CALTAGIRONE EDITORE

annual report 2006
seventh fiscal year

Caltagirone Editore SpA

Head office Via Barberini, 28 - 00187 Roma
Share capital Euro 125,000,000
Internal Revenue Code and VAT n. 05897851001
Registered with the C.C.I.A.A. of Rome REG 935017

ordinary shareholders' meeting of April 23rd, 2007

AGENDA

Presentation of the Parent Company
and Consolidated Financial Statements
for the year ended December 31st, 2006,
together with the Directors' Report,
Board of Statutory Auditors' Report
and the Independent Auditors' Report;
deliberations therein.

extract of the ordinary shareholders' meeting of April 23rd, 2007

The shareholders' meeting held in first convocation and chaired by Francesco Gaetano Caltagirone, with 16 shareholders present representing 93,402,224 shares, in summary, deliberated:

- the approval of the Board of Directors' Report and the Financial Statements for the year ended December 31st, 2006;

- the distribution of a dividend of euro 0.20 for each share outstanding to the shareholders.

corporate board

Board of Directors

Chairman

Francesco Gaetano Caltagirone

Deputy Chairman

Gaetano Caltagirone

Deputy Chairman

Azzurra Caltagirone

Director

Francesco Caltagirone Jr
Massimo Confortini *
Mario Delfini *
Massimo Garzilli *
Albino Majore *
Giampietro Nattino *

Board of Auditors

Chairman

Giampiero Tasco

Auditor

Carlo Schiavone
Maria Assunta Coluccia

Indipendent audit firm

KPMG SpA

** Members of the executive committee*

delegated powers

In accordance with Consob

recommendation No. 97001574

of February 20th, 1997

the nature of delegated powers to the members

of the Board of Directors is indicated

Chairman

*The Chairman has the power to carry out,
with sole signature,
all the acts of ordinary and extraordinary administration,
with the exception of those reserved
to the Shareholders' Meeting and the Board of Directors.*

Vice Chairman

*The Vice Chairman has the power to carry out,
with sole signature,
in the case of the absence or impediment
of the Chairman,
all the acts of ordinary and extraordinary
administration, with the exception
of those reserved to the Shareholders' Meeting
and the Board of Directors.*

summary

Consolidated balance sheet for the financial year ended December 31st, 2006

Balance sheet for the financial year ended December 31st, 2006

Subsidiaries financial statements

CALTAGIRONE EDITORE

consolidated balance sheet
for the financial year ended
December 31st, 2006

directors' report on operations for the year ended December 31st, 2006

Dear Shareholders,

With the acquisition in July 2006 of a controlling interest in the company Il Gazzettino SpA (formerly Società Editrice Padana SpA), owner of the newspaper of the same name, Caltagirone Editore now has a daily readership of 5.3 million and a market share of approx. 23.9%[1]. In addition to a consolidated leadership in the Lazio, Campania and Marche regions and a strong presence along the Adriatic coast, Caltagirone Editore in also the national leader in the free press segment with the newspaper il *Leggo*, which has a daily readership of over 2 million.

In 2006, Caltagirone Editore recorded a consolidated net profit of euro 32.1 million, compared to euro 94.3 million in 2005, which, we recall, benefited from a gain following the sale of the investments in Rcs MediaGroup and Banca Nazionale del Lavoro, amounting to euro 59.1 million.

The consolidated revenues amounted to euro 304.7 million and include, from the second half of 2006, those of Il Gazzettino SpA and its subsidiaries, amounting to euro 29.1 million. At constant perimeter, the consolidated revenues recorded a small decrease (0.7%) compared to 2005, due to the negative trend of the revenues from sales.

From December 2006, the price of the main newspapers of Caltagirone Editore increased from euro 0.90 to euro 1.

The advertising revenues, at constant perimeter, were substantially in line with the previous year, while the revenues from promotional products increased by 24.1% (+8.8% at constant perimeter) - against the market trend.

The consolidated Ebitda was euro 49.7 million, compared to euro 62.7 million in 2005. This decrease is due to the withdrawal of the state publishing contributions (euro 1.8 million in 2005), to the increase in the international price of paper and to the increase in service and other operating costs.

Another factor impacting upon higher costs was the renewal of the national wage contract in the printing sector, which also resulted in a strong increase in social security charges, and a lower contribution to margins from promotional products, due to a growing saturation of the market.

1. Source: Audipress 2006 II. Market share calculated excluding the daily sporting and financial newspapers and including the free press.

Due to the above factors, and the insignificant contribution from Il Gazzettino at Ebitda level, the Ebitda margin on revenues was 16.3%, compared to 22.6% in the previous year.
For the same reasons, the Ebit decreased from euro 46.0 million in 2005 (16.6% of revenues) to euro 35.0 million (11.5% of revenues), with a negative contribution from Il Gazzettino SpA of approximately euro 2 million.
The principal consolidated income statement data compared to the previous year are shown below at constant perimeter and also with the contribution of Il Gazzettino SpA, relating to the second half of 2006.

	2006*	Il Gazzettino Group	2006	2005	Change %
Circulation revenues	83,842	14,608	98,450	85,231	15.5%
Advertising revenue	178,412	13,821	192,233	177,692	8.2%
Revenues from services	8,101	1	8,102	6,269	29.2%
Other income and revenues	5,228	723	5,951	8,437	-29.5%
VALUE OF PRODUCTION	**275,583**	**29,153**	**304,736**	**277,629**	**9.8%**
Raw materials, supplies and consumable stores	(30,593)	(3,865)	(34,458)	(28,148)	22.4%
Personnel costs	(86,135)	(12,930)	(99,065)	(85,611)	15.7%
Services	(95,637)	(10,462)	(106,099)	(89,924)	18.0%
Rent, leases and similar costs	(8,133)	(473)	(8,606)	(7,771)	10.7%
Other charges	(2,891)	(740)	(3,631)	(2,103)	72.7%
Other operating charges	(2,497)	(655)	(3,152)	(1,396)	125.8%
EBITDA	**49,697**	**28**	**49,725**	**62,676**	**-20.7%**
Amortisation and depreciation	(7,832)	(1,202)	(9,034)	(10,405)	-13.2%
Other (costs)/income	(4,788)	(874)	(5,662)	(6,238)	-9.2%
EBIT	**37,077**	**(2,048)**	**35,029**	**46,033**	**-23.9%**
Financial income	16,120	50	16,170	78,769	-79.5%
Financial charges	(8,569)	(182)	(8,751)	(3,740)	134.0%
Financial result	**7,551**	**(132)**	**7,419**	**75,029**	**-90.1%**
PROFIT (LOSS) BEFORE TAXES	**44,628**	**(2,180)**	**42,448**	**121,062**	**-64.9%**
Income taxes	(8,788)	(416)	(9,204)	(26,495)	-65.3%
PROFIT (LOSS) BEFORE MINORITY SHARE	**35,840**	**(2,596)**	**33,244**	**94,567**	**-64.3%**
Minority interest profit (loss)	(1,121)	7	(1,114)	(260)	328.5%
NET PROFIT (LOSS)	**34,719**	**(2,589)**	**32,130**	**94,307**	**-65.9%**

** At constant perimeter*
In thousands of euros

The increase in raw material, ancillary and consumable costs was 22.4%, while ar constant perimeter the increase was approx. 8.7% mainly due to the increase in the international price of paper.
The increase in labour costs and other operating costs is principally due to the consolidation of Il Gazzettino Group.
It should also be noted that the income statement is impacted by the costs relating to the current restructuring plans at Il Mattino SpA, Il Messaggero SpA and in the company Centro Stampa Veneto SpA, a subsidiary of Il Gazzettino SpA, amounting to approx. Euro 2.9 million. In particular, the restructuring costs already defined as at December 31st, 2006, equal to approximately euro 886 thousand, were recorded in the account Other operating costs, while the charges which must be incurred to complete these employee restructuring plans, estimated as euro 2 million, were recorded in the account Other costs and income.
Relating to Centro Stampa Veneto SpA, the work reorganisation plan agreed in March 2006 with the trade unions will permit the company to reduce the employee numbers by 43. The reduction of employee numbers took place mainly in the first part of 2006, resulting in a decrease in personnel costs for the year 2006 of approximately euro 1.6 million, and which will be completed during 2007, guaranteeing a reduction in the personnel overhead costs of approximately euro 3 million per year.
The restructuring of Il Mattino SpA provides for the departure of 30 print workers by April 2008. The full operational savings, taking into account the employment of specialised professional staff for the new organisational structure (5 employees) is valued at euro 1.3 million per year.
A similar operation was undertaken for Il Messaggero SpA of a reduced measure (net reduction of 12 employees) and the full savings is estimated at approximately euro 1 million per year.
The financial result, equal to euro 7.4 million, is not comparable with 2005, which benefited from the extraordinary financial income realised on the sale of the investments in Rcs MediaGroup SpA and Banca Nazionale del Lavoro SpA.
Income taxes include the estimate for current income taxes and deferred tax income and charges.
The net financial position at December 31st, 2006 was net liquidity of euro 288.7 million. The reduction of the liquidity compared to euro 481.7 million at December 31st, 2005 is principally due to the acquisition of Il Gazzettino SpA for approximately euro 194.6 million, of which euro 143.6 million already paid for the acquisition of 67.21% of the shares owned at December 31st, 2005 and euro 51.0 million recorded in accordance with IAS/IFRS international accounting standards under non-current financial liabilities against the purchase/sales option signed on a further 32.7% of the share capital of Il Gazzettino SpA.
With the acquisition of Il Gazzettino, Caltagirone Editore SpA is present in the North East of Italy, an area with a high per capita income and a higher daily newspaper penetration[2] compared to the national average (source Fieg on Audipress data).
The net financial position also decreased due to the distribution of dividends of euro 37.5 million, net of the cash flow from normal operations.

2. Calculated as the ratio between the average daily readership and the population.

Net financial position	12.31.2006	12.31.2005
Non-current financial assets	28	25
Current financial assets	423	1,416
Cash and cash equivalents	423,233	567,617
Non-current financial liabilities	(112,315)	(67,277)
Current financial liabilities	(22,691)	(20,025)
Total	**288,678**	**481,755**

In thousands of euros

The consolidated net equity increased from euro 847.7 million to euro 852.0 million as at December 31st, 2006.

Operating performance

The traditional Italian newspaper market has seen a decline in the number of copies sold per inhabitant. This trend, seen in all the western economies, derives from a combination of social, cultural and economic factors, principal among these are: the fragmentation of the traditional media, the widespread growth of the Internet and of free newspapers and the consequent reduced demand for traditional newspapers.
The progressive decline in circulation revenues was only in part offset by promotional products. The optional products sold together with newspapers is also a mature market, characterised by a wide offer, fierce competition and declining margins.
Only the free press, which represents approximately 30% of the market, continues with high growth rates, sustained in 2006 by the launch of new titles and by the recent Audipress certification which, in addition to confirming *Leggo*'s leadership in the national free press, is in fourth place among the daily newspapers at national level, with a readership of over 2 million.
According to research carried out by the World Press Trend, which classifies newspaper readership in each country, *Leggo* is also the world leader in the daily free press sector.

Publishing activities

Circulation	2006	2005	Change %
Sales of newspapers	**78,266**	**68,968**	**13.5%**
of which *Il Gazzettino*	12,114	–	n.a.
Promotions	**20,184**	**16,263**	**24.1%**
Il Messaggero	12,478	10,390	20.1%
Il Mattino	4,053	4,795	-15.5%
Corriere Adriatico	942	816	15.4%
Quotidiano di Puglia	217	262	-17.2%
Il Gazzettino (2nd half 2006)	2,494	–	n.a.
Total	**98,450**	**85,231**	**15.5%**

In thousands of euros

Circulation revenues amounted to euro 98.5 million, a growth of 15.5% compared to euro 85.2 million in 2005, thanks to sales promotion initiatives and the consolidation of the revenues from *Il Gazzettino di Venezia* newspaper.
Despite the competitive growth in the promotional products market and its lower capacity to absorb products, revenues increased by over 24% (9% at constant perimeter), through the highly selective strategy pursued, which focussed on the quality of the publications and limited the role of the companies to that of simple distributor. This role does not expose the companies to the risks related to the success of promotional products and guarantees constant positive margins. The Ebitda contribution on promotional products was approx. euro 2 million, a margin of approx. 11% on revenues (16% in 2005), impacted, in addition to the saturation of the market, by higher costs for the launch of products and production.
All of the Group newspapers maintained their leadership positions in their respective markets: *Il Messaggero* is leader in Lazio with 44.6% of the readership, *Il Mattino* in Campania with 48.0%, il *Corriere Adriatico* in Marche with 44.9%, il *Nuovo Quotidiano di Pugli*a in Salento with 39.7% and *Il Gazzettino* in Venice with 29.5%[3].

Advertising revenues

Advertising revenues	2006	2005	Change %
Advertising			
Il Messaggero	100,489	102,733	-2.2%
Il Mattino	38,213	37,808	1.1%
Leggo	24,692	23,539	4.9%
Quotidiano di Puglia	6,902	6,851	0.7%
Corriere Adriatico	5,316	3,754	41.6%
Others	2,800	3,007	-6.9%
Total	**178,412**	**177,692**	**0.4%**
Il Gazzettino (2^{nd} half 2006)	13,821	–	n.a.
Total	**192,233**	**177,692**	**8.2%**

In thousands of euros

In 2006, the advertising revenues, at constant perimeter, were in line overall with the previous year, and experienced different trends in each quarter: a first quarter in decline of approximately 1.8%, followed by growth in the second and third quarters of 2% and 2.3% respectively, and a decrease in the fourth quarter of approximately 0.5%.
The positive results of *Leggo* (+4.9%) and *Corriere Adriatico* were of particular note, with increased advertising revenues in real terms of 15.37%. The increase relating to *Corriere Adriatico*, as shown in the above table, also includes the share of the agency Piemme SpA, which is responsible for advertising placements from January 1st, 2006.

3. Source: Audipress 2006 II. Market share with exclusion of the sporting and financial newspapers.

Il Messaggero recorded a mixed trend in advertising revenues in the year, closing with a decrease compared to the previous year of 2.2%.
An investment is currently in the completion phase totalling approx. Euro 12 million of the printing centre at Rome, which will increase the number of pages of Il Messaggero from 64 to 72 pages, in full colour, and with a maximum of four insertions. This new production structure, in place at the end of March 2007, will permit greater advertising revenues through the increased operating flexibility allowed.
A much smaller investment (approx. euro 700 thousand) was undertaken in 2006 by Corriere Adriatico with 16 colour pages.
Revenues from other media largely relate to Radio stations and the Internet.

Other activities

	2006	2005	Change %
Services and internet	8,101	6,269	29.2%
Other revenues	5,228	8,437	-38%
Total	**13,329**	**14,706**	**-9.4%**
Il Gazzettino (2nd half 2006)	724	–	n.a.
Total	**14,053**	**14,706**	**-4.4%**

In thousands of euros

B2WIN SpA, which operates in the management of call centres and advanced computer services, ended 2006 with sales of euro 7.4 million, reporting a strong increase compared to 2005 (euro 5.8 million) and with a profit of euro 540 thousand.
Caltanet SpA, continued its activities in the web area maintaining close control of operational costs.
Other revenues derived from the recharging of costs, prior year income and other minor income.

Business outlook and strategies

Caltagirone Editore continues to pursue its strategy of expansion in the areas related to that of traditional distribution but also through partnerships with local newspapers and the differentiation of the sales price, which until now has led to an increase in the average daily readership numbers.
In the free-press sector, *Leggo* saw growing readership at a national level, and is recognised as an excellent advertising channel.
On the financial front for 2007, a small decrease in circulation revenues is expected to be largely offset by the increase in the sales price and in promotional products. In relation to advertising, based on the current economic outlook, it is expected that revenues will continue to grow at contained levels.

The integration of the company Il Gazzettino SpA will enter into the operating phase in 2007, with a number of measures targeting operating efficiency and margins. Although it is premature to anticipate the size and impact of the restructuring measures undertaken, it is believed that the profitability of Il Gazzettino SpA in the coming years can be increased in line with that of the other companies belonging to Caltagirone Editore SpA.

Transactions with related parties

The transactions with "related parties" in accordance with IAS No. 24 are disclosed in the notes to the financial statements at paragraph 29.

Other information

In accordance with article 10 of the Self Regulation Code, the Board of Directors of Caltagirone Editore SpA, in the meeting of September 10th, 2001, constituted the Internal Control Committee composed of five Directors chosen from the six non-executive members, as well as appointing the person responsible for internal control with the necessary requisites of independence, in order to perform a constant and complete monitoring of the systems and control procedures present in the different subsidiary companies.

In October 2006, Caltagirone Editore sold all the treasury shares held in portfolio on the market (31,040 shares), with a gain of approximately euro 34 thousand.

During the year, the companies of the Caltagiorne Editore Group did not carry out any research and development activity.

At December 31st, 2006, the employees of the Group amounted to 1,319 units (1,009 at December 31st, 2005), in addition to 471 employees under specific project contracts. The increase in the number of employees is due to the acquisition of II Gazzettino SpA.

In December 2006, the subsidiaries Emera SpA and S.E.M. SpA were incorporated respectively into Piemme SpA and Il Messaggero SpA.

Subsequent events to December 31st, 2006

There were no significant events in the first months of 2007 to report. The activities of the operating companies continued in line with expectations in the markets in which they operate.

The merger by incorporation has commenced of the company Area Nord SpA into Piemme SpA with the objective of creating a single Group advertising agency. This operation will provide commercial synergies and will permit the recovery of efficiencies and the gain market share in the North East of Italy.

Rome, March 21st, 2007

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

	RESULT FOR THE YEAR
Net equity and net result as per the financial statements of the parent company	**29,528**
Contribution of subsidiary companies	148,666
Elimination of inter-group dividends	(125,615)
Elimination of inter-group (gains)/losses, net of the tax effect	(24,415)
Adjustment to Group accounting principles (IFRS)	5,080
Minority interest share of net equity	(1,114)
NET EQUITY AND NET RESULT AS PER CONSOLIDATED FINANCIAL STATEMENTS	**32,130**

In thousands of euros

DECEMBER 31ST, 2006
NET EQUITY
704,357
182,962
–
(70,045)
37,231
(2,475)
852,030

LIST OF SIGNIFICANT INVESTMENTS AT 12.31.2006 AS PER ART. 38

COMPANY	HEAD OFFICE	SHARE CAPITAL	CURRENCY
Companies included in the consolidation under the full integration method			
Il Messaggero SpA	Rome	39,172,000	Euro
Il Mattino SpA	Rome	500,000	Euro
Piemme SpA	Rome	2,600,000	Euro
Caltanet SpA	Rome	5,414,463	Euro
Leggo SpA	Rome	1,000,000	Euro
Cedfin Srl	Rome	10,200	Euro
B2WIN SpA	Rome	1,000,000	Euro
Finced Srl	Rome	10,000	Euro
Corriere Adriatico SpA	Ancona	102,000	Euro
Quotidiano di Puglia SpA	Rome	1,020,000	Euro
Il Gazzettino SpA	Venice Mestre*	5,100,492	Euro
Centro Stampa Veneto SpA	Venice Mestre*	567,000	Euro
Area Nord Concessionaria di Pubblicità SpA	Venice Mestre*	5,200,000	Euro
Imprese Tipografiche Venete SpA	Venice Mestre*	936,000	Euro
P.I.M. Pubblicità Italiana Multimedia Srl	Milan*	1,044,000	Euro
Ideco Holding SA	Lugano (Switz.)	100,000	Chf
Telefriuli SpA	Tavagnacco	1,655,300	Euro
Other investments in subsidiary companies			
Edi.me. Sport Srl	Naples	10,200	Euro
Noisette Serviços de Consultoria Lda	Portugal	5,000	Euro
Media Scarl	Padua	50,000	Euro
Other investments in associated companies			
Editrice T.N.V. SpA	Verona	546,000	Euro
Imagivresse Srl in liquidazione	Verona	30,600	Euro
Pubblieditor Srl in liquidazione	Verona	40,800	Euro

* *The head office of the company was transferred to Rome in January 2007*

OF LEGS. DECREE NO. 127/1991

HELD		
Direct	Indirectly through	
94.199%	Piemme SpA Cedfin Srl	5.8% 0.001%
99.999%	Cedfin Srl	0.001%
–	Il Messaggero SpA	100%
98.778%	Finced Srl Cedfin Srl	0.001% 1.221%
90%	–	–
99.995%	Piemme SpA	0.005%
–	Caltanet SpA Leggo SpA	99% 1%
99.99%	Cedfin Srl	0.01%
51%	Cedfin Srl	49%
85%	–	–
67.21%	–	–
–	Il Gazzettino SpA	100%
–	Il Gazzettino SpA	100%
–	Il Gazzettino SpA	100%
–	Il Gazzettino SpA	100%
–	Il Gazzettino SpA	100%
–	Il Gazzettino SpA Ideco Holding SA	65.73% 20.29%
–	Il Mattino SpA	99.5%
–	Cedfin Srl Leggo SpA	98% 2%
–	Imprese Tipografiche Venete SpA	50%
–	Il Gazzettino SpA	40%
–	Il Gazzettino SpA	40%
–	Il Gazzettino SpA	40%

assets

	Notes	12.31.2006	12.31.2005
Intangible assets with definite life	1	3,972	693
Goodwill and other indefinite intangible assets	2	477,220	274,954
Property, plant and equipment	3	110,409	82,467
Equity investments measured at cost	4	4,750	4,319
Equity investments measured at equity	5	391	–
Equity investments and non-current securities	6	53,966	43,394
Non-current financial assets	7	28	25
Other non-current assets	8	1,789	977
Deferred tax assets	9	26,674	16,605
TOTAL NON-CURRENT ASSETS		**679,199**	**423,434**
Inventories	10	4,264	2,588
Trade receivables	11	95,186	77,655
Current financial assets	12	423	1,416
Receivables for current taxes	9	3,150	4,578
Other current assets	13	5,639	3,819
Cash and cash equivalents	14	423,233	567,617
TOTAL CURRENT ASSETS		**531,895**	**657,673**
TOTAL ASSETS		**1,211,094**	**1,081,107**

In thousands of euros

liabilities and shareholders' equity

	Notes	12.31.2006	12.31.2005
Share capital		125,000	125,000
Share capital issue costs		(18,865)	(18,865)
Treasury shares		–	(164)
Other reserves		713,765	647,420
Profit for the year		32,130	94,307
Group shareholders' equity		**852,030**	**847,698**
Minority interest shareholders' equity		**2,475**	**896**
SHAREHOLDERS´ EQUITY	15	**854,505**	**848,594**
Employee provisions	17	48,369	39,071
Other non-current provisions	18	10,963	9,028
Non-current financial liabilities	16	112,315	67,278
Other non-current liabilities	20	3,011	3,235
Deferred tax liability	9	71,419	31,087
NON-CURRENT LIABILITIES		**246,077**	**149,699**
Current provisions	18	2,468	661
Trade payables	19	48,084	32,257
Current financial liabilities	16	22,691	20,025
Payables for current taxes		–	1,500
Other current liabilities	20	37,269	28,371
CURRENT LIABILITIES		**110,512**	**82,814**
TOTAL CURRENT AND NON-CURRENT LIABILITIES		**356,589**	**232,513**
TOTAL LIABILITIES		**1,211,094**	**1,081,107**

