CAIRO COMMUNICATION

Press Release

Milan, Italy **29 December 2006**

Approval of financial statements at 30 September 2006

- **The financial statements for the 2005-2006 financial year substantially confirm the results reported in the quarterly financial statements at 30 September 2006, approved on 15 November 2006.**
- **During the 2005-2006 financial year, gross operating revenues grew by 21% to € 243.8 million from € 201.4 million last year. With reference to continuing operations, EBITDA grew 19% from € 14 million to € 16.6 million. EBIT was up 35% from € 9.8 million to € 13.3 million and net profit of continuing operations attributable to the Group was up 29% from € 7.9 million to € 10.2 million. Losses attributable to the Group incurred by discontinued operations, the Diellesei in liquidazione subsidiary, totalled € 10,1 million. Since the approval of the quarterly financial statements on 15 November, a further provision for liquidation expenses has been established, for a total of net € 0,2 million.**
- **Dividends of € 2,5 per share proposed to the Shareholders' Meeting.**
- **New editorial initiatives were launched during this year, one weekly magazine "Diva e Donna" and three monthly titles "Di Più TV Cucina" (294.400 copies), "Di Più TV Stellare" (217.600 copies) and "Di Più TV Giochi" (135.600 copies) with a total investment of € 7 million.**
- **The 2005 –2006 financial year saw "Diva e Donna" (November 2005 – September 2006 eleven month period) sell 249.540 copies, while "Settimanale Di Più" sold 797.658 copies (October 2005 – September 2006 twelve month period) and "Di Più TV" sold 624.982 copies (October 2005 – September 2006 twelve month period). These figures confirm Cairo Editore's position as the second best selling magazine publisher in Italy, when the magazines sold with daily newspapers are excluded.**

Milan, 29 December 2006: The Board of Directors of Cairo Communication met today to approve the financial statements for the financial year ended 30 September 2006.

The annual report at 30 September 2006 was prepared in accordance with international accounting standards. The consolidated financial reports for the 2005-2006 financial year are presented, with those from the 2004-2005 financial year, restated in accordance with international accounting standards.

With regard to the discontinued operations of the Diellesei in liquidazione subsidiary, the financial results for this company attributable to the Group for the entire financial year have been reported separately as "Losses from operations held for disposal attributable to the Group". The income statements relating to the periods ended 30 September 2005 have been treated in the same way.

Largely due to the positive results of the new editorial projects and the increase in advertising revenue from the La 7 broadcaster during the 2005-2006 financial year, consolidated gross operating revenues reached € 243.8 million, up 21% from € 201.4 million last year. With reference to continuing operations, the gross operating margin (EBITDA) grew 19% from € 14 million to € 16.6 million. EBIT increased by 35% from € 9.8 million to € 13.3 million. Net profit attributable to the Group grew 29% from € 7.9 million to € 10.1 million, having restated the figures from the 2004-2005 financial year in accordance with international accounting standards.

This increase in operating profit of continuing operations clearly shows the strong earning potential of our new editorial projects, particularly those launched since 2004. This is of particular relevance given that the financial statements for the 2005-2006 financial year were negatively impacted by the expensing in the Income Statement of launch costs and advertising costs relating to "Diva e Donna" (€ 5.4 million), "Di Più TV Cucina" (average 294,400 copies sold for the twelve issues of 2006), "Di Più TV Stellare" (average 217,600 copies sold for the twelve issues of 2006) and "Di Più TV Giochi" (average 135,600 copies sold for the first seven issues of 2006), plus the cost of restyling "In Viaggio" (for a total of € 1.6 million for the last four magazines) and for a grand total of € 7 million. During the 2004-2005 financial year, launch costs of € 4.2 million and advertising costs of € 0.5 million, relating to "Di Più TV", were expensed.

The net financial results for this year were negatively impacted by losses attributable to the Group incurred by the Diellesei in liquidazione subsidiary, totalling € 10.1 million. When this company went into liquidation, it was necessary to write off some of its assets, including tangible and intangible assets (€ 1.8 million) and current assets (€ 3.5 million), in addition further € 1.6 million costs relating to the liquidation itself and a provision for future liquidation expenses. These costs were added to the company's operating losses for the period, which largely comprised personnel expenses and general costs.

The Board of Directors will propose the distribution of dividends of € 2,5 per share, with coupon detachable on the 12 February 2007.

The Group had net financial assets of nearly € 92.4 million at 30 September 2006, consisting of some € 85.2 million in net bank and cash and an escrow account of € 7.2 million, compared with net bank and cash of € 100.5 million at 30 September 2005, net of the same escrow account. As decided at the Shareholders' Meeting of 30 January 2006, dividends of € 3 per share were to be distributed for a total of € 23.5 million. At 30 September 2006, a total of € 19.8 million had been distributed.

With "Diva e Donna" (average 249,540 sold during the November 2005 - September 2006 period), "Settimanale Di Più" (average 797,658 copies sold during the October 2005 – September 2006 twelve month period) and "Di Più TV" (629,646 copies sold during the October 2005 – September 2006 twelve month period), Cairo Editore is pursuing its strategy of vigorous development of its magazine publishing business, and has become Italy's second best selling magazine publisher, when the magazines sold with daily newspapers are excluded.

Cairo Communication Group is a leading magazine publishing and Italian 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.

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Consolidated and parent company financial statements attached.

