



CAIRO COMMUNICATION

PRESS RELEASE

Milan, 15 May 2006

- **2005-2006 financial year 2nd quarter reports gross operating revenues of €59.7 million, up 26% over the same period last year, EBITDA of €1 million (a loss of €1.4 million for the same period last year) and EBIT a loss of €0.1 million (a loss of €2.2 million for Q2 of last year);**
- **Totals for the first half of the 2005-2006 financial year show gross operating revenues up 27% to €125.3 million, EBITDA at €4.1 million (€2.4 million for the same period last year), EBIT at €2.1 million (€0.8 million for the same period last year) and profit before tax of €4,9 million (€3 million for the same period last year);**
- **In the half-year, two new monthly magazines launched: “Di Più TV Cucina” (average sales of 331,666 with the sixth issue selling 430,000 copies) and “Di Più TV Stellare” (average sales of 311,000 copies), supported by advertising costs of around €1 million, in addition to the € 4,5 million invested for the launch of “Diva e Donna”;**
- **“Diva e Donna”, another Cairo Editore success (average sales of 266,361 copies), with “Settimanale Di Più” (average sales of 818,012 copies), and “Di Più TV” (average sales of 668,308 copies), bring Cairo Editore weekly magazine sales to 1,752,681 copies.**

The Board of Directors of the Cairo Communication Group met today to review and approve the Group's results for the 2nd quarter of the financial year, ending 31 March 2006. The half-year report at 31 March 2006 will be prepared in accordance with current legislation.

The consolidated financial reports at 31 March 2006 were prepared in accordance with international accounting standards. Furthermore, in accordance with Art. 82 section 2 of the financial regulations, the methods of presenting the quarterly reports have not been changed. The consolidated financial reports for the second quarter and the first half of the 2005-2006 financial year are presented with those for the corresponding periods of the 2004-2005 financial year, restated in accordance with international accounting standards.

The 2nd quarter of the 2005-2006 financial year saw Cairo Communication Group gross operating revenue reach €59.7 million, an increase of 26% (€47.2 million for the same period last year), largely due to the new editorial initiatives and the sharp increase in advertising revenue relating to the La7 TV network.

Gross operating profit (EBITDA) was €1 million (a loss of €1.4 million for the same period last year) while the operating profit (EBIT) for this quarter was a loss of just €0.1 million against a loss of €2.2 million for Q2 of last year.

The results for the 2nd quarter of the 2005-2006 financial year were negatively affected by the heavy expenditure on advertising for the new editorial initiatives totalling €1.8 million relating to the two monthly titles “Dipiù TV Cucina” and “Dipiù TV Stellare” (€0.8 million) and the weekly female magazine “Diva e Donna” (€1 million), in addition to launch costs of €3.5 million incurred during the 1st quarter. The financial results for the same period last year included pre-publication and launch costs relating to “Di Più TV” of €4.2 million.

The quarterly results also include losses incurred during this period by Cairo Directory of €2 million at gross operating profit level (€1.2 million during the same period last year). Due to the results of the subsidiary company, the minority interest for the quarter was a loss of €1 million.

During the first half of the 2005-2006 financial year, gross operating revenues totalled €125.3 million (€99.6 million during the same period last year), up 27% on the same period last year.

Gross operating profit (EBITDA) for this half-year was €4.1 million (€2.4 million for the same period last year) and operating profit (EBIT) totalled €2.1 million (€0.8 million for 2004-2005). Profit before tax of €4.9 million was recorded (€3 million for 2004-2005).

2005-2006 1st half-year results were negatively affected by the pre-publication and launch costs relating to “Diva e Donna” (€3.5 million in the 1st quarter and €1 million in the 2nd quarter) being expensed and the launch costs relating to the two monthly titles, “Di Più TV Cucina” and “Di Più TV Stellare” (€1 million), representing a total investment of almost €5.5 million in these new editorial projects. The 2004-2005 1st half-year results included launch costs relating to “Di Più TV” of €4.2 million.