In thousands of euros

income statement

	Notes	2006	2005
Revenues from sales and supply of services	21	298,785	269,192
Other operating revenues	22	5,951	8,437
TOTAL REVENUES		**304,736**	**277,629**
Raw material costs	23	34,458	28,148
Personnel costs	17	99,065	85,611
Other operating charges	24	121,488	101,194
TOTAL COSTS		**255,011**	**214,953**
EBITDA		**49,725**	**62,676**
Depreciation, amortisation, provisions & write-downs	25	14,696	16,643
EBIT		**35,029**	**46,033**
Financial income		16,170	78,769
Financial charges		8,751	3,740
Net financial result	26	**7,419**	**75,029**
PROFIT BEFORE TAXES		**42,448**	**121,062**
Income taxes	9	(9,204)	(26,495)
PROFIT FROM NORMAL OPERATIONS		**33,244**	**94,567**
NET PROFIT FOR THE YEAR		**33,244**	**94,567**
Group net profit		32,130	94,307
Minority interest share of profit		1,114	260
Earnings per share (euro per 1,000 shares)	27	257	755
Diluted earnings per share (euro per 1,000 shares)	27	257	755

In thousands of euros

INCOME AND CHARGES RECORDED IN FINANCIAL STATEMENTS

	Notes	2006	2005
Change in fair value of securities held for sale		10,259	(8,483)
NET PROFIT RECORDED DIRECTLY TO NET EQUITY		**10,259**	**(8,483)**
PROFIT FOR THE YEAR		**33,244**	**94,567**
TOTAL INCOME AND CHARGES RECORDED IN THE FINANCIAL STATEMENTS	15	**43,503**	**86,084**
Attributable to:			
Shareholders of the Parent Company		42,389	85,824
Minority interest		1,114	260

In thousands of euros

cash flow statement

	Notes	2006	2005
LIQUIDITY AT BEGINNING OF YEAR		**567,617**	**282,297**
Profit for the year		33,244	94,567
Amortisation and depreciation	25	9,034	10,405
(Revaluations) and write-downs	25-26	1,899	2,715
Net financial result	26	(7,433)	(16,179)
(Gains)/Losses on disposals		(59)	(59,948)
Income Taxes	9	9,204	26,495
Changes in employee provisions	17	9,298	854
Changes in current and non-current provisions	18	3,743	2,295
OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL		**58,930**	**61,204**
(Increase)/Decrease in inventories	10	(1,676)	83
(Increase)/Decrease in trade receivables	11	(19,416)	5,257
Increase/(Decrease) in trade payables	19	15,529	826
Change in other non-current and current liabilities		4,486	(4,898)
Change in deferred and current income taxes	9	(2,445)	(340)
OPERATING CASH FLOW		**55,408**	**62,132**
Dividends received	26	1,430	2,355
Interest received		13,403	10,503
Interest paid		(5,786)	(2,982)
Other income/(charges) received/paid		(145)	197
Income tax paid		(12,140)	(7,609)
A. CASH FLOW FROM OPERATING ACTIVITIES IN THE YEAR		**52,170**	**64,596**

	Notes	2006	2005
Investments in intangible fixed assets	1	(645)	(429)
Investments in tangible fixed assets	3	(10,681)	(3,826)
Investments in equity holdings and securities	28	(143,616)	–
Sale of intangible, tangible and financial assets		88	157,934
(Increase)/Decrease in equity investments and current securities		–	2
Other changes in investment activities		(1,451)	1,564
B. CASH FLOW FROM INVESTING ACTIVITIES		**(156,305)**	**155,245**
Change in non-current financial assets and liabilities		(5,247)	(6,458)
Change in current financial assets and liabilities		4,229	90,358
Sale of treasury shares	15	198	–
Dividends distributed	15	(37,491)	(24,995)
C. CASH FLOW FROM FINANCING ACTIVITIES		**(38,311)**	**58,905**
D. EFFECT OF EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	**26**	**(1,938)**	**6,574**
Change in net liquidity		**(144,384)**	**285,320**
LIQUIDITY AT END OF YEAR		**423,233**	**567,617**

In thousands of euros

notes to the consolidated financial statements for the financial year ended December 31st, 2006

Introduction

Caltagirone Editore SpA (Parent Company) is a limited liability company with its registered office at Rome (Italy), Via Barberini, No. 28, operating in the publishing sector.
The shareholders with holdings above 2% of the share capital, as per the shareholders register, the communications received in accordance with article 120 of Legislative Decree No. 58 of February 24th, 1998, and other information available are:
1. Francesco Gaetano Caltagirone: 81,955,300 shares (65.56%).
This investment is held:
- Directly for 22,500,000 shares (18.0%)
- Indirectly through the Companies:
  - Edigolfo SpA (35,56%)
  - Gamma Immobiliare Srl (12.00%)

2. Gaetano Caltagirone 3,000,000 shares (2.40%)
3. Edizioni Holding SpA 2,799,000 shares (2.24%)

Caltagirone Editore SpA is fully consolidated in the consolidated balance sheet of Caltagirone Group.
The present consolidated financial statements were authorised for publication by the directors on March 21st, 2007.

Compliance with international accounting standards approved by the European Commission

The present Group consolidated financial statements for the year ended December 31st, 2006 were prepared in accordance with international accounting standards (International Accounting Standards – IAS or International Financial Reporting Standards – IFRS) and the relative Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and of the Standing Interpretations Committee (SIC), approved by the European Commission (hereinafter "IFRS") in force at balance date, as well as measures issued in carrying out art. 9 of D.Lgs. No. 38 February 28th, 2005.

Basis of presentation

The Consolidated Financial Statements consist of the Balance Sheet, Income Statement, Cash Flow Statement, Statement of changes in Shareholders' Equity and the notes to the financial statements.
The Income Statement is classified based on the nature of the costs, while the Cash Flow Statement is presented using the indirect method.
The Consolidated Financial Statements are presented in euro and the amounts are shown in thousands, except where indicated otherwise.

Consolidation principles

Consolidation scope

The consolidation scope includes the parent company and all of its subsidiaries, directly or indirectly held (hereinafter the "Group").
The list of subsidiaries included in the consolidation scope is as follows:

	Location	2006	2005
Caltagirone Editore SpA	Rome	Parent Com.	Parent Com.
Il Messaggero SpA[1]	Rome	100	100
Il Mattino SpA	Rome	100	100
Piemme SpA[2]	Rome	100	100
S.E.M. Società Editrice Meridionale SpA[3]	Rome	–	100
Caltanet SpA	Rome	100	100
Leggo SpA	Rome	90	90
Cedfin Srl	Rome	100	100
B2WIN SpA[4]	Rome	100	100
Finced Srl	Rome	100	100
Emera SpA[5]	Rome	–	100
Corriere Adriatico SpA[6]	Ancona	100	100
Quotidiano di Puglia SpA	Rome	85	85
Il Gazzettino SpA	Venice	99.91	–
Centro Stampa Veneto SpA[7]	Venice	99.91	–
Imprese Tipografiche Venete SpA[7]	Venice	99.91	–
Area Nord SpA[7]	Venice	99.91	–
P.I.M. Srl[7]	Milan	99.91	–
Ideco Holding SA[7]	Lugano	99.91	–
Telefriuli SpA[8]	Udine	85.94	–

Values in %
[1] *Held directly for 94.2% and through Piemme SpA for 5.8%*
[2] *Held through Il Messaggero SpA*
[3] *The company was incorporated into Il Messaggero SpA*
[4] *Held through Caltanet SpA*
[5] *The company was incorporated into Piemme SpA*
[6] *Held directly for 51% and through Cedfin Srl for 49%*
[7] *Held through Il Gazzettino SpA*
[8] *Held through Il Gazzettino SpA for 65.73% and through Ideco Holding SA for 20.29%*

Subsidiary companies

All the companies in which the Group has the power to determine, directly or indirectly, the financial and operating policies of an entity, so as to obtain benefits from its activities are considered as subsidiary companies. In the evaluation of control, consideration is also taken of the potential voting rights that are effectively exercisable or convertible. The financial statements of subsidiaries are consolidated from the date in which the parent company acquires control and until the moment in which this control terminates.

Associated companies

The consolidation scope includes the following associated companies:

	Location	2006	2005
Editrice Telenuovo SpA	Verona	39.96	–

Values in %

Associated companies (companies in which the Group exercises a significant influence but does not control – or jointly controlled entities – the financial and operating policies) are measured under the equity method. The profits and losses pertaining to the Group are recognised in the consolidated income statement at the date when the significant influence begins and until the date of termination.
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

All of the financial statements used for the preparation of the consolidated financial statements were prepared at December 31st and adjusted, where necessary, in accordance with the accounting standards applied by the Parent Company.
The assets and liabilities, and the income and expenses, of the companies consolidated on a line-by-line basis 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 the equity and of the result for the year relating to minority interests are recognised in specific accounts in the balance sheet and income statement.
All inter-group balances and transactions, including any non realised gains or losses 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.

Translation criteria of foreign currencies

The operational and presentation currency of the Group is the euro.
All transactions in currencies other than the euro are recognised 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 translated utilising the exchange rate at the initial date of recording of the operation.

Business combinations

All the business combinations are recorded using the purchase method, which is the purchase cost equal to the fair value at the date of the exchange of the assets sold, liabilities incurred or assumed, plus directly attributable purchase costs. This cost is allocated recording the identifiable assets, liabilities and contingent liabilities of the purchase, at their fair value. Any positive difference between the purchase price and the fair value of the share of net assets acquired relating to the Group is recorded as goodwill. Any negative difference (negative goodwill) is recognised in the Income Statement at the date of acquisition.
The acquisition of shares in investments after the acquiring of the control by the Group, in the absence of specific requirements by IFRS, are recorded allocating to goodwill the entire difference between the purchase cost and the book value of the shares acquired.

Accounting policies

Intangible assets with definite useful life

The Intangible assets with a definite life, which include patents, concessions, licences, trademarks and similar rights and software, are recorded at cost, including direct accessory costs necessary in order to render the asset available for use.
Intangible assets with a definite useful life are recognised net of the relative accumulated amortisation and any impairment in accordance with the procedures described below. Amortisation is calculated on a straight line basis over the estimated useful life of the asset, reviewed on an annual basis and any changes, where necessary, are made in accordance with future estimates. Considering the uniformity of the assets contained in the individual categories, it is considered, with the exception of specific cases, that the useful life of these assets is approximately 3-5 years.
At the moment of sale or when no expected future economic benefits exist from the use of an intangible asset, it is eliminated from the financial statements and any loss or gain (calculated as the difference between the sales value and the net book value) is recorded in the income statement in the year of the above mentioned elimination.

Goodwill

The goodwill deriving from business combinations is allocated to the cash-generating unit identified which will benefit from these operations. The goodwill relating to investments in associated companies is included in the carrying value of these companies.
After the initial recording, goodwill is not amortised but is adjusted for any loss in value, determined in accordance with the procedures described below. Any write-downs may not be subsequently re-stated.

Intangible assets with an indefinite life

Intangible assets with indefinite useful lives are those activities for which, on the basis of an analysis of all of the relevant factors, there is no foreseeable limit to the period in which the cash flow generated is limited for the Group. The newspaper titles are considered assets with indefinite useful lives.
The intangible assets with an indefinite life are initially recorded at purchase cost, determined in accordance with the same procedures indicated for intangible assets with a definite life, but are not amortised subsequently. The recovery of their value is verified adopting the same criteria for the Goodwill. Write-downs are reinstated if the reasons for their write-down no longer exist.

Property, plant and equipment

Property, plant and equipment is 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 legal or implicit obligations, by the current value of the estimated cost for the disposal of the asset. The corresponding liability is recorded in a liability provision in the balance sheet under provisions for risks and charges.
The costs incurred after acquisition are recorded as an increase in the book value of the asset to which it refers when it is probable that the Group will receive the future benefits deriving from the cost incurred for the replacement of a part of property, plant and equipment and this cost can be reliably determined. All the other costs are recorded in the income statement when incurred.
When significant parts of property, plant and equipment have different useful lives, these components are recorded separately.
Property, plant and equipment is recorded net of the relative accumulated depreciation and any loss in value determined in accordance with the procedures described below. 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. Land, both constructible and annexes to buildings, is not depreciated, in that it has an unlimited useful life.
The property, plant and equipment acquired through finance lease contracts, where the majority of the risks and rewards related to the ownership of an asset have been transferred to the Group, are recognised as assets of the Group at their fair value or, if

lower, at the current value of the minimum lease payments, including any redemption amounts to be paid. The corresponding liability due to the lessor is recorded under financial payables. The leased assets are amortised based on the useful life of the asset. When there is no reasonable certainty that the Group will acquire ownership at the end of the lease, the asset is amortised over the shorter period of the duration of the lease and the useful life of the asset. The leased assets where the lessor bears the majority of the risks and rewards related to an asset are recorded as operating leases. The costs relating to operating leases are recorded on a straight-line basis in the income statement over the duration of the lease contract.
The principal depreciation rates applied are as follows:

	Useful life	Economic/ technical rate
Industrial buildings	30 years	3.33%
Light structures	10 years	10%
Non automated machines and general plant	10 years	10%
Rotating press for paper in rolls	15 years	6.67%
Equipment	4 years	25%
Office furniture and equipment	8 years	12%
Transport vehicles	5 years	20%
Motor vehicles and similar	4 years	25%

At the moment of sale or when there are no expected future economic benefits from the use of property, plant and equipment, they are eliminated from the financial statements and any loss or gain (calculated as the difference between the sales 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 and discontinued operations

The assets or group of assets and liabilities whose book value will be recovered principally through sale rather than continual usage, are presented separately from the other assets and liabilities in the balance sheet.
The assets classified as held for sale are measured at the lower between their book value and the current realisable value, less costs to sell, determined at the reclassification date. Losses in value are recognised directly in the income statement. The corresponding balance sheet values of the previous year are not reclassified.
The results of the activities terminated or in the course of disposal (discontinued operations) are recorded separately in the income statement, net of the tax effect. The corresponding values relating to the previous year are reclassified and are shown separately in the income statement, net of the tax effect, for comparative purposes.

Loss in value

At each period end, the book value of the property, plant and equipment and of intangible assets with a definite life are reviewed, in order to verify the existence of events or changes which indicate that the carrying value may not be recovered. If an indication of this type exists, their recoverable amount must be determined and, in the case in which the book value exceeds the recoverable amount, these assets are written down to reflect their recoverable value.
The recoverable value of goodwill, of other intangible assets with an indefinite life and intangible assets not available for use are, however, estimated annually or, when there is a change in circumstances or specific events occur.
The recoverable value is represented by the higher value between the current value less costs to sell and their value in use.
In defining the value in use, the expected future cash flows are discounted using a pre-tax rate that reflects the current market assessment of the time value of money and the specific risks of the activity. When an asset does not generate sufficient independent cash flows, the recoverable value is determined in relation to the cash-generating unit to which the asset belongs.
A loss in value is recognised in the income statement under amortisation, depreciation and write-downs, when the carrying value of the asset, or of the relative cash-generating unit to which it is allocated, is higher than the recoverable value. The losses in value of cash-generating units are firstly attributed to the reduction in the carrying value of any goodwill allocated and, thereafter, to a reduction of other assets, in proportion to their carrying value.
With the exception of goodwill, a loss in value of an asset is restated, up to the amount of the previous write-downs made, when the recoverable value exceeds the written down carrying value.

Inventories

Raw materials, semi-finished and finished products are measured at the lower of cost and market value. The cost is calculated on the basis of the weighted average cost method, which includes related accessory costs.

Financial instruments

Investments in other companies and debt instruments
The Investments in other companies are measured 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 accumulated gains and losses are recorded in the income statement of the period. The fair value of the securities traded on a regulated market is based on the quotation price at the balance sheet date.
When the fair value cannot be reliably determined, these investments are valued at cost adjusted for reductions in value, whose effects are recognised in the income statement. Any write-downs may not be subsequently re-stated.

Trade receivables
Trade receivables are recorded at amortised cost, net of any loss in value. The losses in value are determined on the basis of the fair value of the estimated future cash flows, discounted on the basis of the original effective interest rate.
The trade receivables which mature within the normal commercial terms are not discounted.

Cash and cash equivalents
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 with no payment expenses.

Financial liabilities and trade payables
Financial liabilities and trade payables are initially recognised at fair value, net of directly allocated transaction costs.
Thereafter, they are measured under the amortised cost criteria, using the original effective interest rate method.
Commitments deriving from contracts which contain an obligation for a company to acquire shares for cash or other financial assets are considered as financial liabilities. The value of this financial liability is equal to the fair value of the sums to be paid determined at the subscription date; the financial liability is discounted when the maturity dates of the obligation can be determined. The increase in the value of the payable due to the passing of time is recorded as a financial expense.

Shareholders' equity

Treasury shares
The costs incurred for the purchase of treasury shares are recorded as a reduction of shareholders' equity. The gains or losses deriving from a 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 SpA, net of the relative tax effect, are recorded as a reduction of the shareholders' equity in a separate 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 plans (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 recognised on an accruals basis over the period of maturity of the right. The valuation of the liability is made by independent professional actuaries. The actuarial gains and losses are recognised in the income statement.
From January 1st, 2007, the Finance Act and relative decrees enacted introduced

important amendments in relation to the employee leaving indemnity, among which was the choice given to the employee to determine where the leaving indemnity matured in the period is invested. In particular, the leaving indemnity may be utilised by the employee for their own chosen pension scheme or the employee may choose to leave the leaving indemnity in the company (in this case, the company pays the leaving indemnity contributions to an Inps treasury account). At the present moment, the interpretative uncertainty on the above-mentioned recently enacted regulations, the possible different interpretations of the qualification as per IAS 19 of the maturing leaving indemnity and the consequent amendments on the actuarial calculations relating to the leaving indemnity matured, as well as the impossibility to estimate the choices of employees on the allocation of the indemnity maturing (for which each individual employee has until June 30th, 2007 to decide), renders premature any assumption to change the actuarial calculation of the leaving indemnity matured at December 31st, 2006.

Provisions for risks and charges

The provisions for risks and charges are recorded when a legal or implicit obligation exists towards a third party that derives from a past event, and a payment of resources is probable in order to satisfy the obligation and this amount can be reliably estimated. When the financial effect of the time value of money is significant and the payment dates of the obligations can be estimated reliably, the provision is discounted using the estimated future cash flows at a pre-tax rate that reflects the current market assessment of the cost of money and, if appropriate, the specific risks of the obligation; the increase of the provision due to the passing of time is recorded as a financial charge.

Grants

The grants and contributions, from public entities and private third parties, are recognised 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 recognised under other liabilities and credited to the income statement in the period in which the related costs mature.
The grants received against specific assets whose value is recorded under fixed assets are recorded under other liabilities and credited to the income statement in relation to the depreciation period to which the asset refers.
Operating grants are fully recognised to the income statement at the moment in which they satisfy the conditions for their recognition.

Revenues

Revenues are recognised in accordance with the probability that the Group will receive economic benefits and the amount can be determined reliably. Revenues are recognised net of returns, discounts and allowances.
In particular, the revenues from the sale of goods are recognised when the significant

risks and benefits of the ownership of the assets are transferred to the purchaser.
Revenues for services are recognised when the services are provided, with reference to the progress of completion of the activities.

Interest

Financial income and expenses are recognised in accordance with the accruals concept on the basis of the interest matured on the net value of the relative financial assets and liabilities and utilising the effective interest rate.

Dividends

Dividends 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 taxable assessable income and in accordance with current legislation; in addition, the effects deriving from the implementation of some companies of the Group's national fiscal consolidation is applied.
Deferred tax assets and liabilities are calculated on temporary differences between the balance sheet values and the corresponding values recognised for taxation purposes applying tax rates which are expected to be applicable in future years when the differences are reversed, determined on the basis of the current tax rates in force and in consideration of any expected changes relating to future years.
The recognition of deferred tax assets is made when their recovery is probable, that is when it is expected that future assessable fiscal income sufficient to recover the asset will be available.
The recovery of the deferred tax asset is reviewed at each balance sheet date.

Use of estimates

The preparation of the financial statements require the Directors to apply accounting principles and methods that, in some circumstances, are based on difficulties and subjective valuations and estimates based on the historical experience and assumptions which are from time to time considered reasonable and realistic based on the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, such as the balance sheet, the income statement and the cash flow statement, and on the disclosures in the notes to the accounts. The final outcome of the accounts in the financial statements, which use the above-mentioned estimates and assumptions, may differ from those reported in the financial statements due to the uncertainty which characterises the assumptions and conditions upon which the estimates are based.
The accounting standards and accounts in the financial statements which require greater subjectivity in the preparation of the estimates and for which a change in the underlying conditions of the assumptions used may have a significant impact on the consolidated financial statements of the Group are as follows:

- Goodwill and other indefinite intangible assets;
- Write-down of fixed assets;
- Amortisation and depreciation of fixed assets;
- Deferred income taxes;
- Provisions for risks and charges;
- Allowance for doubtful accounts;
- Other write-down provisions;
- Employee benefits.

The estimates and assumptions are reviewed periodically and the effects of all variations recorded in the income statement, when they relate only to that year. When the revision relates to both current and future periods (for example the revision of the useful life of fixed assets), the changes are recorded in the period in which the revision is made and in the relative future periods.

Management of risks

The Group is exposed to different market risks and in particular to raw material price risk, credit risk, risk of changes in interest rates, liquidity risk, risk of change in the prices of quoted financial investments and foreign exchange risk.

Price risk (paper)

The Group is exposed to fluctuations in the price of paper – the principal raw material; the risk is managed through supply contracts with Italian and foreign companies with fixed prices and quantities for a maximum period of approximately one year, and through the provision from suppliers based in different geographic areas in order to obtain the most competitively priced supplies.

Credit risk

The Group does not have particularly significant credit risks. The operating procedures permit a control of the risk connected to the receivable, limiting the sales of products and/or services to clients without an adequate level of credit lines or guarantees.

Liquidity risk

The liquidity risk is managed by the Group through the investment of liquidity in short term operations (generally between one and three months) or readily liquid investments.

Interest rate risk

The exposure of the Group to interest rate changes is not particularly significant as this risk is principally related to medium/long-term loans with variable interest rates. The Group operations of this kind relate to bank loans.

Exchange risks

The Group, operating exclusively in the eurozone, is normally not exposed to foreign exchange currency movements. In some circumstances, however, foreign currency operations are undertaken which expose the Group to contained foreign currency risk.

