CALTAGIRONE EDITORE S.p.A.

HALF-YEAR INTERIM REPORT OF THE BOARD OF DIRECTOR'S ON THE OPERATIONS AS AT JUNE 30, 2005

Registered office – Via Barberini, 28
Share capital Euro 125,000,000

CALTAGIRONE EDITORE GROUP

BOARD OF DIRECTORS' REPORT

ON THE GROUP OPERATIONS

AS AT JUNE 30, 2005

° °° °° °°° °° === °° °°° °° °° °

A) INFORMATION ON THE OPERATIONS

The Caltagirone Editore Group ended the first half-year of 2005 with sales of Euro 143.24 million, an increase of 5.8% compared to Euro 135.34 million in the first half of 2004, and a gross operating margin of Euro 36.34 million, an increase of 2.8% compared to the corresponding period of the previous year (Euro 35.34 million). The percentage of the Ebitda margin on revenues was 25.4%.

The net result increased from Euro 13.20 million to Euro 47.67 million, benefiting from the gain realised on the sale of the shares in RCS Media Group S.p.A, equal to approximately Euro 30.06 million at consolidated level.

The results for the period are summarised in the following table:

In thousands of Euro

INCOME STATEMENT	***30/06/05***	***30/06/04***	***Change %***
VALUE OF PRODUCTION	**143,245**	**135,336**	**5.8%**
REVENUES FROM SALES	43,459	41,028	5.9%
ADVERTISING REVENUES	93,960	90,136	4.2%
OTHER INCOME AND REVENUES	5,826	4,172	39.6%
RAW MATERIALS AND CONSUMABLES	(13,930)	(12,536)	11.1%
SERVICES	(44,047)	(44,596)	-1.2%
USE OF THIRD PARTY ASSETS	(4,036)	(3,444)	17.2%
PERSONNEL COSTS	(43,651)	(38,428)	13.6%

OTHER OPERATING EXPENSES	(1,236)	(987)	25.2%
EBITDA	**36,345**	**35,345**	**2.8%**
AMORTISATION AND DEPRECIATION	(13,768)	(11,705)	17.6%
OTHER COSTS/INCOME	(1,426)	(1,834)	-22.2%
EBIT	**21,150**	**21,806**	**-3.0%**
FINANCIAL INCOME	47,553	9,308	410.9%
FINANCIAL COSTS	(1,494)	(3,044)	-50.9%
RESULT OF FINANCIAL MANAGEMENT	**46,059**	**6,264**	**635.3%**
GROSS RESULT	**67,209**	**28,070**	**139.4%**
EXTRAORDINARY OPERATIONS	(7)	(1,561)	-99.6%
PRE-TAX RESULT	**67,202**	**26,509**	**153.5%**
INCOME TAXES	(19,402)	(11,784)	64.6%
RESULT FOR THE PERIOD	**47,800**	**14,725**	**224.6%**
MINORITY SHARE	(130)	(1,528)	-91.5%
GROUP RESULT FOR THE PERIOD	**47,670**	**13,197**	**261.2%**

The revenues from sales increased by approximately 5.9% compared to the first half-year of 2004, which included the revenues relating to *Corriere Adriatico* and *Quotidiano di Puglia*, not present in the same period in the previous year.

In the first six months of 2005 the advertising revenues increased by approximately 4.2% compared to June 30, 2004, thanks to the excellent performance of Leggo, that recorded an increase of approximately 16% compared to the same period in the previous year, and to the entry, into the consolidation area, of the revenues of *Corriere Adriatico*, consolidated only from the second half of 2004. The revenues relating to the Quotidiano di Puglia were already consolidated in the Group, as the advertising revenue was included since 2000 in the concessionary Piemme S.p.A.

The increase in the principal operating costs, in particular raw material and personnel costs, is principally due to the full consolidation of the *Corriere Adriatico* and *Quotidiano di Puglia*, not included in the consolidation area in first half of 2004.

The Ebit, equal to Euro 21.15 million, decreased slightly due to the higher amortisation relating to the consolidation differences arising on the acquisitions made in the previous year.

The Net Financial Position of the Group at June 30, 2005 is as follows:

In thousands of Euro

NET FINANCIAL POSITION	***30/06/05***	***31/12/04***
SHORT-TERM FINANCIAL RECEIVABLES	19	90,269
IMMEDIATE LIQUIDITY	477,754	282,296
MEDIUM/LONG TERM FINANCIAL PAYABLES	(70,371)	(73,735)
SHORT-TERM FINANCIAL PAYABLES	(16,852)	(18,588)
TOTAL	**390,550**	**280,242**

The increase in the period is principally due to the sale of the shares in RCS Media Group S.p.A. for an amount of Euro 90 million and the positive cash flow deriving from the operating activities, net of the distribution of the dividends of Euro 25 million.

THE ACTIVITIES OF THE GROUP AS AT JUNE 30, 2005

1. EDITORIAL ACTIVITIES

In the period under consideration the daily newspaper market confirmed the trend of the corresponding period in the previous year.

In thousands of Euro

CIRCULATION FIGURES	***30/06/05***	***30/06/04***	***Change %***
DAILY NEWSPAPER SALES	34,329	32,463	5.7%
EDITORIAL PROMOTIONS	9,130	8,565	6.6%
TOTAL	**43,459**	**41,028**	**5.9%**

Il Messaggero and *Il Mattino* maintained their position as leaders in their respective markets. The increase in the revenues deriving from the sale of newspapers is principally due to, as already mentioned, the consolidation of *Corriere Adriatico* and of Quotidiano *di Puglia*, not included at June 30, 2004.

The increase in the revenues deriving from products sold together with the newspapers of the Group, equal to 6.6% compared to the corresponding period in 2004, reports a good performance of some editorial initiatives launched in the second quarter of the current year. These revenues contribute to the increase in the gross operating margin for approximately Euro 2.07 million (Euro 1.58 million at June 30, 2004).

2. ADVERTISING REVENUES

Piemme S.p.A., a company with the exclusive concession for the advertising of the group’s titles, recorded advertising sales in the period of Euro 92.06 million (Euro 90.14 million at June 30, 2004).

The advertising relating to Corriere Adriatico, equal to Euro 1.9 million, is not carried out by companies of the Caltagirone Editore Group.

In thousands of Euro

ADVERTISING	***30/06/05***	***30/06/04***	***Change %***
Il Messaggero	54,931	54,739	0.4%
Il Mattino	19,883	19,990	-0.5%
Leggo	12,273	10,561	16.2%
Quotidiano di Puglia	3,400	3,404	-0.1%
Corriere Adriatico	1,877	-	n.a.
Others	1,596	1,442	10.7%
TOTAL	**93,960**	**90,136**	**4.2%**

For the period under review, the advertising revenues increased by 4.2% compared to the previous year, with a positive trend although differentiated in the quarters: in the first quarter an increase of approximately 6.2% was recorded, while in the second quarter the increase was 2.5%.

These positive results were achieved in the presence of an advertising market that, as in the previous year, has experienced a more contained increase in local advertising compared to national advertising.

3. OTHER ACTIVITIES

In thousands of Euro

OTHER REVENUES	***30/06/05***	***30/06/04***	***Change %***
Services and internet	2,797	1,386	101.8%
Other	3,029	2,786	8.7%
TOTAL	**5,826**	**4,172**	**39.6%**

B2Win S.p.A., operating in the management of call centres and advance IT services, ended the first half-year with sales of Euro 2.61 million, a significant increase compared to same period in the previous year (Euro 1.1 million).

Caltanet S.p.A Spa continued its activities in the web area with close control on operational costs.

TRANSACTIONS WITH RELATED PARTIES

In order to provide a full representation of the transactions with “related parties” as required by CONSOB communication 26064231 of 30.09.2002, the balance sheet and income statement balances with related parties are shown below.

In relation to the balance sheet at June 30, 2004, the “Other Receivables” include Euro 110,781 of receivables from companies belonging to the Caltagirone S.p.A Group. The account is principally composed of the receivable position for services by Caltanet S.p.A, B2Win S.p.A and Piemme S.p.A to the company Cementir S.p.A.

Included in “Other Payables” are payables to companies of the Caltagirone S.p.A. Group amounting to Euro 569,342. The balance principally consists of payables that the companies B2Win S.p.A and Caltanet S.p.A have with Cementir S.p.A., respectively of Euro 338,454 and Euro 162,498, for the rental of offices at Rome, based on contracts under market conditions;

The transactions recorded in the income statement in the period between the Group and related parties are as follows:

- the “Value of Production” includes revenues from companies of the Caltagirone S.p.A. Group of Euro 109,657, the main amount relates to revenues of Piemme S.p.A from companies of the Caltagirone Group for the sale of advertising space, amounting to Euro 74,446.

- The “Costs of production” include the recharges received from companies of the Caltagirone S.p.A. Group and companies under common control of Euro 1,391,506. In particular, the account service costs includes the transactions with related parties amounting to Euro 44,490, of which Euro 12,030 to Vianini Lavori S.p.A. for IT services and Euro 32,460 to Mantegna 87 S.r.l. for various services. The account use of third party assets includes transactions with companies of the Caltagirone S.p.A. Group for Euro 223,380 represented exclusively by the use of premises by B2Win S.p.A. This account also includes Euro 1,582,527 for rental by the Parent Company and subsidiaries of property owned by companies under common control. These transactions were regulated by rental contracts at normal market conditions.

Other transactions were not individually significant.

OUTLOOK, STRATEGIES OF THE GROUP AND FORECAST FOR THE YEAR

Il Messaggero and Il Mattino continue with their commitment to maintaining their roles as market leaders.

“Leggo” has continued its development launching six new editions in the cities of Genoa, Bari, Brescia, Bergamo, Varese and Como, that are added to the editions of Rome, Milan, Naples, Bologna, Venice, Verona, Padova, Turin and Florence. The newspaper is therefore distributed in 15 cities.

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

The results for the full year relating to operating activities, based on the indications currently available, are expected to be in line with the results of the first half year.

SUBSEQUENT EVENTS TO JUNE 30, 2005

After the end of the balance sheet date the entire shareholding held in Banca Nazionale del Lavoro S.p.A. was sold realising a gain at consolidated level of over Euro 24 million.

In July, in addition, the following changes took place to the names of different companies:

- “EDI.ME. Edizioni Meridionali S.p.A.” to “Il Mattino S.p.A.”;
- “Il Mattino Società Editrice Meridionale S.E.M. S.p.A.” to “S.E.M. Società Editrice Meridionale S.p.A.”;
- “Sigma Editoriale S.p.A”. to “Leggo S.p.A.”;
- “S.E.A. S.p.A.” to “Corriere Adriatico S.p.A.”;
- “Alfa Editoriale S.r.l.” to “Quotidiano di Puglia S.p.A.”.

TRANSITION TO IFRS INTERNATIONAL ACCOUNTING STANDARDS

Following the entry into force of the European Regulation 1606 of July 2002, the Caltagirone Editore Group has adopted from January 1, 2005 the International Accounting Standards (hereafter IAS/IFRS) and, therefore, will present the first full consolidated financial statements, prepared in compliance with IAS/IFRS at December 31, 2005.

As permitted by article 81 bis of the Issuers Regulations No. 11971 of 1999 adopted by Consob with Resolution No. 14990 of April 14, 2005, the Group presents the half-year report at June 30, 2005 in conformity with the regulations utilised in the preparation of the financial statements and of the consolidated financial statements relating to the year ended December 31, 2004.

A reconciliation was prepared of the Shareholders' Equity and of the Result at June 30, 2005 determined in accordance with Italian accounting standards with the Shareholders' Equity and Results deriving from the application of the IFRS.

In addition, in order to illustrate the impact of the international accounting standards on the balance sheet, financial position and result of the Group, an appendix is attached to the Half-Year Report.

CALTAGIRONE EDITORE S.p.A. GROUP

CONSOLIDATED BALANCE SHEETS (EURO thousands)

A S S E T S	*30/06/2005*	*31/12/2004*	*30/06/2004*
(A) UNPAID SHARE CAPITAL	-	-	-
(B) FIXED ASSETS			
I. INTANGIBLE ASSETS			
1. Formation, start-up and similar costs	-	3.170	6.377
2.Research, development and advertising costs	119	181	403
3.Industrial patents and intellectual property rights	7	10	13
4.Concessions, licenses and similar rights	246	69	66
5.Goodwill	86.142	87.958	89.774
6.Assets under construction and payments on account	-	-	4
7.Others	1.769	1.983	1.160
8.Consolidation difference	176.884	180.068	58.939
TOTAL	**265.167**	**273.439**	**156.736**
II. TANGIBLE FIXED ASSETS			
1.Land and Buildings	31.426	31.935	33.768
2.Plant and machinery	48.965	56.132	59.069
3.Industrial and sales equipment	79	108	144
4.Other assets	3.077	3.394	4.344
5.Assets under construction and payments on account	-	-	1.240
TOTAL	**83.547**	**91.569**	**98.565**
III. FINANCIAL ASSETS			
1. Investments in:			
a) subsidiaries	12	12	12
d) other companies	73.546	128.841	117.012
	73.558	**128.853**	**117.024**
2. Receivables:			
a) associated companies			
within 12 months	13	13	13
d) others			
beyond 12 months	25	25	1
	25	**25**	**1**
	38	**38**	**14**
3.Other securities	**-**	**-**	**7**
4.Treasury shares	**164**	**164**	**164**
TOTAL	**73.760**	**129.055**	**117.209**
TOTAL FIXED ASSETS (B)	**422.474**	**494.063**	**372.510**
(C) CURRENT ASSETS			
I. INVENTORY			
1.Raw materials, supplies and consumable goods	2.186	2.672	2.613
	2.186	**2.672**	**2.613**

CALTAGIRONE EDITORE S.p.A. GROUP

CONSOLIDATED BALANCE SHEETS (EURO thousands)

	30/06/2005	*31/12/2004*	*30/06/2004*
II. RECEIVABLES			
1. Customers:			
within 12 months	87.293	82.762	84.747
beyond 12 months	1	-	-
	87.294	**82.762**	**84.747**
2. Subsidiaries			
within 12 months	19	14	14
beyond 12 months	-	-	-
	19	**14**	**14**
4bis. Tax receivables:			
within 12 months	4.758	4.710	14.913
beyond 12 months	1.082	1.193	-
	5.840	**5.903**	**14.913**
4ter. Deferred tax asset:	**20.329**	**28.113**	**22.615**
5.Others			
within 12 months	1.034	3.526	2.910
beyond 12 months	35	35	283
	1.069	**3.561**	**3.193**
7.Advances to suppliers for services:			
within 12 months	193	28	97
	193	**28**	**97**
TOTAL	**114.744**	**120.381**	**125.579**
III.CURRENT FINANCIAL ASSETS			
4.Other investments	-	2	1
6.Other securities	-	90.255	-
TOTAL	**-**	**90.257**	**1**
IV. CASH AND BANKS			
1.Bank and postal accounts	477.553	282.037	484.547
3.Cash-in-hand and cash equivalents	202	259	236
TOTAL	**477.755**	**282.296**	**484.783**
TOTAL CURRENT ASSETS (C)	**594.685**	**495.606**	**612.976**
(D) PREPAYMENTS ABD ACCRUED INCOME	**706**	**1.967**	**1.875**
TOTAL ASSETS	**1.017.865**	**991.636**	**987.361**

