Interim Management Report as at 31 December 2011

Cairo Communication S.p.A.
Head office: Via Tucidide 56, Milan
Share capital €4,073,856.80

Translation into the English language solely for the convenience of international readers

Corporate Governance

Board of Directors

Dott. **Urbano Cairo***	Chairman
Dott. **Uberto Fornara**	Chief Executive Officer
Dott. **Roberto Cairo**	Director
Avv. **Marco Janni**	Director
Avv. **Antonio Magnocavallo**	Director
Dott. **Marco Pompignoli**	Director
Dott. **Roberto Rezzonico**	Director
Dott. **Mauro Sala**	Director

Audit Committee

Dott. **Roberto Rezzonico**	Director
Avv. **Antonio Magnocavallo**	Director
Dott. **Mauro Sala**	Director

Compensation Committee

Avv. **Antonio Magnocavallo**	Director
Dott. **Roberto Rezzonico**	Director
Avv. **Marco Janni**	Director

Related Party Committee

Dott. **Mauro Sala**	Director
Dott. **Roberto Rezzonico**	Director
Avv. **Marco Janni**	Director

Board of Auditors

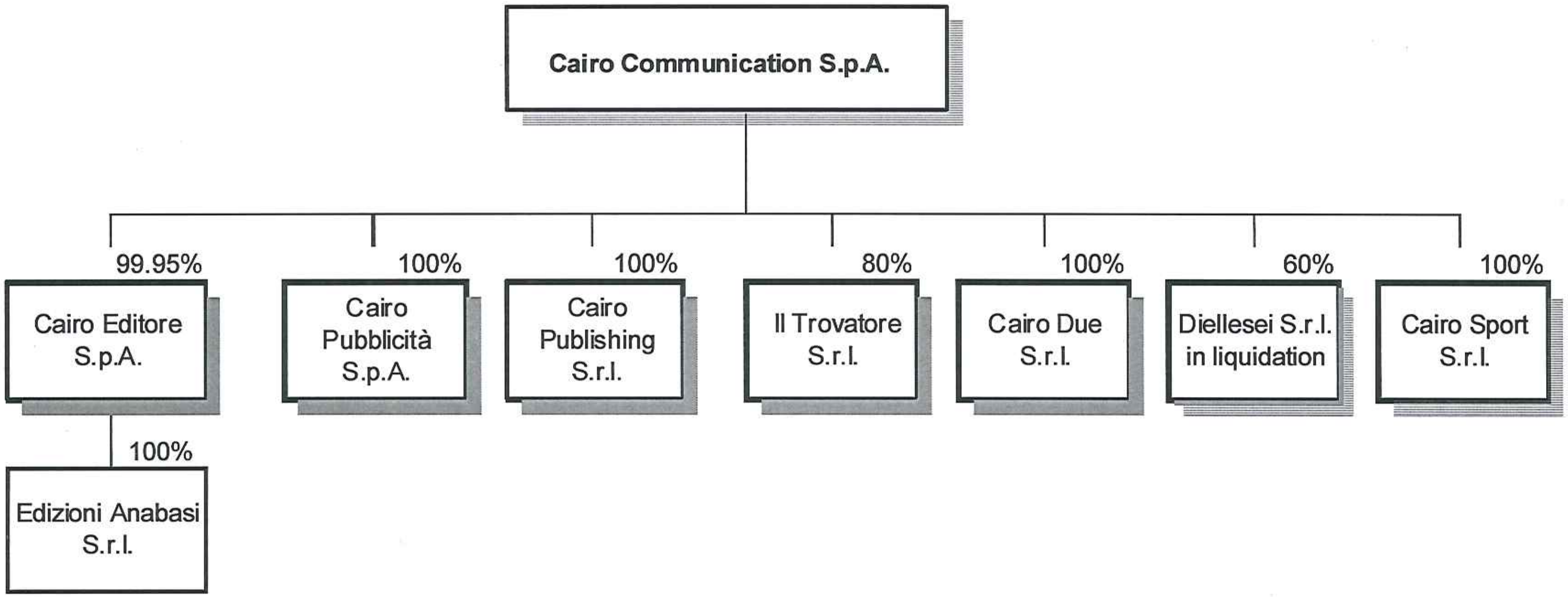
Dott. **Marco Moroni**	Chairman
Dott. **Marco Giuliani**	Statutory auditor
Dott.ssa **Maria Pia Maspes**	Statutory auditor
Dott. **Mario Danti**	Alternate auditor
Dott. **Enrico Tamborini**	Alternate auditor

Audit Firm

KPMG S.p.A.

* Ordinary and extraordinary executive powers exercised with single signatory, as limited by the Board of Directors.

The Group as at 31 December 2011



1. Valuation principles and criteria adopted in preparing the interim management report as at 31 December 2011

The financial statements in this interim management report have been prepared following the reclassified statements usually adopted for the "Directors' Report on Operations" and in accordance with international accounting standards.

The consolidated income statement figures and the income statement figures of the Parent Company referring to 4Q11 and to the full financial year 2011 are shown versus the same periods of 2010. Balance sheet and equity figures appearing in the financial statements are compared with the figures appearing in the consolidated and separate financial statements as at 31 December 2010.

The quarterly financial statements as at 31 December 2011 have been prepared net of tax and tax effects.

During 4Q11 and financial year 2011, the consolidation scope remained unchanged versus 31 December 2010.

In order to have a better reading of the economic and financial performance of the Cairo Communication Group, in addition to the conventional IFRS financial indicators, **alternative performance indicators** appear in this report, but must not be considered to replace the IFRS indicators.

The alternative performance indicators are:

· **Gross operating profit (EBITDA):** adopted by Cairo Communication as a target to monitor internal management and for public presentations (for analysts and investors), representing a unit of measurement to assess operating performance of the Group and Parent Company, alongside **operating profit (EBIT).** These indicators are calculated as follows:

<u>Pre-tax profit/(loss) of continuing operations</u>

+/- Net financial income

+/- Investment income (write-downs)

<u>EBIT- Operating profit (loss)</u>

+ Amortization and depreciation

+ Provisions for bad and doubtful debts

+ Provisions for liabilities and charges

<u>EBITDA – Gross operating profit before amortization, depreciation, provisions and write-downs.</u>

The Cairo Communication Group considers the **net financial position** a valid indicator of its capability to meet current and future financial obligations. As seen in the table included in this report, which shows the value of assets used for the calculation of net financial assets, this consolidated item includes cash and cash equivalents, fixed deposits and other current financial assets, offset by current and non-current bank borrowings.