Assets *1. Intangible assets with definite life*

	Research and development	Patents	Trademarks	Others	Total
Historical cost 1.1.2005	**751**	**56**	**958**	**2,679**	**4,444**
Increases	–	3	147	279	429
Decreases	–	–	–	–	–
Change in consolidation scope	–	–	–	–	–
Write-downs	–	–	–	–	–
Reclassifications	–	–	–	–	–
12.31.2005	**751**	**59**	**1,105**	**2,958**	**4,873**
Historical cost 1.1.2006	**751**	**59**	**1,105**	**2,958**	**4,873**
Increases	–	79	355	347	781
Decreases	–	–	–	(23)	(23)
Change in consolidation scope	–	892	4,694	185	5,771
Write-downs	–	–	–	–	–
Reclassifications	–	–	(31)	(20)	(51)
12.31.2006	**751**	**1,030**	**6,123**	**3,447**	**11,351**

In thousands of euros

	Research and development	Patents	Trademarks	Others	Total
Amortisation and loss in value 1.1.2005	**727**	**46**	**889**	**2,097**	**3,759**
Increases	22	6	90	314	432
Decreases	(10)	–	–	–	(10)
Change in the consolidation scope	–	–	–	–	–
Reclassifications	–	–	–	–	–
12.31.2005	**739**	**52**	**979**	**2,411**	**4,181**
Amortisation and loss in value 1.1.2006	**739**	**52**	**979**	**2,411**	**4,181**
Increases	5	72	394	347	818
Decreases	–	–	–	(20)	(20)
Change in the consolidation scope	–	828	1,559	56	2,443
Reclassifications	–	–	(23)	(20)	(43)
12.31.2006	**744**	**952**	**2,909**	**2,774**	**7,379**
Net value 1.1.2005	**24**	**10**	**69**	**582**	**685**
12.31.2005	**12**	**7**	**126**	**547**	**693**
12.31.2006	**7**	**78**	**3,214**	**673**	**3,972**

In thousands of euros

The increase in the account Trademarks and Concessions derives from the fair value recording of the television concessions owned by Telefriuli SpA, which is in turn owned by Il Gazzettino SpA, acquired on July 7th, 2006.
The values of intangible assets fully amortised and still in use are as follows:
- Development costs: euro 941 thousand;
- Industrial patents and intellectual property rights: euro 1.67 million;
- Trademarks, concessions and licenses: euro 2.14 million;
- Other: euro 2.68 million.

The average amortisation rates used are shown below:

Category	Average rate
Development costs	20
Industrial patents and intelligence property rights	29
Trademarks, concessions and licenses	18.5
Other	28

Values in %

2. Goodwill and other indefinite intangible assets

The indefinite intangible assets, comprising of goodwill and newspaper titles, are not amortised, but subject annually to verifications to determine the existence of any loss in value.
The table below shows the movements in the indefinite intangible assets:

	Goodwill	Newspaper titles	Total
Historical cost 1.1.2005	**88,854**	**186,100**	**274,954**
Increases	–	–	–
Decreases	–	–	–
Change in consolidation scope	–	–	–
Write-downs	–	–	–
Reclassifications	–	–	–
12.31.2005	**88,854**	**186,100**	**274,954**
Historical cost 1.1.2006	**88,854**	**186,100**	**274,954**
Increases	101,567		101,567
Decreases	–	(1)	(1)
Change in consolidation scope	–	100,700	100,700
Write-downs	–	–	–
Reclassifications	–	–	–
12.31.2006	**190,421**	**286,799**	**477,220**

In thousands of euros

The goodwill is allocated to the following cash-generating units:

	12.31.2006	12.31.2005
Il Gazzettino SpA	101,567	–
Il Messaggero SpA	51,613	51,613
Piemme SpA (*Advertising agency*)	27,521	27,521
Il Mattino SpA	9,720	9,720
Total	**190,421**	**88,854**

In thousands of euros

The increase in 2006 relates to the purchase of 99.91% of the company Il Gazzettino SpA, publisher of the newspaper of the same name. This goodwill includes a theoretical tax effect of euro 35.57 million recorded on the fair value of the activities of Il Gazzettino SpA at the acquisition date (note 28).
The breakdown of the balance relating to the newspaper titles is shown below:

	1.1.2005	Increases	Decreases	Change in consolidation scope	Write-downs	12.31.2005
Il Messaggero	90,808	–	–	–	–	90,808
Il Mattino	44,496	–	–	–	–	44,496
Il Quotidiano di Puglia	26,131	–	–	–	–	26,131
Corriere Adriatico	24,656	–	–	–	–	24,656
Other minor newspaper titles	9	–	–	–	–	9
Total	**186,100**	**–**	**–**	**–**	**–**	**186,100**

In thousands of euros

	1.1.2006	Increases	Decreases	Change in consolidation scope	Write-downs	12.31.2006
Il Messaggero	90,808	–	–	–	–	90,808
Il Mattino	44,496	–	–	–	–	44,496
Il Quotidiano di Puglia	26,131	–	–	–	–	26,131
Corriere Adriatico	24,656	–	–	–	–	24,656
Il Gazzettino	–	–	–	100,700	–	100,700
Other minor newspaper titles	9	–	(1)	–	–	8
Total	**186,100**	**–**	**(1)**	**100,700**	**–**	**286,799**

In thousands of euros

The estimate of the recoverable value of the goodwill and of the newspaper titles is based exclusively on the value in use, in accordance with IAS 36. The value in use is determined through the Discounted Cash Flow method, which is the discounting of the future operating cash flows generated by the Cash Generating Unit (CGU). In particular, the cash flows are estimated for a specific period and then discounted based on the cost of capital of the single CGU's. A "terminal value" representing the infinite projections of the CGU's revenue capacity, which is also discounted at an appropriate discount rate, is added to this value.

The principal parameters used in the determination of the value in use (separately for each "Cash Generating Unit") is shown below:

	Newspaper titles	Goodwill	Total CGU[1]	*Tax rate*	Growth rate terminal value	WAAC[2]	Explicit period cash flows
Il Gazzettino	101,567	100,700	202,267 [3]	37.25%	2%	8%	4 years
Il Messaggero	51,613	90,808	142,421	38.25%	2%	8%	4 years
Il Mattino	9,720	44,496	54,216	38.25%	2%	8%	4 years
Piemme SpA *(Advertising agency)*	27,521	–	27,521	38.25%	2%	8%	4 years
Il Quotidiano di Puglia	–	26,131	26,131	37.25%	2%	8%	4 years
Il Corriere Adriatico	–	24,656	24,656	37.25%	2%	8%	4 years

In thousands of euros

[1] *Represents the sum of the goodwill and of the newspaper titles allocated to the individual Cash Generating Unit*

[2] *The WACC represents the average weighted cost of capital of the company*

[3] *The goodwill is recorded gross of the theoretical tax effect on the fair value of the activities of the company acquired, equal to euro 35.57 million*

3. Property, plant and equipment

	Land	Buildings	Plant and machinery	Commercial and industrial equipment	Other assets	Assets in progress	Total
Historical cost 1.1.2005	**4,783**	**30,450**	**95,923**	**1,439**	**15,578**	**–**	**148,173**
Increases	–	13	921	61	1,106	1,725	3,826
Decreases	–	–	(18,396)	–	(259)	–	(18,655)
Change in the consolidation scope	–	–	–	–	–	–	–
Revaluations/(Write-downs)	–	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–	–
12.31.2005	**4,783**	**30,463**	**78,448**	**1,500**	**16,425**	**1,725**	**133,344**
Historical cost 1.1.2006	**4,783**	**30,463**	**78,448**	**1,500**	**16,425**	**1,725**	**133,344**
Increases	–	76	1,349	79	2,919	7,025	11,448
Decreases	–	(42)	(1,427)	(24)	(2,225)	–	(3,718)
Change in the consolidation scope	3,646	24,652	10,849	324	5,546	–	45,017
Revaluations/(Write-downs)	–	–	–	–	–	–	–
Reclassifications	–	158	(2,829)	(901)	178	–	(3,394)
12.31.2006	**8,429**	**55,307**	**86,390**	**978**	**22,843**	**8,750**	**182,697**

In thousands of euros

	Land	Buildings	Plant and machinery	Commercial and industrial equipment	Other assets	Assets in progress	Total
Depreciation and loss in value 1.1.2005	**–**	**3,129**	**39,791**	**1,331**	**11,660**	**–**	**55,911**
Increases	–	909	7,369	77	1,628	–	9,983
Decreases	–	–	(14,772)	–	(245)	–	(15,017)
12.31.2005	**–**	**4,038**	**32,388**	**1,408**	**13,043**	**–**	**50,877**
Depreciation and loss in value 1.1.2006	**–**	**4,038**	**32,388**	**1,408**	**13,043**	**–**	**50,877**
Increases	–	1,354	5,213	51	1,599	–	8,217
Decreases	–	(42)	(1,380)	(24)	(1,283)	–	(2,729)
Change in the consolidation scope	–	4,253	9,431	315	5,326	–	19,325
Reclassifications	–	38	(2,631)	(901)	92	–	(3,402)
12.31.2006	**–**	**9,641**	**43,021**	**849**	**18,777**	**–**	**72,288**
Net value							
1.1.2005	**4,783**	**27,321**	**56,132**	**108**	**3,918**	**–**	**92,262**
12.31.2005	**4,783**	**26,425**	**46,060**	**92**	**3,382**	**1,725**	**82,467**
12.31.2006	**8,429**	**45,666**	**43,369**	**129**	**4,066**	**8,750**	**110,409**

In thousands of euros

The increase in the tangible fixed assets is principally due to the entry into the consolidation area of the companies of “Il Gazzettino” Group.
From the year 2006, the depreciation of the rotating presses of the newspapers *Il Messaggero* and *Il Mattino* and other related plant, respectively of 12 and 10 years, was adjusted to 15 years based on a technical expert’s report which certified the extended useful life of the assets. Depreciation for the year would have been euro 1.775 million higher if the previous depreciation rates had been used; consequently the net result and net equity would have both been euro 1,097 thousand lower, net of the relative tax effect of euro 678 thousand.
The account “Assets in progress” increased following the modernisation work on the printing presses of Il Messaggero realised during 2006, which will increase the maximum number of pages on the newspaper from 64 to 72 pages, all in colour. The total investment will amount to approximately euro 12 million and will be completed by March 2007.
The account “Other assets” includes, in addition to computers, servers and network appliances, leasehold improvements and restructuring relating to rented offices. Depreciation is calculated based on the duration of the contract, which is lower than the useful life of the asset.

The values of property, plant and equipment fully depreciated and still in use are as follows:

- Buildings: euro 351 thousand;
- Plant and machinery: euro 4.08 million;
- Other plant and equipment: euro 2.77 million;
- Rotary and printing presses: euro 2.95 million;
- Industrial and commercial equipment: euro 331 thousand;
- EDP: euro 4 million;
- Furniture, furnishings and office equipment: euro 2.82 million;
- Motor vehicles and internal transport: euro 395 thousand;
- Leasehold improvements: euro 2.96 million;
- Other minor assets: euro 1.55 million.

The book value of buildings provided as guarantees on liabilities amounts to euro 14.29 million. For further information, reference should be made to Note 15.

4. Equity investments measured at cost

The movements in the account are as follows:

Equity investments in subsidiary companies	Location	%	1.1.2005	Increases/ (Decreases)	Change in consolidation scope	Write-downs	12.31.2005
Noisette	Madeira (Portugal)	100%	5	–	–	–	5
Edime Sport	Naples	99.5%	7	–	–	(6)	1
Total			**12**	**–**	**–**	**(6)**	**6**

	Location	%	1.1.2006	Increases/ (Decreases)	Change in consolidation scope	Write-downs	12.31.2006
Noisette	Madeira (Portugal)	100%	5	–	–	–	5
Edime Sport	Naples	99.5%	1	–	–	–	1
Total			**6**	**–**	**–**	**–**	**6**

In thousands of euros

Equity investments in associated companies	1.1.2006	Increases/ (Decreases)	Change in consolidation scope	Write-downs	12.31.2006
Media Scarl	–	–	25	–	25
Total	**–**	**–**	**25**	**–**	**25**

In thousands of euros

Equity investments in other companies	%	1.1.2005	Increases/ (Decreases)	Change in consolidation scope	Write-downs	12.31.2005
Euroqube SA	14.82%	3,754	–	–	(272)	3,482
Ansa Scarl	6.71%	777	–	–	–	777
Casaclick SpA	0.227%	14	–	–	–	14
Sviluppo Quotidiani Srl	16.66%	7	–	–	–	7
Other minor	–	33	–	–	–	33
Total	**–**	**4,585**	**–**	**–**	**(272)**	**4,313**

In thousands of euros

Equity investments in other companies	%	1.1.2006	Increases/ (Decreases)	Change in consolidation scope	Write-downs	12.31.2006
Euroqube SA	14.82%	3,482	–	–	–	3,482
Ansa Scarl	9.81%	777	–	389	–	1,166
Casaclick SpA	0.227%	14	–	–	(14)	–
Sviluppo Quotidiani Srl	33.53%	7	–	8	–	15
Other minor	–	33	–	23	–	56
Total	**–**	**4,313**	**–**	**420**	**(14)**	**4,719**

In thousands of euros

The investments in other companies are recorded at purchase cost, as the fair value cannot be reliably determined, since no plans on the development of the activities were available.

5. Investments in associated companies

The amount recorded in the accounts, equal to euro 391 thousand, is entirely related to the company Editrice Telenuovo SpA, held 39.96% by Il Gazzettino SpA. The investment is measured under the equity method.
The principal balance sheet data relating to this investment is summarised below:

Equity investments in associated companies	Location	Share capital	Shareholders' equity	Net profit	% held
TNV Editrice Telenuovo SpA	Verona	546,000	978,277	99,903	40%

In thousands of euros

6. Equity investments and non-current securities

The breakdown of the Equity investments and non-current securities is as follows:

Equity investments available-for-sale	**%**	**1.1.2005**	**Increases/ (Decreases)**	**Change in consolidation scope**	**Valuation at fair value**	**12.31.2005**
Banca Nazionale del Lavoro SpA	0.809%	53,241	(53,241)	–	–	–
Banca Monte dei Paschi di Siena SpA	0.365%	28,665	–	–	14,729	43,394
Rcs MediaGroup SpA	2.047%	66,300	(66,300)	–	–	–
Total		**148,206**	**(119,541)**	**–**	**14,729**	**43,394**

	%	**1.1.2006**	**Increases/ (Decreases)**	**Change in consolidation scope**	**Valuation at fair value**	**12.31.2006**
Banca Monte dei Paschi di Siena SpA	0.37%	43,394			10,572	53,966
Total		**43,394**			**10,572**	**53,966**

In thousands of euros

The holding in Banca Monte dei Paschi Siena SpA consists of 11,000,000 shares held by the subsidiary Finced Srl. The fair value changes of the investment, as per the official stock exchange prices at December 31st, 2006, are recorded in a separate equity reserve.

7. Non-current financial assets

The account, amounting to euro 28 thousand, principally relates to receivables for deposits due within five years.

8. Other non-current assets

The account mainly relates to the advance tax paid on the employee leaving indemnity for the employees of Il Messaggero SpA, Il Mattino SpA and Corriere Adriatico SpA (euro 755 thousand) and other receivables (euro 1.03 million), principally relating to deposits and the receivable of Telefriuli SpA from the Ministry of Communications for the contributions to the local television broadcasters as per Ministerial Decree 378/1999.

9. Deferred and current income taxes

The deferred tax assets refer to temporary differences between the values recorded in the financial statements and the corresponding values recognised for tax purposes.
The movements are shown below of the deferred tax assets and liabilities:

	1.1.2006	Provisions	Utilisations	Change in consolidation scope	Other changes	12.31.2006
Deferred tax assets						
Fiscal losses carried forward	3,666	11,674	(1,736)	4,154	(788)	16,970
Provision for risks and charges	2,212	462	(782)	1,326	–	3,218
Maintenance	118	38	(95)	243	–	304
Write-downs of equity investments	8,686	462	(6,543)	1,894	–	4,499
Others	1,923	1,176	(1,148)	215	(483)	1,683
Total	**16,605**	**13,812**	**(10,304)**	**7,832**	**(1,271)**	**26,674**
Deferred tax liabilities						
Fair value intangible & tangible assets	–	–	–	35,572	–	35,572
Differences fiscal depreciation rates	5,653	3,086	(142)	–	–	8,597
Gains	2,403	54	(889)	–	–	1,568
Amortisation of goodwill and newspapers	20,487	3,669	–	–	–	24,156
Others	2,544	794	(1,285)	429	(956)	1,526
Total	**31,087**	**7,603**	**(2,316)**	**36,001**	**(956)**	**71,419**
Net deferred tax liabilities	**(14,482)**	**6,209**	**(7,988)**	**(28,169)**	**(315)**	**(44,745)**

In thousands of euros

The increase in the deferred tax assets is principally due to the recording of the fiscal benefit on the losses carried forward, whose recoverability is now probable based on expected future assessable taxable income.
The increase in the deferred tax liabilities, equal to euro 7,603 thousand, includes the adjustment of the previous years to the average Irap rate of 5.19% for an amount of euro 556 thousand.
The account Change in consolidation scope shows the effects deriving from the acquisition of Il Gazzettino SpA and its subsidiaries. In particular, the account fair value of intangible and tangible assets includes the deferred tax liabilities recorded following the allocation of the price paid for the purchase of the above-mentioned company on the fair value of the assets and of the liabilities at the acquisition date, in accordance with IFRS 3 and IAS 12. For further information, reference should be made to note 28.

The assets include the receivables for current taxes, which shows the net position for income taxes, represented by the payments on account and other tax credits, net of income taxes payable:

	12.31.2006	12.31.2005
Receivables for direct taxes	2,340	1,975
Reimbursement request of direct taxes	256	4,754
Other receivables	2,141	2,228
Payables for Ires/Irap/ substitute taxes	(1,587)	(4,379)
Total	**3,150**	**4,578**

In thousands of euros

The income taxes for the year consist of:

	2006	2005
Current taxes	7,425	10,042
Current taxes	**7,425**	**10,042**
Provision for deferred tax liabilities	7,603	9,155
Utilisation of deferred tax liabilities	(2,316)	(5,448)
Deferred tax liabilities	**5,287**	**3,707**
Recording of deferred tax assets	(13,812)	(1,779)
Utilisation of deferred tax assets	10,304	14,525
Deferred tax assets	**(3,508)**	**12,746**
Total income taxes	**9,204**	**26,495**

In thousands of euros

The analysis of the difference between the theoretical and actual tax rates are as follows:

Ires	2006 Amount	Rate
Profit before taxes	**42,448**	**33%**
Theoretical tax charge	**–**	**14,008**
Permanent differences increase/(decrease):		
Dividends	(1,358)	–
Utilisation of previous years tax losses	(39,588)	–
Write-down of equity investments	(1,357)	–
Others	1,701	–
Total assessable Ires tax	**1,846**	**–**
Effective tax charge	**609**	**1%**

In thousands of euros

Irap	2006 Amount	Rate
Difference between value and cost of production	**34,145**	**5.25%**
Personnel costs - not deductible for Irap purposes	101,059	
Other changes for Irap purposes	67,020	
Total assessable Irap	**202,224**	
Current and deferred Irap tax	**8,595**	

In thousands of euros

10. Inventories

The inventories at December 31st, 2006 amount to euro 4.26 million (euro 2.58 million at December 31st, 2005) and consist exclusively of raw materials, ancillary and consumables. Raw materials consist prevalently of paper and ink and principally refer to Il Messaggero SpA (euro 2.10 million), Il Mattino SpA (euro 931 thousand) and Il Gazzettino SpA (euro 765 thousand).
The change in inventory recorded in the income statement is a negative amount of euro 1.18 million and is included in the account Raw material costs (see Note 23).
Inventories are measured at the lower of the purchase price, calculated using the weighed average cost method, and the realisable value.
The net realisable value of inventories amounts to euro 4.26 million.
There is no inventory provided as a guarantee on liabilities.

11. Trade receivables

This account can be broken down as follows:

	12.31.2006	12.31.2005
Trade receivables	116,345	87,497
Provisions for doubtful debts	(22,311)	(10,035)
Trade receivables	**94,034**	**77,462**
Receivables from other Group companies	1,089	130
Advances to suppliers	63	57
Receivables from related parties	_	6
Total trade receivables	**95,186**	**77,655**

In thousands of euros

Trade receivables principally relate to the Group advertising revenues of Piemme SpA (euro 73,728 thousand) and Area Nord SpA (euro 12,703 thousand).
The doubtful debt provision was utilised in the year for euro 2.90 million and increased by euro 1.88 million for the provisions made in the year and euro 13.29 million for the change in the consolidation scope.
There are no receivables due over 12 months.

12. Current financial assets

This account can be broken down as follows:

	12.31.2006	12.31.2005
Subsidiaries	24	19
Deferred costs relating to interest	314	–
Accrued interest	85	1,397
Total current financial assets	**423**	**1,416**

In thousands of euros

The average interest rate on third party financial receivables was 2.94%.

13. Other current assets

This account can be broken down as follows:

	12.31.2006	12.31.2005
Receivables from employees	318	391
VAT receivables	617	504
Other receivables	3,677	1,108
Accrued income	–	59
Prepaid expenses	1,027	1,757
Total other current assets	**5,639**	**3,819**

In thousands of euros

Other receivables consist of deposits of euro 117 thousand, social security receivables of euro 110 thousand, withholding tax on interest of euro 61 thousand and various other receivables of euro 3,389 thousand.
The prepaid expenses relate to rental (euro 466 thousand), insurance (euro 173 thousand) and others (euro 390 thousand).

14. Cash and cash equivalents

This account can be broken down as follows:

	12.31.2006	12.31.2005
Bank and postal deposits	423,029	567,250
Cash in hand and similar	204	367
Total	**423,233**	**567,617**

In thousands of euros

The reduction of the liquidity is due to the distribution of the dividends of euro 37.5 million and to the acquisition of Il Gazzettino SpA of approx. euro 143 million, fully paid through the companies own resources.
At December 31st, 2006, the Parent Company held USD 10.6 million (equal to euro 8.05 million) in an overseas bank deposit. This deposit generated an exchange loss of euro 1.94 million.
The average interest rate on bank deposits in euro was equal to 2.9%, while that on deposits in US Dollars was 4.9%.

Liabilities and shareholders' equity

15. Shareholders' equity

Capital and reserve movements

	Share capital	Quotation charges	Treasury shares	Fair value reserve	Other reserves
Balance at January 1st, 2005	**125,000**	**(18,865)**	**(164)**	**32,298**	**617,735**
Treasury share operations	–	–	–	–	–
Dividends distributed	–	–	–	–	(24,994)
Result of previous years	–	–	–	–	31,376
Valuation at fair value	–	–	–	(8,483)	–
Change in consolidation scope	–	–	–	–	–
Other changes	–	–	–	–	(512)
Profit for the year	–	–	–	–	–
Balance at December 31st, 2005	**125,000**	**(18,865)**	**(164)**	**23,815**	**623,605**
Balance at January 1st, 2006	**125,000**	**(18,865)**	**(164)**	**23,815**	**623,605**
Treasury share operations	–	–	164	–	–
Dividends distributed	–	–	–	–	(37,491)
Result of previous years	–	–	–	–	94,307
Valuation at fair value	–	–	–	10,259	–
Change in consolidation scope	–	–	–	–	–
Other changes	–	–	–	(8,349)	(7,619)
Profit for the year	–	–	–	–	–
Balance at December 31st, 2006	**125,000**	**(18,865)**	**–**	**25,725**	**688,040**

In thousands of euros

Result for the year	Group net equity	Minority interest N.E	Total net equity
31,376	**787,380**	**531**	**787,911**
–	–	–	–
–	(24,994)	–	(24,994)
(31,376)	–	–	–
–	(8,483)	–	(8,483)
–	–	–	–
–	(512)	105	(407)
94,307	94,307	260	94,567
94,307	**847,698**	**896**	**848,594**
94,307	**847,698**	**896**	**848,594**
–	164	–	164
–	(37,491)	–	(37,491)
(94,307)	–	–	–
–	10,259	–	10,259
–	–	187	187
–	(730)	278	(452)
32,130	32,130	1,114	33,244
32,130	**852,030**	**2,475**	**854,505**

Share capital

The share capital amounts to euro 125 million, consisting of 125 million ordinary shares at a nominal value of euro 1 each. The number of shares outstanding did not change during the year.
All of the ordinary shares issued are fully paid-in. There are no restrictions on the distribution of dividends, with the exception of the requirements of article 2357 of the Civil Code in relation to treasury shares.

