



## CAIRO COMMUNICATION

### PRESS RELEASE

Milan, Italy

29 November 2004

- **Board of Directors approves 30 September 2004 year-end consolidated accounts, which disclosed a net profit of €6.7 million (+33%).**
- **Exceptional results recorded for “Settimanale Di Più”, now Italy’s second best selling magazine with an average paid circulation of 810,000 copies for its first 31 issues.**
- **€1.6 cash dividend per share distribution proposed.**
  - **Net profit jumps 33% to €6.7 million. Gross operating revenues up 20.8% to €187.8 million. EBITDA up 16.1% to €15.1 million. EBIT up 15.1% against last year to €6 million.**
  - **“Settimanale Di Più”: The first 31 issues have recorded an average paid circulation of 810,000 copies (Italy’s second best selling magazine)**
  - **La 7: Advertising sales totalled €79 million, up 35% for the October 2003-September 2004 period, almost three times the growth rate of the television advertising sales market for the period.**
  - **Proposal to the Annual General Meeting of a €1.6 cash dividend per share.**

The Board of Directors of the Cairo Communication Group met today to approve the Group’s results for the financial year ending 30 September 2004.

Group gross operating profit (EBITDA) increased by 16.1% to €15.1 million from €13 million for the previous financial year. Group operating profit (EBIT) rose 15.1% to €6 million from €5.2 million, positive results also in consideration of publication and advertising costs arising from the launch and publication of new titles. Gross operating revenues for this year increased by 20.8% to €187.8 million from €155.4 million for 2002-2003.

The increase in depreciation, amortisation and provision charges for the 2003-2004 financial year also resulted from the amortisation of the entrance fee paid to the La 7 network in order to exclusively sell advertising time on its behalf (€0.6 million for the October – December 2003 period), which came into effect in January 2003.

Net financial income and profit before tax for the 2002-2003 financial year included a tax credit of €0.5 million arising from the receipt of a dividend by the parent company Cairo Communication SpA from its subsidiary Cairo TV SpA.

The Group had net financial assets of nearly €114,9 million at 30 September 2004 including an escrow account of some €7 million: €108 million the available net financial assets compared with €104.1 million at 30 September 2003.

The Board of Directors will recommend to the Annual General Meeting of shareholders the payment of a €1.6 cash dividend. This dividend will be paid on 7<sup>th</sup> February 2005.

Cairo Group’s strategic decision to focus on the development of its publishing business was confirmed by Cairo Editore’s growth in 2003-2004 through the development of new titles, leading to the launch on 19 April 2004 of “Settimanale Di Più”, under the editorship of Sandro Mayer, one of Italy’s best known and most experienced editors, following just three months of planning,

The extraordinary success enjoyed by “Settimanale Di Più” has led to average paid circulation of 810,000 copies for its first 31 issues, becoming the second best selling magazine in Italy (average 789,000 copies during the rolling year September 2003-August 2004, source ADS, first 20 issues). Advertising sales for this title have also shown strong results and at 26 November 2004 advertising collected for 2004 issues (already and to be published for a total of 37 issues) totalled €11 million.

Results for the first seven months have led the Group to forecast an important result in circulation sales and advertising revenues for this title, and a corresponding positive impact in Group profitability margins. The Group forecasts total revenues of €43 million and a contribution margin at Group level of 25%, before launch costs, for its “Settimanale Di Più” title for the first twelve months.

Strong sales figures were also recorded in the advertising sales sector. Advertising sales for the TV network La 7 generated revenues of €79 million for the October 2003 – September 2004 period, up 35% on the same period of last year, compared with 13% growth for the Italian TV market (source: AC Nielsen).

Specialty channels advertising time sales also performed well, particularly for Cartoon Network and Boomerang, with sales up 40% to €5.9 million.

In April 2004, the Group established the Cairo Directory company, enabling it to enter the directory market, in line with the Group strategy regarding the development of high-margin activities.

#### ***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 pay TV, the Internet and commercial TV.*

#### **For more information, please contact:**

Mario Cargnelutti, Marketing Director  
Cairo Communication - Investor Relations  
tel: 39-(0)2-7481-3240  
e-mail: [m.cargnelutti@cairocommunication.it](mailto:m.cargnelutti@cairocommunication.it)

*Consolidated financial statements and supporting analysis attached.*

**Cairo Communication Group Consolidated Financial Statements**

**Cairo Communication Group  
Consolidated Income Statement  
for the 2003-2004 financial year ending 30 September 2004**

<i>(€ thousands)</i>		
<b>Financial year ending 30 September</b>	<b>2004</b>	<b>2003</b>
Sales	183,973	152,905
Other operating revenues	3,862	2,526
<b>Gross operating revenues</b>	<b>187,835</b>	<b>155,431</b>
Advertising agency discounts	(22,025)	(19,528)
Inventory movements	(124)	(322)
<b>Operating revenues</b>	<b>165,686</b>	<b>135,581</b>
Cost of sales	(139,070)	(113,213)
Personnel costs	(11,533)	(9,385)
<b>Gross operating profit (EBITDA)</b>	<b>15,083</b>	<b>12,983</b>
Depreciation, amortisation and provision charges	(9,108)	(7,795)
<b>Operating profit (EBIT)</b>	<b>5,975</b>	<b>5,188</b>
Net finance income	2,741	3,195
<b>Profit from ordinary activities</b>	<b>8,716</b>	<b>8,383</b>
Net exceptional expenses	(174)	(1,281)
<b>Profit before tax</b>	<b>8,542</b>	<b>7,102</b>
Income tax	(1,904)	(2,088)
Minority interest	67	27
<b>Net profit</b>	<b>6,705</b>	<b>5,041</b>