CALTAGIRONE EDITORE S.p.A. GROUP

CONSOLIDATED BALANCE SHEETS (EURO thousands)

L I A B I L I T I E S & EQUITY	*30/06/2005*	*31/12/2004*	*30/06/2004*
(A) NET EQUITY			
I. SHARE CAPITAL	**125.000**	**125.000**	**125.000**
II. SHARE PREMIUM RESERVE	**494.845**	**501.169**	**501.169**
III. REVALUATION RESERVE	**-**	**-**	**-**
IV. LEGAL RESERVE	**25.000**	**25.000**	**25.000**
V. STATUTORY RESERVES	**-**	**-**	**-**
VI. RESERVE FOR OWN SHARES IN PORTFOLIO	**164**	**164**	**164**
VII. OTHER RESERVES			
Reserve for acquisition of treasury shares	**29.836**	**29.836**	**29.836**
Other reserves	**61.162**	**49.585**	**49.586**
VIII. PROFIT (LOSS) CARRIED FORWARD	**-**	**-**	**-**
IX. PROFIT (LOSS) FOR THE PERIOD	**47.670**	**30.628**	**13.197**
TOTAL GROUP NET EQUITY	**783.677**	**761.382**	**743.952**
X. MINORITY INTEREST CAPITAL AND RESERVES	**676**	**546**	**10.250**
TOTAL	**784.353**	**761.928**	**754.202**
(B) PROVISIONS FOR CONTINGENCIES AND CHARGES			
1. Pension obligations and similar	120	120	120
2.Taxes, including deferred taxes	35.586	24.878	20.562
3.Others	7.293	7.393	7.024
TOTAL	**42.999**	**32.391**	**27.706**
(C) EMPLOYEE LEAVING INDEMNITY	**39.436**	**38.190**	**36.804**
D) PAYABLES			
4.Due to banks:			
within 12 months	14.291	16.079	25.783
beyond 12 months	56.456	58.401	63.940
	70.747	**74.480**	**89.723**
5.Due to other lenders:			
within 12 months	2.561	2.509	2.461
beyond 12 months	13.915	15.334	16.602
	16.476	**17.843**	**19.063**
7.Trade payables:			
within 12 months	29.629	31.200	27.551
	29.629	**31.200**	**27.551**

__CALTAGIRONE EDITORE S.p.A. GROUP__

CONSOLIDATED BALANCE SHEETS (EURO thousands)

	30/06/2005	*31/12/2004*	*30/06/2004*
12.Tax payables:			
within 12 months	7.328	6.470	4.878
	7.328	**6.470**	**4.878**
13.Social security payments:			
within 12 months	**4.033**	**5.660**	**3.500**
14.Other payables:			
within 12 months	17.189	15.303	15.918
beyond 12 months	7	7	1
	17.196	**15.310**	**15.919**
TOTAL	**145.409**	**150.963**	**160.634**
E) ACCRUALS AND DEFERRED INCOME	**5.668**	**8.164**	**8.015**
TOTAL LIABILITIES & EQUITY	**1.017.865**	**991.636**	**987.361**

MEMORANDUM ACCOUNTS			
SURETIES GIVEN			
In favour of third parties	1.203	2.104	2.108
	1.203	**2.104**	**2.108**
OTHER MEMORANDUM ACCOUNTS			
Other Memorandum accounts	838	662	1.162
On behalf of subsidiary companies	6.010	6.010	5.516
	6.848	**6.672**	**6.678**
TOTAL MEMORANDUM ACCOUNTS	**8.051**	**8.776**	**8.786**

CALTAGIRONE EDITORE S.p.A. GROUP

CONSOLIDATED INCOME STATEMENT (EURO thousands)

	30/06/2005	***31/12/2004***	***30/06/2004***
(A) VALUE OF PRODUCTION			
1.Income from sales and supply of services	140.216	261.937	132.550
5.Other revenues	3.029	7.129	2.786
TOTAL (A) VALUE OF PRODUCTION	**143.245**	**269.066**	**135.336**
(B) PRODUCTION COSTS			
6.Raw materials, consumables and supplies	**(13.444)**	**(25.902)**	**(12.951)**
7.Services	**(44.047)**	**(91.072)**	**(44.596)**
8.Use of third party assets	**(4.036)**	**(7.050)**	**(3.444)**
9.Personnel expenses:			
a) wages and salaries	(29.649)	(55.040)	(26.615)
b) social security costs	(9.868)	(17.650)	(8.421)
c) employee leaving indemnity	(2.497)	(4.541)	(2.245)
e) other costs	(1.637)	(2.314)	(1.147)
	(43.651)	**(79.545)**	**(38.428)**
10.Amortisation, depreciation and write-downs			
a) amortisation of intangible fixed assets	(5.471)	(11.089)	(5.496)
b) amortisation of tangible fixed assets	(5.113)	(10.665)	(5.521)
c) other write-downs of fixed assets	-	(1.681)	-
d) provisions on current assets	(1.022)	(2.484)	(890)
e) amortisation of consolidation difference	(3.184)	(2.417)	(688)
	(14.790)	**(28.336)**	**(12.595)**
11. Changes in inventory of raw materials, consumables and supplies	**(486)**	**418**	**415**
12.Provision for risks	**(405)**	**(1.294)**	**(944)**
14.Other operating expenses	**(1.236)**	**(2.012)**	**(987)**
TOTAL (B) PRODUCTION COSTS	**(122.095)**	**(234.793)**	**(113.530)**
TOT. (A-B) DIFFERENCE BETWEEN VALUE AND PRODUCTION COSTS	**21.150**	**34.273**	**21.806**
(C) FINANCIAL INCOME AND CHARGES			
15.Income from investments:			
in other companies	37.503	1.808	1.498
	37.503	**1.808**	**1.498**
16.Other financial income:			
d) other income than above:			
from others	4.341	10.411	5.367
	4.341	**10.411**	**5.367**

CALTAGIRONE EDITORE S.p.A. GROUP

CONSOLIDATED INCOME STATEMENT (EURO thousands)

	30/06/2005	*31/12/2004*	*30/06/2004*
17.Interest and other financial charges			
from others	(1.494)	(3.676)	(1.746)
	(1.494)	**(3.676)**	**(1.746)**
17-bis.Exchange gains and losses	**5.709**	**(2.942)**	**2.443**
TOTAL (C) FINANCIAL INCOME AND CHARGES	**46.059**	**5.601**	**7.562**
(D) ADJUSTMENT TO FINANCIAL ASSET VALUES			
18. Revaluations:			
a) from investments	-	-	-
	-	-	-
19. Write-downs:			
a) of investments	-	(2.797)	(1.298)
b) from financial assets not constituting participations	-	-	-
	-	**(2.797)**	**(1.298)**
TOTAL ADJUSTMENTS	**-**	**(2.797)**	**(1.298)**
(E) EXTRAORDINARY INCOME AND (CHARGES)			
20.Income:			
gains on disposals	2	7.852	9
other income	696	1.196	691
	698	**9.048**	**700**
21.Charges:			
losses on disposals	-	(19)	-
taxes relating to prior years	(1)	(790)	(73)
other charges	(704)	(8.052)	(2.188)
	(705)	**(8.861)**	**(2.261)**
TOTAL EXTRAORDINARY ITEMS	**(7)**	**187**	**(1.561)**
PRE-TAX RESULT	**67.202**	**37.264**	**26.509**
22. Income taxes for the period:			
a) Current taxes	(7.177)	(11.220)	(5.775)
b) Deferred tax charge	(13.089)	(21.428)	(6.009)
c) Deferred tax income	864	29.969	-
TOTAL TAXES	**(19.402)**	**(2.679)**	**(11.784)**
23. RESULT FOR THE PERIOD	**47.800**	**34.585**	**14.725**
26. Minority share of (profit) / loss	**(130)**	**(3.957)**	**(1.528)**
GROUP NET PROFIT (LOSS)	**47.670**	**30.628**	**13.197**

B) ACCOUNTING PRINCIPLES

STRUCTURE AND CONTENTS

The consolidated interim financial statements as at June 30, 2005 have been prepared in accordance with the provisions and valuation criteria contained in article 2426 of the civil code, integrated and interpreted by the accounting principles issued by the Italian Accounting Profession. They have been prepared in accordance with the general principles of prudence and accruals, on a going concern basis without any change to those adopted in the preparation of the financial statements as at December 31, 2004.

In particular, they have been prepared in accordance with the recommendations of CONSOB resolution 11971 of May 14, 1999 and subsequent amendments.

The balance sheet and income statement format utilised in these financial statements are in accordance with the current provisions for the preparation of financial statements. The financial statements are compared with the corresponding accounts to those for the year 2004 and as at June 30, 2004, in order to permit a clear comparison between the periods under consideration. Some of the Balance Sheet and Income Statement accounts as at June 30, 2004 were reclassified in order to take into account the effects of the company law reform that introduced changes to the format of the financial statement.

The amounts in the financial statements are shown in thousands of Euro.

For the Parent Company, Caltagirone Editore S.p.A., only the financial statements required by article 81, paragraph 2., letter B) of the above-mentioned CONSOB resolution have been provided. In particular, the financial statements of the Parent Company present the reclassified income statement as indicated for holding companies in CONSOB letter No. 94001437 of February 23, 1994.

The following statements are attached:

- Changes in Consolidated Shareholders' Equity;
- Reconciliation of the Results and Shareholders' Equity of the Parent Company and of the Group;
- Consolidated cash flow statement;
- Reconciliation of the Shareholders' Equity and of the Result at June 30, 2005 determined in accordance with Italian accounting standards with the Shareholders' Equity and Results deriving from the application of the IFRS.
- Lists of the companies included in the consolidation under the full consolidation method, the companies valued under the net equity method and the other subsidiary and associated companies as set out in article 38 of Legislative Decree 127/1991.

Scope of Consolidation

The companies included in the consolidation are as follows:

Company	**Registered offices**	**Share capital as at 30/06/2005**	**Share held by Group**
Caltagirone Editore S.p.A.	Rome	125,000,000	Parent Company
Il Messaggero S.p.A.	Rome	36,900,000	100%
Il Mattino S.p.A. (formerly EDI.ME. Edizioni Meridionali S.p.A.)	Rome	500,000	100%
PIEMME S.p.A. *(1)*	Rome	104,000	100%
S.E.M. Società Editrice Meridionale S.p.A. (formerly 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	100%
Leggo S.p.A. (formerly Sigma Editoriale S.p.A.)	Rome	1,000,000	90%
Cedfin Srl	Rome	10,200	100%
B2WIN S.p.A. *(3)*	Rome	1,000,000	100%
Emera S.p.A. *(1)*	Rome	2,496,000	100%
Finced S.r.l.	Rome	10,000	100%
Corriere Adriatico S.p.A. (formerly S.E.A. S.p.A.) *(4)*	Ancona	102,000	100%

Quotidiano di Puglia S.p.A. (formerly Alfa Editoriale S.r.l.)	Rome	1,020,000	85%

(1) Held through Il Messaggero S.p.A.; (2) Held through Emera S.p.A.; (3) Held through Caltanet S.p.A., (4) Held directly for 51% and through Cedfin S.r.l.

The subsidiaries EDI.ME. Sport S.r.l. and Noisette S.A. were not consolidated under the full consolidation method as the values are insignificant, as they are not operative. They have been valued at cost which does not vary substantially from a valuation under the net equity method.

Compared to December 31, 2004, the consolidation area has not changed.

Compared to June 30, 2004, the consolidation area has changed as follows:

- On November 26, 2004, Cedfin Srl acquired 66,165 shares of Caltanet S.p.A. equal to 1.22% of the capital, increasing the holding of the Group to 100%;
- On December 21, 2004 Caltagirone Editore S.p.A. and Cedfin Srl acquired respectively 9.999% and 0.001% of the share capital of Il Messaggero S.p.A. Following this purchase the holding of the Group in Il Messaggero S.p.A. was equal to 100%;
- On December 21, 2004, Caltagirone Editore S.p.A. and Cedfin Srl acquired respectively 9.999% and 0.001% of the share capital of Il Mattino S.p.A. Following this acquisition the holding of the Group in Il Mattino. S.p.A. is now 100%;
- On December 23, 2004 Caltagirone Editore S.p.A. acquired from Companies under common control, 85% of share capital of Quotidiano di Puglia S.p.A.

Consolidation criteria

The consolidation was made under the full consolidation method.

The criteria adopted for the application of this method were principally the following:

- the accounting value of the equity investments, held by the Parent Company or by other companies included in the consolidation, is eliminated against the relative shareholders’ equity at the date of the first inclusion of the subsidiary in the consolidation area, against the recording of the assets and liabilities, costs and revenues of the subsidiary;

- any positive difference deriving from this elimination is recorded in an asset account, "Consolidation difference", while the negative difference is recorded within the shareholders' equity account "Consolidation reserve";
- the balance sheet and income statement accounts are eliminated deriving from transactions between consolidated companies, and profits deriving from transactions between Group companies, net of the fiscal effect, as well as dividends distributed within the group.
- the quota of minority interest net equity and result for the period are stated in separate accounts in the consolidated balance sheet and income statement;

Financial statements have been prepared as at June 30, 2005 for consolidation purposes by all of the companies included in the consolidation. These have been reclassified, and where necessary, adjusted in order to apply uniform Group accounting principles.

Accounting principles

The accounting principles used in the preparation of the consolidated financial statements are as follows:

- *Intangible assets*

Intangible assets are recorded at acquisition or production cost including directly attributable accessory costs and are amortised on a straight-line basis over the period of their expected useful life.

Formation and start-up costs, research, development and advertising costs, concessions, licences, trademarks and similar long-term assets are amortised between three and five years.

Leasehold improvements are amortised based on the lower between the residual duration of the contracts and the future utility of the costs incurred.

Goodwill, that corresponds to the higher price paid for the acquisition of publishing businesses compared to the quota of the book net equity at the acquisition date, is recorded within the limit of the market value of the individual newspapers. The newspapers are amortised over a period of thirty years from the date of acquisition based on their residual use.

The consolidation difference corresponds to the excess of the purchase price compared to the quota of the book net equity at the date of acquisition of the subsidiary companies, not allocated to specific assets and liability accounts of the companies to which they refer. The consolidation difference that, not allocated to specific accounts, represents the goodwill and the value of the newspapers of the publishing companies, is also amortised over a period of thirty years from the date of acquisition based on the residual possible use.

Where, independent of the amortisation already recorded, there is a permanent impairment in value, the asset is written down. If in future years the reasons for the write-down no longer exist the original value is restated.

- *Tangible assets*

They are recorded at purchase price inclusive of directly attributable incidental charges, increased by legal revaluations.