2005-2006 1st half-year results were also negatively affected by personnel costs and general expenses relating to Cairo Directory, totalling €4.3 million at gross operating profit level (€2.5 million for 2004-2005). Due to the results of the subsidiary company, the minority interest for the half-year was a loss of €2 million.

In accordance with the applicable CONSOB regulation, Cairo Communication Group financial statements for the 2005-2006 2nd quarter and 1st half-year ending 31 March 2006 have been prepared on a pre-tax basis, consistent with the financial statements prepared for the same period of the previous financial year.

At 31 March 2006, Group net financial assets amounted to €89.3 million, including an escrow account of €7.1 million, around €82.2 million the available liquidity compared to €100.5 million at 30 September 2005. The meeting of Cairo Communication Group shareholders of 30 January 2006 decided to distribute a total of €23.5 million in dividends, at €3 per share. At 31 March 2006, €19.8 million had been distributed.

During the 2005-2006 1st half-year, “Di Più TV Cucina” (in November 2005) and “Di Più TV Stellare” (in January 2006) were launched. These titles are sold with “Di Più TV” for a total price of €1. Both magazines have been very well received by the public, with sales of “Di Più TV Cucina” for the first six issues averaging 331,666 copies with sales for the sixth issue reaching 430,000 copies. “Di Più TV Stellare” has also performed very well with average sales of 311,000 copies for the first three issues.

Over the February 2005 – January 2006 twelve month period, “Settimanale Di Più”, the second best-selling magazine in Italy has enjoyed average ADS sales of 818,012 copies and “Di Più TV” 668,308 copies. These magazines have further consolidated their extraordinary achievements. The first ten issues of “Diva e Donna”, Cairo Editore’s new weekly magazine for women edited by Silvana Giacobini, has recorded average sales of 266,361 copies. If magazines sold with daily newspapers are excluded, these figures, which total more than 1,750,000 copies sold per week, have placed Cairo Editore as the second best-selling publisher of weekly magazines in Italy.

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.

For more information, please contact:

Mario Cargnelutti, Marketing Director
Cairo Communication - Investor Relations
tel: 39-(0)2-7481-3240

e-mail: m.cargnelutti@cairocommunication.it

Consolidated and parent company financial statements and supporting analysis attached.

Cairo Communication Group Consolidated Financial Statements at 31 March 2006

The financial results for the 2004-2005 2nd quarter and 1st half-year have been restated in accordance with the IAS/IFRS international accounting standards.

**Cairo Communication Group
Consolidated Income Statement
for the 2005-2006 1st half-year and 2nd quarter ending 31 March 2006**

<i>(€ thousands)</i>	31 March 2006 (HY)	31 March 2006 (Q2)	31 March 2005 (HY)	31 March 2005 (Q2)
Sales	123,993	58,929	96,976	46,664
Advertising agency discounts	(12,165)	(5,584)	(9,919)	(4,698)
Inventory movements	385	239	(125)	(139)
Other operating revenues	1,279	740	1,133	489
Operating revenues	113,492	54,324	88,065	42,316
Cost of sales	(99,409)	(47,913)	(77,858)	(40,171)
Personnel costs	(10,941)	(5,393)	(7,772)	(4,144)
Gross operating profit (EBITDA)	4,142	1,018	2,435	(1,384)
Depreciation and provision charges	(2,078)	(1,167)	(1,655)	(855)
Operating profit/(loss) (EBIT)	2,064	(149)	780	(2,239)
Net finance income	922	451	1,060	492
Investment writedowns	0	0	(5)	(5)
Profit from ordinary activities	2,986	302	1,835	(1,752)
Net exceptional expenses	0	0	0	0
Minority interest	1,897	883	1,152	601
Profit before tax	4,883	1,185	2,987	(1,151)

