CAIRO COMMUNICATION

Interim Management Report at 31 March 2012

Cairo Communication S.p.A.
Head Office
Via Tucidide 56, Milan
Share Capital Euro 4,073,856.80

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

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

Internal Control Committee

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

Remuneration Committee

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

Related Party Committee

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

Board of Statutory Auditors

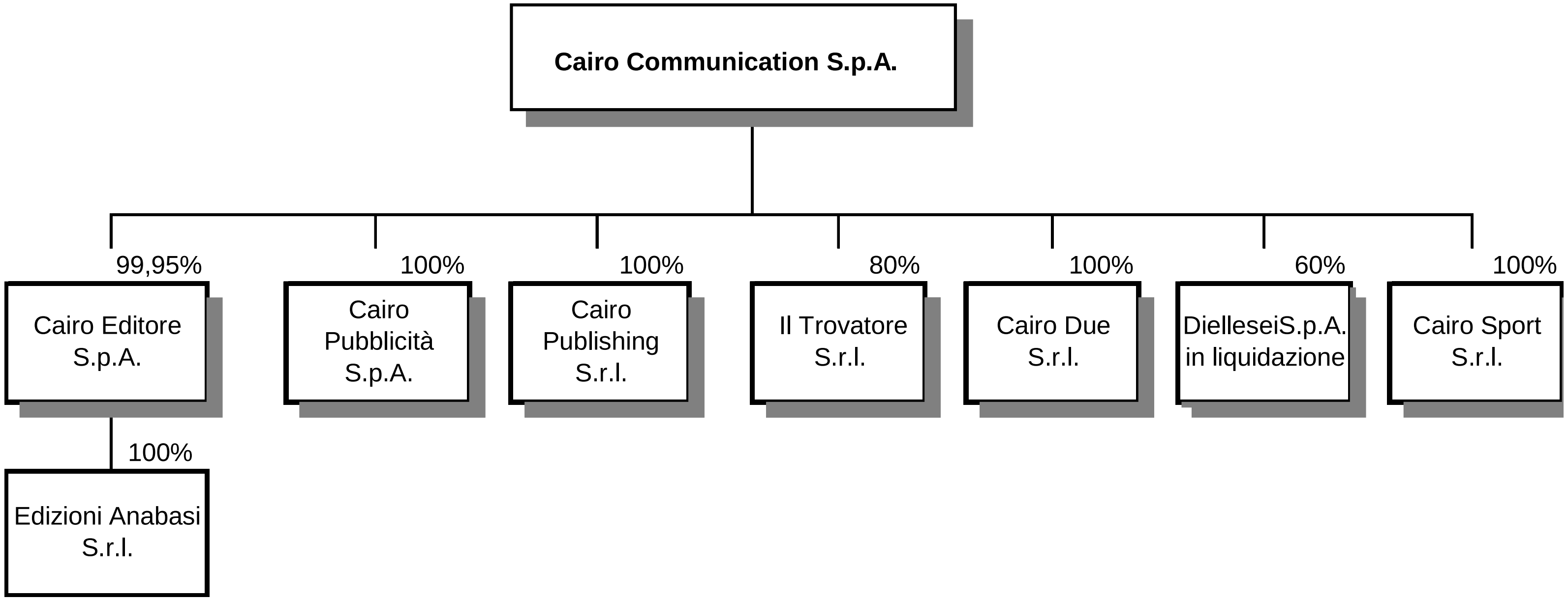
Dott. **Marco Moroni**	Chairman
Dott. **Marco Giuliani**	Standing auditor
Dott.ssa **Maria Pia Maspes**	Standing auditor
Dott. **Mario Danti**	Alternate auditor
Dott. **Enrico Tamborini**	Alternate auditor

Audit Firm

KPMG S.p.A.