2. Group performance

In 2011, the Cairo Communication Group continued to operate as a publisher of magazines and books (Cairo Editore/Editoriale Giorgio Mondadori and Cairo Publishing), as a multimedia advertising broker (Cairo Pubblicità) for the sale of advertising space on TV, in print media, on the Internet and in stadiums, and as operator of Internet sites (Il Trovatore).

In 2011, the short and medium-term economic uncertainty began to worsen – starting especially from autumn – reflecting the overall economic-financial scenario.

According to latest AC Nielsen figures (November 2011) available at the date of approval of this interim report, advertising investments in Italy in the first eleven months of 2011 amounted to approximately Euro 7.9 billion, down 3.4% versus 2010. Nielsen's analysis by media shows that in the January-November eleven-month period of 2011:

- the magazine advertising market dropped by 2.8% versus 2010, when it had slid in that same period by 5.7% versus 2009,
- the TV advertising market fell by 3% versus 2010, when it had progressed in that same period by 6.2% versus 2009.

Against this backdrop, in 2011 <u>current operating results</u> for the Cairo Communication Group surged versus the same period last year, with gross operating profit (EBITDA) of approximately Euro 39.5 million (+31.6%) and operating profit (EBIT) of approximately Euro 35.9 million (+36.7%). Net Group share in profit in 2011 came to approximately Euro 23.5 million.

Mention must be made that the financial year 2010 had also included non-recurring income from the Cairo-Telepiù arbitration, as illustrated in the 2010 annual financial report, in the paragraph on "*Management Performance of the Cairo Communication Group - Consolidated figures*" contained in the Directors' Report on Operations and in the explanatory notes to the consolidated and parent company financial statements as at 31 December 2010 regarding *"Other operating revenues - non-recurring income from Cairo-Telepiù arbitration".*

Looking at each business segment, in 2011:

- for **<u>publishing</u>**, <u>gross operating profit</u> (EBITDA) and <u>operating profit</u> (EBIT) were up versus 2010 reaching respectively Euro 19.6 million and Euro 18.2 million, despite the lower number of issues of "Settimanale Dipiù" versus 2010 (52 instead of 53), with a drop of approximately Euro 0.3 million in profits, the cut price (from 1 Euro to 50 cents) of six issues of “Dipiù TV”, with a drop of approximately Euro 1 million in profits, and costs of approximately Euro 0.3 million mainly for personnel, incurred in 2011 for the planning stage of the two new magazines scheduled in 2012. In October, Cairo Editore chose Riccardo Signoretti and Marisa Deimichei as the editors-in-chief of two new weeklies. The first, “Settimanale Nuovo”, led by Riccardo Signoretti, debuted on newsstands on 19 January 2012 at a launch price of 50 cents. The first 3 issues posted average sales of approximately 461 thousand copies (approximately 430 thousand copies for the third issue at a price of 1 Euro), a highly satisfying result that beats even forecasts. The second, a women’s weekly, will be launched in 2012;

- for **advertising**, gross operating profit (EBITDA) and operating profit (EBIT) from current operations strongly increased versus 2010 reaching respectively Euro 19.9 million and Euro 17.7 million, as a result mainly of the increase in TV advertising revenues (+30.1% overall). Advertising sales on LA7, approximately Euro 167.5 million, were up 32.5% versus 2010.

  In 2011, LA7 audience shares confirmed the trend that had started in autumn 2010 and reported an increases of 24.4% (3.82% average all-day share versus 3.07% in 2010). Specifically, the 8PM newscast’s average share reached 8.4% in 2011 versus 4.22% in 2010, and continued to enjoy widespread exposure across the media. Excellent results were also achieved by the other news and in-depth programmes, especially by “L’infedele” (6% average share versus 3.71% in 2010), ”Otto e mezzo” (6.69% average share versus 3.91% in 2010) and the new programmes “Italialand nuove attrazioni” (9.97% average share in 2011) and “Piazza Pulita” (6.43% average share in 2011).

3. Consolidated income statement

The main **consolidated income statement figures** of **2011** can be compared as follows with those of 2010:

	Interim Management Report as at 31/12/2011 (12 months)			Interim Management Report as at 31/12/2010 (12 months)		
(€ thousands)	Current operations	Non-recurring items	Total	Current operations	Non-recurring items	Total
Gross operating revenues	316,635	-	316,635	271,456	-	271,456
Advertising agency discounts	(35,077)	-	(35,077)	(27,896)	-	(27,896)
Net operating revenues	**281,558**	**-**	**281,558**	**243,560**	**-**	**243,560**
Inventory movements	(124)	-	(124)	(35)	-	(35)
Other operating revenues	2,567	-	2,567	2,871	-	2,871
Non-recurring income from Telepiù arbitration	-	-	-	-	6,792	6,792
Operating revenues	**284.001**	**-**	**284.001**	**246,396**	**6,792**	**253,188**
Cost of sales	(220,939)	-	(220,939)	(194,610)	-	(194,610)
Personnel costs	(23,537)	-	(23,537)	(21,753)	-	(21,753)
Gross operating profit (EBITDA)	**39,525**	**-**	**39,525**	**30,033**	**6,792**	**36,825**
Amortization, depreciation, provisions and write-downs	(3,584)	-	(3,584)	(3,738)	-	(3,738)
Operating profit	**35,941**	**-**	**35,941**	**26,295**	**6,792**	**33,087**
Net financial income	1,327	-	1,327	350	-	350
Investment income	(765)	-	(765)	-	-	-
Pre-tax profit	**36,503**	**-**	**36,503**	**26,645**	**6,792**	**33,437**
Income tax	(13,028)	-	(13,028)	(9,518)	(3,122)	(12,640)
Minorities	(3)	-	(3)	(1)	-	(1)
Group share in net profit from continuing operations	**23,472**	**-**	**23,472**	**17,126**	**3,670**	**20,796**
Net profit/(loss) from discontinued operations	(10)	-	(10)	(67)	-	(67)
Minorities' share in loss from discontinued operations	-	-	-			
Group share in net profit/(loss) from discontinued operations	(10)	-	(10)	(67)	-	(67)
Group net profit	**23,462**	**-**	**23,462**	**17,059**	**3,670**	**20,729**

In the schedules of the consolidated income statement of 2010 appearing in this interim management report, income arising from the Cairo-Telepiù arbitration is shown separately owing to its non-recurring nature and size.

As for the preparation of the consolidated financial statements as at 31 December 2010, Group net profit in Diellesei S.r.l. in liquidation has been shown separately under "net profit from discontinued operations".