**Cairo Communication Group
Consolidated Balance Sheet
at 31 March 2006**

<i>(€ thousands)</i>	31 March 2006	30 Sept. 2005
ASSETS		
Property, plant and equipment	3,704	3,765
Intangible assets	11,691	11,483
Investments	6,018	6,013
Net current assets	(9,580)	(7,320)
Total Assets	11,833	13,941
EQUITY AND LIABILITIES		
Non-current borrowings and provisions	5,500	5,298
Net financial assets	(89,316)	(107,519)
Shareholders' equity	97,639	117,986
Minority interest	(1,990)	(1,824)
Total Equity and Liabilities	11,833	13,941

* Figures at 31 March 2006 are expressed on a pre-tax basis

Cairo Communication Group
Consolidated Net Financial Position Statement
at 31 March 2006

<i>(€ thousands)</i>	31 March 2006	30 Sept. 2005	Change
Bank and cash	89,119	100,376	(11,257)
Surety deposit	7,137	7,092	45
Short term investments:			
- Other securities	161	82	79
- Insurance financial income receivable	6,000	6,000	0
Bank loans	(13,099)	(6,031)	(7,068)
Total	89,316	107,519	(18,203)

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

<i>(€ thousands)</i>	2 nd quarter ending 31 March 2006			2 nd quarter ending 31 March 2005		
	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)
Total - Sales	26,014	32,914	58,928	19,294	27,370	46,664
Other operating revenues	437	303	740	281	208	489
Total - Gross Operating Revenues	26,451	33,217	59,668	19,575	25,578	47,153

Analysis of 1st Half-Year Group Sales and Other Operating Revenues by Business Segment

	1 st half-year ending 31 March 2006			1 st 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	0	0	0	0	0
Stadium signs ad space sales	0	1,544	1,544	0	0	0
Internet advertising time sales	0	18	18	0	23	23
Magazine subscription sales	1,693	0	1,693	1,670	0	1,670
Audiovisual and other sales	6	59	65	67	0	67
Books and catalogues	642	0	642	537	0	537
VAT relating to publications	(611)	0	(611)	(447)	0	(447)
Total - Sales	51,720	72,272	123,992	37,124	59,852	96,976
Other operating revenues	694	585	1,279	576	557	1,133
Total - Gross Operating Revenues	52,414	72,857	125,271	37,700	60,409	98,109

Cairo Communication SpA Parent Company Financial Statements

Cairo Communication SpA Parent Company Income Statement for the 2005-2006 2nd quarter and 1st half year ending 31 March 2005

(€ 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
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 writedowns	0	0	(5)	(5)
Profit from ordinary activities	3,727	1,649	2,593	1,460
Net exceptional expenses	0	0	(636)	(636)
Profit before tax	3,727	1,649	1,957	824

Cairo Communication SpA
Parent Company Balance Sheet
at 31 March 2006

<i>(€ thousands)</i>	31 March 2006	30 Sept. 2005
ASSETS		
Property, plant and equipment	357	386
Intangible assets	2,821	3,366
Investments	17,439	16,121
Treasury shares	1,986	86
Net current assets	12,014	23,323
Total Assets	34,617	43,282
EQUITY AND LIABILITIES		
Non-current borrowings and provisions	429	387
Net financial assets	(89,228)	(100,165)
Intra-Group loans	4,885	4,885
Shareholders' equity	118,531	138,175
Total Equity and Liabilities	34,617	43,282

** Figures at 31 March 2006 are expressed on a pre-tax basis*

Cairo Communication SpA
Parent Company Net Financial Position Statement
at 31 March 2006

Cairo Communication S.p.A.	31 March 2006	30 Sept. 2005	Change
Bank and cash	75,930	87,019	(11,089)
Surety deposit	7,137	7,092	45
Insurance financial income receivable	6,000	6,000	0
Marketable securities	161	82	79
Bank loans	0	(28)	28
Net Financial Assets	89,228	100,165	(10,937)
Immobilized borrowings	(4,885)	(4,885)	0
Net Financial Position	84,343	95,280	(10,937)