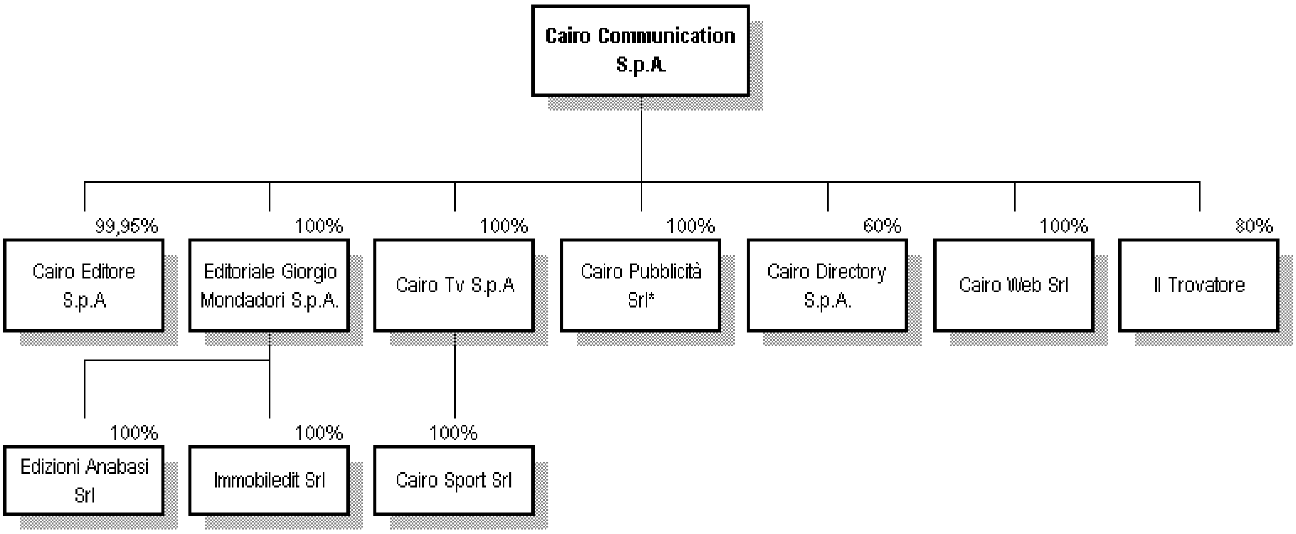
CAIROCOMMUNICATION

Cairo Communication Group
2003-2004 3rd Quarter Report at 30 June 2004

Cairo Communication SpA
Head office: Via Tucidide 56, Milan, Italy
Share capital: € 4,054,825

Contents

Group Structure



BASIS OF PREPARATION

The financial statements included in this quarterly report at 30 June 2004 have been prepared in accordance with Article 2.6.2, Section 5 of the Italian New Market Regulation, approved by 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 financial statements at 30 June 2004 are the same as those used in the preparation of the half-yearly consolidated financial statements at 31 March 2004 and the 2002-2003 full year consolidated financial statements at 30 September 2003.

During this period, Cairo Directory SpA was established, in order to develop an initiative in the telephone directory market. The company is not yet operational.

The Parent Company and Group income statements incorporate data for the 3rd quarter of the 2003-2004 financial year and the first nine months of this year. In order to increase transparency, the equivalent figures for last year are also included.

The Parent Company and Group financial statements at 30 June 2004 have been presented on a pre-tax basis, as were those of 30 June 2003. The figures recorded in the Parent Company and Group financial statements are compared with the figures from the half-yearly report at 31 March 2004 and the 2002-2003 full year consolidated financial statements at 30 September 2003.

CAIRO COMMUNICATION GROUP
2003-2004 3RD QUARTER DIRECTORS' REPORT

EXECUTIVE SUMMARY

During the 3rd Quarter of the 2003-2004 financial year, the Cairo Communication Group continued to operate 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 and Cairo Editore publishing houses) and an operator of Internet sites (Il Trovatore search engine).

