CAIRO COMMUNICATION

Half Yearly Report at 31 March 2007

Cairo Communication SpA
Head office: Via Tucidide 56, Milan, Italy
Share capital: € 4,073,857

Half yearly report at 31 March 2007

Corporate Governance

Board of Directors

Urbano Cairo*	Chairman
Uberto Fornara	CEO
Roberto Cairo	Director
Marco Janni	Director
Antonio Magnocavallo	Director
Marco Pompignoli	Director
Roberto Rezzonico	Director

Board of Auditors

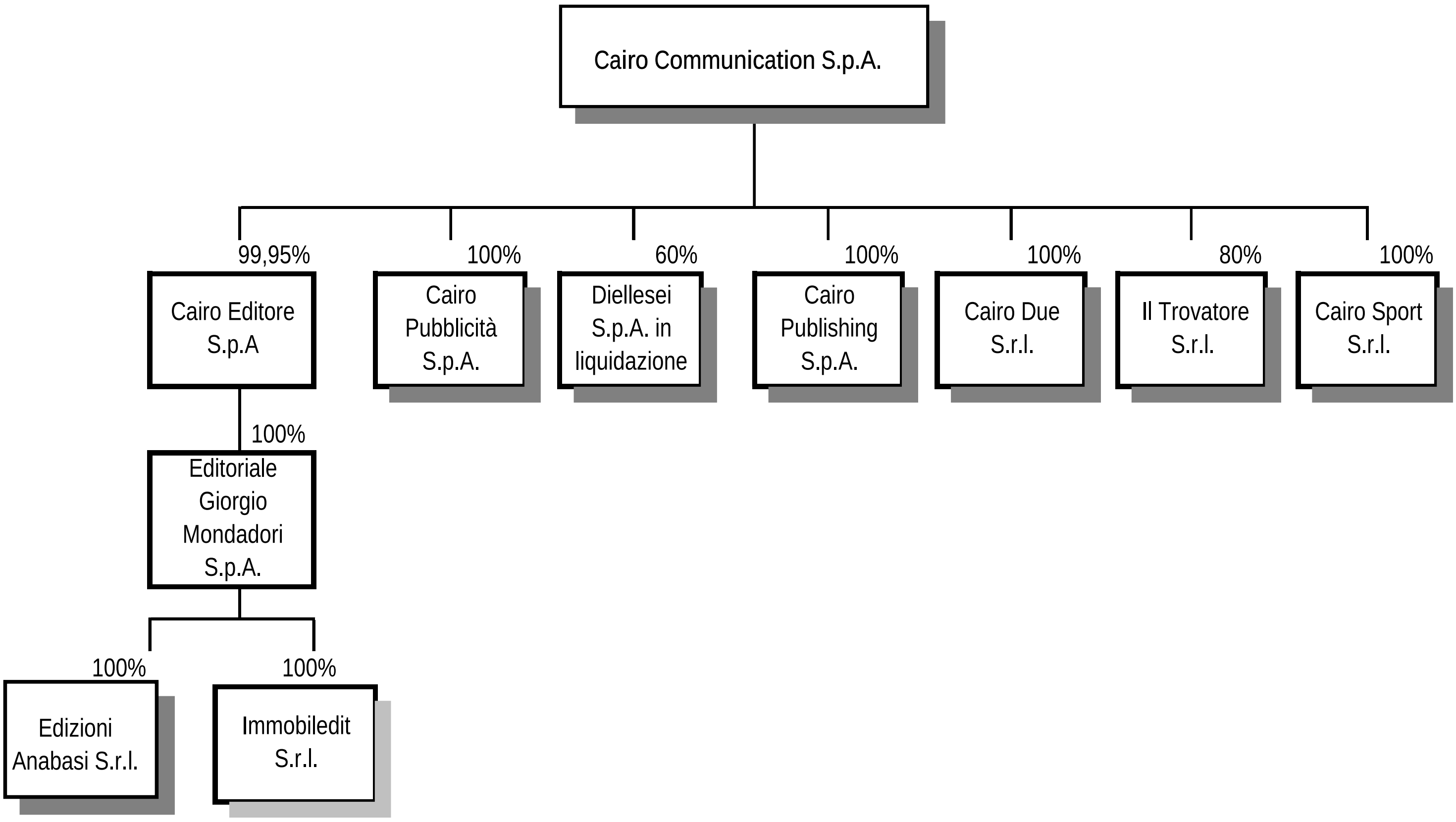
Mauro Sala	Chairman
Marco Baccani	Principal auditor
Maria Pia Maspes	Principal auditor
Mario Danti	Alternate auditor
Ferdinando Ramponi	Alternate auditor

Statutory Auditors

Deloitte & Touche S.p.A.

