Quarterly report at 30 September 2007

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

Quarterly report at 30 September 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

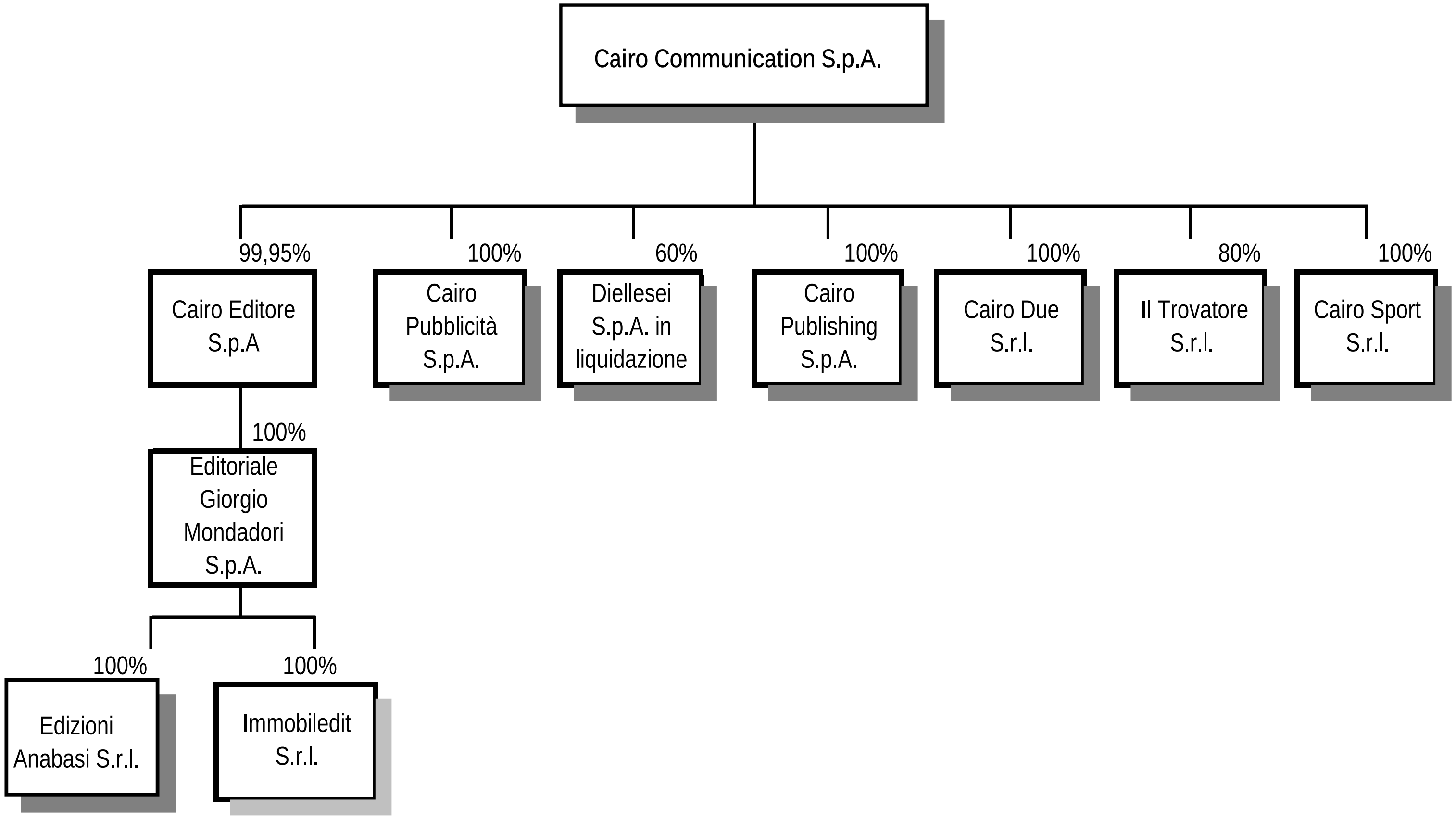
Mauro Sala	Chairman
Marco Baccani	Principal auditor
Maria Pia Maspes	Principal auditor
Mario Danti	Alternate auditor
Ferdinando Ramponi	Alternate auditor

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



1. Basis of preparation and valuation principles

Cairo Communication Group prepared its consolidated financial statements at 30 September 2006 in accordance with IAS/IFRS international accounting standards and will do the same for the separate financial statements of Cairo Communication S.p.A., starting with the annual financial statements for the current 2006/2007 financial year.

The quarterly financial statements at 30 September 2007 were prepared in accordance with the International Accounting Standards. The consolidated income statements were prepared for the 4th quarter and the twelve months of the current 2006/2007 financial year. Comparative data for the corresponding periods of the 2005/2006 financial year is included.