**Cairo Communication Group  
Consolidated Balance Sheet  
at 30 September 2004**

<i>(€ thousands)</i>		
	<b>30 September 2004</b>	<b>30 September 2003</b>
<b>Assets</b>		
Property, furniture and equipment	3,031	3,049
Intangible assets	14,821	19,510
Investments	189	209
Own shares	765	1,195
Other current assets	1,890	11,651
<b>Total Assets</b>	<b>20,696</b>	<b>35,614</b>
<b>Equity and Liabilities</b>		
Shareholders' equity	129,743	133,588
Minority interest	745	12
Non-current liabilities and provisions	5,112	6,153
Net financial assets	(114,904)	(104,127)
Borrowings from unconsolidated subsidiary	0	0
<b>Total Equity and Liabilities</b>	<b>20,696</b>	<b>35,614</b>

**Cairo Communication Group**  
**Consolidated Net Financial Position Statement**  
**at 30 September 2004**

<i>(€ thousands)</i>	<b>30 Sept. 2004</b>	<b>30 Sept. 2003</b>	<b>Change</b>
Bank and cash	101,888	98,066	3,822
Escrow account	6,995	-	6,995
Marketable securities	82	82	-
Insurance financial income receivable	6,000	6,000	-
Bank loans	(61)	(21)	(40)
<b>Net Financial Assets</b>	<b>114,904</b>	<b>104,127</b>	<b>10,777</b>

**Analysis of 2003-2004 Financial Year Consolidated Income Statement by Business Segment**

<i>(€ thousands)</i>	<b>Advertising</b>		<b>Publishing</b>		<b>Search Engine</b>		<b>Directory</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>Financial year ending 30 September</b>								
Sales	134,826	127,037	48,993	25,704	154	164	-	-
Other operating revenues	3,060	1,924	792	595	10	7	-	-
<b>Gross operating revenues</b>	<b>137,886</b>	<b>128,961</b>	<b>49,785</b>	<b>26,299</b>	<b>164</b>	<b>171</b>	-	-
Agency discounts	(22,025)	(19,528)	-	-	-	-	-	-
Inventory movements	-	-	(124)	(322)	-	-	-	-
<b>Operating revenues</b>	<b>115,861</b>	<b>109,433</b>	<b>49,661</b>	<b>25,977</b>	<b>164</b>	<b>171</b>	-	-
Cost of sales	(99,278)	(93,617)	(39,456)	(19,324)	(249)	(272)	(86)	-
Personnel costs	(4,243)	(3,949)	(7,289)	(5,436)	-	-	-	-
<b>Gross operating profit/(loss) -EBITDA</b>	<b>12,340</b>	<b>11,867</b>	<b>2,916</b>	<b>1,217</b>	<b>(85)</b>	<b>(101)</b>	<b>(86)</b>	-
Depreciation and provision charges	(7,799)	(6,227)	(1,267)	(1,543)	(24)	(25)	(18)	-
<b>Operating profit/(loss) -EBIT</b>	<b>4,541</b>	<b>5,640</b>	<b>1,649</b>	<b>(326)</b>	<b>(109)</b>	<b>(126)</b>	<b>(105)</b>	-
Net finance income/(expenses)	2,519	2,979	221	217	(6)	(1)	6	-
<b>Profit/(loss) from ordinary activities</b>	<b>7,060</b>	<b>8,619</b>	<b>1,870</b>	<b>(109)</b>	<b>(115)</b>	<b>(127)</b>	<b>(99)</b>	-
Net exceptional expenses	(153)	(1,134)	(1)	(140)	(20)	(7)	-	-
<b>Profit/(loss) before tax</b>	<b>6,907</b>	<b>7,485</b>	<b>1,869</b>	<b>(249)</b>	<b>(135)</b>	<b>(134)</b>	<b>(99)</b>	-
Income tax refund/(charge)	(2,579)	(2,182)	677	94	(2)	-	-	-
Minority interest	-	-	-	-	26	27	40	-
<b>Net profit/(loss)</b>	<b>4,328</b>	<b>5,303</b>	<b>2,546</b>	<b>(155)</b>	<b>(110)</b>	<b>(107)</b>	<b>(59)</b>	-

## Analysis of 2003-2004 Financial Year Group Sales and Other Operating Revenues by Business Segment

(€thousands)

Financial year ending	30 September 2004			30 September 2003		
	Advertising	Publishing	Total	Advertising	Publishing	Total
TV advertising time sales	124,513	0	<b>124,513</b>	97,777	-	<b>97,777</b>
Print media advertising space sales	10,394	20,152	<b>30,546</b>	29,080	14,023	<b>43,103</b>
Stadium signs and electronic billboards advertising space sales	10	0	<b>10</b>	201	-	<b>201</b>
Internet advertising time sales	63	0	<b>63</b>	143	-	<b>143</b>
Magazine over-the-counter sales	-	25,431	<b>25,431</b>	-	7,776	<b>7,776</b>
Magazine subscription sales	-	3,392	<b>3,392</b>	-	3,176	<b>3,176</b>
Audiovisual and other sales	-	116	<b>116</b>	-	78	<b>78</b>
Books and catalogues	-	629	<b>629</b>	-	907	<b>907</b>
VAT relating to publications	-	(727)	<b>(727)</b>	-	(256)	<b>(256)</b>
<b>Total - Sales</b>	<b>134,980</b>	<b>48,993</b>	<b>183,973</b>	<b>127,201</b>	<b>25,704</b>	<b>152,905</b>
Other operating revenues	3,070	792	<b>3,862</b>	1,931	595	<b>2,526</b>
<b>Total - Gross Operating Revenues</b>	<b>138,050</b>	<b>49,785</b>	<b>187,835</b>	<b>129,132</b>	<b>26,299</b>	<b>155,431</b>