Tangible fixed assets are depreciation on a straight-line basis at rates which reflect the estimated useful life of the assets. The depreciation commences when the asset is available for use and reduced by half in the first year to reflect the lower use.

Where there is a permanent impairment in value, the asset is written down. If in future years the reasons for the write-down no longer exist the original value is restated, net of depreciation.

Maintenance costs which improve assets, are capitalised and depreciated using the rates applying to those assets over the residual useful lives.

Normal on-going maintenance costs are charged in full to the income statement in the year in which they are incurred.

Assets acquired under finance leases, being of insignificant amounts, are recorded on the ownership of the asset.

The depreciation rates used are as follows:

Description	**Rate**
Industrial buildings	3%
Other constructions	10%
Non automated machines and general plant	10%
Automated machinery for finishing operations	8.33%
Rotating press for paper in rolls	8.33% - 10%
Electronic systems for photocopying, photocomposition and similar	25%
Air conditioning	20%
Equipment	25%
Office furniture and equipment	12%
EDP and telephone systems	20%
Transport vehicles	20%
Motor vehicles and similar	25%
Electronic archiving	20%

- *Financial assets*

The equity investments in subsidiaries not consolidated, the holdings in other companies and the treasury shares are valued under the cost method, reduced in the case of permanent loss where the investment has suffered losses and no recovery is foreseen in the immediate future, or sufficient profits may be generated to absorb the losses; the original value is restated when the reasons for the write-down no longer exist.

Fixed income credit instruments are valued at purchase cost, adjusted for any premiums and discounts on issue, reduced to taking into account permanent impairment in value.

The non-current receivables are recorded at cost, reduced for permanent impairment in value.

- *Inventory*

Inventories, consisting prevalently of paper, are valued at the lower value between purchase, calculated at average weighted cost, and market value.

- *Receivables*

Receivables are recorded at realisation value, through a specific doubtful debt provision. The doubtful debt provisions are calculated by the companies included in the consolidation through a valuation of the specific risk, in accordance with prudent criteria and experience acquired.

- *Conversion of foreign currencies*

All of the balance sheet accounts expressed in foreign currencies, for which there is no exchange risk cover, are converted into Euro applying the exchange rate at the end of the period.

The positive or negative differences between the values converted at the period end exchange rate and the original exchange rate are recorded in the income statement in the account exchange gains and losses. Any net gain is recorded as a non-distributable reserve.

- *Current financial assets*

Current securities are valued at purchase cost or market, if lower. For quoted shares the market price is the average stock exchange price in June 2005.

- *Prepayments and accruals*

Prepayments and accruals relate to income and costs of the period but which will be settled in future periods and income and costs received before the end of the period but that relate to future periods, the size of which varies over time.

- *Provisions for risk and charges*

The provisions for risks and charges are recorded in respect of certain or probable losses or liabilities, the amount or due date of which could not be determined at period-end.

The provisions reflect the best possible estimate of the losses to be incurred based on the information available.

The provision for risks and charges also include the estimate of the current taxes calculated in the period under examination based on the net profit taking into account the relative fiscal adjustments for the period and the effective annual fiscal rate expected at the year end. The provision is recorded in the provision for taxes as the fiscal liability is considered probable.

- *Provisions for employee termination indemnities*

The provision has been accrued at the end of the period to cover the full liability to all employees in accordance with current legislation and contractual agreements, net of advances made.

- *Payables*

Payables are recorded at their nominal value, considered representative of their realisable value.

- *Commitments and guarantees*

Commitments and guarantees are shown in the memorandum accounts at their contractual values.

- *Recognition of revenue and costs*

The positive and negative elements of the income statement are recognised in accordance with the principles of prudent and accruals. Revenues from sales of newspapers, advertising revenue and associated costs are recorded in relation to the number of dailies distributed in the period. 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.

The dividends from non consolidated holdings are recorded under financial income in the period in which the distribution is deliberated.

- *Capital grants*

Capital grants on plant provided until December 31, 1997 on investments are credited, at the moment of the receipt, directly to net equity. Those received based on Law 488/92 after December 31, 1997 are recorded as deferred income and credited to the income statement in correlation to the depreciation on the asset to which they refer.

- *Deferred tax asset and liability*

The current income taxes for the year are based on a realistic estimate of the fiscal charge to be paid, in accordance with the current fiscal regulations and are recorded net of withholding taxes and payments on account in the account “Tax payables”. Where the taxes accrued are less than the withholding taxes and payments on account, the net receivable is recorded in the account “Tax receivables”.

Deferred tax assets and liabilities are calculated on the timing differences between the book value of assets and liabilities for statutory purposes and their corresponding value for fiscal purposes. Deferred tax liabilities are not recorded when there is a remote probability that the payable will materialise. The deferred tax assets are only recorded, in accordance with the prudence principle, if there is reasonable certainty that the temporary differences will reverse in future years resulting from an assessable income not lower that the differences that will reverse.

All amounts are shown in thousands of euro.

C) INFORMATION ON THE BALANCE SHEET

FIXED ASSETS

Intangible assets

Intangible assets consist of the following:

	Balance at 31/12/2004	Increases	Decreases	Amortisation	Balance at 30/06/2005
Formation and start up costs	3,170	-	-	(3,170)	-
Research, development and advertising costs	181	-	-	(62)	119
Patents and intellectual property rights	10	-	-	(3)	7
Concessions, licenses, trademarks and similar	69	236	-	(59)	246
Goodwill	87,958	-	-	(1,816)	86,142
Other	1,983	147	-	(361)	1,769
Difference on consolidation	180,068	-	-	(3,184)	176,884
Total	**273,439**	**383**	**-**	**(8,655)**	**265,167**

Formation and start-up costs, net of amortisation, refer to charges incurred by Caltagirone Editore S.p.A. in relation to its Stock Exchange listing.

The research, development and advertising costs principally relate to the investments made for the launch of the free newspaper Leggo and for the design and study of the press Centre at Caivano (NA), incurred respectively by Leggo S.p.A. and Il Mattino S.p.A.

The goodwill principally derives from the attribution of the merger deficit from the incorporation of Il Messaggero S.p.A., by the company Editrice Il Messaggero S.p.A. in 1999. The difference compared to the previous half year is due to the amortisation for the period, calculated on a duration of 30 years, as attributed to the newspaper titles of the publishing companies.

The account also includes the goodwill recorded in the company Corriere Adriatico S.p.A. against the original value of the newspaper *Il Corriere Adriatico*.

The balance in the account "other" principally relates to the value of some newspapers and insertions held by the subsidiary Quotidiano di Puglia S.p.A., equal to Euro 748 thousand, leasehold expenses, equal to Euro 428 thousand, and the cost for the use of the application software. The decrease is due to amortisation for the period.

The decrease of the consolidation difference is due to the amortisation in the period.

The details of the consolidation difference is shown below:

	Gross value at 30/06/2005	**Amortisation provision 30/06/2005**	**Net value as at 30/06/2005**
Il Messaggero S.p.A.	71,613	(1,194)	70,419
SEM S.p.A.	44,496	(2,595)	41,901
Quotidiano di Puglia S.p.A.	25,261	(421)	24,840
Corriere Adriatico S.p.A	23,874	(796)	23,078
Il Mattino S.p.A.	9,721	(162)	9,559
Piemme S.p.A.	8,678	(1,591)	7,087
Total	**183,643**	**(6,759)**	**176,884**

The values attributed to Il Messaggero S.p.A. and to Il Mattino S.p.A. relate to the excess cost paid on the acquisition of 10% of the relative share capital at the end of December 2004 by Caltagirone Editore S.p.A.

The consolidation difference relating to Quotidiano di Puglia S.p.A. is attributable to the excess of the cost paid on the acquisition of 85% of the investment at the end of December 2004.

The consolidation difference relating to Corriere Adriatico S.p.A. was recorded on the acquisition of 100% of the share capital by the parent company and a subsidiary.

The amount relating to Piemme S.p.A. is attributable to the greater value of the investment in Piemme S.p.A. recognised on the merger between the company Editrice Il Messaggero S.p.A. and the current Il Messaggero S.p.A.

Tangible assets

The tangible assets are recorded net of the accumulated depreciation provision and are as follows:

	Historical cost 30/06/2005	**Depreciation provision 30/06/2005**	**Net value as at 30/06/2005**	**Net value as at 31/12/2004**
Land and buildings	35,240	(3,814)	31,426	31,935
Plant and machinery	77,858	(28,893)	48,965	56,132
Commercial and industrial equipment	1,446	(1,367)	79	108
Other fixed assets	13,710	(10,633)	3,077	3,394
Assets under construction	-	-	-	-
Total	**128,254**	**(44,707)**	**83,547**	**91,569**

The movements in the period are shown in the table below:

Historical cost

Category	**Historical cost 31/12/2004**	**Increases**	**Decreases**	**Reclassifications and other movements**	**Historical cost at 30/06/2005**
Land and buildings	35,234	6	-	-	35,240
Plant and machinery	95,923	331	(18,396)	-	77,858
Commercial and industrial equipment	1,439	7	-	-	1,446
Other fixed assets	13,366	374	(30)	-	13,710
Assets under construction	-	-	-	-	-
Total	**145,962**	**718**	**(18,426)**	**-**	**128,254**

Accumulated depreciation

Category	Acc. Deprec. at 31/12/2004	Quota depre. for period	Acc. Deprec. provision	Reclassifications and other movements	Acc. Deprec. at 30/06/2005
Buildings	3,299	515	-	-	3,814
Plant and machinery	39,791	3,875	(14,773)	-	28,893
Commercial and industrial equipment	1,331	35	-	-	1,367
Other fixed assets	9,972	688	(26)	-	10,633
Total	**54,393**	**5,113**	**(14,799)**	-	**44,707**

The decrease relating to the historical cost and the depreciation provision of the "Plant and machinery" is due to the sale of a rotating press not utilised.

In terms of investments, the increase in the historical cost of tangible fixed assets, equal to Euro 718 thousand, is related to the normal modernisation of the technology and relates to the purchase of computers, servers, network equipment and furniture and fittings.

In relation to the Accumulated Depreciation, the account "Plant and machinery" principally includes the depreciation of the printing presses, whose economic life is estimated as 12 years.

The net value of the account "Land and buildings", divided by companies of the Group, is as follows:

	Balance at 30/06/2005	Balance at 31/12/2004	Changes
S.E.M. S.p.A.	22,538	22,898	(360)
Il Mattino S.p.A.	7,994	8,122	(128)
Corriere Adriatico S.p.A.	549	560	(11)
Il Messaggero S.p.A.	346	355	(9)
Total	**31,426**	**31,935**	**(508)**

The net change is substantially due to the depreciation in the period.

For S.E.M S.p.A. the value principally relates to the press Centre at Torrespaccata, Rome, constructed in 2003. For Il Mattino S.p.A. the amount relates to the press Centre at Caivano (NA), constructed in 2000.

The net value of the account "Plant and machinery", divided by companies of the Group, is as follows:

	Balance at 30/06/2005	**Balance at 31/12/2004**	**Changes**
S.E.M. S.p.A.	36,224	42,089	(5,865)
Il Mattino S.p.A.	11,732	12,815	(1,083)
Il Messaggero S.p.A.	858	1,080	(222)
Other companies	151	148	3
Total	**48,965**	**56,132**	**(7,167)**

The plant and machinery substantially represents the value, net of depreciation, of the printing presses owned by the Group. The change is due to the depreciation in the period and the sale by S.E.M. S.p.A. of a rotating press not utilised.

In compliance with the provisions of article 10 of law no. 72 of March 19, 1983 information is provided on assets that have been revalued in accordance with paragraph 4 of article 2423 of the civil code.

The revaluations made as per law 342/2000 have been eliminated from the consolidated financial statements, as they only related to certain categories of assets and only some of the companies in the Group.

	Law n. 72/83	**Law n. 413/91**	**Total**
Buildings	--	54	54
Plant and machinery	256	--	256
Total	**256**	**54**	**310**

Financial assets

The financial assets consist of:

	Balance at 30/06/2005	Balance at 31/12/2004	Changes
Holdings in other companies	73,546	128,841	(55,295)
Investments in subsidiaries not consolidated	12	12	-
Receivables from subsidiary companies	13	13	-
Receivables from others	25	25	-
Other securities	-	-	-
Treasury shares	164	164	-
Total	**73,760**	**129,055**	**(55,295)**

The investment in other companies at June 30, 2005 consist of:

	% holding	Carrying value 2004	Changes	Carrying value 30/06/2005
RCS Media Group S.p.A.	-	55,295	(55,295)	-
Banca Nazionale del Lavoro S.p.A.	0.73%	41,508	-	41,508
Banca Monte dei Paschi di Siena S.p.A.	0.36%	27,453	-	27,453
Euroqube S.A.	14.82%	3,755	-	3,755
Ansa S.r.l.	6.71%	777	-	777
Immob. Ed. Giornali	3.85%	32	-	32
Casaclick	0.23%	14		14
Sviluppo Quotidiani	16.67%	7	-	7
Total		**128,841**	**(55,295)**	**73,546**

The holding in R.C.S. Mediagroup S.p.A. consists of 15,000,000 ordinary shares, and was sold for a total value of approximately Euro 90 million and generated a gain of approximately Euro 35 million.

The holding in Banca Nazionale del Lavoro S.p.A relates to 24,300,000 shares held by the subsidiary Finced S.r.l; the carrying value of these shares is approximately Euro 27,820 thousand lower than the quotation price at June 30, 2005.

The holding in Banca Monte dei Paschi Siena S.p.A. consists of 11,000,000 shares acquired by the subsidiary Emera S.p.A.. The value of the investment expressed on the basis of the quotation at June 30, 2005 is higher than the book value by approximately Euro 4,645 thousand.

The investments in subsidiaries not consolidated, as they are insignificant, refer to the investment in Edi.Me. Sport S.r.l., 100% subsidiary of Il Mattino S.p.A., and Noisette S.A., 98% subsidiary of Cedfin S.r.l. and 2% held by Leggo S.p.A.

The receivables from subsidiaries are due from Edi.Me Sport S.r.l. and are not due over five years.

The other receivables principally relate to deposits and are not due over five years.

The treasury shares amounting to Euro 164 thousand represent 31,040 ordinary shares of Caltagirone Editore S.p.A., corresponding to 0.02% of the entire share capital; these shares are directly held by the Parent Company.

CURRENT ASSETS

Inventory

The inventory at June 30, 2005 amounts to Euro 2,186 thousand (Euro 2,672 thousand at December 31, 2004) consisting exclusively of raw materials, ancillary and consumables. Raw materials consist prevalently of paper and ink and relate for Euro 1,415 thousand to Il Messaggero S.p.A., for Euro 602 thousand to Il Mattino S.p.A, and for Euro 92 thousand and Euro 77 thousand respectively to Corriere Adriatico S.p.A. and to Quotidiano di Puglia S.p.A.

The valuation of the inventory at market prices is not significantly different from that recorded in the financial statements.