Treasury shares

During the year, a total of 31,040 treasury shares held in portfolio were sold on the market, realising a gain of approximately euro 34 thousand, which was recorded, net of the relative fiscal effect, in the account other changes.

Other reserves

Other Reserves includes the Share Premium Reserve of euro 521.02 million and the Legal Reserve of the Parent Company of euro 25 million, created in accordance with article 2430 of the Code. This account also includes the consolidation reserve consisting of the higher value of the Group's share of net equity compared to the cost of some investments, retained earnings and the reserve of changing the accounting principle on the employee leaving indemnity of euro 976 thousand, net of the relative fiscal effect.

Fair value reserve

The Fair value reserve includes all the market value changes of the investments in other companies available-for-sale until these investments are maintained in the accounts.

Liabilities

16. Financial liabilities

	12.31.2006	12.31.2005
Non-current financial payables		
Banks payables	50,654	54,559
Other lenders	61,661	12,719
Total non-current financial payables	**112,315**	**67,278**
Current financial payables		
Banks payables	13,751	13,577
Short-term portion of non-current loans	6,215	3,833
Other lenders	2,725	2,615
Total current financial payables	**22,691**	**20,025**

In thousands of euros

The due date of the non-current liabilities is as follows:

	12.31.2006	12.31.2005
Between 1 and 5 years	79,174	29,623
Over 5 years	33,141	37,655
Total	**112,315**	**67,278**

In thousands of euros

The interest rates at the balance sheet date on the non-current liabilities are as follows:

	2006	2005
Non-current financial liabilities		
Banks payables	3.8	2.9
Other financial payables	3.3	2.8
Current financial payables		
Banks payables	4.8	4.1
Short-term portion of non-current loans	3.8	2.9
Other financial payables	3.6	2.1

Values in %

The non-current bank payables are represented by a loan to finance the construction of a printing centre located at Torrespaccata in Rome. The loan is at a variable interest rate (Euribor at 6 months + spread 0.5%) amounting to euro 60 million, granted by San Paolo - IMI to the company S.E.M. SpA, incorporated into Il Messaggero SpA The first capital repayment was made in December 2005, while the final repayment is due in June 2018. The loan is secured by a mortgage on a building owned by Il Messaggero SpA for a total amount of euro 60 million. In addition, a special privileged guarantee was given on the factory assets amounting to euro 43.40 million.
The increase in the non-current financial payables to other lenders is due to the recording by the Parent Company of the fair value of the payable at December 31st, 2006, equal to euro 51.7 million, against the purchase/sale option signed on 32.7% of the share capital of Il Gazzettino SpA.
The non-current financial payables to other lenders also include two loans provided by Mediocredito Lombardo to the parent company Caltagirone Editore SpA and Il Mattino SpA, respectively of euro 11.62 million and euro 9.81 million and of a loan at subsidised interest rates as per law 416 of August 5th, 1981, received by Il Messaggero SpA from Mediocredito Lombardo for a total original value of euro 4.03 million.
The first instalment was due on June 30th, 2002, while the final instalment is due in 2011 for the loans received by the Parent Company and Il Mattino SpA. The interest rate applied on these loans is a variable Euribor at 6 months + spread 0.70%.

As guarantee on these loans, mortgages were provided on the land and buildings of the factory of Il Mattino SpA at Caivano amounting to euro 37.51 million and special privileges on the factory assets amounting to euro 17.17 million.
The subsidised loan granted to Messaggero SpA is at a fixed rate of 3.15% over 10 years, with final repayment due in June 2008. This loan is secured by pledges on the printing presses of the newspaper.
The short-term portion of the non-current bank loans increased following the consolidation of Il Gazzettino SpA and Centro Stampa Veneto SpA.
In particular, Il Gazzettino SpA obtained two loans from Unicredit Banca d'Impresa SpA, amounting to approximately euro 6.9 million – one with an annual interest rate of 4.1% repayable half-yearly until June 2007, and another loan of approximately euro 4.5 million at an annual interest rate of 3.1%, re-payable half-yearly until December 2007. Mortgages were provided against these loans of the buildings of the company and the buildings owned by the subsidiary Tipografiche Venete SpA.
Unicredit Banca d'Impresa SpA also provided, at the same conditions and the same repayment dates of the loans to Il Gazzettino SpA, two loans to the company Centro Stampa Venetoto SpA and amounting to approximately euro 7.7 million and euro 3.3 million respectively . Mortgages were provided on the buildings of Imprese Tipografiche Venete SpA and on the buildings owned by the holding company Il Gazzettino SpA.

17. Personnel

Employee leaving indemnity and employee provisions
The employee leaving indemnity represents a liability relating to the benefits recognised to employees and paid either on termination or after employment service. This liability is a defined benefit plan and therefore is determined applying the actuarial method.
The assumptions relating to the determination of the plan are summarised in the table below:

	12.31.2006	12.31.2005
Annual technical discounting rate	3.2	2.78
Annual inflation rate	2.26	2.44
Annual increase in employee leaving indemnity	2.84	2.96
Annual increase in salaries	2.3	2.1

Values in %

The discounting was made using the IRS curve corresponding to the duration of the period under examination (50 years).

The movements in the year are as follows:

	2006	2005
Net liability at January 1st	**39,071**	**38,217**
Current cost for the year	3,557	3,097
Interest charge/(income), net	1,444	903
Actuarial profits/(losses)	(438)	(246)
Change in consolidation scope	9,137	–
(Services paid)	(4,402)	(2,900)
Net liabilities at December 31st	**48,369**	**39,071**

In thousands of euros

The comparison with the liability in accordance with Italian regulations is as follows:

	1.1.2005	12.31.2005	12.31.2006
Nominal value of the provision	38,309	40,412	53,041
Actuarial adjustment	(92)	(1,341)	(4,672)
Total employee leaving indemnity	**38,217**	**39,071**	**48,369**

In thousands of euros

As illustrated in the movement, the change between the liability determined in accordance with Italian regulations and IFRS was principally impacted by the interest rates.

Cost and personnel numbers

	2006	2005
Salaries and wages	68,795	59,279
Social security charges	22,648	19,582
Employee leaving indemnity provision	4,560	3,754
Other costs	3,062	2,996
Total personnel costs	**99,065**	**85,611**

In thousands of euros

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

	12.31.2006	12.31.2005	Average 2006	Average 2005
Executives	25	22	25	22
Managers & white collar	464	347	478	345
Journalists	652	512	669	515
Print workers	178	128	181	128
Total	**1,319**	**1,009**	**1,353**	**1,010**

The increase in the number of employees is due to the consolidation of Il Gazzettino SpA and its subsidiaries.

18. Provisions for risks and charges

	Legal disputes	Agents' indemnity	Other risks	Total
Balance at January 1st, 2005	**6,267**	**376**	**750**	**7,393**
Provisions	3,384	64	364	3,812
Utilisation	(1,227)	–	(290)	(1,517)
Balance at December 31st, 2005	**8,424**	**440**	**824**	**9,688**
Of which:				
current portion	–	–	661	661
non-current portion	8,424	440	163	9,027
Total	**8,424**	**440**	**824**	**9,688**

	Legal disputes	Agents' indemnity	Other risks	Total
Balance at January 1st, 2006	**8,424**	**440**	**824**	**9,688**
Provisions	1,370	81	2,326	3,777
Utilisation	(3,545)	(33)	(2,015)	(5,594)
Reclassifications	–	–	–	–
Change in consolidation scope	3,805	54	1,700	5,559
Balance at December 31st, 2006	**10,054**	**542**	**2,835**	**13,430**
Of which:				
current portion	–	–	2,468	2,468
non-current portion	10,054	542	367	10,963
Total	**10,054**	**542**	**2,835**	**13,431**

In thousands of euros

The provision for legal disputes refers principally to the provisions made by the companies Il Messaggero SpA, Il Mattino SpA, Il Gazzettino SpA and P.I.M. SpA against liabilities prevalently deriving from damages requested for slander and from employees. The provision was estimated taking into account the nature of the business, based on experience in similar cases and all of the information available at the date of the preparation of the consolidated financial statements, considering the difficulty in estimating charges connected to each single case.
The agent's indemnity provision, which reflects the prudent increase in the risk connected to the termination of the mandate conferred to agents in accordance with law refers to the companies Piemme SpA and Area Nord SpA.
The other provisions include charges relating to some minor disputes.

19. Trade payables

	12.31.2006	12.31.2005
Trade payables - suppliers	47,420	31,705
Payables to Group companies	664	552
Total	**48,084**	**32,257**

In thousands of euros

Trade payables principally refer to operating subsidiaries in the publishing sector, Il Messaggero SpA, Il Gazzettino SpA, Il Mattino SpA, Piemme SpA and Leggo SpA and Centro Stampa Veneto SpA, and relate to the purchase of raw materials and capital expenditures.
There are no payables due over 12 months.

20. Other liabilities

	12.31.2006	12.31.2005
Other non-current liabilities		
Other payables	6	6
Deferred income	3,005	3,229
Total	**3,011**	**3,235**
Other current liabilities		
Social security institutions	7,755	5,726
Employee payables	11,859	8,638
VAT payables	726	709
Payables for withholding taxes	4,435	3,190
Payables to associated companies	–	166
Payables to other third parties	10,537	7,140
Accruals	1,210	2,109
Deferred income	747	693
Total	**37,269**	**28,371**

In thousands of euros

The other non-current liabilities include deferred income principally relating to the grants received by Il Mattino SpA, in accordance with Law No. 488/1992.

income statement

COMMENT ON THE MAIN ITEMS

21. Revenues from sales and supply of services

	2006	2005
Newspaper sales	78,266	68,968
Promotions	20,184	16,263
Advertising	192,233	177,692
Services and Internet	8,102	6,269
Total	**298,785**	**269,192**

In thousands of euros

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

22. Other operating revenues

	2006	2005
Operating grants	233	1,784
Recovery of expenses from third parties	1,621	2,137
Capital grant contributions	450	939
Gains on disposal of assets	87	814
Concession rights	–	752
Reimbursements and claims	411	444
Other revenues	3,149	1,567
Total	**5,951**	**8,437**

In thousands of euros

23. Raw material costs

	2006	2005
Paper	30,281	23,607
Other publishing materials	5,285	4,407
Other	71	51
Change in inventory of raw materials and goods	(1,179)	83
Total	**34,458**	**28,148**

In thousands of euros

The increase in raw materials costs in principally due to the consolidation from the second half of the year of Il Gazzettino SpA and the increase in the international price of paper.

24. Other operating charges

	2006	2005
Editorial services	16,514	14,575
Transport and delivery	16,809	14,802
Outside contractors	11,478	10,243
Editorial promotions	18,022	13,658
Advertising & promotions	1,624	1,194
Commissions and agent costs	9,404	8,390
Utilities and power	4,224	3,282
Maintenance and repair costs	3,618	3,142
Consultants fees	3,653	2,734
Purchase of advertising space from third parties	1,670	1,953
Directors and statutory auditors fees	2,121	1,716
Insurance, postal and telephone	1,524	1,394
Other costs	15,438	12,841
Total service costs	**106,099**	**89,924**
Rental	5,446	5,306
Hire	2,767	2,360
Royalties	23	23
Others	370	82
Total rent, lease and hire costs	**8,606**	**7,771**
Losses on asset disposals	28	6
Taxes relating to prior periods	296	48
Other operating charges	3,611	2,096
Others	2,848	1,349
Total other costs	**6,783**	**3,499**
Total	**121,488**	**101,194**

In thousands of euros

The increase in other operating charges is principally due to the consolidation of Il Gazzettino Group and to the increase in the costs for the launch and production of publishing promotions.

25. Depreciation, amortisation, provisions & write-downs

	2006	2005
Amortisation of intangible assets	818	422
Depreciation of tangible assets	8,217	9,983
Provision for risks and charges	3,777	3,813
Write-down of receivables	1,884	2,425
Total	**14,696**	**16,643**

In thousands of euros

The depreciation of the tangible fixed assets principally relates to the depreciation on printing and rotary plant. The decrease compared to the previous year is due to the change in the depreciation rates of the presses of Il Messaggero SpA and of Il Mattino SpA, as described in paragraph 3.

The accounts Provision for risks and charges includes the estimate of the costs for the completion of the restructuring plans in course in the companies Il Mattino SpA, Il Messaggero SpA and Centro Stampa Veneto SpA, amounting to approximately euro 2 million.

26. Net financial result

	2006	2005
Financial income		
Dividends	1,430	2,355
Other income from equity investments	–	59,141
Interest income from bank deposits	14,581	10,289
Exchange gains	–	6,574
Other financial income	159	410
Total	**16,170**	**78,769**
Financial charges		
Exchange losses	1,938	–
Write-down of equity investments and securities	14	18
Loan interest	2,726	2,214
Interest on current accounts	683	733
Bank commission and charges	433	327
Financial charges from discounting	692	–
Others	2,265	176
Total	**8,751**	**3,468**
Net financial result	**7,419**	**75,301**

In thousands of euros

The dividends were received from the shares held in Banca Monte dei Paschi di Siena SpA.
The exchange losses relate to the difference arising from the conversion of a deposit in US Dollars at the year end exchange rate.
The financial charges from discounting relates to the fair value recording at December 31st, 2006 of the payable of Caltagirone Editore SpA against the purchase/sale option signed on 32.70% of the share capital of Il Gazzettino SpA.

27. Earnings per share

The basic earning per share is calculated by dividing the Group net result for the year by the weighed average number of ordinary shares outstanding in the year.

	2006	2005
Net profit	32,130	94,307
Number of ordinary shares outstanding (000)	125,000	124,969
Basic earnings per share	**0.257**	**0.755**

The diluted earnings per share is identical to the basic earnings per share as Caltagirone Editore SpA has only issued ordinary shares.
In 2006, dividends were distributed of euro 0.30 per share, totalling euro 24,994 thousand.

28. Acquisition of subsidiary

On July 7th, 2006, Caltagirone Editore SpA purchased 52% of the company Il Gazzettino SpA; following acquisitions made in October and December of 2006, the company completed the purchase of 67.21% of the share capital for an amount of euro 142,906 thousand at December 31st, 2006.
Simultaneously, Caltagirone Editore SpA signed a purchase/sales option contract on another 32.70% of the share capital of Il Gazzettino SpA. The table below shows the principal characteristics of the option contracts:

Type of option	% Share capital	Subscription date	Expiry option period
Purchase/sale	5.663%	7.7.2006	7.7.2008
Purchase/sale	25.765%	7.21.2006	12.31.2008
Purchase/sale	1.274%	10.9.2006	3.31.2009

IAS 32, paragraph 23, requires that a contract which contains an obligation on a company to acquire shares or other long-term financial assets is recorded as a financial liability for the fair value of the amount to be paid. The standard establishes, in practice, that in the case of the subscription of purchase/sale option contracts, the potential buyer does not have power over the effective exercise of the options issued, in that an unconditional commitment to pay has been signed in the case of the exercise of the put option.
The application of this standard resulted in the recording of a non-current payable to other lenders in the consolidated financial statements, equal to the fair value at the date of acquisition of control of Il Gazzettino SpA (July 7th, 2006) of the exercise price established in the purchase/sale option contracts on 32.70% of the share capital of Il Gazzettino SpA. This value, determined as approximately euro 51 million, constitutes an integral part of the total purchase price of the investment.
In accordance with IFRS 3 – Businesses combinations, in addition, the purchase price of a subsidiary includes directly attributable purchase costs, such as, for example, professional fees paid to the consultants in relation to the acquisition.
Any difference between the purchase cost of the investment determined and the share of the net equity of the companies acquired must be recorded on the fair value on the assets, liabilities and contingent liabilities identifiable of the company acquired, net of the relative theoretical fiscal effect.
The part of the purchase cost of the investment not recorded as fair value of the assets and liabilities must be recorded as goodwill.
The goodwill emerging from this acquisition is principally related to the future internal synergies obtainable from the joint management of the advertising revenues and to the acquisition by the Group of a strategic position in the North-East of Italy,

in which the Group was previously only marginally present. In relation to the implementation of the restructuring programme, with a view to a return to profits, Il Gazzettino Group on March 9th, 2007, approved the merger between Piemme SpA and Area Nord SpA, the advertising agency for Il Gazzettino Group.
The table below shows, relating to the acquisition of 99.91% of Il Gazzettino SpA, the allocation of the price paid on the fair value of the assets and liabilities of the company acquired, the consequent determination of the goodwill and the net cash flow deriving from the investment.

	Book value at June 30th, 2006	Adjustments from fair value	Fair value at June 30th, 2006
Net assets acquired			
Intangible assets	359	3,100	3,459
Newspaper titles	22,913	77,787	100,700
Property, plant and equipment	9,043	17,124	26,167
Equity investments	836	–	836
Inventories	496	–	496
Receivables	19,411	–	19,411
Cash and cash equivalents	4,116	–	4,116
Prepaid and accrued income	1,508	–	1,508
Employee leaving indemnity provision	(9,079)	–	(9,079)
Other provisions	(5,587)	–	(5,587)
Payables	(19,872)	–	(19,872)
Accrued liabilities and deferred income	(493)	–	(493)
Deferred tax income/charge	7,472	–	7,472
Income tax on fair value	–	(35,571)	(35,571)
Total	**31,123**	**62,440**	**93,563**
of which:			
– pertaining to third parties	186	272	458
– pertaining to SEP Group	30,937	62,168	93,105
Pertaining to CED Group (99.912%)	**30,910**	**62,113**	**93,023**
Goodwill			**101,567**
Price relating to 99.912% of the share capital			**194,590**
of which:			
– cash and cash equivalents			142,906
– directly allocated charges			710
– payable discounted on the option contracts			50,974
Net cash flow deriving from the acquisitions			
Cost of the investment	194,590		
Payable discounted on the option contracts	(50,974)		
Cash from the companies acquired	(4,116)		
TOTAL	**139,500**		

In thousands of euros

The Group is proceeding with the finalisation of the so-called Purchase Price Allocation required by IFRS 3; therefore the adjustments which may be required once this process is completed will be recorded in the consolidated half-year report at June 30th, 2007, within 12 months from the date of acquisition of control.
For the full year 2006, Il Gazzettino Group recorded revenues of euro 59,032 thousand and a net loss of euro 5,303 thousand; for the effective contribution on the consolidated income statement from the acquisition date, reference should be made to the directors' report on operations.

29. Transactions with related parties

Transactions with companies under common control
The transactions of Group companies with related parties, including intra-group operations, generally relate to normal operations and are regulated at market conditions and principally relate to the exchange of goods, the provision of services, the provision and use of financial resources of associated companies and subsidiaries excluded from the consolidation scope as well as with other companies belonging to the Caltagirone Group or under common control.
There are no atypical or unusual transactions which are not within the normal business operations. Where such operations exist, detailed information is provided in the present paragraph.
The table below shows the operations considered significant, or rather those above euro 100 thousand:

	Receivables	Payables	Operating revenues	Operating costs	Financial income	Financial costs
B2WIN SpA	–	–	–	490	–	–
Il Gazzettino SpA	111	133	–	–	–	–
Il Messaggero SpA	–	–	–	1,848	–	–
Piemme SpA	–	–	–	367	–	–
Leggo SpA	–	–	–	109	–	–
Total	**111**	**133**	**–**	**2,814**	**–**	**–**
% on total in accounts	**0.12%**	**0.28%**		**1.10%**		

In thousands of euros

The company Il Gazzettino SpA undertakes commercial transactions with the associated company Editrice Telenuovo SpA.
B2WIN SpA is a debtor of Cementir SpA for rental fees on a building at Rome, based on a contract agreed at market conditions.
The account Operating costs consists exclusively of rental costs of B2WIN SpA for buildings from Cementir SpA and of Il Messaggero SpA, Piemme SpA and Leggo SpA for property owned by companies under common control.

Transactions with directors, statutory auditors and the management of Group companies
The table below shows the payments made to the members of the Board of Directors and Board of Statutory Auditors relating to 2006 and in accordance with article 78 of Consob Resolution No. 11971/99.

Surname	Name	Office held	Period in which office held	Expiry of office	Emoluments for office held	Other remuneration
Caltagirone	Azzurra	Vice Chairman	1.1.2006-12.31.2006	12.31.2008	100,000	229,740
Delfini	Mario	Director	1.1.2006-12.31.2006	12.31.2008	6,000	124,740
Majore	Albino	Director	1.1.2006-12.31.2006	12.31.2008	5,000	1,032,550
Garzilli	Massimo	Director	1.1.2006-12.31.2006	12.31.2008	6,000	324,665
Muzii	Michele	Director	1.1.2006-4.27.2006	4.27.2006	1,000	120,000
Nattino	Giampietro	Director	1.1.2006-12.31.2006	12.31.2008	10,000	–
Confortini	Massimo	Director	1.1.2006-12.31.2006	12.31.2008	30,000	–
Tasco	Gampiero	Chairman Board Statutory Auditor	1.1.2006-12.31.2006	12.31.2008	16,500	9,900
Schiavone	Carlo	Statutory Auditor	1.1.2006-12.31.2006	12.31.2008	12,000	42,964
Coluccia	Maria Assunta	Statutory Auditor	4.27.2006-12.31.2006	12.31.2008	12,000	15,101
Sica	Mario	Statutory Auditor	1.1.2006-4.27.2006	4.27.2006	–	3,000
Total					**198,500**	**1,902,660**
Total						**2,101,160**

The emoluments for the office held include the remuneration deliberated by the Shareholders' Meeting of Caltagirone Editore SpA.
Included in other remuneration are the emoluments for offices held in subsidiary companies and remuneration for salaries and similar.
There are no stock option plans for the directors of the company.

30. Segment information

The disclosures required in accordance with IAS 14 on the Segment information are provided below. The Caltagirone Editore Group has adopted the sector of activity as the primary disclosure of information, defined as a separate and distinctly identifiable part of the Group, which provides related products and services and that is subject to risks and benefits different than those of the other sectors of activity of the Group.
The Group operates exclusively in Italy and therefore no geographic sectors were identified as defined by IAS 14.

