

CALTAGIRONE EDITORE GROUP

DIRECTORS' REPORT

ON THE GROUP'S SITUATION AND OPERATIONAL PERFORMANCE

AT 30 JUNE 2003

o o o o o o o o o o o o o o o o

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

A) OPERATIONS

At the end of the first half of 2003 the Group headed by Caltagirone Editore S.p.A. achieved a pre-tax profit of 19.66 million euros on revenues of 126.65 million euros.

The gross operating margin for the period amounted to 30.19 million euros, an increase of 35% compared with the previous year and a 24% yield on revenue (19% at 30.06.2002).

The period in question registered an increase in income for the two dailies “Il Messaggero” and “Il Mattino”, in turn due mainly to a modest recovery of the advertising market, mostly at local level, and to a positive contribution made by sales of books and VHS video cassettes at differentiated prices, linked to the two dailies.

The free national daily “Leggo” maintained its market position, demonstrating its widespread penetration of areas where there are now local editions and developing to the maximum its efforts to increase advertising income.

During the first half of 2003 the advertising income of the Group registered an increase, thanks also to some successful initiatives in the field of local advertising by the subsidiary Piemme.

Generally speaking the national advertising market does not show significant signs of improvement, due to a standstill in consumer spending.

Movements in the international paper price seem to be in line with forecasts and show a reduction of 10% compared with the first half of 2002. Other item headings are also in line with expected figures.

We give below more details of the main figures compared with those for the corresponding period of 2002.

| | <i>thousands of euros</i> | |
|---|---------------------------|-----------------|
| | <i>30/06/03</i> | <i>30/06/02</i> |
| PROFIT AND LOSS ACCOUNT | | |
| REVENUES FOR PERIOD | 126.647 | 116.749 |
| SALES REVENUES | 39.549 | 33.738 |
| ADVERTISING REVENUES | 83.582 | 78.646 |
| INTERNET SERVICES REVENUES | 818 | 1.420 |
| OTHER REVENUES AND INCOME | 2.698 | 2.945 |
| RAW MATERIALS, ANCILLARY AND CONSUMER ITEMS | (14.805) | (16.945) |
| SERVICES | (39.644) | (35.174) |
| REVENUE FROM LEASES AND RENTS | (2.394) | (2.285) |
| LABOUR COSTS | (38.726) | (39.196) |
| OTHER OPERATING CHARGES | (882) | (860) |
| GROSS OPERATING MARGIN | 30.196 | 22.289 |
| AMORTISATION | (9.749) | (9.545) |
| OTHER COSTS/REVENUES | (548) | (644) |
| OPERATING INCOME | 19.899 | 12.100 |
| FINANCIAL REVENUES | 8.033 | 9.697 |
| FINANCIAL COSTS | (1.312) | (3.463) |
| RESULTS OF FINANCIAL OPERATIONS | 6.721 | 6.234 |
| | | |
| GROSS INCOME | 26.620 | 18.334 |
| | | |
| OPERATING BALANCE, EXCEPTIONAL ITEMS | (6.962) | (4.867) |
| | | |
| RESULT BEFORE TAX | 19.658 | 13.467 |

| | | |
|---------------------------------|---------------|--------------|
| TAXES | (7.949) | (3.617) |
| RESULT FOR PERIOD | 11.709 | 9.850 |
| SHARE FOR MINORITY SHAREHOLDERS | (766) | (451) |
| GROUP RESULT | 10.943 | 9.399 |

The Group's net financial position at 30 June 2003 can be seen in the following statement:

| | <i>thousands of euros</i> | |
|-------------------------------|---------------------------|-----------------|
| | <i>30/06/03</i> | <i>31/12/02</i> |
| SHORT TERM FINANCIAL ASSETS | 4 | - |
| CASH ON HAND | 583.662 | 554.055 |
| LOANS, MEDIUM/LONG TERM | (74.129) | (25.854) |
| LOANS, SHORT TERM | (28.393) | (30.632) |
| NET FINANCIAL POSITION | 481.144 | 497.569 |

The difference occurring during the half-year is due to distribution of dividends and to the financial and industrial investments, taking account of flows coming from operations.

GROUP ASSETS AT 30 JUNE 2003

1. PUBLISHING

During the period no significant events took place in the daily press market.

Due to their well-established position in the country, the Group dailies maintained their share of the market both in their traditional areas and in those covered by recent expansion.

Sales revenues show a 17% growth over the previous period, mainly due to the contribution of sales of products linked to the dailies.

Il Messaggero, during the period in question, realized a pre-tax profit of 10.5 million euros (8.1 million euros at 30 June 2002) on revenues of 70.8 million euros (64.7 million euros at 30 June 2002).

Advertising turnover showed an increase of about 4.5% compared with the first half of 2002.

Edi.Me., publishers of “Il Mattino”, attained revenues of 26.8 million euros (24.8 million euros at 30 June 2002); the pre-tax result amounted to 1.4 million euros.

Advertising turnover for the period registered an increase of about 3% over the first half of 2002.

Sigma Editoriale S.p.A., which produces and distributes the free daily “Leggo”, shows a loss for the half-year of 1.9 million euros, compared with 4.5 million euros registered at 30.06.2002. The gradual reduction in losses is in line with expected results relating to the start-up period for the initiative.

One of the more significant events taking place during the half-year was the continuation of building work at the new press centre in the Torre Spaccata area of Rome, which started in July and for which the final cost has been kept more or less within the budget of about 65 million euros.

2. ADVERTISING

Although operating in a rather complex market environment, **Piemme S.p.A.**, a company with an exclusive concession for the advertising in the Group’s titles and the Puglia daily, reaffirmed its leading role at national level, maintaining high levels of advertising income from these periodicals and achieving a pre-tax profit for the period of 4.4 million euros (4.1 million euros at 30 June 2002).

3. INTERNET

Caltanet S.p.A. has pursued the implementation of its programme for the supply of services and products destined for its own customers.

Half-year results show a gross operating loss of 0.8 million euros.

RELATIONS WITH ASSOCIATED FIRMS

So as to give an overall picture of business relationships with “associated parties”, as set out in CONSOB directive No. 26064231 of 30.09.2002, we give below balance sheet and profit and loss figures for associated companies.

With regard to the balance sheet at 30 June 2003, amongst “Credits from others” appears a credit of 787,140 euros for companies belonging to the Caltagirone S.p.A. Group. The item in question consists mainly of a credit item of 654,894 euros claimed by Il Messaggero S.p.A from Alfa Editoriale S.r.l. for the sale of copies of “Il Messaggero”.

Other existing business relations are insignificant when taken separately.

Amongst “Due to Others” are entered debit positions with companies of the Caltagirone S.p.A. Group for a total of 13,533,786 euros.

In particular:

- *Il Mattino Sem S.p.A.* owes Vianini Lavori S.p.A. 11,268,774 euros in relation to the contract for construction of the new press centre in Rome;
- *Caltanet S.p.A.* owes Cementir S.p.A. 439,180 euros for rents due to the leasing of the building used for offices and operational centre in Rome on the basis of a leasing contract drawn up on market terms;
- *Piemme S.p.A.* owes Alfa Editoriale S.r.l., publisher of the “Nuovo Quotidiano di Puglia” 957,905 euros for the purchase of advertising space. This arrangement is governed by a contract on market terms;
- *Il Messaggero S.p.A.* owes Alfa Editoriale S.r.l., 233,793 euros for the purchase of copies of the Nuovo Quotidiano di Puglia and for other services rendered. This matter is also covered by a contract on market terms;

- *B2Win S.p.A.* owes *Cementir S.p.A.* for 475,438 euros rents due for the lease of the building used as offices and operational centre in Rome on the base of a leasing contract drawn up on market terms;
- *Caltagirone Editore S.p.A.* owes *Mantegna 87 Srl* 79,387 euros for rents due for the lease of the building used as its own head office in Rome, on the basis of a leasing contract drawn up on market terms.

Other existing business relationships are of little importance.

The more important profit and loss account events during the period between the Group and the Firms listed in this paragraph are the following:

- “Revenues” includes income from companies of the *Caltagirone S.p.A.* Group for 544,552 euros, largely represented by sale of copies by *Il Messaggero S.p.A.* to *Alfa Editoriale Srl* (387,289 euros);
- “Production Costs” include payables from companies of the *Caltagirone S.p.A.* Group for 2,708,224 euros, of which 2,093,905 euros was registered by *Piemme S.p.A.* for buying advertising space in the *Nuovo Quotidiano di Puglia* published by *Alfa Editoriale Srl* and 235,343 euros for the purchase by *Il Messaggero S.p.A.* of copies of the same daily; in addition, 285,750 euros relate to rents for leases for companies under joint control for office use by *Caltagirone Editore S.p.A.*, *Caltanet S.p.A.*, *B2win S.p.A.*, *Piemme S.p.A.* and *Sigma Editoriale S.p.A.*

Il Messaggero S.p.A. uses its head office building free of charge until 31 December 2003, after then the lease will be on market terms. The building is the property of *SOGIM S.r.l.*, a company of the *Caltagirone Group*.

Other existing business arrangements are insignificant.

LIKELY BUSINESS DEVELOPMENT, GROUP STRATEGIES AND FORECAST RESULTS FOR THE PERIOD

Il Messaggero and Il Mattino proceed with their commitment to maintaining their traditional market share.

“Leggo” has achieved a gradual increase in readership in all distribution areas.

With regard to the overall performance of the market, no particular changes are forecast.

With regard to Group strategies it is noted that, following the entry into service of the new press centre at Torrespaccata in Rome, the general project for the Messaggero and Leggo is under review.

On the basis of data currently available, results for the period should be in line with the performance of the first half-year

SIGNIFICANT EVENTS AFTER 30 JUNE 2003

No events of special importance occurred after 30 June 2003.

CALTAGIRONE EDITORE GROUP S.p.A.