The growth recorded in Cairo Editore with the launch of new titles, confirmed Cairo Group's strategic decision to focus on the development of its publishing business. This growth trend led to the development of new titles, and on 19 April 2004, following a planning stage of just three months, "Settimanale Di Più" went on sale, under the editorship of Sandro Mayer, one of Italy's best known and most experienced editors.

This title is enjoying extraordinary success and exceeding all sales forecasts. Sales have been growing steadily, with the fourteenth edition selling 950,000 copies. Sales figures for the first ten editions of "Settimanale Di Più" averaged 770,000 copies each. Advertising revenue has also increased sharply, in line with distribution figures. At 30 July 2003, advertising figures for issues already published and those for publication this year (a total of 37) reached € 9 million.

The successful launch has led to the Group to forecast a marked increase in sales and advertising revenues for this title, and accordingly an improvement in Group profitability margins. For the next twelve months, projected income for "Settimanale Di Più" at Group level stands at € 40 million, with a margin of almost 20%.

The two monthly titles launched by Cairo Editore during 2003, "For Men Magazine" and "Natural Style", have continued to enjoy strong sales, with average sales during the May 2003-April 2004 period of 130,000 and 95,000 copies respectively (source: ADS).

Editoriale Giorgio Mondadori, the subsidiary that publishes "Bell'Italia", "Bell'Europa", "In Viaggio", "Airone", "Gardenia", "Arte" and "Antiquariato", posted strong margins during the 3rd quarter of this year. This company has focussed on the development of existing titles during this period. Following the relaunch in March of "Airone", April saw the restyling of "Gardenia", with a new image and content profile.

Strong sales figures were also recorded in the advertising sales sector. Advertising time sales for the TV network La 7 generated income of € 66 million for the October 2003 – June 2004 period, up 41% on the same period of last year. The April – June 2004 period saw this growth trend continue, with income up 28% against 13.14% market growth (source: AC Nielsen).

Sky Italia satellite channels' advertising time sales also performed well, with average time slot prices recording good increases, as did the other specialty channels, Cartoon Network, Discovery Channel, Discovery Civilization, Discovery Travel & Adventure, Discovery Science, Bloomberg and CNN.

During the January – June 2004 six-month period, satellite channels' advertising time sales also performed well. Figures for Cartoon Network, Boomerang and CNN jumped 40%. Sales for Discovery Channel, Discovery Civilization, Discovery Travel & Adventure and Discovery Science were even stronger, up 61.47%, with sales for Bloomberg increasing 11%.

As part of the Group strategy regarding development of high-margin markets, Cairo Communication Group has set up Cairo Directory, to enter the telephone directory market. In order that Cairo Communication can spread the high risk associated with start-ups, UT Communications SpA will have a 40% share in this project.

CAIRO COMMUNICATION FINANCIAL RESULTS

2003-2004 3rd QUARTER CONSOLIDATED RESULTS

Cairo Communication Group Consolidated Income Statement

(€ thousands)	**October 2003 - June 2004**	**Mar - June 2004**	**October 2002 - June 2003**	**Mar - June 2003**
Sales	149,438	51,777	125,495	43,470
Other operating revenue	1,522	500	2,295	173
Gross operating revenues	**150,960**	**52,277**	**127,790**	**43,643**
Advertising agency discounts	(18,908)	(6,034)	(16,210)	(5,644)
Inventory movements	26	(15)	(1,515)	(1,188)
Operating revenues	**132,078**	**46,228**	**110,065**	**36,811**
Cost of sales	(110,383)	(38,211)	(91,526)	(29,952)
Personnel costs	(8,519)	(3,137)	(7,160)	(2,077)
Gross operating profit (EBITDA)	**13,176**	**4,880**	**11,379**	**4,782**
Depreciation, amortisation and provision charges	(6,234)	(2,156)	(5,723)	(2,230)
Operating profit (EBIT)	**6,942**	**2,724**	**5,656**	**2,552**
Net finance income	2,204	650	3,451	647
Profit from ordinary activities	**9,146**	**3,374**	**9,107**	**3,199**
Net exceptional expenses	(174)	(2)	(1,130)	3
Minority interest	22	3	18	1
Profit before tax	**8,994**	**3,375**	**7,995**	**3,203**

Group gross operating revenues for the 2003-2004 3rd quarter increased by 19.1% over the same period for the previous financial year to € 52.3 million (€ 43.6 million for the same period of last year), comprising € 51.8 million in sales and € 0.5 million in other operating revenues.

