221
Other revenues	-	151	80	(206)	25
VAT relating to publications	(251)	-	-	-	(251)
Total sales	**21,674**	**55,712**	**87**	**(5,847)**	**71,626**
Other revenues	473	91	-	-	564
Operating revenues	**22,147**	**55,803**	**87**	**(5,847)**	**71,190**
Non-recurring arbitration income	-	-	-	-	-
Total gross revenues	**22,147**	**55,803**	**87**	**(5,847)**	**71,190**

Gross revenues (€ thousands)	**31/03/2010 (three months)**				
	Publishing	**Advertising**	**Trovatore**	**Infra-group eliminations**	**Total**
Magazine over-the-counter sales	16,854	-	-	-	16,854
Print media advertising sales	5,067	7,381	-	(5,021)	7,427
TV advertising sales	-	34,137	-	-	34,137
Stadium signage	-	433	-	-	433
Internet advertising	-	163	11	-	174
Subscriptions	709	-	-	-	709
Books and catalogues	265	-	-	-	265
Other revenues	-	137	77	(202)	12
VAT relating to publications	(276)	-	-	-	(276)
Total sales	**22,619**	**42,251**	**88**	**(5,223)**	**59,735**
Other revenues	533	230	-	-	763
Operating revenues	**23,152**	**42,481**	**88**	**(5,223)**	**60,498**
Non-recurring arbitration income	-	6,792	-	-	**6,792**
Total gross revenues	**23,152**	**49,273**	**88**	**(5,223)**	**67,290**

PUBLISHING

CAIRO EDITORE - CAIRO PUBLISHING

Sales revenues from Group publications, amounting to Euro 15.2 million, were down 9.5% versus 2010, due also to the lower number of issues of "Settimanale Dipiù" versus 2010 (12 instead of

13), causing a loss in revenues of approximately Euro 0.5 million, the cut price (from Euro 1 to 50 cents) of five issues of “Dipiù TV”, with a loss 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 of approximately Euro 0.1 million.

Group gross advertising revenues, which reached Euro 7.6 million, rose by 4.8% (versus the -2.1% of the magazine advertising market in 1Q11 versus the same period of 2010, when it had dropped by 10.3% versus 2009, *ACNielsen*) versus 1Q10 (Euro 7.2 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” versus 2010 (12 instead of 13), with a drop of approximately Euro 0.2 million in profits and the higher promotional costs for the cut prices made (with a drop of approximately Euro 0.8 million in profits), in 1Q11 gross operating profit (EBITDA) and operating profit (EBIT) in the publishing segment were up 3.1% and 3.5% respectively, reaching Euro 2.7 million and Euro 2.3 million versus 1Q10 (Euro 2.6 and Euro 2.2 million respectively), 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 710,341 copies, “DIPIU’ TV”, with an average ADS circulation of 465,858 copies, and “Diva e Donna”, with an average ADS circulation of 204,267 copies, all three in the twelve months from February 2010 to January 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 2010, gross advertising revenues

generated by the Group’s publications accounted for 33% - an extremely low figure if compared with the revenue breakdown of other major publishing groups – while 67% was generated by direct sales and subscriptions, proof of the high editorial quality of publications;

- weekly magazines, which account for approximately 83% of the total publishing revenues, are sold as single copies and not bundled with other weeklies and/or dailies to bolster sales.

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 Gensis (“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, and CNN), on the Internet mainly for TIMedia (La7.it and La7.tv), Sportitalia (Sportitalia.it) and Turner Broadcasting (Cartoon Network.it, Cnn.com, and Cnnmoney.com), and for the sale of stadium signage and space at the Olimpico in Turin for Torino FC.

In 1Q11, TV advertising revenues (LA7 and LA7d, Sportitalia sports channels and theme channels Cartoon Network, Boomerang, and CNN) and print media revenues (Cairo Editore/Editoriale Giorgio Mondadori and Prima Comunicazione), totalling Euro 54.6 million, were up 31.5% versus 1Q10 (Euro 41.6 million).

Television

In 1Q11, TV advertising revenues (including LA7, LA7d, Sportitalia channels and theme channels Cartoon Network, Boomerang, and CNN), totalling Euro 46.9 million, rose by 37.2% versus 2010.

Specifically, advertising revenues on LA7, amounting to approximately Euro 39.6 million, rose by 30.3% versus 2010 and greatly exceeded the minimum quarterly contractual target (Euro 30 million). In 1Q11, LA7 confirmed the share surge that had started in September 2010 (3.4% average all-day share versus 2.71% in 1Q10).

Advertising revenues on the unencrypted digital channel LA7d, managed as from April 2010, came to approximately Euro 2.1 million and confirmed the minimum quarterly contractual target.