The consolidated balance sheet and statement of change in the financial position are compared to the consolidated balance sheet data at 30 September 2006.

The quarterly financial statements of the Parent Company Cairo Communication SpA at 30 September 2007 were also prepared in accordance with the international accounting standards. The Appendix to the quarterly financial statements at 31 December 2006 "Application and effects of IAS/IFRS on the Parent Company financial statements" provides:

- the information required under Consob statement No. 14990 of 14 April 2005 which refers to the reconciliation statement of the Parent Company's net equity at 1 October 2005 and at 30 September 2006 and the results of the financial year ended on 30 September 2006, applying the Italian and international accounting standards respectively,
- a description of the main differences between the Italian accounting standards used in the past and the IAS/IFRS,
- The accounting treatments selected among the accounting options granted under IAS/IFRS and the optional exemptions allowed under IFRS No. 1 used by the Parent Company.

The income statements of the Parent Company were prepared for the 4th quarter and the twelve months of the current 2006/2007 financial year. Comparative data, as restated in accordance with IAS, for the corresponding periods of the 2005/2006 financial year is included.

The balance sheet and statement of change in the financial position of the Parent Company are compared to the financial statement data at 30 September 2006, as restated in accordance with IAS.

In the quarterly period under examination no changes were made to the consolidation scope, which therefore remains the same as that detailed in the financial statements at 30 September 2006.

The quarterly financial statements at 30 September 2007 were prepared on a pre-tax basis.

In accordance with Art. 82 of the aforesaid Regulation, the format used for the quarterly reports is the same as that used for the previous quarters and is set forth in Appendix 3D.

In order to allow a better assessment of the economic and financial performance of the Cairo Communication Group for the quarters ended on 30 September 2007 and 2006, this quarterly report provides the standard financial indicators required by IFRS as well as some alternative performance indicators that, however, should not be considered as replacing the standard ones required by IFRS.

The alternative performance indicators used are illustrated below:

· **EBITDA:** this indicator is used by Cairo Communication as a target to monitor its internal management and for its external presentations (to analysts and investors); in addition to **EBIT**, it represents a unit of measurement for assessing the operating performance of the Group and the Parent Company. These indicators are calculated as follows:

Pre-tax result of continuing operations

+ Net financial income (loss)

+ Net investment income (loss)

EBIT- Operating income (loss)

+ Amortisation and depreciation

+ Provision for bad and doubtful debts

+ Provision for liabilities and charges

EBITDA – Operating income(loss) before amortisation, depreciation, provisions and write-downs.

Moreover, Cairo Communication Group believes that the **net financial position** represents a valid indicator of its ability to meet its financial obligations, both current and future. As shown in the table included in this report which highlights the figures of the balance sheet that were used in the calculation of the net financial position, this item includes cash and cash equivalents, fixed deposits as well as securities and other short-term investments, less current bank overdrafts and bank loans.

2. Executive Summary

In the quarter under examination, Cairo Communication Group continued to carry out its activity as a publisher of books and magazines (Cairo Editore, Editoriale Giorgio Mondadori and Cairo

Publishing), multimedia advertising broker selling advertising time/space on TV networks, in print media and stadiums as well as operator of Internet sites (Il Trovatore), with significant growth in all these areas compared to similar periods of the last financial year.

With regard to the publishing business, in the September 2006 - August 2007 twelve-month period, "Settimanale DIPIU", the second biggest-selling magazine in Italy, has enjoyed average ADS sales of 754,181 copies while average ADS[1] distribution figures for "DIPIU' TV" and "Diva e Donna" reached 577,523 and 240,434 copies, respectively, thereby confirming their extraordinary success to date.

In the July-September 2007 period, quarterly sales of advertising on the Group's titles recorded, overall, an extremely positive trend, up by 7 % compared to the same quarter of the last financial year (sales of advertising on the weekly women's magazine "Diva e Donna" were up by 12%).

Thanks to the good circulation of the "Diva e Donna" magazine the selling price could be increased by 20 cents starting from the end of September 2007.

A cover price increase of 10 cents was charged also for the "DipiùTV" magazine starting from October 2007.

With regard to the advertising business, in the July-September 2007 period, quarterly sales of advertising time on the La 7 broadcaster were extremely positive, generating € 20.1 million sales, up by 29% compared to the same quarter of the previous financial year. Similar results were achieved by sales of advertising on Cartoon Network and Boomerang specialty channels which registered a 17% increase in the January- September 2007 nine-month period compared to the same period of the previous financial year.