Both Group EBITDA and EBIT improved during this period, with EBITDA up 2% to €4.9 million from € 4.8 million and EBIT up by 6.7% to € 2.7 million from € 2.55 million.

Pre-publishing and launch costs for "Settimanale Di Più" were charged to the income statement, to be allocated over the magazine's first twelve months. During this quarter, launch costs for "Settimanale Di Più" totalled € 0.8 million, while costs relating to further issues totalled € 0.2 million, bringing the total to € 1 million.

Of note, advertising sales revenues and profit margins realised by Cairo during the 2003 calendar year from its agreement with the La 7 TV network were lower than what will be achieved in subsequent years as a result of agreement specificities relating to the first year. Unlike this year, the 3rd quarter of the 2002-2003 financial year saw income of € 2 million generated by this situation.

For the first nine months of the 2003-2004 financial year, consolidated sales totalled € 150.9 million, up from € 127.8 million for the same period last year. This figure comprises sales of € 149.4 million and other operating revenues of € 1.5 million, up 18.1% on the same period last year. Both the EBITDA and the EBIT increased considerably with the EBITDA jumping 15.7% from € 11.4 million for the same period last year to € 13.2 million, while the EBIT increased 22.7% from € 5.7 million for the same period last year to € 6.9 million.

The increase in depreciation, amortisation and provision charges (€ 0.6 million for the October – December 2003 period) results from the amortisation of the entrance fee paid to the La 7 network in order to exclusively sell advertising time on its behalf, which came into effect in January 2003.

Net finance income and profit before tax for the first nine months of the 2003-2004 financial year 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.

Net exceptional expenses for the first nine months of the 2003-2004 financial year included € 0.2 million in VAT relating to publications for the 2001-2002 financial year, pursuant to Law No. 289, Articles 8 and 9, and amendments to Law No. 350 of 4 December 2003.

In accordance with the applicable CONSOB regulation, Cairo Communication Group financial statements for the 3rd Quarter ending 30 June 2004 have been prepared on a pre-tax basis and excluding income tax effects, consistent with the financial statements prepared for the same period of the previous financial year.

Significant investment has been made in the promotion of the new titles launched during 2003, “For Men Magazine” and “Natural Style”, and the re-launch of “Airone” and “Gardenia”. This investment is in addition to pre-launch and publication costs. The advertising and public relations costs for the publishing business, for the first nine months of the 2003-2004 financial year have grown to € 2.6 million (€ 0.6 million for same period of last year).

Cairo Communication Group Consolidated Balance Sheet

(€ thousands)	**30 June 2004**	**30 June 2003**	**30 Sept. 2003**
ASSETS			
Property, plant and equipment	3,052	2,994	3,049
Intangible assets	15,450	16,588	19,510
Investments	154	191	209
Treasury shares	519	248	1,195
Marketable securities	-	-	-
Other current assets	12,930	11,246	11,663
TOTAL ASSETS	**32,105**	**31,267**	**35,626**
EQUITY AND LIABILITIES			
Non-current borrowings and provisions for liabilities	6,075	6,258	6,153
Net financial assets	(104,990)	(102,533)	(104,127)
Shareholders'Equity*	131,030	127,548	133,588
Borrowings from unconsolidated subsidiary	(10)	(6)	12
TOTAL EQUITY AND LIABILITIES	**32,105**	**31,267**	**35,626**

- *Shareholders equity at 30 June 2004 excludes income tax and related tax effects on 2003-2004 net profit*

The increase in shareholders' equity arises primarily from the distribution of € 12.4 million in cash dividends (€ 1.6 per share) pursuant to deliberations by the Shareholders' Meeting of Cairo Communication SpA of 17 December 2003, excluding treasury shares held at the date.