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

The Group at 31 March 2012



1. Valuation principles and criteria adopted in preparing the interim management report as at 31 March 2012

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

The consolidated income statement figures and the income statement figures of the Parent Company referring to 1Q12 are shown versus 1Q11. 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 2011.

The quarterly financial statements as at 31 March 2012 herein have been prepared net of tax and tax effects.

During 1Q12, the consolidation scope remained unchanged versus 31 December 2011.

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

The 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:

<u>Profit from continuing operations, pre-tax</u>

+/- Net finance income

+/- Share in associates

<u>EBIT- Operating profit</u>

+ Amortization and depreciation

+ Bad debt impairment losses

+ Provisions for risks

<u>EBITDA - Operating profit, before amortization, depreciation, write-downs and impairment losses.</u>

The Cairo Communication Group also considers **net financial position** as a valid indicator of the Group's ability to meet financial obligations, both current and future. As seen in the table included in this report, which details the equity figures used for the calculation of Group net financial position, this figure includes cash and other cash equivalents, bank deposits, securities and other current financial assets, reduced by current and non-current bank borrowings.

2. Group performance

In 1Q12, 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 a publisher of electronic content (Il Trovatore).

Starting from the second half of 2011, the short and medium-term economic situation began to deteriorate - reflecting the overall economic-financial scenario - the effects of which still linger on in 2012. To date, there remains uncertainty over the period required for a return to normal market conditions.

According to the latest *AC Nielsen* data available at the date of approval of this report, which is February 2012, advertising investments in Italy in the first two months of 2012 amounted to approximately Euro 1.2 billion, dropping by 5.7% versus the previous year. Nielsen's analysis by media shows that in the January-February two-month period of 2012:

- the magazine advertising market dropped by 11% versus 2011, when it had slid in that same period by 4.3% versus 2010,
- the TV advertising market, instead, fell by 6.9% versus 2011, when in the same two-month period it had dropped by 0.5% versus 2010.

Despite this backdrop, in 1Q12 the Cairo Communication Group:

- with the launch of "Settimanale Nuovo" and the study of a forthcoming women's weekly, has returned to 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, and
- has strengthened its results versus the same period last year, despite the costs incurred for the new projects.

In October 2011, Cairo Editore chose Riccardo Signoretti and Marisa Deimichei as the editors-in chief of two new weeklies.

"Settimanale Nuovo", led by Riccardo Signoretti, debuted on newsstands on 19 January 2012. The first 14 issues (with the first two at a launch price of 50 cents) posted average sales of approximately 335 thousand copies, a highly satisfying result that even beats forecasts (which were roughly 200 thousand copies). Overall costs for the launch - supported by an advertising campaign on TV and on newsstands - and for the planning phase of the women's weekly, amounted in the quarter to approximately Euro 1.8 million.

In 1Q12, consolidated gross operating profit (EBITDA) amounted to approximately Euro 7.5 million (+15%), while operating profit (EBIT) came to approximately Euro 6.7 million (+19.4%). Profit attributable to the owners of the parent came to approximately Euro 4.7 million.

The result in 1Q12 was positively impacted by the acknowledgment of a subsidy of Euro 0.9 million received by Cairo Editore ("paper subsidy"), under the 2011 Stability Law as "aid to the publishing industry" and recognized as a tax credit.

Looking at each business segment in 1Q12:

- for **publishing**, gross operating profit (EBITDA) and operating profit (EBIT) amounted to Euro 2.7 million and Euro 2.4 million versus Euro 2.7 million and Euro 2.3 million in 1Q11, despite the costs incurred to support the launch of "Settimanale Nuovo" and for the planning phase of the new women's weekly (Euro 1.8 million), and for higher advertising-promotional investments to support the publications versus the same period last year (Euro 0.6 million),
- for **advertising**, gross operating profit (EBITDA) and operating profit (EBIT) from current operations increased versus the previous year to Euro 4.9 million and Euro 4.4 million respectively, attributable mainly to the increase in advertising revenue (+23.9% overall).

