CAIRO COMMUNICATION

PRESS RELEASE

Milan, Italy **20 December 2005**

- **Approval of 2004-2005 financial year statements at 30 September 2005**
  - **Gross operating revenues up 8.2% from € 187.8 million to € 203.2 million, gross operating profit (EBITDA) € 13.6 million compared to € 15,1 million in 2003/2004, operating profit (EBIT) up 29% from € 6 million to € 7.8 million. Net profit of € 6.3 million, against € 6.7 million for last year.**
  - **"Di Più TV" has recorded average sales of 708,000 copies from January to September 2005, following on from the success of "Settimanale Di Più" which has enjoyed average sales of 836,000 copies, the second best selling magazine in Italy.**
  - **"Diva e Donna", Cairo Editore's latest success, recorded average sales of 333,000 copies for the first three issues.**
  - **Achieved sales objectives relating to the automatic renewal for three year of the advertising contract for La 7.**
  - **Dividend of € 3 per share proposed**

Milan, 20 December 2005: The Board of Directors of Cairo Communication met today to approve the financial statements for the financial year ended 30 September 2005.

The positive performance of the new editorial projects and the increasing growth recorded in sales of advertising on the La 7 TV network have contributed to Cairo Communication Group gross operating revenues for the 2004 – 2005 financial year which amounted to € 203.2 million, up 8.2% from € 187.8 million for the 2003 – 2004 financial year.

The gross operating profit (EBITDA) for this year totalled € 13.6 million, compared to € 15.1 million for last year and the operating profit (EBIT) totalled € 7.8 million, up from € 6 million last year, an increase of 29%. Sales generated by new magazines have enabled the Group to offset the revenues lost by the suspension of its advertising sales contract with Sky Sport 1 and Calcio Sky, which had generated sales of € 34 million for the Group in the 2003-2004 financial year.

The financial results for the 2004 – 2005 financial year were negatively affected by the expensing of pre-publication and launch costs, which were spread over the first twelve months of the magazine's publication, relating to "Settimanale Di Più" (€ 1.8 million), and "Di Più TV" (€2.6 million), for a total of € 4.4 million. During the previous year, launch costs expensed totalled € 2.2 million.

The decrease in depreciation, amortisation and provision charges results from the amortisation of the residual value (€ 3.1 million at 30 September 2004) of the amount recognised at the start of the contract with La 7 Televisioni SpA for the three year advertising sales contract. This contract is renewable for a further three year period (2006 – 2008) and as the agreed objectives have been achieved this has extended from 15 to 51 months residual duration of this asset, redetermining the amortisation rate. This has had a positive impact on the Income Statement of € 1.7 million for the year.

Net finance income and profit before tax for the 2003 – 2004 financial year included a gain on shares of € 0.5 million realised during November 2003 on the sale of own shares.

The Group had net financial assets of nearly € 107.5 million at 30 September 2005, consisting of some € 100.5 million in bank and cash and an escrow account of € 7 million, compared with net financial assets of € 108 million at 30 September 2004 net of the same escrow account. Dividends of € 12.5 million were distributed during February 2005.

The Board of Directors will be proposing the distribution of a dividend of € 3 per share with coupon on the 13 February 2006.

Cairo Editore, following the extraordinary success of "Settimanale Di Più", the second best selling magazine in Italy with average sales of 835,296 copies for the October 2004 – September 2005 twelve month period, launched "Di Più TV" on 31 January 2005. This title has also performed very well, with average sales of 708,484 copies during the February – September 2005 period.

These two magazines, "Settimanale Di Più" and "Di Più TV", the latter on sale just since eight months, have generated revenues of € 49.4 million and € 17.2 million respectively. Its success and the popularity of "Di Più TV" have allowed us to increase the cover price of this magazine from € 0.50 to € 0.70, with effect from the start of September 2005. This price increase is expected to boost sales figures and margins at Group level by € 4.5 million.