CONSOLIDATED BALANCE SHEETS (in thousands of euros)

| ASSETS | 30/06/2003 | 31/12/2002 | 30/06/2002 |
|--|-------------------|-------------------|-------------------|
| (A) CREDITS TO SHAREHOLDERS | - | - | - |
| (B) FIXED ASSETS | | | |
| I. INTANGIBLE FIXED ASSETS | | | |
| 1. Formation and expansion costs | 12.811 | 16.184 | 19.205 |
| 2. Research, development and advertising costs | 2.334 | 3.165 | 3.905 |
| 3. Industrial patent rights and the rights for the utilisation of intellectual knowledge | 23 | 41 | 216 |
| 4. Concessions, licences and brands | 79 | 100 | 212 |
| 5. Goodwill | 92.624 | 94.441 | 96.256 |
| 7. Others | 2.419 | 2.607 | 3.538 |
| 8. Consolidation differences | 36.440 | 37.128 | 38.824 |
| | 146.730 | 153.666 | 162.156 |
| II. TANGIBLE FIXED ASSETS | | | |
| 1. Land and buildings | 10.381 | 10.570 | 11.280 |
| 2. Plant and machinery | 22.905 | 24.438 | 25.633 |
| 3. Industrial and commercial equipment | 213 | 256 | 303 |
| 4. Other assets | 4.840 | 4.671 | 5.182 |
| 5. Fixed assets in progress and Advances | 41.775 | 23.229 | 4.692 |
| | 80.114 | 63.164 | 47.090 |
| III. FINANCIAL FIXED ASSETS | | | |
| 1. Shareholdings in: | | | |
| a) subsidiaries | 12 | 7 | 8 |
| d) other companies | 81.836 | 70.029 | 68.781 |
| | 81.848 | 70.036 | 68.789 |
| 2. Credits | | | |
| a) To subsidiaries | | | |
| .due within the subsequent financial year | 12 | 12 | 14 |
| a) to others | | | |
| .due after the subsequent financial year | 1 | 1 | 5 |
| | 13 | 13 | 19 |
| 3. Other shares | 5 | 7 | 7 |
| 4. Treasury shares | 164 | 164 | - |
| | 82.030 | 70.220 | 68.815 |
| TOTAL (B) FIXED ASSETS | 308.874 | 287.050 | 278.061 |
| (C) WORKING CAPITAL | | | |
| I. INVENTORIES | | | |
| 1. Raw materials, ancillary materials and consumables | 2.026 | 3.852 | 2.874 |
| | 2.026 | 3.852 | 2.874 |

CALTAGIRONE EDITORE GROUP S.p.A.

CONSOLIDATED BALANCE SHEETS (in thousands of Euro)

| | 30/06/2003 | 31/12/2002 | 30/06/2002 |
|---|------------------|----------------|----------------|
| II. CREDITS | | | |
| 1. To customers | | | |
| .due within the subsequent financial year | 77.381 | 71.225 | 78.639 |
| .due after the subsequent financial year | 27 | 27 | 27 |
| | 77.408 | 71.252 | 78.666 |
| 5. To others: | | | |
| .due within the subsequent financial year | 28.060 | 26.587 | 30.006 |
| .due after the subsequent financial year | 1.482 | 2.251 | 48 |
| | 29.542 | 28.838 | 30.054 |
| 7. Advances to suppliers for services | | | |
| .due within the subsequent financial year | 134 | 60 | 5.171 |
| | 107.084 | 100.150 | 113.891 |
| III. NON-FIXED FINANCIAL ASSETS | | | |
| 4. Other shareholdings | - | 5.542 | - |
| 6. Other shares | - | - | 201 |
| | - | 5.542 | 201 |
| IV. CASH AND CASH EQUIVALENTS | | | |
| 1. Bank and postal deposits | 583.503 | 553.922 | 549.741 |
| 3. Cash and cash equivalents | 159 | 133 | 205 |
| | 583.662 | 554.055 | 549.946 |
| TOTAL (C) WORKING CAPITAL | 692.772 | 663.599 | 666.912 |
| (D) ACCRUALS AND DEFERRALS | 1.516 | 969 | 865 |
| TOTAL ASSETS | 1.003.162 | 951.618 | 945.838 |

CALTAGIRONE EDITORE GROUP S.p.A.
CONSOLIDATED BALANCE SHEETS (in thousands of Euro)

| | 30/06/2003 | 31/12/2002 | 30/06/2002 |
|---|----------------|----------------|----------------|
| LIABILITIES | | | |
| (A) NET EQUITY | | | |
| I. CAPITAL | 125.000 | 125.000 | 125.000 |
| II. SHARE PREMIUM RESERVE | 527.812 | 530.311 | 530.311 |
| III. REVALUATION RESERVES | - | - | - |
| IV. LEGAL RESERVE | 25.000 | 25.000 | 25.000 |
| V. RESERVE FOR TREASURY SHARES HELD | 164 | 164 | - |
| VI. STATUTORY RESERVES | - | - | - |
| VII. OTHER RESERVES | | | |
| Extraordinary reserve | 5.549 | 8.300 | 8.300 |
| Reserve for Acquisition of treasury shares | 29.836 | 29.836 | 30.000 |
| Other reserves | 16.620 | 20.077 | 19.974 |
| VIII. PROFIT (LOSS) CARRIED FORWARD | - | - | - |
| IX. PROFIT (LOSS) FOR THE YEAR/PERIOD | 10.943 | 16.690 | 9.399 |
| TOTAL GROUP NET EQUITY | 740.924 | 755.378 | 747.984 |
| X. CAPITAL AND RESERVES OF MINORITY SHAREHOLD | 8.569 | 22.368 | 23.678 |
| TOTAL (A) NET EQUITY | 749.493 | 777.746 | 771.662 |
| (B) PROVISIONS FOR LIABILITIES AND CHARGES | | | |
| 1.Retirement payments and similar obligations | 120 | 120 | 120 |
| 2.Taxes | 19.263 | 12.217 | 13.281 |
| 3.Others | 7.041 | 6.964 | 7.338 |
| TOTAL (B) PROVISIONS FOR LIABILITIES AND CHARGES | 26.424 | 19.301 | 20.739 |
| (C) STAFF SEVERANCE INDEMNITIES | 32.991 | 32.552 | 33.226 |
| (D) PAYABLES | | | |
| 3. Due to Banks | | | |
| .due within the subsequent financial year | 26.034 | 28.321 | 32.220 |
| .due after the subsequent financial year | 55.069 | 5.603 | 6.109 |
| | 81.103 | 33.924 | 38.329 |
| 4. Payables to other financial institutions: | | | |
| .due within the subsequent financial year | 2.359 | 2.311 | 2.726 |
| .due after the subsequent financial year | 19.059 | 20.251 | 20.956 |
| | 21.418 | 22.562 | 23.682 |
| 6. Due to suppliers | | | |
| .due within the subsequent financial year | 25.524 | 24.747 | 22.853 |
| | 25.524 | 24.747 | 22.853 |

CALTAGIRONE EDITORE GROUP S.p.A.

CONSOLIDATED BALANCE SHEETS (in thousands of Euro)

| | <i>30/06/2003</i> | <i>31/12/2002</i> | <i>30/06/2002</i> |
|---|-------------------|-------------------|-------------------|
| 11. Tax payables: | | | |
| .due within the subsequent financial year | 4.146 | 4.631 | 3.419 |
| .due after the subsequent financial year | - | 204 | 204 |
| | 4.146 | 4.835 | 3.623 |
| 12. Payables to pension and social security institutions: | | | |
| .due within the subsequent financial year | 3.929 | 7.030 | 5.005 |
| 13. Other payables: | | | |
| .due within the subsequent financial year | 51.605 | 21.873 | 19.803 |
| .due after the subsequent financial year | 14 | 14 | 204 |
| | 51.619 | 21.887 | 20.007 |
| TOTAL (D) PAYABLES | 187.739 | 114.985 | 113.499 |
| (E) ACCRUALS AND DEFERRALS | 6.515 | 7.034 | 6.712 |
| TOTAL LIABILITIES | 1.003.162 | 951.618 | 945.838 |
| | | | |
| MEMORANDUM ACCOUNTS | | | |
| | | | |
| SURETIES, LIABILITIES SIDE | | | |
| In favour of third parties | 1.811 | 1.808 | 2.012 |
| | 1.811 | 1.808 | 2.012 |
| OTHER MEMORANDUM ACCOUNTS, LIABILITIES SIDE | | | |
| Other memorandum accounts | 783 | 611 | 779 |
| | | | |
| TOTAL MEMORANDUM ACCOUNTS | 2.594 | 2.419 | 2.791 |

CALTAGIRONE EDITORE GROUP S.p.A.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS (in thousands of Euro)

| | 30/06/2003 | 31/12/2002 | 30/06/2002 |
|--|------------------|------------------|------------------|
| (A) REVENUES | | | |
| 1. Revenues from sales and services | 124.327 | 222.095 | 113.804 |
| 5. Other revenues and income | 2.320 | 5.025 | 2.945 |
| TOTAL (A) REVENUES | 126.647 | 227.120 | 116.749 |
| (B) PRODUCTION COSTS | | | |
| 6. Raw materials, ancillary items, consumer items and other goods | (12.979) | (32.311) | (15.360) |
| 7. Services | (39.644) | (68.810) | (35.174) |
| 8. Revenue from leases and rents | (2.394) | (4.614) | (2.285) |
| 9. Personnel costs: | | | |
| a) salaries and wages | (26.561) | (53.256) | (26.872) |
| b) social security charges | (8.405) | (17.085) | (8.549) |
| c) staff severance indemnities | (2.215) | (4.554) | (2.274) |
| e) other costs | (1.545) | (4.117) | (1.501) |
| | (38.726) | (79.012) | (39.196) |
| 10. Amortisation, depreciation and write-downs: | | | |
| a) amortisation of intangible fixed assets | (6.580) | (13.469) | (6.629) |
| b) depreciation of tangible fixed assets | (2.481) | (4.314) | (2.169) |
| c) other fixed assets writedowns | - | - | - |
| d) writedown of credits, including working capital and cash and cash equivalents | (472) | (1.930) | (644) |
| e) amortisation of the consolidation difference | (688) | (1.375) | (747) |
| | (10.221) | (21.088) | (10.189) |
| 11. Changes in inventories of raw, ancillary and consumable materials and goods | (1.826) | (606) | (1.585) |
| 12. Provisions for risks and charges | (76) | (1.028) | - |
| 14. Other sundry operating costs | (882) | (2.382) | (860) |
| TOTAL (B) PRODUCTION COSTS | (106.748) | (209.851) | (104.649) |
| TOT. (A - B) DIFFERENCE BETWEEN TOTAL REVENUES PRODUCTION COSTS | 19.899 | 17.269 | 12.100 |
| (C) FINANCIAL INCOME AND CHARGES | | | |
| 15. Income from shareholdings: | | | |
| from others | 630 | - | - |
| | 630 | - | - |
| 16. Other financial income | | | |
| d) income other than the above: | | | |
| from others | 7.321 | 18.960 | 9.697 |
| | 7.321 | 18.960 | 9.697 |