  Advertising sales on LA7, approximately Euro 51.8 million, were up 30.7% versus 1Q11. In 1Q12, LA7 audience figures confirmed the good results of the same period last year (3.37% average all-day share versus 3.4% in 2011).

3. Consolidated income statement figures

The main **consolidated income statement figures** in 1Q12 can be compared as follows with those of 1Q11:

(€ thousands)	**31/03/2012 (Quarter)**	**31/03/2011 (Quarter)**
Gross operating revenue	87,215	71,626
Advertising agency discounts	(10,101)	(8,006)
Net operating revenue	**77,114**	**63,620**
Change in inventory	26	(100)
Other income	1,423	564
Total revenue	**78,563**	**64,084**
Production cost	(64,992)	(52,047)
Personnel expense	(6,048)	(5,497)
Gross operating profit (EBITDA)	**7,523**	**6,540**
Amortization, depreciation, provisions and impairment losses	(800)	(910)
Operating profit (EBIT)	**6,723**	**5,630**
Net finance income	387	247
Income (loss) on investment	(167)	-
Pre-tax profit	**6,943**	**5,877**
Income tax	(2,203)	(2,114)
Non-controlling interests	-	-
Profit from continuing operations attributable to the owners of the parent	**4,740**	**3,763**
Net profit (loss) from discontinued operations	-	(3)
Loss from discontinued operations attributable to non-controlling interests	-	-
Profit/(loss) from discontinued operations attributable to the owners of the parent	**-**	**(3)**
Profit attributable to the owners of the parent	**4,740**	**3,760**

In 1Q12, consolidated gross revenue amounted to approximately Euro 88.6 million (Euro 72.2 million in 1Q11), which comprises operating revenue of Euro 87.2 million and other revenue of Euro 1.4 million, up by 22.8% overall versus 2011, thanks also to revenue generated by the new weekly “Settimanale Nuovo” (approximately Euro 3.4 million).

Consolidated gross operating profit (EBITDA), amounting to approximately Euro 7.5 million, was up 15% versus 1Q11 (Euro 6.5 million), while consolidated operating profit (EBIT), amounting to approximately Euro 6.7 million, increased by 19.4% versus 1Q11 (Euro 5.6 million). Profit attributable to the owners of the parent from current operations came to approximately Euro 4.7 million, rising by 26% versus 1Q11 (Euro 3.8 million).

As illustrated in the following notes on *“revenue performance”* in the publishing segment, “other income” includes the “paper subsidy” of Euro 0.9 million received by Cairo Editore, under the 2011 Stability Law as “aid to the publishing industry” and recognized as a tax credit.

Income (loss) on investment refers to the effect of the measurement of the investment in the associate Dmail Group S.p.A. using the equity method.

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

(€ thousands)	**31/03/2012 (Quarter)**	**31/03/2011 (Quarter)**
Consolidated statement of comprehensive income		
Profit attributable to the owners of the parent	**4,740**	**3,760**
Loss on measurement of available-for-sale financial assets	0	(344)
Total comprehensive income	**4,740**	**3,416**

For a better understanding, Group performance in 1Q12 has been split up by **core business segment** (publishing, advertising and Il Trovatore), comparing the figures with those of 1Q11.

