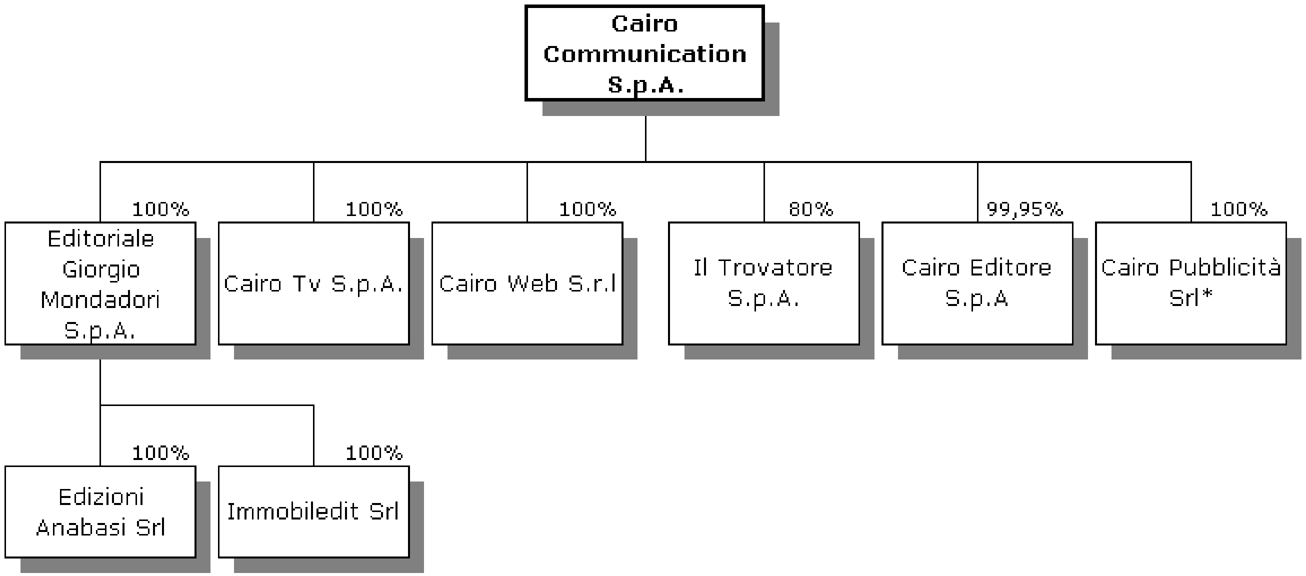
CAIRO COMMUNICATION

Cairo Communication Group
2003-2004 1st Quarter Report at 31 December 2003

Cairo Communication SpA
Head office: Via Tucidide 56, Milan, Italy
Share capital: € 4,042,594.40

Contents

GROUP STRUCTURE



BASIS OF PREPARATION

The financial statements included in this quarterly report have been prepared in accordance with Article 2.6.2, Section 5 of the Italian New Market Regulation, approved by the CONSOB in their ruling N° 14268 of 9 October 2003 and using accounting and consolidation principles prescribed in Italian New Market Regulation IA.2.4.1.

The accounting and consolidation principles adopted in the preparation of the 2003-2004 1st quarter financial statements are the same as those used in the preparation of the 2002-2003 full year consolidated financial statements at 30 September 2003.

There has been no change in consolidation scope since 30 September 2003.

The Consolidated and Parent Company Income Statements incorporate data for the 1st quarter of 2003-2004 as well as for the corresponding 1st quarter of 2002-2003, and are prepared on a pre-tax basis, net of income tax effect.

The Consolidated and Parent Company Balance Sheets and Statements of Net Financial Position are prepared as of 31 December 2003.

EXECUTIVE SUMMARY

Cairo Communication Group continued to operate during the 1st quarter of 2003-2004 as a multimedia advertising broker selling advertising time/space on TV networks, in print media and on Internet sites, and as a publisher of books and magazines (Editoriale Giorgio Mondadori (EGM) and Cairo Editore publishing houses) and an operator of Internet sites (Il Trovatore search engine).

Cairo Editore’s performance during the 1st quarter of 2003-2004 confirmed Cairo Group’s strategic decision to focus on the development of its publishing business. This strategy will encompass both the launch of new titles and growth through acquisitions. Sandro Mayer has been appointed editor for the weekly family news magazine that will be shortly be published. Mayer is among Italy’s most famous editors, having edited highly successful publications including "Bolero", "Epoca" and "Gente", for over twenty years.