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

Cairo Communication
Group Structure please change 99, 95 to 99.95



EXECUTIVE SUMMARY

During the 2007 1st half-year, the Cairo Communication Group continued to operate as a publisher of books and magazines (Cairo Editore,, Giorgio Mondadori and Cairo Publishing publishing houses), as a multimedia advertising broker selling advertising time/space on TV networks, in print media and stadia, and as a publisher of Internet content (Il Trovatore), with growth in all these areas on last year's figures.

In our publishing business, the three weekly magazines "Settimanale Di Più", the second best-selling magazine in Italy with an average ADS distribution figures of 789,460 copies, "Di Più TV", with ADS distribution figures of 607,062 copies, and "Diva e Donna", which totalled 239,838 copies, generated revenue at Group level, over the October 2006 – March 2007 six month period, of € 22.8 million (€ 23 million during the same period last year), € 13.4 million (€ 12.4 million during the same period last year), and € 8.5 million (€ 7.8 million during the same period last year), respectively.

Of note, during the January – March 2007 three month period, "Settimanale Di Più", "Di Più TV" and "Diva e Donna" generated revenue at Group level of € 11.1 million (€ 11 million during the same period last year), € 6.7 million (€ 6.2 million during the same period last year), and € 4.4 million (€ 4.4 million during the same period last year), confirming their extraordinary success.

In our advertising business, sales of advertising time over the current half year on the La 7 broadcaster grew 10.8% on last year to € 62.6 million. Of note, during this quarter, sales of advertising time on La 7 totalled € 31.2 million, up 15.5% on the same period last year, despite a fall of 4.7% in the television advertising sales market during the quarter (source: AC Nielsen).

CAIRO COMMUNICATION GROUP - FINANCIAL RESULTS

Cairo Communication Group Consolidated Income Statement

(€ thousands)	31 March 2007 (HY)	31 March 2007 (Q2)	31 March 2007 (HY)	31March 2006 (Q2)
Sales	132,139	63,132	123,993	58,929
Advertising agency discount	(13,296)	(6,316)	(12,165)	(5,584)
Net operating revenues	118,843	56,816	111,828	53,345
Inventory movements	12	120	385	239
Other operating revenues	1,172	867	1,261	727
Operating revenues	**120,027**	**57,803**	**113,474**	**54,311**
Cost of sales	(100,105)	(48,531)	(96,144)	(46,654)
Personnel costs	(9,601)	(5,568)	(9,048)	(4,826)
Gross operating profit (EBITDA)	**10,321**	**3,704**	**8,282**	**2,831**
Depreciation and provision charges	(3,156)	(2,219)	(1,663)	(870)
Operating profit (EBIT)	**7,165**	**1,485**	**6,619**	**1,961**
Net finance income	1,454	810	1,116	549
Investment writedowns	0	0	0	0
Profit before tax	**8,619**	**2,295**	**7,735**	**2,510**
Income tax	(3,983)	(1,274)	(2,411)	(874)
Minority interests	3	(6)	(3)	(1)
Profit from continuing operations – Group share	**4,642**	**1,018**	**5,321**	**1,635**
Profit /(loss) from discontinued operations	(428)	16	(4,591)	(2,876)
- attributable to minority interests	0	0	1,385	700
Profit/(loss) from discontinued operations	**(428)**	**16**	**(3,206)**	**(2,176)**
Net profit	**4,214**	**1,034**	**2,115**	**(541)**

As the Diellesei subsidiary has gone into liquidation, the Group share of the financial results of the Diellesei SpA in liquidation subsidiary for the 1st half year and the 2nd quarter have been disclosed separately as "Profit/ (loss) from discontinued operations" as with the consolidated financial statements at 30 September 2006. The income statements for the 1st half year and 2nd quarter of the 2005-2006 financial year have been restated in the same way. A reconciliation statement for the half yearly income statement at 31 March 2006, reclassified in this way, is included in Appendix 1.