Trade receivables

The trade receivables are comprised of:

	Balance at 30/06/2005	Balance at 31/12/2004	Changes
Trade receivables due within 12 months	96,818	92,370	4,448
Provision for doubtful debts	(9,525)	(9,608)	83
Trade receivables due over 12 months	1	-	1
Total	**87,294**	**82,762**	**4,532**

Trade receivables derive almost entirely from advertising carried out for the Group through Piemme S.p.A.. The increase compared to December 31, 2004 is principally due to the increase in business in the period compared to the previous year.

The doubtful debt provision was utilised for Euro 1,105 thousand and increased by Euro 1,022 thousand following the provisions made in the period. The provision, made by the individual companies consolidated, is considered appropriate to cover the risks of non recovery of the trade receivables at the end of the period.

There are no receivables due over 12 months.

Due from subsidiary companies

The account, equal to Euro 19 thousand, represents the receivables from Cedfin S.r.l. by Noisette S.A., non consolidated subsidiary as not considered significant.

Tax receivables

Tax receivables relate almost entirely to the reimbursements of Irpeg and Irap to Il Mattino S.p.A.

Deferred tax assets

The deferred tax assets, equal to Euro 20,329 thousand (Euro 28,113 thousand at December 31, 2004), are recorded in application of Accounting Principle No.25 and relate to the timing differences between the statutory amounts recorded and the corresponding amount assessable for fiscal purposes. These differences relate principally to the quota not yet fiscally deductible of the write-downs in equity investments made by the individual companies included in the consolidated financial statements and by the provisions for risks and charges and the non deductible part of the doubtful debt provision, in accordance with current legislation, and deductible in future years.

The change in the deferred tax assets is related to the differences between the statutory values and the fiscal assessable values and the consequent adjustment of the receivable values. In particular, the receivable deriving from the statutory financial statements of the individual companies was utilised in the year for Euro 9,275 thousand and increased by Euro 1,491 thousand against the provisions made in the period.

The decrease in the period is principally due to the utilisation of fiscal losses registered in the previous year by Messaggero, resulting in the reduction of the fiscal assessment for the period, and to the deduction of the quota of write-down in equity investments deferred for taxation purposes in previous year by the Parent Company.

The decrease is also due to the utilisation of the fiscal consolidation procedure of the parent company and some of the adhering subsidiary companies (Euro 2,238 thousand). In relation to this it is noted that, following the new provisions of the Finance Act (Legislative Decree No. 344 of December 12, 2003) that introduced the new group “Fiscal Consolidation” regime, Caltagirone Editore S.p.A. formalised as holding company the adoption of the National Consolidation Fiscal regime for the three year period 2004-2006 together with the subsidiaries Il Mattino S.p.A. and Piemme S.p.A.

The same option was made by Emera S.p.A., as holding company, with S.E.M. S.p.A., also for the three year period 2004-2006.

Other receivables

Other receivables are comprised of:

	Balance at 30/06/2005	Balance at 31/12/2004	Changes
Receivables from employees	309	352	(43)
Social security institutions	112	132	(20)
Other receivables	613	3,042	(2,429)
Total	**1,034**	**3,526**	**(2,492)**
Receivables from others > 12	35	35	-
Total	**1,069**	**3,561**	**(2,492)**

The other receivables include, for Euro 111 thousand, amounts due to companies of the Caltagirone S.p.A. Group relating to commercial and financial transactions regulated at market conditions. The balance also includes Euro 246 thousand of receivables for deposits and Euro 256 thousand of other receivables of a various nature.

There are no receivables due over five years.

There are no receivables due from overseas companies.

Advances to suppliers

Advances to suppliers, equal to Euro 193 thousand, refer to advances paid by the operating subsidiaries for the supply of different services.

Cash and banks

The table below shows the details of these accounts:

	Balance at 30/06/2005	Balance at 31/12/2004	Changes
Bank and post office deposits	477,553	282,037	195,516
Cash and equivalent on hand	202	259	(57)
Total	**477,755**	**282,296**	**195,459**

The liquidity of the Group prevalently consists of funds received through the share capital increase of the Parent Company on the stock market. The increase in the bank deposits in the period is a consequence of the sale of shares in RCS Media Group S.p.A. for a price of approximately Euro 90.5 million, of the receipt of a receivable from a short-term forward operation on Italian government bonds, equal to approximately Euro 90 million, and to the positive cash flows generated from operating activity, net of the payment of the dividends.

Prepaid expenses and accrued income

The accrued income, equal to Euro 289 thousand, relates to the quote of income on bank deposits for the period.

The prepayments, equal to Euro 417 thousand, refers to the quota of insurance premiums, rent and agency fees relating to future periods.

SHAREHOLDERS' EQUITY

At June 30, 2005, the share capital of the company was unchanged amounting to Euro 125 million, consisting of 125,000,000 ordinary shares with a nominal value of Euro 1.

The share premium reserves decreased by Euro 6,324 thousand following the shareholders' meeting resolution of April 19, 2005 as an extraordinary dividend to shareholders.

The reserve for treasury shares in portfolio refers to 31,040 shares of Caltagirone Editore S.p.A. held directly by the Parent Company.

The reserve for the acquisition of treasury shares, equal to Euro 29,836 thousand, to be utilised for the purchase and sale of treasury shares as per article 2357 and subsequent amendments of the Civil Code, was created following the shareholders' meeting resolution of April 19, 2005. The reserve for the acquisition of treasury shares is non-distributable until the end of the period granted to purchase and sell treasury shares which is 18 months from the date of the above-mentioned resolution.

The other reserves, equal to Euro 61,162 thousand, include the consolidation reserve consisting of the higher value of the net equity pertaining to the Group compared to the cost of some equity investments.

The reconciliation at June 30, 2005 between the Parent Company and the Consolidated Group of the net equity and result for the period and the changes in the consolidated net equity are shown as attachments.

MINORITY INTEREST CAPITAL AND RESERVES

The account represents the quota pertaining to the minority shareholders based on the percentages held at June 30, 2005, including the result for the period.

PROVISION FOR RISKS AND CHARGES

Taxes

The provision for taxes, equal to Euro 35,586 thousand (Euro 24,878 thousand at December 31, 2004) consists of Euro 30,842 thousand for deferred tax liabilities due to the timing differences between the values in the accounts and the corresponding values fiscally assessable and for Euro 4,744 thousand to the estimated fiscal liabilities on the basis of the fiscal charge for the period.

Relating to the deferred tax liability, Euro 17,859 thousand is due to the effect of deferred taxes on the different period of amortisation of the goodwill recorded in “Il Messaggero” compared to that assessable for fiscal purposes which is 10 years. The balance relates to deferred taxes of the subsidiary S.E.M. S.p.A. calculated on a gain whose tax effect is deferred and for accelerated depreciation on printing plant and rotating presses (Euro 9,210 thousand).

Other provisions for risks and charges

The account provisions for risks and charges includes the amounts provided for against potential liabilities and consists of:

	Balance at 31/12/2004	Provisions	Utilisation	Reclass. and other movements	Balance at 30/06/2005
Provision for disputes and litigation	6,792	288	(356)	-	6,724
Agents leaving indemnity	376	78	(54)	-	400
Other provisions for risks and charges	225	39	(95)	-	169
Total other provisions	**7,393**	**405**	**(505)**	**-**	**7,293**

The provision for disputes and litigation refers to the provisions made by the companies Il Messaggero S.p.A. and Il Mattino S.p.A. against future liabilities principally deriving from damages requested for slander and from employees. The provision was estimated taking into consideration the nature of the business, based on experience in similar cases, considering the difficulty in estimating charges connected to each single case. The utilisation of the period derives from the settlement of some disputes that resulted in charges for indemnities, whose amount was deducted from the provision.

The agent’s indemnity provision, that reflects the prudent increase in the risk connected to the termination of the mandate conferred to agents in accordance with law, completely refers to the company Piemme S.p.A.

The other provisions include potential charges relating to some minor disputes.

EMPLOYEE LEAVING INDEMNITY

The movements in the provision are as follows:

Balance at 31/12/2004	**38,190**
Provisions	2,497
Utilisation	(1,251)
Other changes	-
Balance at 30/06/2005	**39,436**

The balance refers to the payables due to personnel for the employee leaving indemnity in accordance with law, net of advances made to employees.

PAYABLES

Due to banks

The bank payables are composed of:

	Balance at 30/06/2005	Balance at 31/12/2004	Changes
Current account overdrafts	10,746	14,480	(3,734)
Medium/long term loans			
- Quota due within one year	3,545	1,599	1,946
- Quota due beyond one year	56,456	58,401	(1,945)
Total	**70,747**	**74,480**	**(3,733)**

The medium/long term loans are represented by a loan to finance the investment for the construction of a printing centre located at Roma, at Torrespaccata. The loan is at a variable interest rate amounting to Euro 60 million granted by San Paolo – IMI S.p.A. to the Company S.E.M. S.p.A.. The quota payable within one year is equal to Euro 3,545 thousand while the amount due over one year is equal to Euro 56.5 million. The loan is secured by a mortgage on a building owned by the company S.E.M. S.p.A. for a total amount of Euro 60 million. In addition, a special privileged guarantee was given on the assets in the factory for a total amount of Euro 43,400 million.

The amount of the loan payable over five years amounts to Euro 39,865 thousand.

Other lenders

The table below shows the details of these accounts:

	Balance at 30/06/2005	Balance at 31/12/2004	Changes
Medium/long-term loans portion due within 12 months	2,561	2,509	52
Medium/long-term loans due over 12 months	13,915	15,334	(1,419)
Total	**16,476**	**17,843**	**(1,367)**

The balance relates to two loans received from Mediocredito Lombardo by the Parent Company Caltagirone Editore S.p.A. and Il Mattino S.p.A. respectively of Euro 11,620 thousand and Euro 9,812 thousand and a loan at subsidised interest rates as per law 416 of August 5, 1981, received by Il Messaggero S.p.A. from Mediocredito Lombardo for a total original value of Euro 4,028 thousand.

For the loans received by the Parent Company and Il Mattino S.p.A. the first instalment was due on June 30, 2002, while the final instalment is due in 2011.

As guarantee on these loans mortgages were provided on the land and buildings of the factory of Il Mattino S.p.A at Caivano for a total amount of Euro 37,510 thousand and special privileges on the assets in the factory for a total amount of Euro 17,170 thousand. The short-term portion amounts to Euro 2,035 thousand, of which Euro 1,103 thousand and Euro 932 thousand respectively relate to Caltagirone Editore S.p.A. and to Il Mattino S.p.A.; the long term quota is equal to Euro 12,812 thousand, of which Euro 6,889 thousand relates to Caltagirone Editore S.p.A. and Euro 5,923 thousand to Il Mattino S.p.A.. The amount of the loan payable over five years for both loans amounts to Euro 3,842 thousand.

The residual payable at June 30, 2005 for the loan at a subsidised interest rate as per law 416 of August 5, 1981, received by Il Messaggero S.p.A. from Mediocredito Lombardo, is equal to Euro 1,629 thousand, of which Euro 526 thousand within one year and Euro 1,103 thousand over one year. This loan is secured by a privileged guarantee on the printing presses of the newspaper.

Trade payables

At June 30, 2005, trade payables amounted to Euro 29,629 thousand (Euro 31,200 thousand at December 31, 2004) fully payable within one year. These payables principally refer to operating subsidiaries in the publishing sector and relate to the purchase of raw materials and capital expenditures.

Tax payables

The account tax payables, equal to Euro 7,328 thousand, principally includes the payable deriving from the Group VAT consolidation procedure (Euro 3,880 thousand) and the payable to the tax authorities for employee and other withholding taxes (Euro 1,766 thousand).

The balance also includes the net position for direct taxes (Euro 1,250 thousand), represented by income taxes net of payments on account and other tax credits.

Payables to social security institutions

They amount to a total of Euro 4,033 thousand (Euro 5,660 thousand at December 31, 2004) and refer to the payables to the social security institutions for the quota payable by the companies of the Group and the contributions of employees.

Other payables

The other payables, equal to Euro 17,196 thousand, consist for Euro 9,488 thousand of payables to personnel for deferred retribution and for Euro 7,708 thousand relating to other payables. They include Euro 2,035 thousand relating to the amounts available to the Board of Directors of Caltagirone Editore S.p.A. in conformity with article 24 of the by-laws of the parent company, and Euro 870 thousand relating to disputes in course and not yet paid by the subsidiary Il Messaggero

S.p.A. The balance includes a payable for disputes with employees of Euro 1,095 thousand by the subsidiary Quotidiano di Puglia S.p.A. and a position equal to Euro 1,123 thousand connected to contributions relating to law 488/1992 of the subsidiary Il Mattino S.p.A.

Included in Other payables are payables to companies of the Caltagirone S.p.A. Group amounting to Euro 569 thousand, as illustrated in the Directors' Report on operations.

Except where otherwise specified there are no payables due over five years.

There are no overseas payables.

Accrued expenses and deferred income

This account consists of:

	Balance at 30/06/2005	**Balance at 31/12/2004**	**Changes**
Accrued expenses	1,415	3,561	(2,146)
Deferred income	4,253	4,603	(350)
Total	**5,668**	**8,164**	**(2,496)**

The accrued expenses relate to interest matured, rent and other costs.

The deferred income includes Euro 4,242 thousand of grants received in accordance with Law 488/92 by Il Mattino S.p.A. for modernisation of the plant and the construction of the press centre at Caivano (NA). The recording of the grant in the income statement is correlated to the duration of the depreciation of the investment to which the grant refers.

MEMORANDUM ACCOUNTS

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

	Balance at 30/06/2005	**Balance at 31/12/2004**	**Changes**

Sureties given in favour of third parties	1,203	2,104	(901)
Other memorandum accounts	6,848	6,672	176
Total	**8,051**	**8,776**	**(725)**

D) INFORMATION ON THE INCOME STATEMENT

VALUE OF PRODUCTION

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

Composition by sales area	1st Half 2005	1st Half 2004	Changes
Sales of newspapers	34,329	32,463	1,866
Editorial promotions	9,130	8,565	565
Advertising	93,960	90,136	3,824
Services and internet	2,797	1,386	1,411
TOTAL REVENUES FROM SALES AND SERVICES	**140,216**	**132,550**	**7,666**

The sales and services relating to the principal newspapers of the group and the revenues from advertising are commented upon in the Directors' report on operations.

The revenues for services principally relate to the activities of the subsidiary B2WIN S.p.A. and services provided by other companies of the Caltagirone Group.

COSTS OF PRODUCTION

- *Raw, ancillary and consumable materials and goods for resale*

The costs for raw materials and goods, equal to Euro 13,444 thousand (Euro 12,951 thousand at June 30, 2004), principally relate to paper and consumable materials for publishing. The change compared to the same period in the previous year is due to the consolidation of the companies Corriere Adriatico S.p.A. and Quotidiano di Puglia S.p.A., not in the consolidation area in the first half of 2004.

- *Services*

The costs for “services”, equal to Euro 44,047 thousand (Euro 44,596 thousand in the first half of 2004), principally relate to energy, post and telephone, finishing work and outsourcing production, transport, maintenance and repairs, editing services, purchase of advertising space in newspapers not owned by the Group, agents commissions, promotional activities and other services and consulting.