The good results of TV advertising revenues were achieved thanks also to the digital and satellite channels Sportitalia, Sportitalia 2 and Sportitalia 24, which generated in 1Q11 gross revenues of approximately Euro 3.5 million. In 1Q10, advertising sales, which had kicked off in January, had started to come into full swing only from March.

The three-year advertising concession contract (2009-2011) for LA7 signed in November 2008, renewed automatically for three more years if the contractual revenue targets are reached, sets minimum gross advertising revenues of Euro 120 million also in 2011 (target reached in 2009 and greatly exceeded in 2010), with minimum annual guaranteed fees for Telecom Italia Media of Euro 84 million (70%). In return for Cairo's commitment to minimum gross advertising revenues and minimum fees, Telecom Italia Media undertakes to maintain the annual share of LA7 higher than or equal to 3% (with a contribution of the audience share of LA7d – for 2011 alone - within pre-established limits) and higher than or equal to 2.65% in prime time viewing. Should the shares drop below these thresholds, or further contractually established thresholds, Cairo is entitled to reduce the minimum guaranteed payment of Euro 84 million. The contract for the LA7d digital channel sets minimum gross advertising revenues in 2011 of Euro 8 million for a 0.2% share, with minimum guaranteed fees paid on a monthly basis to Telecom Italia Media of Euro 5.6 million.

In December 2010, Telecom Italia Media and Cairo agreed to re-examine the advertising concession contract of 19 November 2008. Specifically, for 2011 and for the possible 2012-2014 three-year period, both set additional annual advertising revenues targets (unguaranteed) with respect to the minimum annual revenues, proportional to the achievement by Telecom

Italia Media of annual targets of share higher than the given 3% for LA7 alone share. Cairo's achievement of these additional targets, or payment to Telecom Italia Media of equivalent dues, will entitle Cairo to renew the contract up to 31 December 2019. Otherwise, Telecom Italia Media is authorized to withdraw from the contract.

Based on the order book as at 11 May 2011 for advertising aired and to be aired on LA7 in the April-May two-month period, the minimum contractual revenue target for this period, equal to Euro 22.8 million, and the revenues achieved in the same period of 2010 (Euro 23.5 million) have already been exceeded, respectively by over 34% and 30.2%.

Mention must be made that in August 2010, Cairo Communication filed a new arbitration against Telepiù to assess a breach by Telepiù of the contract under which it had transferred to the Company the entire share capital of Telepiù Pubblicità S.r.l. (renamed Cairo TV S.p.A.), as a result of the termination of the concession contract through act and default of Telepiù, and for the damages suffered by Cairo Communication as acquirer of Cairo TV. The Board of Arbitrators was formed on 5 November 2010 and is composed by prof. avv. Gerardo Broggini (president), prof. avv. Francesco Benatti (arbitrator appointed by the Company), and prof. avv. Vincenzo Roppo (arbitrator appointed by Telepiù). The meeting on 27 January set the terms for the briefs, with the final hearing scheduled on 11 May 2011 where, following the oral procedure, the Board reserved to file the arbitration award by 4 October 2011.

Print media

As previously mentioned, Group magazine advertising revenues, amounting to Euro 7.6 million, were up 4.8% (versus the -2.1% of the magazine advertising market in the 1Q11 versus the same period of 2010, when it had **shed** 10.3% versus 2009, *ACNielsen*) versus 1Q10 (Euro 7.3 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 1Q11, 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 1Q11 can be compared with those of 1Q10:

	31/03/2011 (Quarter)	31/03/2010 (Quarter)		
(€ thousands)		Current operations	Non-recurring income	Total
Sales	32,742	30,481	-	30,481
Advertising agency discounts	-	-	-	-
Other revenues	21	213	-	213
Non-recurring income from Telepiù arbitration	-	-	9,944	9,944
Total revenues	**32,763**	**30,694**	**9,944**	**40,638**
Cost of sales	(30,547)	(28,533)	-	(28,533)
Personnel costs	(619)	(556)	-	(556)
Gross operating profit (EBITDA)	**1,597**	**1,605**	**9,944**	**11,549**
Amortization, depreciation, provisions and write-downs	(54)	(61)	-	(61)
Operating profit (EBIT)	**1,543**	**1,544**	**9,944**	**11,488**
Net financial income	149	45	-	45
Impairment of investments	-	-	-	-
Pre-tax profit	**1,692**	**1,589**	**9,944**	**11,533**
Income tax	(554)	(562)	(3,122)	(3,684)
Net profit from continuing operations	**1,138**	**1,027**	**6,822**	**7,849**
Net profit / (loss) from discontinued operations	(3)	(7)	-	(7)
Net profit	**1,135**	**1,020**	**6,822**	**7,842**

In 1Q11 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 1Q11, however, by the sharp rise in TV advertising revenues.