31/03/2012 (Quarter) (€ thousands)	**Publishing**	**Advertising**	**Trova-tore**	**Unallocated opera-tions**	**Intra-group**	**Total**
Gross operating revenue	25,347	69,031	92	-	**(7,255)**	87,215
Advertising agency discounts	-	(10,101)	-	-	-	(10,101)
Net operating revenue	**25,347**	**58,930**	**92**	**-**	**(7,255)**	**77,114**
Change in inventory	26	-	-	-	-	26
Other income	1,376	47	-	-	-	1,423
Total revenue	**26,749**	**58,977**	**92**	**-**	**(7,255)**	**78,563**
Production cost	(19,585)	(52,580)	(82)	-	7,255	(64,992)
Personnel expense	(4,509)	(1,530)	(9)	-	-	(6,048)
Gross operating profit (EBITDA)	**2,655**	**4,867**	**1**	**-**	**-**	**7,523**
Amortization, depreciation, provisions and impairment losses	(299)	(499)	(2)	-	-	(800)
Operating profit (EBIT)	**2,356**	**4,368**	**(1)**	**-**	**-**	**6,723**
Net finance income	38	349	-	-	-	387
Income (loss) on investment	-	(167)	-	-	-	(167)
Pre-tax profit	**2,394**	**4,550**	**(1)**	**-**	**-**	**6,943**
Income tax	(644)	(1,557)	(2)	-	-	(2,203)
Non-controlling interests	-	-	-	-	-	-
Profit from continuing operations attributable to the owners of the parent	**1,750**	**2,993**	**(3)**	**-**	**-**	**4,740**
Net profit from discontinued operations	-	-	-	-	-	-
Net profit	**1,750**	**2,993**	**(3)**	**-**	**-**	**4,740**

31/03/2011 (Quarter) (€ thousands)	Publishing	Advertising	Trova-tore	Unallocated operations	Intra-group	Total
Gross operating revenue	21,673	55,713	87	-	(5,847)	71,626
Advertising agency discounts	-	(8,006)	-	-	-	(8,006)
Net operating revenue	**21,673**	**47,707**	**87**	**-**	**(5,847)**	**63,620**
Change in inventory	(100)	-	-	-	-	(100)
Other income	473	91	-	-	-	564
Total revenue	**22,046**	**47,798**	**87**	**-**	**(5,847)**	**64,084**
Production cost	(15,394)	(42,433)	(67)	-	5,847	(52,047)
Personnel expense	(3,984)	(1,505)	(8)	-	-	(5,497)
Gross operating profit (EBITDA)	**2,668**	**3,860**	**12**	**-**	**-**	**6,540**
Amortization, depreciation, provisions and impairment losses	(360)	(548)	(2)	-	-	(910)
Operating profit (EBIT)	**2,308**	**3,312**	**10**	**-**	**-**	**5,630**
Net finance income	46	201	-	-	-	247
Income on investment	-	-	-	-	-	-
Pre-tax profit	**2,354**	**3,513**	**10**	**-**	**-**	**5,877**
Income tax	(926)	(1,181)	(7)	-	-	(2,114)
Non-controlling interests	-	-	-	-	-	-
Profit from continuing operations attributable to the owners of the parent	**1,428**	**2,332**	**3**	**-**	**-**	**3,763**
Loss from discontinued operations	-	-	-	(3)	-	(3)
Net profit	**1,428**	**2,332**	**3**	**(3)**	**-**	**3,760**

4. Consolidated balance sheet figures

The main **consolidated balance sheet figures** as at 31 March 2012 can be compared versus the situation as at 31 December 2011:

(€ thousands)	31/03/2012	31/12/2011
Balance sheet		
Property, plant and equipment	2,993	2,724
Intangible assets	9,228	9,282
Financial assets	1,373	1,540
Deferred tax assets	4,568	4,734
Net current assets	(16,103)	(3,170)
Total assets	**2,059**	**15,110**
Non-current borrowings and provisions	5,901	6,081
(Net financial position)/Net debt	(72,315)	(54,701)
Equity attributable to the owners of the parent	68,470	63,727
Equity attributable to non-controlling interests	3	3
Total equity and liabilities	**2,059**	**15,110**

The Shareholders' Meeting of 26 April 2012 approved the distribution of a dividend of 0.30 Euro per share, inclusive of tax, of which Euro 0.15 per share already distributed as an interim dividend under the resolution adopted by the Board of Directors on 30 November 2011. The balance of the dividend, amounting to Euro 0.15 per share for a total of Euro 11.7 million, was distributed with detachment date on 7 May 2012 and made payable on 10 May 2012. As at 31 March 2012, such amount was still included in capital reserves.