- *Use of third party assets*

The account, equal to Euro 4,036 thousand (Euro 3,444 thousand in the first half of 2004), principally relates to the head office rental costs of Il Messaggero S.p.A., and the editorial offices of the parent company and of other subsidiaries. The account also includes the costs for leasing which are not recorded under the finance lease method as they are not significant.

- *Personnel*

The personnel costs amount to Euro 43,651 thousand (Euro 38,428 thousand in the first half of 2004). The increase principally relates to the consolidation of Corriere Adriatico S.p.A. and Quotidiano di Puglia S.p.A., not included in the consolidation area in the first half of 2004.

The following table shows the average number of employees by category:

	Average 1st half 2005	**Average 1st half 2004**
Executives	21	20
White collar	347	341
Journalists and consultants	516	449
Blue-collar	128	99
Total	**1,012**	**909**

- *Amortisation, depreciation and provisions*

The account refers to the amortisation and depreciation on intangible and tangible assets of Euro 10,584 thousand (Euro 11,017 thousand in the first half of 2004), doubtful debt provisions of Euro 1,022 thousand (Euro 890 thousand in the first half of 2004) and the amortisation on the consolidation differences of Euro 3,184 thousand (Euro 688 thousand in the first half of 2004).

The amortisation on intangible assets, equal to Euro 5,471 thousand (Euro 5,496 thousand in the first half of 2004), includes Euro 3,170 thousand amortisation of the charges incurred in relation to the increase in share capital of the parent company on the stock exchange quotation and Euro 1,816 thousand for the amortisation of the goodwill recorded as allocation of part of the merger deficit resulting from the incorporation into Il Messaggero S.p.A. of the company Editrice Il Messaggero S.p.A., in 1999.

The depreciation of tangible fixed assets, equal to Euro 5,113 thousand (Euro 5,521 thousand in the first half of 2004), includes Euro 3,170 thousand for the depreciation of printing and rotating presses and Euro 705 thousand for the depreciation of other plant and machinery.

The doubtful debt provision, equal to Euro 1,022 thousand, principally relates to trade receivables of Piemme S.p.A..

The consolidation differences, equal to Euro 3,184 thousand (Euro 688 thousand at June 30, 2004), increased due to the effect of the amortisation relating to the consolidation differences arising from the acquisitions made at the end of the previous year.

- *Other operating charges*

The other operating charges, equal to Euro 1,236 thousand (Euro 987 thousand in the first half of 2004), consist of various costs such as representative expenses, indirect taxes, municipal taxes, association fees, subscriptions to newspapers and periodicals and other sundry expenses.

FINANCIAL INCOME AND CHARGES

The details of the financial income and charges are shown below:

	1st half 2005	1st half 2004	Changes
Income from equity investments	37,503	1,498	36,005
Other financial income	10,050	7,810	2,240
Total financial income	**47,553**	**9,308**	**38,245**
Financial interest and charges	(1,494)	(1,746)	252
Total	**46,059**	**7,562**	**38,497**

The "income from equity investments" consist for Euro 2,355 thousand of dividends received on the shares in RCS Media Group S.p.A. (Euro 1,409 thousand) and Banca Monte dei Paschi di Siena S.p.A. (Euro 946 thousand) and for Euro 35,148 thousand the gain realised by the Parent Company on the sale of the entire holding in the company RCS Media Group S.p.A.

"Other financial income", equal to Euro 10,050 thousand, relate almost entirely to the interest receivable on liquidity (Euro 4,029 thousand) and the exchange gains on the conversion of a deposit in US dollars at the period end exchange rate (Euro 5,709 thousand).

The financial charges, equal to Euro 1,494 thousand, consist of Euro 1,006 thousand of interest payable on mortgage loans, Euro 346 thousand of interest payable on bank payables and Euro 142 thousand of expenses, bank commissions and other financial charges.

EXTRAORDINARY INCOME AND CHARGES

The details of extraordinary income and charges are shown in the table below:

	1st half 2005	1st half 2004	Changes
Gains on disposals	2	9	(7)
Other extraordinary income	696	691	5
Total extraordinary income	**698**	**700**	**(2)**
Other extraordinary charges	(704)	(2,188)	1,484
Taxes relating to prior periods	(1)	(73)	72

Total extraordinary charges	**(705)**	**(2,261)**	**1,556**
Total extraordinary (charges) income	**(7)**	**(1,561)**	**1,554**

The account “other extraordinary charges” principally relates to the charges as a consequent of payment of damages for indemnity to third parties, referring in particular to the subsidiary Il Messaggero S.p.A. (Euro 300 thousand) and costs not relating to the period of a various nature.

INCOME TAXES

Amount to Euro 19,402 thousand and include, in addition to the estimate of the taxes of the period of the companies included in the consolidation (Euro 7,177 thousand), also the effects of deferred tax income and/or charges calculated on the basis of the fiscal regulations in force on the temporary differences between the balance sheet values and the values recognised for fiscal purposes (Euro 12,225 thousand).

Rome, September 13, 2005

CALTAGIRONE EDITORE GROUP

RECONCILIATION STATEMENT
BETWEEN THE NET RESULT AND THE NET EQUITY OF THE PARENT COMPANY
AND CONSOLIDATED NET RESULT AND NET EQUITY

(in thousands of Euro)

June 30, 2005

	NET RESULT FOR THE PERIOD	NET EQUITY
NET EQUITY AND NET RESULT FOR THE PERIOD AS REPORTED IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY	**37.673**	**712.518**
Effect of the consolidation of subsidiaries	13.613	-16.995
Elimination of intercompany (gains) losses, net of tax impact	-3.486	88.830
Allocation of net equity accruing to minority interests	-130	-676
NET EQUITY AND NET RESULT FOR THE PERIOD AS REPORTED IN THE CONSOLIDATED FINANCIAL STATEMENTS	**47.670**	**783.677**

STATEMENT OF CHANGE IN CONSOLIDATED GROUP NET EQUITY
AS AT JUNE 30, 2005

(in thousands of Euro)

	Balance at 31.12.04	Allocation of profits to reserves	Movements between reserves	Dividends	Amounts available to Board of Directors	Other changes	Result at 30.06.05	Balance at 30.06.05
Share capital	125.000	-	-	-	-	-	-	125.000
Share premium reserve	501.169	-	-	(6.324)	-	-	-	494.845
Legal reserve	25.000	-	-	-	-	-	-	25.000
Reserve for treasury shares held	164	-	-	-	-	-	-	164
Reserve for the acquisition of treasury shares	29.836	-	-	-	-	-	-	29.836
Other reserves and retained earnings	49.585	30.628	-	(18.670)	(381)	-	-	61.162
Result for the year/period	30.628	(30.628)	-	-	-	-	47.670	47.670
Total Group Net equity	**761.382**	**-**	**-**	**(24.994)**	**(381)**	**-**	**47.670**	**783.677**

STATEMENT OF CHANGE IN CONSOLIDATED GROUP NET EQUITY
AS AT DECEMBER 31, 2004

(in thousands of Euro)

	Balance at 31.12.03	**Allocation of profits to reserves**	**Movements between reserves**	**Dividends**	**Amounts available to Board of Directors**	**Other changes**	**Result at 31.12.2004**	**Balance at 31.12.2004**
Share capital	125.000	-	-	-	-	-	-	125.000
Share premium reserve	527.812	-	-	(24.995)	-	(1.648)	-	501.169
Legal reserve	25.000	-	-	-	-	-	-	25.000
Reserve for treasury shares held	164	-	-	-	-	-	-	164
Extraordinary reserve	5.549	-	-		-	(5.549)	-	-
Reserve for the acquisition of treasury shares	29.836	-	-	-	-	-	-	29.836
Other reserves and retained earnings	16.396	25.992	-			7.197	-	49.585
Result for the year/period	25.992	(25.992)	-		-	-	30.628	30.628
Total Group Net equity	**755.749**	**-**	**-**	**(24.995)**	**-**	**-**	**30.628**	**761.382**

CALTAGIRONE EDITORE GROUP

CASH FLOW STATEMENT

(in thousands of Euro)

		30.06.2005	31.12.2004
A.	BEGINNING CASH AVAILABLE	**266.217**	**526.731**
B.	CASH FLOW FROM (FOR) OPERATING ACTIVITIES		
	Net profit for the period	47.670	30.628
	Minority share of profit for the period	130	3.957
	Amortisation and depreciation	13.768	24.171
	(Gains) losses from sale of fixed assets	(35.148)	(8.729)
	(Revaluations) or write-downs of financial assets	-	2.797
	(Revaluations) or write-downs of other fixed assets	-	1.681
	Net change in provisions for contingencies and charges	10.608	11.848
	Net change in provisions for employee termination indemnities	1.246	4.574
	Operating income before changes in working capital	**38.088**	**70.927**
	(Increase) decrease in current account receivables	5.637	(3.573)
	(Increase) decrease in inventories	486	(545)
	(Increases) decreases in current financial assets	90.257	(90.257)
	Increase (decrease) in trade payables and other payables	(454)	8.133
	(Increase) decrease in other working capital items	(1.235)	138
		94.691	**(86.104)**
		132.779	**(15.177)**
C.	CASH FLOW FROM (FOR) INVESTMENT ACTIVITIES		
	Investments in fixed assets:		
	Intangible assets	(383)	(122.072)
	Tangible assets	(718)	(5.981)
	Financial assets:		
	Equity investments	-	(68.961)
	Disposals of fixed assets	94.070	21.613
	Other movements in fixed assets	-	(28.256)
		93.155	**(203.657)**
D.	CASH FLOW FROM (FOR) FINANCIAL ACTIVITIES		
	Other increases (decreases) in reserves	-	-
	New loans	-	-
	Repayments of loans, net of the short term portion	(3.312)	(8.522)
	Repayment of non-current financial receivables	-	13
	Distribution of profits and amounts available to the BOD	(25.375)	(24.995)
	Net change in minority interest net equity	-	(8.176)
		(28.687)	**(41.680)**
E.	CASH FLOW FOR THE PERIOD (B + C + D)	**197.247**	**(260.514)**
F.	CLOSING CASH AVAILABLE (A+E)	**463.464**	**266.217**

IAS/IFRS Reconciliation of the Result and the Shareholders' Equity at June 30, 2005

Introduction

The consolidated half-year report of the Caltagirone Editore Group at June 30, 2005 was prepared utilising Italian accounting standards.
As required by IFRS No. 1 the reconciliation between the result and the shareholders' equity at June 30, 2005 in accordance with Italian accounting standards and those in accordance with IFRS, together with the relative explanatory notes, are provided below.

On the adoption of the international accounting standards the Caltagirone Editore Group has applied the provisions of IFRS No. 1 – first adoption of the International Financial Reporting Standards, availing of the following options in the preparation of the opening balance sheet:

- Aggregation of companies: the Group did **not** apply IFRS 3 in retrospective manner to the operations of aggregation of companies before the transition date to IFRS;
- Valuation of property, plant and machinery and of the intangible assets at fair value or, alternatively, at revalued cost as the substitute value of the cost; the Group **recorded** some fixed assets at fair value at the transition date to the IFRS;

Reference should be made to the Appendix relating to the "Transition to international accounting standards" for further analysis of the impact of the adoption of the IFRS.

Reconciliation of the results and the shareholders’ equity

(in Euro thousands)	Note	Net equity June 30, 2005 *Group and minority interest*	Net Result June 30, 2005 *Group and minority interests*
Italian Accounting Principles		**784,353**	**47,800**
Adjustments:			
Intangible assets with finite life	a	(102)	3,224
Goodwill and other assets with infinite life	b	11,172	5,122
Property, plant and equipment	c	230	60
Financial Instruments	d	32,464	-
Treasury shares	e	(164)	-
Employee provisions	f	(1,496)	(1,589)
Fiscal effects of the adjustments		(3,136)	(2,345)
Total adjustments net of fiscal effect		**38,968**	**4,472**
IAS/IFRS		**823,321**	**52,272**

a) Intangible assets with finite life

The capitalisation of some intangible assets is no longer permitted by IFRS; therefore there was a reversal of the values recorded by Caltagirone Editore S.p.A for the admission of the Stock Exchange quotation and research and advertising costs.

This adjustment resulted in a decrease in shareholders’ equity at June 30, 2005 of Euro 102 thousand.

The income statement in the first half of 2005 prepared based on IFRS benefits from the elimination of the amortisation calculated on the intangible assets reversed in the opening IFRS balance sheet (January 1, 2004), equal to Euro 3,224 thousand.

b) Goodwill and other assets with infinite life

As required by the IFRS No. 1 the goodwill is no longer subject to amortisation but periodically undergoes a valuation process (Impairment test).

The new valuation criteria results in a positive effect on the income statement and on the shareholders’ equity at June 30, 2005 respectively of Euro 5,122 thousand and Euro 11,172 thousand..

c) Property, plant and equipment

The IFRS require that land is recorded in a separate asset category and is not depreciated. Therefore the land was separated from the buildings, previously recorded and depreciated together and the relative depreciation was eliminated.

The effect of these adjustments on the shareholders' equity and on the income statement at June 30, 2005 were positive respectively of Euro 230 thousand and Euro 60 thousand.

d) Financial Instruments

As required by IFRS the equity investments in other companies held for sale must be valued at fair value with the recording of any gain or loss directly to shareholders' equity until the financial asset is sold or written down.

This adjustment results in an increase in the shareholders' equity at June 30, 2005 of Euro 32,464 thousand, relating to the equity investments in Banca Nazionale del Lavoro S.p.A.(Euro 27,820 thousand) and Banca Monte dei Paschi di Siena S.p.A. (Euro 4,644 thousand)

e) Treasury shares

The treasury shares are recorded as a reduction of shareholders' equity, as required by IFRS.

This adjustment results in a decrease in the shareholders equity at June 30, 2005 of Euro 164 thousand.

f) Employee provisions

The IFRS identifies among the various kind of benefits for employees, "Benefits after employment". These represent the benefits due to employees after the termination of employment. In the defined benefit programmes the discounted risk (where the benefits are lower than those expected) and the investment risk (where the assets invested are insufficient to satisfy the benefits expected) are the responsibility of the company and not the employee. Therefore, it is necessary to record the current financial discounted value of the expected liabilities and the relative cost and income, including financial charges and discounted profits and losses.

This adjustment results in a decrease of the shareholders' equity of Euro 1,496 thousand and a decrease in the result for the period of Euro 1,589 thousand.

