



CAIRO COMMUNICATION

PRESS RELEASE

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- **Board of Directors approves 2004-2005 financial year 3rd quarter report at 30 June 2005: Sales of €57.2 million, up 9.5% over the same period last year; “Settimanale Di Più” (rolling average sales of 836,000 copies) and “Di Più TV” (rolling average sales of 771,000 copies) continue to enjoy extraordinary success; La 7 advertising sales up 22.6% for the January - June 2005 period.**
- **Group 2004-2005 financial year 3rd quarter sales amounted to € 57.2 million, generating €4.5 million in EBITDA and €2.6 million in EBIT, almost unchanged over the same period last year.**
 - **Group 2004-2005 financial year 9 months sales amounted to €156.8 million, generating €11.7 million in EBITDA and €6.7 million in EBIT.**
 - **“Di Più TV” has recorded rolling average sales of 771,000 copies at May 2005, following on from the success of “Settimanale Di Più” which enjoyed rolling average sales of 836,000 copies between June 2004 and May 2005.**
 - **La 7: Advertising sales totalled €50 million, up 22.6% for the January – June 2005 period, almost 10 times the growth rate of the television advertising sales market for the period (market growth rate was 2.6%, source: AC Nielsen). This growth trend continued during July – August 2005, reaching 29%, with sales at 3 August 2005 totalling €9 million.**

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 2005.

The Group reported 2004-2005 3rd quarter gross operating revenues of €57.2 million, incorporating operating revenues of €56.6 million and other revenues of €0.6 million, compared to €52.3 million for the same period of last year.

Group gross operating profit (EBITDA) amounted to €4.5 million from the €4.9 million generated over the same period last year. Group operating profit (EBIT) remained almost steady at €2.6 million, compared to €2.7 million for the same period last year. This is largely due to revenues from new publication ventures that have enabled the Group to offset the revenues and margins lost from the suspension of the advertising collection for Sky Sport 1 and Calcio Sky which had generated operating revenues of €9 million for the third quarter of 2003-2004.

The results for this period have been affected by the expensing of pre-publication and launch costs relating to “Di Più TV” (€1 million) and costs relating to the new venture Cairo Directory (€0.4 million).

Gross operating revenues for the first nine months of the 2004 – 2005 financial year totalled €156.8 million, up from €150.9 million for the same period last year, including operating revenues of €153.5 million and other revenues of €3.3 million, an increase of 3,9% on the same period last year.

Group gross operating profit (EBITDA) for the first nine months amounted at €11.7 million, from €13.2 million for the same period last year. Group operating profit (EBIT) remained almost steady at €6.6 million, against €6.9 million for the same period last year. As with the results for the current period, this is largely due to revenues from new publications ventures that have enabled the Group to offset the revenues lost from the suspension of the advertising collection for Sky Sport 1 and Calcio Sky, which

had generated operating revenues of some €34 million for the nine month period October 2003 – June 2004.

The results for this nine-month period have been negatively affected by the expensing of €3.4 million in pre-publication and launch costs relating to “Settimanale Di Più” (€1.6 million) and “Di Più TV” (€1.8 million). During the first nine months of the 2003 – 2004 financial year, pre-publication and launch costs expensed totalled €1.2 million.

The decrease in depreciation, amortisation and provision charges results from the fact that at 30 September 2004, costs relating to the listing on the Milan New Market Stock Exchange on 19 July 2000 had been fully amortised (€1.1 million effect the nine month period).

Net financial income and profit before tax for the first nine months of the 2003 – 2004 financial year included profits of €0.5 million realised during November 2003 on the sale of own shares.

In accordance with the applicable CONSOB regulation, Cairo Communication Group financial statements for the 3rd quarter ending 30 June 2005 have been prepared on a pre-tax basis and excluding income tax effects, consistent with the financial statements prepared for the same period of the previous financial year.

The Group had net financial assets of nearly €110 million at 30 June 2005, consisting of some €103 million in bank and cash and an escrow account of about €7 million, compared with net financial assets of €108 million at 30 September 2004, net of the escrow account. Dividends of €12.5 million were distributed during February 2005.

Cairo Editore has seen its publication “Settimanale Di Più” enjoy exceptional success, as it is now the second best selling magazine in Italy, with a rolling average circulation of 836,000 for the June 2004 – May 2005 twelve-month period (Source: ADS). Cairo Editore further developed its presence in the publishing business with the launch on 31 January 2005 of another title, “Di Più TV”. This magazine has performed extremely well, with a rolling average circulation at may 2005 of 771,000 copies.

