



CAIRO COMMUNICATION

PRESS RELEASE

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Group EBIT for 2003-2004 1st half-year up 35.9%. “Settimanale Dipiù” circulation performance much better than expected (about 550,000 copies compared to 350,000)

- **Board of Directors approves the 2003-2004 1st half-year report at 31 March 2004. EBITDA up 25.8% to €8.3 million, EBIT up 35.9% to €4.2 million, with gross operating revenues up 17.3% to €98.7 million.**
- **La 7 TV network: advertising sales up 48% to €43.7 million, almost four times the TV advertising market growth rate for this period.**
- **“Settimanale Dipiù”: the first six issues sold extremely well, averaging about 550,000 copies, far exceeding the initial forecast of 350,000. Sales of about 710,000 copies are forecast for the sixth issue.**
- **Cairo Communication Group enters the telephone directory market with the Cairo Directory.**

The Board of Directors of the Cairo Communication Group met today to approve the 2003-2004 1st half year report at 31 March 2004.

Group EBITDA increased by 25.8% to €8.3 million from €6.6 million for the same period last year, while Group EBIT rose 35.9% to €4.2 million from €3.1 million during this time.

Gross operating revenues rose 17.3% to €98.7 million from €84.1 million for 1st half of the 2003-2004 financial year.

The increase in depreciation, amortisation and provision charges results from the amortisation of the €7.5 million entrance fee paid to the La7 network in order to exclusively sell advertising time on its behalf (€0.6 million for the October – December 2003 period), with effect from January 2003.

Net finance income and profit before tax for the 1st half-year ending March 2003 included a tax credit of € 1.3 million arising from dividends received by the parent company Cairo Communication SpA from its subsidiary Cairo TV SpA.

The Group had net financial assets of €102.5 million at 31 March 2004, after the distribution of €12.4 million in cash dividends, compared with net financial assets of €99.7 million at 31 March 2003 and of €104 million at 30 September 2003.

In accordance with the applicable CONSOB regulation, the consolidated accounts at 31 March 2004 exclude income tax and income tax effects, consistent with the financial statements prepared for the same period of the previous financial year.

Advertising sales for the TV network La 7 generated revenues of €43.7 million, up 48% on the same period of last year, almost four times the 13.3% growth rate recorded for the TV advertising market (source: AC Nielsen)

During this period, Cairo Editore continued to develop its position in the publishing business, which it established in 2003 with the launch of two successful monthly titles, “For Men Magazine” and “Natural Style”, which posted average monthly sales of 140,000 and 90,000 respectively for the March 2003-February 2004 period (source: ADS).

In fact, Sandro Mayer has been appointed editor of the new family weekly magazine, “Settimanale Dipiù”, on sale since 19 April 2004, following a planning stage of just three months. This title is enjoying excellent results and exceeding all sales forecasts.

The magazine reported average circulation sales of about 550,000 for its first six issues. Sales have been growing steadily, with the fifth issue selling about 620,000 copies, with the sixth forecast to sell about 710,000, reflecting a strong growth trend. Advertising revenues has also increased sharply, driven by circulation figures, with advertising space orders of some €2.5 million collected in the last four weeks.

Initially the breakeven point for this weekly magazine was set at average weekly sales of 232,000 copies priced at €1 and annual gross advertising revenues of about €9 million. The successful launch has led the Group to forecast a significant increase in newsstand sales and advertising revenues for “Settimanale Dipiù”, and also a strong improvement in Group profitability margins. In light of circulation and advertising results achieved, the Group has increased its gross advertising revenues forecast to €15 million for the twelve months period beginning from 1 May 2004. Settimanale Dipiù is projected to generate annual revenues of about €30 million for the Group, assuming a weekly average circulation level of 410,000 copies, a much lower level than current circulation (about 550.000 copies).

As part of an ongoing strategy for business development in high margin sectors, the Cairo Communication Group is preparing to enter the directories business. It is foreseen that the controlling shareholder UT Communications will participate in a capital increase (with option rights valuation given in advance by an audit firm), with a minority share up to a maximum of 40% and a commitment to meet its share of the necessary increase in capital up to €10 million, allowing the Company to share the risk of this initiative.

Cairo Directory will be managed by Carlo Basile who has been Commercial Manager for SEAT Pagine Gialle for the last five years, till March 2004, subsequent to his five years as Sales Manager for SEAT Pagine Gialle (Yellow Pages), the European leader in the directories business.

Under Mr. Basile’s leadership, a high-profile and flexible team will soon be created to fast-track this project, launching the first sales campaign before the end of 2004

The reasoning behind this course of action is threefold:

1. The target market offers very attractive opportunities: about only 700,000 active clients out of a potential of 3,000,000 clients.
2. Possibilities for expansion of this market with an innovative, multimedia, effective, client-friendly and convenient product have been identified, complementary to the existing range of products available
3. The Cairo Group will therefore be able to enter the large and dynamic market of local advertising

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.