3. Cairo Communication Group Consolidated Income Statement

The main **consolidated income statement data** for the twelve months and the 4th quarter of the 2006/2007 financial year may be compared below with the related comparatives of the previous financial year:

[1] ADS – Accertamenti Diffusione Stampa

(€ thousands)	30/09/2007 (12 months)	30/09/2007 (Q3)	30/09/2006 (12 months)	30/09/2006 (Q3)
Sales	259,330	53,986	241,185	49,262
Advertising agency discounts	(26,121)	(4,932)	(23,159)	(4,217)
Net operating revenues	233,209	49,054	218,026	45,045
Inventory movements	(15)	(91)	297	(125)
Other operating income and revenues	3,101	1,634	2,613	696
Operating revenues	**236,295**	**50,597**	**220,936**	**45,616**
Cost of sales	(192,435)	(40,287)	(186,647)	(38,271)
Personnel costs	(20,370)	(4,836)	(17,651)	(3,836)
Gross operating profit (EBITDA)	**23,490**	**5,474**	**16,638**	**3,509**
Amortisation, depreciation and provision for bad and doubtful debts	(4,892)	(863)	(3,353)	(796)
Operating profit (EBIT)	**18,598**	**4,611**	**13,285**	**2,713**
Net financial income	2,949	677	2,322	608
Investment income (loss)	-	-	-	-
Profit before tax	**21,547**	**5,288**	**15,607**	**3,321**
Income tax	(9,561)	(2,369)	(5,422)	(1,189)
Minority interests	(2)	2	13	2
Profit from continuing operations – Group share	**11,984**	**2,921**	**10,198**	**2,134**
Profit (loss) from discontinued operations	524	394	(11,507)	(5,778)
Minority interests' share of losses from discontinued operations	-	-	1,380	2
Profit (loss) from discontinued operations - Group share	**524**	**394**	**(10,127)**	**(5,776)**
Net profit – Group share	**12,508**	**3,315**	**71**	**(3,642)**

As the Diellesei subsidiary was placed into liquidation, the Group share of the financial results of the subsidiary for the current financial year and for the 4th quarter have been disclosed separately as "Profit/ (loss) from discontinued operations" as with the consolidated financial statements at 30 September 2006.

Quarterly consolidated sales were approximately € 55.6 million (€ 50 million in 2005/2006), including operating revenues of € 54 million and other revenue of € 1.6 million, an increase of 11.3 % compared to the same period of the previous financial year.

Consolidated gross operating profit (EBITDA) and EBIT were approximately € 5.5 million and € 4,6 million, an increase of 56 % and 70% compared to the same period of the previous financial year (€ 3.5 million and € 2.7 million respectively in 2005/2006). The group's share of the net profit was € 3.4 million compared to a loss of € 3.6 million in 2005/2006.

Personnel costs were positively impacted (€ 271 thousand) by the valuation, in accordance with the provisions of IAS19, of the Employee severance benefits accrued at 30 September 2007 as a result of the legal changes enforced by the 2007 Financial Act (Law 296/2006) which brought forward the enforcement of Legislative Decree no. 252/2005 to 1 January 2007. Said Decree regulates the various forms of supplementary retirement benefits and provides for the possibility of allocating employee severance benefits accruing over the years of service to supplementary retirement plans or, if the employee opts to leave such benefits with the company, the possibility of allocating it to the Treasury Fund managed by INPS (National Institute for Social Security) if the personnel in question works for a company with at least 50 employees. As a result, the actuarial valuation of the employee severance benefits accrued in respect of those employees who opted for supplementary retirement plans or the Treasury Fund managed by INPS, was carried out by assessing, for IAS purposes, only the liability concerning the employee severance benefits left with the company, with obvious effects on the related valuation, linked to the change in the assessment method used.

Consolidated annual sales were approximately € 262.4 million (€ 243.8.million in 2005/2006), including operating revenues of € 259.3 million and other revenue of € 3.1 million, an increase of 8% % compared to the same period of the previous financial year.

Consolidated gross operating profit (EBITDA) and EBIT were approximately € 23.5 million and € 18.6 million, an increase of 41 % and 40% respectively, compared to the same period of the previous financial year (€ 16.6 million and € 13.3 million respectively in 2005/2006). The group’s share of the net profit was € 12.5 million compared to a loss of € 0.1 million in 2005/2006.

The profit for the 2005/2006 financial year included the tax credit of € 2.6 million, set off against the purchase cost of paper, in accordance with Law No. 350 of 24 December 2003. As this tax credit cannot be set off against corporate income tax (IRES), the tax burden on the profit for the current financial year is different from that of the same period of the 2005/2006 financial year.

The significant increase in amortisation, depreciation and write-downs is due to a provision of € 1.7 million for non-recurring expenses set up on the basis of some issues raised in an assessment by INPGI (Social security entity for Journalists). The assessment was notified in March 2007 and the Company has decided to agree on the main issues raised within the set deadlines.