The main **consolidated income statement figures** of **4Q11** can be compared versus those of 4Q10:

(€ thousands)	**31/12/2011 (Quarter)**	**31/12/2010 (Quarter)**
Gross operating revenues	96,709	84,886
Advertising agency discounts	(11,161)	(9,393)
Net operating revenues	**85,548**	**75,493**
Inventory movements	(13)	60
Other operating revenues	720	1,123
Total revenues	**86,255**	**76,676**
Cost of sales	(66,650)	(61,571)
Personnel costs	(6,855)	(5,837)
Gross operating profit (EBITDA)	**12,750**	**9,268**
Amortization, depreciation, provisions and write-downs	(469)	(387)
Operating profit (EBIT)	**12,281**	**8,881**
Net financial income	402	178
Investment income	(666)	-
Pre-tax profit	**12,017**	**9,059**
Income tax	(4,305)	(3,174)
Minorities	1	3
Group share in net profit from continuing operations	**7,713**	**5,888**
Net profit / (loss) from discontinued operations	(2)	19
Minorities' share in loss from discontinued operations		-
Group share in net profit / (loss) from discontinued operations	**(2)**	**19**
Group share in net profit	**7,711**	**5,907**

In **2011,** looking at current operations:

- consolidated gross revenues were approximately Euro 319.2 million (Euro 274.3 million in 2010), which comprise operating revenues of Euro 316.6 million and other revenues of Euro 2.6 million, up 16.3% overall versus 2010,
- consolidated gross operating profit (EBITDA), amounting to approximately Euro 39.5 million, was up 31.6% versus 2010 (Euro 30 million),
- operating profit (EBIT) amounted to approximately Euro 35.9 million, rising by 36.7% versus 2010 (Euro 26.3 million),
- Group net profit from current operations came to approximately Euro 23.5 million, up 37.5% versus 2010 (Euro 17.1 million).

Including non-recurring income from the Cairo-Telepiù arbitration, in 2010 consolidated gross operating profit (EBITDA) and operating profit (EBIT) had amounted to approximately Euro 36.8 million and approximately Euro 33.1 million, respectively. Group net profit had come to approximately Euro 20.7 million.

The variation in financial income is mainly due to the variation in interest rates versus 2010 (1.19% average 1-month Euribor in 2011 versus 0.57% in 2010).

Investment income refers to the negative adjustment deriving from the valuation of the investment in the associated company Dmail Group S.p.A.

In **4Q11:**

- <u>consolidated gross revenues</u> were approximately 97.4 million (Euro 86 million in 4Q10), which comprise operating revenues of Euro 96.7 million and other revenues of Euro 0.7 million, rising by 13.3% versus 2010;
- consolidated <u>gross operating profit</u> (EBITDA), amounting to approximately Euro 12.7 million, was up 37.6% versus 4Q10 (Euro 9.3 million);
- <u>operating profit</u> (EBIT) amounted to approximately Euro 12.3 million, rising by 38.3% versus 4Q10 (Euro 8.9 million);
- <u>net profit</u> was approximately Euro 7.7 million (Euro 5.9 million in 2010).

The Group **statement of comprehensive income** can be analyzed as follows:

(€ thousands)	**31/12/2011 (12 months)**	**31/12/2011 (Quarter)**	**31/12/2010 (12 months)**	**31/12/2010 (Quarter)**
Consolidated statement of comprehensive income				
Group share in net profit	**23,462**	**7,711**	**20,729**	**5,907**
Loss from valuation of investments available for sale	(8)	-	(1,775)	(499)
Total Group statement of comprehensive income	**23,454**	**7,711**	**18,954**	**5,408**

“Loss from valuation of investments available for sale” (Euro 8 thousand) refers to the book value adjustment of the investment in the listed company Dmail Group (765,000 shares, or 10% of the share capital) as at the date taken as basis for the reclassification of the investment from “other investments” (“available for sale”) to “associate companies”as illustrated in Note 17 of the condensed half-year consolidated statements as at 30 June 2011, “Investments *and non-current financial assets”*.

For a better understanding, Group performance in 2011 has been split up by **core business segment** (publishing, advertising and Il Trovatore), comparing the figures with the same period of 2010:

31/12/2011 (12 months) (€ thousands)	Publishing	Advertising Current operations	Advertising Non-recurring items	Trovatore	Unallocated operations	Intra group	Total
Gross operating revenues	100,181	246,778	-	354	-	(30,678)	316,635
Advertising agency discounts	-	(35,077)	-		-		(35,077)
Net operating revenues	**100,181**	**211,701**	**0**	**354**	**0**	**(30,678)**	**281,558**
Inventory movements	(124)	-	-	-	-		(124)
Other operating revenues	1,872	695	-	-	-		2,567
Non-recurring income from arbitration	-	-	-	-	-		
Total revenues	**101,929**	**212,396**	**0**	**354**	**0**	**(30,678)**	**284,001**
Cost of sales	(65,558)	(185,763)	-	(296)	-	30,678	(220,939)
Personnel costs	(16,746)	(6,759)	-	(32)	-		(23,537)
Gross operating profit (EBITDA)	**19,625**	**19,874**	**0**	**26**	**0**	**0**	**39,525**
Amortization, depreciation, provisions and write-downs	(1,416)	(2,170)	-	2	-		(3,584)
Operating profit (EBIT)	**18,209**	**17,704**	**0**	**28**	**0**	**0**	**35,941**
Net financial income	177	1,151	-	(1)	-	-	1,327
Investment income	-	(765)	-		-	-	(765)
Pre-tax profit	**18,386**	**18,090**	**0**	**27**	**0**	**0**	**36,503**
Income tax	(6,451)	(6,555)	-	(22)	-	-	(13,028)
Minorities	-	-	-	(3)	-	-	(3)
Group share in profit from continuing operations	**11,935**	**11,535**	**0**	**2**	**0**	**0**	**23,472**
Net profit / (loss) from discontinued operations	-	-	-	-	(10)	0	(10)
Group share in net profit	**11,935**	**11,535**	**0**	**2**	**(10)**	**0**	**23,462**