In 2012, as part of the share buy-back plans, no treasury shares were purchased or sold. As at 31 March 2012, Cairo Communication held a total of n. 371,326 treasury shares, or 0.474% of the share capital, subject to the requirements of art. 2357-ter of the Italian Civil Code.

An analysis of the financial position of the Group 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 and can finance its current operations.

The Cairo Communication Group:

- is not exposed to liquidity risk, in that on one hand, significant financial resources are held with a net available positive financial position of Euro 72.3 million whilst, on the other hand, the Group attempts to ensure that an appropriate ability to generate cash is maintained, even under the current market conditions,
- 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, a risk 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. The uncertainty factors in the short and medium term may of course impact negatively on the quality of credit and on general payment terms.

5. Variation in the consolidated net financial position

The consolidated **net financial position** as at 31 March 2012, compared with the situation as at 31 December 2011, can be summarized as follows:

(€ thousands)	**31/03/2012**	**31/12/2011**	**Change**
Cash and other cash equivalents	72,315	54,701	17,614
Current financial assets	-	-	-
Total	**72,315**	**54,701**	**17,614**

6. Segment revenue and performance

Gross operating revenue in 1Q12, split up by core business (publishing, advertising brokerage and Il Trovatore), can be analyzed and compared with the figures of 1Q11:

Gross revenue (€ thousands)	**Interim management report at 31/03/2012 (three months)**				
	Publishing	**Advertising**	**Trovatore**	**Intra-group eliminations**	**Total**
Magazine over-the-counter sales	17,526	-	-	-	17,526
Print media advertising sales	7,077	8,311	-	(7,050)	8,338
TV advertising sales	-	59,701	-	-	59,701
Stadium signage	-	502	-	-	502
Internet advertising	-	367	12	-	379
Subscriptions	776	-	-	-	776
Books and catalogues	256	-	-	-	256
Other revenue	-	150	80	(205)	25
VAT relating to publications	(288)	-	-	-	(288)
Total gross operating revenue	**25,347**	**69,031**	**92**	**(7,255)**	**87,215**
Other revenue	1,376	47	-	-	1,423
Total revenue	**26,723**	**69,078**	**92**	**(7,255)**	**88,638**

Gross revenue (€ thousands)	**31/03/2011 (three months)**				
	Publishing	**Advertising**	**Trovatore**	**Intra-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 revenue	-	151	80	(206)	25
VAT relating to publications	(251)	-	-	-	(251)
Total gross operating revenue	**21,674**	**55,712**	**87**	**(5,847)**	**71,626**
Other revenue	473	91	-	-	564
Total revenue	**22,147**	**55,803**	**87**	**(5,847)**	**72,190**

PUBLISHING

CAIRO EDITORE - CAIRO PUBLISHING

As mentioned earlier, in 2012 Cairo Editore, with the launch of “Settimanale Nuovo” on 19 January 2012, and the study of a forthcoming women's weekly, has returned to 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.

“Settimanale Nuovo”, led by Riccardo Signoretti, with the first 14 issues (with the first two at a launch price of 50 cents) posted average sales of approximately 335 thousand copies, a highly satisfying result that even beats forecasts (which were roughly 200 thousand copies). In 1Q12 it generated circulation and advertising revenue of Euro 2.5 million and Euro 0.9 million respectively, and was the main engine of growth in circulation and advertising revenue in the publishing segment of the Group during the period.