CALTAGIRONE EDITORE GROUP S.p.A.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS (in thousands of Euro)

| | 30/06/2003 | 31/12/2002 | 30/06/2002 |
|--|----------------|-----------------|----------------|
| 17. Interest and other financial charges: | | | |
| from others | (1.310) | (3.157) | (1.569) |
| | (1.310) | (3.157) | (1.569) |
| TOTAL (C) FINANCIAL INCOME AND CHARGES | 6.641 | 15.803 | 8.128 |
| (D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS | | | |
| 18. Revaluations | | | |
| a) of shareholding | 82 | 250 | - |
| | 82 | 250 | - |
| 19. Writedowns: | | | |
| a) Shareholdings | - | (898) | (1.894) |
| b) Financial Assets not constituting fixed assets | (2) | - | - |
| | (2) | (898) | (1.894) |
| TOTAL (D) VALUE ADJUSTMENTS FOR FINANCIAL ACTIV | 80 | (648) | (1.894) |
| (E) EXTRAORDINARY INCOME AND CHARGES | | | |
| 20. Income: | | | |
| Capital gain on disposals | 7 | 623 | 264 |
| Other income | 153 | 428 | 182 |
| | 160 | 1.051 | 446 |
| 21. Charges | | | |
| Capital loss on disposals | - | (2.151) | (1) |
| Taxes related to previous periods | (4.698) | (595) | (610) |
| Other charges | (2.424) | (8.159) | (4.702) |
| | (7.122) | (10.905) | (5.313) |
| TOTAL (E) EXTRAORDINARY INCOME AND CHARGES | (6.962) | (9.854) | (4.867) |
| RESULT BEFORE TAXES | 19.658 | 22.570 | 13.467 |
| Current taxes | (6.018) | (6.716) | (1.861) |
| Deferred taxes | (1.931) | 1.526 | (1.756) |
| TOTAL TAXES | (7.949) | (5.190) | (3.617) |
| RESULT FOR THE YEAR/PERIOD | 11.709 | 17.380 | 9.850 |
| (Profit) accruing to minority shareholders | (766) | (690) | (451) |
| GROUP PROFITS (LOSS) | 10.943 | 16.690 | 9.399 |

B) VALUATION CRITERIA

STRUCTURE AND CONTENT

The consolidated financial statements at 30 June 2003 were drawn up in compliance with current regulations and valuation criteria, as set out in article 2426 of the Civil Code, supplemented and influenced by the accounting principles issued by the professional bodies concerned, based on general criteria of prudence and observance of period, in anticipation of continuing activity and in all cases without changes from those adopted for the financial statements at 31 December 2002.

The recommendations contained in the CONSOB Ruling 11971 of 14 May 1999 and later amendments have been respected.

In drawing up these financial statements the normal format for balance sheets and profit and loss accounts have been used as laid down in current standards for financial statements. The financial statements have been compared with the corresponding ones for the 2002 period and at 30 June 2002, in order to allow a rapid evaluation of the comparative data for the three periods under consideration. We emphasise that the data in the financial statements are in thousands of euros.

For the Parent Company, Caltagirone Editore S.p.A., only the financial statements required by article 81 para. 2. letter B) of the CONSOB Regulation mentioned have been provided. In particular, the financial statements of the Parent Company present the profit and loss account reclassified as indicated for finance companies in CONSOB letter No. 94001437 of 23 February 1994.

The following statements are attached:

- Changes in Consolidated Net Shareholders' Equity;
- Comparison of the Results and the Group net shareholders' equity and the Results and the Consolidated net shareholders' equity;

- Consolidated cash flow statement;
- Lists of the companies within the consolidation using the fully integrated method, of companies valued with the net equity method and the list of other subsidiaries and associated companies as set out in article 38 of Decree Law No. 127/1991.

Accounting principles and evaluation criteria

The main evaluation criteria are the following:

- *Intangible fixed assets*

These are entered at purchase or production cost, including directly attributable ancillary charges and are amortised systematically for the period of their useful life.

Formation and start-up costs, research and development costs and patent rights, licences, trademarks and similar rights with long-term life are entered under assets

Such costs are amortised over a period of three to five years.

Advertising and marketing costs generally, when they are not long-terms, are wholly attributed to the profit and loss account for the period in which they occur.

Repair costs for leased property are amortised on the basis of the period of residual use.

Goodwill corresponds mainly to the greater purchase cost of the shares compared with the quota of shareholders' net equity on the date the purchase was attributed, within market value limits, for each newspaper. The newspapers are amortised over a thirty-year period from the purchase date, according to their likely useful life.

The difference on consolidation corresponds to the surplus of the purchase cost compared with the share of the book value of net shareholders' equity on the date the subsidiary was purchased, not attributable to specified items on the assets and liabilities of the companies

concerned. The difference on consolidation which, even if not specifically attributed, represents the goodwill and the value of the newspapers of the publishing companies, is also amortised over a period of thirty years from the purchase date according to its likely useful life.

If there is lasting loss in value, over and above the amortisement already applied, the asset will be accordingly written down; if in later periods the basis for this writedown disappears the value will be increased.

- *Tangible fixed assets*

These are noted on the basis of cost price, including directly attributable ancillary charges, increased by the revaluations applied according to the law.

The fixed assets are systematically depreciated in every period at constant rates, on the basis of ratios representing the likely useful life of the assets. Depreciation starts from the moment the fixed asset is available for use and is reduced by half for the first year so as to reflect its diminished utility.

Where there is a lasting loss in value, the fixed asset will be appropriately written down; where in later periods the basis for the writedown disappears, the original value will be re-established, net of depreciation.

Maintenance costs which increase regularly are attributed to the assets they refer to and are depreciated according to their likely residual life.

Expenditure relating to repairs and ordinary maintenance is debited to the profit and loss account for the period in which it occurs.

Goods with a unit cost of less than 516.46 euros are wholly depreciated during the period.

The rates applied annually are the following:

| Description | Rates |
|---|--------------|
| Factory buildings | 3% |
| Light constructions | 10% |
| Non-automatic operating machinery and general plant | 10% |
| Automatic operating machinery for finishing operations | 15,5% |
| Rotating press for paper in rolls | 10% - 20% |
| Electronic systems for photocopying, photocomposition and similar | 25% |
| Air conditioning | 20% |
| Small items of equipment, various | 25% |
| Office machinery and furniture | 12% |
| Electro-mechanical and electronic office machines, including computers and electronic telephone systems | 20% |
| Transport vehicles | 20% |
| Cars, motor vehicles and similar | 25% |
| Electronic filing | 20% |

- *Financial fixed assets*

Stocks and shares

Shareholdings (if not substantial) in non-consolidated subsidiaries, in other firms and shareholders' equity are valued at cost, reduced for lasting loss of value where the associated companies have sustained losses, and where sufficient profits to absorb the losses are not forecast for the immediate future; in this case the original value will be re-established in later periods if the reasons for the writedown have disappeared.

Fixed income credit instruments are valued at cost price, subject to application of premiums and discounts on issue.

Credits consisting of financial fixed assets and entered at cost, reduced for lasting loss of value.

- *Inventories*

Inventories, consisting almost wholly of paper, are valued at the lesser of purchase price, calculated at average weighted cost, and the presumed value at market prices.

- *Credits*

Credits are entered at presumed realisation value, by making provisions to an appropriate amortisation fund.

- *Principle for credits and debits in foreign currency*

Credits and debits in foreign currency outside the Euro area, for which there is no exchange hedge cover, are expressed at exchange rates for the end of the period, in accordance with Accounting Principle No. 26.

The positive or negative difference between the amounts converted at the exchange rates for the period and the original ones are attributed to the profit and loss account respectively in financial revenues and financial charges.

Writedown credits were determined by the companies in the consolidation through an evaluation of the generic risk, on the basis of prudence and experience.

- *Non-fixed financial assets*

Stock and shares in working capital, where listed, are valued at the lesser of purchase cost and the established market value, on the basis of average prices at the Stock Exchange in June 2003

- *Accruals and deferrals*

Accruals and deferrals relate to revenues and costs falling in the period but due in later periods, and revenues and costs entered before closure of the period but falling due within later periods, applicable to two or more periods, the amount of which varies for timing reasons.

- *Provisions for risks and charges*

Provisions for risks and charges include provisions, not including those which have changed the value of the asset, destined to cover losses or debts of a specific type, of certain or probable existence, for which either the amount or the date of occurrence could not be definitely established by the end of the period.

The provisions reflect the best possible estimate on the basis of information available.

Provisions for risks and charges include also the amount relative to forecast current taxes calculated for the period in question on the basis of gross profit, taking account of the relative tax changes during the period, tax credits on dividends based on expected profits of the subsidiaries for the 2003 period and the annual effective tax rate assumed to be in force at the end of the period, the provision is brought to account in the tax provision inasmuch as the tax liability is estimated.

- *Employees severance indemnity provision*

This is set aside in accordance with the law and current labour contracts and reflects the accrued liability for all the employees on the date of the financial statement, net of advances made in accordance with the law.

- *Payables*

Payables are entered at nominal value.

- *Commitments and guarantees*

Commitments and guarantees are shown in the memorandum accounts at their contract value.

- *Recognition of revenues and costs*

The positive and negative income components are entered on the basis of prudence and period concerned. Revenues from sales of copies of newspapers, advertising revenue and associated

costs are entered in relation to the number of dailies distributed in the period concerned. In particular revenues for newspaper sales are reduced at the end of the period to take account of the estimated returns on the basis of experience. In addition, revenues from advertising services and from connection services to the Caltanet.it (“reverse charging”) portal are entered according to whether they occur before the end of the period.

Non-consolidated share dividends are entered in financial revenues for the period in which the distribution was decided upon.

- *Contributions to the plant account*

Contributions to the plant account made in periods prior to 1998 for investments were credited, at the moment of the payment, directly to shareholders’ equity. Those made on the basis of Law 488/92 after 31 December 1997 were brought to account in deferred income and credited to the profit and loss account for the period with reference to the depreciation rate applicable to assets for which the said contributions were recognised.

- *Current and deferred taxes*

Taxes for the period have been calculated on the basis of an estimate of taxable revenue, in accordance with provisions in force, taking account of the exemptions applicable, tax credits on dividends due on the basis of forecast profits for 2003 of the subsidiaries and the final effective annual rate presumed to be in force at the end of the period. Also listed are deferred and/or advance taxes on the time differences between the financial statements results and tax liabilities of each Group company, and where applicable, to changes on consolidation.