31/12/2010 (12 months) (€ thousands)	Publishing	Advertising Current operations	Advertising Non-recurring items	Trovatore	Unallocated operations	Intra-group	Total
Gross operating revenues	101,203	197,227	-	344	-	(27,318)	271,456
Advertising agency discounts	-	(27,896)	-	-	-		(27,896)
Net operating revenues	**101,203**	**169,331**	**0**	**344**	**0**	**(27,318)**	**243,560**
Inventory movements	(35)	-	-	-	-	-	(35)
Other revenues	1,958	913	-	-	-	-	2,871
Non-recurring arbitration income	-	-	6,792	-	-	-	6,792
Operating revenues	**103,126**	**170,244**	**6,792**	**344**	**0**	**(27,318)**	**253,188**
Cost of sales	(68,628)	(153,041)	-	(259)	-	27,318	(194,610)
Personnel costs	(16,194)	(5,526)	-	(33)	-	-	(21,753)
Gross operating profit (EBITDA)	**18,304**	**11,677**	**6,792**	**52**	**0**	**0**	**36,825**
Amortization, depreciation, provisions and write-downs	(1,489)	(2,247)	-	(2)	-	-	(3,738)
Operating profit (EBIT)	**16,815**	**9,430**	**6,792**	**50**	**0**	**0**	**33,087**
Investment income	-	-	-	-	-	-	-
Net financial income	61	290	-	(1)	-	-	350
Pre-tax profit	**16,876**	**9,720**	**6,792**	**49**	**0**	**0**	**33,437**
Income tax	(5,701)	(3,774)	(3,122)	(43)	-	-	(12,640)
Minorities	-	-	-	(1)	-	-	(1)
Group share in profit from continuing operations	**11,175**	**5,946**	**3,670**	**5**	**0**	**0**	**20,796**
Net profit / (loss) from discontinued operations	-	-	-	-	(67)	-	(67)
Group share in net profit	**11,175**	**5,946**	**3,670**	**5**	**(67)**	**0**	**20,729**

Fourth Quarter 2011 (€ thousands)	**Publishing**	**Advertising**		**Trovato-re**	**Unallocated operations**	**Intra-group**	**Total**
		Current operations	**Non-recurring items**				
Gross operating revenues	25,727	79,464	-	83	-	(8,565)	96,709
Advertising agency discounts	-	(11,161)	-		-		(11,161)
Net operating revenues	**25,727**	**68,303**	**0**	**83**	**0**	**(8,565)**	**85,548**
Inventory movements	(13)	-	-		-		(13)
Other revenues	526	194	-		-		720
Non-recurring arbitration income	-	-	-	-	-		-
Operating revenues	**26,240**	**68,497**	**0**	**83**	**0**	**(8,565)**	**86,255**
Cost of sales	(16,626)	(58,503)	-	(86)	-	8,565	(66,650)
Personnel costs	(4,486)	(2,361)	-	(8)	-		(6,855)
Gross operating profit (EBITDA)	**5,128**	**7,633**	**0**	**(11)**	**0**	**0**	**12,750**
Amortization, depreciation, provisions and write-downs	(373)	(104)	-	8	-	-	(469)
Operating profit (EBIT)	**4,755**	**7,529**	**0**	**(3)**	**0**	**0**	**12,281**
Investment income	-	(666)	-		-		(666)
Net financial income	35	367	-		-	-	402
Pre-tax profit	**4,790**	**7,230**	**0**	**(3)**	**0**	**0**	**12,017**
Income tax	(1,637)	(2,667)	-	(1)	-	-	(4,305)
Minorities			-	1	-	-	1
Group share in profit from continuing operations	**3,153**	**4,563**	**0**	**(3)**	**0**	**0**	**7,713**
Net profit / (loss) from discontinued operations	-	-	-		(2)	-	(2)
Group share in net profit	**3,153**	**4,563**	**0**	**(3)**	**(2)**	**0**	**7,711**

Fourth Quarter 2010 (€ thousands)	**Publishing**	**Advertising**		**Trovatore**	**Unallocated operations**	**Intra-group**	**Total**
		Current operations	**Non-recurring**				
Gross operating revenues	25,339	66,821	-	86	-	(7,360)	84,886
Advertising agency discounts	-	(9,393)	-	-	-	-	(9,393)
Net operating revenues	**25,339**	**57,428**	**0**	**86**	**0**	**(7,360)**	**75,493**
Inventory movements	60	-	-	-	-	-	60
Other revenues	633	490	-	-	-	-	1,123
Non-recurring arbitration income	-	-	-	-	-	-	-
Operating revenues	**26,032**	**57,918**	**0**	**86**	**0**	**(7,360)**	**76,676**
Cost of sales	(17,305)	(51,560)	-	(66)	-	7,360	(61,571)
Personnel costs	(4,227)	(1,602)	-	(8)	-	-	(5,837)
Gross operating profit (EBITDA)	**4,500**	**4,756**	**0**	**12**	**0**	**0**	**9,268**
Amortization, depreciation, provisions and write-downs	(411)	21	-	3	-	-	(387)
Operating profit (EBIT)	**4,089**	**4,777**	**0**	**15**	**0**	**0**	**8,881**
Investment income	-	-	-	-	-	-	-
Net financial income	43	135	-	-	-	-	178
Pre-tax profit	**4,132**	**4,912**	**0**	**15**	**0**	**0**	**9,059**
Income tax	(1,475)	(1,672)	-	(27)	-	-	(3,174)
Minorities	-	-	-	3	-	-	3
Group share in profit from continuing operations	**2,657**	**3,240**	**0**	**(9)**	**0**	**0**	**5,888**
Net profit / (loss) from discontinued operations	-	-	-	-	19	-	19
Group share in net profit	**2,657**	**3,240**	**0**	**(9)**	**19**	**0**	**5,907**

4. Consolidated balance sheet figures

The main **consolidated balance sheet figures** as at 31 December 2011 can be compared versus the situation as at 31 December 2010:

(€ thousands)	**31/12/2011**	**31/12/2010**
Balance sheet		
Property, plant and equipment	2,724	2,656
Intangible assets	9,277	9,552
Investments	1,540	2,319
Prepaid tax	4,734	4,480
Net current assets	(3,155)	(1,147)
Total assets	**15,120**	**17,860**
Non-current borrowings and provisions	6,081	6,015
(Net financial assets)/Net debt	(54,706)	(58,339)
Net equity	63,742	70,184
Minorities	3	0
Total equity and liabilities	**15,120**	**17,860**

Mention must be made that:

- the Shareholders' Meeting of 28 April 2011 approved the distribution of a dividend of Euro 0.25 per share, inclusive of tax, for a total of Euro 19.4 million;
- on 30 November 2011, the Board of Directors resolved to distribute to the Shareholders an interim dividend for financial year 2011 of Euro 0.15 (inclusive of tax), for a total of Euro 11.7 million, of which Euro 10.2 million had been distributed as at 31 December 2011.

In 2011, as part of the share buy-back plans, 400,000 treasury shares were sold (0.511% of the share capital) following entry in the shareholding structure of an institutional investor of prominent standing, at a unit price of Euro 3.00 per share, equivalent to a total value of Euro 1.2 million. As at 31 December 2011, Cairo Communication held a total of n. 371,326 treasury shares, or 0.474% of the share capital, subject to art. 2357-ter of the Civil Code.

