Quarterly Report at 31 March 2007

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

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

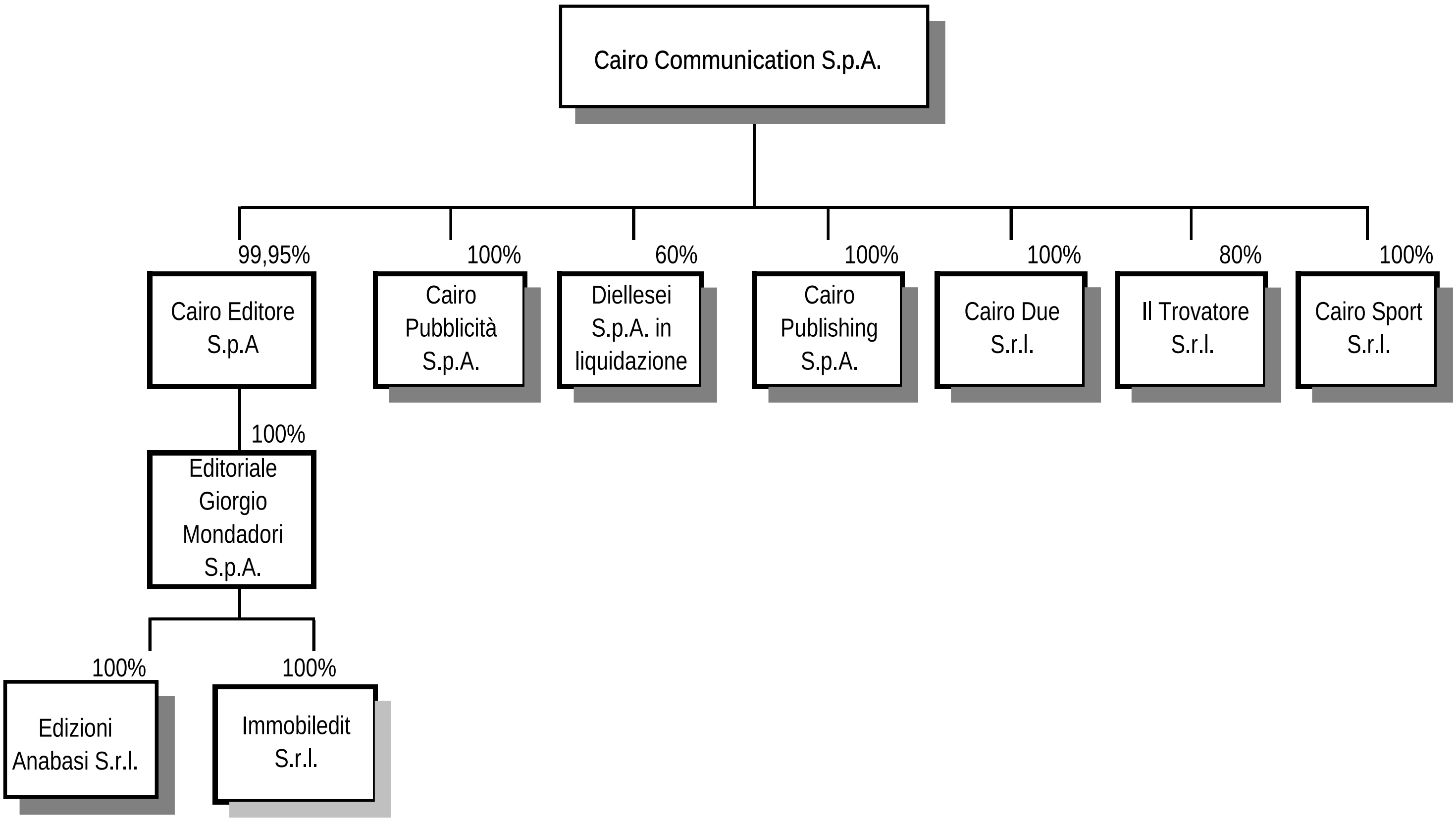
Mauro Sala	Chairman
Marco Baccani	Principal auditor
Maria Pia Maspes	Principal auditor
Mario Danti	Alternate auditor
Ferdinando Ramponi	Alternate auditor

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 applied the IAS/IFRS international accounting standards in preparation of its consolidated financial statements at 30 September 2006, and will do the same for the separate financial statements of the Parent Company Cairo Communication SpA, starting with the annual financial statements for the current financial year, 2006-2007.