During September 2005, Silvana Giacobini, one of the Italian publishing market best known and experienced editor, took over the management of a weekly magazine for women, "Diva e Donna". This new magazine went on sale on 16 November 2005, supported by an advertising campaign involving TV, press and newsstands, at a total cost of € 3.5 million. The first three issues performed very well, selling an average of 333,000 copies, far exceeding sales forecasts.

"Diva e Donna" is expected to generate revenues of € 30 million over the first twelve months of business, with over € 20 million coming from advertising sales. Margins at Group level will exceed 20% before launch charges. Revenues from "Settimanale Di Più" and "Di Più TV" is expected to increase as a result of the growth in advertising sales and possible increases in cover prices, as carried out already for "Di Più TV". Cairo Editore will continue its effective development strategy in weekly magazines. The publishing business (Cairo Editore and Editoriale Giorgio Mondadori) is expected to generate revenues at Group level of € 150 million for the 2006 calendar year.

Advertising sales for the TV network La 7 relating to third party clients with respect to the Group to which La7 belongs, thus with those deemed 'captive' sales excluded, increased 22.6% during the January – September 2005 period, with sales totalling € 63.8 million - € 65.8 million inclusive of the captive. This growth is almost nine times the growth rate of the television advertising market of 2.6% for the January – September 2005 period (Source: AC Nielsen). These sales figures, when added to sales to "non-captive" clients during 2003 and 2004, € 66 million and € 76 million respectively, and the order portfolio for transmission during the October – December 2005 period, will allows to reach total revenues, realised or acquired, exceeding the contractual target for the automatic renewal of the contract for three years .

The Cairo Communication Group, in accordance with Articles 81-bis and 82-bis of the CONSOB regulations introduced with Decision 14990 of 14 April 2005, will adopt the accounting principles relating to the preparation of accounting documents and financial statements, with effect from the financial statements at 30 March 2006. The first consolidated financial statements of the Cairo Communication Group prepared in accordance with international accounting standards will be those prepared at 30 September 2006.

The Cairo Communication Group has completed a qualitative analysis of the impact of the adoption of the IAS/IFRS accounting standards on the financial statements for the year. In a section of the management report to the financial statement at 30 September 2005 we have included the following information:

- A description of the primary differences between Italian accounting principles and the IAS/IFRS accounting standards.
- The accounting procedures chosen by the Group as part of the accounting options allowed for by the IAS/IFRS accounting standards.
- The optional exemptions allowed for by IFRS No. 1 used by the Group.

The information requested by the CONSOB Decision 14990 of 14 April 2005 referring to the reconciliation of net equity at 1 October 2004 with that at 30 September 2005 and the results for the financial year ended 30 September 2005, prepared in accordance with Italian accounting standards and the IAS/IFRS accounting standards, will be presented with the publication of the quarterly report at 31 December 2005. The reconciliations required by paragraphs 39 and 40 of IFRS No. 1 "First-time Adoption of IFRS" (as interpreted by paragraph IG 63 of the Implementation Guide of IFRS No. 1) will also be presented, in relation to the effect of the transition to the IAS/IFRS accounting standards on the net equity at 1 October 2004 and at 30 September 2005 and the Income Statement for the year ending 30 September 2005, supported by notes explaining the basis of preparation and the items comprised in the reconciliation documents.

About Cairo Communication

Cairo Communication Group is a leading Italian publisher for weekly magazines and advertising sales Group, recognised as one of the first to have developed a multimedia sales approach, beginning with print media and expanding later into TV and the Internet. It has recently entered into the telephone directory market.

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Consolidated and parent company financial statements with supporting analysis attached.