2005	Newspapers	Advertising revenues	Other activities	Consol. adjustments	Consolidated presegment eliminations	Segment eliminations	Consolidated
Segment revenues	229,810	175,254	7,334	(55)	412,343	–	–
Inter-segment revenues	134,694	–	20	–	–	(134,714)	–
Revenues from third parties	**95,116**	**175,254**	**7,314**	**(55)**	**–**	**–**	**277,629**
Segment Ebitda	49,466	13,290	(63)	(17)	62,676	–	62,676
Amortisation, depreciation, write-downs and provisions	13,304	2,862	477	–	16,643	–	16,643
Segment assets	219,250	30,798	809,329	20,230	1,079,607	–	1,081,107
Segment liabilities	201,486	17,235	19,162	(6,871)	231,012	–	232,513
Investments in intangible and tangible fixed assets	3,717	426	112	–	4,255	–	4,255

In thousands of euros

2006	Newspapers	Advertising revenues	Other activities	Consol. adjustments	Consolidated presegment eliminations	Segment eliminations	Consolidated
Segment revenues	253,031	193,920	9,288	(74)	456,165	–	–
Inter-segment revenues	150,468	200	872	(111)	–	(151,429)	
Revenues from third parties	**102,562**	**193,721**	**8,416**	**37**	**–**		**304,736**
Segment Ebitda	38,441	12,441	(1,083)	(74)	49,725	–	49,725
Amortisation, depreciation, write-downs and provisions	11,563	2,476	657	–	14,696	–	14,696
Segment assets	828,601	118,543	238,722	25,228	1,211,094	–	1,211,094
Segment liabilities	271,479	20,481	66,492	(1,863)	356,589	–	356,589
Investments in intangible and tangible fixed assets	9,535	1,532	102,123	–	113,190	–	113,190

In thousands of euros

31. Net financial position

	12.31.2006	12.31.2005
A. Cash	204	367
B. Bank deposits	423,029	567,250
D. Liquidity (A+B)	**423,233**	**567,617**
E. Current financial receivables	**423**	**1,416**
F. Bank payables – current portion	13,751	13,577
G. Current portion of long-term loans	6,215	3,833
H. Current payables to other lenders	2,725	2,615
I. Current debt (F+G+H)	**22,691**	**20,025**
J. Net current debt (I-E-D)	**(400,965)**	**(549,008)**
K. Non-current financial receivables	**28**	**25**
L. Bank payables – non-current portion	50,654	54,559
M. Non-current payables to other lenders	61,661	12,719
N. Non-current debt (L+M)	**112,315**	**67,278**
O. Net non-current debt (N-K)	**112,287**	**67,253**
P. NET FINANCIAL DEBT (J+O)	**(288,678)**	**(481,755)**

In thousands of euros

CALTAGIRONE EDITORE

balance sheet for the financial year ended December 31st, 2006

directors' report on operations for the year ended December 31st, 2006

Dear Shareholders,

for the year 2006, Caltagirone Editore SpA reports total revenues and income of euro 36.0 million and a net profit of euro 29.5 million. The principal results in the year compared to the previous year, reclassified in accordance with the Consob communication No. 94001437 of February 23rd, 1994 (in thousands of euros), are shown in the table below.

	12.31.2006	12.31.2005
Dividends from subsidiaries	34,468	–
Dividends from other equity holdings	–	1,409
Gains on sale of equity investments	–	37,719
Total income from equity investments	**34,468**	**39,128**
Other financial income	**1,556**	**11,090**
Interest and financial charges from subsidiaries	(787)	(277)
Interest and financial charges from third parties	(5,151)	(482)
Total interest and other financial charges	**(5,938)**	**(759)**
TOTAL FINANCIAL INCOME AND CHARGES	**30,086**	**49,459**
Write-downs of equity investments and securities	(692)	(19)
Result from normal activities	(2,002)	(4,710)
PROFIT BEFORE TAXES	**27,392**	**44,730**
Income taxes for the year	2,136	(6,529)
NET PROFIT FOR THE YEAR	**29,528**	**38,201**

In thousands of euros

The dividends received were paid by the subsidiaries Il Messaggero SpA (euro 10,037 thousand), Finced Srl (euro 23,998 thousand) and Il Quotidiano di Puglia (euro 433 thousand).
Other financial income represents the interest income on bank deposits accrued during the year.
The item Interest and other financial charges are principally composed of the losses on exchange from the conversion of a deposit in US Dollars at the end of the year, amounting to euro 1.9 million, and also from interest expenses and bank commissions.
The shareholders' equity of the Company at December 31st, 2006 was euro 704.6 million.
Caltagirone Editore SpA manages the equity investments held in the operating companies.
The Company directly controls Il Messaggero SpA, Il Mattino SpA, Il Gazzettino SpA, Quotidiano di Puglia SpA, Corriere Adriatico SpA, Caltanet SpA, Leggo SpA, Cedfin Srl and Finced Srl, and indirectly controls Piemme SpA, B2WIN SpA, Centro Stampa Veneto S.p.A, Imprese Tipografiche Venete SpA, Area Nord SpA, P.I.M. Srl, Telefriuli SpA and Ideco Holding S.A.
In 2006, the companies Emera SpA and S.E.M. SpA were merged by incorporation into Piemme SpA and into Il Messaggero SpA respectively.

Principal equity investments

The principal information and results relating to the subsidiary companies, which are reflected in the consolidated financial statements, are reported below.

Il Messaggero SpA

The Company, which publishes the newspaper *Il Messaggero* of Rome, for the year ended December 31st, 2006, recorded a net profit of euro 99.1 million (euro 10.6 million in 2005) and a value of production of euro 136.1 million (euro 139.5 million in 2005). Ebitda for the year was euro 29.9 million (euro 25.1 million in the previous year).
The newspaper substantially maintained its market share. The decrease in the value of production in the year of 1.8% was principally due to a reduction in advertising revenues (-2.2%) and to the absence of the state publishing subsidy, amounting to euro 1.2 million in the previous year. The contribution of publishing promotions to sales was euro 12.5 million.
The increase in net profit was due to the dividend received from the subsidiary Piemme SpA of euro 90.7 million, and of which euro 80 million is accounted on an accruals basis.
At December 31st, 2006, the net equity of Il Messaggero SpA was euro 225.2 million.
With the merger of December 20th, 2006, the Company incorporated S.E.M. Società Editrice Meridionale SpA with accounting and fiscal effect as of January 1st, 2006.
Consequently, all the operations during the year of the incorporated company were included in the financial statements of Il Messaggero SpA.

Il Mattino SpA

The Company, which publishes the newspaper of the same name, ended the year 2006 with a total value of production of euro 52.6 million (euro 53.9 million in

2005) and a net loss of euro 1.5 million, principally deriving from the costs relating to the work re-organisation plan presently underway in the company.
The Ebitda amounted to euro 6.7 million (euro 8.7 million); the decrease was due to the absence of the state publishing subsidy, a lower contribution from publishing promotions and the increase in the price of paper.

Il Gazzettino SpA
On July 7th, 2006, Caltagirone Editore SpA purchased 52% of the company Il Gazzettino SpA, which publishes the newspaper of the same name; following acquisitions made in October and December 2006, Caltagirone Editore SpA completed the purchase of 67.21% of the share capital of the company at December 31st, 2006 for euro 142.9 million.
Simultaneously, a purchase/sales option contract was signed for the remaining 32.70% of the share capital of Il Gazzettino SpA.
Il Gazzetino, founded in 1887, is the largest sold newspaper in the North East of Italy with approximately 97,500 copies distributed daily[1]; with this acquisition Caltagirone Editore SpA increased its already significant presence in the Adriatic regions with il *Corriere Adriatico*, leader in the Marche region, and il *Quotidiano di Puglia*, and consolidated its position with an average daily readership of 5.3 million and a market share of approximately 23.9%[2].
In the second half of 2006, Il Gazzettino SpA and its subsidiaries recorded revenues of euro 29.1 million.

Leggo SpA
The Company, which publishes the daily newspaper *Leggo*, ended 2006 with a value of production of euro 20.3 million, an increase of approximately 4% compared to the previous year (euro 19.5 million).
The net profit for the year was euro 9.9 million (euro 284 thousand in 2005), benefiting from financial income of euro 7.8 million on the liquidity held and from the recording of deferred tax assets on fiscal losses in previous years.
Leggo's growth, which continued in 2006, was seen in the recent Audipress certification and in the confirmation of Leggo's leadership position in the free press segment – in fourth place among the most read newspapers nationally with over 2 million readers daily.

Piemme SpA
Piemme SpA, a subsidiary of Il Messaggero SpA, exclusive agency for the advertising in the newspapers *Il Messaggero*, *Il Mattino*, *Il Nuovo Quotidiano di Puglia* and *Leggo*, for the year ended December 31st, 2006 recorded a net profit of euro 39.3 million (euro 5.4 million in 2005) and total revenues of euro 180.1 million (euro 175.1 million in 2005).
The improvement in the results is due to the greater advertising revenues from the newspapers *Il Mattino*, *Il Corriere Adriatico* and *Leggo* and extraordinary revenues from the sale of the holding in Banca Monte dei Paschi di Siena SpA to the company Emera SpA, merged in December 2006 with Piemme SpA.
With the merger of December 13th, 2006, the Company incorporated Emera SpA, with accounting and fiscal effect as of January 1st, 2006.
Consequently, all the operations during the year of the incorporated company were included in the financial statements of Piemme SpA.

1. Source: Audited Press Circulation Figures, average for 12 month period December 2005-November 2006.

2. Source: Audipress 2006 II. Market share calculated excluding sport and financial newspapers and including the free press.

Corriere Adriatico SpA

The Company publishes the newspaper of the same name, the leading newspaper in the Marche region for local news, with an average circulation of approximately 20,000 copies daily and a readership of 265 thousand, with the highest ratio between number of readers and copies sold among Italian daily newspapers.

Il Corriere Adriatico in 2006 recorded a net loss of euro 595 thousand (euro 1.4 million in 2005) and a value of production of euro 10.9 million (euro 9.9 million in 2005). The improvement in results compared to the previous year confirms the positive effects of the re-organisation which began upon acquisition of the company and continued in 2006.

Quotidiano di Puglia SpA

In 2006, Il Quotidiano di Puglia SpA, which publishes the well-established newspaper of the same name in the provinces of Lecce, Brindisi and Taranto, with an average distribution of approximately 20,000 copies daily, recorded a net profit of euro 732 thousand (euro 1.3 million in 2005) and a value of production of euro 9.6 million (euro 9.7 million in 2005).

Other investments

Caltanet SpA continued in 2006, in line with the production organisation restructuring which commenced in previous years, its focus on the realisation of systems based on IP technology for the integration and automation of business processes. These actions, together with close control of costs, resulted in an improvement in Ebitda, which increased from a loss of euro 53 thousand to a profit of euro 103 thousand. The net profit for the year, amounting to euro 4.3 million, benefited from the financial income resulting from the liquidity held.

B2WIN SpA, which operates in the management of call centres and advanced computer services, continued its growth in 2006, increasing activities with clients already in portfolio and acquiring particularly lucrative new contracts. The value of production increased from euro 6.2 million in 2005 to euro 7.8 million in 2006 - an increase of approximately 27%. The Ebitda was euro 1.1 million (13.6% of the value of production), compared to euro 894 thousand in 2005.

The financial services companies Finced Srl and Cedfin Srl completed the year with a net profit of euro 374 thousand (deriving from interest income matured on liquidity held) and a net loss of euro 665 thousand, principally deriving from a write-down of an investment in portfolio.

For information relating to the market trends and performances of the principal subsidiaries and the business strategies, reference should be made to the Directors' Report accompanying the consolidated financial statements.

Transactions with related parties

For the transactions between the Companies of the Caltagiorne Editore Group and other related parties, reference should be made to notes to the financial statements.

Other information

For the financial statements as at December 31st, 2006, Caltagiorne Editore SpA has applied the IFRS international accounting standards. To ensure comparability of data, the balance sheet and income statement at December 31st, 2005 were restated in accordance with IFRS standards.

In accordance with article 79 of Consob Resolution No. 11971, that adopts Legislative Decree No. 58/1998, the investments held in the Company by the members of the Board of Directors and Board of Statutory Auditors are reported in an attachment.

The Company's governance model, although reflecting the reduced necessity of a holding company such as Caltagirone Editore SpA and also taking into account the specific controls in the subsidiary companies, has the objective of controlling and managing the business risks and the correct and transparent communication to the market.

The current Board of Directors, which will remain in office until the Shareholders' Meeting to be called to approve the financial statements relating to 2008, is composed of three executive directors, the Chairman, two Vice Chairmen and six non-executive directors. Among the non-executive directors, two are independent directors as they do not have any financial relationships with the Company.

Caltagirone Editore SpA, in accordance with current legislative provisions, is responsible for the treatment of personal data. The Board of Directors of the Company, in the meeting of March 23rd, 2004, appointed a person Responsible for the treatment of personal data.

In accordance with point 19 of the Technical Regulations in relation to minimum security (Attachment B of Legislative Decree No. 196 of 30.06.2003), the Company has prepared the programmed security document.

During the year, the company sold all the treasury shares held in portfolio on the market (31,040 shares), with a gain of approximately euro 34 thousand.

The Company did not undertake research and development activity in the year and does not have any secondary offices.

At December 31st, 2006, the Company had 3 employees.

Subsequent events and business outlook

In the first part of the current year, no significant events took place.

The operations continued in line with normal operational activity.

The procedure for the merger by incorporation of the company Area Nord SpA into Piemme SpA began, with the aim of creating a single agency for advertising revenues. This operation will have the effect of combining commercial synergies and allow the recovery of efficiency and of market share in the North East region of Italy.

Proposal to the Shareholders' Meeting

In consideration of the results of the financial statements presented to the Shareholders' Meeting, the Board of Directors propose to allocate the net profit of euro 29,528,184.00 as follows:

- euro 590,564.00 as 2% available to the Board of Directors in accordance with article 24 of the By-Laws of the Company;
- euro 25,000,000 as dividend, broken down as euro 0.20 per share for each of the 125,000,000 shares outstanding;
- euro 3,937,620 carried forward.

SHARES HELD IN PARENT COMPANY AND ITS SUBSIDIARIES
(Published in accordance with article 79 of the Consob Resolution 11971/99)

NAME	COMPANY	TYPE OF SHARE	TYPE OF HOLDING
Caltagirone Francesco Gaetano	Caltagirone Editore SpA	Ordin.	Held directly
		Ordin.	Indirect through subsidiaries
Caltagirone Gaetano	Caltagirone Editore SpA	Ordin.	Held directly
		Ordin.	Indirect through spouse
Caltagirone Azzurra	Caltagirone Editore SpA	Ordin.	Held directly
Caltagirone Francesco	Caltagirone Editore SpA	Ordin.	Held directly
Delfini Mario	Caltagirone Editore SpA	Ordin.	Held directly
		Ordin.	Indirect through spouse
Majore Albino	Caltagirone Editore SpA	Ordin.	Held directly
Muzii Michele*	Caltagirone Editore SpA	Ordin.	Held directly
Tasco Giampiero	Caltagirone Editore SpA	Ordin.	Held directly

** In office between 1st of January and 27th of April, 2006*

NO. OF SHARES HELD AT 12.31.2005	OPERATION CODE	NO. OF SHARES PURCHASED	NO. OF SHARES HELD	NO. OF SHARES HELD AT 12.31.2006
22,500,000				22,500,000
59,486,340	A		31,040	59,455,300
				81,955,300
3,000,000				3,000,000
60,000				60,000
				3,060,000
1,869,901				1,869,901
1,844,824				1,844,824
150				150
150				150
				300
15,000				15,000
450				450
15,600				15,600

LIST OF EQUITY INVESTMENTS AT 12.31.2006 AS PER ART. 120 OF LEGS.

(Published in accordance with article 126 of the Consob Resolution 11971 of May 14th, 1999)

COMPANY	HEAD OFFICE	SHARE CAPITAL	CURRENCY
Area Nord Concessionaria di pubblicità SpA	Venice Mestre*	5,200,000.00	Euro
B2WIN SpA	Rome	1,000,000.00	Euro
Caltanet SpA	Rome	5,414,463.00	Euro
Cedfin Srl	Rome	10,200.00	Euro
Centro Stampa Veneto SpA	Venice Mestre*	567,000.00	Euro
Corriere Adriatico SpA	Ancona	102,000.00	Euro
Edi.Me. Sport Srl in liquidation	Naples	10,200.00	Euro
Editrice TNV SpA	Verona	546,000.00	Euro
Euroqube SA	Belgium	84,861,115.53	Euro
Finced Srl	Rome	10,000.00	Euro
Ideco Holding SA	Lugano - Switzerland	100,000.00	Chf
Il Gazzettino SpA	Venice Mestre*	5,100,491.76	Euro
Il Mattino SpA	Rome	500,000.00	Euro
Il Messaggero SpA	Rome	39,172,000.00	Euro
Imagivresse Srl in liquidation	Verona	30,600.00	Euro
Imprese Tipografiche Venete SpA	Venice Mestre*	936,000.00	Euro
Leggo SpA	Rome	1,000,000.00	Euro
Media Scarl	Padua	50,000.00	Euro
Noisette Serviços de Consultoria Lda	Portugal	5,000.00	Euro
Piemme SpA	Rome	2,600,000.00	Euro
PIM Pubblicità Italiana Multimedia Srl	Milan*	1,044,000.00	Euro
Pubblieditor Srl in liquidation	Verona	40,800.00	Euro
Quotidiano di Puglia SpA	Rome	1,020,000.00	Euro
Sviluppo Quotidiani Srl	Rome	45,900.00	Euro
Telefriuli SpA	Tavagnacco	1,655,300.00	Euro

* *The head office of the company was transferred to Rome in January 2007*

HELD		
Direct	Indirect through	
–	Il Gazzettino SpA	100%
–	Caltanet SpA	99%
	Leggo SpA	1%
98.778%	Finced Srl	0.001%
	Cedfin Srl	1.221%
99.995%	Piemme SpA	0.005%
	Il Gazzettino SpA	100%
51%	Cedfin Srl	49%
–	Il Mattino SpA	99.5%
–	Il Gazzettino SpA	40%
–	Caltanet SpA	14.82%
99.99%	Cedfin Srl	0.01%
–	Il Gazzettino SpA	100%
67.21%		
99.999%	Cedfin Srl	0.001%
94.199%	Piemme SpA	5.8%
	Cedfin Srl	0.001%
–	Il Gazzettino SpA	40%
–	Il Gazzettino SpA	100%
90%		
–	Imprese Tipografiche Venete SpA	50%
–	Cedfin Srl	98%
	Leggo SpA	2%
–	Il Messaggero SpA	100%
–	Il Gazzettino SpA	100%
–	Il Gazzettino SpA	40%
85%		
–	Il Mattino SpA	16.667%
	Il Gazzettino SpA	16.667%
–	Il Gazzettino SpA	65.73%
	Ideco Holding SA	20.29%

assets

	Notes	12.31.2006	12.31.2005
Intangible assets with definite life	1	13,608	16,330
Property, plant and equipment	2	116,795	172,197
Equity investments measured at cost	3	426,957,969	231,405,614
Deferred tax assets	4	2,619,748	6,045,116
NON-CURRENT ASSETS		**429,708,120**	**237,639,257**
Trade receivables	5	76,033	106,516
of which related parties		75,189	106,516
Current financial assets	6	365,609,183	474,817,580
of which related parties		365,579,446	474,687,825
Receivables for current taxes	4	1,930,050	791,208
Other current assets	7	3,810,237	4,230,890
of which related parties		3,733,264	4,093,509
Cash and cash equivalents	8	21,684,479	35,190,380
TOTAL CURRENT ASSETS		**393,109,982**	**515,136,574**
TOTAL ASSETS		**822,818,102**	**752,775,831**

In euros

liabilities and shareholders' equity

	Notes	12.31.2006	12.31.2005
Share capital		125,000,000	125,000,000
Share capital issue costs		(18,864,965)	(18,864,965)
Treasury shares		–	(164,169)
Other reserves		568,694,256	566,725,378
Profit for the year		29,528,184	40,189,888
TOTAL SHAREHOLDERS´ EQUITY	**9**	**704,357,475**	**712,886,132**
Employee provisions	11	25,937	51,129
Non-current financial liabilities	10	56,932,051	6,444,057
Deferred tax liability	4	85,293	1,245,957
NON-CURRENT LIABILITIES		**57,043,281**	**7,741,143**
Trade payables	12	590,026	576,346
of which related parties		238,019	231,676
Current financial liabilities	10	54,178,413	25,056,622
of which related parties		53,000,000	23,928,729
Payables for current taxes	4	2,131	133,371
Other current liabilities	13	6,646,776	6,382,217
of which related parties		2,838,584	3,691,237
CURRENT LIABILITIES		**61,417,346**	**32,148,556**
TOTAL CURRENT AND NON-CURRENT LIABILITIES		**118,460,627**	**39,889,699**
TOTAL LIABILITIES		**822,818,102**	**752,775,831**

In euros

income statement

	Notes	2006	2005
Other operating revenues		85,461	85,316
of which related parties		75,189	75,189
TOTAL REVENUES	**14**	**85,461**	**85,316**
Personnel costs	11	430,437	470,418
Other operating charges	15	1,598,675	1,097,524
of which related parties		486,392	430,188
TOTAL COSTS		**2,029,112**	**1,567,942**
EBITDA		**(1,943,651)**	**(1,482,626)**
Depreciation, amortisation, provisions & write-downs	16	58,123	57,894
EBIT		**(2,001,774)**	**(1,540,520)**
Financial income		36,023,929	50,218,609
of which related parties		34,468,557	748,023
Financial charges		6,630,401	778,644
of which related parties		3,458,230	296,751
Net financial result	**17**	**29,393,528**	**49,439,965**
PROFIT BEFORE TAXES		**27,391,754**	**47,899,445**
Income taxes	4	(2,136,430)	7,709,557
PROFIT FROM NORMAL OPERATIONS		**29,528,184**	**40,189,888**
NET PROFIT FOR THE YEAR		**29,528,184**	**40,189,888**

In euros

cash flow statement

	Notes	2006	2005
LIQUIDITY AT BEGINNING OF YEAR		**35,190**	**109,310**
Profit for the year		29,528	40,190
Amortisation and depreciation	16	58	58
(Revaluations) and write-downs	16-17	692	–
Net financial result	17	(30,085)	(11,721)
(Gains)/Losses on disposals		–	(37,719)
Income Taxes	4	(2,136)	7,710
Changes in employee provisions	11	(31)	(14)
OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL		**(1,974)**	**(1,515)**
(Increase)/Decrease in trade receivables	5	35	426
Increase/(Decrease) in trade payables	12	9	145
Change in other non-current and current liabilities		(79)	451
Change in deferred and current income taxes	4	3,132	1,201
OPERATING CASH FLOW		**1,123**	**708**
Dividends received	17	34,468	1,409
Interest received		1,526	4,823
Interest paid		(3,512)	(408)
A. CASH FLOW FROM OPERATING ACTIVITIES IN THE YEAR		**33,605**	**6,551**

	Notes	2006	2005
Investments in tangible fixed assets		–	(3)
Investments in equity holdings and securities	3	(143,616)	–
Sale of intangible, tangible and financial assets		66	90,337
Other changes in investment activities		(1,716)	–
B. CASH FLOW FROM INVESTING ACTIVITIES		**(145,266)**	**90,334**
Change in non-current financial assets and liabilities		(974)	(1,128)
Change in current financial assets and liabilities		138,360	(151,456)
Sale of treasury shares	9	198	–
Dividends distributed	9	(37,491)	(24,995)
C. CASH FLOW FROM FINANCING ACTIVITIES		**100,093**	**(177,579)**
D. EFFECT OF EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	**17**	**(1,938)**	**6,574**
Change in net liquidity		**(13,506)**	**(74,120)**
LIQUIDITY AT END OF YEAR		**21,684**	**35,190**

In thousands of euros

notes to the financial statements for the financial year ended December 31st, 2006

Introduction

Caltagirone Editore SpA (Parent Company) is a limited liability company with its registered office at Rome (Italy), Via Barberini, No. 28.
The shareholders with holdings above 2% of the share capital, as per the shareholders register, the communications received in accordance with article 120 of Legislative Decree No. 58 of February 24th, 1998, and other information available are:

1. Francesco Gaetano Caltagirone: 81,955,300 shares (65.56%).
   This investment is held:
   - Directly for 22,500,000 shares (18.0%)
   - Indirectly through the Companies:
     – Edigolfo SpA (35.56%)
     – Gamma Immobiliare Srl (12.00%)
2. Gaetano Caltagirone 3,000,000 shares (2.40%)
3. Edizioni Holding SpA 2,799,000 shares (2.24%)

The present statutory financial statements, including the section relating to "Transition to international accounting standards (IFRS)", was authorised for publication by the Directors on March 21st, 2007.