List of holdings at 30.06.2005
as per article 38, Legislative decree no. 127/1991

	REGISTERED OFFICE	SHARE CAPITAL	CURR.	OWNERSHIP DIRECT	INDIRECT THROUGH	
COMPANIES INCLUDED IN THE CONSOLIDATION UNDER THE LINE-BY-LINE METHOD						
IL MESSAGGERO S.P.A.	ROME	36.900.000	Euro	99,999%	CEDFIN S.R.L.	0,001%
IL MATTINO S.P.A.*	ROME	500.000	Euro	99,999%	CEDFIN S.R.L.	0,001%
(formerly EDI.ME. EDIZIONI MERIDIONALI S.P.A.)						
PIEMME S.P.A.	ROME	104.000	Euro	-	IL MESSAGGERO S.P.A.	100%
S.E.M. SOCIETA' EDITRICE MERIDIONALE S.P.A.*	ROME	2.481.600	Euro	0,001%	EMERA S.P.A.	99,999%
(formerly IL MATTINO SOC.ED. MERIDIONALE SEM S.P.A.)						
CALTANET S.P.A.	ROME	5.414.463	Euro	98,778%	CEDFIN S.R.L.	1,222%
LEGGO S.P.A.*	ROME	1.000.000	Euro	90,00%	-	-
(formerly SIGMA EDITORIALE S.P.A.)						
CEDFIN S.R.L.	ROME	10.200	Euro	99,995%	SEM S.P.A.	0,005%
B2WIN S.P.A.	ROME	1.000.000	Euro	-	CALTANET S.P.A.	99,00%
					LEGGO S.P.A.	1,00%
EMERA S.P.A.	ROME	2.496.000	Euro	-	IL MESSAGGERO S.P.A.	100%
FINCED S.R.L.	ROME	10.000	Euro	99,99%	CEDFIN S.R.L.	0,01%
CORRIERE ADRIATICO S.P.A.*	ANCONA	102.000	Euro	51,00%	CEDFIN S.R.L.	49,00%
(formerly S.E.A. SOC. EDITORIALE ADRIATICA S.P.A.)						
QUOTIDIANO DI PUGLIA S.P.A.*	ROME	1.020.000	Euro	85,00%		
(formerly ALFA EDITORIALE S.R.L.)						
OTHER SHAREHOLDINGS IN SUBSIDAIRIES						
E.DI.ME. SPORT S.R.L.	NAPLES	10.200	Euro	-	IL MATTINO S.P.A.	99,50%
NOISETTE SERVICOS DE CONS. LDA	PORTUGAL	5.000	Euro	-	CEDFIN S.R.L.	98,00%
					LEGGO S.P.A.	2,00%

CALTAGIRONE EDITORE S.P.A.

BALANCE SHEET (Euro thousands)

	30.06.2005	*31.12.2004*	*30.06.2004*
A S S E T S			
A) SUBSCRIBED CAPITAL UNPAID	-	-	-
(B) FIXED ASSETS			
I INTANGIBLE ASSETS			
1.Start-up and expansion costs	-	3.169	6.338
7.Other	204	232	208
TOTAL	**204**	**3.401**	**6.546**
II. TANGIBLE ASSETS	14	9	8
III. FINANCIAL ASSETS			
1. Shareholdings in:			
a) subsidiary companies	231.498	231.300	47.640
b) other companies	-	52.724	39.030
4. Treasury shares	**164**	**164**	**164**
TOTAL	**231.662**	**284.188**	**86.834**
TOTAL FIXED ASSETS (B)	**231.880**	**287.598**	**93.388**
(C) CURRENT ASSETS			
I. INVENTORY	-	-	-
II.RECEIVABLES			
1.Trade receivables			
.payable within one year	3	6	1
2. Subsidiary companies:			
.payable within one year	374.841	301.435	108.362
4bis. Tax receivables:	675	2.479	4.994
4ter Deferred tax asset:	7.034	12.261	10.763
5.Others:			
.payable within one year	4	31	2
8.Receivables from other group companies:			
.payable within one year	5	-	264
TOTAL	**382.562**	**316.212**	**124.386**
III.CURRENT FINANCIAL ASSETS	-	-	-
IV. CASH AND BANKS			
1.Banking and postal deposits	112.787	109.310	479.120
3.Cash and cash equivalents	-	-	-
TOTAL	**112.787**	**109.310**	**479.120**
TOTAL CURRENT ASSETS (C)	**495.349**	**425.522**	**603.506**
(D) PREPAYMENTS AND ACC. INCOME	**34**	**102**	**247**
TOTAL ASSETS	**727.263**	**713.222**	**697.141**

CALTAGIRONE EDITORE S.p.A.

BALANCE SHEET (Euro thousands)

	30.06.2005	*31.12.2004*	*30.06.2004*
LIABILITIES			
A. SHAREHOLDERS' EQUITY			
I. SHARE CAPITAL	**125.000**	**125.000**	**125.000**
II. SHARE PREMIUM RESERVE	**494.846**	**501.169**	**501.169**
III. REVALUATION RESERVES	-	-	-
IV. LEGAL RESERVES	**25.000**	**25.000**	**25.000**
V. STATUTORY RESERVES	-	-	-
VI. RESERVE FOR TREASURY SHARES IN PORTFOLIO	**164**	**164**	**164**
VII. OTHER RESERVES	**29.836**	**29.836**	**29.836**
VIII. RETAINED EARNINGS	-	-	-
NET PROFIT (LOSS) FOR THE PERIOD	**37.673**	**19.051**	**2.401**
TOTAL	**712.519**	**700.220**	**683.570**
B. PROVISIONS FOR LIABILITIES AND CHARGES	3.539	-	215
C. EMPLOYEE LEAVING INDEMNITY	77	70	63
D. PAYABLES			
4.Bank borrowings:			
.payable within one year	-	-	1.850
5.Payables to other lenders:			
.payable within one year	1.103	1.079	1.056
.payable after one year	6.889	7.572	8.118
	7.992	**8.651**	**9.174**
7.Trade payables			
.payable within one year	280	426	358
9.Payables to subsidiary companies			
.payable within one year	456	1.876	17
.payable after one year	-	-	-
	456	**1.876**	**17**
12.Tax payables:			
.payable within one year	25	35	68
13.Social security institutions:			
.payable within one year	11	18	31
14.Other accounts payable:			
.payable within one year	2.320	1.926	1.758
15.Payables to other group companies:			
.payable within one year	42	-	37
TOTAL	**11.126**	**12.932**	**13.293**
E. ACCRUED LIABILITIES AND DEFERRED INCOME	**2**	-	-
TOTAL NET EQUITY AND LIABILITIES	**727.263**	**713.222**	**697.141**
MEMORANDUM ACCOUNTS			
Other guarantees given in the interest of subsidiary companies	**18.726**	**18.726**	**-**

CALTAGIRONE EDITORE S.p.A.

RECLASSIFIED INCOME STATEMENT

As per Consob Communication No. 94001437 of February 23, 2004

(in Euro thousands)

	30.06.2005	*31.12.2004*	*30.06.2004*
Dividends and tax credits from subsidiaries	-	-	-
Dividends and tax credits from other equity investments	1.409	-	-
Gains on other equity investments	37.719	-	-
TOTAL INCOME FROM EQUITY INVESTMENTS	**39.128**	-	-
OTHER FINANCIAL INCOME	**8.947**	**10.131**	**8.276**
Interest and financial charges from subsidiaries	-	-	-
Interest and financial charges from third parties	(5)	(3.475)	(152)
TOTAL INTEREST AND OTHER FINANCIAL CHARGES	**(5)**	**(3.475)**	**(152)**
TOTAL FINANCIAL INCOME AND CHARGES	***48.070***	***6.656***	***8.124***
Write-downs	(19)	(4.033)	(105)
TOTAL ADJUSTMENT OF FINANCIAL ASSETS	***(19)***	***(4.033)***	***(105)***
COSTS OF ORDINARY ACTIVITIES	***(3.848)***	***(7.995)***	***(4.036)***
EXTRAORDINARY INCOME AND CHARGES	-	***23.998***	-
PRE-TAX RESULT	***44.203***	***18.626***	***3.983***
INCOME TAXES	(6.530)	425	(1.582)
NET RESULT FOR THE PERIOD	***37.673***	***19.051***	***2.401***

List of holdings at 30.06.2005
as per art.120 of Legs. Decree 24.02.1998 no. 58

(published in accordance with article 126 of Consob Resolution 11971 of May 14, 1999)

COMPANY	REGISTERED OFFICE	SHARE CAPITAL	CURR.	OWNERSHIP DIRECT	INDIRECT THROUGH	
B2WIN S.p.A.	ROME	1.000.000,00	Euro	-	CALTANET spa	99,000%
					LEGGO spa	1,000%
CALTANET S.p.A.	ROME	5.414.463,00	Euro	98,778%	CEDFIN S.r.l.	1,222%
CEDFIN S.r.l.	ROME	10.200,00	Euro	99,995%	SEM S.p.A.	0,005%
CORRIERE ADRIATICO S.p.A. *	ANCONA	102.000,00	Euro	51,000%	CEDFIN s.r.l.	49,000%
(formerly S.E.A. SOC. EDITORIALE ADRIATICA spa)						
E.DI.ME. SPORT S.r.l. In liquidation	NAPLES	10.200,00	Euro	-	IL MATTINO S.p.a.	99,500%
EMERA S.p.A.	ROME	2.496.000,00	Euro	-	IL MESSAGGERO spa	100,000%
EUROQUBE S.A.	BELGIUM	84.861.115,53	Euro	-	CALTANET spa	14,820%
FINCED S.r.l.	ROME	10.000,00	Euro	99,990%	CEDFIN srl	0,010%
IL MATTINO S.p.A. *	ROME	500.000,00	Euro	99,999%	CEDFIN S.r.l.	0,001%
(formerly E.DI.ME. EDIZIONI MERIDIONALI SPA)						
IL MESSAGGERO S.p.A.	ROME	36.900.000,00	Euro	99,999%	CEDFIN S.r.l.	0,001%
LEGGO S.p.A. *	ROME	1.000.000,00	Euro	90,000%	-	-
(formerly SIGMA EDITORIALE SPA)						
NOISETTE SERVICOS DE CONSULTORIA LDA	PORTUGAL	5.000	Euro	-	CEDFIN s.r.l.	98,000%
					LEGGO spa	2,000%
PIEMME S.p.A.	ROME	104.000,00	Euro	-	IL MESSAGGERO spa	100,000%
QUOTIDIANO DI PUGLIA S.p.A. *	ROME	1.020.000	Euro	85,000%	-	-
(formerly ALFA EDITORIALE S.r.l.)						
S.E.M. SOCIETA' EDITRICE MERIDIONALE S.p.A. *	ROME	2.481.600,00	Euro	0,001%	EMERA spa	99,999%
(formerly IL MATTINO SOC.ED. MERIDIONALE SEM SPA)						
SVILUPPO QUOTIDIANI S.r.l.	ROME	45.900,00	Euro	-	IL MATTINO S.p.a.	16,667%

* Name changes with shareholders' meeting resolution on July 13, 2005

Transition to the international accounting standards (IFRS)

Contents

Introduction

Following the entry into force of European Regulation No. 1606 of July 2002, the Caltagirone Editore Group has adopted from January 1, 2005 the International Accounting Standards (hereafter IAS/IFRS) and, therefore, will prepare the first full consolidated financial statements prepared in accordance with IAS/IFRS as at December 31, 2005.

As permitted by article 81 of the Issuers' Regulations No. 11971 of 1999 adopted by Consob with Regulation No. 14990 of April 14, 2005, the Group prepared the half-year report at June 30, 2005 in accordance with the principles for the preparation of the annual and consolidated accounts for the year ended December 31, 2004.

As required by IFRS 1 – First Adoption of the International Financial Reporting Standard and by article 81 bis, in order to illustrate the impact of the transition to the international accounting standards on the balance sheet, financial position and results of the Group, this appendix includes the following schedules:

- Preparation in accordance with IFRS of the consolidated balance sheet at January 1, 2004 (transition date) and at December 31, 2004 (balance sheet date of the last consolidated financial statements prepared in accordance with Italian accounting standards)
- Preparation in accordance with the IFRS of the consolidated income statement for the year 2004
- Notes to the financial statements
- Reconciliation of the Shareholders' Equity at January 1, 2004 and at December 31, 2004 in accordance with the previous accounting principles and those in compliance with IFRS
- Reconciliation of the Net Result for the year 2004 in accordance with the previous accounting principles and deriving from the application of the IFRS

In the preparation of these schedules, the values of the consolidated balance sheet at January 1, 2004 and at December 31, 2004 and those of the consolidated income statement at December 31, 2004 in accordance with the accounting principles were appropriately reclassified in order to reflect the new financial statement format that the Group has decided to adopt.

It should be noted that the present appendix was prepared for the purposes of the transition for the preparation of the consolidated financial statements of 2005 in accordance with the standardised IFRS of the European Commission; they do not include, therefore, all the schedules, comparative information and explanatory notes that would be necessary to provide a true and fair view of the equity and financial position and of the consolidated result of the Caltagirone Editore Group in conformity with the IFRS standards.

It should also be noted that the statements were prepared in accordance with the current IAS/IFRS in force. However, these principles may not be those applicable at December 31, 2005 due to new orientations of the European Commission in relation to their standardisation or the issue of new principles or interpretations by the competent authorities for which it will be possible to apply advanced application and, therefore, the data presented may be changed in order to utilise these comparative data of the first full consolidated financial statements prepared in accordance with IFRS.

The most significant accounting principles used in preparing the reconciliation statements are as follows.

Consolidation principle

Subsidiary companies

The consolidation scope includes the Parent Company Caltagirone Editore S.p.A. and the companies in which it exercises direct or indirect control through the majority of the voting rights.

The companies are consolidated from the date in which control occurs until the moment in which this control terminates.

Inactive subsidiaries or those that generate an insignificant volume of turnover are not included in the consolidated financial statements, in that their impact on the consolidated financial statements of the Group is not material.

Associated companies

The associated companies, that is the companies in which the Group exercises a considerable influence, but not the control or joint control, on the financial and operating policies, are valued under the net equity method. The profits and losses pertaining to the Group are recorded in the consolidated income statement at the date when the significant influence begins and until the date when it terminates.

Where the loss pertaining to the Group exceeds the book value of the investment, the value is written down to zero and, where the holding is committed to comply with legal or implicit obligations of the company or in any case to cover the losses, the excess is recorded in a specific provision.

Consolidation procedure

The assets and the liabilities, the charges and the income of the companies consolidated under the line-by-line method are fully included in the consolidated financial statements; the book value of the investments is eliminated against the corresponding fraction of the net equity of the subsidiaries, allocating to the individual assets and liabilities their current value at the date of

acquisition of control. Any residual difference deriving from this elimination is recorded in the account “Goodwill” if positive, or charged to the Income Statement, if negative.
The share of net equity and result for the period relating to minority shareholders are recorded in specific accounts in the balance sheet and income statement.
All infragroup balances and transactions, including any non realised gains deriving from transactions between Group companies, are eliminated net of their theoretical fiscal effect, if significant.
The gains and losses not realised with associated companies are eliminated for the part pertaining to the Group. The losses not realised are eliminated except when they represent a permanent impairment in value.