The performance of new publishing initiatives and the growth recorded in advertising sales relating to the La 7 TV network have allowed gross operating revenues for the Cairo Communication Group for the 1st half year to grow from € 125.3 million last year to € 133.3 million, comprising operating revenues of € 132.1 million and other revenue of € 1.2 million, an increase of 6.4%. Gross operating profit (EBITDA) increased 24% to € 10.3 million (€ 8.3 million for 2005-2006), operating profit (EBIT) rose by 9% to € 7.2 million (€ 6.6 million for 2005-2006) and the Group share of net profit, totalling € 4.2 million, rose by 99% (€ 2.1 million for 2005-2006).

Profits for the first half of the 2005-2006 financial year included a tax credit of € 2.6 million against the cost of purchasing paper, in accordance with Law No. 350 of 24 December 2003. This tax credit cannot be applied to corporate income tax. This has led to various movements in the tax charge for the current half year on last year's figures.

The significant increase in amortisation and writedowns is mostly linked to the establishment of a provision of € 1.7 million for non-recurrent expenses, of which € 1.5 million relates to previous years, established as part of an assessment by the INPGI, which was announced during March 2007. During April 2007, the Company decided to establish the provision detailed above, with a fixed term of 30 days.

During the 2nd quarter of the 2006/2007 financial year, gross operating revenues totalled € 64 million (€ 59.7 million for the 2005-2006 period), comprising operating revenues of € 63.1 million and other revenues of € 0.9 million, an increase of 7.2% on the same period last year.

Gross operating profit (EBITDA) increased to € 3.7 million (€ 2.8 million for 2005-2006), operating profit (EBIT) totalled € 1.5 million (€ 2 million for 2005-2006) and the Group share of net profit from continuing operations totalled € 1.0 million (against a loss of € 0.5 million for 2005-2006).

The financial results for the 2nd quarter were affected by considerable advertising investments to support the Group's weekly magazines (€ 1.7 million), slightly less than investments made during the same period last year in relation to "Diva e Donna" and the launch of the two monthly titles "Di Più TV Cucina" and "Di Più TV Stellare".

Profits for the 2nd quarter of the 2005-2006 financial year included a tax credit of € 0.8 million against the cost of purchasing paper, in accordance with Law No. 350 of 24 December 2003. This tax credit cannot be applied to corporate income tax. This has led to various movements in the tax charge for the current half year on last year's figures.

The financial results for the 1st half year and 2nd quarter of the 2005-2006 financial year were negatively affected by the results of activities now discontinued, Diellesei SpA in liquidazione. This negative impact has been almost entirely eliminated for the current financial year, as shown in the following table:

(€ thousands)	31/03/2007 (HY)	31/03/2007 (Q2)	31/03/2006 (HY)	31/03/2006 (Q2)
Sales	-	-	-	-
Inventory movements	-	-	-	-
Other operating revenues	531	521	18	13
Operating revenues	531	521	18	13
Cost of sales	(439)	(233)	(2,265)	(1,260)
Personnel costs	(370)	(100)	(1,894)	(568)
Gross operating profit (EBITDA)	**(278)**	**188**	**(4,141)**	**(1,815)**
Depreciation and provision charges	(96)	(48)	(2,660)	(2,542)
Operating profit (EBIT)	**(374)**	**140**	**(6,801)**	**(4,356)**
Net finance income	(257)	(112)	(194)	(99)
Profit before tax	**(631)**	**28**	**(6,995)**	**(4,455)**
Income tax	203	(12)	2,404	1,579
Minority interests	0	0	1,385	700
Profit/(loss) from discontinued operations – Group share	**(428)**	**16**	**(3,206)**	**(2,176)**

During the first half of this year, the liquidation of the Diellesei subsidiary continued, generating net operating costs of € 0.9 million, mostly relating to costs for the period prior to the liquidation, personnel costs for those employed in the liquidation process, legal consultants' fees and interest. Revenue generated by Diellesei relates to the recognition of debt positions agreed as part of a settlement agreement.