On 10 December 2003, the Board of Directors of Cairo Communication SpA allocated the second block of shares pursuant to the stock option plan approved by the Extraordinary General Meeting of 19 April 2000. At 30 June 2004, options had been exercised on 38,260 shares, equivalent to a share capital increase of € 19,895.20.

Non-current borrowings and provisions for liabilities include a provision established during 2003 by Immobiledit Srl concerning pending litigation before Milan's law courts, which related to a preliminary contract for the sale of an asset. This litigation has now been concluded in Immobiledit's favour. The provision is still being maintained, at the request of our legal department, as the costs relating to the case have not yet been finalised.

Cairo Communication Group Consolidated Net Financial Position Statement

(€ thousands)	**30 June 2004**	**31 March 2004**	**30 September 2003**
Bank and cash	88,885	96,521	98,066
Non-Group companies marketable securities	82	82	82
Insurance financial product	6,000	6,000	6,000
Bank and other financial liabilities	(62)	(70)	(21)
Abn Amro treasury paper	10,085	0	0
Net Financial Assets	**104,990**	**102,533**	**104,127**

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

The Abn Amro treasury paper has a lifespan of 0.23 months, and an average portfolio rating of Aa 3. It can be liquidated in three days, in order to give a return of a quarter point superior to the Euribor monthly rate.

The Group has 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.

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

(€ thousands) **Financial year ending 30 September**	**Mar – June 2004**			**Mar – June 2003**		
	Advertising	**Publishing**	**Total**	**Advertising**	**Publishing**	**Total**
TV advertising time sales	33,148	-	**33,148**	29,962	0	**29,962**
Print media advertising space sales	3,468	6,268	**9,736**	6,743	3,600	**10,343**
Stadium signs and electronic billboards advertising space sales	0	-	**0**	54	0	**54**
Internet advertising time sales	28	-	**28**	34	0	**34**
Magazine over-the-counter sales	-	8,138	**8,138**	0	2,163	**2,163**
Magazine subscription sales	-	858	**858**	0	826	**826**
Audio-visual and other sales	-	78	**78**	0	10	**10**
Books and catalogues	-	(3)	**(3)**	0	71	**71**
VAT relating to publications	-	(206)	**(206)**	0	7	**7**
Total - Sales	36,644	15,133	**51,777**	36,793	6,677	**43,470**
Other operating revenues	347	153	**500**	130	43	**173**
Total - Gross Operating Revenues	36,991	15,286	**52,277**	36,923	6,720	**43,643**

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

The 3rd quarter of the 2003-2004 financial year saw strong growth in sales in the press division, equivalent to € 15.3 million, an increase of 127%. This excellent performance is primarily due to the new titles, "Settimanale Di Più" (since April 2004), "For Men Magazine" and "Natural Style". Sales figures for the first nine months of the 2003-2004 financial year can be analysed as follows:

(€ thousands) Financial year ending 30 September	Oct 2003 - June 2004			Oct 2002 - June 2003		
	Advertising	**Publishing**	**Total**	**Advertising**	**Publishing**	**Total**
TV advertising time sales	109,879		**109,879**	80,635	0	**80,635**
Print media advertising space sales	8,279	14,954	**23,233**	26,610	9,649	**36,259**
Stadium signs and electronic billboards advertising space sales	10		**10**	228	0	**228**
Internet advertising time sales	74		**74**	115	0	**115**
Magazine over-the-counter sales	-	13,455	**13,455**		5,326	**5,326**
Magazine subscription sales	-	2,562	**2,562**		2,326	**2,326**
Audio-visual and other sales	-	111	**111**		76	**76**
Books and catalogues	-	545	**545**		710	**710**
VAT relating to publications	-	(431)	**(431)**		(180)	**(180)**
Total - Sales	118,242	31,196	**149,438**	107,588	17,907	**125,495**
Other operating revenues	962	560	**1,522**	1,237	1,058	**2,295**
Total - Gross Operating Revenues	119,204	31,756	**150,960**	108,825	18,965	**127,790**

PUBLISHING BUSINESS

The significant increase in publishing income during this period is primarily due to the launch of "Settimanale Di Più" on 19 April. 2004. This title has generated € 8.1 million in sales and advertising income at Group level, is enjoying extraordinary success and has exceeded all sales forecasts. Sales have been growing steadily, with the fourteenth edition selling 950,000 copies. Sales figures for the first ten editions of "Settimanale Di Più" averaged 770,000 copies each.