The result of the twelve months and of the 4th quarter of the previous 2005/2006 financial year had been adversely affected by the net result of the discontinued activities of Diellesei S.p.A., in liquidation. Such impact has been eliminated in the current 2006/2007 financial year as follows:

(€ thousands)	30/09/2007 (12 months)	30/09/2007 (Q3)	30/09/2006 (12 months)	30/09/2006 (Q3)
Net operating revenues			-	-
Inventory movements			-	-
Other revenue	193	58	-	-
Operating revenues	**193**	**58**	-	-
Cost of sales	(706)	(121)	(6,848)	(3,618)
Personnel costs	(403)	0	(3,847)	(1,401)
Gross operating profit (EBITDA)	**(916)**	**(63)**	**(10,695)**	**(5,019)**
Amortisation, depreciation and provision for bad and doubtful debts	(514)	(201)	(5,978)	(3,262)
Operating profit (EBIT)	**(1,430)**	**(264)**	**(16,673)**	**(8,281)**
Net financial income	2,218	847	(441)	(144)
Profit before tax	**788**	**583**	**(17,114)**	**(8,425)**
Income tax	(264)	(189)	5,607	2,647
Minority interests	-	-	1,380	2
Profit (loss) from discontinued operations - Group share	**524**	**394**	**(10,127)**	**(5,776)**

During the financial year, the liquidation of the Diellesei subsidiary continued, generating net operating costs of approximately € 1.8 million, mostly relating to labour costs for the period preceding the liquidation, personnel costs for those employed in the liquidation process (€ 0.4 million), costs for services (€ 0.7 million), financial charges (€ 0.2 million) as well as amortisation, depreciation and asset write-downs (€ 0.5 million).

Net financial income includes income arising from the cancellation of amounts payable settled through compromise agreements.

In particular, during the financial year, Diellesei reached compromise agreements with three different banks in respect of amounts owed to them. Overall, these agreements entailed a waiver by the banks of part of their receivables (approximately € 1.9 million) and an extension of the repayment of € 3.9 million to 31 December 2007, € 2.6 million to 30 April 2009 and € 4.2 million to 30 September 2009.

The minority interests' share was calculated considering that the original contractual commitment of the minority shareholder, UT Communications S.p.A., with regard to share capital increases and/or loss coverage had already expired in the 2005/2006 financial year.

4. Cairo Communication Group Consolidated Balance Sheet

The main **consolidated balance sheet data** for the quarter ended on 30 September 2007 may be compared below with the related comparatives of the consolidated balance sheet at 30 September 2006:

(€ thousands)	30/09/2007	30/09/2006
Assets		
Property, furniture and equipment	3,274	3,353
Intangible assets	9,167	9,544
Investments	5,866	5,995
Net current assets	(10,737)	(10,540)
Total assets employed	**7,570**	**8,352**
Non-current borrowings and provisions	6,837	8,574
(Net financial assets) /indebtedness	(85,014)	(92,395)
Group shareholders' equity	85,751	92,658
Minority interests	(4)	(485)
Total equity and liabilities	**7,570**	**8,352**

The Ordinary Shareholders' Meeting of 31 January 2007 passed a resolution to distribute a dividend of € 2.50 per share, before withholding tax, on 12 February 2007, through coupon no. 6, for a total of € 19.5 million which caused the movement in the net financial position.

Investments mainly relate to a shareholding of 765,000 shares, equal to 10% of the share capital of Dmail Group S.p.A.; the market value of this investment has risen significantly since it was initially purchased, reaching, on the date of the approval of this quarterly report, a value of € 10.50 per share compared to the carrying value of € 7.6 per share.

5. Cairo Communication Group Net Financial Position

The consolidated **net financial position** at 30 September 2007, compared with the consolidated balance sheet data at 30 September 2006 is summarised in the following table:

Description	30/09/2007	30/09/2006	Changes
Cash and cash equivalents	64,322	97,872	(33,550)
Telepiù Escrow account	7,310	7,189	121
Fixed deposits	23,408	-	23,408
Short-term investments – other securities	83	161	(78)
Current bank overdrafts	(65)	(327)	262
Bank loans	(10,044)	(12,500)	2,456
Total	**85,014**	**92,395**	**(7,381)**

The net financial position includes:

- the cash deposited in a current account held in the name of both Cairo Communication S.p.A. and Telepiù SpA (€ 7.3 million including accrued interest) that is subject to a pending arbitration award. This deposit was made by Cairo Communication in agreement with Telepiù, and represents the aggregate amount of a number of invoices issued on the company by Telepiù in 2004. Cairo Communication had filed an application for third party attachment on the deposit to guarantee its right to damages from Tele+ SpA which is awaiting the arbitrators' decision;
- fixed deposits related to:
  - a collateral of € 12.8 million with Banca Intesa for a personal guarantee of € 16 million, required by contract, granted by the bank to Telecom Italia Media publisher and in the interest of Cairo Communication.
  - liquidity deposited in three escrow accounts of € 3.9 million, € 2.6 million and € 4.2 million respectively, set up as part of three transactions which entailed the waiver by three banks of part of the amounts due by the subsidiary Diellesei, shown under "Bank loans", and the granting of interest-free extended repayment terms.