The minority interest was calculated in view of the fact that the minority shareholder, UT Communications SpA has exhausted their contractual commitment relating to share capital increases and/or loss coverage, which totalled € 4 million.

For a clearer picture of the financial performance of the Group, here follows a focussed analysis of the results attained during this period in individual business sectors, being publishing, advertising, Il Trovatore and discontinued operations, facilitating comparison with last year's figures:

31 March 2007 HY	Publishing	Advertising	Internet	Discontinued Operations	Eliminations	Total
Sales	52,463	83,051	382	-	(17,053)	118,843
Other operating revenues	854	298	20	-	-	1,172
Inventory movements	12	-	-	-	-	12
Cost of sales	(42,965)	(73,822)	(371)	-	17,053	(100,105)
Personnel costs	(7,073)	(2,495)	(33)	-	-	(9,601)

Gross operating profit (EBITDA)	**3,291**	**7,032**	**(2)**			**10,321**
Depreciation and provision charges	(2,347)	(790)	(19)	-	-	(3,156)
Operating profit (EBIT)	**944**	**6,242**	**(21)**	**-**	**-**	**7,165**
Net finance income	(123)	1,583	(6)	-	-	1,454
Investment writedowns	**821**	**7,825**	**(27)**	**-**	**-**	**8,619**
Profit before tax	(868)	(3,113)	(2)	-	-	(3,983)
Profit from continuing operations – Group share	**(47)**	**4,712**	**(29)**	**-**	**-**	**4,636**
Profit /(loss) from discontinued operations	-	-	-	(428)	-	(428)
Net profit	**(47)**	**4,712**	**(29)**	**(428)**	**-**	**(4,208)**
- attributable to minority interests	-	-	(6)	-	-	(6)

31 March 2006 HY	Publishing	Advertising	Internet	Discontinued Operations	Eliminations	Total
Sales	52,253	76,650	164	-	(17,239)	111,828
Other operating revenues	696	525	39	-	-	1,260
Inventory movements	385	-	-	-	-	385
Cost of sales	(45,886)	(67,352)	(145)	-	17,239	(96,144)
Personnel costs	(6,467)	(2,552)	(28)	-	-	(9,047)
Gross operating profit (EBITDA)	**981**	**7,271**	**30**			**8,282**
Depreciation and provision charges	(766)	(886)	(11)	-	-	(1,663)
Operating profit (EBIT)	**215**	**6,385**	**19**	**-**	**-**	**6,619**
Net finance income	(71)	1,190	(3)	-	-	1,116
Investment writedowns	**144**	**7,575**	**16**	**-**	**-**	**7,735**
Profit before tax	372	(2,778)	(5)	-	-	(2,411)
Profit from continuing operations – Group share	**516**	**4,797**	**11**	**-**	**-**	**5,324**
Profit /(loss) from discontinued operations	-	-	-	(4,591)	-	(4,591)
Net profit	**516**	**4,797**	**11**	**(4,591)**	**-**	**733**
- attributable to minority interests	-	-	3	(1,385)	-	(1,382)

Group sales for the first half of the 2006/2007 financial year can be analysed as follows, focussing on the Group's two primary business segments, publishing and advertising, which also includes Il Trovatore.

Analysis of Quarterly Group Sales and Other Operating Revenues by Business Segment

(€ thousands)	Half year ending 31 March 2007			Half year ending 31 March 2006		
	Publishing	**Advertising**	**TOTAL**	**Publishing**	**Advertising**	**TOTAL**
Magazine over-the-counter sales	33,009	0	**33,009**	32,536	0	**32,536**
Print media advertising space sales	17,240	8,583	**25,823**	17,454	8,886	**26,340**
TV advertising time sales	0	69,177	**69,177**	0	61,765	**61,765**
Stadium signs ad space sales	0	1,898	**1,898**	0	1,544	**1,544**
Internet advertising time sales	0	18	**18**	0	18	**18**
Magazine subscription sales	1,708	0	**1,708**	1,693	0	**1,693**
Audiovisual and other sales	0	0	**0**	6	60	**66**
Books and catalogues	1,115	0	**1,115**	642	0	**642**
VAT relating to publications	(609)	0	**(609)**	(611)	0	**(611)**
Total sales	**52,463**	**79,676**	**132,139**	**51,720**	**72,273**	**123,993**
Other operating revenues	854	318	**1,172**	694	567	**1,261**
Total Gross Operating Revenues	**53,317**	**79,994**	**133,311**	**52,414**	**72,840**	**125,254**

No analysis by geographic region is provided, as all sales are generated in Italy.