The quarterly financial statements for the Parent Company Cairo Communication SpA at 31 March 2007 were, therefore, prepared in accordance with international accounting standards. In the Appendix to the quarterly financial statements at 31 December 2006, Application and effects of IAS/IFRS to Parent Company financial statements, the following information was presented:

- The information required under Consob statement No. 14990 of 14 April 2005 which refers to the reconciliation statement of net equity at 1 October 2005 and at 30 September 2006 and the results of the financial year ended 30 September 2006, applying the Italian and international accounting standards respectively.
- A description of the primary differences between Italian accounting standards used previously and the IAS/IFRS;
- The optional exemptions allowed under IFRS No. 1 used by Cairo Communication S.p.A.;

In accordance with Art. 82 section 2 of the financial regulations, the methods of presenting the quarterly reports have not been changed on previous quarters. The quarterly consolidated financial statements for the Cairo Communication Group at 31 March 2007 were prepared in accordance with international accounting standards.

The financial statements at 31 March 2007 have been prepared on a pre-tax basis.

The financial results presented refer to the 2006-2007 1st half-year and 2nd quarter and are presented with those for the corresponding periods of the 2005-2006 financial year, and at 30 September 2006.

Parent Company financial results for the 2006-2007 1st half-year and 2nd quarter are presented with those for the corresponding periods of the 2005-2006 financial year and the figures at 30 September 2006, restated in accordance with international accounting standards, for increased transparency.

During this period, no changes have been made to the consolidation scope so it remains unchanged from that detailed in the financial statements at 30 September 2006.

The quarterly consolidated financial statements at 31 March 2007 have been prepared in accordance with international accounting standards.

The financial statements at 31 March 2007 have been prepared on a pre-tax basis.

The consolidated financial results presented refer to the 2006-2007 1^{st} half-year and 2^{nd} quarter and are presented with those for the corresponding periods of the 2005-2006 financial year, and at 30 September 2006.

The Parent Company financial results presented refer to the 2006-2007 1^{st} half-year and 2^{nd} quarter and are presented with those for the corresponding periods of the 2005-2006 financial year, and at 30 September 2006, restated in accordance with IAS/IFRS international accounting standards for increased transparency.

In the section “Reconciliation of net equity and the quarterly results at 31 March 2006” of the “Transition to the IAS/IFRS international accounting standards” appendix to these financial statements, a detailed account of the effects of the transition to IAS/IFRS international accounting standards on the Parent Company Balance Sheet at 31 March 2006 and Income Statement for the 1^{st} half year and 2^{nd} quarter, ended 31 March 2006.

EXECUTIVE SUMMARY

During this period, the Cairo Communication Group continued to operate as a publisher of books and magazines (Editoriale Giorgio Mondadori, Cairo Publishing and Cairo Editore publishing houses), as a multimedia advertising broker selling advertising time/space on TV networks, in print media and on Internet sites and as operator of Internet sites (Il Trovatore), with growth in all these areas during this period.

In our publishing business, over the February 2006 – January 2007 twelve month period, “Settimanale Di Più”, the second best-selling magazine in Italy, has enjoyed average ADS sales of 792,604 copies while average ADS distribution figures for “Di Più TV” reached 622,587 copies, further consolidating their extraordinary success to date. Over the December 2005 – November 2006 period, “Diva e Donna” recorded average ADS distribution figures of 241,427. These magazines 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, despite a fall in the advertising sales market of 7.1% during the January – February two month period (source: AC Nielsen).

In our advertising business, sales of advertising time on the La 7 broadcaster grew 15.5% on last year to € 31.2 million, despite a fall of 5.9% in the television advertising sales market during the January – February two month period (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)	(49,064)	(96,144)	(46,654)
Personnel costs	(9,601)	(5,035)	(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	6	(3)	(3)	(1)
Profit from continuing operations – Group share	**4,642**	**1,018**	**5,321**	**1,185**
Profit /(loss) from discontinued operations	(428)	16	(4,591)	(2,335)
- attributable to minority interests	0	0	1,385	700
Profit/(loss) from discontinued operations	**(428)**	**16**	**(3,206)**	**(1,635)**
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 has been disclosed separately as “Profit/ (loss) from discontinued operations” as with the consolidated financial statements at 30 September 2006. The income statements for the first and second quarters of the 2005-2006 financial year have been treated in the same way. A reconciliation statement for the income statement of 31 March 2006 and that of 31 March 2006, reclassified in this way, is included in Appendix 1.