Cairo Editore is entering the high-margin weekly magazine market, and is continuing the strategy of developing new titles, implemented in 2003 with the launch of the “For Men Magazine” and “Natural Style” magazines.

The new weekly title will facilitate greater use of existing structures that are shared with EGM, another Group publishing company.

Both “For Men Magazine” and “Natural Style” continued to enjoy strong sales during the 1st quarter of 2003-2004, which comprised the October to December 2003 3-month period.

EGM, the subsidiary that publishes “Bell’Italia”, “Bell’Europa”, “In Viaggio”, “Airone”, “Gardenia”, “Arte” and “Antiquariato”, also enjoyed strong margins during this period. EGM is currently restyling “Airone” for subsequent relaunch, and is also restyling “Gardenia”, to further improve on its current strong circulation sales of 49,000 copies for 2003.

The Group’s Advertising business also enjoyed strong sales growth, with advertising space sales for the La7 national Italian TV network achieving both record quarterly sales of € 25 million (up 71% on the same period last year) and single month sales, of € 9 million for November 2003.

La7 TV network advertising time sales for the whole of the 2003 calendar year jumped 61% to € 68.5 million, compared with € 42.6 million realised by the previous advertising broker for all of 2002. This performance exceeds the minimum annual performances guaranteed by Cairo and specified in its agreement with the La7 TV network.

Sky Italia satellite specialty channels’ advertising time sales posted good performances, with average time slot prices recording good increases. Cartoon Network advertising sales jumped by 28.5% during the 2003 calendar year, with Discovery Channel, Bloomberg and CNN TV channels also showing strong growth.

Cairo began selling advertising time on the Boomerang cartoon channel in January 2004, and will do the same on the Discovery Civilization, Discovery Travel & Adventure and Discovery Science specialty channels from March 2004.

Cairo Communication Group posted excellent 2003-2004 1st quarter financial results, with gross operating revenues up 29.6% to € 55.1 million from € 42.5 million for the same period last year. During this time, EBITDA jumped 40.9% to € 4.6 million from € 3.2 million, while EBIT similarly jumped 38.6% to € 2.6 million from € 1.9 million.

CAIRO COMMUNICATION GROUP – FINANCIAL RESULTS

CONSOLIDATED INCOME STATEMENT

(€ thousands)	**2003-2004 1st Quarter**	**2002-2003 1st Quarter**
Sales	54,508	41,510
Other operating revenues	619	1,007
Gross operating revenues	**55,127**	**42,517**
Advertising agency discounts	(9,582)	(5,355)
Inventory movements	148	9
Operating revenues	**45,693**	**37,171**
Cost of sales	(38,346)	(31,428)
Personnel costs	(2,765)	(2,393)
Gross operating profit (EBITDA)	**4,582**	**3,250**
Depreciation, amortisation and provision charges	(1,984)	(1,375)
Operating profit (EBIT)	**2,598**	**1,875**
Net finance income	1,071	2,117
Profit from ordinary activities	**3,669**	**3,992**
Net exceptional expenses	0	(472)
Minority interest	12	6
Profit before tax	**3,681**	**3,526**

Group gross operating revenues for the 2003-2004 1st quarter increased by 29.6% over the same period last year to € 55.1 million from € 42.5 million, comprising € 54.5 million in sales and € 0.6 million in other operating revenues.

Both Group EBITDA and EBIT improved significantly during this period, with EBITDA up 40.9% to € 4.6 million from € 3.2 million and EBIT up by 38.6% to € 2.6 million from € 1.9 million. These results were achieved despite € 0.4 million in pre-publication and launch costs associated with the issue of the new magazine “Natural Style”, whose fourth, fifth and sixth editions were published during this time.

The € 0.6 million increase in depreciation and provision charges related primarily to the amortisation of an entrance fee paid at the signing of the advertising sales contract with the La7 TV network.

Net finance income included € 0.5 million in capital gains arising from the sale of 50,200 treasury shares in November.

2002-2003 financial year net finance income and profit before tax included € 1.3 million in tax credits arising from the receipt of a dividend by the Group parent company, Cairo Communication SpA, from one of its subsidiaries, Cairo TV SpA.

In accordance with CONSOB regulations, the 1st quarter consolidated accounts at 31 December 2003 exclude income tax and related effects.