Group advertising sales, inclusive of intra-Group sales of € 17 million, amount to € 97 million for this half year, up 7.7% on the same period of last year (€ 90 million inclusive of intra-Group sales of € 17.2 million), due to the growth in advertising time sales on the La 7 TV network.

Sales from the publishing sector remained steady, confirming the growth recorded in the previous year.

Analysis of 2nd Quarter Consolidated Income Statement Results by Business Segment

	2nd quarter ending 31 March 2007 (3 months)			2nd quarter ending 31 March 2006 (3 months)		
(€ thousands)	**Publishing**	**Advertising**	**Total**	**Publishing**	**Advertising**	**Total**
Magazine sales	16,954	0	**16,954**	17,193	0	**17,193**
Print media advertising space sales	7,570	3,496	**11,066**	7,949	3,870	**11,819**
TV advertising time sales	0	33,385	**33,385**	0	28,500	**28,500**
Electronic billboard ad space sales	0	0	**0**	0	0	**0**
Stadium signs ad space sales	0	832	**832**	0	568	**568**
Internet advertising time sales	0	9	**9**	0	0	**0**
Magazine subscription sales	861	0	**861**	845	0	**845**
Audiovisual and other sales	0	0	**0**	0	59	**59**
Books and catalogues	340	0	**340**	274	0	**274**
VAT relating to publications	(315)	0	**(315)**	(330)	0	**(330)**
Total Sales	**25,410**	**37,722**	**63,132**	**26,170**	**32,997**	**59,167**
Other operating revenues	631	236	**867**	437	290	**727**
Total Operating Revenues	26,041	37,958	**63,999**	26,607	33,300	**59,907**

Cairo Communication Group
Consolidated Balance Sheet
at 31 March 2007

(€ thousands)	31 March 2007	30 September 2006
ASSETS		
Property, furniture and equipment	3,303	3,353
Intangible assets	9,390	9,544
Investments	5,969	5,995
Net current assets	(15,070)	(10,540)
Total Assets	**3,592**	**8,352**
EQUITY AND LIABILITIES		
Non-current borrowings and provisions	8,454	8,574
Net financial assets	(82,287)	(92,395)
Shareholders' equity	77,437	92,658
Minority interests	(12)	(485)
Total Equity and Liabilities	**3,592**	**8,352**

The Ordinary General Meeting of Cairo Communication Group shareholders of 31 January 2007 decided to distribute a total of € 19.5 million in dividends, mostly from net financial assets, at € 2.50 per share, before withholding tax, with coupon no. 6 and a distribution date of 12 February 2007.

Investments refer primarily to 765,000 shares in Dmail Group SpA, equivalent to 10% of the company's share capital. The value of this investment has significantly increased since its purchase date, with a value at the date of approval of these financial statements of about € 12 per share, against a book value of € 7.60.

Cairo Communication Group

Consolidated Net Financial Position Statement

at 31 March 2007

(€ thousands)	31 March 2007	30 September 2006	Change
Cash and cash equivalents	87,267	97,872	(10,605)
Escrow account	7,246	7,189	57
Short-term investments – other securities	161	161	0
Current bank overdrafts	(266)	(327)	61
Bank loans	(12,121)	(12,500)	379

Total	82,287	92,395	(10,108)

Net financial assets include a current account registered in the name of both Cairo Communication SpA and Telepiù SpA (€ 7,246 thousand including earned interest). This deposit was made as a result of a settlement agreement reached by the parties, as a guarantee on the Company's right to damages from Tele+ SpA. Cairo Communication has lodged the requisite funds in accordance with Tele+ accounts from 2004, awaiting the arbitrators' decision.