Compliance with international accounting standards approved by the European Commission

The present financial statements for the year ended December 31st, 2006 were prepared in accordance with international accounting standards (International Accounting Standards – IAS or International Financial Reporting Standards – IFRS) and the relative Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and of the Standing Interpretations Committee (SIC), approved by the european Commission (hereinafter "IFRS").

Adoption of IFRS 1

For the adoption of international accounting standards, the company has applied the provisions contained in IFRS 1 – First-time adoption of International Financial Reporting Standards. This standard provides that, where the Parent Company adopts

the international accounting standards first in the consolidated financial statements and subsequently in the individual financial statements, the assets and liabilities must be recognised for the same amount in both financial statements, except for consolidation adjustments.
Therefore, the reconciliation statements attached reflect the same accounting standards and the same options contained in IFRS 1 adopted in the preparation of the consolidated financial statements of the Caltagirone Editore Group relating to the year 2005, with the exception of the standard relating to the valuation of the investments in subsidiaries and associated companies.

Basis of presentation

The Financial Statements consist of the Balance Sheet, Income Statement, Cash Flow Statement, Statement of changes in Shareholders' Equity and the notes to the financial statements.
The Income Statement is classified based on the nature of the costs, while the Cash Flow Statement is presented using the indirect method.
The Financial Statements are presented in euro and all the amounts refer to units of the currency, except where indicated otherwise.

Translation criteria of foreign currencies

The operational and presentation currency of the financial statements is the euro.
All transactions in currencies other than the euro are recognised 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 translated utilising the exchange rate at the initial date of recording of the operation.

Accounting policies

Intangible assets with definite useful life

Intangible assets with definite useful life are recognised at cost, including direct accessory costs necessary in order to render the asset available for use.
Intangible assets with a definite useful life are recognised net of the relative accumulated amortisation and any impairment in accordance with the procedures described below. Amortisation is calculated on a straight line basis over the estimated useful life of the asset, reviewed on an annual basis and any changes, where necessary, are made in accordance with future estimates. Considering the uniformity of the assets contained in the individual categories, it is considered, with the exception of specific cases, that the useful life of these assets is approximately 3-5 years.
At the moment of sale or when no expected future economic benefits exist from the use of an intangible asset, it is eliminated from the financial statements and any loss

or gain (calculated as the difference between the sales value and the net book value) is recorded in the income statement in the year of the above mentioned elimination.

Property, plant and equipment

Property, plant and equipment is 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 legal or implicit obligations, by the current value of the estimated cost for the disposal of the asset. The corresponding liability is recorded in a liability provision in the balance sheet under provisions for risks and charges.
When significant parts of property, plant and equipment have different useful lives, these components are recorded separately.
Property, plant and equipment is recorded net of the relative accumulated depreciation and any loss in value determined in accordance with the procedures described below. 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. Land, both constructible and annexes to buildings, is not depreciated, in that it has an unlimited useful life.
The principal depreciation rates applied are as follows:

	Useful life	**Economic/ technical rate**
Equipment	4 years	25%
Office furniture and equipment	8 years	12%

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

Investments in subsidiaries and associated companies

All the companies in which Caltagirone Editore SpA has the power to determine, directly or indirectly, the financial and operating policies of the entity, so as to obtain benefits from its activities are considered as subsidiary companies.
Investments in associated companies refer to those in which Caltagirone Editore SpA has a significant influence.
In the evaluation of control and significant influence, consideration is also taken of the potential voting rights that are effectively exercisable or convertible.
The above-mentioned equity investments are recognised at cost adjusted for any loss in value.
Losses in value are recognised in the income statement and can be restated where the reasons for their write-down no longer exist. Where the loss pertaining to the company exceeds the book value of the investment, 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 book value is written down and any excess is recorded in a specific risk provision.
The exercise price of purchase options signed by the parent company with minority shareholders at the same time as the acquisition of the control is considered an integral part of the total purchase cost of the investment in a subsidiary. In fact, the subscription by the parent company of the purchase options, subsequent to the acquisition of control constitutes a right for the minority shareholders of the Company to sell their shares at a fixed and determinable price. The parent company (potential acquirer) does not have the power of the effective exercise of the options subscribed, which rests with the minority shareholders and, therefore, has a commitment (obligation) to make a payment in the event of the exercise of the purchase option.
The value of this obligation is recorded in accordance with IAS 32, paragraph 23 as the current value of the future amounts to be paid for the exercise price of the option.

Assets and liabilities held for sale and extraordinary operations

The assets or group of assets and liabilities whose book value will be recovered principally through sale rather than continual usage, are presented separately from the other assets and liabilities in the balance sheet.
The assets classified as held for sale are measured at the lower between their book value and the current realisable value, less costs to sell, determined at the reclassification date. Losses in value are recognised directly in the income statement. The corresponding balance sheet values of the previous year are not reclassified.
The results of the activities terminated or in the course of disposal (discontinued operations) are recorded separately in the income statement, net of the tax effect. The corresponding values relating to the previous year are reclassified and are shown separately in the income statement, net of the tax effect, for comparative purposes.

Financial instruments

Investments in other companies and debt instruments
The investments in other companies (if classified as "available for sale") are measured at fair value with the recording of any gain or loss directly to equity; when the financial asset is sold or written down, the accumulated gains and losses are recorded in the income statement of the period. The fair value of the securities traded on a regulated market is based on the quotation price at the balance sheet date.
When the fair value cannot be reliably determined, these investments are valued at cost adjusted for reductions in value, whose effects are recognised in the income statement. Any write-downs may not be subsequently re-stated.

Trade receivables
Trade receivables are recorded at amortised cost, net of any loss in value. The losses in value are determined on the basis of the fair value of the estimated future cash flows, discounted on the basis of the original effective interest rate.
The trade receivables which mature within the normal commercial terms are not discounted.

Cash and cash equivalents
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 with no payment expenses.

Financial liabilities and trade payables
Financial liabilities and trade payables are initially recognised at fair value, net of directly allocated transaction costs.
Thereafter, they are measured under the amortised cost criteria, using the original effective interest rate method.
Obligations deriving from the subscription of purchase option contracts by the parent company subsequent to the acquisition of control in an entity are considered as financial liabilities towards the minority shareholders which have the right to sell their shares at a fixed price.
The value of this financial liability is equal to the fair value of the exercise price of the purchase option determined at the subscription date.
The financial liability deriving from the subscription of the option right is discounted when the exercise dates of the options are determinable; the future cash flows are discounted at a pre-tax rate that reflects the current market assessment of the time value of money. The increase in the value of the payable due to the passing of time is recorded as a financial expense.

Shareholders' equity

Treasury shares
The costs incurred for the purchase of treasury shares are recorded as a reduction of shareholders' equity. The gains or losses deriving from a subsequent sale are recorded as net equity movements.

Costs for share capital increases
The costs incurred for the stock exchange listing, net of the relative tax effect, are recorded as a reduction of the shareholders' equity in a separate 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 plans (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 recognised on an accruals basis over the period of maturity of the right. The valuation of the liability is made by independent professional actuaries.

Provisions for risks and charges

The provisions for risks and charges are recorded when a legal or implicit obligation exists towards a third party that derives from a past event, and a payment of resources is probable in order to satisfy the obligation and this amount can be reliably estimated. When the financial effect of the time value of money is significant and the payment dates of the obligations can be estimated reliably, the provision is discounted using the estimated future cash flows at a pre-tax rate that reflects the current market assessment of the cost of money and, if appropriate, the specific risks of the obligation; the increase of the provision due to the passing of time is recorded as a financial charge.

Grants

The grants and contributions, from public entities and private third parties, are recognised 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 recognised under other liabilities and credited to the income statement in the period in which the related costs mature.
The grants received against specific assets whose value is recorded under fixed assets are recorded under other liabilities and credited to the income statement in relation to the depreciation period to which the asset refers.
Operating grants are fully recognised to the income statement at the moment in which they satisfy the conditions for their recognition.

Revenues

Revenues are recognised net of returns, discounts and allowances.
In particular, the revenues from the sale of goods are recognised when the significant risks and benefits of the ownership of the assets are transferred to the purchaser.
Revenues for services are recognised when the services are provided, with reference to the progress of completion of the activities.

Interest

Financial income and expenses are recognised in accordance with the accruals concept on the basis of the interest matured on the net value of the relative financial assets and liabilities and utilising the effective interest rate.

Dividends

Dividends 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 taxable assessable income and in accordance with current legislation; consideration is also taken of the effects deriving from the national fiscal consolidation, in which the Group is the consolidating company of the following subsidiaries: Il Messaggero SpA, Il Mattino SpA, Finced Srl, Piemme SpA, Corriere Adriatico SpA and Quotidiano di Puglia SpA.
Deferred tax assets and liabilities are calculated on temporary differences between the balance sheet values and the corresponding values recognised for taxation purposes applying tax rates which are expected to be applicable in future years when the differences are reversed, determined on the basis of the current tax rates in force and in consideration of any expected changes relating to future years.
The recognition of deferred tax assets is made when their recovery is probable, that is when it is expected that future assessable fiscal income sufficient to recover the asset will be available.
The recovery of the deferred tax asset is reviewed at each balance sheet date.

Use of estimates

The preparation of the financial statements require the Directors to apply accounting principles and methods that, in some circumstances, are based on difficulties and subjective valuations and estimates based on the historical experience and assumptions which are from time to time considered reasonable and realistic based on the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, such as the balance sheet, the income statement and the cash flow statement, and on the disclosures in the notes to the accounts. The final outcome of the accounts in the financial statements, which use the above-mentioned estimates and assumptions, may differ from those reported in the financial statements due to the uncertainty which characterises the assumptions and conditions upon which the estimates are based.
The accounting standards and accounts in the financial statements which require greater subjectivity in the preparation of the estimates and for which a change in the underlying conditions of the assumptions used may have a significant impact on the financial statements of the Company are as follows:
- Write-down of fixed assets;
- Amortisation and depreciation of fixed assets;
- Deferred tax assets and liabilities;
- Provisions for risks and charges;
- Allowance for doubtful accounts;
- Other write-down provisions;
- Employee benefits.

The estimates and assumptions are reviewed periodically and the effects of all variations recorded in the income statement, when they relate only to that year. When the revision relates to both current and future periods (for example the revision of the useful life of fixed assets), the changes are recorded in the period in which the revision is made and in the relative future periods.

Management of risks

The Company is exposed to different market risks and in particular to risk of changes in interest rates, liquidity risk, risk of change in the prices of quoted financial investments and foreign exchange risk.

Liquidity risk

The Liquidity risk is managed by the Company through the investment of liquidity in short term operations (generally between one and three months) or readily liquid investments.

Interest rate risk

The exposure of the Company to interest rate changes is not particularly significant as this risk is principally related to medium/long-term loans with variable interest rates. The operations of this kind relate to bank loans.

Exchange risks

The Company, operating exclusively in the eurozone, is normally not exposed to foreign exchange currency movements. The Company has a deposit in US dollars which may expose the Company to an exchange risk. This relates to short term operations (generally between one and three months) or readily liquid investments.

Assets

1. Intangible assets with definite life

	Other	**Total**
Historical cost 1.1.2005	**19,051**	**19,051**
Increases	–	–
Decreases	–	–
Write-downs	–	–
Reclassifications	–	–
12.31.2005	**19,051**	**19,051**
Historical cost 1.1.2006	**19,051**	**19,051**
Increases	–	–
Decreases	–	–
Write-downs	–	–
Reclassifications	–	–
12.31.2006	**19,051**	**19,051**

In euros

	Other	Total
Amortisation and loss in value 1.1.2005	**2,721**	**2,721**
Increases	–	–
Decreases	–	–
Reclassifications	–	–
12.31.2005	**2,721**	**2,721**
Amortisation and loss in value 1.1.2006	**2,721**	**2,721**
Increases	2,722	2,722
Decreases	–	–
Reclassifications	–	–
12.31.2006	**5,443**	**5,443**
Net value		
1.1.2005	**16,330**	**16,330**
12.31.2005	**16,330**	**16,330**
12.31.2006	**13,608**	**13,608**

In euros

2. *Property, plant and equipment*

	Minor equipment	Other assets	Total
Historical cost 1.1.2005	**15,637**	**213,333**	**228,970**
Increases	–	–	–
Decreases	–	–	–
Revaluations/(Write-downs)	–	–	–
Reclassifications	–	–	–
12.31.2005	**15,637**	**213,333**	**228,970**
Historical cost 1.1.2006	**15,637**	**213,333**	**228,970**
Increases	–	–	–
Decreases	–	–	–
Revaluations/(Write-downs)	–	–	–
Reclassifications	–	–	–
12.31.2006	**15,637**	**213,333**	**228,970**

In euros

	Minor equipment	Other assets	Total
Depreciation and loss in value 1.1.2005	**3,441**	**53,333**	**56,774**
Increases	–	–	–
Decreases	–	–	–
Reclassifications	–	–	–
12.31.2005	**3,441**	**53,333**	**56,774**
Depreciation and loss in value 1.1.2006	**3,441**	**53,333**	**56,774**
Increases	2,068	53,333	55,401
Decreases	–	–	–
Reclassifications	–	–	–
12.31.2006	**5,509**	**106,666**	**112,175**
Net value			
1.1.2005	**12,196**	**160,000**	**172,196**
12.31.2005	**12,196**	**160,000**	**172,196**
12.31.2006	**10,128**	**106,667**	**116,795**

In euros

The account Other assets includes leasehold improvements and restructuring of premises owned by related companies where the head office of the Company is located.

3. Equity investments measured at cost

The movements in the account are as follows:

Equity investments in subsidiary companies	Location	%	1.1.2005	Increases/ (Decreases)	Write-downs	12.31.2005
Il Mattino SpA	Rome	99.99%	22,890,823	–		22,890,823
Caltanet SpA	Rome	98.78%	40,663,011	–		40,663,011
Cedfin Srl	Rome	99.99%	10,199	–		10,199
Leggo SpA	Rome	90%	662,869	–		662,869
Finced Srl	Rome	99.99%	9,999	–		9,999
Corriere Adriatico SpA	Ancona	51%	12,281,820	105,910		12,387,730
Quotidiano di Puglia SpA	Rome	85%	27,200,000	–		27,200,000
S.E.M. SpA	Rome	0.001%	97	–		97
Il Messaggero SpA	Rome	94.2%	127,580,885	–		127,580,885
Total			**231,299,703**	**105,910**	**–**	**231,405,613**

In euros

Equity investments in subsidiary companies	Location	%	1.1.2006	Increases/ (Decreases)	Write-downs	12.31.2006
Il Mattino SpA	Rome	99.99%	22,890,823	700,000		23,590,823
Caltanet SpA	Rome	98.78%	40,663,011	–		40,663,011
Cedfin Srl	Rome	99.99%	10,199	–		10,199
Leggo SpA	Rome	90%	662,869	–		662,869
Finced Srl	Rome	99.99%	9,999	–		9,999
Corriere Adriatico SpA	Ancona	51%	12,387,730	954,457	691,841	12,650,346
Quotidiano di Puglia SpA	Rome	85%	27,200,000	–		27,200,000
Il Gazzettino SpA	Venice	99.91%	–	194,589,837		194,589,837
S.E.M. SpA	Rome	0%	97	(97)		–
Il Messaggero SpA	Rome	94.2%	127,580,885	–		127,580,885
Total			**231,405,613**	**196,244,197**	**691,841**	**426,957,969**

In euros

During the year a controlling interest was acquired in Il Gazzettino SpA, formerly Società Editrice Padana – SEP SpA.
The value of the investment consists of euro 142,906,434 for the acquisition of 6,592,426 shares in Il Gazzettino SpA, equal to 67.21% of the share capital, euro 50,973,903 as the fair value, at the subscription date, of the purchase options for the remaining 32.7% of the share capital and euro 709,500 for transaction costs. The options are recorded in accordance with IAS 32 which requires that, in the presence of a put/call option, it is necessary to record the fair value of the financial liability representing the commitment towards the subscribers of the option and increase the value of the investment.
During the year, the companies S.E.M. SpA and Emera SpA were merged by incorporation respectively into Il Messaggero SpA and Piemme SpA.
The other subsidiaries indirectly held are as follows:

Equity investments in indirectly controlled subsidiaries	Location	Share capital	% held	Shareholders' equity	Net profit/ loss
Area Nord Concessionaria di Pubblicità SpA	Rome*	5,200,000	100%	4,581,840	(27,287)
B2WIN SpA	Rome	1,000,000	99%	1,569,443	540,036
Piemme SpA	Rome	2,600,000	100%	110,486,871	39,269,621
Centro Stampa Veneto SpA**	Rome	567,000	100%	(706,782)	56,298
Imprese Tipografiche Venete SpA	Rome*	936,000	100%	2,791,799	(31,294)
PIM Pubblicità Italiana Multimedia Srl	Rome**	1,044,000	100%	2,700,575	(20,930)
Telefriuli SpA	Tavagnacco	1,655,300	86.02%	1,282,172	(51,429)

* *As per shareholders' resolution of January 31st, 2007, the registered office was transferred from Venice-Mestre to Rome*
** *As per shareholders' resolution of January 31st, 2007, the registered office was transferred from Milan to Rome*

4. Deferred and current income taxes

The deferred tax assets refer to losses carried forward and temporary differences between the values recorded in the financial statements and the corresponding values recognised for tax purposes.
The movements are shown below of the deferred tax assets and liabilities:

	1.1.2006	Provisions	Utilisations	12.31.2006
Deferred tax assets				
Fiscal losses carried forward	710,565	98,687	(387,759)	421,493
Write-down of equity investments	5,334,548	–	(3,398,163)	1,936,385
Others	–	323,130	(61,260)	261,870
Total	**6,045,113**	**421,817**	**(3,847,182)**	**2,619,748**
Deferred tax liabilities				
Exchange losses	1,244,232	–	(1,162,549)	81,683
Others	1,723	1,887	–	3,610
Total	**1,245,955**	**1,887**	**(1,162,549)**	**85,293**
Net deferred taxes	**4,799,158**	**419,930**	**(2,684,633)**	**2,534,455**

In euros

The balance sheet includes receivables for current taxes of euro 1,930,050, consisting of the receivable from the fiscal consolidation of euro 1,777,994, tax payments on account and other tax credits.
The deferred tax income for the year consist of:

	2006	2005
Current taxes	(4,401,133)	131,456
Current taxes	**(4,401,133)**	**131,456**
Provision for deferred tax liabilities	1,887	1,723
Utilisation of deferred tax liabilities	(1,162,549)	(1,645)
Deferred income taxes	**(1,160,662)**	**78**
Recording of deferred tax assets	(421,817)	(1,718,532)
Utilisation of deferred tax assets	3,847,182	9,296,555
Deferred tax assets	**3,425,365**	**7,578,023**
Total	**(2,136,430)**	**7,709,557**

In euros

The positive current income taxes are represented by income from the fiscal consolidation resulting from the utilisation of tax losses from previous years recorded in the current year as compensation of the fiscal assessable income of the other companies in the fiscal consolidation.

The breakdown of income taxes is as follows:

	2006
Current and deferred Ires tax	2,100,625
Current and deferred Irap tax	35,805
Total	**2,136,430**

In euros

The analysis of the difference between the theoretical and actual tax rates are as follows:

Ires	**2006**	
	Amount	**Rate**
Profit before taxes	**27,391,755**	**33%**
Theoretical tax charge		**9,039,279**
Permanent differences increase/(decrease):		
Dividends	(34,467,764)	
Non- deductible costs	15,306	
Others	695,173	
Total assessable Ires tax	**(6,365,530)**	
Effective tax charge	**(2,100,625)**	**0%**

In euros

The amount of the current taxes of euro 1,930,050 relates to the balance from the fiscal consolidation (euro 1,777,994), tax credits carried forward (euro 137,464) and tax payments on account.

5. Trade receivables

This account can be broken down as follows:

	12.31.2006	12.31.2005
Receivables from third parties	844	–
Trade receivables	**844**	**–**
Receivables from subsidiaries	75,189	106,516
Total	**76,033**	**106,516**

In euros

The receivables from subsidiaries derive exclusively from invoices to issue for commissions on guarantees of euro 56,652 from Il Messaggero SpA, euro 16,969 from Caltanet SpA and euro 1,567 from Leggo SpA.
There are no receivables due over 12 months.

6. Current financial assets

This account can be broken down as follows:

	12.31.2006	12.31.2005
Subsidiaries	365,579,446	474,687,825
Third parties	29,737	129,755
Total	**365,609,183**	**474,817,580**

In euros

The balance of euro 365,579,446 represents non-interest bearing loans due within one year renewable on request, granted respectively to Leggo SpA (euro 300,200,000), Finced Srl (euro 53,320,000) and Cedfin Srl (euro 12,059,446).

7. Other current assets

This account can be broken down as follows:

	12.31.2006	12.31.2005
Receivables from subsidiaries	3,733,264	4,093,509
Receivables from third parties	76,973	135,953
Prepaid expenses	–	1,428
Total	**3,810,237**	**4,230,890**

In euros

The receivables from subsidiaries due within one year relate for euro 3,218,076 to the companies within the fiscal consolidation, of which euro 2,950,780 with il Messaggero SpA and euro 267,296 with Finced Srl. The residual amount of euro 515,106 relates to the Group VAT consolidation.

8. Cash and cash equivalents

This account can be broken down as follows:

	12.31.2006	12.31.2005
Bank and postal deposits	21,684,310	35,189,654
Cash in hand and similar	169	726
Total	**21,684,479**	**35,190,380**

In euros

The reduction of the liquidity compared to the previous year relates to the purchase of investments.

The short-term deposits include an amount of USD 10.6 million (equal to euro 8.05 million at the exchange rate at December 31st, 2006).

Liabilities and shareholders' equity

9. Shareholders' equity

Capital and reserve movements

	Share capital	Quotation charges	Treasury shares	Fair value reserve	Other reserves
Balance at January 1st, 2005	**125,000,000**	**(18,864,965)**	**(164,169)**	**13,575,630**	**573,048,994**
Dividends distributed	–	–	–	–	(6,323,616)
Valuation at fair value	–	–	–	(13,575,630)	–
Profit for the year	–	–	–	–	–
Balance at December 31st, 2005	**125,000,000**	**(18,864,965)**	**(164,169)**	**–**	**566,725,378**
Balance at January 1st, 2006	**125,000,000**	**(18,864,965)**	**(164,169)**	**–**	**566,725,378**
Treasury share operations	–	–	164,169	–	33,284
Dividends distributed	–	–	–	–	(3,823,829)
Other changes	–	–	–	–	5,759,423
Profit for the year	–	–	–	–	–
Balance at December 31st, 2006	**125,000,000**	**(18,864,965)**	**–**	**–**	**568,694,256**

In euros

Share capital

The share capital amounts to euro 125 million, consisting of 125 million ordinary shares at a nominal value of euro 1 each. The number of ordinary shares outstanding did not change during the year.

All of the ordinary shares issued are fully paid-in. There are no shares subject to guarantees or restrictions on the distribution of dividends. During the year, the treasury shares were sold; the gain realised was recorded at a net equity movement.