This new title brings Cairo Editore into the high margin weekly magazine market.

During the October 2003-June 2004 period, the Group's publishing business continued to show strong profit margins, particularly with the launch of new titles. The new titles will allow for streamlining of existing structures, as EGM has made its company structure available to Cairo Editore, providing assistance with management, administration and sales. Assistance will also be given with administrative and financial controls, distribution, subscription management and control, office space and related services. The pooling of these services with Cairo Editore will allow for better use of existing resources and the review of organisational systems.

Editoriale Giorgio Mondadori Group, the subsidiary that publishes “Airone”, “Bell’Italia”, “Bell’Europa”, “Gardenia”, “Arte” and “Antiquariato” continued to post strong sales figures during this period.

The EGM tourism titles, “Bell’Italia”, “Bell’Europa” and “In Viaggio” continue to post very impressive readership figures. The latest figures from Audipress show a considerable jump in reader numbers, the best in the tourism-publishing sector, along with “Tuttoturismo” by Editoriale Domus. Readership for “Bell’Italia” has jumped to 656,000, confirming this title’s market leadership with a 38.1% market share. Readership figures for these three monthly titles reflect their sales figures. According to the latest ADS figures, average sales for “Bell’Italia” total 72,800 copies, while “Bell’Europa” and “In Viaggio” sell an average of 47,300 and 32,300 copies respectively. The total print run for the issues of these three magazines on sale at the start of August this year will be 280,000 copies.

CAIRO COMMUNICATION OPERATING RESULTS

ADVERTISING BUSINESS

TELEVISION DIVISION - CAIRO TV SPA

The significant increase in revenue from the sale of TV advertising time is primarily due to the income generated by the advertising contract with the La 7 network. Advertising time sales for the TV network La 7 generated income of € 66 million, up 41% on the same period of last year, almost four times the 13.22% growth rate recorded for the TV advertising time market (source: AC Nielsen). The April - June 2004 period saw this growth trend continue, with income up 28% against 13.14% market growth (source: AC Nielsen).

Sky Italia satellite channels' advertising time sales also performed well, as outlined below, until June 2004, as did the other specialty channels, Cartoon Network, Discovery Channel, Bloomberg and CNN.

In January 2004, Cairo began selling advertising time on Boomerang, the new Turner cartoon channel (they also produce the Cartoon Network), followed by Discovery Civilization, Discovery Travel & Adventure and Discovery Science.

Group subsidiary Cairo TV SpA signed a ten-year contract with the Tele+ television network in 1998, giving it the exclusive rights for the sale of advertising time on Tele+ terrestrial and digital TV channels until December 2007. 2003 was 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 from the merger of the Tele+ and Stream satellite TV networks. Channels formerly broadcast on the Tele+ satellite TV network are now broadcast on the Sky Italia satellite TV network, effective from 31 July 2003. Subsequently, it has emerged that as part of this operation, the broadcasting companies in the Tele+ group were taken over by Sky Italia (formerly Stream SpA). Since 31 July 2003, advertising time sales by Cairo TV have been limited to Italian Premier League Football (Serie A) matches, both live and time delayed broadcasts, as well as the Diretta Gol, Calcio Sky and other sports shows broadcast on Sky Sport 1.

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 which Sky Italia Srl took over when it acquired the Tele+ Group of companies, and to recoup damages for the non-fulfilment of the contract on the part of Sky Italia Srl.

Sky Italia Srl nominated Piero Schlesinger as their arbiter, and the two arbiters jointly nominated Riccardo Luzzato chairman of the Arbitration Board.

Sky Italia denies all claims, including having ever entered into the contract the resolution of which it originally requested for reasons of non-fulfilment on the part of Cairo TV.

Prior to this arbitration, Cairo TV had 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. Despite the failure of Tele+ to reach agreed subscription figures, Cairo TV has met fully all conditions of the 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.