In 1Q11**,** looking at current operations

- gross revenues were approximately Euro 32.8 million (Euro 30.7 million in 1Q10), which comprise operating revenues of Euro 32.78 million and other revenues of Euro 0.02 million, up 6.7% overall versus 1Q10;
- gross operating profit (EBITDA) of the Parent Company, amounting to approximately Euro 1.6 million, was in line with the figure of 1Q10 (Euro 1.6 million),
- operating profit (EBIT), amounting to approximately Euro 1.5 million, was in line with the figure of 1Q10 (Euro 1.5 million),
- net profit came to approximately Euro 1.1 million (Euro 1 million in 2010).

In the schedules of the Parent Company income statement of 1Q10 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.

Including non-recurring income, in 1Q11 gross operating profit (EBITDA) was approximately Euro 11.5 million, operating profit (EBIT) was approximately Euro 11.5 million, and net profit was Euro 7.8 million.

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

(€ thousands)	**31/03/2011**	**31/03/2010**
Statement of comprehensive income of Parent Company		
Net profit	1,135	7,842
Loss from valuation of investments available for sale	(344)	(130)
Total statement of comprehensive income	**791**	**7,712**

As mentioned for consolidated figures, loss from valuation of investments available for sale refers to the fair value measurement of the book value of the investment in the listed company Dmail Group (a share price of Euro 2.47 as at 31 March 2011).

9. Balance sheet figures of the Parent Company

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

(€ thousands)	31/03/2011	31/12/2010
Balance sheet		
Property, plant and equipment	325	352
Intangible assets	140	151
Investments	15,598	15,941
Other non-current assets	399	399
Net current assets	22,396	22,234
Total assets	**39,858**	**39,077**
Non-current borrowings and provisions for liabilities	878	837
(Net financial position)/Net borrowings	(32,793)	(32,742)
Net equity	71,773	70,982
Total equity and liabilities	**39,858**	**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. As at 31 March 2011, this amount was still included in capital reserves.

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

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

(€ thousands)	31/03/2011	31/12/2010	Change
Cash and cash equivalents	32,714	32,663	51
Escrow account held with Telepiù	-	-	-
Marketable securities	79	79	-
Total	**32,793**	**32,742**	**51**

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 1Q11, with the controlling company (U.T. Communications) and with its subsidiaries, the 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 sponsorships packages. This contract resulted in the payment of Euro 0.6 million to the grantor against net income of Euro 0.7 million, while Cairo Pubblicità earned further commissions of Euro 8 thousand;
- the contract between Cairo Communication S.p.A. and Torino F.C. for the provision of administrative services such as bookkeeping, which sets a quarterly fee of Euro 25 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 25 thousand in the period;
- the purchase (with recourse) by Cairo Pubblicità of receivables due to Torino FC from Dahlia TV for a total of Euro 300 thousand, accrued by Torino under a sponsorship contract promoted by Cairo Pubblicità.

12. Significant events after the quarter and management outlook

After the reporting period, the Shareholders' Meeting of 28 April 2011:

- appointed, for a three-year period, with term expiring upon approval of the financial statements as at 31 December 2013, based on the single list submitted by the majority shareholder UT Communications S.p.A., the Board of Directors of the Company, composed of:
  - three executive directors: Chairman Dott. Urbano Cairo, Dott. Uberto Fornara and Dott. Marco Pompignoli,
  - two non-executive directors: Avv. Antonio Magnocavallo and Dott. Roberto Cairo and
  - three independent directors: Avv. Marco Janni, Dott. Mauro Sala and Dott. Roberto Rezzonico;
- appointed, for a three-year period, until approval of the financial statements as at 31 December 2013, based on the single list submitted by the majority shareholder UT Communications S.p.A., the Board of Auditors, composed of the three statutory auditors Dott. Marco Moroni (Chairman), Dott.ssa Maria Pia Maspes and Dott. Marco Giuliani, and two alternate auditors, Dott. Mario Danti and Dott. Enrico Tamborini;
- upon motivated proposal of the Board of Auditors, appointed KPMG S.p.A. as the Audit Firm, also approving its fee.