An analysis of the financial position indicates that the Cairo Communication Group is suitably capitalized to maintain financial equilibrium in the medium/long term and has a very sound equity position as it has significant cash resources and generates positive results capable of financing its operations.

The Cairo Communication Group:

- is not exposed to liquidity risk, in that on the one hand, significant financial resources are held, with a net available positive financial position of Euro 54.7 million, whilst on the other, the Group expects to ensure that an appropriate ability to generate cash is maintained through operations, notwithstanding the current market context,

- is not exposed to the risk of foreign exchange, while interest rate risk only affects the yield on available cash; the Group does not use financial derivative and/or hedging instruments,
- is partly exposed to credit risk, primarily in relation to its advertising sales activities. This risk is however mitigated by the fact that exposure is distributed across a large number of clients and that credit monitoring and control procedures are in place. Client concentration/total sales remained basically unchanged versus the previous periods. However, economic uncertainty in the short and medium term may impact negatively on the quality of credit and on general payment terms. In 2011, average payment time of advertising receivables improved versus last year.

5. Variation in the consolidated net financial position

The consolidated **net financial position** as at 31 December 2011, compared with the situation as at 31 December 2010, can be summarized as follows:

(€ thousands)	**31/12/2011**	**31/12/2010**	**Change**
Cash and cash equivalents	54,706	58,260	(3,554)
Short-term investments	-	79	(79)
Bank overdrafts	-	-	-
Bank loans	-	-	-
Total	**54,706**	**58,339**	**(3,633)**

6. Sales performance

Gross operating revenues in 2011, split up by core business segment (publishing, advertising and Il Trovatore), can be analyzed as follows versus the amounts of 2010:

Gross revenues (€ thousands)	**Interim management report as at 31/12/2011 (12 months)**				
	Publishing	**Advertising**	**Trovatore**	**Intra-group eliminations**	**Total**
Magazine over-the-counter sales	66,838	-	-	-	66,838
Print media advertising	30,074	41,039	-	(29,860)	41,253
TV advertising	-	201,768	-	-	201,768
Stadium signage	-	2,094		-	2,094
Internet advertising	19	1,275	38	-	1,332
Subscriptions	3,126	-	-	-	3,126
Books and catalogues	1,377	-	-	-	1,377
Other revenues	-	602	316	(818)	100
VAT relating to publications	(1,253)	-	-	-	(1,253)
Total gross operating revenues	**100,181**	**246,778**	**354**	**(30,678)**	**316,635**
Other revenues	1,872	695	-		2,567
Revenues from current operations	**102,053**	**247,473**	**354**	**(30,678)**	**319,202**
Non-recurring arbitration income	-	-	-	-	-
Total revenues	**102,053**	**247,473**	**354**	**(30,678)**	**319,202**

Gross revenues (€ thousands)	**Interim management report as at 31/12/2010 (12 months)**				
	Publishing	**Advertising**	**Trovatore**	**Intra-group eliminations**	**Total**
Magazine over-the-counter sales	70,978	-	-	-	70,978
Print media advertising	26,675	38,918	-	(26,501)	39,092
TV advertising	-	155,058	-	-	155,058
Stadium signage	-	1,571	-	-	1,571
Internet advertising	-	1,092	28	-	1,120
Subscriptions	2,883	-	-	-	2,883
Books and catalogues	1,970	-	-	-	1,970
Other revenues	-	588	316	(817)	87
VAT relating to publications	(1,303)	-	-	-	(1,303)
Total gross operating revenues	**101,203**	**197,227**	**344**	**(27,318)**	**271,456**
Other revenues	1,958	913	-	-	2,871
Revenues from current operations	**103,161**	**198,140**	**344**	**(27,318)**	**274,327**
Non-recurring arbitration income	-	6,792	-	-	6,792
Total revenues	**103,161**	**204,932**	**344**	**(27,318)**	**281,119**

The breakdown of **gross revenues** in 4Q11, split up by business segment, can be analyzed as follows with the figures of 4Q10:

Gross revenues	Interim management report as at 31/12/2011				
(€ thousands)	(3 months)				
	Publishing	Advertising	Trovatore	Intra-group eliminations	Total
Magazine over-the-counter sales	15,944	-	-	-	15,944
Print media advertising	8,437	11,610	-	(8,361)	11,686
TV advertising	-	66,700	-	-	66,700
Stadium signage	-	491	-	-	491
Internet advertising	19	512	5	-	536
Subscriptions	789	-	-	-	789
Books and catalogues	826	-	-	-	826
Other revenues	0	151	78	(204)	25
VAT relating to publications	(288)	-	-	-	(288)
Total gross operating revenues	**25,727**	**79,464**	**83**	**8,565**	**96,709**
Other revenues	526	194	-	-	720
Revenues from current operations	**26,253**	**79,658**	**-**	**-**	**97,429**
Non-recurring arbitration income	-	-	-	-	-
Total revenues	**26,253**	**79,658**	**83**	**8,565**	**97,429**

Gross revenues	Interim management report as at 31/12/2010				
(€ thousands)	(3 months)				
	Publishing	Advertising	Trovatore	Intra-group eliminations	Total
Magazine over-the-counter sales	16,582	-	-	-	16,582
Print media advertising	7,212	10,583		(7,157)	10,638
TV advertising	-	54,910	-	-	54,910
Stadium signage	-	718	-	-	718
Internet advertising	-	460	8	-	468
Subscriptions	714	-	-	-	714
Books and catalogues	1,126	-	-	-	1,126
Other revenues	-	150	78	(203)	25
VAT relating to publications	(295)	-			(295)
Total gross operating revenues	**25,339**	**66,821**	**86**	**(7,360)**	**84,886**
Other revenues	633	490	-	-	1,123
Revenues from current operations	**25,972**	**67,311**	**86**	**(7,360)**	**86,009**
Non-recurring arbitration income	-	-	-	-	-
Total revenues	**25,972**	**67,311**	**86**	**(7,360)**	**86,009**

PUBLISHING

CAIRO EDITORE - CAIRO PUBLISHING

Sales revenues from Group publications, amounting to Euro 66.8 million, were down 5.8% versus 2010, due also to the lower amount of issues of “Settimanale Dipiù” versus 2010 (52 instead of 53), which caused a loss in revenues of approximately Euro 0.5 million, the cut price (from 1

Euro to 50 cents) of six issues of “Dipiù TV”, with a loss in revenues of approximately Euro 1 million, and the cut price (from 70 cents to 50 cents) of three issues of “TV Mia”, with a loss in revenues of approximately Euro 0.1 million.

