CAIROCOMMUNICATION

PRESS RELEASE

Milan, 4 August 2006

Board of Directors approve quarterly report at 30 June 2006

- **2005-2006 financial year 3rd quarter reports gross operating revenues of € 68.6 million, up 20% over the same period last year; 3rd quarter EBITDA of € 3.3 million (€ 3.4 million for the same period last year); 3rd quarter EBIT steady at € 2.4 million (€ 2.4 million for the same period last year)**
- **Over the first nine months of the 2005-2006 financial year, gross operating revenues increased by 24.9 % to € 193.9 million. EBITDA for the nine month period reached € 7.5 million (€ 5.9 million for the same period last year). EBIT for the nine month period decreased from € 3.1 million to € 2.2 million, due to the write off which were applied following the liquidation of the Diellesei subsidiary (totalling € 2.2 million)**
- **During this quarter a new magazine was launched, "Di Più TV Giochi" (average sales of 178,500 copies for the first two issues), following in the footsteps of "Di Più TV Cucina" (average sales of 336,500 copies for the first nine issues) and "Di Più TV Stellare" (averages sales of 269,300 copies for the first six issues). Advertising costs for the launch of these new publications totalled € 1.2 million, over the first nine months of this financial year, in addition to the € 5.4 million invested for the launch of "Diva e Donna".**
- **With "Diva e Donna" (average sales of 253,221 copies for the November 2005 - April 2006 period), "Settimanale Di Più" (average sales of 806,956 copies for the May 2005 – April 2006 twelve month period) and "Di Più TV" (average sales of 642,032 copies for the May 2005 – April 2006 twelve month period), Cairo Editore has become Italy's second best-selling publisher of weekly magazines, when the magazines sold with daily newspapers are excluded.**

Milan, 4 August 2006: The Board of Directors of the Cairo Communication Group met today to approve the Group's results for the 3rd quarter of the financial year, ending 30 June 2006.

The consolidated financial statements at 30 June 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 statements for the third quarter and the first nine months 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, for increased transparency.

The 3rd quarter of the 2005-2006 financial year saw Cairo Communication Group gross operating revenue reach € 68.6 million, an increase of 20% (€57.1 million for the same period last year), largely due to the new editorial initiatives and the sharp increase in advertising revenue relating to the La 7 TV network. Gross operating profit (EBITDA) was € 3.3 million (€ 3.4 million for the same period last year, when restated in accordance with international accounting standards) while the operating profit (EBIT) for this quarter was € 2.4 million (€ 2.4 million for Q3 of last year).

The results for the 3rd quarter of the 2005-2006 financial year were negatively affected by operating losses, mostly personnel costs and general expenses, relating to Diellesei, the subsidiary in liquidation, of € 1,6 million at gross operating profit level.

This period saw continued high levels of investment in advertising to support new editorial initiatives "Di Più TV Cucina", "Di Più TV Stellare", "Di Più TV Giochi" and "Diva e Donna", with investment totalling € 1.5 million.

The first nine months of the 2005-2006 financial year saw gross operating revenues for the Cairo Communication Group total € 193.9 million (€ 155.2 million for the same period last year). Gross operating profit (EBITDA) was € 7.2 million (€ 5.9 million for the same period last year) while the operating profit (EBIT) for the nine month period was € 2.2 million (€ 3.1 million for the same period last year).

The results for the first nine months of the 2005-2006 financial year were negatively affected by write off subsequent to the Diellesei in liquidazione, subsidiary going into liquidation (formerly Cairo Directory). It was deemed necessary to write off the value of some assets of this subsidiary in view of their recoverable value, for a total of € 2.2 million. The results for the first nine months of the 2005-2006 financial year were negatively affected by operating losses relating to Diellesei, mostly personnel costs and general expenses, of € 6 million at gross operating profit level (€ 4.6 million for the same period last year).

2005-2006 first nine months results were negatively affected by the pre-publication and launch costs relating to "Diva e Donna" being expensed (€ 3.5 million), in addition to advertising costs of € 1.9 million, bringing the total investment to € 5.4 million. Further advertising costs were incurred in relation to the launch of the monthly magazines "Di Più TV Cucina", "Di Più TV Stellare", "Di Più TV Giochi" and "In Viaggio", totalling € 1.6 million (total advertising costs for the new editorial initiatives were € 7 million). The 2004-2005 first nine months results included launch costs of € 4.2 million and advertising costs of € 0.5 million relating to "Di Più TV".

In accordance with the applicable CONSOB regulation, Cairo Communication Group financial statements for the 2005-2006 3rd quarter and first nine months ending 30 June 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 30 June 2006, Group net financial assets amounted to € 84.4 million, including a surety deposit of € 7.1 million, being around € 77.3 million in available funds, compared to € 100.5 million at 30 September 2005 net of the same escrow account. 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 30 June 2006, € 19.8 million had been distributed.