Arbitration is ongoing. The process by which documentation must be produced and by which all matters and claims may be resolved has been established. A hearing is to be held on 13 September 2004.

Since the launch of the single platform on 31 July 2003, advertising time sales by Cairo had been limited to a small number of channels, but since the start of the arbitration process, Sky Italia Srl has suspended all advertising brokered by Cairo on Sky Sport 1, Calcio Sky and Diretta Gol.

Cairo's reaction has been to request urgent protection from the Court of Milan. This claim was not granted at the initial or second hearing because the Judge felt that it was not possible at that hearing to assess the relationship between the Tele+ channels awarded to Cairo and the Sky channels, due to the lack of "periculum in mora". In the next few days Cairo will present their counter arguments against this measure, the motivation for which does not regard, and thus does not prejudice, the merit of the case put forward by the arbiters.

The aforementioned contract has generated € 41.5 million in revenue during the July 2003 – June 2004 period. Net of advertising agency discounts and editorial shares, this represents € 8.3 million, equivalent to 22.4% of the € 185 million in consolidated sales forecast for the 2003 – 2004 financial year for the Cairo Communication Group, inclusive of the publishing division.

From June 2004, Tele+ launched arbitration proceedings against Cairo TV SpA, nominating Vittorio Colesanti as arbiter. They have requested the resolution of a contract on the grounds of breach of agreement on the part of Cairo TV. Tele+ considers this contract to be held personally, not representing the Tele+ publishing companies. It concerns the same breach of agreement raised in the other arbitration by Sky Italia, which was never raised by Tele+ until their deal with Sky. They are claiming costs from Cairo TV. Cairo Communication, incorporating Cairo TV, has nominated Guido Rossi as arbiter and has announced in advance that it will request that the Arbitration Board reject the accusations of Tele+ on the basis that they are without foundation and has announced their intention to pursue compensation from Tele+.

The Board of Directors feels that the outcome of this arbitration has no bearing on the financial situation at 30 June 2004.

PRESS DIVISION

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

- “Airone”, “Bell’Italia”, “Bell’Europa”, “In Viaggio”, “Gardenia”, “Arte” and “Antiquariato” magazines pursuant to its contract with the Editoriale Giorgio Mondadori Group
- “For Men Magazine”, “Natural Style” magazines and the new title “Settimanale Di Più” for Cairo Editore

- “Bella” “Pratica”, “Buona Cucina”, “Un Mese in Cucina” and “La mia Boutique” magazines
- “Prima Comunicazione” and “Burda” magazines.

Cairo Communication, Edit and Edibella23 (cessionary during March 2004 for the branch of the company dealing with “Bella” magazine) together made an early withdrawal from the advertising sales contract at 30 June 2004, with the exception of the right of Cairo Communication to publish advertising from the current order portfolio at the date of the rescission (totalling € 0.4 million for “Bella” and a further € 0.4 million for the other titles in the group).

Publishing income for the 1st quarter of the 2002-2003 financial year included income realised by the advertising space sales rights contract for the "Anna", "Oggi", "Salve", "Novella 2000" and "Visto" magazines of the RCS group which expired on 31 December 2002, valued at € 12.5 million. This has led to a decrease in publishing income for the current period. The January – March period also included income from the orders received during 2002 for issues for publication during 2003 under the RCS contract, totalling € 8 million.

INTERNET DIVISION - IL TROVATORE SPA. & CAIRO WEB SRL

During the first nine months of the 2003-2004 financial year, development of the search engine Il Trovatore has continued, as it recorded high numbers of pages viewed, hits and service subscriber numbers, totalling 10 million, 14 million and 450,000 respectively at 30 June 2004. 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.