At 31 March 2007, dividends of € 3.7 million were payable by Cairo Communication SpA to UT Belgium Holding SA, a subsidiary of UT Communications SpA, Cairo Communication's Parent Company. This dividend was paid subsequent to 31 March 2007.

The Group manages its cash and bank assets very prudently, investing for the most part in interbank deposits.

CAIRO COMMUNICATION SPA – FINANCIAL RESULTS

Parent Company Income Statement

(€ thousands)	31 March 2007 (HY)	31 March 2007 (Quarter)	31 March 2006 (HY)	31 March 2006 (Quarter)
Sales	89,654	42,523	82,556	37,781
Advertising agency discounts	(10,051)	(4,875)	(8,919)	(4,172)
Other operating revenues	131	95	411	376
Operating revenues	**79,734**	**37,743**	**74,048**	**33,985**
Cost of sales	(74,496)	(35,495)	(69,178)	(32,043)
Personnel costs	(1,135)	(547)	(1,177)	(524)
Gross operating profit (EBITDA)	**4,103**	**1,701**	**3,693**	**1,418**
Amortisation, depreciation and provision charges	(530)	(138)	(698)	(298)
Operating profit (EBIT)	**3,573**	**1,563**	**2,995**	**1,120**
Net finance income	1,376	786	1,158	696
Investment writedowns	0	0	(7,096)	(7,096)
Profit before tax	**4,949**	**2,349**	**(2,943)**	**(5,280)**
Income tax	(1,923)	(933)	(1,606)	(696)
Net profit	**3,026**	**1,416**	**(4,549)**	**(5,976)**

The financial statements for Cairo Communication SpA for the 1st half and 2nd quarter of the 2006-2007 financial year have been prepared in accordance with IAS/IFRS international accounting standards, for the first time. Balances from the previous year have been restated, applying the IAS/IFRS international accounting standards, for increased transparency.

An analysis of the effects on Company net equity and income of the application of the IAS/IFRS international accounting standards is included in Appendix II – "Transition to IAS/IFRS international accounting standards - Reconciliation of net equity and financial results of the Parent Company at 31 March 2006".

Cairo Communication SpA gross operating revenues for the first half of this financial year totalled € 89.8 million, up 8% on the same period of last year. The gross operating profit (EBITDA) totalled € 4.1 million, up from € 3.7 million in the previous financial year. The operating profit (EBIT) totalled about € 3.6 million, up from about € 3 million last year.

Writedowns applied to investments during the first half of the previous financial year related to the investment in Diellesei in liquidazione SpA subsidiary, which was written down by € 3,796 thousand as the company went into liquidation from the date of the Shareholders' Meeting of 10 July 2006, and the provision of € 3,300 thousand in relation to losses incurred during the half-year by this subsidiary and its liquidation.

During the 2nd quarter of the 2006-2007 financial year, gross operating revenues totalled € 42.6 million, up 11.8% on the same period last year, mostly due to the increase in TV advertising time sales revenue from La 7. The gross operating profit (EBITDA) for the quarter totalled € 1.7 million, up from € 1.4 million in the previous financial year. The operating profit (EBIT) totalled € 1.6 million, up from € 1.1 million last year.

Cairo Communication SpA Parent Company Balance Sheet

(€ thousands)	31 March 2007	30 September 2006
Assets		
Property, furniture and equipment	249	323
Intangible assets	549	574
Investments	13,747	14,155
Net current assets	2,335	15,548
Total Assets	**16,880**	**30,600**
Non-current liabilities	8,010	9,687
Net financial assets	(80,306)	(84,700)

Borrowings from unconsolidated subsidiary	4,885	4,885
Shareholders' equity	84,291	100,728
Total Equity and Liabilities	**16,880**	**30,600**

The decrease in non-current liabilities mostly relates to the utilisation of the investment writedown provision to cover payments made by the Diellesei in liquidazione SpA subsidiary.

As discussed above, the Ordinary General Meeting of Cairo Communication Group shareholders of 31 January 2007 decided to distribute a total of € 19.5 million in dividends, mostly from net financial assets, at € 2.50 per share, before withholding tax, with coupon no. 6 and a distribution date of 12 February 2007.