Advertising space sales and order backlog for “Settimanale DIPIU” and “DIPIU’ TV” at 3 August 2005 for the issues published and awaiting publication during 2005 amounted to €18 million for “Settimanale DIPIU” (€11 million in 2004) and €8,1 million for “DIPIU’ TV”.

Strong sales figures were also recorded in the advertising sales sector. Advertising time sales for the TV network La 7 generated operating revenues of €50 million for the January – June 2005 period, up 22.6% on the same period of last year, almost ten times the growth rate of 2.6% for the Italian TV market (source: AC Nielsen). This growth trend continued during the July – August 2005 period, with an increase of 29% at €9 million over the same two-month period of last year.

As part of our preparation for the adoption of the international financial reporting standards (IFRS), mandatory for Cairo Communication from 30 September 2006, the company has almost completed a study to identify the principal differences between current Italian GAAP standards and IFRS, regarding valuation and accounting principles and practices, as well as additional information and ways of representing items in the financial statements.

About Cairo Communication

Cairo Communication Group is a leading Italian publisher for weekly magazine 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

Cairo Communication Group Consolidated Income Statement for the 3rd quarter ending 30 June 2005

(€thousands)	30 June 2005 (nine months)	30 June 2005 (3 rd quarter)	30 June 2004 (nine months)	30 June 2004 (3 rd quarter)
Sales	153,547	56,571	149,438	51,777
Other operating revenues	3,300	656	1,522	500
Gross operating revenues	156,847	57,227	150,960	52,277
Advertising agency discounts	(15,793)	(5,874)	(18,908)	(6,034)
Inventory movements	(151)	(26)	26	(15)
Operating revenues	140,903	51,327	132,078	46,228
Cost of sales	(118,983)	(43,150)	(110,383)	(38,211)
Personnel costs	(10,171)	(3,707)	(8,519)	(3,137)
Gross operating profit (EBITDA)	11,749	4,470	13,176	4,880
Depreciation and provision charges	(5,083)	(1,869)	(6,234)	(2,156)
Operating profit (EBIT)	6,666	2,601	6,942	2,724
Net finance income	1,593	524	2,204	650
Profit from ordinary activities	8,259	3,125	9,146	3,374
Net exceptional expenses	(663)	(11)	(174)	(2)
Minority interest	313	146	22	3
Profit before tax	7,909	3,260	8,994	3,375

Cairo Communication Group
Consolidated Balance Sheet
at 30 June 2005

(€thousands)	30 June 2005	31 March 2005	30 Sept. 2004
ASSETS			
Property, facilities and equipment	3,359	3,335	3,031
Intangible assets	18,088	16,220	14,821
Investments	272	180	189
Own shares	86	51	765
Other current assets	(753)	(2,423)	1,890
Total Assets	21,052	17,363	20,696
EQUITY AND LIABILITIES			
Non-current borrowings and funds	5,419	5,299	5,112
Net financial assets	(109,938)	(110,392)	(114,904)
Shareholders' equity*	125,120	121,861	129,743
Minority interest	451	595	745
Total Equity and Liabilities before tax	21,052	17,363	20,696

* on a pre-tax basis and excluding income tax effects

Cairo Communication Group
Consolidated Net Financial Position Statement
at 30 June 2005

(€thousands)	30 June 2005	31 March 2005	30 Sept. 2004
Bank and cash	73,072	97,450	101,888
Escrow account	7,070	7,048	6,995
Short term investments:			
Marketable securities	-	-	-
Other securities	25,548	82	82
Insurance financial income receivable	6,000	6,000	6,000
Bank loans	(1,752)	(188)	(61)
Net Financial Position	109,938	110,392	114,904