Scope of consolidation

Firms included in the consolidation are as follows:

| Company title | Head Office | Capital at 30/06/2003 | Percentage holding of the Group |
|---|--------------------|------------------------------|--|
| Caltagirone Editore S.p.A. | Rome | 125.000.000 | Parent Company |
| Il Messaggero S.p.A. | Rome | 48.598.000 | 90% |
| EDI.ME. Edizioni Meridionali S.p.A. | Rome | 500.000 | 90% |
| PIEMME S.p.A. (1) | Rome | 104.000 | 100% |
| IL Mattino Società Editrice Meridionale S.E.M. S.p.A. (2) | Rome | 2.481.600 | 100% |
| Caltanet S.p.A. | Rome | 5.414.463 | 98,78% |
| Sigma Editoriale S.p.A | Rome | 103.200 | 90% |
| Cedfin Srl | Roma | 10.200 | 100% |
| Cedlux S.A. | Luxembourg | 31.000 | 100% |
| B2WIN S.p.A. (3) | Rome | 1.000.000 | 100% |
| Emera S.p.A. (1) | Rome | 2.496.000 | 100% |

(1) Held through Il Messaggero S.p.A.; (2) Held through Emera S.p.A.; (3) Held through Caltanet S.p.A.

The subsidiaries EDI.ME. Sport S.r.l. and Noisette S.A., the latter having its head office in Madeira and having been bought in January 2003, have not been consolidated with the global integration method because, being non-operational, the values were insignificant; they are valued at cost, which does not differ much from valuation using the net equity method.

The consolidation has changed as follows:

- Compared with 30 June 2002:
 - On 26 July 2002, Piemme S.p.A split off a corporate branch by setting up a recipient company named Emera S.p.A, with its offices in Rome, Via Montello 10 and with capital of 2,496,000 euros, entirely held by Il Messaggero S.p.A.. After this split the shareholding in the subsidiary Il Mattino SEM S.p.A was transferred to the new company Emera S.p.A.
 - On 2 August 2002 the shares in the company Join Consulting S.r.l. held by Caltanet S.p.A. were transferred to third parties.
- Compared to 31 December 2002 no changes were made to the consolidation area.

Consolidation criteria

The consolidation was carried out using the total integration method. The criteria adopted for application of this method were the following:

- the book value of the shareholdings, held by the Parent Company or by other companies within the consolidation, is eliminated against the relative net equity on the date the associated company was first included in the consolidation, taking into consideration the taking over of assets and liabilities, and the costs and revenues of the subsidiaries;
- The positive difference arising from this elimination is entered in an assets heading, entitled “difference on consolidation” and depreciated over a period of 30 years; the negative difference is entered under a net equity heading entitled “consolidation reserve”;
- Profit and loss and balance sheet balances arising from operations between the consolidated companies in question are eliminated, as are profits arising from operations between the companies of the Group, net of any tax effect, and any dividends distributed by the consolidated companies.
- the shares of the net equity and the results of the period appertaining to minority interests are shown in appropriate headings in net equity and in the consolidated balance sheet;
- balances are corrected to eliminate tax items, mainly early or excessive depreciation affecting the residual life of the asset..

For consolidation purposes, accounts statements have been prepared on 30 June 2003 by each of the companies within the consolidation. These have been reclassified and where necessary amended to as to harmonise them with the accounting principles of the Group.

All amounts listed below are expressed in thousands of euros.

C) INFORMATION ON THE BALANCE SHEET

FIXED ASSETS

Intangible fixed assets

Details of the intangible fixed assets are below:

| | Balance at 31/12/2002 | Increases | Amortisation | Balance at 30/06/2003 |
|--|----------------------------------|------------------|---------------------|----------------------------------|
| Formation and extension costs | 16.184 | - | 3.373 | 12.811 |
| Research, development and advertising costs | 3.165 | 2 | 833 | 2.334 |
| Patent rights and use of intellectual property | 41 | - | 18 | 23 |
| Concessions, licences, trademarks and similar rights | 100 | 13 | 34 | 79 |
| Goodwill | 94.441 | - | 1.817 | 92.624 |
| Other | 2.607 | 317 | 505 | 2.419 |
| Consolidation difference | 37.128 | - | 688 | 36.440 |
| Total | 153.666 | 332 | 7.268 | 146.730 |

Formation and extension costs are almost wholly attributable to charges sustained by Caltagirone Editore S.p.A. in relation to its Stock Exchange listing.

Research, development and advertising costs are mainly represented by the investments made for the launch of the Caltanet.it portal, started on 15 April 2000.

The patent rights and use of intellectual property concern expenditure on applicative software by the subsidiaries Caltanet S.p.A. and B2WIN S.p.A.

The goodwill arises from the attribution of part of the merger deficit from the incorporation into of Il Messaggero S.p.A. of the Società Editrice Il Messaggero S.p.A., effected during the 1999 period. The difference in value at 31 December 2002 is due to amortisation for the period, calculated over 30 years.

The item "other fixed assets" includes amongst other items 547 thousand euros for refurbishing some leased offices and 1,720 thousand euros for use of application software. The

increase is attributable to the extent of 86 thousand euros to improvements to leased property during the half-year, for 189 thousand euros for applicative software investments and 42 thousand euros for other investment.

Details of the consolidation difference are given below:

| | Gross value at 30/06/2003 | Amortisation provision at 30/06/2003 | Net value at 30/06/2003 |
|-----------------------|--------------------------------------|---|------------------------------------|
| Piemme S.p.A. | 8.678 | 1.013 | 7.665 |
| Il Mattino SEM S.p.A. | 32.575 | 3.800 | 28.775 |
| Total | 41.253 | 4.813 | 36.440 |

Tangible fixed assets

The tangible fixed assets are shown net of the depreciation provisions and are made up as follows:

| | Historic cost at 30/06/2003 | Depreciation provisional 30/06/2003 | Net value at 30/06/2003 | Net value at 31/12/2002 |
|--|--|--|------------------------------------|------------------------------------|
| Land and buildings | 13.508 | 3.127 | 10.381 | 10.570 |
| Plant and machinery | 71.599 | 48.694 | 22.905 | 24.438 |
| Industrial and commercial equipment | 1.803 | 1.590 | 213 | 256 |
| Other goods | 19.473 | 14.633 | 4.840 | 4.671 |
| Fixed assets in course | 41.775 | - | 41.775 | 23.229 |
| Total | 148.158 | 68.044 | 80.114 | 63.164 |

Movements during the period are shown in the following table:

Tangible fixed assets

| Category | Historic cost at 31/12/2002 | Increases | Decreases | Historic cost at 30/06/2003 |
|-------------------------------------|--|------------------|------------------|--|
| Land and buildings | 13.508 | - | - | 13.508 |
| Plant and machinery | 71.588 | 11 | - | 71.599 |
| Industrial and Commercial equipment | 1.797 | 6 | - | 1.803 |
| Other goods | 18.726 | 880 | 133 | 19.473 |
| Fixed assets in course | 23.229 | 18.546 | - | 41.775 |

| | | | | |
|--------------|----------------|---------------|------------|----------------|
| Total | 128.848 | 19.443 | 133 | 148.158 |
|--------------|----------------|---------------|------------|----------------|

Depreciation provisions

| Category | Deprec. provision at 31/12/2002 | Share of deprec. for period | Decrease in provision | Deprec. provision at 30/06/2003 |
|-------------------------------------|---------------------------------|-----------------------------|-----------------------|---------------------------------|
| Buildings | 2.938 | 189 | - | 3.127 |
| Plant and machines | 47.150 | 1.544 | - | 48.694 |
| Industrial and commercial equipment | 1.541 | 49 | - | 1.590 |
| Other goods | 14.055 | 699 | 121 | 14.633 |
| Total | 65.684 | 2.481 | 121 | 68.044 |

The most important change in terms of investment compared to values at 31 December 2002 noted in the statements and related to “fixed assets in course” is represented by recent investments for the construction of a new press centre in Rome, at Torrespaccata, by Il Mattino SEM S.p.A. The investment is for a total of about 65 million euros and was concluded during July.

The increase in the entry “other goods” is due mainly to the purchase of electronic office machines for about 742 thousand euros, relating mainly to the purchase of new technological instruments such as computers, servers, network devices, used for the normal updating of the computer structures of the companies Il Messaggero S.p.A. and Piemme S.p.A.

The net value of the heading Land and Buildings, shared by the Group companies is as follows:

| | Balance at 30/06/2003 | Balance at 31/12/2002 | Changes |
|-----------------------|-----------------------|-----------------------|--------------|
| Edi.Me S.p.A. | 8.510 | 8.641 | (131) |
| Il Mattino SEM S.p.A. | 1.488 | 1.536 | (48) |
| Il Messaggero S.p.A. | 383 | 393 | (10) |
| Total | 10.381 | 10.570 | (189) |

The change is due entirely to the depreciation instalment for the half-year..

For Edi.Me S.p.A the value represents the press centre offices in Caivano (NA). For Il Mattino SEM S.p.A. the amount mainly represents the building in Naples housing the offices of the daily Il Mattino.

In the same way, the net value of the item Plant and Machinery is shared as shown below by the Group companies

| | Balance at 30/06/2003 | Balance at 31/12/2002 | Changes |
|-------------------------|------------------------------|------------------------------|----------------|
| Edi.Me S.p.A. | 12.684 | 13.715 | (1.031) |
| Il Messaggero S.p.A. | 10.196 | 10.701 | (505) |
| Sigma Editoriale S.p.A. | 25 | 22 | 3 |
| Total | 22.905 | 24.438 | (1.533) |

Plant and machinery are the main value items, net of depreciation, of the printing equipment owned by the Group. In compliance with article 10 of Law 72 of 19.3.83 notification is given of goods up to now in the corporate assets for which monetary revaluation has been carried out in derogation of the legal valuation criteria, based on the rules at the 4th paragraph of article 2423 of the civil code.

The revaluations carried out under law 342/2000 have been eliminated in the consolidated balance sheets, as they only concerned certain categories of assets and only some Group companies.

| | Law n. 72/83 | Law n. 413/91 | Total |
|--------------------|---------------------|----------------------|--------------|
| Buildings | 942 | 586 | 1.528 |
| Plant and machines | 1.092 | -- | 1.092 |
| Other goods | 220 | -- | 220 |
| Total | 2.254 | 586 | 2.840 |

Financial fixed assets

Financial fixed assets consist of the following:

| | Balance at 30/06/2003 | Balance at 31/12/2002 | Changes |
|---|------------------------------|------------------------------|----------------|
| Holdings in non-consolidated subsidiaries | 12 | 7 | 5 |
| Holdings in other firms | 81.836 | 70.029 | 11.807 |
| Credits from subsidiaries | 12 | 12 | - |
| Credits from others | 1 | 1 | - |
| Other stock | 5 | 7 | (2) |

| | | | |
|-----------------|---------------|---------------|---------------|
| Treasury shares | 164 | 164 | - |
| Total | 82.030 | 70.220 | 11.810 |

The increase compared to the 2002 period for the heading “Holdings in other firms” is mainly due to the reclassification of the heading “Financial Assets not constituting fixed assets” for the amount of 5.542 thousand euros relating to ordinary shares in Banca Monte dei Paschi di Siena S.p.A. and to the purchase of a further 2,700,000 shares in the same bank for a value of 6,035 thousand euros.