Group gross advertising revenues, which reached 40.1 million, grew by 5.3% versus the same period of 2010 (Euro 38.1 million), despite one issue less of “Settimanale Dipiù” (*ACNielsen* -2.8% the magazine advertising market in the January-November eleven-month period of 2011 versus the same period of 2010).

Despite the lower number of issues of “Settimanale Dipiù” (with a loss of about Euro 0.3 million), and the higher promotional costs for the cut prices made (with a loss of Euro 1 million), and costs, amounting to Euro 0.3 mainly for personnel, incurred in 2011 for the planning stage of the two new magazines scheduled in 2012, in 2011 gross operating profit (EBITDA) and operating profit (EBIT) in the publishing segment were up versus 2010 reaching respectively Euro 19.6 million and Euro 18.2 million (Euro 18.3 million and Euro 16.8 million respectively in 2010), thanks essentially to the high quality of the Group’s publications and to the increased levels of efficiency reached in previous periods, and confirmed in 2011, to curb production, publishing and distribution costs.

“Settimanale DIPIU”, Italy's second best-selling magazine, with an average ADS circulation of 676,502 copies, “DIPIU’ TV” (average ADS circulation of 440,942 copies) and “Diva e Donna” (average ADS circulation of 199,379 copies), all three in the 12 months from November 2010 to October 2011, confirmed the outstanding sales results achieved.

As far as circulation is concerned, the features of the Group’s publications and Group strategy help maintain a strong lead over competitors in the current publishing market. In detail:

- cover prices of the weeklies are lower, some significantly lower than those of main competitors; this gap increases appeal and allows space for potential price increases, hence for increased profitability;

- sales are mostly over-the-counter (95%), with a minimum incidence (about 2% on total publishing revenues, including advertising) of revenues generated by gadgets and collaterals, whose sales figures have collapsed in the publishing segment; the Group has opted to focus on the quality of its publications; furthermore, in 2011, gross advertising revenues generated by the Group’s publications accounted for 36% - an extremely low figure if compared with the revenue breakdown of other major publishing groups - while 64% was generated by direct sales and subscriptions, proof of the high editorial quality of publications;

- weekly magazines, which account for approximately 88% of total publishing revenues, are sold as single copies and not bundled with other weeklies and/or dailies to bolster sales.

In October, Cairo Editore chose Riccardo Signoretti and Marisa Deimichei to head two new upcoming weeklies, thus returning to a strategy of development through the study, planning and launch of new publications, which had marked its strong growth in the 2003-2006 four-year period. The first, “Settimanale Nuovo”, led by Riccardo Signoretti, debuted on newsstands on 19 January 2012 at a launch price of 50 cents and the first 3 issues posted average sales of approximately 461 thousand copies. The third issue at a cover price of 1 Euro sold approximately 430 thousand copies, highly satisfying results that beats by far forecasts. The second, a women’s weekly, will be launched in 2012.

Riccardo Signoretti, 40 years old, was editor-in-chief over the past few years of various weeklies and monthlies, such as “Vero”, “Vero TV”, “Top”, “Vera”, “Stop” and “Di Tutto”.

Marisa Deimichei, since 2008 editor-in-chief of “Tu Style”, has achieved remarkable results in terms of circulation and image. She was formerly also deputy editor-in-chief of “Anna” and editor-in-chief of “Vanity Fair”, “Pratica”, “Sale e Pepe”, “Cucina Moderna” and “Starbene”.

ADVERTISING

In 2011, in the advertising segment, the Cairo Communication Group acted as advertising broker - with subsidiary Cairo Pubblicità - selling space in the print media for Cairo Editore (“For Men Magazine”, “Natural Style”, “Settimanale DIPIU’”, “DIPIU’ TV” and weekly supplements “Settimanale DIPIU’ e DIPIU’TV Cucina” and “Settimanale DIPIU’ e DIPIU’TV Stellare”, “Diva e Donna” and “TV Mia”), the Editoriale Giorgio Mondadori division (Bell’Italia”, “Bell’Europa”, “In Viaggio”, “Airone”, “Gardenia”, “Arte” and “Antiquariato”) and for Editoriale Genesis (“Prima Comunicazione” and “Uomini e Comunicazione”), selling advertising space on TV for third parties TIMedia (LA7 and LA7d), Interactive Group (Sportitalia, Sportitalia 2 and Sportitalia 24) and Turner Broadcasting (Cartoon Network, Boomerang, CNN), on the Internet mainly for TIMedia (La7.it and La7.tv), Sportitalia (Sportitalia.it) and Turner Broadcasting (Cartoon Network.it, Cnn.com, Cnnmoney.com), and selling stadium signage and space at the Olimpico in Turin for Torino FC.

In 2011, in the advertising segment, gross operating profit (EBITDA) and operating profit (EBIT) from current operations strongly increased versus 2010, reaching respectively Euro 19.9 million and Euro 17.7 million (Euro 11.7 million and Euro 9.4 million respectively in 2010).

Television

In 2011, TV advertising revenues (including LA7, LA7d, Sportitalia channels and theme channels Cartoon Network, Boomerang, and CNN), totaling Euro 201.7 million, were up 30.1% overall versus 2010 (*ACNielsen*, -3% the TV advertising market in the January-November eleven-month period of 2011 versus the same period in 2010).

Specifically, advertising revenues on LA7, amounting to approximately Euro 167.5 million, increased by 32.5% versus 2010, and greatly exceeded the minimum contractual revenues for the twelve-month period (Euro 120 million), as well as the additional revenues target related to the increase in the channel's share achieved by TIMedia versus the 3% share. As mentioned earlier, in 2011 LA7 audience shares confirmed the trend that had started in autumn 2010, and reported an increases of 24.4% (3.82% average all-day share versus 3.07% in 2010).

Advertising revenues on the unencrypted digital channel LA7d, amounting to approximately Euro 9.6 million, exceeded the 2011 minimum annual target (Euro 8 million).

In 2011, the three-year contractual target (Euro 378 million) securing Cairo a three-year renewal (2012-2014) of the advertising concession contract, was achieved; in October 2011, Cairo Communication and TIMedia acknowledged that the agreement entered into on 19 November 2008 was to be deemed renewed for the further three-year period of 2012-2014, in accordance with the terms and conditions established under the contract and under the additional agreements thereto.

Based on the order book as at 13 February 2012, for advertising aired and to be aired on LA7 in the January-February two-month period, amounting to Euro 32 million, revenues achieved in the same two-month period of 2011 (Euro 23.8 million) have already been exceeded by over 35%.

