



CAIRO COMMUNICATION

Press Release

Milan, Italy

15 November 2006

Approval of quarterly financial statements at 30 September 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 18% from €14 million to €16.6 million. EBIT was up 35% from €9.8 million to €13.2 million and net result of continuing operations was up 28% from €7.9 million to €10.1 million. Losses incurred by discontinued operations, the Diellesei in liquidazione subsidiary, totalled €9.9 million.
- New editorial initiatives were launched during this year, one weekly magazine “Diva e Donna” and three monthly titles “Di Più TV Cucina” (311,200 copies), “Di Più TV Stellare” (210,300 copies) and “Di Più TV Giochi” (141,800 copies) with a total investment of € 7 million.
- During the 4th quarter of the year gross operating revenues grew up 7.8% to €49.9 million from € 46.2 million last year. With reference to continuing operations, EBITDA was up 21.4% from €2.8 million to €3.4 million; both EBIT and net profit doubled on last year’s figures, with the EBIT rising from €1.3 million to €2.6 million and net profit of continuing operations up from €1 million to €2.1 million. A net loss of €5.5 million was incurred during this quarter by the Diellesei in liquidazione subsidiary.
- The September 2005 – August 2006 twelve month period saw “Diva e Donna” (from November, month of the launch) sell 251,735 copies, while “Settimanale Di Più” sold 800,476 copies and “Di Più TV” sold 629,646 copies. 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, 15 November 2006:

The Board of Directors of Cairo Communication met today to approve the financial statements for the 4th quarter of the financial year, ended 30 September 2006.

The quarterly report at 30 September 2006 was prepared in accordance with international accounting standards. Moreover, in accordance with Art. 82 bis of the Consob regulations, the presentation methods applied to this report are unchanged on those used in previous periods. The consolidated financial reports for the 4th quarter and the 2005-2006 financial year are presented, with those from the 2004-2005 financial year, restated in accordance with international accounting standards.

Considering the discontinued operations of the Diellesei in liquidazione subsidiary, the financial results for this company for the entire financial year, net of taxation effects and minority interests, have been reported separately as “Losses from operations held for disposal”. 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 18% from € 14 million to € 16.6 million. EBIT increased by 35% from €9.8 million to €13.2 million. Net profit grew 28% 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” (311,200 copies sold of the first ten issues of 2006), “Di Più TV Stellare” (210,300 copies sold of the first 10 issues of 2006) and “Di Più TV Giochi” (average sales of 141,800 for the first six 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 ground 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 incurred by the Diellesei in liquidazione subsidiary, totalling €9.9 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, estimated on the basis of information available at the date. These costs were added to the company’s operating losses for the period, which largely comprised personnel expenses and general costs.

During the 4th quarter of the financial year, gross operating revenues increased 7.8% from €46.2 million to €49.9 million. With reference to continuing operations EBITDA, was up 21.4% from €2.8 million to €3.4 million. Both EBIT and net profit doubled on last year’s figures, with the EBIT rising 102% from €1.3 million to €2.6 million and net profit up 101% from €1 million to €2.1 million. A net loss of €5.5 million was incurred during this quarter by the Diellesei in liquidazione subsidiary, as costs related to the liquidation, including the provision for future liquidation expenses, were added to the operating losses for the quarter.

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” (sales of 251,735 for the November 2005 - August 2006 period), “Settimanale Di Più” (800,476 copies sold during the September 2005 – August 2006 twelve month period) and “Di Più TV” (629,646 copies sold during the September 2005 – August 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 pay TV, the Internet and commercial TV.