At 30 June 2003 the Group, through the subsidiary Sigma Editoriale S.p.A. held a total number of ordinary shares in Banca Monte dei Paschi di Siena S.p.A amounting to 5,000,000 for an overall value of 11,577 thousand euros; this book value being less than the amount at 30 June 2003 by around 298 thousand euros.

148 thousand euros of the increase is mainly due to the subsequent purchase of 76,450 shares in R.C.S. Mediagroup S.p.A. by the Parent Company Caltagirone Editore S.p.A.

We note finally the revaluation, by 82 thousand euros, of the shareholdings in the Società ANSA S.r.l. held by Il Messaggero S.p.A. and by Edi. Me. S.p.A.

The modest shareholdings in non-consolidated subsidiaries refer to the shareholding in EDI.ME. Sport S.r.l. 100% controlled by EDI.ME S.p.A. and in Noisette S.A., 98% controlled by Cedfin S.r.l. and 2% by Sigma Editoriale S.p.A.

The shareholdings in other firms at 30 June 2003 are as follows:

| | % shareholding | Book value |
|--|-----------------------|-------------------|
| R.C.S. Mediagroup S.p.A. | 2,0514% | 55.295 |
| Euroqube S.A. | 18,17% | 14.127 |
| Banca Monte dei Paschi di Siena S.p.A. | 0,1659% | 11.577 |
| ANSA S.c.r.l. | 6,14% | 777 |
| Immobiliare Editrice Giornali | 4,55% | 32 |
| Casaclick S.p.A. | 0,23% | 21 |
| Sviluppo Quotidiani S.r.l. | 16,67% | 7 |
| Total | | 81.836 |

The shareholding in R.C.S. Mediagroup S.p.A. consists of 15,000,000 ordinary shares held by the Parent Company Caltagirone Editore S.p.A; the book value of these shares is greater than their listing on 30 June 2003 by about 20,384 thousand euros.

The shareholding in ANSA S.r.l. is held through the subsidiaries Il Messaggero S.p.A. and Edi.Me S.p.A.

The credits due to subsidiaries concern the subsidiary Edi.Me Sport S.r.l. and have a duration of less than five years.

The balance of treasury shares amounting to 164 thousand euros represents 31,040 ordinary shares in Caltagirone Editore S.p.A., corresponding to 0.02% of the whole capital; these shares are held directly by the Parent Company.

WORKING CAPITAL

Inventories

Inventories at 30 June 2003 amounted to 2,026 thousand euros (3,852 thousand euros at 31 December 2002) and are represented solely by raw materials, ancillary and consumer items. The raw materials are mostly paper and ink and account for 1,554 thousand euros for Il Messaggero S.p.A. and for 472 thousand euros for Edi.Me S.p.A. The reduction in stocks compared with the amount entered at the end of 2002 is mainly due to the timing and termination of supply contracts for raw materials as well as to a reduction in the unit price of paper.

The valuation of stocks at market prices does not cause significant differences in the values shown in the balance sheets.

Trade receivables

Details of trade receivables are shown below:

| | Balance at 30/06/2003 | Balance at 31/12/2002 | Changes |
|--|----------------------------------|------------------------------|----------------|
| Trade receivables due in the next financial period | 85.920 | 80.637 | 5.283 |
| Provision for writedown of credits | (8.539) | (9.412) | 873 |
| Trade receivables due after the next period | 27 | 27 | - |
| Total | 77.408 | 71.252 | 6.156 |

Trade receivables arise almost wholly from advertising carried out for the Group through PIEMME S.p.A. and the increase compared with the customer balance at 31 December 2002 is linked to the increase in turnover in the half-year compared with the previous.

The change in the writedown provision is linked to harmonisation of the values of the credits with their presumed realisation value.

There are no credits with due dates later than the five next periods.

Credits to others

The table below shows the breakdown of the main items which make up this balance:

| | Balance at 30/06/2003 | Balance at 31/12/2002 | Changes |
|--|----------------------------------|----------------------------------|----------------|
| Credits from the Tax Authority- due within period | 14.603 | 14.484 | 119 |
| Credits from the Tax Authority for VAT – due within period | 2.806 | 25 | 2.781 |
| Advance taxes | 8.635 | 9.538 | (903) |
| Credits from staff | 686 | 473 | 213 |
| Other credits – due within period | 1.329 | 2.067 | (738) |
| Total Credits from others – due within period | 28.059 | 26.587 | 1.472 |
| Credits from others – due after period | 1.482 | 2.251 | (769) |
| Total Credits from Others | 29.541 | 28.838 | 703 |

Credits from the Tax Authorities for taxes are represented by tax credits on dividends (5,564 thousand euros) falling within the 2002 period, advances for IRPEG and IRAL, direct taxes, credits from the Tax Authority for reimbursement requests and other tax credits.

Credits from the Tax Authority for VAT show the net VAT position arising from the Group's liquidation procedure for this tax.

Credits for advance taxes, entered in compliance with Accounting Principle 25, refer to time lapses between the amounts in the balance sheet and the corresponding recognised tax values. These differences refer essentially to provisions for risks and charges and to the credit writedown provision for the period temporarily being taxed, as well as the effects of writedowns of shareholdings, postponed to future financial periods in tax terms.

The other credits include an amount of 787 thousand euros for positions taken with Caltagirone S.p.A Group companies relating to commercial business dealt with on market terms, in particular towards Alfa Editoriale S.r.l. (655 thousand euros) for supplies of paper. The remaining credits consist of positions with the social security bodies, public bodies, deposits and other sundry credits.

Credits from others, due after the period, consist largely of credits from the Tax Authority in respect of advances to the Tax Authority for IRPEF for accrued severance indemnity provisions for Messaggero and Edi.Me employees and for tax roll payments made for Edi.Me. for previous periods, which, in accordance with Law 289/2002, has later resulted in a credit position for the Company.

There are no credits due after the five next periods.

Advances to suppliers

Advances to suppliers for services, amounting to 134 thousand euros, concern the supply of plant to be installed in the new press centre in Rome, in course of construction.

Cash and cash equivalent

Details of the principal items that make up this balance are listed in the table below:

| | Balance at 30/06/2003 | Balance at 31/12/2002 | Changes |
|--------------------------|----------------------------------|----------------------------------|----------------|
| Bank and postal deposits | 583.503 | 553.922 | 29.581 |
| Money and stocks in hand | 159 | 133 | 26 |
| Total | 583.662 | 554.055 | 29.607 |

Most of the cash and cash equivalent of the Group consists of financial instruments obtained through the market operation to increase the capital of the Parent Company. The increase in bank deposits during the half-year is the result of receiving a loan from San Paolo - IMI of 50 million euros and operational liquidity flows from ordinary operations, net of investments effected during the half-year for the new press centre and the purchase of shares in Monte dei Paschi di Siena S.p.A.

Accruals and referrals

Accruals, equal to 1,221 thousand euros, represent shares of revenues for interest on bank deposits falling within the period.

Deferrals, amounting to 295 thousand euros, relate to shares of costs falling due in the next period for insurance premiums, leasing fees and information agencies.

NET EQUITY

The capital at 30 June 2003 is unchanged at 125 million euros; it consists of 125,000,000 ordinary shares with a nominal value of 1 euro each.

The Share Premium Reserve decreased by 2,499 thousand euros in implementation of the General Meeting decision of 24 June 2003, allocating this share to the shareholders as an extraordinary dividend.

The 31,040 shares in Caltagirone Editore S.p.A. held directly by the Parent Company represent the Reserve for treasury shares in the portfolio.

The Reserve for purchase of treasury shares, amounting to 29,836 euros, to be used for the purchase and sale of treasury shares in accordance with article 2357 and following of the Civil Code, was decided at the General Meeting of 24 June 2003. The Reserve for the Purchase of Treasury Shares is unavailable until the end of the time period allowed to carry out the purchases of treasury shares planned for within 18 months of the date of the said decision.

The Other Reserves amounting to 16,620 thousand euros include the consolidation reserve consisting of the greater part of net equity of the Group relating to the cost of some associated companies.

The comparison between the items in the half-yearly report of the Parent Company and those of the consolidated half-yearly report, regarding net equity and the result for the period, as well as the changes in the items of consolidated net equity is noted in the Appendix

CAPITAL AND RESERVES OF MINORITY SHAREHOLDERS

This shows the share appertaining to minority shareholders allocated on the basis of the percentages they possessed on 30 June 2003, inclusive of the result for that period.

PROVISIONS FOR RISKS AND CHARGES

For taxes

The provision for taxes, amounting to 19,263 thousand euros, consists of 9,303 thousand euros for deferred taxes on consolidation adjustments, to which the theoretical ratios chosen with reference to current and future ratios have been applied on the basis of tax regulations, of 319 thousand euros of deferred taxes on the gains for which taxation has been postponed to future periods and finally of 9,641 thousand euros from fiscal liabilities on the basis of the fiscal burden, increased in proportion to the gross profit for the period.

Relating to deferred taxes on consolidation adjustments, the provision is mainly due to the different periods of amortisation of the Goodwill entered for “Il Messaggero” compared with what was shown by the latter company in its own financial statements, which envisaged amortisation over 10 years to obtain tax benefits otherwise not available.

Other provisions for risks and charges

The heading Provisions for Risks and Charges includes the amounts set aside for potential liabilities and consists of the following:

| | Balance at 31/12/2002 | Provisions | Usage | Balance at 30/06/2003 |
|--|----------------------------------|-------------------|--------------|----------------------------------|
| Provisions for grievances and disputes | 6.220 | - | - | 6.220 |
| Provision for contractual risks | 350 | - | - | 350 |
| Provision for supplementary compensation | 236 | 41 | - | 277 |
| Other provisions for risks and charges | 158 | 75 | (39) | 194 |
| Total Other Provisions | 6.964 | 116 | (39) | 7.041 |

The Fund for grievances and disputes consists of provisions effected by Il Messaggero S.p.A. and Edi.Me S.p.A., for future liabilities arising mainly from demands for compensation for defamation and from labour legal actions. The fund was estimated taking account of the special nature of the activity carried out, on the basis of experience gained in similar situations; considering the objective difficulty in estimating the charges linked to individual actions under way. The disputes and grievances fund is unchanged compared with that on closure of the 2002 period inasmuch as the charges accrued during the period were directly attributed to the profit and loss account.

