CAIROCOMMUNICATION

<u>Press release</u>

Half-year report at 31 March 2006

- **Gross revenues and gross operating profit (EBITDA) in the quarterly report to 31 March 2006, as approved on 15 May 2006, have been confirmed: gross consolidated revenue increased by + 28% to € 125.7 million, as did the gross operating profit (EBITDA) to € 4.1 million (€ 2.4 million in 2004/2005)**

- **The winding up of the subsidiary Diellesei S.p.A. in liquidazione (formerly Cairo Directory), which took place subsequent to the half-year closing date, made necessary the writing off of some of the subsidiary's assets of a total of € 2.2 million, with a resulting impact on operating profit (EBIT), negative for € 0,2 million (positive for € 0,8 million in 2004/2005). The net profit was approximately € 2.1 million (€ 2.2 million in 2004/2005).**

- **In the second quarter of the financial year 2005/2006, gross consolidated revenues increased + 27% to € 59.9 million, and gross operating profit (EBITDA) also grew to € 1 million (negative for € 1.4 million in 2004/2005); operating profit (EBIT) was negative for € 2.4 million due to the asset write-offs of the subsidiary that was put into liquidation (a write off of a total of € 2.2 million).**

- **Two monthly titles were launched during the half-year—"Di Più TV Cucina" (average sales of 331,660, and sales of the sixth issue reached approximately 430,000) and "Di Più TV Stellare" (average sales of 311,000)- funded by launch costs of approximately € 1 million, together with the € 4.5 million invested for the launch of "Diva e Donna".**

- **"Diva e Donna", another success for Cairo Editore (average sales of 256,969), along with "Settimanale Di Più" (average sales of 815,187) and "Di Più TV" (average sales of 648,693), bring Cairo Editore's weekly magazine sales to approximately 1,720,849.**

Milan,28 July 2006: Cairo Communication's Board of Directors met today, and examined and approved the half-year report to 31 March 2006.

The consolidated half-year report was prepared using international accounting principles. The consolidated income statement for the 2nd quarter and the 1st half of 2005/2006 were compared against those of the same period of the previous 2004/2005 financial year, which were restated by the application of IAS principles.

The half-year report confirms the gross revenues and gross operating profit (EBITDA) in the quarterly report at 31 March 2006, approved on 15 May 2006. Specifically, in the first half of the 2005/2006 financial year consolidated gross revenues were approximately € 125.3 million (€ 98.1 million in 2004/2005), a growth of 28 % against the same period of the previous year. The net profit was approximately € 2.1 million (€ 2.2 million in 2004/2005).

The operating profit (EBIT) was negative for € 0.2 million (positive for € 0.8 million in 2004/2005), compared to € 2.1 million in the quarterly report. This change is fully due to valuations resulting from the winding up of the subsidiary Cairo Directory, now named Diellesei S.p.A. in liquidazione, which took place on 10 July 2006. The winding up made necessary the writing off of some of the subsidiary's assets in the half-year report in consideration of their recovery value for a total of € 2.2 million.

The period's half-year results also include operating losses for Diellesei in liquidazione that during the half-year were € 4.3 million at gross operating profit level (EBTIDA) (€ 2.5 million in the same period of the previous year).

The 2005/2006 first half results were negatively impacted also by all the costs sustained in the income statement for the pre-publication and the launching of the new magazine "Diva e Donna" (€ 3.5 million). They also included additional launch costs sustained to support the launch of the two monthly magazines "Di Più TV Cucina" and "Di Più TV Stellare", for approximately € 1 million, and for the same weekly magazine "Diva e Donna", for approximately € 1 million, for a total of € 5.5 million. The results from the same period in the previous year included all the launching costs of "Di Più TV", which were € 4.2 million.