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

6. Cairo Communication Group Operating Results

Gross operating revenues of the 4th quarter of 2006/2007, broken down into the two main business segments (publishing and advertising, which also includes Il Trovatore) may be analysed as follows:

Gross operating revenues	**Quarter to 30 Sept. 2007 (three months)**			**Quarter to 30 Sept. 2006 (three months)**		
	Publishing	**Advertising**	**TOTAL**	**Publishing**	**Advertising**	**TOTAL**
TV advertising time sales	-	22,136	**22,136**	0	17,604	**17,604**
Print media advertising space sales	9,358	4,088	**13,446**	8,998	3,658	**12,656**
Stadium signs and maxi-screen space sales	-	517	**517**	0	369	**369**
Internet advertising time sales	-	7	**7**	0	7	**7**
Magazine over-the-counter sales	17,214	0	**17,214**	18,142	0	**18,142**
Magazine subscription sales	873	0	**873**	850	0	**850**
Audiovisual and other sales	33	48	**81**	0	(65)	**(65)**
Books and catalogues	158	0	**158**	106	0	**106**
VAT relating to publications	(446)	0	**(446)**	(407)	0	**(407)**
Total operating revenues	27,190	26,796	**53,986**	27,689	21,573	**49,262**
Other income and revenues	106	1,528	**1,634**	229	467	**696**
Total revenues	**27,296**	**28,324**	**55,620**	27,918	22,040	**49,958**

All operating revenues are generated in Italy and no analysis by geographical area is provided as it would not be meaningful.

Group advertising sales, inclusive of intragroup sales of € 9.2 million, amounted to € 37.5 million for the fourth quarter, up by 22.6% on the same period of last year (€ 30.6 million inclusive of intragroup sales of € 8.7 million), mainly thanks to the growth in advertising time sales on the La 7 TV network and other specialty channels as well as the sustained growth in advertising sales generated by the Group’s titles.

Sales from the publishing sector remained basically unchanged compared to the same period of the previous financial year, due to exceptional sales in the previous year, despite lower communication expenditure in the quarter.

The trend of revenues in the 2006/2007 financial year by type and business segment may be analysed as follows, compared with the figures of the same period of the previous financial year:

Gross operating revenues	Consolidated financial statements 30/09/2007			Consolidated financial statements30/09/2006		
	Publishing	Advertising	TOTAL	Publishing	Advertising	TOTAL
TV advertising time sales	-	129,621	**129,621**		111,325	**111,325**
Print media advertising space sales	39,037	18,076	**57,113**	38,333	17,856	**56,189**
Stadium signs and maxi-screen space sales	-	3,102	**3,102**		2,192	**2,192**
Internet advertising time sales	-	33	**33**		23	**23**
Magazine over-the-counter sales	65,772	-	**65,772**	68,376		**68,376**
Magazine subscription sales	3,400	-	**3,400**	3,373		**3,373**
Audiovisual and other sales	33	48	**81**		48	**48**
Books and catalogues	1,555	-	**1,555**	1,058		**1,058**
VAT relating to publications	(1,347)	-	**(1,347)**	(1,399)		**(1,399)**
Total operating revenues	108,450	150,880	**259,330**	**109,741**	**131,444**	**241,185**
Other income and revenues	1,033	2,068	**3,101**	1,052	1,561	**2,613**
Total revenues	**109,483**	**152,948**	**262,431**	**110,793**	**133,005**	**243,798**

In the current financial year Group advertising sales, inclusive of intragroup sales of € 39 million, amounted to € 192 million, up by 12.3% on the same period of last year (€ 170.9 million inclusive of intragroup sales of € 38 million), mainly thanks to the growth in advertising time sales on the La 7 TV network and other specialty channels.

Publishing sales substantially confirmed those achieved in the previous financial year.

PUBLISHING BUSINESS

CAIRO EDITORE SPA - EDITORIALE GIORGIO MONDADORI SPA – CAIRO PUBLISHING SRL

In the financial year under review, the three weekly magazines “Settimanale DIPIU’”, “DIPIU’TV” and “Diva e Donna” generated consolidated sales of € 96.3 million (€ 96.2 million in 2005/2006) that is substantially in line with last year’s sales, thereby confirming the extraordinary success achieved in this business segment.