Cairo Communication SpA - Parent Company Statement of Net Financial Position

	31 March 2007	30 September 2006	Change
Cash and cash equivalents	72,899	71,350	1,549
Escrow account	7,246	7,189	57
Insurance financial products	0	6,000	(6,000)
Marketable securities	161	161	0
Bank loans	0	0	0
Net financial assets	**80,306**	**84,700**	**(4,394)**
Borrowings from unconsolidated subsidiary	(4,885)	(4,885)	0
Net financial position	**75,421**	**79,815**	**(4,394)**

As discussed above, financial assets include a surety deposit of € 6,995 thousand (€7,246 thousand including accrued interest).

At 31 March 2007, dividends of € 3.7 million are payable by Cairo Communication SpA to UT Belgium Holding SA, a subsidiary of UT Communications SpA, Cairo Communication's Parent Company. This dividend was paid subsequent to 31 March 2007.

CAIRO COMMUNICATION GROUP OPERATING RESULTS

PUBLISHING BUSINESS

CAIRO EDITORE SPA - EDITORIALE GIORGIO MONDADORI SPA (EGM) – CAIRO PUBLISHING SRL

Revenues from the Group publishing business during this period changed little from the strong results attained in the first half of last year.
During the October 2006 - March 2007 six month period, the three weekly magazines, “Settimanale Di Più”, “Di Più TV” and “Diva e Donna”, generated revenue at Group level of € 22.8 million (€ 23 million for the same period last year), € 13.4 million (€ 12.4 million for the same period last year) and € 8.5 million (€ 7.8 million for the same period last year).
Of note, during the 2nd quarter, “Settimanale Di Più”, “Di Più TV” and “Diva e Donna” generated revenue at Group level of € 11.1 million (€ 11 million for the same period last year), € 6.7 million (€ 6.2 million for the same period last year) and € 4.4 million (€ 4.4 million for the same period last year) respectively, confirming their extraordinary success.

During this half year, operations focussed on the consolidation of existing titles and the optimisation of production, editorial and distribution cost structures, with particular attention paid to the geographical spread of sales and the development of advertising sales.
The launch of the new monthly magazines sold with “Di Più TV” and the weekly magazine for women, “Diva e Donna”, following the launch of four other titles, “For Men Magazine” and “Natural Style” in 2003, “Settimanale Di Più” in 2004 and “Di Più TV” in 2005, will allow for further streamlining of existing structures shared with Editoriale Giorgio Mondadori. During this period, EGM continued to focus its activities on the magazines “Bell’Italia”, “Bell’Europa”, “In Viaggio”, “Airone”, “Gardenia”, “Arte” and “Antiquariato”.

The restyling of the magazine “Airone” was completed during March 2007 and the new look magazine was on sale at a launch price of € 1. This magazine is edited by Andrea Biavardi. The restyling centred on a new editorial concept for the magazine, more closely meeting the demands of readers, part of which involved a new price strategy. The first issue is expected to sell over 100,000 copies, including subscriptions.

ADVERTISING BUSINESS

During the first half of this financial year, Group advertising sales, inclusive of intra-Group sales of € 17 million, amount to € 97 million, up 7.7% on the same period of last year (€ 90 million inclusive of intra-Group sales of € 17.2 million), due to the growth in advertising time sales on the La 7 TV network.

A) TELEVISION

During this financial period, advertising sales continued on La 7 and the specialty channels Cartoon Network, Boomerang, Bloomberg and CNN.

Sales of advertising time on the La 7 broadcaster grew 15.5% on last year to € 31.2 million, despite a fall of 4.7% in the television advertising sales market during the January – February two month period (source: AC Nielsen).

The arbitration between Cairo TV and Telepiù SpA is ongoing (chairman Prof. Raffaele Nobili) in which both parties have requested the resolution of the contract and an award of damages. The Board of Arbitration is made up of Prof Raffaele Nobili, chairman, Prof Guido Rossi, nominated by Cairo TV and Vittorio Colesanti, nominated by Telepiù SpA. Following the exchange of testimonies and cross-examination of the parties, the deposition of technical reports has taken place, with Dr. Alberto Giussani nominated as expert witness. The Directors are of the opinion that the Tele+ challenges, raised for the first time 6 years after the contract was signed, close to the exclusion of Cairo from the contract and the suspension of advertising sales activities on 31 July 2003 by Sky (when they should have continued to June 30, 2004) are unjustified. However, the challenges of Cairo TV, based on the violation of a ten-year contractual obligation and of the cessation of this contract, give basis to the claims of the company, even in the case of change of ownership. As part of these arbitration proceedings, Cairo has requested large damages from Telepiù for lost profits, consequential damages and for damage to the company’s reputation.

