



CAIRO COMMUNICATION
PRESS RELEASE

Milan, Italy

10 June 2005

- **Approval of 2004-2005 1st half-year report at 31 March 2005. DIPIU' TV": average sales of 800,000 copies for 1st 14 issues, emulating the success of "Settimanale DIPIU'"(average sales of 813,000 copies for 1st 52 issues).**
- **Gross operating revenues: € 99.6 million, gross operating profit (EBITDA): € 7.3million, operating profit (EBIT): €4.1 million.**
 - **Operating profit almost unchanged over the same period last year, despite € 2,4 million pre-publication and launch costs.**
 - **"DIPIU' TV": average sales of 800,000 copies for 1st 14 issues, emulating the success of "Settimanale DIPIU'", with average sales of 813,000 copies for the 1st year of issues.**
 - **La 7 TV network: advertising revenues up about 25% over the five month period January – May 2005.**

The Board of Directors of the Cairo Communication Group met today to approve the 1st half-year report at 31 March 2005.

2004-2005 1st half year Group gross operating revenues increased to €99.6 million from €98.7 million for the same period of last year. The Group reported a gross operating profit (EBITDA) of €7.3 million, down from €8.3 million for the same period of last year, and an operating profit of €4.1 million almost unchanged from the €4.2 million realised in the 1st half of the 2003-2004 financial year.

2004-2005 1st half year results incorporate €2.4 million in pre-publication and launch costs spread over the first twelve months of the magazine's publication, of which €1.6 million related to "Settimanale DIPIU'" and the remaining €0.8 million relating to "DIPIU' TV". During the first half of 2004, launch costs relating to "Natural Style" were expensed, amounting to €0.4 million.

Sales and margins generated by new weekly magazines have enabled the Group to offset the revenues and margins lost by the suspension of advertising collection for Sky Sport 1 and Calcio Sky, which Cairo Communication considered unlawful, and which had generated sales of €25 million for the Group in the 1st half of the 2003-2004 financial year.

The decrease in depreciation, amortisation and provision charges reflects the completion of amortisation at 30 September 2004 of IPO costs on the Milan New Market Stock Exchange incurred on 19 July 2000, which had amounted to €0.7 million in the prior half-year.

Net finance income and profit before tax for the 1st half of the 2003-2004 financial year included revenues of €0.5 million realised during November 2003 from the sale of own shares.

Exceptional expenses for this period include costs incurred relating to the arbitration proceedings against Sky Italia Srl (under the chairmanship of Prof. Riccardo Luzzatto), including compensation of the Board of Arbitrators and legal fees. The award, sent to the parties on June 3rd 2005 by registered mail, stated - by majority with the dissenting opinion of the arbitrator Prof. Guido Rossi – the Cairo's claim preclusion. The other arbitration proceeding between Cairo Communication and Telepiù SpA (under the chairmanship of Prof. Raffaele Nobili) is still ongoing. In this proceeding both parties have requested

termination for breach of the advertising contract and damages. For the first time after six years contract's execution, Telepiù raised claims (from Cairo's point of view not grounded at all) that Cairo was in breach of contract. Such claims were raised after that Telepiù transferred the business to the parent Company Sky which precluded to perform the contract. In the arbitration proceeding Cairo asked very important compensation for loss of profits, actual damages and damage to its commercial reputation. According to Cairo, Telepiù was in breach of contract with regard to the obligation to comply with the contract also in case of change of control and in relation to the obligation to comply with the contract for the duration of at least ten years and finally because the business transfer to the parent Company Sky triggered the impossibility to perform the contract.

In accordance with the applicable CONSOB regulation, Cairo Communication Group financial statements for the 2004-2005 1st half-year ending 31 March 2005 have been prepared on a pre-tax basis, consistent with the financial statements prepared for the same period of the previous financial year.

At 31 March 2005, Group net financial assets amounted to €110 million, including an escrow account of about €7 million, about €103 million the available net financial assets compared with €108 million at 30 September 2004, after the payment in February 2005 of €12,5 million dividends to the Shareholders.

Cairo Editore's "Settimanale DIPIU" has enjoyed outstanding success, and is now the second best selling magazine in Italy, with average weekly sales in the first year of 813.000 copies. During this period, Cairo Editore continued to develop its presence in the publishing market with the launch on 31 January 2005 of another title, "DIPIU' TV", also edited by Sandro Mayer. This title has performed extremely well, posting average weekly circulation sales of 800,000 copies for its 1st fourteen issues.