The supplementary compensation customer fund concerns mainly Piemme S.p.A., reflecting prudent appreciation of the risk connected with any interruption of the mandate granted to agents in cases covered by the law,

The Fund for other provisions includes potential costs for some minor disputes.

EMPLOYEES SEVERANCE INDEMNITY

Movements in this Fund during the period are listed below.

| | |
|------------------------------|---------------|
| Balance at 31/12/2002 | 32.552 |
| Provisions | 2.215 |
| Utilisation | (1.776) |
| Balance at 30/06/2003 | 32.991 |

The total balance shows the amounts set aside in favour of staff for severance indemnities due under the Law, net of advances and lump sums paid to staff.

PAYABLES

Due to banks

Payables to banks are as follows:

| | Balance at 30/06/2003 | Balance at 31/12/2002 | Changes |
|--|----------------------------------|----------------------------------|----------------|
| Due to banks (ordinary current a/cs) | 24.986 | 26.511 | (1.525) |
| Bank loans, medium/long term, due within 12 months | 1.048 | 1.810 | (762) |
| Total short term payables | 26.034 | 28.321 | (2.287) |
| Bank loans, medium/long term, due after 12 months | 55.069 | 5.603 | 49.466 |
| Total payables | 81.103 | 33.924 | 47.179 |

Medium and long term Bank loans are represented by two loans taken to finance the investment for the construction of the above mentioned press centre: the first is a variable rate loan

granted by Banca Intesa, for an original sum of 10,329 thousand euros to Il Mattino Sem S.p.A; the residual amount at 30 June 2003 was 6.117 thousand euros; the last instalment is due in June 2008. The instalment due in the period amounts to 1,048 thousand euros while the amount falling due after the period is 5,069 thousand euros. This loan is backed by tangible security through taking out a mortgage on the buildings owned by Il Mattino Sem S.p.A. for a total amount of 25.8 million euros.

The second is a first issue of 50 million euros, taken in June 2003, of a loan at variable rate for a total of 60 million euros granted by San Paolo - IMI to Il Mattino Sem S.p.A.; the last 10 million euros were given in August 2003. The loan envisages payment of the first capital instalment in December 2005 while the last will fall due in June 2018 (15 years); however the part falling due within the period is zero, while the part falling due after the period amounts to 50 million euros. This loan is backed by tangible security by means of a mortgage on buildings owned by Il Mattino Sem S.p.A. for a total amount of 60 million euros. The amount of the loan due beyond the five next period amounts to 40,053 thousand euros

Due to other financial institutions

In the table below shows the breakdown of the main headings comprising the balance:

| | Balance at 30/06/2003 | Balance at 31/12/2002 | Changes |
|---|----------------------------------|----------------------------------|----------------|
| Loans, medium/long term, due within 12 months | 2.359 | 2.311 | 48 |
| Loans, medium/long term due after 12 months | 19.059 | 20.251 | (1.192) |
| Total due to other institutions | 21.418 | 22.562 | (1.144) |

The balance consists of two loans granted by Mediocredito Lombardo to the Parent Company Caltagirone Editore S.p.A. and to Edi.Me. S.p.A. respectively for 11,620 and 9,812 thousand euros and by a subsidised loan under Law 416 of 5 August 1981, taken by Il Messaggero S.p.A. from Mediocredito Lombardo for an original value of 4,028 thousand euros.

For the loans taken by the Parent Company and by Edi.Me. S.p.A. the first instalment fell due on 30 June 2002, when the pre-amortisation period finished, the last instalment is fixed for 2011.

As surety for the above loans mortgages were given on the land and buildings of the factory of Edi.Me. S.p.A at Caivano for a total of 37,510 thousand euros and a “privileged position” on goods destined for the said factory for a total amount of 17,170 thousand euros. The short-term part amounts to 1,865 thousand euros, of which 1,011 thousand and 854 thousand euros respectively relate to Caltagirone Editore S.p.A. and to Edi.Me. S.p.A. The long-term part amounts to 16,920 thousand euros, of which 9,174 is attributed to Caltagirone Editore S.p.A. and 7,747 to Edi.Me. S.p.A. The amount due beyond the next five periods for both loans amounts to 8,588 thousand euros.

The residual debt at 30 June 2003 for the subsidised loan, under Law 416 of 5 August 1981, taken by Il Messaggero S.p.A. from Mediocredito Lombardo, amounts to 2,633 thousand euros, of which 494 thousand euros within the period and 2.139 thousand euros after the next period. This loan is backed by a first option on printing and newspaper despatch equipment.

Trade payables

At 30 June 2003 the value of trade payables was 25,524 thousand euros (24,747 thousand euros at 31 December 2002) wholly due within the period. These payables refer mainly to subsidiaries operating in the publishing sector and relate to purchases of raw materials and fixed asset investments.

Tax payables

The tax payables item, for 4,145 thousand euros, includes the debt for IRPEF withholdings for employees and self-employed workers and the debt for acceptance of the tax

amnesty of Decree Law 282/2002 and Law 27/2003, the latter referring in particular to Il Messaggero S.p.A., Edi. Me. S.p.A. and Piemme S.p.A.

Payables for supplementary benefits and social security

These amount overall to 3,929 thousand euros (7,030 thousand euros at 31 December 2002) and refer to payables to these institutions for the part borne by companies of the Group and the part borne by employees. As happened during the last period, the balance includes an appropriation for actuarial reserves for settlement with the relevant bodies in accordance with early retirement and restructuring in Il Messaggero S.p.A. and Edi. Me. S.p.A.

Other payables

The other payables, amounting to 51,619 thousand euros (of which 14 thousand euros are due after the next period) consist mainly of payables to shareholders for dividends agreed at the General Meeting of 24 June 2003 (24,994 thousand euros), of debit positions for around 13,534 thousand euros with companies of the Caltagirone S.p.A. Group for trade transactions at market rates, 11,270 thousand euros of which to Vianini Lavori S.p.A., of payables to staff for 6,837 thousand euros and of other payables for a call for subscribed capital to be paid by the subsidiary Caltanet S.p.A. on the capital of Euroqube S.A. in relation to the capital increase agreed on 16 July 2001 (2,713 thousand euros).

Except where specifically mentioned, there are no payables due after the five next periods.

Accruals and deferrals

This item breaks down as follows:

| | Balance at 30/06/2003 | Balance at 31/12/2002 | Changes |
|--------------|----------------------------------|----------------------------------|----------------|
| Accruals | 927 | 1.077 | (150) |
| Deferrals | 5.588 | 5.957 | (369) |
| Total | 6.515 | 7.034 | (519) |

The accruals consist of contributions obtained under Law 488/92 by EDI.ME. for modernisation of plant and for construction of the press centre at Caivano (NA). The placing of this contribution in the profit and loss account is in line with the duration of the depreciation of the fixed asset benefiting from this facility.

MEMORANDUM ACCOUNTS

The memorandum account refer to sureties, risks and commitments assumed by the group, as shown below:

| | Balance at 30/06/2003 | Balance at 31/12/2002 | Changes |
|-----------------------------------|----------------------------------|----------------------------------|----------------|
| Sureties issued for third parties | 1.811 | 1.808 | 3 |
| Leasing fees | 3 | 3 | - |
| Other memorandum accounts | 780 | 608 | 172 |
| Total | 2.594 | 2.419 | 175 |

D) INFORMATION ON PROFIT AND LOSS ACCOUNT

REVENUES

The table below shows the breakdown of revenues from sales and services:

| By type | 1° half 2003 | 1° half 2002 | Change |
|---|---------------------|---------------------|---------------|
| Sales of newspapers | 39.549 | 33.738 | 5.811 |
| Advertising | 83.582 | 78.646 | 4.936 |
| Internet Services | 127 | 111 | 16 |
| Services rendered | 1.069 | 1.309 | (240) |
| TOTAL revenues from sales and services | 124.327 | 113.804 | 10.523 |

Progress of sales for the two main newspapers and progress of revenues from advertising are described in the Operations Report.

Revenues for “services rendered” consist mainly of the activity of the subsidiary B2Win S.p.A. and of services rendered to other companies of the Caltagirone Group; their reduction compared with the corresponding last year is explained by the sale of the subsidiary Join Consulting S.r.l.

PRODUCTION COSTS

- *Purchases*

“Purchases”, amounting to 12,979 thousand euros (15,360 thousand euros in the first half of 2002), consist mainly of paper and consumer items for publishing. The decrease compared with the first half of 2002 is mainly due to the reduction in the unit purchase price of paper.

- *Services*

Costs of “services”, amounting to 39,644 thousand euros (35,174 thousand euros for the first half of 2002) consist mainly of the use of motor power, finishing work and outsourced production, transport costs, maintenance and repairs, editing services, purchase of advertising space in newspapers not owned by the Group, sub-tendering, remuneration of agents, insurance premiums, promotional activities, postal and telephone services and other services and consultancies.

The increase compared with the first half of 2002 is due mainly to costs sustained for developing promotional activities linked to the sale of videocassettes and books linked to the distribution of daily newspapers. The equivalent increase in sales revenue is to be found in the heading “sales of daily newspapers” within Revenues.

- *Rents and leases*

The item “costs for use of rented and leased property” amounting to 2,394 thousand euros (2.285 thousand euros in the first half of 2002) is represented mainly by the cost of renting the editorial offices and factory where Il Messaggero is printed as well as leasing fees and rents.

- *Staff*

The cost of staff amounted to 38,726 thousand euros (39,196 thousand euros) in the first half of 2002).

In the table below is shown the average number of staff, by category:

| | Average2003 | Average 2002 |
|-------------------------------|--------------------|---------------------|
| Senior staff | 20 | 21 |
| Office staff | 354 | 397 |
| Journalists and collaborators | 458 | 463 |
| Workers | 104 | 114 |
| Total | 936 | 995 |

- *Amortisation and writedowns*

The item refers to amortisation and depreciation of intangible and tangible fixed assets for 9,061 thousand euros (8,798 thousand in the first half of 2002), appropriations to the bad debt provision for 472 thousand euros (644 thousand for the first half of 2002) and to the amortisation of the consolidation differences for 688 thousand euros (747 thousand in the first half of 2002).

Amortisation of intangible fixed assets amounting to 6,580 thousand euros, including 1,816 thousand euros for amortising the goodwill entered as an attribution of part of the merger deficit caused by the incorporation by Il Messaggero S.p.A. of Società Editrice Il Messaggero S.p.A., carried out in 1999.

Depreciation of fixed assets, amounting to 2,481 thousand euros (2,169 thousand in the 1st half of 2002), including 1,545 thousand euros for depreciation of plant and machines, almost all represented by printing and rotating presses of the subsidiaries Edi.Me S.p.A. and Il Messaggero S.p.A.