CONSOLIDATED BALANCE SHEET

(€ thousands)	**31 December 2003**	**30 September 2003**
ASSETS		
Property, furniture and equipment	3,020	3,049
Intangible assets	18,023	19,510
Investments	207	209
Treasury shares	219	1,195
Marketable securities	0	0
Current non-financial assets	17,963	11,663
TOTAL ASSETS	**39,432**	**35,626**
Shareholders' equity	125,132	133,588
Minority interest	1	12
Non-current borrowings and provisions for liabilities	6,237	6,153
Net financial assets	(91,938)	(104,127)
TOTAL EQUITY AND LIABILITIES*	**39,432**	**35,626**

** Shareholders' equity at 31 December 2003 excludes income tax and related tax effects*

The decrease in shareholders' equity resulted from a distribution to shareholders of € 12.4 million in cash dividends, amounting to € 1.6 dividend per share, as approved at the Annual General Meeting of Cairo Communication SpA shareholders held on 17 December 2003. No dividends were paid on treasury shares.

The Board of Directors of Cairo Communication SpA, at its 10 December 2003 meeting, authorised the allocation to specific beneficiaries of a second block of options relating to the share option plan approved by the Extraordinary Meeting of 19 April 2000. This block, which incorporated unallocated options from the first block, comprised 88,000 options to the same number of shares, exercisable at a price of € 21.72 per share. Options may be exercised any time between 23 December 2003 and 30 September 2004, pursuant to transfer constraints imposed by Regulations.

At 31 December 2003, 11,290 share options had been exercised, resulting in a € 5,870 share capital increase.

On 22 January 2004, pursuant to Article 2481 subsection 6 of the Italian Civil Code, notice was lodged with the CCIAA Companies Register in Milan, regarding a € 12,594.40 increase in share capital on 23 December 2003 – 21 January 2004 period, pursuant to the issue of 24,220 shares each with a par value € 0.52 as a result of this second block.

At 31 December 2003, the Group held € 0.2 million in treasury shares, consisting of 11,300 shares with a par value each of € 0.52, which amounted to 0.15% of share capital. These were purchased under the share buyback programme authorised by the Shareholders' Meeting of 30 January 2003.

CONSOLIDATED STATEMENT OF NET FINANCIAL POSITION

(*(€ thousands)*	**31December 2003**	**30 September 2003**	Change
Bank and cash	85,917	98,065	(12,148)
Non-Group companies' marketable securities	83	83	0
Short-term insurance financial products	6,000	6,000	0
Bank and other financial liabilities	(62)	(21)	(41)
Net Financial Assets	**91,938**	**104,127**	**(12,189)**

The decrease in Group net financial assets was primarily caused by the payment of cash dividends. At 31 December 2002, the Group's net financial assets amounted to € 98.5 million, before the distribution in January 2003 of € 6.2 million in cash dividends from 2002-2003 financial year net profit.

The Group has continued to manage its cash and bank assets very prudently, investing for the most part in interbank deposits.

The Group had subscribed to a € 6 million insurance financial product, Elios Coupon, offered by Antonveneta Vita. This insurance policy provides a minimum annual return of 3% net of management fees.

CAIRO COMMUNICATION GROUP – OPERATING RESULTS

OVERVIEW – ANALYSIS OF GROUP SALES BY BUSINESS SEGMENT

(€ thousands)	2003-2004 1st Quarter			2002-2003 1st Quarter		
	Advertising	**Publishing**	**Total**	**Advertising**	**Publishing**	**Total**
TV advertising time sales	42,303	0	42,303	20,447	0	20,447
Print media advertising space sales	3,504	0	3,504	15,229	0	15,229
Electronic billboards ad time sales	10	0	10	100	0	100
Stadium advertising time signs	0	0	0	64	0	64
Internet advertising time sales	20	0	20	55	0	55
EGM advertising sales	0	4,658	4,658	0	2,904	2,904
Magazine over-the-counter sales	0	2,924	2,924	0	1,467	1,467
Magazine subscription sales	0	858	858	0	735	735
Audiovisual and other sales	0	11	11	0	43	43
Books and catalogues	0	335	335	0	538	538
VAT relating to publications	0	(117)	(117)	0	(72)	(72)
Total - Sales	**45,837**	**8,669**	**54,506**	**35,895**	**5,615**	**41,510**
Other operating revenues	393	226	619	719	288	1,007
Total - Gross Operating Revenues	**46,230**	**8,895**	**55,125**	**36,614**	**5,903**	**42,517**

No segmented analysis of Group sales is provided on a geographic region basis, as all sales are realised in Italy.