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

(€thousands)	30 June 2005 (3 rd quarter)			30 June 2004 (3 rd quarter)		
	Publishing	Advertising	Total	Publishing	Advertising	Total
TV advertising time sales	-	27,899	27,899	-	33,148	33,148
Print media advertising space sales	9,455	4,396	13,851	6,268	3,468	9,736
Electronic billboard and stadium signs ad space sales	-	-	-	-	-	-
Internet advertising time sales	-	4	4	-	28	28
Magazine over-the-counter sales	14,214	-	14,214	8,138	-	8,138
Magazine subscription sales	874	-	874	858	-	858
Audiovisual and other sales	(7)	-	(7)	78	-	78
Books and catalogues	49	-	49	(3)	-	(3)
VAT relating to publications	(313)	-	(313)	(206)	-	(206)
Total - Sales	24,272	32,299	56,571	15,133	36,644	51,777
Other operating revenues	125	531	656	153	347	500
Total - Gross Operating Revenues	24,397	32,830	57,227	15,286	36,991	52,277

Analysis of Nine-Month Group Sales and Other Operating Revenues by Business Segment

(€thousands)	30 June 2005 (nine months)			30 June 2004 (nine months)		
	Publishing	Advertising	Total	Publishing	Advertising	Total
TV advertising time sales	-	81,536	81,536	-	109,879	109,879
Print media advertising space sales	22,191	10,588	32,779	14,954	8,279	23,233
Electronic billboard and stadium signs ad space sales	-	-	-	-	10	10
Internet advertising time sales	-	27	27	-	74	74
Magazine over-the-counter sales	36,775	-	36,775	13,455	-	13,455
Magazine subscription sales	2,544	-	2,544	2,562	-	2,562
Audiovisual and other sales	60	-	60	111	-	111
Books and catalogues	586	-	586	545	-	545
VAT relating to publications	(760)	-	(760)	(431)	-	(431)
Total - Sales	61,396	92,151	153,547	31,196	118,242	149,438
Other operating revenues	1,971	1,329	3,300	560	962	1,522
Total - Gross Operating Revenues	63,367	93,480	156,847	31,756	119,204	150,960

Cairo Communication SpA Parent Company Financial Statements

Cairo Communication SpA Parent Company Income Statement for the 3rd quarter ending 30 June 2005

(€thousands)	30 June 2005 (nine months)	30 June 2005 (3 rd quarter)	30 June 2004 (nine months)	30 June 2004 (3 rd quarter)
Sales	114,897	42,126	132,668	42,775
Other operating revenues	1,287	507	814	207
Gross operating revenues	116,184	42,633	133,582	42,982
Advertising agency discounts	(15,792)	(5,873)	(18,907)	(6,035)
Operating revenues	100,392	36,760	114,575	36,947
Cost of sales	89,923	(33,132)	(100,177)	(32,415)
Personnel costs	3,229	(899)	(3,233)	(1,047)
Gross operating profit (EBITDA)	7,240	2,729	11,165	3,485
Depreciation and provision charges	(4,408)	(1,551)	(5,777)	(1,954)
Operating profit (EBIT)	2,832	1,178	5,388	1,531
Net finance income	1,381	442	2,050	593
Investment writedowns	0	0	0	0
Profit from ordinary activities	4,213	1,620	7,438	2,124
Net exceptional expenses	(647)	(11)	(129)	0
Profit before tax	3,566	1,609	7,309	2,124

Cairo Communication SpA Parent Company Balance Sheet at 30 June 2005

(€thousands)	30 June 2005	31 March 2005	30 Sept. 2004
ASSETS			
Property, plant and equipment	413	454	505
Intangible assets	2,324	8,354	10,505
Investments	19,211	15,311	13,991
Own shares	85	51	765
Other current assets	13,716	4,797	7,229
Total Assets	35,749	28,967	32,995
EQUITY AND LIABILITIES			
Non-current borrowings and funds	405	1,344	1,248
Net financial assets	(91,291)	(97,491)	(103,942)
Intra-Group payables	4,885	4,885	4,885
Shareholders' equity*	121,750	120,229	130,804
Total Equity and Liabilities	35,749	28,967	32,995

* on a pre-tax basis and excluding income tax effects

Cairo Communication SpA
Parent Company Net Financial Position Statement
at 30 June 2005

(€thousands)	30 June 2005	31 March 2005	30 Sept. 2004
Bank and cash	52,674	84,361	90,865
Escrow account	7,070	7,048	6,995
Insurance financial income receivable	6,000	6,000	6,000
Marketable securities	25,548	82	82
Bank loans	0	0	(8)
Net Financial Assets	91,291	97,491	103,934
Immobilized borrowings	(4,885)	(4,884)	(4,884)
Net Financial Position	86,406	92,607	99,050