Conversion criteria of foreign currencies

The operational currency and that used for the presentation of the Group is the Euro, which is also the operational currency of all of the companies included in the financial statements.
All transactions in currencies other than the Euro are recorded at the exchange rate at the date of the transaction. The assets and liabilities denominated in foreign currencies other than the operational currencies are subsequently adjusted to the exchange rate at the end of the reporting period. The positive or negative differences between the values converted at the period end exchange rate and the original exchange rate are recorded in the income statement .
The non monetary assets and liabilities denominated in foreign currencies and recorded at historical cost are converted utilising the exchange rate at the initial date of recording of the operation.

Accounting principles

Intangible assets with finite life

Intangible assets are recorded at cost, including direct accessory costs necessary in order to render the asset available for use.
The intangible assets with a finite life are recorded net of the relative accumulated amortisation and any loss in value in accordance with the procedures described below. The amortisation is calculated on a straight line basis over the estimated useful life of the asset, that is reviewed on an annual basis and any changes, where necessary, are made in accordance with future estimates.
At the moment of the sale or when there are no expected future economic benefits from the use of an intangible asset, this is eliminated from the financial statements and any loss or gain (calculated as difference between the disposal value and the book value) is recorded in the income statement in the year of the above mentioned elimination.

Goodwill

In the case of acquisition of subsidiary or associated companies, the assets, the liabilities and the potential liabilities acquired and identifiable are recorded at their fair value at the date of acquisition. The positive difference between the acquisition cost and the quota held by the Group of the current value of these assets and liabilities is classified as goodwill and recorded in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recorded in the income statement at the moment of the acquisition.

After the initial recording, every year or more frequently if specific events indicate the possibility to have incurred a loss in value, the goodwill is not amortised but is subject to an impairment test in accordance with the procedures described below. Any write-downs may not be subsequently restated.

On the first adoption of the IFRS, the Group has chosen not to apply IFRS 3 Business Combinations in retrospective mode for the acquisition of companies prior to January 1, 2004; consequently, the goodwill generated on the acquisitions prior to the transition date to the IFRS was maintained at the previous value determined in accordance with the Italian accounting principles, with the prior verification and recording of any loss in value.

Intangible assets with an infinite life

Intangible assets with an infinite life are those activities for which, on the basis of analysis of all of the important factors, there is no perceivable limit to the period in which the cash flow generated is limited for the Group.

The intangible assets with an infinite life are initially recorded at purchase cost, determined in accordance with the procedures indicated for intangible assets, but subsequently they are not amortised. The recovery of their value is verified adopting the same criteria for the Goodwill. The write-downs are reinstated if the reasons for their write down no longer exist.

Property, plant and equipment

The tangible fixed assets are recorded at cost, including directly allocated accessory costs and necessary for the asset being in the condition for use for which it was acquired, and increased, in the presence of current obligations, by the current value of the estimated cost for the disposal of the asset. Where significant parts of these tangible fixed assets have different useful lives, these components are recorded separately. The land, both constructible and relating to civil and industrial buildings, is not depreciated in that it has an unlimited useful life.

Tangible fixed assets are recorded net of the relative accumulated depreciation and any loss in value determined in accordance with the procedures described below. The depreciation is calculated on a straight line basis on the estimated useful life of the asset for the company, that is reviewed on an annual basis and any changes, where necessary, are recorded in accordance with future estimates; the main depreciation rates used are the following:

	Rate
Industrial buildings	3%
Light constructions	10%
Non automated machines and general plant	10%
Rotating press for paper in rolls	8.33 - 10%
Equipment	25%
Office furniture and equipment	12%
Transport vehicles	20%
Motor vehicles and similar	25%

At the moment of the sale or when there are no expected future economic benefits from the use of an tangible asset, this is eliminated from the financial statements and any loss or gain (calculated as difference between the disposal value and the book value) is recorded in the income statement in the year of the above mentioned elimination.

Assets and liabilities held for sale (or in course of disposal)

The assets or group of assets and liabilities whose book value will be recovered principally through the sale rather than the continual usage, are presented separately from the other assets and liabilities in the balance sheet.

The assets held for sale are valued at the lower between their book value and the current value net of the sales costs.

Loss in value

At each period end the book value of intangible and tangible fixed assets are subject to verification, to record the existence of events or changes that indicate that the book value may not be recovered. If there exists an indication of this type their recoverable value must be determined and, in the case in which the book value exceeds the recoverable value, these assets are written down to reflect their recoverable value. The recoverable value of the goodwill and that of other infinite intangible assets is, however, estimated at each balance sheet date or, in any case when there is a change in circumstances or specific events that require this.

The recoverable value of the tangible and intangible fixed assets is represented by the higher value between the current value net of the selling costs and their value of use.

In defining the value of use, the expected future cash flows are discounted utilising a pre-tax discount rate that reflects the current market estimates referring to the cost of money over time and the specific risks of the activity. For an asset that does not generate sufficient independent cash flows, the realisable value is determined in relation to the generation unit of the cash flows to which the assets belongs. The losses in value are recorded in the Income Statement under the caption amortisation, depreciation and write down costs.

Inventories

Raw materials, semi-finished and finished products are valued at the lower of cost and market value. The cost is calculated on the basis of the weighted average cost.

Financial Instruments

Investments in other companies

The investments in subsidiaries excluded from the consolidation area and in other companies are valued at fair value with the recording of any gain or loss directly to shareholders' equity until the financial asset is sold or written down; at that moment the gains and losses accumulated, including those previously recorded in the shareholders' equity, are recorded in the income statement of the period. When the fair value cannot be reasonably determined, these investments are valued at adjusted cost for reductions in value, whose effects are recorded in the income statement. Any write-downs may not be subsequently restated.

Trade receivables

The trade receivables, which mature within the normal commercial terms, are not discounted and are recorded at amortised cost using the effective interest rate method (identified by their nominal value) net of any reductions in value. The reductions in value are determined on the basis of the current expected value of future cash flows.

Cash and cash equivalents

The cash and cash equivalents include bank deposits and cash in hand, or rather those values that are available on demand at short notice, certain in nature and there are no payment expenses.

For the purposes of the consolidated cash flow, the cash and cash equivalents are recorded net of bank overdrafts at the balance sheet date.

Financial liabilities and trade payables

The financial liabilities and trade payables are initially recorded at fair value net of directly allocated transaction costs.

Thereafter, they are valued under the amortised cost criteria, utilising the original effective interest rate method.

Treasury shares

The treasury shares are recorded as a reduction of shareholders' equity. The original cost of the treasury shares and the revenues deriving from any subsequent sale are recorded as net equity movements.

Costs for share capital increases

The costs incurred for the stock exchange listing of the Parent Company Caltagirone Editore S.p.A. are recorded as a reduction of the shareholders' equity in a specific negative reserve.

Employee benefits

The liabilities relating to the benefits recognised to employees and paid on or after the termination of employment and relating to defined benefit programmes (Employee Leaving Indemnity) net of any assets serving the plan, are determined on the basis of actuarial assumptions estimating the amount of the future benefits that the employees have matured at the balance sheet date. The liability is recorded on an accruals basis over the maturity period of the right. The valuations of the liabilities are made by independent actuaries.

Provision for risks and charges

The provisions for risks and charges are recorded when, at the balance sheet date, there exists a legal or implicit obligation, that derives from a past event, and a payment of resources is probable to satisfy the obligation and the amount of this payment can be estimated.

When the financial effect of the time is significant and the payment dates of the obligations can be reasonably estimated, the provision shall be discounted; the increase of the provision due to the passing of time is recorded as a financial charge. If the liability relates to a tangible fixed asset (example reclamation of sites), the counterparty of the provision is recorded under the asset to which it refers; the recording of the charge to the income statement is made through the process of depreciation of the tangible fixed asset to which the charge refers to.

Grants

The grants, from public entities and private third parties, are recorded at fair value when there is reasonable certainty that they will be received and that they will satisfy the conditions for their attainment.

The grants received against specific expenses are recorded under other liabilities and credited to the income statement over the period to which the related costs mature.

The grants received against specific assets whose value is recorded under tangible fixed assets are recorded either as a direct reduction of the tangible fixed assets or under other liabilities and credited to the income statement in relation to the depreciation period to which the asset refers.

The operating grants are fully recorded to the income statement at the moment in which they satisfy the conditions for their recording.

Revenues

The revenues are recorded in accordance with the probability that the Group will receive economic benefits and the amount can be determined reliably. Revenues are recorded net of returns, discounts and allowances.

In particular, the revenues from the sale of goods are recorded when the significant risks and benefits of the ownership of the assets are transferred to the purchaser.

The revenues for services are recorded when the services are provided, with reference to the progress of completion of the activities.

Interest

The financial income and charges are recorded on an accruals basis on the basis of the interest matured on the net value of the relative financial assets and liabilities utilising the effective interest rate.

Dividends

The revenues are recorded when the right of the shareholders to receive the payment arises.

Income taxes

Current income taxes for the period are determined on the basis of the fiscal assessable income and in compliance with current fiscal law; in addition, the effects deriving from the implementation of some companies of the Group national fiscal consolidation is applied.

Deferred tax assets and liabilities are calculated on temporary differences between the balance sheet values recorded in the consolidated half-year report and the corresponding values recognised for fiscal purposes applying current fiscal rates at the balance sheet date.

The recording of deferred tax assets is made when their recovery is probable, that is when it is expected that there will be available future assessable fiscal income sufficient to recover the asset.

The recovery of the deferred tax asset is reviewed at each balance sheet date.

First adoption of the IFRS

The adoption of the international accounting principles were made in accordance with the provisions contained in the IFRS 1 – First adoption of the International Financial Reporting Standards.

The principal options contained in IFRS 1 utilised in the opening balance sheet are the following:

- Business Combinations: the Group did **not** apply IFRS 3 in retrospective manner to the acquisition of companies before the transition date to IFRS;
- Valuation of property, plant and machinery and of the intangible assets at fair value at the transition date or, alternatively, at revalued cost as the substitute value of the cost; the Group **recorded** some fixed assets at fair value at the transition date to the IFRS.

IAS/IFRS consolidated balance sheet at January 1, 2004

The balance sheet at January 1, 2004 is shown below that illustrates:

- the values in accordance with the reclassified Italian accounting principles according to the IAS/IFRS format;
- the adjustments in order to apply IAS/IFRS principles.

Balance sheet at January 1, 2004

in Euro thousands

ASSETS	Italian accounting standards IAS reclassified	IAS/IFRS adjustments	IAS/IFRS	Note
Intangible assets with finite life	11,350	(10,077)	1,273	**1**
Goodwill and other infinite intangible assets	126,561	-	126,561	
Property, plant and equipment	101,896	8,677	110,573	**2**
Investment property	-	-	-	
Equity investments valued at cost	12	-	12	
Equity investments valued at net equity	-	-	-	
Investments and other non-current securities	74,426	(12,511)	61,915	**3**
Non-current financial assets	39	-	39	
Other non-current assets	1,355	-	1,355	
Deferred tax asset	27,700	3,753	31,453	**4**
TOTAL NON-CURRENT ASSETS	**343,339**	**(10,158)**	**333,181**	
Inventories	2,127	-	2,127	
Work in progress	-	-	-	
Trade receivables	77,770	-	77,770	
Equity investments and current securities	-	-	-	
Current financial assets	288	-	288	
Receivables from tax authorities	7,828	-	7,828	
Other current assets	3,139	(1,050)	2,089	**5**
Cash and cash equivalents	545,509	-	545,509	
Assets held for sale	-	-	-	
TOTAL CURRENT ASSETS	**636,661**	**(1,050)**	**635,611**	
TOTAL ASSETS	**980,000**	**(11,208)**	**968,792**	

Balance sheet at January 1, 2004

in Euro thousands

LIABILITIES AND NET EQUITY	Italian accounting standards IAS reclassified	IAS/IFRS adjustments	IAS/IFRS	Note
Share Capital	125,000	-	125,000	
Treasury shares	-	(164)	(164)	
Quotation charges		(18,865)	(18,865)	
Other reserves	604,757	7,906	612,663	
Retained earnings/(accumulated losses)	-	-	-	
Profit (loss) for the period	25,992	-	25,992	
Group shareholders' equity	**755,749**	**(11,123)**	**744,626**	
Minority interest shareholders' equity	8,722	929	9,651	
TOTAL SHAREHOLDERS' EQUITY	**764,471**	**(10,194)**	**754,277**	
Employee provision	33,736	(1,514)	32,222	**6**
Other non-current provisions	6,777	-	6,777	
Non-current financial liabilities	82,358	-	82,358	
Other non-current liabilities	4,588	-	4,588	
Deferred tax liability	13,296	500	13,796	**7**
NON CURRENT LIABILITIES AND PROVISIONS	**140,755**	**(1,014)**	**139,741**	
Current provisions	-	-	-	
Trade payables	29,204	-	29,204	
Current financial liabilities	21,188	-	21,188	
Tax payables	4,351	-	4,351	
Other current liabilities	20,031	-	20,031	
Liabilities related to activities held for sale	-	-	-	
CURRENT LIABILITIES AND PROVISIONS	**74,774**	-	**74,774**	
TOTAL LIABILITIES	**215,529**	**(1,014)**	**214,515**	
TOTAL LIABILITIES AND NET EQUITY	**980,000**	**(11,208)**	**968,792**	

Comments to the principle IAS/IFRS adjustments on the balance sheet at January 1, 2004

Below are provided brief comments to the adjustments on the balance sheet at January 1, 2004. The effect of these adjustments, net of the applicable fiscal effects, on the shareholders' equity are reported in the reconciliation schedule at page 22.

1) *Intangible assets with finite life*

Overall the account decreased by Euro 10,077 thousand due to the following adjustments:

- **Quotation charges** (Euro -9,019 thousand): the intangible assets include charges for the stock exchange quotation of Caltagirone Editore of Euro 9,019 thousand, net of accumulated amortisation (original quotation costs of Euro 30,063 thousand, accumulated amortisation at January 1, 2004 of Euro 21,044 thousand). In accordance with IFRS the quotation charges may not be capitalised under intangible assets but must be recorded as a reduction of the Shareholders' Equity, net of the fiscal effect.

- **Formation, start-up and advertising expenses** (Euro -1,058 thousand): intangible assets included costs for formation, start-up and advertising costs totalling Euro 1,058 thousand, net of the accumulated amortisation. These charges were fully eliminated as under IFRS they do not have the requisites to be capitalised;

2) *Property, plant and equipment*

The account increased by a total amount of Euro 8,677 thousand, deriving from two adjustments:

- **Buildings** (Euro +8,627 thousand): the building at via Chiatamone owned by the company Il Mattino SEM S.p.A. was recorded at fair value at January 1, 2004, on the basis of an independent expert's evaluation;

- **Land** (Euro +50 thousand): the value of the land at Torrespaccata owned by Il Mattino SEM S.p.A. was separated from the relative building and all the depreciation made in previous years was eliminated from the value of the land;

3) *Investments and other non-current securities*

The account decreased by an amount of Euro 12,511 thousand due to the following adjustments:

- **Equity investments in other companies** (Euro -12,347 thousand): in accordance with IFRS the equity investments in other companies shall be valued at their fair value, whenever possible. The market value at December 31, 2003 of the investments in Monte dei Paschi di Siena S.p.A. and in RCS Mediagroup S.p.A. result respectively in an increase of Euro 948 thousand and a decrease of Euro 13,295 thousand;

- **Treasury shares** (Euro -164 thousand): the treasury shares, previously recorded under financial assets, were reclassified as a direct reduction of the Shareholders' Equity, as required by IFRS;

4) Deferred tax asset

The account increased by Euro 3,753 thousand following the fiscal effects on the adjustments made;

5) Other current assets

The account included the dividend relating to the companies RCS Media Group S.p.A. (Euro 1,050 thousand) recorded at December 31, 2003 in accordance with the accruals criteria. In accordance with IFRS the dividends shall be recorded only at the moment of the Shareholders' Meeting resolution of the company; as a consequence the relative receivable was eliminated as a reduction of the Shareholders' Equity.