Appropriations to the bad debt provision (472 thousand euros) refer mainly to the trade credits of Piemme S.p.A.

- *Sundry operating charges*

The sundry operating charges amounting to 882 thousand euros (860 thousand in the first half of 2002) consist of various types of cost, such as representational expenses, indirect taxes, municipal taxes, and contributions to trade associations, subscriptions to newspapers and periodicals, gifts and promotional articles and other sundry expenses.

FINANCIAL REVENUES AND COSTS

Financial revenues and costs are listed below:

| | 1° half of 2003 | 1° half of 2002 | Change |
|------------------------------------|-----------------|-----------------|----------------|
| Revenues from shareholdings | 630 | - | 630 |
| Other financial revenues | 7.321 | 9.697 | (2.376) |
| Total financial revenue | 7.951 | 9.697 | (1.746) |
| Interest and other financial costs | (1.310) | (1.569) | 259 |
| Total | 6.641 | 8.128 | (1.487) |

“Revenues from shareholdings” relate wholly to the dividends from the shareholding in the Banca Monte dei Paschi di Siena S.p.A. held by the subsidiary Sigma Editoriale S.p.A.

The “other financial revenues”, amounting to 7,321 thousand euros, consist almost wholly of interest on cash and cash equivalents represented by funds obtained through the increase in the capital of the

Parent Company from the market, which took place in July 2000. The reduction in revenues compared to the first half of 2002 is attributable to the drop in interest rates on financial markets.

The financial costs, amounting to 1,310 thousand euros, consist of 678 thousand euros of interest on payables to banks, 548 thousand euros of interest on loans and 84 thousand euros of bank expenses and commissions and other financial costs.

VALUE ADJUSTMENTS FOR FINANCIAL ACTIVITY

The balance, amounting to 80 thousand euros, refers to the revaluation of the shareholdings in ANSA S.r.l held by Il Messaggero S.p.A. and by Edi. Me. S.p.A., net of writedowns of 2 thousand euros.

EXTRAORDINARY REVENUES AND COSTS

Details of extraordinary revenues and costs are given in the table below:

| | 1° half of 2003 | 1° half of 2002 | Change |
|---|-----------------|-----------------|----------------|
| Capital gain on disposals | 7 | 264 | (257) |
| Other extraordinary revenues | 153 | 182 | (29) |
| Total | 160 | 446 | (286) |
| Capital loss on disposals | - | (1) | 1 |
| Other extraordinary costs | (2.424) | (4.702) | 2.278 |
| Taxes related to previous periods | (4.698) | (610) | (4.088) |
| Total extraordinary costs | (7.122) | (5.313) | (1.809) |
| Total extraordinary revenues (costs) | (6.962) | (4.867) | (2.095) |

The item “other extraordinary costs” is represented mainly by confirmation of costs for the payment of compensation to third parties and for settling disputes; this concerns especially the subsidiary Il Messaggero S.p.A. for the amount of 1,530 thousand euros.

Regarding the item “taxes related to previous periods, these are mainly due to acceptance of the tax amnesty under Decree Laws 282/2002 and 27/2003, especially for the subsidiaries Il Messaggero S.p.A., Edi. Me. S.p.A. and Piemme S.p.A.

INCOME TAX

This amounts to 7,949 thousand euros and includes, in addition to an estimate of taxes for the period for the consolidated companies (6,018 thousand euros), the effects of deferred and/or advance taxes on the consolidation entries, determined by reference to current and future rates, on the basis of tax regulations (1,931 thousand euros).

In determining current taxes we have taken special account of the tax liability expected at the closure of the period and the positive benefits for the Parent Company at the end of the period following the distribution of dividends from the main operating subsidiaries.

Rome, 12 September 2003

SCHEDULE OF THE CHANGES IN THE CONSOLIDATED NET EQUITY ACCOUNTS

AS AT 30/06/2003

(in thousands of Euro)

| | Balances at 31.12.02 | Allocation of profits to reserves | Movements between reserves | Dividends | Amounts available – Board of Directors | Other changes | Result at 30.06.2003 | Balances at 30.06.2003 |
|--|-------------------------------------|--|---|------------------|---|--------------------------|-------------------------------------|---------------------------------------|
| Share capital | 125.000 | - | - | - | - | - | - | 125.000 |
| Share premium reserve | 530.311 | - | - | (2.499) | - | - | - | 527.812 |
| Legal Reserve | 25.000 | - | - | - | - | - | - | 25.000 |
| Shares reserve treasury shares held | 164 | - | - | - | - | - | - | 164 |
| Extraordinary reserve | 8.300 | - | - | (2.751) | - | - | - | 5.549 |
| Reserve for the acquisition of treasury shares | 29.836 | - | - | - | - | - | - | 29.836 |
| Other reserves and results of previous financial periods | 20.077 | - | - | (3.054) | (403) | - | - | 16.620 |
| Result for the year/period | 16.690 | - | - | (16.690) | - | 10.943 | 10.943 | |
| Total Net Equity of the Group | 755.378 | - | - | (24.994) | (403) | - | 10.943 | 740.924 |

SCHEDULE OF THE CHANGES IN THE CONSOLIDATED NET EQUITY ACCOUNTS

AS AT 31.12.02

(in thousands of euro)

| | Balances at 31.12.01 | Allocation of profits to reserves | Movements between reserves | Dividends | Amounts available - Board of Directors | Other Changes | Result at 31.12.2002 | Balances at 31.12.2002 |
|--|-------------------------------------|--|---|------------------|---|--------------------------|-------------------------------------|---------------------------------------|
| Share capital | 125.000 | - | - | - | - | - | - | 125.000 |
| Share Premium | | | | | | | | |
| Reserve | 564.809 | - | (23.248) | (11.250) | - | - | - | 530.311 |
| Legal Reserve | 1.752 | - | 23.248 | - | - | - | - | 25.000 |
| Reserve for treasury shares held | - | - | - | - | - | 164 | - | 164 |
| Extraordinary reserve | 1.337 | - | 6.963 | - | - | - | - | 8.300 |
| Reserve for purchase of treasury shares | 30.000 | - | - | - | - | (164) | - | 29.836 |
| Other reserves and results of previous financial periods | 24.626 | - | (4.551) | - | - | 2 | - | 20.077 |
| Result for the year/period | 22.962 | - | (2.412) | (20.000) | (550) | | 16.690 | 16.690 |
| Total Group Net Equity | 770.486 | - | - | (31.250) | (550) | 2 | 16.690 | 755.378 |

CALTAGIRONE EDITORE GROUP

RECONCILIATION STATEMENT

BETWEEN THE RESULTS FOR THE PERIOD AND THE GROUP NET SHAREHOLDERS' EQUITY

AND SIMILAR CONSOLIDATED DATA

(in thousands of Euro)

30 June 2003

| | <u>RESULT</u> <u>FOR THE PERIOD</u> | <u>NET</u> <u>EQUITY</u> |
|--|--|---|
| NET EQUITY AND RESULT FOR THE PERIOD AS REPORTED IN THE FINANCIAL STATEMENTS FOR THE PERIOD FOR THE PARENT COMPANY | 2.741 | 716.102 |
| Effect of consolidation of the subsidiaries | 1.062 | (519) |
| Elimination of the tax entries in the statutory accounts, net of tax impact | 6.421 | 30.884 |
| Elimination (gains) and losses occurring within the group, net of tax impact | 1.485 | 3.026 |
| Allocation of net equity accruing to minority interests | (766) | (8.569) |
| NET EQUITY AND RESULT FOR THE PERIOD AS REPORTED IN THE CONSOLIDATED FINANCIAL STATEMENTS | 10.943 | 740.924 |

CALTAGIRONE EDITORE GROUP

CASH FLOW STATEMENT

(in thousands of Euro)

| | 30.06.2003 | 31.12.2002 |
|--|-------------------|-------------------|
| A. NET INITIAL MONETARY RESOURCES | 525.734 | 557.416 |
| B. CASH FLOW FROM (TO) INVESTMENTS | | |
| Profit for the period | 10.943 | 16.690 |
| Share of profits for the period for minority shareholders | 766 | 690 |
| Amortisation | 9.749 | 19.158 |
| Net (capital gains) losses from sale of tangible fixed assets | (7) | (623) |
| (Revaluations) or writedowns of financial fixed assets | (80) | 647 |
| (Revaluations) or writedowns of intangible fixed assets | - | - |
| Net change in the provisions for liabilities and charges | 7.123 | 1.919 |
| Net change in the provision for staff severance indemnities | 439 | (794) |
| Profit for the year before changes in working capital | 28.933 | 37.687 |
| (Increase) Decrease in working capital credits | (6.934) | 4.396 |
| (Increase) Decrease in inventories | 1.826 | 606 |
| (Increase) Decrease of non-fixed financial assets | 5.542 | (5.341) |
| (Increase) Decrease of trade payables and other debts | 26.719 | 1.009 |
| (Increase) Decrease in other working capital items | (1.066) | (251) |
| | 26.087 | 419 |
| | 55.020 | 38.106 |
| C. CASH FLOW FROM (TO) INVESTMENTS | | |
| Investments in fixed assets: | | |
| Intangible | (332) | (1.125) |
| Tangible | (19.443) | (24.606) |
| Financial: | | |
| Holdings | (11.730) | (9.344) |
| Credits | - | - |
| Treasury shares | - | (164) |
| Sale price or repayment value of fixed assets | 18 | 2.139 |
| | (31.487) | (33.100) |
| D. CASH FLOW FROM (TO) FINANCIAL OPERATIONS | | |
| Other increase (decrease) of reserves | - | 2 |
| Taking out a loan | 50.000 | - |
| Repayment of loans net of the short-term portion | (1.678) | (3.697) |
| Repayment of fixed asset loans | - | 112 |
| Distribution of profits and sums available from the Board of Directors | (25.397) | (31.800) |
| Net change in minority shareholders' net equity | (14.564) | (1.305) |
| | 8.361 | (36.688) |
| E. CASH FLOW FOR THE PERIOD (B+C+D) | 31.894 | (31.682) |
| F. NET FINAL SHORT-TERM MONETARY RESOURCES (A+E) | 557.628 | 525.734 |