Cairo Communication Group Consolidated Financial Statements

Cairo Communication Group

Consolidated Income Statement for the 2005-2006 year:

(€ thousands)	30 September 2006 FY	30 September 2005 FY
Sales	241,185	199,144
Advertising agency discounts	(23,159)	(19,696)
Inventory movements	297	(172)
Other operating revenues	2,613	2,281
Operating revenues	**220,936**	**181,557**
Cost of sales	(186,647)	(154,518)
Personnel costs	(17,651)	(13,052)
Gross operating profit (EBITDA)	**16,638**	**13,987**
Depreciation, amortisation and provision charges	(3,353)	(4,175)
Operating profit (EBIT)	**13,285**	**9,812**
Net finance income	2,322	2,094
Profit before tax	**15,607**	**11,906**
Income tax	(5,422)	(4,003)
Minority interests	13	2
Profit from continuing operations attributable to the Group	**10,198**	**7,905**
Losses from operations held for disposal	(11,507)	(5,808)
Minority interest of operations held for disposal	1,380	2,323
Net losses from operations held for disposal attributable to the Group	**(10.127)**	**(3,485)**
Net profit attributable to the Group	**71**	**4,420**

Reclassified sheet not subject to review of the auditing company

Cairo Communication Group

Consolidated Balance Sheet

at 30 September 2006

(€ thousands)	30 September 2006	30 September 2005
<u>Assets</u>		
Property, plant and equipment	3,353	3,765
Intangible assets	9,544	11,483
Investments	5,995	6,013
Net current assets	(10,540)	(7,320)
Total Assets	**8,352**	**13,941**
Non-current borrowings and provisions	8,574	5,298
Net financial assets	(92,395)	(107,519)
Shareholders' equity	92,658	117,986
Minority interest	(485)	(1,824)
Total Equity and Liabilities	**8,352**	**13,941**

Reclassified sheet not subject to review of the auditing company

Cairo Communication Group
Consolidated Net Financial Position Statement
at 30 September 2006

(€ thousands)	30 September 2006	30 September 2005	Change
Bank and cash	91,872	100,376	(8,504)
Escrow account	7,189	7,092	97
Short-term investments:			
- Other securities	161	82	79
- Insurance - financial income receivable	6,000	6,000	0
Bank loans	(12,827)	(6,031)	(6,796)
Total	**92,395**	**107,519**	**(15,124)**

Analysis of 2005-2006 Financial Year Group Sales and Other Operating Revenues by Business Segment:

(€ thousands)	**30 September 2006 (12 months)**			**30 September 2005 (12 months)**		
	Publishing	**Advertising**	**TOTAL**	**Publishing**	**Advertising**	**TOTAL**
TV advertising time sales		111,325	**111,325**		99,372	99,372
Print media advertising space sales	38,333	17,856	**56,189**	29,649	13,748	43,397
Electronic billboard and stadium signs ad space sales		2,192	**2,192**	-	267	267
Internet advertising time sales		23	**23**	-	40	40
Magazine over-the-counter sales	68,376		**68,376**	53,120	-	53,120
Magazine subscription sales	3,373		**3,373**	3,414	-	3,414
Audiovisual and other sales		48	**48**	153	-	153
Books and catalogues	1,058		**1,058**	675	-	675
VAT relating to publications	(1,399)		**(1,399)**	(1,294)	-	(1,294)
Total – Sales	109,741	131,444	**241,185**	**85,717**	**113,427**	**199,144**
Other operating revenues	1,052	1,561	**2,613**	1,031	1,250	**2,281**
Total - Gross Operating Revenues	**110,793**	**133,005**	**243,798**	**86,748**	**114,677**	**201,425**

Cairo Communication SpA Parent Company Income Statement

for the financial year ended 30 September 2006

(€ thousands)	30 September 2006 FY	30 September 2005 FY
Sales	155,568	141,306
Advertising agency discounts	(16,040)	(18,256)
Other operating revenue	1,067	1,626
Operating revenues	**140,595**	**124,676**
Cost of sales	(132,029)	(113,406)
Personnel costs	(2,240)	(3,816)
Gross operating profit (EBITDA)	**6,326**	**7,454**
Depreciation, amortisation and provision charges	(2,211)	(4,430)
Operating profit (EBIT)	**4,115**	**3,024**
Net finance income	2,379	1,831
Investments writedowns	(14,250)	(5)
Profit on ordinary activities	**(8,026)**	**4,850**
Exceptional expenses		17,144
Profit before tax	**(8,026)**	**21,994**
Income tax	(2,551)	(2,091)
Net profit for the period	**(10,577)**	**19,903**

Reclassified sheet not subject to review of the auditing company

Cairo Communication SpA Parent Company Balance Sheet

at 30 September 2006

(€ thousands)	30 September 2006	30 September 2005
Assets		
Property, furniture and equipment	305	386
Intangible assets	2,248	3,366
Investments	14,155	16,121
Own shares	2,186	86
Other net current assets	15,205	23,323
Total Assets	**34,099**	**43,282**
Non-current borrowings and provisions for liabilities	9,687	387
Net financial assets	(84,700)	(100,165)
Borrowings from unconsolidated subsidiary	4,885	4,885
Shareholders' equity	104,227	138,175
Total Equity and Liabilities	**34,099**	**43,282**

Reclassified sheet not subject to review of the auditing company

Cairo Communication SpA Parent Company Net Financial Position Statement

at 30 September 2006

Cairo Communication S.p.A.	30 September 2006	30 September 2005	Change
Bank and cash	71,350	87,019	(15,669)
Escrow account	7,189	7,092	97
Insurance financial products	6,000	6,000	0
Marketable securities	161	82	79
Bank loans	0	(28)	28
Net financial assets	**84,700**	**100,165**	**(15,465)**
Borrowings from unconsolidated subsidiary	(4,885)	(4,885)	0
Total	**79,815**	**95,280**	**(15,465)**