ASSETS

Movements in investment levels in assets for this period can be analysed as follows:

(€ thousands)	April – June 2004	Oct 2003-June 2004	April – June 2003	Oct 2002-June 2003
Incorporation and listing costs	0	0	0	0
Research, development and advertising costs	0	0	0	0
Rights and software	75	217	25	7,703
In progress	0	0	0	0
Acquisition goodwill	0	0	0	0
Publication titles	0	0	0	0
Other	1	29	0	0
Total Intangible Assets	**76**	**246**	**25**	**7,703**
Land and buildings	0	0	0	0
Plant and machinery	0	2	0	0
Other	140	270	259	437
In progress	0	0	0	0
Total Property, Plant & Equipment	**140**	**272**	**259**	**437**
Investments	0	0	0	0
Financial receivable	0	0	0	0
Total Investments	**0**	**0**	**0**	**0**
Total Movements in Assets	**216**	**518**	**284**	**8,136**

CAIRO COMMUNICATION SPA – FINANCIAL RESULTS

The Extraordinary General Meeting of the Shareholders of Cairo Communication of the 20 April 2004 approved the proposed merger by incorporation of Cairo TV by Cairo Communication. This merger was took effect from 28 June 2004, entering the register of companies on 30 June 2004. The half-yearly results at 30 June 2004 have been prepared inclusive of the results recorded by Cairo TV SpA for the October 2003- June 2004 period. As evidence of the management performance of the company, three pro forma income statements have been prepared:

- quarterly income statement at 30 June 2003, including pro forma amortisation for the period applied to the items resulting from the merger deficit.
- nine-monthly income statement at 30 June 2003 including the pro forma amortisation for the period applied to the items resulting from the merger deficit.
- quarterly income statement at 30 June 2004 amortisation for the period applied to the items resulting from the merger deficit.

These income statements were prepared by combining the quarterly results for Cairo Communication with those of Cairo TV SpA at those dates. The pro forma results at 30 June 2003 were prepared net of the dividends distributed by Cairo TV SpA to Cairo Communication.

Cairo Communication SpA

Parent Company Income Statement

at 30 June 2004

	Oct 2003 – June 2004	April – June 2004 pro forma	Oct 2002 – June 2003 pro forma	April – June 2003 pro forma	Oct 2002 – June 2003	April – June 2003
Sales	132,668	42,775	116,918	39,259	92,540	31,970
Less: advertising agency discounts	(18,907)	(6,035)	(16,210)	(5,644)	(10,477)	(3,354)
Net Sales	**113,761**	**36,740**	**100,708**	**33,615**	**82,063**	**28,616**
Other operating revenues	814	207	1,411	308	1,330	327
Total Operating Revenues	**114,575**	**36,947**	**102,119**	**33,923**	**83,393**	**28,943**
Operating Expenses						
Cost of sales	(100,177)	(32,415)	(88,164)	(28,422)	(71,408)	(24,575)
Personnel costs	(3,233)	(1,047)	(3,045)	(973)	(2,532)	(803)
Gross operating profit (EBITDA)	**11,165**	**3,485**	**10,910**	**4,528**	**9,453**	**3,565**
Depreciation, amortisation and provision charges	(5,777)	(1,954)	(4,819)	(1,846)	(3,330)	(1,377)
Operating profit (EBIT)	**5,388**	**1,531**	**6,091**	**2,682**	**6,123**	**2,188**
Net finance income	2,050	593	3,277	580	6,702	548
Investments writedowns	0	0	(83)	0	(83)	0
Profit from ordinary activities	**7,438**	**2,124**	**9,285**	**3,262**	**12,742**	**2,736**
Extraordinary costs	(129)	-	(1,109)	0	(943)	0
Profit before tax	**7,309**	**2,124**	**8,176**	**3,262**	**11,799**	**2,736**

During the 2003 – 2004 financial year, Cairo Communication SpA continued to operate 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 and to provide centralised services to Group companies.

Gross operating revenues for the nine-month period October 2003 – June 2004, totalled € 133.4 million, an increase of € 15 million on the same period last year (based on pro forma data). This increase is largely due to the increase in television advertising time sales on the La 7 television network, for which Cairo Communication holds an exclusive contract.

The EBITDA for this nine months period totalled € 11.1 million, up from € 11 million for the same period last year (based on pro forma data). The EBIT, totalling € 5.3 million, was affected by the increase in amortisation and provision charges for the 1st quarter of the 2003-2004 financial year, linked to the amortisation of the entrance fee paid for the exclusive contract for advertising time sales on the La 7 television network (€ 0.6 million) which during the same period last year occurred only during the January – June six month period.