6) Employee provision

The value of the employee provision in accordance with the IFRS principles results in a decrease of Euro 1,514 thousand.

7) Deferred tax liabilities

The account increased by Euro 500 thousand following the fiscal effects of the adjustments made.

Consolidated balance sheet at December 31, 2004
IAS/IFRS consolidated Income Statement at December 31, 2004

The balance sheet and income statement at December 31, 2004 is shown below that illustrates:

- the values in accordance with the reclassified Italian accounting principles according to the IAS/IFRS format;
- The adjustments in order to apply IAS/IFRS principles.

Balance sheet as at December 31, 2004

in Euro thousands

ASSETS	Italian accounting standards IAS reclassified	IAS/IFRS adjustments	IAS/IFRS	Note
Intangible assets with finite life	4,536	(3,326)	1,210	1
Goodwill and other infinite intangible assets	268,903	6,050	274,953	2
Property, plant and equipment	91,569	170	91,739	3
Investment property	-	-	-	
Equity investments valued at cost	12	-	12	
Equity investments valued at net equity	-	-	-	
Investments and other non-current securities	129,005	23,787	152,792	4
Non-current financial assets	25	-	25	
Other non-current assets	1,228	-	1,228	
Deferred tax asset	28,113	1,238	29,351	5
TOTAL NON-CURRENT ASSETS	**523,391**	**27,919**	**551,310**	
Inventories	2,672	-	2,672	
Work in progress	-	-	-	
Trade receivables	85,336	-	85,336	
Equity investments and current securities	2	-	2	
Current financial assets	90,337	-	90,337	
Receivables from tax authorities	4,710	-	4,710	
Other current assets	2,892	-	2,892	
Cash and cash equivalents	282,296	-	282,296	
Assets held for sale	-	-	-	
TOTAL CURRENT ASSETS	**468,245**	-	**468,245**	
TOTAL ASSETS	**991,636**	**27,919**	**1,019,555**	

Balance sheet as at December 31, 2004

in Euro thousands

LIABILITIES AND NET EQUITY	Italian accounting standards IAS reclassified	IAS/IFRS adjustments	IAS/IFRS	Note
Share Capital	125,000	-	125,000	
Quotation charges	-	(18,865)	(18,865)	
Treasury shares	-	(164)	(164)	
Other reserve	605,754	44,285	650,039	
Retained earnings/(accumulated losses)	-	-	-	
Profit (loss) for the period	30,628	742	31,370	
Group shareholders' equity	**761,382**	**25,998**	**787,380**	
Minority interest shareholders' equity	546	(15)	531	
TOTAL SHAREHOLDERS' EQUITY	**761,928**	**25,983**	**787,911**	
Employee provision	38,310	(93)	38,217	**6**
Other non-current provisions	7,393	-	7,393	
Non-current financial liabilities	73,735	-	73,735	
Other non-current liabilities	3,939	-	3,939	
Deferred tax liability	24,878	2,029	26,907	**7**
NON CURRENT LIABILITIES AND PROVISIONS	**148,255**	**1,936**	**150,191**	
Current provisions	-	-	-	
Trade payables	31,431	-	31,431	
Current financial liabilities	18,588	-	18,588	
Tax payables	6,470	-	6,470	
Other current liabilities	24,964	-	24,964	
Liabilities related to activities held for sale	-	-	-	
CURRENT LIABILITIES AND PROVISIONS	**81,453**	**-**	**81,453**	
TOTAL LIABILITIES	**229,708**	**1,936**	**231,644**	
TOTAL LIABILITIES AND NET EQUITY	**991,636**	**27,919**	**1,019,555**	

Income statement as at December 31, 2004

in Euro thousands

INCOME STATEMENT	Italian accounting standards IAS reclassified	IAS/IFRS adjustments	IAS/IFRS	Note
Revenues from sales and services	261,937	-	261,937	
Change in work in process, semi-finished and finished products	-	-	-	
Changes in contract work in progress	-	-	-	
Increases for internal work	-	-	-	
Other operating revenues	16,177	(7,503)	8,674	**8**
TOTAL OPERATING REVENUES	**278,114**	**(7,503)**	**270,611**	
Raw material costs	(25,484)	-	(25,484)	
Personnel costs	(79,545)	(1,421)	(80,966)	**9**
Other operating charges	(108,995)	-	(108,995)	
TOTAL OPERATING COSTS	**(214,024)**	**(1,421)**	**(215,445)**	
EBITDA	**64,090**	**(8,924)**	**55,166**	
Depreciation, amortisation, provisions & write-downs	(29,630)	12,667	(16,963)	**10**
EBIT	**34,460**	**3,743**	**38,203**	
Net result of the valuation of investments under net equity method	-	-	-	
Net result of the financial management	2,804	1,050	3,854	**11**
PRE-TAX RESULT	**37,264**	**4,793**	**42,057**	
Income taxes	(2,679)	(4,044)	(6,723)	**12**
RESULT OF THE NORMAL ACTIVITIES	**34,585**	**749**	**35,334**	
RESULT OF THE ACTIVITIES SOLD OR TERMINATED	-	-	-	
NET PROFIT (LOSS) FOR THE PERIOD	**34,585**	**749**	**35,334**	
MINORITY INTEREST SHARE OF RESULT	**(3,957)**	**(7)**	**(3,964)**	
GROUP RESULT	**30,628**	**742**	**31,370**	

Comments to the principle IAS/IFRS adjustments on the balance sheet and income statement at December 31, 2004

Below are provided brief comments to the adjustments on the balance sheet and income statement as at December 31, 2004.
The effect of these adjustments, net of the applicable fiscal effects, on the shareholders' equity are reported in the reconciliation schedule at page 22.

1) *Intangible assets with finite life*

Overall the account decreased by Euro 3,326 thousand due to the following adjustments:

- **Quotation charges** (Euro -3,006 thousand): the intangible assets include charges for the stock exchange quotation of Caltagirone Editore of Euro 3,006 thousand, net of accumulated amortisation (original quotation costs of Euro 30,063 thousand, accumulated amortisation of Euro 27,057 thousand). In accordance with IFRS the quotation charges may not be capitalised under intangible assets but must be recorded in a separate account of Shareholders' Equity, net of the fiscal effect.

- **Formation, start-up and advertising expenses** (Euro -320 thousand): intangible assets included costs for formation, start-up and advertising costs totalling Euro 320 thousand, net of the accumulated amortisation. These charges were fully eliminated as under IFRS they do not have the requisites to be capitalised;

2) *Goodwill and other infinite intangible assets*

In accordance with IFRS the goodwill and the infinite intangible assets, such as the newspaper titles, shall not be amortised, but subject annually to verifications to determine the existence of any reduction in permanent value. The account therefore increases for an amount of Euro 6,050 thousand following the reversal of the amortisation calculated in 2004 on the goodwill (Euro 3,634 thousand), on the consolidation difference (Euro 687 thousand) and on the newspaper titles (Euro 1,730 thousand).

3) *Property, plant and equipment*

The account increases by Euro 170 thousand as, required by IFRS, the value of the land at Torrespaccata owned by the Company Il Mattino SEM S.p.A. was separated from the relative building and all of the depreciation on the land up to December 31, 2004 was eliminated (Euro +170 thousand).

4) Investments and other non-current securities

The account increased by an amount of Euro 23,787 thousand due to the following adjustments:

- **Equity investments in other companies** (Euro +23,951 thousand): the market valuation at December 31, 2004 of the equity investments in the companies Monte dei Paschi di Siena S.p.A., Banca Nazionale del Lavoro S.p.A. and RCS MediaGroup S.p.A. results in an increase respectively of Euro 1,213 thousand, Euro 11,733 thousand and Euro 11,005 thousand;

- **Treasury shares** (Euro -164 thousand): the treasury shares, previously recorded under financial assets, were reclassified as a direct reduction of the Shareholders' Equity, as required by IFRS;

5) Deferred tax assets

The account increased by an amount of Euro 1,238 thousand due to the fiscal effects of the adjustments made.

6) Employee provisions

The value of the employee provision in accordance with the IFRS principles results in a decrease of Euro 93 thousand.

7) Deferred tax liability

The account increased by an amount of Euro 2,029 thousand due to the fiscal effects of the adjustments made.

8) Other operating revenues

The account decreased by Euro 7,503 thousand, against the elimination of the gain recorded in the consolidated financial statements on the building at Via Chiatamone sold in 2004 and subject, as previously indicated, to recording at fair value in the opening balance sheet at January 1, 2004 (transition date to the IFRS).

9) Personnel costs

The account increased by Euro 1,421 thousand following the determination on the basis of the criteria established by IFRS of the employee provision for the year 2004.

10) Amortisation and depreciation

The account decreased for an amount of Euro 12,667 thousand following the higher depreciation calculated on the building at Via Chiatamone, recorded at fair value on January 1, 2004 (Euro +254 thousand) and to the elimination of the amortisation on the intangible assets (quotation charges, formation and start-up charges, advertising expenses) reversed in the opening IFRS balance sheet (Euro -6,751 thousand), on the goodwill and on the infinite intangible assets (Euro -6,050 thousand) and on land (Euro -120 thousand).

11) Net result deriving from the financial management

The account increased by Euro 1,050 thousand following the recording of the dividend relating to the investment in the company RCS MediaGroup S.p.A. This dividend was recorded in accordance with the accruals principle in the financial statements at December 31, 2003 prepared on the basis of Italian Accounting principles. In accordance with IFRS the dividends shall be recorded only at the moment of the Shareholders' Meeting resolution of the company and therefore in the IFRS financial statements prepared at January 1, 2004 this dividend was reversed from the shareholders' equity to be recorded in the income statement in the IFRS financial statements of 2004.

12) Taxes

The account increased by an amount of Euro 4,044 thousand due to the fiscal effects of the adjustments made.

Reconciliation of the shareholders' equity and of the income statement

in Euro thousands	Note	Net equity January 1, 2004 *Group and minority interests*	Net Equity December 31, 2004 *Group and minority interests*	Income Statement 2004 *Group and minority interests*
Italian Accounting Principles		**764,471**	**761,928**	**34,585**
Adjustments:				
Intangible assets with finite life	a	(10,077)	(3,326)	6,751
Goodwill and other assets with infinite life	b	-	6,050	6,050
Property, plant and equipment	c	8,677	170	(7,637)
Financial Instruments	d	(13,397)	23,951	1,050
Treasury shares	e	(164)	(164)	-
Employee provisions	f	1,514	93	(1,421)
Fiscal effects of the adjustments		3,253	(791)	(4,044)
Total adjustments net of fiscal effect		**(10,194)**	**25,983**	**749**
IAS/IFRS		**754,277**	**787,911**	**35,334**

a) Intangible assets with finite life

The capitalisation of some intangible assets is no longer permitted by IFRS; therefore there was a reversal of the values recorded by Caltagirone Editore for the admission of the Stock Exchange quotation and research and advertising costs.

This adjustment results in a decrease of the shareholders' equity at January 1, 2004 and at December 31, 2004 respectively of Euro 10,077 thousand and Euro 3,326 thousand.

The income statement in 2004 prepared based on IFRS benefits from the elimination of the amortisation calculated on the intangible assets reversed in the opening IFRS balance sheet (January 1, 2004), equal to Euro 6,751 thousand.

b) Goodwill and other assets with infinite life

As required by the IFRS No. 1 the goodwill is no longer subject to amortisation but periodically undergoes a valuation process (Impairment test).

The new valuation criteria results in a positive effect on the income statement and on the shareholders' equity at December 31, 2004 of Euro 6,050 thousand.

c) Property, plant and equipment

Exercising the option contained in IFRS No. 1, a building held not for operational purposes was recorded at its fair value at the transition date to the IFRS.

The IFRS also require that land is recorded in a separate asset category and is not depreciated. Therefore the land was separated from the buildings, previously recorded and depreciated together and the relative depreciation was eliminated.

The effect of these adjustments on the shareholders' equity at January 1, 2004 and December 31, 2004 were respectively approx. Euro 8,677 thousand and Euro 170 thousand.

The effect on the income statement of 2004 was negative for Euro 7,637 thousand in that the building recorded at fair value at January 1, 2004 (transition date to the IFRS) was sold in the year; this resulted in a reduction of the gain realised recorded in accordance with the Italian accounting principles.

d) Financial Instruments

As required by IFRS the equity investments in other companies held for sale must be valued at fair value where available with the recording of any gain or loss directly to shareholders' equity until the financial asset is sold or written down.

The dividends are recorded when the right of the shareholders to receive the payment arises.

These adjustments result in a decrease of the shareholders' equity at January 1, 2004 of Euro 13,397 thousand, an increase in the shareholders' equity at December 31, 2004 of Euro 23,951 thousand and a benefit in the income statement of 2004 of Euro 1,050 thousand.

e) Treasury shares

The treasury shares are recorded as a reduction of shareholders' equity, as required by IFRS.

This adjustment results in a decrease in the shareholders' equity at January 1, 2004 and December 31, 2004 of Euro 164 thousand.

f) Employee provisions

The IFRS identifies among the various kind of benefits for employees, "Benefits after employment". These represent the benefits due to employees after the termination of employment. In the defined benefit programmes the discounted risk (where the benefits are lower than those expected) and the investment risk (where the assets invested are insufficient to satisfy the benefits expected) are the responsibility of the company and not the employee. Therefore, it is necessary to record the current financial discounted value of the expected liabilities and the relative cost and income, including financial charges and discounted profits and losses.

This adjustment results in an increase of the shareholders' equity at January 1, 2004 and at December 31, 2004 respectively of Euro 1,514 thousand and Euro 93 thousand.

The effect on the result for the year of 2004 was a negative amount of Euro 1,421 thousand.

Effects on the cash flow statement at December 31, 2004

The consolidated cash flow statement reconciliation is not presented in that the effects deriving from the application of the IAS/IFRS accounting standards do not result in a significant impact.

Audit on the reconciliations required by IFRS 1

The reconciliations to the IFRS balance sheets at January 1, 2004 and at December 31, 2004, as well as the income statement for the year of 2004, together with the relative explanatory notes, were audited.

The audit firm KPMG S.p.A. completed its activity and the relative report will be available shortly.