Thanks to the good circulation of the “Diva e Donna” magazine the selling price could be increased by 20 cents starting from the end of September 2007. A cover price increase of 10 cents was charged also for the “DipiùTV” magazine starting from October 2007.

On a date subsequent to that of the quarter end, the former CEO of the subsidiary company, whose mandate expired on 30 June 2007, exercised the stock option granted under the incentive plan in his favour described in the Quarterly Report at 30 September 2006. The plan provided for the assignment of option rights on 23,256 shares (equal to 2.2 % of the share capital), upon reaching the objectives set in terms of increased profitability and revenues, at the overall strike price of € 0.7 million. Therefore, Cairo Communication repurchased such shares at the price of € 3.2 million, calculated on the basis of values established by an independent expert.

In the financial year under review, the Group's publishing business was mainly focused on consolidating existing titles as well as on pursuing the optimisation of production, editorial and distribution costs, paying particular attention to the geographical spread of sales and the development of advertising sales.

The launch, in the previous financial year, of the new monthly magazines sold with "Di Più TV" and the women's weekly magazine "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, allowed for the further streamlining of existing structures shared with Editoriale Giorgio Mondadori which, during the year, continued to focus its activities on the magazines "Bell'Italia", "Bell'Europa", "In Viaggio", "Airone", "Gardenia", "Arte" and "Antiquariato".

ADVERTISING BUSINESS

A) TELEVISION

In the quarter under review, advertising sales continued on La 7 and the specialty channels Cartoon Network, Boomerang, Bloomberg and CNN.

In particular, sales of advertising time on the La 7 broadcaster grew 29% on last year to € 20.1 million.

The arbitration proceedings between Cairo TV and Telepiù SpA, in which both parties requested the resolution of the contract and the award of damages, are still at a preliminary stage. Following the cross-examination of the parties, the Board of Arbitrators - made up of Prof Raffaele Nobili, chairman, Prof Guido Rossi, nominated by Cairo TV and Lawyer Vittorio Colesanti, nominated by Telepiù SpA - produced the testimonial evidence and ordered the expert's report, Dr. Alberto Giussani being appointed as the expert witness. The Directors are of the opinion that Telepiù challenges are unjustified: they were raised by Telepiù several months after it had sold its business to Sky, excluding in such transaction the contract with Cairo; then Telepiù had suspended its TV broadcasting activities on 31 July 2003, allowing Cairo to continue with its advertising sales activities only until 30 June 2004, subject to Sky's restraints. Conversely, the challenges raised by Cairo, based on the violation of (i) a ten-year contractual obligation, valid even in the case of a change of ownership, and (ii) the termination of this contract, provide support to the claims made by the company. As part of these arbitration proceedings, Cairo has requested substantial damages from Telepiù for lost profits, consequential damages and damage to the company's reputation.

B) PRINT MEDIA DIVISION

During the 2006/2007 financial year Cairo Communication SpA continued with its sale of advertising space for:

- "For Men Magazine", "Natural Style", "Settimanale Dipiù", "DIPIU' TV" and its monthly supplements "DIPIUTV Cucina", "DIPIUTV Stellare" and "DIPIUTV 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"

In the July-September 2007 quarter, print media advertising sales relating to "Diva e Donna" registered positive results reporting a 12% growth compared to the same quarter of the previous financial year (+7% is the overall increase in sales of advertising on the Cairo Group' titles).

During the financial year, print media advertising sales, of € 57.1 million including the publishing share of € 38.7 million, increased by approximately 2%.

DIRECTORY DIVISION

During the financial year, the liquidation of the Diellesei subsidiary continued, generating net operating costs of € 1.8 million which are mainly attributable to labour costs for the period preceding the liquidation, personnel costs for those employed in the liquidation process (€ 0.4 million), costs for services (0.7 million), financial charges (€ 0.2 million) as well as amortisation, depreciation and asset write-downs (€ 0.5 million).

Net financial income of Diellesei includes income arising from the cancellation of amounts payable settled through compromise agreements.

In particular, during the financial year, Diellesei reached compromise agreements with three different banks in respect of amounts owed to them. Overall, these agreements entailed a waiver by the banks of part of their receivables (approximately € 1.9 million) and an extension of the repayment of € 3.9 million to 31 December 2007, € 2.6 million to 30 April 2009 and € 4.2 million to 30 September 2009.

On the date this quarterly report was prepared the company had no employees. Seven of the company's former employees challenged their dismissal and sought mediation from the Regional Labour Authority, pursuant to Art. 410 of the Italian Code of Civil Procedure. Following these challenges, to date the company has received only two court summons, the first one dealt with a positive judgement in favour of the company by the Court of first instance with all the claims being denied, whilst the second one is still pending.