Cairo Communication Group Consolidated Financial Statements and Supporting Analysis

Cairo Communication Group

Consolidated Income Statement for the 2004-2005 year ending 30 September 2005:

(€ thousands)	**30 September 2005**	**30 September 2004**
Sales	199,144	183,973
Other operating revenues	4,029	3,862
Gross operating revenues	**203,173**	**187,835**
Advertising agency discounts	(19,696)	(22,025)
Inventory movements	(172)	(124)
Operating revenues	**183,305**	**165,686**
Cost of sales	(156,340)	(139,070)
Personnel costs	(13,319)	(11,533)
Gross operating profit (EBITDA)	**13,646**	**15,083**
Depreciation and provision charges	(5,877)	(9,108)
Operating profit (EBIT)	**7,769**	**5,975**
Net finance income	2,097	2,741
Profit from ordinary activities	**9,866**	**8,716**
Net exceptional expenses	(685)	(174)
Profit before tax	**9,181**	**8,542**
Taxation	(3,318)	(1,904)
Minority interests	395	67
Net profit	**6,258**	**6,705**

Analysis of 2004-2005 Financial Year Group Sales and Other Operating Revenues by Business Segment:

(€ thousands)	**30 September 2005 (12 months)**			**30 September 2004 (12 months)**		
	Publishing	**Advertising**	**Total**	**Publishing**	**Advertising**	**Total**
TV advertising time sales		99,372	99,372	0	124,513	**124,513**
Print media advertising space sales	29,649	13,748	43,397	20,152	10,394	**30,546**
Electronic billboard and stadium signs ad space sales	-	267	267	0	10	**10**
Internet advertising time sales	-	40	40	0	63	**63**
Magazine over-the-counter sales	53,120	-	53,120	25,431	0	**25,431**
Magazine subscription sales	3,414	-	3,414	3,392	0	**3,392**
Audiovisual and other sales	153	-	153	116	0	**116**
Books and catalogues	675	-	675	629	0	**629**
VAT relating to publications	(1,294)	-	(1,294)	(727)	0	**(727)**
Total - Sales	**85,717**	**113,427**	**199,144**	**48,993**	**134,980**	**183,973**
Other operating revenues	2,300	1,729	**4,029**	792	3,070	**3,862**
Total - Gross Operating Revenues	**88,017**	**115,156**	**203,173**	49,785	138,050	**187,835**

Analysis of 2004-2005 Financial Year Consolidated Income Statement by Business Segment

(€ thousands)	30 Sept. 2005	30 Sept. 2004	30 Sept. 2005	30 Sept. 2004	30 Sept. 2005	30 Sept. 2004	30 Sept. 2005	30 Sept. 2004
	Publishing		**Advertising**		**Directory**		**Search Engine**	
Sales	85,717	48,993	113,176	134,826	-	-	251	154
Other operating revenues	2,300	792	1,718	3,060	6	-	5	10
Gross operating revenues	**88,017**	**49,785**	**114,894**	**137,886**	**6**	-	**256**	**164**
Advertising agency discounts			(19,696)	(22,025)	-	-	-	-
Inventory movements	(172)	(124)			-	-	-	-
Operating revenues	**87,845**	**49,661**	**95,198**	**115,861**	**6**	-	**256**	**164**
Cost of sales	(72,761)	(39,456)	(82,377)	(99,278)	(967)	(86)	(235)	(249)
Personnel costs	(8,733)	(7,289)	(4,502)	(4,243)	(84)		-	-
Gross operating profit (EBITDA)	**6,351**	**2,916**	**8,319**	**12,340**	**(1,045)**	**(86)**	**21**	**(85)**
Depreciation, amortisation and provision charges	(1,901)	(1,267)	(3,609)	(7,799)	(341)	(18)	(26)	(24)
Operating profit (EBIT)	**4,450**	**1,649**	**4,710**	**4,541**	**(1,386)**	**(105)**	**(5)**	**(109)**
Net finance income	292	221	1,819	2,519	(11)	6	(3)	(6)
Profit from ordinary activities	**4,742**	**1,870**	**6,529**	**7,060**	**(1,397)**	**(99)**	**(8)**	**(115)**
Net exceptional expense	(24)	(1)	(661)	(153)	-	-	-	(20)
Profit before tax	**4,718**	**1,869**	**5,868**	**6,907**	**(1,397)**	**(99)**	**(8)**	**(135)**
Taxation	(1,327)	677	(2,406)	(2,579)	415	-	-	(2)
Minority interests	-	-	-	-	395	40	-	26
Net profit	**3,391**	**2,546**	**3,462**	**4,328**	**(587)**	**(59)**	**(8)**	**(110)**