In view of the success enjoyed by the monthly titles "Di Più TV Cucina", launched in November 2005 and recording average sales of 336,500 copies for the first nine issues, and "Di Più TV Stellare, launched in January 2006 and recording average sales of 269,300 copies for the first six issues, Cairo Communication Group decided in July to launch "Di Più TV Giochi". This latest magazine has sold an average of 178,500 copes of its first two issues. The three monthly magazines are sold with "Di Più TV" for a total price of € 1 (increased to € 1.20 during July 2006).

With "Diva e Donna" (average sales of 253,221 copies for the November 2005 - April 2006 period), "Settimanale Di Più" (sales of 806,956 copies for the May 2005 – April 2006 twelve month period) and "Di Più TV" (sales of 642,032 copies for the May 2005 – April 2006 twelve month period), Cairo Editore has become Italy's second best-selling publisher of weekly magazines, when the magazines sold with daily newspapers are excluded.

About Cairo Communication

Cairo Communication Group is a leading Italian advertising sales and magazine publishing Group, recognised as one of the first to have developed a multimedia sales approach, beginning with print media and expanding later into TV and Internet.

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Consolidated and parent company financial statements and supporting analyses attached.

Summary of the consolidated income statement at 30 June 2006

The consolidated **income statement** for the first nine months and the third 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:

(€ millions)	30 June 2006 (Nine months)	30 June 2006 (Q3)	30 June 2005 (Nine months)	30 June 2005 (Q3)
Sales and services	191,923	67,930	153,457	56,571
Advertising agency discounts	(18,943)	(6,777)	(15,793)	(5,874)
Inventory movement	422	38	(151)	(26)
Other operating revenues	1,994	715	1,689	556
Operating revenues	**175,396**	**61,906**	**139,292**	**51,227**
Cost of sales	(151,682)	(53,273)	(121,080)	(43,222)
Personnel costs	(16,261)	(5,321)	(12,328)	(4,556)
Gross operating profit (EBITDA)	**7,453**	**3,312**	**5,884**	**3,449**
Depreciation, provisions and write downs	(3,028)	(950)	(2,744)	(1,089)
Write off of assets in the subsidiary Diellesei in liquidation (previously Cairo Directory)	(2,246)	0	0	0
Operating profit (EBIT)	**2,179**	**2,362**	**3,140**	**2,360**
Net finance income	1,418	495	1,579	524
Minority interest	2,076	13	2,159	1,007
Profit before tax	**5,673**	**2,870**	**6,878**	**3,891**

Summary of the balance sheet at 30 June 2006:

The consolidated **balance sheet** at 30 June 2006 compared to the consolidated balance sheet at 30 September 2005, which was restated by the application of IAS principles:

(€ thousands)	30 June 2006	30 September 2006
<u>Assets</u>		
Property, plant and equipment	3,427	3,765
Intangible assets	12,187	11,483
Investments	5,805	6,013
Net current assets	(4,013)	(7,320)
Total capital employed	**17,406**	**13,941**
Non-current borrowings and provisions	5,716	5,298
Net financial assets	(84,393)	(107,519)
Shareholders' equity	98,252	117,986
Minority interest	(2,169)	(1,824)
Total equity and minority interest	**17,406**	**13,941**

**Shareholders' equity at 30 June 2006 is gross of taxes and fiscal effects for the period*

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

(€ thousands)	30 June 2006	30 Sept. 2005	Change
Cash and bank	84,217	100,376	(16,159)
Surety deposits	7,163	7,092	71
Short term investments:			
- Other securities	161	82	79
- Insurance financial income	6,000	6,000	0
Bank loans	(13,148)	(6,031)	(7,117)
Total	**84,393**	**107,519**	**(23,126)**

Analysis of consolidated sales at 30 June 2006

The composition of **gross sales and services sales** for the 3rd quarter of 2005-2006, broken down according to the two main two business sectors (publishing and advertising, which also includes Il Trovatore) may be analyzed as follows:

Gross sales and services	**3rd quarter to 30 June 2006 (three months)**			**3rd quarter to 30 June 2005 (three months)**		
	Publishing	**Advertising**	**TOTAL**	**Publishing**	**Advertising**	**TOTAL**
TV advertising	-	31,956	**31,956**	-	27,899	**27,899**
Print media advertising sales	11,881	5,312	**17,193**	9,455	4,396	**13,851**
Electronic billboard ad sales	-	279	**279**	-	-	-
Internet advertising	-	(2)	**(2)**	-	4	**4**
Magazine over-the-counter sales	17,698	-	**17,698**	14,214	-	**14,214**
Magazine subscription sales	830	-	**830**	874	-	**874**
Audiovisual and other sales	(6)	54	**48**	(7)	-	**(7)**
Books and catalogues	310	-	**310**	49	-	**49**
VAT relating to publications	(381)	-	**(381)**	(313)	-	**(313)**
Total – sales and services	30,332	37,599	**67,931**	24,272	32,299	**56,571**
Other operating revenues	129	586	**715**	125	431	**556**
Total – Gross Operating Revenues	30,461	38,185	**68,646**	24,397	32,730	**57,127**