The process of formalising agreements with former sales agents is ongoing, involving approximately 115 positions of the 150 which were current when the Company was put into liquidation.

7. Group investments

Group investments for the quarter under review may be analysed as follows:

(€ thousands)	30/09/2007 (three months)	30/09/2007 (twelve months)	30/09/2006 (three months)	30/09/2006 (twelve months)
Purchases				
TV ad time sales rights, computer software and brands	7	98	36	924
Current costs and down payments			-	84
Other	-	119	49	49
Total investments in intangible assets	**7**	**217**	**85**	**1.057**
Machinery	-	121	43	43
Other	112	214	15	302
Total investments in property, furniture and equipment	**112**	**335**	**58**	**345**
Investments	-	-	-	-
Financial receivables from associates	-	-	-	-
Total investments in non-current financial asset	**-**	**-**	**-**	**-**
Total purchases	**119**	**552**	**143**	**1,402**

8. Parent Company Financial Results

The main **consolidated income statement data** for the twelve months and the 4th quarter of the 2006/2007 financial year, prepared in accordance with the IAS/IFRS may be compared below with the related comparatives of the previous financial year, which have been restated by reference to the provisions of IAS:

(€ thousands)	30/09/2007 (12 months)	30/09/2007 (Q3)	30/09/2006 (12 months)	30/09/2006 (Q3)
Sales				
	174,593	32,873	155,568	27,470
Advertising agency discounts	(18,716)	(3,128)	(16,040)	(2,582)
Other revenue	631	361	612	129
Total revenues	**156,508**	**30,106**	**140,140**	**25,017**
Cost of sales	(146,977)	(28,543)	(131,458)	(23,711)
Personnel costs	(2,185)	(454)	(2,240)	(496)
Gross operating profit (EBITDA)	**7,346**	**1,109**	**6,442**	**810**
Amortisation, depreciation and provision for bad and doubtful debts	(847)	(87)	(1,475)	(441)
Operating profit (EBIT)	**6,499**	**1,022**	**4,967**	**369**
Net financial income	2,950	814	2,379	588
Investment income (expense)	6,298	6,298	(14,520)	(6,224)
Profit before tax	**15,747**	**8,134**	**(7,174)**	**(5,267)**
Income tax	(3,762)	(859)	(2,868)	(389)
Net profit (loss)	**11,985**	**7,275**	**(10,042)**	**(5,656)**

The effects of the adoption of the new IAS, as opposed to the previously applicable ones, on the results of the financial year ended on 30 September 2006 is provided in the Appendix to the quarterly financial statements at 31 December 2006 “Application and effects of IAS/IFRS on the Parent Company’s financial statements”.

Quarterly consolidated sales were € 33.2 million, up by 21% on the same quarter of the previous year, mainly thanks to the growth in sales from La 7 broadcaster. Gross operating profit (EBITDA) amounted to approximately € 1.1 million versus approximately € 0.8 million achieved in the same period of the previous financial year; EBIT was € approximately 1.0 million versus € 0.4 million achieved in the same period of the previous financial year.

The item “investment income/(expense)” for the quarter under review, as for the current financial year, included the dividends received in September 2007 from the subsidiary companies Cairo Pubblicità (€ 1.4 million) and Cairo Editore (€ 3.9 million) for a total of € 5.3 million.

Sales in the 2006/2007 financial year were € 175.2 million, up by 13% compared to the same period of the previous financial year. Gross operating profit (EBITDA) and EBIT were approximately € 7.3 million and approximately € 6.5 million, (€ 6.4 million and € 4.9 million respectively in the same period of the previous financial year).

In the previous financial year, adjustments to financial assets related to an investment write-down recorded in relation to the subsidiary Diellesei SpA in liquidation (€ 5.3 million) which was placed into liquidation on the date of the Shareholders’ Meeting of 10 July 2006, and to a provision for liabilities and charges of € 9.2 million, set up in relation to the losses incurred in the financial year by this subsidiary and its liquidation.

9. Parent Company Balance Sheet

The main **balance sheet data** at 30 September 2007 of Cairo Communication S.p.A. may be compared below with the balance sheet data at 30 September 2006, which were restated in accordance with the IAS:

(€ thousands)	30/09/2007	30/09/2006
Assets		
Property, furniture and equipment	628	323
Intangible assets	427	574
Investments	14,098	14,155
Net current assets	8,293	15,548
Total assets employed	**23,446**	**30,600**
Non-current borrowings and provisions	7,075	9,687
(Net financial assets) /indebtedness	(81,764)	(84,700)
Amounts due to subsidiaries	4,885	4,885
Shareholders' equity	93,250	100,728
Total equity and liabilities	**23,446**	**30,600**

The change in "Non-current borrowings and provisions" mostly relates to the utilisation of the investment write-down provision to cover payments made by the subsidiary Diellesei SpA in liquidation.