In the second quarter of the 2005/2006 financial year, gross consolidated revenues grew from € 47.2 million of the previous year to approximately € 59.7 million (+ 26 %). The gross consolidated operating profit (EBITDA) was approximately € 1 million (negative for € 1.4 million in 2004/2005). The operating profit (EBIT) was negative for € 2.4 million, against a negative of € 0.1 million in the quarterly report, resulting from the above-mentioned asset write-offs of the subsidiary Diellesei in liquidazione (€ 2,2 million).

The period's results also include operating losses of Diellesei in liquidazione, which were € 2 million in the quarter on EBITDA (€ 1.2 million in the same quarter of the previous year). The quarter's results were negatively impacted also by significant investments to support the launch of the two monthly magazines "Di Più TV Cucina" and "Di Più TV Stellare", for approximately € 0.8 million and the weekly magazine "Diva e Donna", for approximately € 1 million, for a total of € 1.8 million.

The financial statements for the 2nd quarter ending 31 March 2006 have been prepared on a pre-tax basis, according to art. 82–bis of the Consob Regulation for Issuers.

The consolidated net financial position at 31 March 2006 was positive for approximately € 89.3 million including surety deposits for approximately € 7.1 million: approximately € 82.2 million in available net financial assets (at 30 September 2005 approximately € 100.5 million net of surety deposits). At the Cairo Communication Group shareholder meeting of 30 January 2006, the shareholders voted to distribute a total of € 23.5 million in dividends, at € 3 per share, before withholding tax. At 31 March 2006, € 19.8 million had been distributed.

During the half-year, two monthly magazines were launched at the newsstands "Di Più TV Cucina"- launched in November 2005 - and "Di Più TV Stellare"- launched in January 2006 - and sold together with "Di Più TV" at a total price of € 1.00 (which was raised at € 1,2 in July 2006). Both were well received by the public with average sales of 331,666 copies for the first six editions of "Di Più TV Cucina" (approximately 430,000 copies for the sixth issue sold), and average sales of 311,000 copies for the first three issues of "Di Più TV Stellare".

"Settimanale Di Più" - the second best-selling periodical sold in Italy -and "Di Più TV", with respective ADS sales of 815,187 copies and 648,693 copies in the twelve-month period from April 2005 to March 2006, further consolidated their extraordinary success to date. The first nineten issues of "Diva e Donna", Cairo Editore's new weekly magazine for women edited by Silvia Giacobini, recorded average sales of 256,969 copies. If magazines sold with daily newspapers are excluded, this total of more than 1,720,000 copies sold per week places Cairo Editore as the second best-selling publisher of weekly magazines in Italy.

Cairo Communication Group is a leading Italian publisher for weekly magazines and advertising sales, recognized as one of the first to have developed a multimedia sales approach, beginning with print media and expanding later into TV and the internet.

For more information, please contact:
Cairo Communication
Mario Cargnelutti +39 02 74813240
m.cargnelutti@cairocommunication.it
Investor Relations

Summary of the consolidated income statement to 31 March 2006

The consolidated **income statement** for the 1st half of the 2005/2006 financial year compared against the same period of the previous year, which were restated by the application of IAS/IFRS principles:

(€ thousands)	31 March 2006 (HY)	31 March 2005 (HY)
Sales	124,378	96,852
Advertising agency discounts	(12,165)	(9,920)
Net operating revenues	112,213	86,932
Other operating revenues	1,279	1,133
Operating revenues	**113,492**	**88,065**
Cost of sales	(98,409)	(77,858)
Personnel costs	(10,941)	(7,772)
Gross operating profit (EBITDA)	**4,142**	**2,435**
Depreciation and provision charges	(2,078)	(1,655)
Write-offs of assets in the subsidiary Diellesei in liquidation (previously Cairo Directory)	(2,246)	0
Operating profit (EBIT)	**(182)**	**780**
Net finance income	922	1,055
Profit before tax	**(740)**	**1,835**
Income tax	(8)	(449)
Minority interest	1,382	774
Net profit	**2,114**	**2,160**

Summary of the balance sheet at 31 March 2006:

The consolidated **balance sheet** at 31 March 2006 compared against the same period of the previous year, which were restated by the application of IAS principles:

(€ thousands)	31 March 2006	30 Sept. 2005
<u>Assets</u>		
Property, plant and equipment	3,696	3,765
Intangible assets	10,215	11,576
Investments	6,018	6,013
Pre-paid tax assets	10,918	9,920
Net current assets	(21,284)	(17,333)
Total Assets	**9,563**	**13,941**
Non-current borrowings and provisions	5,500	5,298
Net financial assets	(89,316)	(107,519)
Shareholders' equity	94,855	117,986
Minority interest	(1,476)	(1,824)
Total Equity and Liabilities	**9,563**	**13,941**

The consolidated **net financial position** at 31 March 2006, compared against the consolidated financial statements at 30 September 2005, is summarized in the following table:

(€ thousands)	31 March 2006	30 Sept. 2005	Change
Bank and cash	89,118	100,376	(11,258)
Insurance financial income receivable	6,000	6,000	0
Short term investments:			
- Other securities	160	82	78
Surety deposits	7,137	7,092	45
Bank loans	(13,099)	(6,031)	(7,068)
Total	**89,316**	**107,519**	**(18,203)**

Summary of the consolidated quarterly income statement to 31 March 2006

The consolidated **income statement** for the 2nd quarter of the 2005/2006 financial year compared against the same period of the previous year, which were restated by the application of IAS/IFRS principles:

(€ thousands)	31 March 2006 (Q2) *	31 March 2005 (Q2) *
Sales	59,168	46,525
Advertising agency discounts	(5,584)	(4,698)
Net operation revenues	53,584	41,827
Other operating revenues	740	489
Operating revenues	**54,324**	**42,316**
Costs of sales	(47,913)	(40,171)
Personnel costs	(5,393)	(3,529)
Gross operating profit (EBITDA)	**1,018**	**(1,384)**
Depreciation and provision charges	(1,167)	(855)
Write-offs of assets in the subsidiary Diellesei in liquidation (previously Cairo Directory)	(2,246)	0
Operating profit (EBIT)	**(2,394)**	**(2,239)**
Net finance income	451	487
Minority interest	1,102	601
Profit before tax	**(841)**	**(1,151)**

** Gross of taxes according to art. 82–bis of the Consob Regulation for Issuers*

Analysis of consolidated sales to 31 March 2006

The composition of **gross sales and services sales** for the 1st half-year and the 2nd quarter of 2005/2006, broken down according to the main two business sectors (publishing and advertising, which also includes Il Trovatore) may be analyzed as follows:

	1st half-year ending 31 March 2006			1st half-year ending 31 March 2005		
(€ thousands)	**Publishing**	**Advertising**	**TOTAL**	**Publishing**	**Advertising**	**TOTAL**
Magazine over-the-counter sales	32,536	0	**32,536**	22,561	0	**22,561**
Print media advertising space sales	17,454	8,886	**26,340**	12,736	6,192	**18,928**
TV advertising time sales	0	61,765	**61,765**	0	53,637	**53,637**
Electronic billboard ad sales	0	1,544	**1,544**	0	0	**0**
Stadium signs ad space sales	0	18	**18**	0	23	**23**
Internet advertising time sales	1,693	0	**1,693**	1,670	0	**1,670**
Magazine subscription sales	6	59	**65**	67	0	**67**
Audiovisual and other sales	642	0	**642**	537	0	**537**
Books and catalogues	(611)	0	**(611)**	(447)	0	**(447)**
VAT relating to publications	385		385	(125)		(125)
Total – Sales	**52,105**	**72,272**	**124,377**	**36,999**	**59,852**	**96,851**
Other operating revenues	694	585	1,279	576	557	**1,133**
Total – Gross Operating Revenues	**52,799**	**72,857**	**125,656**	37,575	60,409	**97,984**