Advertising space sales and order backlog for "Settimanale DIPIU" and "DIPIU' TV" at 8 June 2005 for the issues published and awaiting publication during 2005 amounted to €15.4 million for "Settimanale DIPIU" (€11 million in 2004) and €7.4 million for "DIPIU' TV". Considering sales performances of "Settimanale DIPIU" and "DIPIU' TV", the Group forecasts 2005 calendar year sales of €110 million at Group level for its publishing business (Cairo Editore and EGM).

Advertising sales for the TV network La 7 have grown during the January - March 2005 period, totalling €23 million, an increase of 23% on the same period last year, 10 times the market growth rate of just 2.3% (Source: AC Nielsen). This strong growth continued during April and May 2005, bringing revenues for the five month January - May 2005 period to about €42 million, an increase of 25% on the same period of last year.

As part of the transition process to international financial reporting standards (IFRS), whose application is mandatory for Cairo Communication from fiscal year ending 30 September 2006, the Group has undertaken a review to identify the main differences between current Italian GAAP and IFRS, as regards accounting practices, valuation principles, additional disclosure and financial statements presentation.

About Cairo Communication

Cairo Communication Group is a leading Italian magazine publishing 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 and supporting analysis attached.

Cairo Communication Group Consolidated Financial Statements and Supporting Analysis

Cairo Communication Group Consolidated Income Statement for the 2004-2005 1st half-year ending 31 March 2005

(€thousands)		
1 st half-year ending 31 March	2005	2004
Sales	96,976	97,661
Other operating revenues	2,644	1,047
Gross operating revenues	99,620	98,708
Advertising agency discounts	(9,919)	(12,875)
Inventory movements	(125)	42
Operating revenues	89,576	85,875
Cost of sales	(75,833)	(72,197)
Personnel costs	(6,464)	(5,382)
Gross operating profit (EBITDA)	7,279	8,296
Depreciation and provision charges	(3,214)	(4,078)
Operating profit (EBIT)	4,065	4,218
Net finance income	1,074	1,559
Investment writedowns	(5)	(5)
Profit from ordinary activities	5,134	5,772
Net exceptional expenses	(652)	(172)
Minority interest	167	18
Profit before tax	4,649	5,618

**Cairo Communication Group
Consolidated Balance Sheet
at 31 March 2005**

(€thousands)	31 March 2005	30 Sept. 2004
ASSETS		
Property, plant and equipment	3,335	3,031
Intangible assets	16,220	14,821
Investments	180	189
Own shares	51	765
Other current assets	(2,423)	1,890
Total Assets	17,363	20,696
EQUITY AND LIABILITIES		
Non-current borrowings	5,299	5,112
Net financial assets	(110,392)	(114,904)
Shareholders' equity	121,861	129,743
Minority interest	595	745
Total Equity and Liabilities	17,363	20,696

**Cairo Communication Group
Consolidated Net Financial Position Statement
at 31 March 2005**

(€thousands)	31 March 2005	30 Sept. 2004	Change
Bank and cash	97,450	101,888	(4,438)
Escrow account	7,048	6,995	53
Short term investments:			
Marketable securities	-	-	-
Other securities	82	82	0
Insurance financial income receivable	6,000	6,000	0
Bank loans	(188)	(61)	(127)
Net Financial Position	110,392	114,904	(4,512)

Analysis of 1st Half-Year Group Sales and Other Operating Revenues by Business Segment

(€thousands)	1 st half-year ending 31 March 2005			1 st half-year ending 31 March 2004		
	Publishing	Advertising	Total	Publishing	Advertising	Total
Magazine over-the-counter sales	22,561	-	22,561	5,317	0	5,317
Print media advertising space sales	12,736	6,192	18,928	8,686	4,811	13,497
TV advertising time sales	-	53,637	53,637	-	76,731	76,731
Electronic billboard ad sales	-	-	-	-	10	10
Internet advertising time sales	-	23	23	-	46	46
Magazine subscription sales	1,670	-	1,670	1,704	-	1,704
Audiovisual and other sales	67	-	67	33	-	33
Books and catalogues	537	-	537	548	-	548
VAT relating to publications	(447)	-	(447)	(225)	-	(225)
Total - Sales	37,124	59,852	96,976	16,063	81,598	97,661
Other operating revenues	1,846	798	2,644	427	620	1,047
Total - Gross Operating Revenues	38,970	60,650	99,620	16,490	82,218	98,708