In 2011:

- gross revenues generated by the three satellite channels, Cartoon Network, Boomerang and CNN were substantially in line with those generated in the 2010,
- gross revenues generated by the three digital and satellite channels, Sportitalia, Sportitalia 2 and Sportitalia 24, were higher than those generated in 2010, when advertising sales, which had kicked off in January, had started to come into full swing only from March.

Print media

As previously mentioned, Group magazine advertising revenues in 2011, amounting to Euro 40.1 million, grew by 5.3% versus 2010 (Euro 38.1 million), despite the lower number of issues of

"Settimanale Dipiù", confirming the turnaround and positive trend that had already started in 2Q10.

IL TROVATORE

In 2011, Il Trovatore continued operations, providing technological services mainly to Group companies, as well as managing its search engine.

7. Income statement figures of the Parent Company

The main **income statement figures of the Parent Company** in 2011 can be compared with those of 2010:

	31/12/2011 (12 months)			**31/12/2010 (12 months)**		
	Current operations	Non-recurring items	Total	Current operations	Non-recurring items	Total
Sales	140,487	-	140,487	137,472	-	137,472
Advertising agency discounts	0	-	0	-	-	-
Other revenues	261	-	261	528	-	528
Non-recurring income from arbitration	-	-		-	9,944	9,944
Total revenues	**140,748**	**0**	**140,748**	**138,000**	**9,944**	**147,944**
Cost of sales	(127,118)	-	(127,118)	(129,470)	-	(129,470)
Personnel costs	(2,773)	-	(2,773)	(2,469)	-	(2,469)
Gross operating profit (EBITDA)	**10,857**	**0**	**10,857**	**6,061**	**9,944**	**16,005**
Amortization, depreciation, provisions and write-downs	(218)	-	(218)	(222)	-	(222)
Operating profit (EBIT)	**10,639**	**0**	**10,639**	**5,839**	**9,944**	**15,783**
Net financial income	952	-	952	237	-	237
Investment income	11,674	-	11,674	7,462	-	7,462
Pre-tax profit	**23,265**	**0**	**23,265**	**13,538**	**9,944**	**23,482**
Income tax	(3,993)	-	(3,993)	(2,394)	(3,122)	(5,516)
Net profit from continuing operations	**19,272**	**0**	**19,272**	**11,144**	**6,822**	**17,966**
Net profit / (loss) from discontinued operations	(10)	-	(10)	(67)	-	(67)
Net profit	**19,262**	**0**	**19,262**	**11,077**	**6,822**	**17,899**

The main income statement figures of the Parent Company in **4Q11** can be compared with those of 4Q10:

(€ thousands)	31/12/2011 (Quarter)	31/12/2010 (Quarter)
Sales	45,543	44,108
Advertising agency discounts	0	0
Other revenues	106	248
Total revenues	**45,649**	**44,356**
Cost of sales	(40,804)	(41,757)
Personnel costs	(808)	(738)
Gross operating profit (EBITDA)	**4,037**	**1,855**
Amortization, depreciation, provisions and write-downs	51	(55)
Operating profit (EBIT)	**4,088**	**1,861**
Net financial income	320	111
Investment income	(765)	-
Pre-tax profit	**3,643**	**1,917**
Income tax	(1,469)	(676)
Net profit from continuing operations	**2,174**	**1,241**
Net profit / (loss) from discontinued operations	(2)	19
Net profit	**2,172**	**1,260**

In 2011, Cairo Communication continued to operate on the TV advertising sales market (LA7, LA7d and theme channels Cartoon Network, Boomerang and CNN) and on the Internet through its subsidiary Cairo Pubblicità, which operates on a sub-concession basis, invoicing advertising spaces directly to its clients and returning to the sub-grantor Cairo Communication a share of revenues generated by resources managed on a sub-concession basis.

Starting from January 2011, Cairo Pubblicità has entered directly with Cairo Editore into an exclusive advertising concession contract on its publications. Until December 2010, print media advertising sales were also based on a sub-concession agreement.

The drop in revenues recorded by Cairo Communication on print media is attributable to this new contractual framework, more than offset in the twelve months, however, by the surge in TV advertising revenues.

In 2011**,** looking at current operations:

- gross revenues were approximately Euro 140.7 million (Euro 138 million in 2010), which comprise operating revenues of Euro 140.5 million and other revenues of Euro 0.2 million;
- gross operating profit (EBITDA) of the Parent Company, amounting to approximately Euro 10.9 million, strongly progressed versus 2010 (Euro 6.1 million);
- operating profit (EBIT), amounting to approximately Euro 10.6 million , strongly increased versus 2010 (Euro 5.8 million);
- net profit from current operations came to approximately Euro 19.3 million (Euro 11.1 million in 2010), increasing also for the variation in investment income.

“Investment income” mainly includes dividends received from subsidiaries Cairo Pubblicità, amounting to Euro 2.3 million (Euro 0.7 million in 2010), and Cairo Editore, amounting to Euro 10.2 million (Euro 6.8 million in 2010) and the negative adjustment (Euro 0,8 million) deriving from the valuation of the investment in the associated company Dmail Group S.p.A.

As for consolidated figures, in the schedules of the Parent Company income statement referring to 2010 appearing in this interim Directors’ Report on Operations, income arising from the Cairo-Telepiù arbitration is shown separately owing to its non-recurring nature. Including non-recurring income, in 2010, gross operating profit (EBITDA) had been approximately Euro 16 million, operating profit (EBIT) approximately Euro 15.8 million, and net profit approximately Euro 17.9 million.

The Parent Company **statement of comprehensive income** can be analyzed as follows:

(€ thousands)	**31/12/2011 (12 months)**	**31/12/2011 (Quarter)**	**31/12/2010 (12 months)**	**31/12/2010 (Quarter)**
Statement of comprehensive income of Parent Company				
Net profit	**19,262**	**2,172**	**17,899**	**1,260**
Loss from valuation of investments available for sale	(8)	0	(1,775)	(499)
Total statement of comprehensive income	**12,254**	**2,172**	**16,124**	**761**

As mentioned for consolidated figures, “loss from valuation of investments available for sale” (Euro 8 thousand) refers to the book value adjustment of the investment in the listed company Dmail Group (765,000 shares, or 10% of the share capital) as at the date taken as basis for the reclassification of the investment from “other investments” (“available for sale”) to “associate companies as illustrated in Note 17 of the condensed half-year consolidated statements as at 30 June 2011, *“Investments and non-current financial assets”*.