As remarked earlier on, the Ordinary Shareholders' Meeting of 31 January 2007 passed a resolution to distribute a dividend of € 2.50 per share, before withholding tax, on 12 February 2007, through coupon no. 6, for a total of € 19.5 million which caused the variation in the net financial position.

10. Parent Company Statement of Net Financial Position

The Parent Company's **net financial position** at 30 September 2007, compared with the balance sheet data at 30 September 2006 is summarised in the following table:

Cairo Communication S.p.A.	30/09/2007	30/09/2006	Changes
Cash and cash equivalents	50,963	71,350	(20,387)
Telepiù Escrow account	7,310	7,189	121
Fixed deposits	23,408	0	23,408
Insurance financial products		6,000	(6,000)
Marketable securities	83	161	(78)
Bank loans	0	0	
Total	**81,764**	**84,700**	**(2,936)**
Amounts due to subsidiaries	(4,885)	(4,885)	0
Total	**76,879**	**79,815**	**(2,936)**

The net financial position includes:

- the cash deposited in a current account held in the name of both Cairo Communication S.p.A. and Telepiù SpA (€ 7.3 million including accrued interest) that is subject to a pending arbitration award. This deposit was made by Cairo Communication in agreement with Telepiù, and represents the aggregate amount of a number of invoices issued on the company by Telepiù in 2004. Cairo Communication had filed an application for third party attachment on the deposit to guarantee its right to damages from Tele+ SpA which is awaiting the arbitrators' decision;
- fixed deposits related to:
  - a collateral of € 12.8 million with Banca Intesa for a personal guarantee of € 16 million, required by contract, granted by the bank to Telecom Italia media publisher and in the interest of Cairo Communication.
  - liquidity deposited in three escrow accounts of € 3.9 million, € 2.6 million and € 4.2 million respectively, set up as part of three transactions which entailed the waiver by three banks of part of the amounts due by the subsidiary Diellesei, shown under "Bank loans", and the granting of interest-free extended repayment terms.

11 Outlook

In the 2007/2008 financial year, Cairo Communication Group will continue to focus on developing its core businesses: the Publishing business operated by its Cairo Editore SpA, by Editoriale Giorgio Mondadori and by Cairo Publishing, as well 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 Publishing business, the latest circulation 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.

In 2006/2007 the activity was mainly focused on consolidating existing titles, more specifically the successful initiatives undertaken in the last four years (“Settimanale DIPIU”, “DIPIU’ TV”, “DIPIUTV Cucina”, “DIPIUTV Stellare ”, “DIPIUTV Giochi ”, “Diva e Donna”, “For Men Magazine”and “Natural Style”).

Also in the next 2007/2008 financial year Cairo Editore will continue to pursue the optimisation of its production, editorial and distribution costs. Particular attention will be paid to the growth in sales of advertising, in terms of both price and number of pages, especially with regard to “Diva e Donna”, but also to “Settimanale Dipiù” and “DipiùTV”.

Following a year (2006/2007) in which the Group has consolidated all the successful initiatives undertaken in the previous four years, editorial and economic feasibility studies will be examined and evaluated in order to launch new projects.

As regards the advertising business, the activity will continue to be focused also on the development of sales of advertising on other publishers’ media, La 7 and specialty channels under concession.

Chairman of the Board of Directors

Urbano Cairo

STATEMENT PURSUANT TO ART. 54-BIS, PARAGRAPH 2 - PART IV, TITLE III, CHAPTER II, SECTION V-BIS, OF LEGISLATIVE DECREE OF 24 FEBRUARY No. 58 OF 1998: "CONSOLIDATED ACT OF THE PROVISIONS ON FINANCIAL INTERMEDIATION, PURSUANT TO ARTICLES No. 8 AND No. 21 OF LAW No. 52 OF 6 FEBRUARY 1996"

Subject: Quarterly report at 30 September 2007, issued on 14 November 2007

I, the undersigned,

Marco Pompignoli, the Manager charged with preparing the financial reports of Cairo Communication S.p.A.

DECLARE

that I have analysed and verified the Quarterly Report at 30 September 2007 to the extent that I deemed necessary to be able to release this statement.

On the basis of the information obtained, the verifications performed, the assessment of the risk exposure and of the internal control system,

REPRESENT

in accordance with the provisions of the second paragraph of art. 154-bis of the Consolidated Act on Financial Intermediation that, to my knowledge, the Quarterly Report at 30 September 2007 agrees with the accounting records, books and entries.

Milan, 14 November 2007

The manager charged with preparing
the financial reports
of Cairo Communication S.p.A.

(Marco Pompignoli)