Looking at revenue in 1Q12

- sales from Group publications, amounting to Euro 17.5 million, rose by 14.9% versus 1Q11 (Euro 15.3 million),
- Group gross advertising revenue, which reached Euro 8.1 million, was up 7.2% versus 1Q11 (Euro 7.6 million),
- Cairo Editore was acknowledged the right to receive a subsidy, recognized under “other income”, of Euro 0.9 million, as set out in the 2011 Stability Law (article 1, paragraph 40, law n. 220 of 13 December 2010), which had allocated Euro 30 million for the refinancing of “extraordinary measures in support of the publishing industry”, specifically acknowledging a tax credit to the publishers of dailies, magazines and books, equivalent to a percentage of costs incurred for the purchase of paper used to print publications and books. The circular dated 29 December 2011 from the Information and Publishing Department of the Presidency of the Council of Ministers, published in State Gazette n. 12 on 16 January 2012, laid down the implementation provisions to access the tax credit, associating it with the costs incurred for the purchase of paper in 2011, with the exclusion of paper used for the publishing of adverts. On 27 March 2012, the Presidency of the Council of Ministers confirmed the acknowledgement to Cairo Editore of a tax credit of Euro 922 thousand.

In 1Q12, <u>gross operating profit</u> (EBITDA) and <u>operating profit</u> (EBIT) in the publishing segment came to Euro 2.7 million and Euro 2.4 million respectively, basically in line with the Euro 2.7 million and Euro 2.3 million in 1Q11, despite the costs incurred to support the launch of

"Settimanale Nuovo" and for the planning phase of the new women's weekly (Euro 1.8 million), and for higher advertising-promotional investments to support the publications versus the same period last year (Euro 0.6 million).

These results were achieved thanks also to the increased levels of efficiency achieved in previous periods, confirmed during the year, to curb production, publishing and distribution costs.

"Settimanale DIPIU", Italy's second bestselling magazine, with an average ADS circulation of 666,512 copies, "DIPIU' TV", with an average ADS circulation of 429,898 copies, and "Diva e Donna", with an average ADS circulation of 197,958 copies, all three in the 12 months from February 2011 to January 2012, 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. Specifically:

- cover prices of the weeklies are lower, some half the price, of those of the 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 impact (about 2% on total publishing revenue, including advertising) of revenue generated by gadgets and collaterals, whose sales figures of late have collapsed in the publishing segment; the Group has opted to focus on the quality of its publications; in 2011, gross advertising revenue generated by the Group's publications accounted for 36% - an extremely low figure if compared with the revenue breakdown of other major publishing groups, therefore based to a lesser extent on the economic cycle – while 64% was generated by direct sales and subscriptions, proof of the high editorial quality of publications;

- weekly magazines, which account for approximately 89% of the total publishing revenue, are sold as single copies and not bundled with other weeklies and/or dailies to bolster sales;

- the remarkable sales volumes achieved, both in absolute terms and versus Cairo's competitors, make the advertising pages appealing in terms of advertising cost per copy sold (equal to the difference between the price of the advertising page and copies sold), currently lower than the publications of its competitors.

ADVERTISING

In 1Q12, 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", "TV Mia" and "Settimanale Nuovo"), 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, and 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 1Q12, advertising revenue, totaling Euro 69 million, was up 23.9% versus 1Q11 (Euro 55.7 million).

In 1Q12, gross operating profit (EBITDA) and operating profit (EBIT) in the advertising segment increased versus 1Q11 to Euro 4.9 million and Euro 4.4 million respectively (Euro 3.9 million and Euro 3.3 million respectively in 1Q11).

Television

In 1Q12, TV advertising revenue (including LA7, LA7d, Sportitalia channels and theme channels Cartoon Network, Boomerang, and CNN), totaling Euro 59.7 million, rose by 27.4% overall versus 2011 (*ACNielsen*, -6.9% the TV advertising market in the January-February two-month period of 2012 versus the same period of 2011).

Specifically, advertising revenue on LA7, amounting to approximately Euro 51.8 million, rose by 30.7% versus 2011. As mentioned earlier, in 1Q12 LA7 audience figures confirmed the good results of the same period last year (3.37% average all-day share versus 3.4% in 2011).