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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, and 4th quarter ending 30 September 2006:

<i>(€ thousands)</i>	30 September 2006 FY	30 September 2006 Q4	30 September 2005 FY	30 September 2005 Q4
Sales	241,185	49,262	199,144	45,597
Advertising agency discounts	(23,159)	(4,217)	(19,696)	(3,903)
Inventory movements	297	(125)	(172)	(21)
Other operating revenues	2,613	696	2,281	598
Operating revenues	220,936	45,616	181,557	42,271
Cost of sales	(186,739)	(38,363)	(154,518)	(36,557)
Personnel costs	(17,651)	(3,836)	(13,052)	(2,866)
Gross operating profit (EBITDA)	16,546	3,417	13,987	2,848
Depreciation, amortisation and provision charges	(3,353)	(796)	(4,175)	(1,554)
Operating profit (EBIT)	13,193	2,621	9,812	1,294
Net finance income	2,322	608	2,094	512
Profit before tax	15,515	3,229	11,906	1,806
Income tax	(5,400)	(1,167)	(4,003)	(755)
Minority interests	13	2	2	(19)
Profit from continuing operations	10,128	2,064	7,905	1,032
Losses from operations held for disposal	(9,874)	(5,523)	(3,484)	(1,300)
Net profit for the period	254	(3,459)	4,421	(268)

Cairo Communication Group

Consolidated Balance Sheet

at 30 September 2006

<i>(€ thousands)</i>	30 September 2006	30 September 2005
Assets		
Property, plant and equipment	3,353	3,765
Intangible assets	9,544	11,483
Investments	5,995	6,013
Net current assets	(12,877)	(7,320)
Total Assets	6,015	13,941
Non-current borrowings and provisions	6,054	5,298
Net financial assets	(92,395)	(107,519)
Shareholders' equity	92,841	117,986
Minority interest	(485)	(1,824)
Total Equity and Liabilities	6,015	13,941

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

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

Segment:

<i>(€ thousands)</i>	30 September 2006			30 September 2005		
	(3 months)			(3 months)		
	Publishing	Advertising	TOTAL	Publishing	Advertising	TOTAL
TV advertising time sales	0	17,604	17,604	0	17,836	17,836
Print media advertising space sales	8,998	3,658	12,656	7,458	3,160	10,618
Electronic billboard and stadium signs ad space sales	0	369	369	0	267	267
Internet advertising time sales	0	7	7	0	13	13
Magazine over-the-counter sales	18,142	0	18,142	16,345	0	16,345
Magazine subscription sales	850	0	850	870	0	870
Audiovisual and other sales	0	(65)	(65)	93	0	93
Books and catalogues	106	0	106	89	0	89
VAT relating to publications	(407)	0	(407)	(534)	0	(534)
Total - Sales	27,689	21,573	49,262	24,321	21,276	45,597
Other operating revenues	229	467	696	329	269	598
Total - Gross Operating Revenues	27,918	22,040	49,958	24,650	21,545	46,195

Cairo Communication SpA Parent Company Financial Statements

Cairo Communication SpA Parent Company Income Statement

for the financial year ended 30 September 2006

<i>(€ thousands)</i>	30 September 2006 FY	30 September 2006 Q4	30 September 2005 FY	30 September 2005 Q4
Sales	155,568	27,470	141,306	26,409
Advertising agency discounts	(16,040)	(2,582)	(18,256)	(2,464)
Other operating revenue	1,103	409	1,626	339
Operating revenues	140,631	25,297	124,676	24,284
Cost of sales	(132,065)	(24,009)	(113,406)	(23,483)
Personnel costs	(2,240)	(496)	(3,816)	(587)
Gross operating profit (EBITDA)	6,326	792	7,454	214
Depreciation, amortisation and provision charges	(2,211)	(624)	(4,430)	(22)
Operating profit (EBIT)	4,115	168	3,024	192
Net finance income	2,379	588	1,831	450
Investments writedowns	(13,745)	(5,449)	(5)	(5)
Profit on ordinary activities	(7,251)	(4,693)	4,850	637
Exceptional expenses			17,144	17,791
Profit before tax	(7,251)	(4,693)	21,994	18,428
Income tax	(2,551)	(292)	(2,091)	(2,091)
Net profit for the period	(9,802)	(4,985)	19,903	16,337

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	14,159	23,323
Total Assets	33,053	43,282
Non-current borrowings and provisions for liabilities	7,867	387
Net financial assets	(84,700)	(100,165)
Borrowings from unconsolidated subsidiary	4,885	4,885
Shareholders' equity	105,001	138,175
Total Equity and Liabilities	33,053	43,282

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)