8. Balance sheet figures of the Parent Company

The main **balance sheet figures** as at 31 December 2011 of Cairo Communication S.p.A. can be compared with the situation as at 31 December 2010:

(€ thousands)	31/12/2011	31/12/2010
Balance sheet		
Property, plant and equipment	376	352
Intangible assets	118	151
Investments	15,169	15,941
Other non-current assets	399	399
Net current assets	7,719	22,234
Total assets	**23,781**	**39,077**
Non-current borrowings and provisions for liabilities	910	837
(Net financial position)/Net borrowings	(37,476)	(32,742)
Net equity	60,347	70,982
Total equity and liabilities	**23,781**	**39,077**

As mentioned in the notes to the consolidated balance sheet:

- the Shareholders' Meeting of 28 April 2011 approved the distribution of a dividend of Euro 0.25 per share, inclusive of tax, for a total of Euro 19.4 million.
- on 30 November 2011, the Board of Directors resolved to distribute to the Shareholders an interim dividend for financial year 2011 of Euro 0.15 (inclusive of tax), for a total of Euro 11.7 million, of which Euro 10.2 million had been distributed as at 31 December 2011.

9. Variation in the net financial position of the Parent Company

The **net financial position** of the Parent Company as at 31 December 2011, compared with the situation as at 31 December 2010, is summarized as follows:

(€ thousands)	31/12/2011	31/12/2010	Change
Cash and cash equivalents	37,476	32,663	4,813
Marketable securities	-	79	(79)
Total	**37,476**	**32,742**	**4,734**

10 Relations with controlling and subsidiary companies

Related party transactions during the year, including infra-group transactions, cannot be classified as atypical or unusual, since they are part of the normal business of the Group's companies. These transactions are settled at market conditions, taking into account the nature of goods and services offered.

In 2011, with the controlling company U.T. Communications and with its subsidiaries, the relations and transactions were the following:

- the concession contract between Cairo Pubblicità and Torino FC S.p.A. (a UT Communications subsidiary) for the sale of advertising space at the Olimpico football stadium and promotional sponsorship packages. In 2011, this contract resulted in payment to the grantor of Euro 1.6 million against revenues of Euro 1.9 million net of agency discounts. Cairo Pubblicità accrued further commissions of Euro 37 thousand. As part of the advertising contract, Cairo Pubblicità also purchased football tickets worth Euro 28 thousand and recharged Torino F.C. pertaining costs of Euro 10 thousand;
- the contract between Cairo Communication S.p.A. and Torino F.C. for the provision of administrative services such as bookkeeping, which sets an annual fee of Euro 100 thousand;
- the agreement relating to the purchase of advertising space at the Olimpico stadium between Cairo Editore and Torino FC., for a total annual fee of Euro 100 thousand;
- the purchase by Cairo Pubblicità of receivables due to Torino F.C. S.p.A. from Dahlia TV S.p.A.; specifically, the transaction involved the sale with recourse from Torino FC to Cairo Pubblicità of receivables accrued by Torino FC from Dahlia TV for a total of Euro 300 thousand, under a sponsorship contract signed on 5 October 2009, promoted by Cairo Pubblicità, entitling a fee from Torino FC.

On 12 May 2011, the Board of Directors, on the proposal of the Compensation Committee and the favorable opinion of the Related Party Committee, pursuant to art. 2389, paragraph 3 of the Civil Code, resolved for:

- compensation to Chairman Urbano Cairo, CEO Uberto Fornara, and Director Marco Pompignoli, who hold particular responsibilities, amounting respectively to Euro 480 thousand, Euro 60 thousand and Euro 90 thousand,
- a variable compensation mechanism for CEO Uberto Fornara, based mainly on advertising revenue growth targets.

11 Significant events after the quarter and business outlook

As mentioned earlier, in 2011, the short and medium-term economic uncertainty began to worsen - starting especially from autumn - reflecting the overall economic-financial scenario. To date, there remains uncertainty over the period required for a return to normal market conditions. According to AC Nielsen figures, advertising investments in Italy in the January-November eleven-month period of 2011 amounted to approximately Euro 7.9 billion, down

3.4% versus 2010 (specifically, -2.8% the magazine advertising market and -3% the TV advertising market versus the same period last year).

Despite such a harsh backdrop, in 2011 the Group's operating results were much brighter than those of 2010, thanks to the high quality of its publications and of the media under concession, and to its corporate and editorial strategy, which helped implement cost-curbing measures to increase the effectiveness and the efficiency of production, publishing and distribution processes.

In 2012, the Cairo Communication Group will continue to develop its core businesses:

- publishing, led by Cairo Editore and Cairo Publishing, with the aim of:
  - returning to a strategy of development through the study, planning and launch of new publications, which had marked its strong growth in the 2003-2006 four-year period. In October 2011, Cairo Editore chose Riccardo Signoretti and Marisa Deimichei to head two new weeklies; the first, "Settimanale Nuovo", led by Riccardo Signoretti, debuted on newsstands on 19 January 2012 at a launch price of 50 cents, while the second, a women's weekly, will be launched in 2012;
  - maintaining circulation levels high, while continuing to improve the levels of efficiency reached in curbing production, publishing and distribution costs;
- advertising sales on TV, on the Group's publications and on Prima Comunicazione, on the Internet and at the "Olimpico" stadium in Turin for Torino FC, with the aim of increasing advertising revenues, thanks also to the surge in LA7 audience shares in 2011, and to the strong circulation levels of the Group's publications in absolute value as well in respect to the circulation levels of competitors in the arenas where the Group is present.

Looking at the publishing segment, the first 3 of issues of "Settimanale Nuovo" posted average sales of approximately 461 thousand copies. The third issue at a cover price of 1 Euro sold approximately 430 thousand copies, highly satisfying results that beats by far forecasts.

Looking at the advertising segment, as mentioned earlier, in 2011 LA7 audience shares confirmed the trend that had started in autumn 2010, and reported an increases of 24.4% (3.82% average all-day share versus 3.07% in 2010).

Based on the order book as at 13 February 2012 for advertising aired and to be aired on LA7 in the January-February two-month period, amounting to Euro 32 million, revenues achieved in the same two-month period of 2011 (Euro 23.8 million) have already been exceeded by over 35%.
Given the high quality of the Group's publications and of the media under concession, and taking also into account the costs that will be incurred for launching the two new publications, the target for 2012 to overcome the profitability levels of 2011 is considered feasible. However, the evolution of the general economic situation could affect the full achievement of this target.

Chairman of the Board of Directors

Dott. Urbano Cairo

Declaration, pursuant to art 154-bis paragraph 2 of Legislative Decree n. 58 of 24 February 1998 (T.U.F.)

The Financial Reporting Manager of Cairo Communication S.p.A., Dott. Marco Pompignoli, declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Finance Law, that the accounting information contained in this press release is consistent with the underlying accounting documents, books and records.

Financial Reporting Manager
Dott. Marco Pompignoli