PRINT MEDIA DIVISION

Cairo Communication SpA continued with its sale of advertising space for:

- “For Men Magazine”, “Natural Style”, “Settimanale Di Più”, “Di Più TV” and its monthly supplements “Di Più TV Cucina”, “Di Più TV Stellare” and “Di Più TV Giochi”, and “Diva e Donna”, published by Cairo Editore;
- “Bell’Italia”, “Bell’Europa”, “In Viaggio”, “Airone”, “Gardenia”, “Arte” and “Antiquariato”, published by Editoriale Giorgio Mondadori;

- “Prima Comunicazione”.

During this half year, print media advertising sales totalled € 25.8 million, including € 17 million in intra-Group revenue, confirming the figures for the first half of the 2005-2006 financial year.

INTERNET DIVISION – IL TROVATORE

During this year, development of the search engine Il Trovatore has continued, as it enjoyed high numbers of searches on the homepage and on pages belonging to third party clients, totalling 21 million, and recorded 350,000 hits during this period. Development activities have focussed on the search for sources of income complementary to those from advertising space sales, and the provision of technology services.

DIRECTORY DIVISION – CAIRO DIRECTORY

During the 1st half of this year, the liquidation of the Diellesei subsidiary continued, generating net operating costs of € 0.9 million, mostly relating to costs for the period prior to the liquidation, personnel costs for those employed in the liquidation process, and consultants’ fees. During this period, important agreements were reached relating to the recognition of debt positions, generating revenue of € 0.5 million.

At the date of preparation of these financial statements, the company has no employees. Seven of the company’s ex employees have challenged their dismissal and sought mediation from the Regional Labour Authority, citing Art. 410 of the Italian Code of Civil Procedure.

The process of formalising agreements with former sales agents is ongoing, involving approximately 95 positions of the 150 which were current when the Company was put into liquidation.

OUTLOOK

Cairo Communication Group will focus on developing its core businesses during the 2006-2007 financial year. It will focus on the development of its Publishing business operated by its Cairo Editore SpA and Editoriale Giorgio Mondadori (EGM), Cairo Directory and Cairo Publishing subsidiaries, as well on its Advertising business, in particular the sale of advertising space in its own magazines, and the sale of advertising time on the La 7 TV network and selected analogue and digital pay TV specialty channels (Cartoon Network, Boomerang, Bloomberg and CNN)

In the Group Publishing business, the latest distribution figures for “Settimanale Di Più”, the second best-selling magazine in Italy, “Di Più TV” and “Diva e Donna” confirm their extraordinary success to date.

During this half year, operations have focussed on the consolidation of current titles, particularly those launched over the last four years, “Settimanale Di Più”, “Diva e Donna”, “Di Più TV”, “Di Più TV Cucina”, “Di Più TV Stellare”, “Di Più TV Giochi”, “For Men Magazine” and “Natural Style”, and the Group focus will remain the optimisation of production, distribution and editorial cost structures, with particular attention to the geographical spread of sales and the development of advertising sales.

Group Advertising business will maintain a similar focus, particularly in relation to the development of advertising time sales for third party media clients, being La7 and the specialty channels.

Of note, the sale of advertising time on La 7 for the April – June 2007 period confirms the growth trend recorded previously, generating sales of € 35.2 million, an increase of 20% on the same period last year.

No new launches are currently planned for the 2006-2007 financial year, allowing for the full financial potential of current titles to be developed. During last year, significant investment was made in pre-production and launch costs for “Diva e Donna” and the monthly titles sold with “Di Più TV” (“Di Più TV Cucina”, “Di Più TV Stellare” and “Di Più TV Giochi”).

Chairman of the Board of Directors

Urbano R. Cairo