The excellent sales performance of Group publications and the strong 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 25% to €10.3 million (€ 8.3 million for 2005-2006), operating profit (EBIT) rose by 8% to € 7.2 million (€ 6.6 million for 2005-2006) and the Group share of net profit from continuing operations, 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 24/12/2003. This tax credit cannot be applied to corporate income tax. This has led to a movement 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 this quarter, 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 € 1.2 million (against a loss of € 0.5 million for 2005-2006).

The financial results for the current quarter were affected by the considerable investment in advertising and support for the Group's weekly magazines (€ 1.7 million), slightly less than the investment 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 24/12/2003. This tax credit cannot be applied to corporate income tax. This has led to a movement 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)**	**(1,814)**
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, and consultants' fees. Revenue generated by Diellesei relates to the recognition of debit positions agreed as part of a settlement agreement.

The minority interest was determined 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.

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	5,968	5,995
Net current assets	(15,070)	(10,540)
Total Assets	**3,591**	**8,352**
EQUITY AND LIABILITIES		
Non-current borrowings and provisions	8,453	8,574
Net financial assets	(82,287)	(92,395)
Shareholders' equity	77,437	92,658
Minority interests	(12)	(485)
Total Equity and Liabilities	**3,591**	**8,352**

The 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. This investment has performed well since its purchase date, with the current value at the date of approval of these financial statements of € 12, 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 an escrow 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 are payable by Cairo Communication SpA to UT Belgium Holding SA, a subsidiary of UT Communications SpA, Cairo Communication's Parent Company.

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

Analysis of Half Year 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	59	**65**
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**	**72,272**	**123,992**
Other operating revenues	854	318	**1,172**	694	567	**1,261**
Total Gross Operating Revenues	**53,317**	**79,994**	**133,311**	**52,414**	**72,839**	**125,253**

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, up 7.7% on the same period of last year (€ 90 million inclusive of intra-Group sales of € 17.2 million), due to the strong 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 Group Sales and Other Operating Revenues by Business Segment

	2nd quarter ending 31 March 2007			2nd quarter ending 31 March 2006		
(€ 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)**
Inventory movements				239	0	**239**
Total Sales	**25,410**	**37,722**	**63,132**	**26,170**	**32,997**	**59,167**
Other operating revenues	631	236	**867**	437	303	**740**
Total Operating Revenues	26,041	37,958	**63,999**	26,607	33,300	**59,907**

CAIRO COMMUNICATION GROUP OPERATING RESULTS

PUBLISHING BUSINESS

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

Revenues from the Group publishing business changed little from the strong results recorded in previous years, despite a fall of 7.1% in the magazine advertising sales market during the January – February period (source: AC Nielsen).

Of note, “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 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).

During this quarter, operations focussed on the consolidation of current titles, and the optimisation of production, distribution and editorial cost structures, with particular attention 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 four other titles, “For Men Magazine” and “Natural Style” in 2003, “Settimanale Di Più” in 2004 and “Di Più TV” in 2006, 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 see 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 strong 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 and 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 5.9% 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 **CTU** (Court Technical Expert). 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 “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 2nd quarter of this year, the liquidation of the Diellesei subsidiary continued, generating net operating costs of € 0.4 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 debit write offs, generating revenue of € 0.7 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 formalisation of employee termination agreements with former sales agents has continued. Of the 150 positions held when the company went into liquidation, 95 have been terminated.

GROUP INVESTMENTS

The following table lists the Group's investments in non-current assets.