On 3 May 2011, the Board of Directors also:

- assessed, with the Board of Auditors, compliance with the independence requirements prescribed by art. 148, paragraph 3 of Legislative Decree n. 58 of 24 February 1998, and with subsequent requirements of the Corporate Governance Code issued by Borsa Italiana S.p.A., of independent directors avv. Marco Janni, dott. Roberto Rezzonico and dott. Mauro Sala;
- assigned:
  - to Chairman dott. Urbano Cairo, the main executive and management powers (with the exception of, *inter alia*, significant transactions and related party transactions of greater importance);
  - to CEO dott. Uberto Fornara, the powers to manage and develop advertising sales, as well as the sales network staff involved;
  - to dott. Marco Pompignoli, the task of overseeing and supervising Group administration, finance and management control functions;
- approved the guidelines to conduct significant transactions and to treat classified information;
- appointed:
  - the members of the Compensation Committee, composed of non-executive directors avv. Antonio Magnocavallo, Chairman, dott. Roberto Rezzonico (independent), and avv. Marco Janni (independent),
  - the members of the Audit Committee, composed of non-executive directors dott. Roberto Rezzonico (independent), Chairman, dott. Mauro Sala (independent) and avv. Antonio Magnocavallo,
  - the members of the Related Parties Committee, composed of the three independent directors avv. Marco Janni, Chairman, dott. Roberto Rezzonico and dott. Mauro Sala;
  - avv. Marco Janni as Lead independent director.

In particular, the Board, regarding the assessment of the independence requirements of avv. Marco Janni and dott. Roberto Rezzonico (who have been directors of the Company for more than nine years in the last twelve), and of dott. Mauro Sala (who has been auditor of the Company for more than nine years in the last twelve), with the abstention of the persons involved, in consideration of the persistence of the independence requirements under art. 148, paragraph 3 of the Consolidated Finance Act, and non-persistence of the most common cases that are indicative of absence of independence listed in application criterion 3.C.1 of the Corporate Governance Code (letters from a) to h), with the exception of the case referred to in sub e), given the non-binding nature of the foregoing application criteria for the purposes of attributing the qualification of independence – considering the absence, broadly speaking, of objective and unequivocal cases in fact proving the existence of specific relations with the Issuer or with subjects associated with the Issuer (such as, for instance, the majority shareholder, etc.) and, in particular:

(i) the absence of business, professional or personal relations between avv. Janni, dott Rezzonico and dott. Sala, on the one side, and the Issuer, and companies belonging to the same group and the controlling partner, on the other, and

(ii) the acknowledged professional qualities and integrity of the directors in question, who are renowned professionals with their own practice;

(iii) the small incidence of compensation established by the Shareholders' Meeting for the Board of Directors, inclusive of compensation for participation of a number of directors in committees prescribed by law and regulations, on the total remuneration of the foregoing directors;

(iv) taking also into account the Company's interest to still avail itself of the directors' professional qualities, specific experience and deep knowledge of its inner workings, gained during their tenure,

after acknowledging the relevant opinion expressed, upon the Company's request, by prof. Matteo Rescigno (full professor of business law at the University of Milan), confirmed the persistence of the independence requirements of the foregoing directors. The Board of Auditors, after taking note, verified the proper application of the criteria adopted by the Board of Directors to assess the independence of its members.

As already explained, in 1Q11, uncertainty continued to loom over the short and medium-term economic landscape. To date, despite signs of recovery seen in 2010, especially in the TV advertising market, there remains uncertainty over the period required for a return to normal market conditions. According to AC Nielsen data, advertising investments in Italy during the 1Q11 came to approximately Euro 2.1 billion, dropping by 3.2% versus the previous year (in particular, the magazine advertising market fell by -2.1%, while the TV advertising market lost

-2.9% versus the 1Q10.

Against such a harsh backdrop, in 1Q11 the Group's operating results were much brighter than those of 1Q10, thanks to the high quality of its publications and of the media under concession and to its corporate and editorial strategy, which helped implement cost-curbing measures to increase the effectiveness and efficiency of production, publishing and distribution processes.

In 2011 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 levels of efficiency achieved by containing 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 strong rise in the share of LA7.

As previously mentioned, starting from September 2010, LA7 audience figures shot up, confirming the shares in the January-March 2011 three-month period (3.4% average all-day share versus 2.71% in 1Q10), 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 1Q11 peaked to 10% (8.41% average share in the January-March 2011 three-month period versus 2.4% in the same period of 2010), gaining 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" (5.55% average share versus 3.72% in 1Q10), "Otto e mezzo" (5.78% average share versus 2.98% in 1Q10), "Omnibus" and "Le invasioni barbariche".

Based on the order book as at 11 May 2011 for advertising aired and to be aired on LA7 in the April-May two-month period, equal to Euro 30,6 million, the minimum contractual revenue target for this period, equal to Euro 22.8 million, and the revenues achieved in the same period of 2010 (Euro 23.5 million) have already been exceeded respectively by over 34% and 30.2%.

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

Chairman of the Board of Directors

Dott. Urbano Cairo

Declaration, under art 154-bis paragraph 2 of Legislative Decree 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