The Group's Advertising business achieved 2003-2004 1st quarter sales of € 46.2 million, up 26.2% over the same period last year, while its Publishing business saw its sales increase by 50% to € 8.9 million during this time.

ADVERTISING BUSINESS

Television Division – Cairo Communication SpA & Cairo TV SpA

The significant increase in TV advertising sales during the 1st quarter of 2003-2004 reflects the strong advertising sales performance at the La7 TV Network, which Cairo has represented since January 2003. This strong sales advertising performance at La7 occurred throughout 2003, confirming the great potential of this commercial TV network and the excellent expertise and know-how of Cairo Communication and Cairo TV's sales force.

La7 TV network advertising time sales for the 1st quarter of 2003-2004, which comprises the months of October to December 2003, jumped 71% to € 25 million, compared with € 14.6 million reported by the previous advertising broker for the same period last year.

La7 TV network advertising time sales for the whole of the 2003 calendar year jumped 61% to € 68.5 million, compared with € 42.6 million realised by the previous advertising broker for all of 2002. This performance exceeds the minimum annual performances guaranteed by Cairo and specified in its agreement with the La7 TV network.

Advertising sales revenues and profit margins realised by Cairo during the 2003 calendar year from its agreement with the La7 TV network were lower than what will be achieved in subsequent years as a result of agreement specificities relating to the first year.

Sky Italia satellite specialty channels' advertising time sales posted good performances, with average time slot prices recording good increases. Cartoon Network advertising sales jumped by 28.5% during the 2003 calendar year, with Discovery Channel, Bloomberg and CNN TV channels also showing strong growth.

The Group is enjoying good advertising time sales performances from the Sky Italia channels and other specialty channels, which have been increasing at an accelerated pace since January 2004. At 5 February 2004, digital TV advertising sales order backlog amounted to € 15 million for the 2nd quarter of 2003-2004, which comprises the months of January to March 2004, a jump of more than 10% over the same time last year.

Advertising time sales agreements have been reached with Boomerang, a new Turner specialty channel, as well as with Cartoon Network, Discovery Civilization, Discovery Travel & Adventure and Discovery Science on which Cairo will commence selling advertising time from March 2004.

2003 has been a watershed year for the Italian pay TV market, with the arrival of Sky and the creation of a single satellite pay TV network for Italy following the merger of the existing two satellite broadcasters, Tele+ and Stream. Channels formerly broadcast on the Tele+ satellite TV network are now broadcast under the Sky Italia TV network, effective from 31 July 2003.

The Group’s Cairo TV subsidiary, after having nominated Guido Rossi as its arbiter, entered into arbitration proceedings regarding its right of execution of a contract it signed with Tele+ in May 1998. This contract had awarded it the exclusive right to sell advertising time on Tele+ channels (currently limited to advertising time for Italian Serie A Football matches - live and time delayed broadcasts, and Diretta Gol, Calcio Sky and other sports shows broadcast on Sky Sport 1), which Sky Italia Srl took over when it acquired the Tele+ Group of companies.

The Board of Arbitrators met on 29 January 2004 and established the process by which all matters and claims may be resolved.

In nominating an arbiter, Sky Italia announced in advance that the rescission of this agreement would constitute one of their claims, without specifying the basis for this course of action. Cairo TV has never received any notice of breach of agreement, and continues to post exceptional advertising time sales results, which have nearly tripled during the first five years, thereby negating Sky Italia’s right to an early exit from this agreement.

This agreement is currently scheduled to expire on 31 December 2007. However, it is Cairo TV’s view that this agreement will be extended for a further 2 to 3 years, as existing agreement conditions to this effect have been fulfilled.

Print Media Division – Cairo Communication SpA

During the 1st quarter of 2003-2004, Cairo continued selling advertising space for the following magazines:

- “Airone”, “Bell’Italia”, “Bell’Europa”, “In Viaggio”, “Gardenia”, “Arte” and “Antiquariato”, pursuant to its agreement with EGM
- “For Men Magazine” and “Natural Style”, pursuant to its agreement with Cairo Editore.
- “Bella” “Pratica”, “Buona Cucina”, “Un mese in Cucina” and “La mia Boutique”.
- “Prima Comunicazione” and “Burda”.

Advertising space sales for the 1st quarter of 2002-2003 included advertising space sales for the RCS “Anna”, “Salve”, “Oggi”, “Novella 2000” and “Visto” magazines. The significant decrease in print media advertising space sales is primarily due to the expiry of the agreement with RCS, for these titles, which generated € 12.5 million in sales for the Group in 2002.