Analysis of 1st Half-Year Consolidated Income Statement Results by Business Segment

(€thousands)	Publishing		Advertising		Directory		Search Engine (Il Trovatore)	
1 st half year ending 31 March	2005	2004	2005	2004	2005	2004	2005	2004
Sales	37,124	16,063	59,737	81,544	-	-	115	54
Other operating revenues	1,846	427	788	617	-	-	5	3
Gross operating revenues	38,970	16,490	60,525	82,161	-	-	120	57
Agency discounts	-	-	(9,919)	(12,875)	-	-	-	-
Inventory movements	(125)	42	-	-	-	-	-	-
Operating revenues	38,845	16,532	50,606	69,286	5	-	120	57
Cost of sales	(31,561)	(12,632)	(43,825)	(59,453)	(315)	-	(131)	(113)
Personnel costs	(4,076)	(3,196)	(2,330)	(2,186)	(59)	-	0	-
Gross operating profit (EBITDA)	3,208	704	4,451	7,647	(369)	-	(11)	(56)
Depreciation, amortisation and provision charges	(998)	(437)	(2,161)	(3,628)	(42)	-	(13)	(12)
Operating profit (EBIT)	2,210	267	2,290	4,019	(411)	-	(24)	(68)
Net finance income/(expenses)	128	106	938	1,450	6	-	(3)	(1)
Profit from ordinary activities	2,338	(373)	3,228	5,469	(405)	-	(27)	(69)
Net exceptional expenses	(16)	(2)	(636)	(151)	-	-	0	(20)
Minority interest	0	-	0	18	162	-	(5)	-
Profit before tax	2,322	371	2,592	5,336	(243)	-	(22)	(89)

Cairo Communication SpA Parent Company Financial Statements

Cairo Communication SpA Consolidated Income Statement for the 2004-2005 1st half year ending 31 March 2005

(€thousands)	Proforma		
1 st half year	2005	2004	2004
Sales	72,771	89,835	71,460
Other operating revenues	780	617	397
Gross operating revenues	73,551	90,452	71,857
Advertising agency discounts	(9,919)	(12,870)	(7,810)
Operating revenues	63,632	77,582	64,047
Cost of sales	(56,791)	(67,732)	(57,003)
Personnel costs	(2,330)	(2,186)	(1,828)
Gross operating profit (EBITDA)	4,511	7,664	5,216
Depreciation and provision charges	(2,857)	(3,756)	(2,941)
Operating profit (EBIT)	1,654	3,908	2,275
Net finance income	944	1,456	1,417
Investment writedowns	(5)	(6)	0
Profit from ordinary activities	2,593	5,358	3,692
Net exceptional expenses	(636)	(113)	(36)
Profit before tax	1,957	5,245	3,656

Cairo Communication SpA
Consolidated Balance Sheet
at 31 March 2005

(€thousands)	31 March 2005	30 Sept. 2004
ASSETS		
Property, plant and equipment	454	505
Intangible assets	8,354	10,505
Investments	15,311	13,991
Own shares	51	765
Other current assets	4,797	7,229
Total Assets	28,967	32,995
EQUITY AND LIABILITIES		
Non-current borrowings	1,344	1,248
Net financial assets	(97,491)	(103,942)
Intra-Group loans	4,885	4,885
Shareholders' equity	120,229	130,804
Total Equity and Liabilities	28,967	32,995

Cairo Communication SpA
Consolidated Net Financial Position Statement
at 31 March 2005

(€thousands)	31 March 2005	30 Sept. 2004	Change
Bank and cash	84,361	90,865	(6,504)
Escrow account	7,048	6,995	53
Insurance financial income receivable	6,000	6,000	0
Marketable securities	82	82	0
Bank loans	0	(8)	8
Net Financial Assets	97,491	103,934	(6,443)
Immobilized borrowings	(4,884)	(4,884)	0
Net Financial Position	92,607	99,050	(6,443)