(€ thousands)	31 March 2007 (Q2)	31 March 2007 (HY)	31 March 2006 (Q2)	31 March 2006 (HY)
Purchases				
TV ad time sales rights & computer software	64	90	236	710
Current costs and down payments	0	0	52	121
Other	0	0	12	28
Total investments in intangible assets	**64**	**90**	**300**	**859**
Land and buildings				
Machinery	0	0	25	25
Other	86	266	99	197
Assets under construction				
Total investments in property, furniture and equipment	**86**	**266**	**124**	**222**
Investments	0	0	0	0
Financial receivables from associates	0	0	12	9
Total investments in non-current financial assets	**0**	**0**	**12**	**9**
Total	**150**	**356**	**436**	**1,090**

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**	**2,350**	**(2,943)**	**(5,280)**
Income tax	(1,923)	(933)	(1,606)	(696)
Net profit	**3,026**	**1,417**	**(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, and how they differ from Italian accounting standards applied previously, 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), totalling € 3.6 million, up from € 3 million last year.

Writedowns applied to investments during the first half of the 2005-2006 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 current 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, totalling € 1.7 million.

As discussed above, the 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 an escrow account 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.

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 La 7 and the specialty channels.

Of note, the sale of advertising time on La 7 for the April – May 2007 period confirms the growth trend recorded previously. At 14 May 2007, the order portfolio for advertising broadcast and awaiting broadcast for the two month period totals € 24.6 million, up 20.5% on the same period last year.

At the moment, no new launches are 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

Appendix 1 – Statement of reconciliation of consolidated income statement at 31 March 2006

(€ thousands)	31 March 2006 (HY)	Reclassification of discontinued operations	31 March 2006 (HY)
Sales	123,993		123,993
Advertising agency discount	(12,165)		(12,165)
Net operating revenues	111,828		111,828
Inventory movements	385		385
Other operating revenues	1,279	(18)	1,261
Operating revenues	**113,492**	(18)	**113,474**
Cost of sales	(98,409)	2,265	(96,144)
Personnel costs	(10,942)	1,894	(9,048)
Gross operating profit (EBITDA)	**4,141**	**4,141**	**8,282**
Depreciation and provision charges	(4,323)	2,660	(1,663)
Operating profit (EBIT)	**(182)**	6,801	**6,619**
Net finance income	922	194	1,116
Profit before tax	**740**	**6,995**	**7,735**
Income tax	(8)	(2,404)	(2,411)
Minority interests	1,382	1,385	(3)
Profit from continuing operations – Group share	**2,115**	**3,206**	**5,321**
Profit /(loss) from discontinued operations		(4,501)	(4,591)
- attributable to minority interests		1,385	1,385
Profit/(loss) from discontinued operations		**3,206**	**(3,206)**
Net profit	**2,115**	**0**	**2,115**

CAIROCOMMUNICATION

Transition to International Accounting Standards (IAS/IFRS) of Parent Company financial statements

Reconciliation of net equity and net profit for the half year ended 31 March 2006

The separate Parent Company financial statements included in the half-yearly report at 31 March 2007 were prepared in accordance with the IAS/IFRS international accounting standards, as were those at 31 December 2006. In the Appendices "Application of IAS/IFRS to Parent Company financial statements and related effects" and "Application of IAS/IFRS to net equity at 31 December 2005 and the Income Statement for the quarter ended 31 December 2005" attached to the quarterly report at 31 December 2006, the following information was provided:

- The disclosures required by the Consob press release no. 14990 of 14 April 2005 regarding the reconciliation of net equity at 1 October 2005 and at 30 September 2006 and the profit for the year ended 30 September 2006 calculated using Italian accounting standards and the IAS/IFRS international accounting standards.
- A description of the primary differences between the Italian accounting principles used previously and the IAS/IFRS international accounting standards
- the accounting treatment selected by the Company from the accounting options provided by IAS/IFRS;
- The optional IFRS 1 exemptions used by the Company
- A summary of the most significant accounting principles applied
- The details of the effects of the transition to IAS/IFRS on Company net equity at 31 December 2005 and the Income Statement for the quarter ended 31 December 2005.

Reconciliation of net equity and net profit for the half year and quarter ended 31 March 2006

The reconciliation of Company net equity and net profit for the half year ended 31 March 2006, calculated in application of Italian accounting principles and IAS/IFRS international accounting standards can be analysed as follows:

	1 Oct. 2005	Dividend distributed	Other equity movements	Group profit/(loss)	31 March 2006
Total equity in accordance with Italian accounting principles	**138,175**	**(23,371)**	**0**	**(4,816)**	**109,988**
IAS/IFRS movements:					
- Reversal of incorporation and listing costs	(3)	0	0	0	(3)
- Reclassification of treasury shares	(86)	0	(2,100)	0	(2,186)
- Different treatment of cost of advertising revenue	(2,941)	0	0	426	(2,515)
Related tax effect	1,097	0	0	(159)	938
Total IAS/IFRS movements	(1,933)	0	(2,100)	267	(3,766)
Net equity under IAS/IFRS international accounting standards	**136,242**	**(23,371)**	**(2,100)**	**(4,549)**	**106,222**