The composition of **gross sales and services sales** for the first nine months of 2005-2006, broken down according to the two main two business sectors and compared to the same period of the previous year may be analyzed as follows:

Gross sales and services	**30 June 2006 (nine months)**			**30 June 2005 (nine months)**		
	Publishing	**Advertising**	**TOTAL**	**Publishing**	**Advertising**	**TOTAL**
TV advertising	-	93,721	**93,721**	-	81,536	**81,536**
Print media advertising sales	29,335	14,198	**43,533**	22,191	10,588	**32,779**
Electronic billboard ad sales	-	1,823	**1,823**	-	-	-
Internet advertising	-	16	**16**	-	27	**27**
Magazine over-the-counter sales	50,234	-	**50,234**	36,775	-	**36,775**
Magazine subscription sales	2,523	-	**2,523**	2,544	-	**2,544**
Audiovisual and other sales	-	113	**113**	60	-	**60**
Books and catalogues	952	-	**952**	586	-	**586**
VAT relating to publications	(992)	-	**(992)**	(760)	-	**(760)**
Total – sales and services	**82,052**	**109,871**	**191,923**	61,396	92,151	**153,547**
Other operating revenues	823	1,171	**1,994**	702	987	**1,689**
Total – Gross Operating Revenues	82,875	111,042	**193,917**	62,098	93,138	**155,236**

Summary of Parent Company income statement

The Parent Company income statement for the first nine months and the third quarter of 2005-2006 have been prepared using valuation principles unchanged on those used at 30 September 2005 and may be compared against the previous financial periods as follows:

(€ thousands)	30 June 2006 (9 months)	30 June 2006 (Quarter)	30 June 2006 (9 months)	30 June 2006 (Quarter)
Sales and services	128,098	45,542	114,897	42,126
Advertising agency discounts	(13,458)	(4,539)	(15,792)	(5,873)
Other operating revenues	694	171	1,287	507
Net operating revenues	**115,334**	**41,174**	**100,392**	**36,760**
Cost of sales	(108,056)	(38,708)	(89,923)	(33,132)
Personnel costs	(1,744)	(567)	(3,229)	(899)
Gross operating profit (EBIDTA)	**5,534**	**1,899**	**7,240**	**2,729**
Depreciation, provisions and write downs	(1,587)	(521)	(4,408)	(1,551)
Operating profit	**3,947**	**1,378**	**2,832**	**1,178**
Net finance income	1,791	634	1,381	442
Write down of investment	(8,296)	(1,200)	0	0
Profit/(loss) on ordinary activities	**(2,558)**	**812**	**4,213**	**1,620**
Exceptional expenses	0	0	(647)	(11)
Profit/(loss) before tax	**(2,558)**	**812**	**3,566**	**1,609**

** Gross of tax effect*

Summary of Parent Company balance sheet 30 June 2006

The **balance sheet** at 30 June 2006 of Cairo Communication S.p.A. can be compared against the balance sheet at 30 September 2005 as follows:

(€ thousands)	30 June 2006	30 Sept. 2006
Assets		
Property, plant and equipment	340	386
Intangible assets	2,534	3,366
Investments	14,155	16,121
Treasury shares	2,186	86
Net current assets	25,759	23,323
Total capital employed	**44,974**	**43,282**
Non-current borrowings and provisions	4,955	387
Net financial assets	(77,112)	(100,165)
Borrowings for subsidiary	4,885	4,885
Shareholders' equity	112,246	138,175
Total equity and minority interest	**44,974**	**43,282**

Shareholders' equity at 30 June 2006 is stated gross of tax and the fiscal effect of the period

The Parent Company's **net financial position** at 30 June 2006 compared against financial statements at 30 September 2005 has been summarized in the following table:

Cairo Communication S.p.A.	30 June 2006	30 Sept. 2006	Change
Bank and cash	63,788	87,019	(23,231)
Surety deposit	7,163	7,092	71
Insurance financial product	6,000	6,000	0
marketable securities	161	82	79
Bank loans	0	(28)	28
Total	**77,112**	**100,165**	**(23,053)**
Borrowings from subsidiaries	(4,885)	(4,885)	0
Total	**72,227**	**95,280**	**(23,053)**