



CAIRO COMMUNICATION

PRESS RELEASE

Milan, Italy

6 February 2004

- **Accounts for the 1st quarter ending 31 December 2003 approved**
- **EBITDA up 40.9% and EBIT up 38.6%.**
- **Gross operating revenues up 29.6%.**
- **EBITDA (€4.6 million) up 40.9%, EBIT (€2.6 million) up 38.6%, and gross operating revenues (€55.1 million) up 29.6% on last year**
- **Sandro Mayer to edit a new weekly family magazine to be launched soon, marking Cairo Editore's entry into the weekly magazine market.**
- **La 7 TV network advertising-time sales up 71% to €25 million for the October - December 2003 quarter.**

At its meeting today, the Board of Directors of Cairo Communication Group reviewed and approved the Group's accounts for its 2003-2004 1st quarter ending 31 December 2003.

Group sales and profitability increased significantly over the same period last year, with gross operating revenues up 29.6% to €55.1 million from €42.5 million, EBITDA up 40.9% to €4.6 million from €3.2 million and EBIT up 38.6% to €2.6 million from €1.9 million.

The increase in depreciation and provision charges (€0.6 million for the quarter) is related primarily to the three month depreciation (€0.6 million) of the entrance fee paid at the onset of the advertising sales contract with the La 7 TV network.

2002-2003 1st quarter net finance income and profit before tax included €1.3 million in tax credits relating to dividends received by the parent company Cairo Communication SpA from its subsidiary Cairo TV SpA.

Net financial assets at 31 December 2003 amounted to €92 million, compared to €104 million at 30 September 2003, subsequent to a €12.4 million dividend distribution.

In accordance with CONSOB regulations, the consolidated accounts at 31 December 2003 exclude income tax and income tax effects.

During this quarter, the activity of Cairo Editore confirmed the strategic decision made by the Cairo Group to focus on the development of its publishing business. Sandro Mayer has been appointed editor for the weekly family magazine that will be shortly published. Cairo Editore is entering the high-margin weekly magazine market, and is continuing the strategy of developing new titles, implemented in 2003 with the launch of "For Men Magazine" and "Natural Style" successful magazines.

The La 7 TV network has experienced strong growth on 2002 figures, achieving record results in terms of both quarterly sales, which reached €25 million (up 71% on the same period last year) and single month sales, with sales in November reaching €9 million. Advertising sales for La7 for 2003 totalled € 68.5 million, an increase of 61%. La 7 advertising sales is experiencing continued growth during the January – March 2004 2nd quarter, with sales order backlog at 5 February 2004 up 27% over the same period last year.

During this quarter Group sales of advertising time on Sky Italia and other thematic channels showed good increases in average time slot prices. Cairo TV promoted an arbitration proceedings regarding its right of full execution of the exclusive advertising contract it signed with Telepiù SpA on May 19 1998. Cairo TV nominated professor Guido Rossi as arbiter in this process. The Arbitration Board met first time on 29 January 2004

The Group is enjoying good sales performances for Sky channels and other thematic channels, which have been increasing at an accelerated pace since January 2004. At 5 February 2004, digital TV advertising sales order backlog amounted to €15 million for the January–March 2004 quarter, up by more than 10% on the same period last year.

The Group will continue to collect advertising revenues during 2004 for Sky channels and Cartoon Network (whose sales jumped by 28.5% during the 2003 calendar year), Discovery Channel, Bloomberg and CNN. In addition, the Group will collect advertising revenues for Boomerang a cartoon channel broadcasted by Turner, from January 2004, and for the Discovery Civilization, Discovery Travel & Adventure and Discovery Science channels from March 2004.

The Board of Directors of Cairo Communication decided on 26 January 2004 to submit a proposal to the next General Meeting of shareholders, recommending the incorporation of Cairo TV SpA into Cairo Communication SpA, in order to exploit the opportunities that would result from centralising in one company all of the Group's TV advertising sales activity (both terrestrial free TV and pay TV), including the rationalisation of management costs.

About Cairo Communication

Cairo Communication Group is a leading Italian advertising sales and magazine publishing Group, recognised as one of the first to have developed a multimedia sales approach, beginning with print media, expanding later into pay and digital TV, the Internet and commercial TV.

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Consolidated financial statements and supporting analysis attached.

Cairo Communication Group
Consolidated Income Statement
for the 1st Quarter ending 31 December 2003

<i>(€ thousands)</i>		
1 st quarter ending 31 December	2003	2002
Sales	54,508	41,510
Other operating revenues	619	1,007
Gross operating revenues	55,127	42,517
Advertising agency discounts	(9,582)	(5,355)
Inventory movements	148	9
Operating revenues	45,693	37,171
Cost of sales	(38,346)	(31,428)
Personnel costs	(2,765)	(2,393)
Gross operating profit (EBITDA)	4,582	3,250
Depreciation and provision charges	(1,984)	(1,375)
Operating profit (EBIT)	2,598	1,875
Net finance income	1,071	2,117
Profit from ordinary activities	3,669	3,992
Net exceptional expenses	-	(472)
Minority interest	12	6
Profit before tax	3,681	3,526

Cairo Communication Group
Consolidated Balance Sheet
at 31 December 2003

<i>(€ thousands)</i>	31 December 2003	30 September 2003
ASSETS		
Property, plant and equipment	3,020	3,049
Intangible assets	18,023	19,510
Investments	207	209
Cairo Communication shares	219	1,195
Marketable securities	-	-
Other current assets	17,963	11,663
Total Assets	39,432	35,626
EQUITY AND LIABILITIES		
Shareholders' equity*	125,132	133,588
Minority interest	1	12
Non-current borrowings and funds	6,237	6,153
Net financial assets	(91,938)	(104,127)
Total Equity and Liabilities	39,432	35,626

*Shareholders' equity at 31 December 2003 includes pre-tax results for the quarter.

Analysis of Group Net Financial Position at 31 December 2003

<i>(€ thousands)</i>	31 December 2003	30 September 2003	Change
Bank and cash	85,917	98,065	(12,148)
Short term investments:			
Marketable securities	83	83	0
Insurance financial income receivable	6,000	6,000	0
Bank loans	(62)	(21)	(41)
Net Financial Position	91,938	104,127	(12,189)

Analysis of 2003-2004 1st Quarter Group Sales and Other Operating Revenues by Business Segment

<i>(€ thousands)</i>	1 st Quarter ending 31 December 2003			1 st Quarter ending 31 December 2002		
	Advertising	Publishing	Total	Advertising	Publishing	Total
TV advertising time sales	42,303	-	42,303	20,447	-	20,447
Print media advertising space sales	3,504	-	3,504	15,229	-	15,229
Electronic billboard ad space sales	10	-	10	100	-	100
Stadium signs ad space sales	-	-	-	64	-	64
Internet advertising time sales	20	-	20	55	-	55
EGM advertising	-	4,658	4,658	-	2,904	2,904
Magazine over-the-counter sales	-	2,924	2,924	-	1,467	1,467
Magazine subscription sales	-	858	858	-	735	735
Audiovisual and other sales	-	11	11	-	43	43
Books and catalogues	-	335	335	-	538	538
VAT relating to publications	-	(117)	(117)	-	(72)	(72)
Total - Sales	45,837	8,669	54,506	35,895	5,615	41,510
Other operating revenues	393	226	619	719	288	1,007
Total - Gross Operating Revenues	46,230	8,895	55,125	36,614	5,903	42,517