



CAIRO COMMUNICATION

Press Release

CAIRO COMMUNICATION: DEVELOPMENT PROSPECTS

Milan, 2 March 2006: Following the successes of “Settimanale DIPIU” (around €49.5 million revenue in 2005 and a 29% contribution margin), “Dipiù TV” and “Diva e Donna”, Cairo Editore has recently launched 2 monthly inserts: “Dipiù TV Cucina” and “Dipiù TV Stellare”, both sold together with “Dipiù TV” for a total price of €1. These have been very well received by the readers with around 281,000 copies on average sold for the first 4 editions of “Dipiù TV Cucina” (380,000 for the most recent one) and 371,000 copies of the first edition sold of “Dipiù TV Stellare”.

With effect from February 2006, Cairo Publishing has begun to publish an initial catalogue of 16 books in order to publish, in the calendar year 2006, around 50 titles with forecast net revenue of around €2.9 million.

Considering the overall economic scenario, the highly competitiveness of the directories industry, the strategic cautious policies regarding both communication investments and new sales force hiring (no normally minimum guarantee or entrance payments), and planned industrial costs savings (mainly print and paper), Cairo Directory’s business plan has been revised.

The new business plan of the initiative, which has to be periodically monitored on the basis of actual results, is forecast to generate revenues of €15.1 million in the first sales cycle, rising to €28.0 million in the second and to €46.2 million in the third, with a negative contribution margin to fixed and personnell costs of €4.2 million in the first cycle and a positive contribution of €1.9 million for the second rising to €10.2 for the third. Planned gross operating margin after fixed and personnell costs for the first three sales cycles is negative by 10,5 million in the first cycle, negative by 4,9 million in the second cycle and positive by 3.0 million in the third. Advertising sales for all publications will operate on a sales cycle basis, which will not always coincide with the financial year.

The original business plan forecasted to generate revenues of €43.5 million in the first sales cycle, rising to €80 million in the second and €120 million in the third, with a negative contribution margin to fixed and personnell costs of €4.5 million in the first cycle, substantially confirmed in the new business plan, and a positive contribution of €14 million for the second and €32 million for the third.

Advertising income for La 7 in the January to March 2006 quarter has increased compared to the previous year and, at 28 February 2006, the order backlog relative to the sale of advertising for the quarter is €26.6 million. This is up by 20% compared to the order backlog at the same date for the same quarter of the previous year.

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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