List of holdings at 30.06.2003
under article 38 of Decree Law 127/1991

| TITLE | REGISTERED OFFICE | SHARE CAPITAL | CURRENCY | OWNERSHIP | |
|---|-------------------|---------------|----------|-----------|--|
| | | | | DIRECT | INDIRECT THROUGH |
| COMPANIES WITHIN THE CONSOLIDATION USING THE FULLY INTEGRATED METHOD | | | | | |
| IL MESSAGGERO SPA | ROME | 48.598.000 | Euro | 90% | - |
| EDI.ME. EDIZIONI MERIDIONALI SPA | ROME | 500.000 | Euro | 90% | - |
| PIEMME SPA | ROME | 104.000 | Euro | - | IL MESSAGGERO spa 100% |
| IL MATTINO SOC.ED. MERIDIONALE SEM SPA | ROME | 2.481.600 | Euro | 0,001% | EMERA S.P.A. 99,999% |
| CALTANET SPA | ROME | 5.414.463 | Euro | 98,778% | - |
| SIGMA EDITORIALE SPA | ROME | 103.200 | Euro | 90% | - |
| CEDFIN SRL | ROME | 10.200 | Euro | 99,995% | IL MATTINO SEM spa 0,005% |
| CED LUX S.A. | LUXEMBOURG | 31.000 | Euro | 99,99% | EDI.ME. spa 0,01% |
| B2WIN S.p.A. | ROME | 1.000.000 | Euro | - | CALTANET spa 99,00% SIGMA EDITORIALE S.P.A. 1,00% |
| EMERA S.P.A. | ROME | 2.496.000 | Euro | - | IL MESSAGGERO spa 100% |
| OTHER SHAREHOLDINGS IN SUBSIDIARIES | | | | | |
| E.DI.ME. SPORT SRL | NAPLES | 10.200 | Euro | - | EDI.ME. spa 99,50% |
| OTHER SHAREHOLDINGS | | | | | |
| SVILUPPO QUOTIDIANI SRL | ROME | 45.900 | Euro | - | EDI.ME. spa 16,666% |
| RCS MEDIAGROUP | MILANO | 760.559.800 | Euro | 2,05% | |
| EUROQUBE S.A. | BELGIUM | 77.461.250 | Euro | - | CALTANET spa 18,17% |

BALANCE SHEETS (in thousands of Euro)

| | 30.06.2003 | 31.12.2002 | 30.06.2002 |
|--|----------------|----------------|----------------|
| ASSETS | | | |
| (A) SHARE CALLS DUE FROM MEMBERS | - | - | - |
| (B) FIXED ASSETS | | | |
| I. INTANGIBLE FIXED ASSETS | | | |
| 1. Start-up, formation and expansion costs | 12.677 | 15.847 | 19.016 |
| 7. Others | 23 | 24 | 26 |
| | 12.700 | 15.871 | 19.042 |
| II. TANGIBLE FIXED ASSETS | | | |
| | - | - | - |
| III. FINANCIAL FIXED ASSETS | | | |
| 1. Shareholdings in: | | | |
| a) subsidiaries | 57.181 | 188.270 | 229.293 |
| b) other firms | 52.725 | 52.577 | 52.576 |
| | 109.906 | 240.847 | 281.869 |
| 4. Treasury shares: | 164 | 164 | - |
| TOTAL FIXED ASSETS (B) | 122.770 | 256.882 | 300.911 |
| (C) WORKING CAPITAL | | | |
| I. INVENTORIES | | | |
| | - | - | - |
| II. RECEIVABLES | | | |
| 2. To subsidiaries | | | |
| .due within the subsequent financial year | 68.858 | 22.166 | 520.542 |
| 5. From others: | | | |
| .due within the subsequent financial year | 5.775 | 10.907 | 2 |
| 8. Credits to other affiliated companies | | | |
| .due within the subsequent financial year | 1 | 1 | - |
| | 74.634 | 33.074 | 520.544 |
| III. NON-FIXED FINANCIAL ASSETS | | | |
| 4. Other shareholdings | - | - | - |
| IV. CASH AND CASH EQUIVALENTS | | | |
| 1. Bank and postal deposits | 557.929 | 532.204 | 10 |
| 3. Cash and cash equivalents | - | - | - |
| | 557.929 | 532.204 | 10 |
| TOTAL WORKING CAPITAL (C) | 632.563 | 565.278 | 520.554 |
| D) ACCRUALS AND DEFERRALS | 1.172 | 239 | - |
| TOTAL ASSETS | 756.505 | 822.399 | 821.465 |

BALANCE SHEETS (in thousands of Euro)

| | 30.06.2003 | 31.12.2002 | 30.06.2002 |
|--|----------------|----------------|----------------|
| LIABILITIES | | | |
| A. NET EQUITY | | | |
| I. CAPITAL | 125.000 | 125.000 | 125.000 |
| II. SHARE PREMIUM RESERVE | 527.812 | 530.311 | 530.311 |
| III. REVALUATION RESERVES | - | - | - |
| IV. LEGAL RESERVE | 25.000 | 25.000 | 25.000 |
| V. RESERVE FOR TREASURY SHARES HELD | 164 | 164 | - |
| VI. STATUTORY RESERVES | - | - | - |
| VII. OTHER RESERVES | 35.385 | 38.137 | 38.301 |
| VIII. PROFITS CARRIED-FORWARD | - | - | - |
| IX. PROFIT (LOSS) FOR THE YEAR/PERIOD | 2.741 | 20.146 | (4.162) |
| TOTAL (A) NET EQUITY | 716.102 | 738.758 | 714.450 |
| B. PROVISIONS FOR RISKS AND CHARGES | 519 | - | - |
| C. EMPLOYEES SEVERANCE INDEMNITY | 69 | 70 | 50 |
| D. PAYABLES | | | |
| 3. Due to Banks | | | |
| .due within the subsequent financial year | 727 | 582 | 2.907 |
| 4. Payables to other financial institutions: | | | |
| .due within the subsequent financial year | 1.011 | 989 | 694 |
| .due after the subsequent financial year | 9.174 | 9.685 | 10.458 |
| | 10.185 | 10.674 | 11.152 |
| 6. Due to suppliers: | | | |
| .due within the subsequent financial year | 243 | 170 | 119 |
| 8. Payables to subsidiaries: | | | |
| .due within the subsequent financial year | 1.789 | 70.777 | 2.646 |
| .due after the subsequent financial year | - | - | 88.372 |
| | 1.789 | 70.777 | 91.018 |
| 11. Tax payables: | | | |
| .due within the subsequent financial year | 62 | 52 | 420 |
| 12. Payables to pension and social security institutions | | | |
| .due within the subsequent financial year | 18 | 32 | 16 |
| 13. Other payables: | | | |
| .due within the subsequent financial year | 26.681 | 1.284 | 1.283 |
| 15. Payables to other affiliated companies: | | | |
| .due within the subsequent financial year | 110 | - | 50 |
| TOTAL (D) PAYABLES | 39.815 | 83.571 | 106.965 |
| E. ACCRUALS AND DEFERRALS | - | - | - |
| TOTAL LIABILITIES | 756.505 | 822.399 | 821.465 |

RECLASSIFIED INCOME STATEMENT
(CONSOB letter No. 94001437 of 23 February 1994)

(in thousands of Euro)

| | 30.06.2003 | 31.12.2002 | 30.06.2002 |
|---|----------------|-----------------|----------------|
| Dividends and tax credits from holdings in subsidiaries | - | 51.391 | 1.057 |
| Dividends and tax credits from other holdings | - | - | - |
| Capital gains from other holdings | - | - | - |
| TOTAL REVENUES FROM SHAREHOLDINGS | - | 51.391 | 1.057 |
| OTHER FINANCIAL INCOME | 8.003 | 2.855 | 114 |
| Interest and financial charges to subsidiaries | (43) | (2.924) | (1.442) |
| Interest and financial charges from third parties | (203) | (526) | (247) |
| TOTAL INTEREST AND OTHER FINANCIAL CHARGES | (246) | (3.450) | (1.689) |
| TOTAL FINANCIAL REVENUES AND COSTS | 7.757 | 50.796 | (518) |
| Writedowns | (7) | (22.105) | - |
| TOTAL ADJUSTMENTS TO FINANCIAL ASSETS | (7) | (22.105) | - |
| OPERATIONAL COSTS, NORMAL ACTIVITIES | (3.890) | (7.583) | (3.644) |
| EXTRAORDINARY REVENUES AND COSTS | (26) | (1) | - |
| RESULT BEFORE TAXES | 3.834 | 21.107 | (4.162) |
| INCOME TAX | (1.093) | (961) | - |
| RESULT FOR THE YEAR/PERIOD | 2.741 | 20.146 | (4.162) |

List of holdings at 30.06.2003
under article 120 of Decree Law n. 58 of 24.02.1998

(Caltagirone Editore S.p.A.)

(publication in compliance with article 126 of CONSOB ruling 11971 of 14 May 1999)

| TITLE | REGISTERED OFFICE | SHARE CAPITAL | CURRENCY | OWNERSHIP | | |
|--|-------------------|---------------|----------|-----------|----------------------|---------|
| | | | | DIRECT | INDIRECT THROUGH | |
| IL MESSAGGERO SPA | ROME | 48.598.000,00 | Euro | 90,00% | - | - |
| E.DI.ME. EDIZIONI MERIDIONALI SPA | ROME | 500.000,00 | Euro | 90,00% | - | - |
| PIEMME SPA | ROME | 104.000,00 | Euro | - | IL MESSAGGERO spa | 100,00% |
| IL MATTINO SOC.ED. MERIDIONALE SEM SPA | ROME | 2.481.600,00 | Euro | 0,001% | EMERA SPA | 99,999% |
| CALTANET SPA | ROME | 5.414.463,00 | Euro | 98,778% | - | - |
| SIGMA EDITORIALE SPA | ROME | 103.200,00 | Euro | 90,00% | - | - |
| CEDFIN SRL | ROME | 10.200,00 | Euro | 99,995% | IL MATTINO SEM spa | 0,005% |
| E.DI.ME. SPORT SRL | NAPLES | 10.200,00 | Euro | - | EDI.ME. spa | 99,50% |
| SVILUPPO QUOTIDIANI SRL | ROME | 45.900,00 | Euro | - | EDI.ME. spa | 16,666% |
| CED LUX S.A. | LUXEMBOURG | 31.000,00 | Euro | 99,99% | EDI.ME. spa | 0,01% |
| EUROQUBE S.A. | BELGIUM | 77.461.250,00 | Euro | - | CALTANET spa | 18,17% |
| B2WIN S.p.A. | ROME | 1.000.000,00 | Euro | - | CALTANET spa | 99,00% |
| | | | | | SIGMA EDITORIALE SPA | 1,00% |
| EMERA SPA | ROME | 2.496.000,00 | Euro | | IL MESSAGGERO spa | 100% |
| NOISETTE SERVICOS DE CONSULTORIA LDA | PORTUGAL | 5.000,00 | Euro | - | CEDFIN SRL | 98,00% |
| | | | | | SIGMA EDITORIALE SPA | 2,00% |