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Consolidated financial statements and 2003-2004 1st half-year.

Cairo Communication Group Consolidated Financial Statements

Consolidated Income Statement for the 1st Half-Year Ending 31 March 2004

<i>(€ thousands)</i>		
Half-year ending 31 March	2004	2003
Sales	97,661	82,025
Other operating revenues	1,047	2,122
Gross operating revenues	98,708	84,147
Advertising agency discounts	(12,875)	(10,566)
Inventory movements	42	(327)
Operating revenues	85,875	73,254
Cost of sales	(72,197)	(61,502)
Personnel costs	(5,382)	(5,083)
Gross operating profit (EBITDA)	8,296	6,597
Depreciation and provision charges	(4,078)	(3,493)
Operating profit (EBIT)	4,218	3,104
Net finance income	1,559	2,804
Investment writedowns	(5)	0
Profit from ordinary activities	5,772	5,908
Net exceptional expenses	(173)	(1,133)
Minority interest	18	17
Profit before tax	5,618	4,792

Consolidated Balance Sheet at 31 March 2004

<i>(€ thousands)</i>		
	31 March 2004	30 Sept. 2003
ASSETS		
Property, plant and equipment	2,994	3,049
Intangible assets	16,588	19,510
Investments	191	209
Own shares	248	1,195
Marketable securities	0	0
Other current assets	11,246	11,663
Total Assets	31,267	35,626
EQUITY AND LIABILITIES		
Shareholders' equity*	127,548	133,588
Minority interest	(6)	12
Non-current borrowings and provisions	6,258	6,153
Net financial assets	(102,533)	(104,127)
Total Equity and Liabilities	31,627	35,626

*Shareholders' equity at 31 March 2004 includes pre-tax results for the half-year.

Consolidated Net Financial Position Statement at 31 March 2004

<i>(€thousands)</i>	31 March 2004	30 September 2003	Change
Bank and cash	96,521	98,066	(1,545)
Short term investments:			
Marketable securities	-	-	0
Other securities	82	82	0
Insurance financial income receivable	6,000	6,000	0
Bank loans	(70)	(21)	(49)
Net Financial Position	102,533	104,127	(1,594)

Cairo Communication Group 2003-2004 1st Half-Year Financial Results Analyses

Analysis of Group Sales and Other Operating Revenues by Business Segment

<i>(€thousands)</i>	1st Half-Year ending 31 March 2004			1st Half-Year ending 31 March 2003		
	Advertising	Publishing	Total	Advertising	Publishing	Total
TV advertising time sales	76,731	-	76,731	50,673	-	50,673
Print media advertising space sales	4,811	-	4,811	19,867	-	19,867
Electronic billboard and stadium signs ad space sales	10	-	10	174	-	174
Internet advertising time sales	46	-	46	81	-	81
Editorial sector advertising	-	8,686	8,686	-	6,049	6,049
Magazine over-the-counter sales	-	5,317	5,317	-	3,163	3,163
Magazine subscription sales	-	1,704	1,704	-	1,500	1,500
Audiovisual and other sales	-	33	33	-	66	66
Books and catalogues	-	548	548	-	639	639
VAT relating to publications	-	(225)	(225)	-	(187)	(187)
Total - Sales	81,598	16,063	97,661	70,795	11,230	82,025
Other operating revenues	620	427	1,047	1,107	1,015	2,122
Total - Gross Operating Revenues	82,218	16,490	98,708	71,901	11,245	84,147

Analysis of Consolidated Income Statement Results Business Segment

<i>(€ thousands – proforma)</i>	Advertising		Search Engine (Il Trovatore)		Publishing	
	2004	2003	2004	2003	2004	2003
1st half-year ending 31 March						
Sales	81,544	70,720	54	75	16,063	11,230
Other operating revenues	617	1,104	3	3	427	1,015
Gross operating revenues	82,161	71,824	57	78	16,490	12,245
Agency discounts	(12,875)	(10,566)	-	-	-	-
Inventory movements	-	-	-	-	42	(327)
Operating revenues	69,286	61,258	57	78	16,532	11,918
Cost of sales	(59,453)	(52,823)	(113)	(144)	(12,632)	(8,534)
Personnel costs	(2,186)	(2,064)	-	-	(3,196)	(3,019)
Gross operating profit (EBITDA)	7,647	6,298	(56)	(66)	704	365
Depreciation and provision charges	(3,628)	(2,926)	(12)	(16)	(437)	(551)
Operating profit (EBIT)	4,019	3,372	(68)	(82)	267	(186)
Net finance income	1,450	2,783	(1)	(1)	106	22
Investments writedowns	-	-	-	-	-	-
Profit from ordinary activities	5,469	6,155	(68)	(83)	(373)	(164)
Net exceptional expenses	(151)	(1,133)	(20)	-	(2)	-
Minority interest	18	17	-	-	-	-
Profit before tax	5,336	5,039	(89)	(83)	371	(164)