Other reserves

The Other Reserves include the Share Premium Reserve of euro 521,021,681, the Legal Reserve of euro 25,000,000 created as per article 2430 of the Civil Code and the exchange gains, created by shareholders' resolution of April 26th, 2006, of euro 3,770,408, equal to the value of the net exchange gains deriving from the valuation of assets and liabilities in foreign currencies at December 31st, 2005.

The account includes a gain of euro 33,704 on the sale of treasury shares and a reserve of euro 3,341 for the discounting of the employee leaving indemnity; the remainder relates to retained earnings.

Result for the year	Group net equity
19,051,197	**711,646,687**
(19,051,197)	(25,374,813)
–	(13,575,630)
40,189,888	40,189,888
40,189,888	**712,886,132**
40,189,888	**712,886,132**
–	197,453
(33,666,859)	(37,490,688)
(6,523,029)	(763,606)
29,528,184	29,528,184
29,528,184	**704,357,475**

Liabilities

10. Financial liabilities

	12.31.2006	12.31.2005
Non-current financial liabilities		
Other lenders for loans	5,265,644	6,444,057
Other lenders for share purchase options	51,666,407	–
Total	**56,932,051**	**6,444,057**
Current financial payables		
Payable to subsidiaries	53,000,000	23,928,729
Other lenders	1,178,413	1,127,893
Total	**54,178,413**	**25,056,622**

In euros

The due date of the non-current liabilities is as follows:

	12.31.2006	12.31.2005
Between 1 and 5 years	56,932,051	6,444,057
Total	**56,932,051**	**6,444,057**

In euros

There are no financial liabilities over five years.
The interest rates at the balance sheet date on the non-current liabilities are as follows:

	2006
Non-current financial liabilities	
Other lenders for loans	3.6
Other lenders for share purchase options	4.2
Current financial liabilities	
Bank payables	4
Short-term portion of non-current loans	2.9
Other financial payables	2.1

Values in %

The non-current financial payables to other lenders relates to a loan provided in 2000 by Mediocredito Lombardo for euro 11.62 million. The final repayment is due in 2011. The interest rate applied on these loans is a variable Euribor at 6 months + spread 0.70%.

As guarantee for this loan, a mortgage was provided on the buildings of the subsidiary Il Mattino SpA at Caivano for a total amount of euro 20.34 million.
The residual value of non-current payables to other lenders relates to the current value of the obligation deriving from the subscription of the put/call options on the residual shares of Il Gazzettino SpA. In particular, for the obligations deriving from the option contracts whose exercise period is established by the contract and therefore it is possible to identify an expected payment date, the payable was discounted using a pre-tax discount rate of 4.2%.
For obligations deriving from the option contracts in which the expected exercise date cannot be established, the payable is not discounted and is recorded at the nominal value.
The difference between the current value of the option recorded at the subscription date and that at the end of the year of euro 692,504 was recorded under financial charges in the income statement.
The payables to subsidiaries of euro 53,000,000 relate entirely to a loan received from the subsidiary Emera SpA which, at the end of 2006, was incorporated into the subsidiary Piemme SpA.

11. Personnel

Employee leaving indemnity and employee provisions
The employee leaving indemnity represents a liability relating to the benefits recognised to employees and paid either on termination or after employment service. This liability is a defined benefit plan and therefore is determined applying the actuarial method.
The assumptions relating to the determination of the plan are summarised in the table below:

	12.31.2006	12.31.2005
Annual technical discounting rate	3.2	2.78
Annual inflation rate	2.26	2.44
Annual increase in employee leaving indemnity	2.84	2.96
Annual increase in salaries	2.1	2.1

Values in %

The discounting was made using the IRS curve corresponding to the duration of the period under examination (50 years).

The movements in the year are as follows:

	2006	2005
Net liability at January 1st	**51,129**	**64,991**
Current cost for the year	7,756	10,056
Interest charge/(income), net	1,130	1,546
Actuarial profits/(losses)	(5,417)	3,670
(Services paid)	(28,661)	(29,134)
Net liabilities at December 31st	**25,937**	**51,129**

In euros

The comparison with the liability in accordance with Italian regulations is as follows:

	1.1.2005	12.31.2005	12.31.2006
Nominal value of the provision	70,212	56,058	36,087
Actuarial adjustment	(5,221)	(4,929)	(10,150)
Total employee leaving indemnity	**64,991**	**51,129**	**25,937**

In euros

As illustrated in the movement, the change between the liability determined in accordance with Italian regulations and IFRS was principally impacted by the interest rates.

Cost and personnel numbers

	2006	2005
Salaries and wages	132,992	214,467
Social security charges	40,824	38,029
Employee leaving indemnity prov.	3,470	15,014
Other costs	253,151	202,908
Total	**430,437**	**470,418**

In euros

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

	12.31.2006	12.31.2005	Average 2006	Average 2005
Executives	3	3	3	3
Managers & white collar journalists	3	4	3	4
Total	**6**	**7**	**6**	**7**

12. Trade payables

	12.31.2006	12.31.2005
Trade payables - suppliers	352,007	344,670
Payables to subsidiaries	138,466	145,987
Payables to holding companies	45,836	–
Payables to other Group companies	53,717	85,689
Total	**590,026**	**576,346**

In euros

At December 31st, 2006, trade payables amounted to euro 352,007 (euro 344,670 at December 31st, 2005) fully payable within one year, of which euro 247,057 for invoices to receive.
Payables to subsidiaries principally relate to invoices to receive from Piemme SpA for interest, regulated at market conditions, on a loan received from the subsidiary Emera SpA, incorporated into Piemme SpA.
There are no payables due over 12 months.

13. Other liabilities

	12.31.2006	12.31.2005
Other current liabilities		
Social security institutions	26,810	13,189
Employee payables	22,719	16,881
Payables to subsidiaries	2,838,584	3,691,237
Payables to other third parties	3,758,663	2,660,910
Total	**6,646,776**	**6,382,217**

In euros

The other payables to subsidiaries refer to transactions with the companies in the fiscal consolidation and to Group VAT.
The amount of euro 3,758,663 includes euro 2,799,046 as amounts available to the Board of Directors in accordance with article 24 of the Company By-Laws, which provides for the allocation of 2% of the net profits to this account.
The additional amounts represent emoluments to directors and statutory auditors.

14. Other operating revenues

	2006	2005
Other operating revenues	85,461	85,316
Total	**85,461**	**85,316**

In euros

The other revenues relate to commissions on third party guarantees on behalf of subsidiaries.

15. Other operating charges

	2006	2005
Personnel costs	430,437	470,418
Rent, leases and similar costs	325,333	322,421
Cost of services	1,147,306	696,869
Other operating charges	126,036	78,234
Total	**2,029,112**	**1,567,942**

In euros

The total personnel costs at December 31st, 2006 amount to euro 430,437, of which euro 132,992 for salaries, euro 40,824 for social security costs, euro 3,470 for employee leaving indemnity and euro 253,151 for consultants.

The costs relating to Rent, leases and similar refer entirely to the headquarters of the Company, provided by a company under common control at market rents.
The account services includes the remuneration of the Board of Statutory Auditors for euro 40,980, the Board of Directors for euro 158,960 and the audit firm for euro 63,655. The account also includes services of a various nature provided by companies of the Caltagirone Group for euro 140,297.

16. Depreciation, amortisation, provisions & write-downs

	2006	2005
Depreciation of tangible assets	55,401	55,172
Amortisation of intangible assets	2,722	2,722
Total	**58,123**	**57,894**

In euros

17. Net financial result

	2006	2005
Financial income		
Dividends	34.467.764	1.409.185
Other income from equity investments	–	37.719.122
Interest income from bank deposits	1.556.165	3.768.518
Interest income from subsidiaries and associated companies	–	747.938
Exchange gains	–	6.573.846
Total	**36.023.929**	**50.218.609**

In euros

The amount of euro 34,467,764 relates to the dividends received respectively from the subsidiaries Il Messaggero SpA (euro 10,036,664), Il Quotidiano di Puglia SpA (euro 433,500) and Finced Srl (euro 23,997,600).
The interest income on bank deposits equal to euro 1,555,165 is representative of the return on the liquidity invested.

	2006	2005
Financial charges		
Exchange losses	1,938,103	–
Write-down of equity investments and securities	691,888	–
Loan interest	267,926	258,270
Interest on current accounts	–	106
Bank commission and charges	209,998	243,038
Interest payable to subsidiaries	786,950	277,230
Financial charges from discounting	692,504	–
Financial expenses from companies under common control	1,979,392	–
Others	63,640	–
Total	**6,630,401**	**778,644**

In euros

The exchange losses relate to the difference arising from the conversion of a deposit in US Dollars at the year end exchange rate.
The write-down of euro 691,888 refers to the covering of losses of the subsidiary Corriere Adriatico SpA.
The account Bank commissions and charges includes euro 202,738 for fixed brokerage rights (banks and brokerage firms) relating to operations for the payment of dividends.
The interest expense from subsidiaries relates for euro 651,124 to Finced Srl and for euro 135,825 to Piemme SpA for interest bearing loans.

18. Acquisition of subsidiary

On July 7th, 2006, Caltagirone Editore SpA purchased 52% of the company Il Gazzettino SpA; following acquisitions made in October and December of 2006, the company completed the purchase of 67.21% of the share capital for an amount of euro 142,906 thousand at December 31st, 2006.
Simultaneously, Caltagirone Editore SpA signed a purchase/sales option contract on another 32.70% of the share capital of Il Gazzettino SpA. The table below shows the principal characteristics of the option contracts:

Type of option	% Share capital	Subscription date	Expiry option period
Purchase/sale	5.663%	7.7.2006	7.7.2008
Purchase/sale	25.765%	7.21.2006	12.31.2008
Purchase/sale	1.274%	10.9.2006	3.31.2009

In euros

IAS 32, paragraph 23, requires that a contract which contains an obligation on a company to acquire shares or other long-term financial assets is recorded as a financial liability for the fair value of the amount to be paid. The standard establishes, in practice, that in the case of the subscription of purchase/sale option contracts, the potential buyer does not have power over the effective exercise of the options issued, in that an unconditional commitment to pay has been signed in the case of the exercise of the put option.
The application of this standard resulted in the recording of a non-current payable to other lenders in the consolidated financial statements, equal to the fair value at the date of acquisition of control of Il Gazzettino SpA (July 7th, 2006) of the exercise price established in the purchase/sale option contracts on 32.70% of the share capital of Il Gazzettino SpA. This value, determined as approximately euro 51 million, constitutes an integral part of the total purchase price of the investment.
In accordance with IFRS 3 – Businesses combinations, in addition, the purchase price of a subsidiary includes directly attributable purchase costs, such as, for example, professional fees paid to the consultants in relation to the acquisition.

19. Transactions with related parties

Transactions with companies under common control
The transactions of Group companies with related parties, including intra-group operations, generally relate to normal operations and are regulated at market conditions and principally relate to the exchange of goods, the provision of services, the provision and use of financial resources of associated companies and subsidiaries as well as with other companies belonging to the Caltagirone Group or under common control.
There are no atypical or unusual transactions which are not within the normal business operations. Where such operations exist, detailed information is provided in the present paragraph.

	Trade receivables	Financial receivables	Other receivables	Trade payables	Financial payables	Other payables
Il Messaggero SpA	56,652	–	3,241,887	–	–	–
Caltanet SpA	16,969	–	–	–	–	–
Leggo SpA	1,568	300,200,000	–	–	–	29,764
Finced Srl	–	53,320,000	271,556	–	–	–
Cedfin Srl	–	12,059,446	–	–	–	–
B2WIN SpA	–	–	124,000	–	–	–
Il Mattino SpA	–	–	95,739	–	–	15,593
Piemme SpA	–	–	82	138,466	53,000,000	2,684,610
Caltagirone SpA	–	–	–	45,836	–	–
Mantegna ´87 Srl	–	–	–	18,887	–	–
Vianini Lavori SpA	–	–	–	34,830	–	–
Corriere Adriatico SpA	–	–	–	–	–	76,695
Quotidiano di Puglia SpA	–	–	–	–	–	31,922
Total	**75,189**	**365,579,446**	**3,733,264**	**238,019**	**53,000,000**	**2,838,584**

In euros

	Operating costs	Operating revenues	Financial income	Financial costs
Il Messaggero SpA	–	56,652	10,036,664	–
Caltanet SpA	3,035	16,969	–	–
Leggo SpA	–	1,567	–	–
Vianini Lavori SpA	48,775	–	–	–
Caltagirone SpA	45,831	–	–	–
Mantegna ´87 Srl	45,687	–	–	–
Quotidiano di Puglia SpA	–	–	433,500	–
Finced Srl	–	–	23,997,600	651,125
Cedfin Srl	–	–	793	–
Piemme SpA	–	–	–	135,826
Fincal 2000 SpA	–	–	–	1,979,392
Ical SpA	323,259	–	–	–
Total	**466,587**	**75,188**	**34,468,557**	**2,766,343**

In thousands of euros

Transactions with directors, statutory auditors and the management of Group companies

The table below shows the payments made to the members of the Board of Directors and Board of Statutory Auditors relating to 2006 and in accordance with article 78 of Consob Resolution No. 11971/1999.

Surname	Name	Office held	Period in which office held	Expiry of office	Emoluments for office held	Other remuneration
Caltagirone	Azzurra	Vice Chairman	1.1.2006-12.31.2006	12.31.2008	100,000	229,740
Delfini	Mario	Director	1.1.2006-12.31.2006	12.31.2008	6,000	124,740
Majore	Albino	Director	1.1.2006-12.31.2006	12.31.2008	5,000	1,032,550
Garzilli	Massimo	Director	1.1.2006-12.31.2006	12.31.2008	6,000	324,665
Muzii	Michele	Director	1.1.2006-4.27.2006	4.27.2006	1,000	120,000
Nattino	Giampietro	Director	1.1.2006-12.31.2006	12.31.2008	10,000	–
Confortini	Massimo	Director	1.1.2006-12.31.2006	12.31.2008	30,000	–
Tasco	Giampiero	Chairman Board Statutory Auditor	1.1.2006-12.31.2006	12.31.2008	16,500	9,900
Schiavone	Carlo	Statutory Auditor	1.1.2006-12.31.2006	12.31.2008	12,000	42,964
Coluccia	Maria Assunta	Statutory Auditor	4.27.2006-12.31.2006	12.31.2008	12,000	15,101
Sica	Mario	Statutory Auditor	1.1.2006-4.27.2006	4.27.2006	–	3,000
Total					**198,500**	**1,902,660**
Total						**2,101,160**

In euros

The emoluments for the office held include the remuneration deliberated by the Shareholders' Meeting of Caltagirone Editore SpA.
Included in other remuneration are the emoluments for offices held in subsidiary companies and salaries.
There are no stock option plans for the directors of the company.

20. Segment information

In accordance with IAS 14, Caltagirone Editore SpA as a holding of investments operates in one single primary sector. The company operates exclusively in Italy and therefore no geographic sectors were identified as defined by IAS 14.

21. Net financial position

	12.31.2006	12.31.2005
A. Bank deposits	21,684	35,190
B. Current financial receivables	365,609	474,818
C. Current payables to other lenders	54,178	25,057
D. Net current debt (C-B-A)	**(333,115)**	**(484,951)**
E. Non-current payables to other lenders	56,932	6,444
I. Net financial debt (D+E)	**(276,183)**	**(478,507)**

In thousands of euros

ASSETS	**6.30.2006**	**12.31.2005**
Intangible assets with definite life	14,968	16,329
Property, plant and equipment	144,610	172,197
Equity investments measured at cost	232,368,229	231,405,614
Deferred tax assets	4,223,293	6,044,960
TOTAL NON-CURRENT ASSETS	**236,751,100**	**237,639,100**
Trade receivables	79,512	110,943
Current financial assets	435,072,661	474,817,581
Receivables for current taxes	280,262	791,208
Other current assets	7,833,012	4,230,890
Cash and cash equivalents	35,521,084	35,190,381
TOTAL CURRENT ASSETS	**478,786,531**	**515,141,003**
TOTAL ASSETS	**715,537,631**	**752,780,103**

In euros

SHAREHOLDERS´ EQUITY AND LIABILITIES	6.30.2006	12.31.2005
Share capital	125,000,000	125,000,000
Share capital issue costs	(18,864,965)	(18,864,965)
Treasury shares	(164,169)	(164,169)
Other reserves	568,660,396	566,725,222
Profit/(loss) for the year	(1,687,158)	40,189,888
SHAREHOLDERS´ EQUITY	**672,944,104**	**712,885,976**
Employee provisions	22,816	51,129
Non-current financial liabilities	5,861,304	6,444,057
Deferred tax liability	752,017	1,245,957
NON-CURRENT LIABILITIES	**6,636,137**	**7,741,143**
Trade payables	816,921	580,773
Current financial liabilities	25,081,605	25,056,622
Payables for current taxes	2,384,248	133,371
Other current liabilities	7,674,616	6,382,218
CURRENT LIABILITIES	**35,957,390**	**32,152,984**
TOTAL LIABILITIES	**715,537,631**	**752,780,103**

In euros

INCOME STATEMENT	6.30.2006	6.30.2005
Revenues from sales and supply of services	37,594	17,018
Other operating revenues	5,136	5,064
TOTAL REVENUES	**42,730**	**22,082**
Personnel costs	185,355	231,471
Other operating charges	671,143	439,447
TOTAL COSTS	**856,498**	**670,918**
EBITDA	**(813,768)**	**(648,836)**
Depreciation, amortisation, provisions & write-downs	28,948	28,610
EBIT	**(842,716)**	**(677,446)**
Financial income	1,450,823	48,075,495
Financial charges	2,790,368	24,560
Net financial result	**(1,339,545)**	**48,050,935**
PROFIT BEFORE TAXES	**(2,182,261)**	**47,373,489**
Income taxes	(495,103)	7,711,113
PROFIT FROM NORMAL OPERATIONS	**(1,687,158)**	**39,662,376**
NET PROFIT FOR THE YEAR	**(1,687,158)**	**39,662,376**

In euros

1. Introduction

Following the enactment of european Regulation No. 1606/2002 and Legislative Decree 38/2005 in Italy, commencing from 2006 the companies issuing financial instruments on regulated markets must prepare their financial statements in compliance with international accounting standards. Therefore, Caltagirone Editore SpA, from 2006 has adopted international accounting standards (International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretation Committee (SIC) approved by the european Commission, hereafter "IFRS-EU", with the transition date to IFRS-EU of January 1st, 2005. The last financial statements of Caltagirone Editore SpA prepared in accordance with Italian GAAP relate to the year ended December 31st, 2005.
As required by IFRS No. 1, the present document contains the reconciliation of the shareholders' equity and of the result for the year, between the values determined in accordance with Italian GAAP and IFRS, together with the relative explanatory notes on the adjustments.
The balance sheet and income statement were prepared only for the purposes of the transition project for the preparation of the first full consolidated financial statements in accordance with IFRS-EU, and, therefore, do not contain the necessary explanatory notes that would be required to represent the balance sheet, financial position and result of Caltagirone Editore SpA in conformity with IFRS-EU standards.

2. Adoption of IFRS 1

For the adoption of international accounting standards, the company has applied the provisions contained in IFRS 1 – First-time adoption of International Financial Reporting Standards. This standard provides that, where the Parent Company adopts the international accounting standards first in the consolidated financial statements and subsequently in the individual financial statements, the assets and liabilities must be recognised for the same amount in both financial statements, except for consolidation adjustments.
Therefore, the reconciliation statements attached reflect the same accounting standards and the same options contained in IFRS 1 adopted in the preparation of the consolidated financial statements of the Caltagirone Editore Group relating to the year 2005, with the exception of the standard relating to the valuation of the investments in subsidiaries and associated companies.

3. Accounting policies and valuation criteria

Basis of presentation

The operational currency utilised for the preparation of the Balance Sheet and Income Statement is the euro and all values are expressed in thousands of euro.

Translation criteria of foreign currencies

All transactions in currencies other than the euro are recognised 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 translated utilising the exchange rate at the initial date of recording of the operation.

Intangible assets with definite useful life

Intangible assets with a definite life, represented by software costs, are recorded at cost, including direct accessory costs necessary in order to render the asset available for use.
The intangible assets with a definite useful life are recorded net of the relative accumulated amortisation and any impairment in value in accordance with the procedures described below. Amortisation is calculated on a straight line basis over the estimated useful life of the asset and reviewed on an annual basis and any changes, where necessary, are made in accordance with future estimates. Considering the uniformity of the assets contained in the individual categories, it is considered, with the exception of specific cases, that the useful life of these assets is approximately 3 years.
At the moment of sale or when no expected future economic benefits exist from the use of an intangible asset, it is eliminated from the financial statements and any loss or gain (calculated as the difference between the sales value and the net book value) is recorded in the income statement in the year of the above mentioned elimination.

Property, plant and equipment

Property, plant and equipment is 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 legal or implicit obligations, by the current value of the estimated cost for the disposal of the asset. The corresponding liability is recorded in a liability provision in the balance sheet under provisions for risks and charges.
The costs incurred after acquisition are recorded as an increase in the book value of the asset to which it refers when it is probable that the Company will receive the future benefits deriving from the cost incurred for the replacement of a part of property, plant and equipment and this cost can be reliably determined. All the other costs are recorded in the income statement when incurred.
When significant parts of property, plant and equipment have different useful lives, these components are recorded separately.
Property, plant and equipment is recorded net of the relative accumulated depreciation and any loss in value determined in accordance with the procedures described below. Depreciation is calculated on a straight line basis over the estimated useful life of the asset for the company, that is reviewed on an annual basis and any changes, where necessary, are made in accordance with future estimates.

The property, plant and equipment acquired through finance lease contracts, where the majority of the risks and rewards related to the ownership of an asset have been transferred to the Company, are recognised as assets of the Company at their fair value or, if lower, at the current value of the minimum lease payments, including any redemption amounts to be paid. The corresponding liability due to the lessor is recorded under financial payables. The leased assets are amortised based on the useful life of the asset. When there is no reasonable certainty that the Company will acquire ownership at the end of the lease, the asset is amortised over the shorter period of the duration of the lease and the useful life of the asset. The leased assets where the lessor bears the majority of the risks and rewards related to an asset are recorded as operating leases. The costs relating to operating leases are recorded on a straight-line basis in the income statement over the duration of the lease contract.
The principal depreciation rates applied are as follows:

	Useful life	Economic/ technical rate
Equipment	4 years	25%
Office furniture and equipment	8 years	12%

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

Investments in subsidiaries and associated companies

All the companies in which Caltagirone Editore SpA has the power to determine, directly or indirectly, the financial and operating policies of the entity, so as to obtain benefits from its activities are considered as subsidiary companies.
For investments in associated companies it is intended those in which Caltagirone Editore SpA has a significant influence.
In the evaluation of control and significant influence, consideration is also taken of the potential voting rights that are effectively exercisable or convertible.
The above-mentioned equity investments are recognised at cost adjusted for any loss in value.
Losses in value are recognised in the income statement and can be restated where the reasons for their write-down no longer exist. Where the loss pertaining to the company exceeds the book value of the investment, 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 book value is written down and any excess is recorded in a specific risk provision.