Based on the order book as at 9 May 2012 for advertising aired and to be aired on LA7 and LA7d in the April-May two-month period, amounting to Euro 34.9 million, the revenue achieved in the same two-month period of 2011 (Euro 32.6 million) has already been exceeded by 7%.

Print media

In 1Q12, Group magazine gross advertising revenue, amounting to Euro 8.1 million, was up 7.2% versus 1Q11 (*ACNielsen*, -11% the magazine advertising market in the January-February two-month period of 2012 versus the same period of 2011), thanks to revenue generated by the new weekly "Settimanale Nuovo" (Euro 0.9 million).

IL TROVATORE

In 1Q12, Il Trovatore continued operations, providing technological services mainly to Group companies, as well as managing its search engine.

7. Income statement figures of the Parent Company

The main **income statement figures of the Parent Company** in 1Q12 can be compared with those of 1Q11:

(€ thousands)	31/03/2012 (Quarter)	31/03/2011 (Quarter)
Gross operating revenue	42,835	32,742
Advertising agency discounts	-	-
Net operating revenue	**42,835**	**32,742**
Other income	11	21
Total revenue	**42,846**	**32,763**
Production cost	(39,256)	(30,547)
Personnel expense	(677)	(619)
Gross operating profit (EBITDA)	**2,913**	**1,597**
Amortization, depreciation, provisions and impairment losses	(53)	(54)
Operating profit (EBIT)	**2,860**	**1,543**
Net finance income	268	149
Income on investment	-	-
Pre-tax profit	**3,128**	**1,692**
Income tax	(1,008)	(554)
Non-controlling interests		
Profit from continuing operations	**2,120**	**1,138**
Loss from discontinued operations	-	(3)
Profit	**2,120**	**1,135**

In 2012 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 revenue generated by resources managed on a sub-concession basis.

Specifically, in 1Q12:

- gross revenue was approximately Euro 42.8 million (Euro 32.8 million in 2011);
- gross operating profit (EBITDA) of the Parent Company, amounting to approximately Euro 2.9 million, grew versus the figure of 2011 (Euro 1.6 million);
- operating profit (EBIT), amounting to approximately Euro 2.9 million, grew versus the figure of 2011 (Euro 1.5 million);
- profit came to approximately Euro 2.1 million (Euro 1.1 million in 2011).

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

(€ thousands)	**31/03/2012 (Quarter)**	**31/03/2011 (Quarter)**
Statement of comprehensive income of the Parent Company		
Profit	**2,120**	**1,135**
Loss on measurement of available-for-sale financial assets	0	(344)
Total statement of comprehensive income	**2,120**	**791**

8. Balance sheet figures of the Parent Company

The main **balance sheet figures** of Cairo Communication S.p.A. as at 31 March 2012 can be compared with the situation as at 31 December 2011:

(€ thousands)	**31/03/2012**	**31/12/2011**
Balance sheet		
Property, plant and equipment	530	376
Intangible assets	159	124
Financial assets	15,169	15,169
Other non-current assets	399	399
Net current assets	(3,631)	7,709
Total assets	**12,626**	**23,777**
Non-current borrowings and provisions	935	910
(Net financial position)/Net debt	(50,772)	(37,476)
Equity	62,463	60,343
Total assets and liabilities	**12,626**	**23,777**

As illustrated in the notes to the consolidated balance sheet, the Shareholders' Meeting of 26 April 2012 approved the distribution of a dividend of 0.30 Euro per share, inclusive of tax, of which Euro 0.15 per share already distributed as an interim dividend under the resolution adopted by the Board of Directors on 30 November 2011. The balance of the dividend, amounting to Euro 0.15 per share for a total of Euro 11.7 million, was distributed with detachment date on 7 May 2012 and made payable on 10 May 2012. As at 31 March 2012, such amount was still included in capital reserves.