With regard to the application of the valuation principles in IAS No. 19 to the provision for retirement benefits and staff severance provision, (projected unit credit method), the actuarial value at 30 September 2005 has been obtained, which shows no significant effect on the items involved, net equity, or the financial results for the year. As a result, the figures obtained using Italian accounting principles have not been adjusted. The lack of significant variation in employee numbers and the stability of actuarial variables submitted for the calculation of liability with the application of valuation criteria outlined in IAS 19 relating to employee benefits confirms the conclusions reached previously at the end of the conversion phase relating to liabilities at 30 September 2005, and therefore brings to bear no significant impact. As a result, the figures obtained using Italian accounting principles have not been adjusted.

Notes to the reconciliation of net equity at 1 October 2005 and at 31 March 2006 and the profit for the half year ended 31 March 2006

Intangible assets:

In accordance with IAS/IFRS, adjustments have been made to the value of intangible assets relating to incorporation and listing costs. As a result, the reconciliation of net equity at 1 October 2005 and at 31 March 2006 shows a decrease in intangible assets of € 3 thousand with a corresponding charge to “Other reserves”. No relevant effects were recorded to the Income Statement for the half year ended 31 March 2006.

Treasury shares:

Treasury shares have been reclassified as a reduction of net equity. Dealing in treasury shares brings to bear no economic effect, either income or expense, rather it constitutes a variation in consolidated net equity. As a result, the reconciliation of net equity at 1 October 2005 and at 31 March 2006, and net profit for the half year ended 31 March 2006, determined using Italian accounting principles, and IAS/IFRS respectively, show the following:

At 1 October 2005: A decrease in net equity of € 86 thousand being the reclassification of treasury shares as a reduction in net equity

At 31 March 2006: A decrease in net equity of € 2,100 thousand, corresponding to the price paid for treasury shares purchased during the period. As a result, the value of treasury shares at 31 March 2006, restated as a reduction in net equity, is equivalent to € 2,186 thousand.

Advertising sales

As part of the contract established with La 7 Televisioni SpA, a payment was made to that company which was not evenly spread across the duration of the contract. While consolidated financial statements prepared in accordance with Italian accounting standards reflected the annual cost related to this contract, on the basis of the amounts defined annually by the contract, IAS/IFRS international accounting standards require that the sum be spread evenly across the relevant years, independently of the methods of regulation allowed for in the contract.

Thus, the reconciliation of net equity at 1 October 2005 and 31 March 2006, as well as the profit for the half year ended 31 March 2006, when restated in accordance with the IAS/IFRS international accounting standards, shows the following:

At 1 October 2005: An increase in other current payables of € 2,941 thousand to recognise the share of costs of advertising revenue, determined spreading the cost evenly across the contract's duration.

At 31 March 2006: A € 426 thousand decrease in the cost of sales and, thus, an increase in other current payables at 31 March 2006 of € 2,516 thousand.

Of note, in view of the reconciliation of net equity and net profit at 31 December 2005, calculated using Italian accounting principles and IAS/IFRS international accounting standards shown in the appendix to the quarterly report at 31 December 2006 "Application of IAS/IFRS international accounting standards to net equity at 31 December 2005 and the Income Statement for the quarter ended 31 December 2005", the reconciliation of net equity and net profit at 31 March 2006 can be analysed as follows:

	01 Jan. 2006	Dividend distributed	Other equity movements	Net profit/(loss)	31 March 2006
Total equity in accordance with Italian accounting principles	**139,440**	**(23,371)**	**0**	**(6,081)**	**109,988**
IAS/IFRS movements:					
- Reversal of incorporation and listing costs	(3)	0	0	0	(3)
- Reclassification of treasury shares	(1,986)	0	(200)	0	(2,186)
- Different treatment of cost of advertising revenue	(2,682)	0	0	167	(2,515)
Related tax effect	1,000	0	0	(62)	938
Total IAS/IFRS movements	(3,671)	0	(200)	105	(3,766)
Net equity under IAS/IFRS international accounting standards	**135,769**	**(23,371)**	**(200)**	**(5,976)**	**106,222**