	2nd quarter ending 31 March 2006			2nd quarter ending 31 March 2006		
(€ thousands)	**Publishing**	**Advertising**	**Total**	**Publishing**	**Advertising**	**Total**
Magazine over-the-counter sales	17,193	0	17,193	12,030	0	12,030
Print media advertising space sales	7,949	3,870	11,819	6,518	2,599	9,117
TV advertising time sales	0	28,500	28,500	0	24,757	24,757
Electronic billboard ad sales	0	0	0	0	0	0
Stadium signs ad space sales	0	568	568	0	0	0
Internet advertising time sales	0	0	0	0	14	14
Magazine subscription sales	845	0	845	837	0	837
Audiovisual and other sales	0	59	59	10	0	10
Books and catalogues	274	0	274	122	0	122
VAT relating to publications	(330)	0	(330)	(223)	0	(223)
Change in finished product and semi-finished product inventory	239	0	239	(139)	0	(139)
Total – Sales	**26,170**	**32,997**	**59,167**	**19,155**	**27,370**	**46,525**
Other operating revenues	437	303	**740**	281	208	**489**
Total – Gross Operating Revenues	26,607	33,300	**59,907**	19,436	27,578	**47,014**

Summary of Parent Company income statement

The Parent Company income statement has been prepared using valuation principles unchanged on those used at 30 September 2005. The **income statement** for the 2nd quarter and the 1st half of the 2005/2006 financial year may be compared against the previous financial year as follows:

(€ thousands)	31 March 2006 (HY)	31 March 2006 (Q2)	31 March 2005 (HY)	31 March 2005 (Q2)
Sales	82,556	37,781	72,771	33,994
Advertising agency discounts	(8,919)	(4,172)	(9,919)	(4,700)
Other operating revenues	523	405	780	152
Net operating revenues	**74,160**	**34,014**	**63,632**	**29,446**
Cost of sales	(69,348)	(32,054)	(56,791)	(25,974)
Personnel costs	(1,177)	(524)	(2,330)	(1,005)
Gross operating profit (EBITDA)	**3,635**	**1,436**	**4,511**	**2,467**
Depreciation and provision charges	(1,066)	(484)	(2,857)	(1,410)
Operating profit (EBIT)	**2,569**	**952**	**1,654**	**1,057**
Net finance income	1,158	697	944	408
Investment write downs	(7,096)	(7,096)	(5)	(5)
Profit/(loss) on ordinary activities	**(3,369)**	**(5,447)**	**2,593**	**1,460**
Exceptional expenses	0	0	(636)	(636)
Profit/(loss) before tax	**(3,369)**	**(5,447)**	**1,957**	**824**

**** Gross of taxes***

Summary of Parent Company balance sheet 31 March 2006

The **balance sheet** at 31 March 2006 of Cairo Communication S.p.A. can be compared against the balance sheet at 31 September 2005 as follows:

(€ thousands)	31 March 2006	30 Sept. 2005
Assets		
Property, plant and equipment	357	386
Net intangible assets	2,821	3,366
Investments	13,643	16,121
Treasury shares	1,986	86
Net working capital	12,014	23,323
Total capital employed	**30,821**	**43,282**
Non-current borrowings and provisions for liabilities	3,729	387
Net financial assets	(89,228)	(100,165)
Borrowings from unconsolidated subsidiaries	4,885	4,885
Shareholders' equity	111,435	138,175
Total Equity and Liabilities	**30,821**	**43,282**

The balance sheet at 31 March 2006 is gross of taxes and fiscal effects for the period

The Parent Company's **net financial position** at 31 March 2005, compared against financial statements at 30 September 2005 have been summarized in the following table:

Cairo Communication S.p.A.	31 March 2006	30 September 2005	Change
Bank and cash	75,930	87,019	(11,089)
Surety deposit	7,137	7,092	45
Insurance financial products	6,000	6,000	0
Own shares	161	82	79
Bank loans	0	(28)	28
Net financial assets	**89,228**	**100,165**	**(10,937)**
Borrowings from subsidiaries	(4,885)	(4,885)	0
Net financial position	**84,343**	**95,280**	**(10,937)**