Since the 2nd quarter of 2002-2003, Cairo has focused its magazine advertising sales activities on its EGM and Cairo Editore titles, as well as those of Edit, Editoriale Genesis and Edizioni Raffi.

Internet Division - Il Trovatore SpA & Cairo Web Srl

The development of the search engine Il Trovatore continued during the 1st quarter of 2003-2004, as it enjoyed high numbers of pages viewed, hits and service subscriber numbers, which totalled 10 million, 14 million and 450,000 respectively at 31 December 2003. Development activities have focussed on the search for sources of income complementary to those from advertising space sales, and the provision of technology services. Despite the current market situation, the Cairo Group has decided to maintain its presence in the Internet sector, and continues to monitor developments in this division with great interest, in order that any future opportunities may be exploited.

PUBLISHING BUSINESS - EGM SpA & Cairo Editore SpA

The Group’s Publishing business continued to enjoy strong profit margins, particularly as a result of the publication of new titles without any significant increases to its cost structure.

Increased advertising sales and circulation numbers reported for the 1st quarter of 2003-2004 are primarily due to the publication of two new monthly magazines’ “For Men Magazine” and “Natural Style”, which were launched in March and June 2003 respectively.

Cairo Editore’s performance during the 1st quarter of 2003-2004 confirmed Cairo Group’s strategic decision to focus on the development of its publishing business. This strategy will encompass both the launch of new titles and growth through acquisitions. Sandro Mayer has been appointed editor for the weekly family news magazine that will be shortly be published. This will mark Cairo Editore’s entrance into the high-margin weekly magazine market.

The publication of new titles will allow for the rationalisation of management costs, as current structures are shared with EGM. EGM has made its organisation available to Cairo

Editore, providing assistance with management, administration and sales. Assistance is also given with administrative and financial controls, distribution, subscription management and control, office space and related services.

EGM's tourism titles, "Bell'Italia", "Bell'Europa" and "In Viaggio" continued to post impressive circulation numbers, with these three titles realising copy sales of 91,081 for the October 2002 - September 2003 12-month period, similar to 1999 levels, while the market contracted by 6% during the time with Cairo's 7 major competitors registering a 51% drop in their circulation numbers. As previously noted, Cairo's "Gardenia" magazine continues its strong form with sales of 49,000 copies.

GROUP INVESTMENTS

The following table lists the Group's investments in non-current assets during the 1st quarter of the Group's 2003-2004 financial year:

(€ thousands)	**2003-2004 1st Quarter**	**2002-2003 1st Quarter**
Incorporation and listing costs	1	30
Publications development	0	0
TV ad time sales rights and computer software	29	90
Current costs and down payments	0	191
Consolidation differences	0	0
Magazine titles	0	0
Other	17	0
Total investments in intangible assets	**47**	**311**
Land and buildings	0	0
Machinery	2	0
Equipment	0	0
Other	47	125
Assets under construction	0	0
Total investments in property, furniture and equipment	**49**	**125**
Investments	0	0
Financial receivables from associates	2	0
Total investments in non-current financial assets	**2**	**0**
Total	**100**	**436**

CAIRO COMMUNICATION SPA – FINANCIAL RESULTS

Parent Company Income Statement

(€ thousands)	2003-2004 1st Quarter	2002-2003 1st Quarter
Sales	41,501	31,170
Other operating revenue	323	662
Gross operating revenues	**41,824**	**31,832**
Less: advertising agency discounts	(6,856)	(4,170)
Operating revenues	**34,968**	**27,662**
Cost of sales	(31,018)	(24,098)
Personnel costs	(940)	(887)
Gross operating profit (EBITDA)	**3,010**	**2,677**
Depreciation, amortisation and provision charges	(1,392)	(621)
Operating profit (EBIT)	**1,618**	**2,056**
Net finance income	1,004	5,536
Investments writedowns	0	(472)
Profit from ordinary activities	**2,622**	**7,120**

During the 1st quarter of the 2003-2004 financial year, Cairo Communication SpA continued to operate as a multimedia advertising broker selling advertising time on TV networks and advertising space in print media, as well as providing corporate services to Group companies.

2003-2004 1st quarter Company gross operating revenues increased by € 10 million over the same period last year primarily due to the increase in TV advertising revenue arising from the signing of the advertising time contract with the La7 TV network in January 2003.