Reconciliation of consolidated income statement at 31 March 2006

	Previous accounting principles	IAS restatement	IAS reclassification	IAS/IFRS
Income statement				
Net sales and services	82,556	0	0	82,556
Agency discounts	(8,919)	0	0	(8,919)
Other operating revenues	523	0	(112)	411
Operating revenues	**74,160**	**0**	**(112)**	**74,048**
Cost of sales	(69,348)	426	(256)	(69,178)
Personnel costs	(1,177)	0	0	(1,177)
Gross operating profit (EBITDA)	**3,635**	**426**	**(368)**	**3,693**
Amortisation, depreciation, provisions and writedowns	(1,066)	0	368	(698)
Operating profit (EBIT)	**2,569**	**426**	**0**	**2,995**
Net finance income	1,158	0	0	1,158
Investment loss	(7,096)	0		(7,096)
Loss before tax	**(3,369)**	**426**	**0**	**(2,943)**
Income tax	(1,448)	(158)	0	(1,606)
Net loss	**(4,817)**	**268**	**0**	**(4,549)**

Analysis of the effect of the transition to IAS/IFRS international accounting standards on the Income Statement for the half year ended 31 March 2006

<u>*Other operating revenues*</u>

Reclassification: This refers to the reclassification of the rebilling of the cost of sales.

Cost of sales

Restatement: As detailed above, this refers to the reclassification of the differing treatment of the cost of advertising revenue on the La 7 broadcaster.

Reclassification: This refers to the reclassification of revenues from the rebilling of the cost of sales (€ 112 thousand) and the reclassification (€ 368 thousand) of costs relating to the once-off entrance fee paid in January 2003 to La 7 Televisioni S.p.A. which under Italian accounting principles was classified as "Amortisation".

Amortisation, depreciation, provisions and writedowns

Reclassification: This includes the reclassification (€ 368 thousand) of costs relating to a once off amount paid during January 2003 to La 7 Televisioni SpA, which was recorded under amortisation in accordance with Italian accounting standards.

Analysis of the effect of the transition to IAS/IFRS international accounting standards on the Income Statement for the quarter ended 31 March 2006

	Previous accounting principles	**IAS restatement**	**IAS reclassification**	**IAS/IFRS**
Income statement				
Net sales and services	37,781	0	0	37,781
Agency discounts	(4,172)	0	0	(4,172)
Other operating revenues	405	0	(29)	376
Operating revenues	**34,014**	**0**	**(29)**	**33,985**
Cost of sales	(32,054)	167	(156)	(32,043)
Personnel costs	(524)	0	0	(524)
Gross operating profit (EBITDA)	**1,436**	**167**	**(185)**	**1,418**
Amortisation, depreciation, provisions and writedowns	(483)	0	185	(298)
Operating profit (EBIT)	**953**	**167**	**0**	**1,120**
Net finance income	696	0	0	696
Investment loss	(7,096)	0		(7,096)
Profit / (Loss) before tax	**(5,447)**	**167**	**0**	**(5,280)**
Income tax	(634)	(62)	0	(696)
Net loss	**(6,081)**	**105**	**0**	**(5,976)**

Analysis of the effect of the transition to IAS/IFRS international accounting standards on the Income Statement for the quarter ended 31 March 2006

Other operating revenues

Reclassification: This refers to the reclassification of the rebilling of the cost of sales.

Cost of sales

Restatement: As detailed above, this refers to the reclassification of the differing treatment of the cost of advertising revenue on the La 7 broadcaster.

Reclassification: This refers to the reclassification of revenues from the rebilling of the cost of sales (€ 29 thousand) and the reclassification (€ 185 thousand) of costs relating to the once-off entrance fee paid in January 2003 to La 7 Televisioni S.p.A. which under Italian accounting principles was classified as "Amortisation".

Amortisation, depreciation, provisions and writedowns

Reclassification: This includes the reclassification (€ 185 thousand) of costs relating to a once off amount paid during January 2003 to La 7 Televisioni SpA, which was recorded under amortisation in accordance with Italian accounting standards.

Chairman of the Board of Directors

Urbano R. Cairo