Comparison with the pro forma data for the previous year is affected by the amortisation of the merger deficit allocated to specific items among the intangible assets listed.

Net financial income for the October – December 2002 period (not pro forma), along with the profit before tax, include the dividend paid by the Cairo TV subsidiary of € 3.5 million, further increased by a tax credit of € 1.3 million.

In accordance with the relevant CONSOB regulations, the parent company financial statements at 30 June 2004 have been prepared on a pre-tax basis and net of income tax effect, consistent with the financial statements prepared for the same period of the previous financial year.

Cairo Communication SpA
Parent Company Balance Sheet
at 30 June 2004

(€ thousands)	**30 June 2004**	**30 March 2004**	**30 Sept. 2003**
ASSETS			
Property, plant and equipment	546	486	528
Intangible assets	11,864	6,531	7,804
Investments	12,864	22,043	22,047
Treasury shares	519	248	1,195
Working capital, net	14,468	10,921	17,696
Total net assets	**40,262**	**40,229**	**49,270**
Non-current borrowings and provisions for liabilities	1,161	807	708
(Financial assets) / net debt	(97,816)	(93,733)	(92,698)
Immobiledit borrowings	4,885	4,885	4,985
Net shareholders' equity*	132,034	128,270	136,275
Total equity and debt	40,264	40,229	49,270

** Net shareholders' equity financial assets at 30 June 2004 ise expressed on a pre-tax basis*

Movements in intangible assets are largely due to the allocation of the merger deficit (€ 6.2 million net of amortisation for the nine months), from the merger of Cairo TV SpA on 30 June 2004, allocated to various items in the balance sheet.

Cairo Communication Parent Company

Consolidated Net Financial Position Statement

at 30 June 2004

(€ thousands)	**30 June 2004**	**31 March 2004**	**30 September 2003**
Bank and cash	81,649	87,733	86,616
Non-Group companies marketable securities			
- Other shares	82	82	82
- Abn treasury paper	10,085		
Insurance financial product	6,000	6,000	6,000
Subsidiary payables	(4,885)	(4,885)	(4,985)
Net Financial Assets	**92,931**	**88,930**	**87,713**

OUTLOOK

For the remaining half of the 2003-2004 financial year, Cairo Group intends to focus on developing its businesses, the publishing business of Cairo Editore and EGM, the sales of advertising space in existing magazines and the new title just launched. In addition, the Group will focus on developing its TV advertising space sales activity on the La 7 terrestrial TV network and digital pay TV.

As discussed above, "Settimanale Di Più" went on sale in April of this year and is enjoying extraordinary success and exceeding all sales forecasts. Sales have been growing steadily, with the fourteenth edition selling 950,000 copies. Sales figures for the first ten editions of "Settimanale Di Più" averaged 770,000 copies each. Advertising revenue has also increased sharply, in line with distribution figures. At 30 July 2003, advertising figures for issues already published and those for publication this year (a total of 37) reached € 9 million.

The successful launch has led to the Group to forecast a marked increase in sales and advertising revenues for this title, and accordingly an improvement in Group profitability margins. For the next twelve months, projected income for "Settimanale Di Più" at Group level stands at € 40 million, with a margin of almost 20%.

Due to the success of "Settimanale Di Più" and the titles launched in 2003, "For Men Magazine" and "Natural Style", Cairo Editore is expected to generate € 53 million in revenue at Group level during this twelve month period. In addition to the € 22 million in revenue generated by EGM, this has led the Group to forecast total income from the publishing business of € 75 million.

The considerable success of the initiatives of the last fifteen months, "Settimanale Di Più", "For Men Magazine" and "Natural Style", further confirm the dynamic nature of Cairo Editore and the Cairo Group. There are new editorial projects currently at the planning stage, undergoing feasibility studies.

The advertising time sales for the La 7 television network continue to grow. At 30 July 2004 the order portfolio for this contract for the July – September 2004 period totalled € 13.3 million, up 26% on the same period last year.

Chairman of the Board of Directors

Urbano R. Cairo