EBITDA improved to € 3 million from € 2.7 million for the same period of last year as a result of the significant growth in sales and its varied composition. EBIT decreased from € 2.05 million during this time, adversely affected by the increase in depreciation, amortisation and provision charges resulting from a € 0.6 million amortisation of the € 7.5 million entrance fee paid to the La7 TV network in order to exclusively sell advertising time on its behalf.

Net finance income included in € 0.5 million in capital gains arising from the sale of 50,200 treasury shares in November.

2002-2003 1st quarter net finance income and profit before tax included € 3.5 million in tax credits arising from the receipt of a dividend by the Company from its Cairo TV SpA subsidiary.

Net finance income amounted to € 0.5 million for the 1st quarter of 2003-2004 and € 0.7 million for the 1st quarter of 2002-2003 when dividend income and related tax credits and treasury shares disposal capital gains are excluded.

In accordance with CONSOB regulations, the parent company Income Statements for the 1st quarter ending 31 December 2003 exclude income tax and related tax effects.

Parent Company Balance Sheet

(€ thousands)	**31 December 2003**	**30 September 2003**
ASSETS		
Property, furniture and equipment	514	528
Intangible assets	8,471	7,804
Investments	22,047	22,047
Treasury shares	219	1,195
Current non-financial assets	18,075	17,696
Total ASSETS	**49,326**	**49,270**
Shareholders' equity*****	126,760	136,275
Non-current borrowings and provisions for liabilities	740	708
Borrowings from unconsolidated subsidiary	4,985	4,985
Net financial assets	(83,159)	(92,698)
TOTAL EQUITY AND LIABILITIES	**49,326**	**49,270**

** Shareholders equity at 31 December 2003 excludes income tax and related tax effects*

Parent Company Statement of Net Financial Position

(€ thousands)	**31December 2003**	**30 September 2003**
Bank and cash	77,077	86,616
Insurance financial products	6,000	6,000
Other financial liabilities	82	82
Total	**83,159**	**92,698**
Borrowings from unconsolidated subsidiaries	(4,885)	(4,985)
Net Financial Position	**78,274**	**87,713**

The decrease in net financial assets was primarily caused by the payment of cash dividends. At 31 December 2002, the Company's net financial assets amounted to € 87.3 million, before the distribution in January 2003 of € 6.2 million in cash dividends from 2002-2003 net profit. The Company has continued to manage its cash and bank assets very prudently, investing for the most part in interbank deposits.

OUTLOOK

Cairo Group will continue to develop both of its core businesses during the remainder of its 2003-2004 financial year. In particular, the Group will continue to focus on the development of its advertising sales for its existing and new magazine titles published by Cairo Editore SpA and Editoriale Giorgio Mondadori (EGM), as well on the development of advertising sales at the La7 TV network and selected analogue and digital pay TV specialty channels (Sky Sport 1, Calcio Sky, Cartoon Network, Boomerang, Discovery Channel, Discovery Civilization, Discovery Travel & Adventure, Discovery Science, Bloomberg and CNN).

Cairo Editore's dynamic performance during 2003 will be further boosted by the launch of a new weekly news magazine, under the direction of Sandro Mayer, one of Italy's leading editors. EGM is currently focused on the restyling and re-launching of its 'Airone' magazine, and will soon initiate the restyling of its 'Gardenia' magazine.

The La7 TV network continues to make inroads into the Italian TV market, and has set a market share objective of 2.5%, while in the process steadily increasing its appeal to advertisers.

La7 TV network advertising sales experienced continued growth during the 2nd quarter of the 2003-2004 financial year, comprising the months of January to March 2004, as reflected in a 27% jump in sales order backlog at 5 February 2004 relative to the same time last year.

As previously noted, Cairo reported continued growth in advertising time sales on Sky Italia and other specialty channels during the 2nd quarter of 2003-2004, with average advertising time slot prices registering good increases. January to March 2004 sales order backlog for this activity at 5 February 2004 amounted to € 15 million, up 10% over the same time last year.

The Board of Directors of Cairo Communication decided on 26 January 2004 to submit a proposal to the next General Meeting of shareholders, recommending the merger of Cairo TV SpA into Cairo Communication SpA, in order to exploit the opportunities that would result from centralising in one company all of the Group's TV advertising sales activity (both terrestrial free TV and pay TV), including the rationalisation of management costs.

Chairman of the Board of Directors

Urbano R. Cairo