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

The **net financial position** of the Parent Company as at 31 March 2012, compared with the situation as at 31 December 2011, is summarized as follows:

(€ thousands)	31/03/2012	31/12/2011	Change
Cash and cash equivalents	50,772	37,476	13,296
Current financial assets	-	-	-
Total	**50,772**	**37,476**	**13,296**

10 Relations with controlling and subsidiary companies

Related party transactions in the period, including intra-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 2012, 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 in 1Q12 of Euro 0.4 million to the concession holder against total revenue of Euro 0.5 million, net of agency discounts. Cairo Pubblicità earned further commissions of Euro 16 thousand;
- the contract between Cairo Communication S.p.A. and Torino F.C. for the provision of administrative services such as bookkeeping, which sets an annual consideration of Euro 100 thousand;
- the agreement relating to the purchase of advertising space at the Olimpico football pitch between Cairo Editore and Torino FC, for an annual consideration of Euro 100 thousand.

On 26 April 2012, the Shareholders' Meeting approved the remuneration policy for the year 2012, as illustrated in Section One of the Remuneration Report, drawn up under art. 123-ter of Legislative Decree 58/1998 and art. 84-quater of the Issuers' Regulations and approved by the Board of Directors on 12 March 2012.

On 12 March 2012, the Board of Directors, upon proposal by the Remuneration Committee and with the favourable opinion of the Related Party Committee, under art. 2389, paragraph 3 of the Italian Civil Code, resolved, for 2012, for fees 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.

11 Events after the reporting period and business outlook

As mentioned earlier, starting from the second half of 2011, the short and medium-term economic situation began to deteriorate - reflecting the overall economic-financial scenario - the effects of which still linger on in 2012. To date, there remains uncertainty over the period required for a return to normal market conditions.

According to *AC Nielsen* data, advertising investments in Italy in the January-February two-month period of 2012 amounted to approximately Euro 1.2 billion, dropping by 5.7% versus the same period last year (specifically, -11% the magazine advertising market and -6.9% the TV advertising market versus the same period last year).

Despite this backdrop, in 1Q12 the Cairo Communication Group:

- with the launch of "Settimanale Nuovo" and the study of a forthcoming women's weekly, has returned to 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
- improved current operating results versus 2011, 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 2012, the Cairo Communication Group will continue to develop its core businesses:

- publishing (Cairo Editore and Cairo Publishing), with the aim of:
  - pursuing its growth strategy with the launch, after "Settimanale Nuovo", of a new women's weekly led by Marisa Deimichei, and consolidating the performance of "Settimanale Nuovo" which, as mentioned earlier, with its 14 issues (with the first

two at a launch price of 50 cents), posted average sales of approximately 335 thousand copies, a highly satisfying result that even beats forecasts (which were roughly 200 thousand copies),

  - maintaining the high circulation levels of its publications and continuing to improve the efficiency standards reached in curbing production, publishing and distribution costs;

- 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 revenue thanks also to the new weeklies, to the advertising sales prospects on LA7 channel, which is confirming the important share levels achieved in 2011, and to the remarkable distribution volumes achieved by the Group’s publications, both in absolute terms and versus the Group’s competitors.

Looking at the advertising segment, as mentioned earlier, in 1Q12 LA7 audience figures confirmed the good results of the same period last year (3.37% average all-day share versus 3.4% in 2011).

Based on the order book as at 9 May 2012 for advertising aired and to be aired on LA7 and LA7d in the April-May two-month period, amounting to Euro 34.9 million, the revenue achieved in the same two-month period of 2011 (Euro 32.6 million) has already been exceeded by 7%.

Given the high quality of the Group’s publications and the media under concession, and considering the costs incurred for the launch of the new weeklies, an increase in profitability levels in 2012 versus 2011 is considered a feasible target. However, the evolution of the general economic situation could affect the full achievement of these targets.

For the Board of Directors

Chairman of 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