Cairo Communication Group

Consolidated Balance Sheet

at 30 September 2005

(€ thousands)	30 September 2005	30 September 2004
Assets		
Property, furniture and equipment	3,456	3,031
Intangible assets	21,799	14,821
Investments	6,013	189
Treasury shares	86	765
Other current assets	(9,738)	1,950
Total Assets	**21,616**	**20,696**
Non-current liabilities and provisions	5,298	5,112
Net financial assets	(107,519)	(114,844)
Shareholders' equity	123,469	129,743
Minority interests	368	745
Total Equity and Liabilities	**21,616**	**20,756**

Cairo Communication Group

Consolidated Net Financial Position Statement

at 30 September 2005

(€ thousands)	30 September 2005	30 September 2004	Change
Bank and cash	100,376	101,828	(1,452)
Surety deposit	7,092	6,995	97
Marketable securities	82	82	-
Insurance financial income receivable	6,000	6,000	-
Bank loans	(6,031)	(61)	(5,970)
Net financial assets	**107,519**	**114,844**	**(7,325)**

Cairo Communication SpA Parent Company Financial Statements

Cairo Communication SpA Parent Company Income Statement

for the 12-months ending 30 September

(€ thousands)	30 September 2005	30 September 2004
Sales	141,306	154,537
Other operating income	1,626	1,735
Gross operating revenues	**142,932**	**156,272**
Advertising agency discounts	(18,256)	(22,023)
Operating revenues	**124,676**	**134,249**
Cost of sales	(113,406)	(118,882)
Personnel costs	(3,816)	(4,243)
Gross operating profit (EBITDA)	**7,454**	**11,124**
Depreciation, amortisation and provision charges	(4,430)	(8,463)
Operating profit (EBIT)	**3,024**	**2,661**
Net finance income	1,831	4,920
Investment writedowns	(5)	0
Profit before exceptionals	**4,850**	**7,581**
Exceptional income *	17,144	(114)
Profit before tax	**21,994**	**7,467**
Taxation	(2,091)	(2,388)
Net profit	**19,903**	**5,079**

** Exceptional income includes the capital gain realised from the disposal, at an appraised value, of 100% of the subsidiary Editoriale Giorgio Mandatory, to Cairo Editore S.p.A. for € 17.8 million.*

Cairo Communication SpA Parent Company Balance Sheet

at 30 September 2005

(€ thousands)	30 September 2005	30 September 2004
Assets		
Property, furniture and equipment	386	505
Intangible assets	3,366	10,505
Investments	16,121	13,991
Treasury shares	86	765
Other current assets	23,323	7,237
Total Assets	**43,282**	**33,003**
Non-current liabilities and provisions	387	1,248
Net financial assets	(100,165)	(103,934)
Liability to Parent Company	4,885	4,885
Shareholders' equity	138,175	130,804
Total Equity and Liabilities	**43,282**	**33,003**

Cairo Communication SpA Parent Company Net Financial Position Statement

at 30 September 2005

Cairo Communication S.p.A.	30/09/2005	30/09/2004	Change
Bank and cash	87,116	90,865	(3,749)
Surety deposit	6,995	6,995	-
Insurance financial income receivable	6,000	6,000	-
Marketable securities	82	82	-
Bank loans	(28)	(8)	(20)
Total	**100,165**	**103,934**	**(3,769)**
Liability to Parent Company	(4,884)	(4,884)	-
Net financial assets	**95,281**	**99,050**	**(3,769)**