Assets and liabilities available for sale and discontinued operations

The assets or group of assets and liabilities whose book value will be recovered principally through sale rather than continual usage, are presented separately from the other assets and liabilities in the balance sheet.
The assets classified as held for sale are measured at the lower between their book value and the current realisable value, less costs to sell, determined at the reclassification date. Losses in value are recognised directly in the income statement. The corresponding balance sheet values of the previous year are not reclassified.
The results of the activities terminated or in the course of disposal (discontinued operations) are recorded separately in the income statement, net of the tax effect. The corresponding values relating to the previous year are reclassified and are shown separately in the income statement, net of the tax effect, for comparative purposes.

Loss in value

At each period end, the book value of the property, plant and equipment and of intangible assets with a definite life are reviewed, in order to verify the existence of events or changes which indicate that the carrying value may not be recovered. If an indication of this type exists, their recoverable amount must be determined and, in the case in which the book value exceeds the recoverable amount, these assets are written down to reflect their recoverable value.
The recoverable value is represented by the higher value between the current value less costs to sell and their value in use.
In defining the value in use, the expected future cash flows are discounted using a pre-tax rate that reflects the current market assessment of the time value of money and the specific risks of the activity. When an asset does not generate sufficient independent cash flows, the recoverable value is determined in relation to the cash-generating unit to which the asset belongs.
A loss in value is recognised in the income statement under amortisation, depreciation and write-downs, when the carrying value of the asset, or of the relative cash-generating unit to which it is allocated, is higher than the recoverable value. The losses in value of cash-generating units are firstly attributed to the reduction in the carrying value of any goodwill allocated and, thereafter, to a reduction of other assets, in proportion to their carrying value.
A loss in value of an asset is restated, up to the amount of the previous write-downs made, when the recoverable value exceeds the written down carrying value.

Financial instruments

Investments in other companies and debt instruments
The investments in other companies (if classified as "available for sale") are measured at fair value with the recording of any gain or loss directly to equity; when the financial asset is sold or written down, the accumulated gains and losses are recorded in the income statement of the period. The fair value of the securities traded on a regulated market is based on the quotation price at the balance sheet date.
When the fair value cannot be reliably determined, these investments are valued at cost adjusted for reductions in value, whose effects are recognised in the income statement. Any write-downs may not be subsequently re-stated.

Trade receivables
Trade receivables are recorded at amortised cost, net of any loss in value. The losses in value are determined on the basis of the fair value of the estimated future cash flows, discounted on the basis of the original effective interest rate.
The trade receivables which mature within the normal commercial terms are not discounted.

Cash and cash equivalents
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 with no payment expenses.

Financial liabilities and trade payables
Financial liabilities and trade payables are initially recognised at fair value, net of directly allocated transaction costs.
Thereafter, they are measured under the amortised cost criteria, using the original effective interest rate method.

Shareholders' equity

Treasury shares
The costs incurred for the purchase of treasury shares are recorded as a reduction of shareholders' equity. The gains or losses deriving from a subsequent sale are recorded as net equity movements.

Costs for share capital increases
The costs incurred for the stock exchange listing of Caltagirone Editore SpA, net of the relative tax effect, are recorded as a reduction of the shareholders' equity in a separate 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 plans (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 recognised on an accruals basis over the period of maturity of the right. The valuation of the liability is made by independent professional actuaries.

Provisions for risks and charges

The provisions for risks and charges are recorded when a legal or implicit obligation exists towards a third party that derives from a past event, and a payment of resources is probable in order to satisfy the obligation and this amount can be reliably estimated. When the financial effect of the time value of money is significant and the payment dates of the obligations can be estimated reliably, the provision is discounted using the estimated future cash flows at a pre-tax rate that reflects the current market assessment of the cost of money and, if appropriate, the specific risks of the obligation; the increase of the provision due to the passing of time is recorded as a financial charge.

Revenues

Revenues are recognised in accordance with the probability that the Group will receive economic benefits and the amount can be determined reliably. Revenues are recognised net of returns, discounts and allowances.
Revenues from services, principally relating to commissions for sureties given to third parties, are recognised when the services are rendered.

Financial income and expense

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

Dividends

Dividends are recorded when the right of the shareholders to receive the payment arises.
The dividends and dividend payments on account payable to third parties are recorded as changes in shareholders' equity at the date in which the Shareholders and Board of Directors meetings are approved respectively.

Income taxes

Current Income taxes for the period are determined on the basis of the taxable assessable income and in accordance with current fiscal law; in addition, the effects deriving from the implementation of some companies of the Group's national fiscal consolidation is applied.
Deferred tax assets and liabilities are calculated on temporary differences between the balance sheet values and the corresponding values recognised for tax purposes, applying the expected tax when the differences are reversed, determined on the basis of the current tax rates in force and in consideration of any expected changes relating to future years.
The recording of deferred tax assets is made when their recovery is probable - that is when it is expected that there will be future assessable fiscal income sufficient to recover the asset.
The recovery of the deferred tax asset is reviewed at each balance sheet date.

Use of estimates

The preparation of the Balance Sheet and Income Statement require the Directors to apply accounting principles and methods that, in some circumstances, are based on difficulties and subjective valuations and estimates based on the historical experience and assumptions which are from time to time considered reasonable and realistic based on the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the balance sheet and income statement. The final outcome of the accounts in the financial statements, which use the above-mentioned estimates and assumptions, may differ from those reported in the financial statements due to the uncertainty which characterises the assumptions and conditions upon which the estimates are based.
The accounting standards and accounts in the financial statements which require greater subjectivity in the preparation of the estimates and for which a change in the underlying conditions of the assumptions used may have a significant impact on the balance sheet and income statement are as follows:

- Write-down of fixed assets;
- Amortisation and depreciation of fixed assets;
- Deferred taxes;
- Provisions for risks and charges;
- Allowance for doubtful accounts;
- Employee benefits.

The estimates and assumptions are reviewed periodically and the effects of all variations recorded in the income statement, when they relate only to that year. When the revision relates to both current and future periods (for example the revision of the useful life of fixed assets), the changes are recorded in the period in which the revision is made and in the relative future periods.

Reconciliation of net equity and the income statement

	Notes	Shareholders' equity at 1.1.2005	Shareholders' equity at 12.31.2005	Income statement 2005
Italian GAAP		**700,220**	**713,047**	**38,201**
Adjustments:				
Intangible assets with definite useful life	a	(3,169)	–	3,169
Financial Instruments	b	13,576	–	–
Treasury shares	c	(164)	(164)	–
Employee provisions	d	5	5	–
Fiscal effects of the adjustments	e	1,179	(2)	(1,181)
Total adjustments net of fiscal effect		**11,427**	**(161)**	**1,988**
IAS/IFRS		**711,647**	**712,886**	**40,189**

In thousands of euros

a. Intangible assets with definite useful 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 SpA for the admission of the Stock Exchange quotation and research and advertising costs.

This adjustment results in a decrease in the shareholders' equity at January 1st, 2005 of euro 3,169 thousand.

The income statement in 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 1st, 2005), equal to euro 3,169 thousand.

b. Financial instruments

As required by IFRS, the equity investments in other companies available-for-sale must be measured at fair value where possible, 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 January 1st, 2005 of euro 13,576 thousand, relating to the investment in RCS Mediagroup SpA sold in 2005.

c. 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 1st, 2005 and at December 31st, 2005 of euro 164 thousand.

d. Employee provisions

The IFRS identifies Post-employment benefits among the various kind of benefits for employees. 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 1st, 2005 and December 31st, 2005 of euro 5 thousand respectively.

e. Tax effects of the adjustments

The total fiscal effect calculated on the IAS adjustments results in an increase of the shareholders' equity at January 1st, 2005 (euro 1,179 thousand) and a decrease at December 31st, 2005 (euro 2 thousand).

The effect on the income statement was negative for euro 1,181 thousand.

Effects on the cash flow statement at December 31st, 2005

The 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 of the balance sheets at January 1st, 2005 and December 31st, 2005, as well as the income statement for 2005, together with the relative explanatory notes, were audited.

report of the board of statutory auditors

TO THE SHAREHOLDERS' MEETING IN ACCORDANCE WITH ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/1998 AND ARTICLE 2429, PARAGRAPH 3 OF THE CIVIL CODE

Dear Shareholders,

for the year ended 31st December 2006, the Board of Statutory Auditors performed verifications in compliance with the requirements of law, Consob regulations issued on corporate governance controls and the activities of the Board of Statutory Auditors and taking into account the "Principles of Conduct for Statutory Auditors" recommended by the Italian Accounting Profession.
We have constantly verified compliance with the principles of correct administration during the meetings of the Board of Directors, and we have observed the legality of the convocations and resolutions taken.
Based on the information obtained, the Board of Statutory Auditors confirms that there were no operations undertaken outside the corporate objectives, or which were imprudent, risk related, in potential conflict of interest or contrary to the resolutions taken by the Shareholders' Meeting and/or by the Board of Directors or with the Company By-laws.
During 2006, the Board of Statutory Auditors met 6 times. We attended 7 meetings of the Board of Directors and we received from the Directors, during these meetings, information on the activities undertaken and on the most important economic and financial operations carried out by the company, its subsidiaries and other holdings.
The most important operations of an economic and financial nature undertaken in 2006 are illustrated in sufficient detail and exhaustively described in the directors' report on operations.
In particular, the Board of Statutory Auditors reports, in relation to the investments in subsidiary companies, that the company acquired 67.21% of the share capital of the company Il Gazzettino SpA during 2006, publisher of the newspaper of the same name, and subscribed to put and call options for a further sale of 32.70% of the share capital of the above-mentioned company.
The Board of Statutory Auditors did not note the existence of atypical or unusual transactions with third parties, Group companies or related parties.
In relation to intra-group operations and those with related parties, we note that they were described in full in the directors' report on operations.

The Board noted that the transactions with infra-group companies or with related parties of an ordinary nature during the year were appropriate, were not contrary to the interest of the Company and/or of the Group, and were undertaken in compliance with the principal of correct administration and in line with market values.
We acquired knowledge and supervised, in relation to our responsibilities, on the adequacy of the organisation structure of the Company.
We have maintained continual and constant contact with the person responsible for internal control and were updated on the activities undertaken and have reviewed the periodic reports prepared.
When reference to the amendment to the Organisational Model required by Legislative Decree 231/2001, we report that this is currently being completed.
The Board reviewed the adequacy of the administrative and accounting system and the reliability of the system to correctly represent operating events. This also facilitated the introduction of the IAS/IFRS standards in relation to the parent company financial statements.
The Board of Statutory Auditors believes that the Company has given adequate instructions to its subsidiary companies in accordance with obligatory communications required by law.
The Board was also able to exchange information with the boards of the subsidiaries and no significant matters arose.
We also held meetings with the independent auditors and exchanged data and information on important matters for the carrying out of respective duties.
During these meetings, no significant matters arose.
The audit firm KPMG SpA issued its report on the parent company and consolidated financial statements, which do not report any exceptions.
The audit firm did not report any matters relating to article 155 of Legislative Decree No. 58 of 1998.
Based on the information available, the company assigned to the audit company the following additional assignments:

- the audit of the reconciliation schedules required for the consolidated financial statements in accordance with international accounting standards for a fee of euro 5,000.00 plus VAT and expenses;
- integration of the assignment, as principal auditors, of the additional procedures for the audit of the consolidated financial statements of the Group at 31st December 2006 and following the entry into the Group of Il Gazzettino SpA, for a total fee of euro 7,000.00 plus VAT and expenses;
- assistance in the identification of the impact from the adoption of the IFRS adopted by the Parent Company in the consolidated financial statements of Group Il Gazzettino SpA at 30th June 2006 and at 31st December 2006, for a total fee of euro 18,000.00 plus VAT and expenses.

No critical aspects arose in relation to the independence of the audit firm.
During the year, as you are aware, the Board of Statutory Auditors, in accordance with article 159, paragraph 1 of Legislative Decree No. 58/98, gave its favourable opinion on the renewal of the Board.
During the year, it was not necessary to convene the shareholders meeting and/or the board of statutory auditors.
The Board reports to the shareholders that no notifications were received as per article 2408 of the civil code nor petitions by shareholders.

In conclusion, in relation to the supervision and controls undertaken, the Board reports that no significant matters arose which require reporting to the supervisory boards or in the present report.
Therefore, in accordance with the above matters, and in accordance with article 153, paragraph 2 of Legislative Decree No. 58/98, the Board expresses a favourable opinion with regard to the proposed approval of the financial statements as at 31st December 2005 and to the proposals made by the Board of Directors.

The Board of Statutory Auditors

Giampiero Tasco
Carlo Schiavone
Maria Assunta Coluccia

CALTAGIRONE EDITORE

subsidiaries
financial statements

assets

	12.31.2006	12.31.2005
A. RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	**–**	**–**
B. FIXED ASSETS		
I. Intangible assets		
5) Goodwill	79,911,117	83,543,441
7) Other	217,159	215,346
Total intangible assets	**80,128,276**	**83,758,787**
II. Tangible assets		
1) Land and buildings	21,893,610	336,426
2) Plant and machinery	32,033,240	687,832
3) Industrial and commercial equipment	21,885	14,799
4) Other fixed assets	1,127,016	1,062,183
5) Assets in progress	8,749,756	–
Total tangible assets	**63,825,507**	**2,101,240**
III. Financial assets		
1) Equity investments:		
a) subsidiaries	67,387,862	67,387,862
c) other companies	444,605	444,440
Total equity investments	67,832,467	67,832,302
2) Receivables:		
– due over one year		
d) other	94,078	108,189
Total receivables	94,078	108,189
Total financial assets	**67,926,545**	**67,940,491**
TOTAL B. FIXED ASSETS	**211,880,328**	**153,800,518**

	12.31.2006	12.31.2005
C. CURRENT ASSETS		
I. Inventories		
1) Raw materials, ancillary and consumables	2,103,487	1,763,547
Total inventories	**2,103,487**	**1,763,547**
II. Receivables		
1) Trade receivables:		
– due within one year	1,515,824	1,141,373
2) Subsidiaries:		
– due within one year	101,880,353	22,774,037
3) Group companies:		
– due within one year	16,654,098	813,653
4 bis) Taxes receivable:		
– due within one year	593,007	1,487,047
4 ter) Deferred tax assets:	1,974,674	2,781,854
5) Others:		
– due within one year	326,330	240,922
– due over one year	248,467	416,353
Total others	574,797	657,275
Total receivables	**123,192,753**	**29,655,239**
IV. Cash and cash equivalents		
1) Banking and postal deposits	36,087,161	4,272,178
2) Cheques	–	41,751
3) Cash and cash equivalents	1,390	1,909
Total cash and cash equivalents	**36,088,551**	**4,315,838**
TOTAL C. CURRENT ASSETS	**161,384,791**	**35,734,624**
D. PREPAYMENTS AND ACCRUED INCOME	**117,240**	**1,015,970**
TOTAL ASSETS	**373,382,359**	**190,551,112**

In euros

liabilities

	12.31.2006	12.31.2005
A. SHAREHOLDERS´ EQUITY		
I. Share capital	**39,172,000**	**36,900,000**
II. Share premium reserve	**–**	**–**
III. Revaluation reserve	**–**	**–**
IV. Legal reserve	**4,337,692**	**3,311,698**
V. Statutory reserves	**–**	**–**
VI. Reserve for treasury shares in portfolio	**–**	**–**
VII. Other reserves	**11,272,040**	**62,112**
VIII. Retained earnings	**71,282,906**	**62,922,268**
IX. Profit for the year	**99,099,303**	**10,568,484**
TOTAL A. SHAREHOLDERS´ EQUITY	**225,163,941**	**113,764,562**
B. PROVISIONS FOR RISKS AND CHARGES		
1) Pension and similar	119,995	–
2) Taxes, included deferred	24,845,820	17,319,987
3) Other	4,771,323	3,873,427
TOTAL B. PROVISIONS FOR RISKS AND CHARGES	**29,737,138**	**21,193,414**
C. EMPLOYEE LEAVING INDEMNITY	**21,743,953**	**20,286,322**

	12.31.2006	12.31.2005
D. PAYABLES		
4) Bank borrowings:		
– payable within one year	9,885,563	4,169,723
– payable over one year	50,654,338	–
Total bank borrowings	60,539,901	4,169,723
5) Other lenders:		
– payable within one year	551,252	534,418
– payable over one year	282,104	833,356
Total other lenders	833,356	1,367,774
7) Trade payables:		
– payable within one year	20,066,773	14,834,253
9) Subsidiaries:		
– payable within one year	37,856	34,756
10) Group companies:		
– payable within one year	666,464	610,060
11) Holding companies:		
– payable within one year	3,299,063	–
12) Tax payables:		
– payable within one year	893,363	2,662,271
13) Payables to social security institutions:		
– payable within one year	3,218,782	3,229,579
14) Other payables:		
– payable within one year	7,174,547	8,392,849
– payable over one year	5,548	5,549
Total other payables	7,180,095	8,398,398
TOTAL D. PAYABLES	**96,735,653**	**35,306,814**
E. ACCRUALS AND DEFERRED INCOME	**1,674**	**–**
TOTAL LIABILITIES	**373,382,359**	**190,551,112**
MEMORANDUM ACCOUNT		
Guarantees given directly or indirectly in favour of third parties:		
– sureties in favour of third parties	17,322	10,123
– bank commitments in favour of third parties	43,400,000	25,822,845
Sureties received from third parties:		
– from third parties	60,000	61,975
Goods held by third parties:		
– paper held in warehouses and printers	1	1
– equipment at printers	1	1
TOTAL MEMORANDUM ACCOUNT	**43,477,324**	**25,894,945**

In euros

income statement

	2006	2005
A. VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	134,837,038	136,694,005
5) Other revenues and income, with separate indication of grants:		
– other revenues	1,710,692	1,586,585
– operating grants	450,037	1,228,883
TOTAL A. VALUE OF PRODUCTION	**136,997,767**	**139,509,473**
B. COSTS OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods	(17,503,974)	(16,405,479)
7) Cost of services	(41,214,662)	(38,008,510)
8) Rents, lease and similar costs	(2,480,779)	(11,431,767)
9) Personnel costs:		
a) salaries and wages	(29,616,334)	(29,725,525)
b) social security charges	(9,881,444)	(9,901,958)
c) employee leaving indemnity	(3,071,321)	(2,561,375)
e) other costs	(2,223,345)	(2,200,038)
Total personnel costs	(44,792,444)	(44,388,896)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	(3,781,607)	(3,876,662)
b) depreciation of tangible assets	(4,381,636)	(879,411)
Total amortisation, depreciation and write-downs	(8,163,243)	(4,756,073)
11) Change in inventory of raw materials, ancillary, consumables and goods	339,940	149,187
14) Other operating costs	(2,117,939)	(4,370,047)
TOTAL B. COSTS OF PRODUCTION	**(115,933,101)**	**(119,211,585)**
DIFFERENCE (A-B) BETWEEN VALUE AND COST OF PRODUCTION	**21,064,666**	**20,297,888**

	2006	2005
C. FINANCIAL INCOME AND CHARGES		
15) Investment income:		
a) subsidiaries	90,700,000	–
16) Other financial income:		
d) income other than above:		
1) subsidiaries	–	10,835
2) Group companies	661,396	–
4) other	590,331	48,391
Total other financial income	1,251,727	59,226
17) Interest and other financial charges:		
a) subsidiaries	–	(123,199)
b) Group companies	–	(83,249)
c) holding companies	(56,652)	–
d) other	(2,386,244)	(247,914)
Total interest and other financial charges	(2,442,896)	(454,362)
17 bis) Exchange losses	(94)	(287)
TOTAL C. FINANCIAL INCOME AND CHARGES	**89,508,737**	**(395,423)**
D. ADJUSTMENT TO FINANCIAL ASSETS	**–**	**–**
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
a) gains on disposals	6,039	38,000
b) other extraordinary income	47,200	304,963
Total income	53,239	342,963
21) Charges:		
b) taxes relating to previous periods	(57,545)	(446,054)
c) other extraordinary charges	(898,096)	–
Total charges	(955,641)	(446,054)
TOTAL E. EXTRAORDINARY INCOME AND CHARGES	**(902,402)**	**(103,091)**
PROFIT BEFORE TAXES	**109,671,001**	**19,799,374**
22) Income taxes		
a) current taxes	(7,141,666)	(4,080,685)
b) deferred tax charge	(4,633,384)	–
c) deferred tax income	1,203,352	(5,150,205)
Total income taxes	(10,571,698)	(9,230,890)
23) NET PROFIT FOR THE YEAR	**99,099,303**	**10,568,484**

In euros

assets

	12.31.2006	12.31.2005
A. RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	**–**	**–**
B. FIXED ASSETS		
I. Intangible assets		
7) Other	389,650	264,473
Total intangible assets	**389,650**	**264,473**
II. Tangible assets		
4) Other fixed assets	583,541	495,220
Total tangible assets	**583,541**	**495,220**
III. Financial assets		
1) Equity investments in:		
b) associated companies	40	–
c) holding companies	22,334,693	–
Total financial assets	**22,334,733**	**–**
TOTAL B. FIXED ASSETS	**23,307,924**	**759,693**

	12.31.2006	12.31.2005
C. CURRENT ASSETS		
II. Receivables		
1) Trade receivables:		
– due within one year	73,727,983	71,344,652
3) Group companies:		
– due within one year	308,232	92,247
4) Holding companies:		
– due within one year	55,836,896	43,996
4-bis) Taxes receivable	27,803	1,000,000
4-ter) Deferred tax assets	8,123,458	2,675,101
5) Others:		
– due within one year	1,265,376	127,002
– due over one year	141,059	181,968
Total others	1,406,435	308,970
Total receivables	**139,430,807**	**75,464,966**
IV. Cash and cash equivalents		
1) Banking and postal deposits	9,164,987	333,820
3) Cash and cash equivalents	164,811	313,493
Total cash and cash equivalents	**9,329,798**	**647,313**
TOTAL C. CURRENT ASSETS	**148,760,605**	**76,112,279**
D. PREPAYMENTS AND ACCRUED INCOME	**45,721**	**332,049**
TOTAL ASSETS	**172,114,250**	**77,204,021**

In euros

P I E M M E   S P A

liabilities

	12.31.2006	12.31.2005
A. SHAREHOLDERS´ EQUITY		
I. Share capital	2,600,000	104,000
II. Share premium reserve	–	–
III. Revaluation reserve	–	–
IV. Legal reserve	520,000	20,800
V. Statutory reserves	–	–
VI. Reserve for treasury shares in portfolio	–	–
VII. Other reserves	48,165,138	–
VIII. Retained earnings	19,932,112	5,262,975
IX. Profit for the year	39,269,621	5,441,805
TOTAL A. SHAREHOLDERS´ EQUITY	**110,486,871**	**10,829,580**
B. PROVISIONS FOR RISKS AND CHARGES		
3) Other	477,167	558,797
TOTAL B. PROVISIONS FOR RISKS AND CHARGES	**477,167**	**558,797**
C. EMPLOYEE LEAVING INDEMNITY	**4,043,720**	**3,767,879**

	12.31.2006	12.31.2005
D. PAYABLES		
3) Bank borrowings:		
– payable within one year	258,912	655,922
6) Trade payables:		
– payable within one year	5,956,525	5,428,542
9) Group companies:		
– payable within one year	23,371,584	22,823,708
10) Holding companies:		
– payable within one year	21,853,886	26,218,724
11) Tax payables:		
– payable within one year	1,615,595	2,962,842
12) Payables to social security institutions:		
– payable within one year	625,429	597,743
13) Other payables:		
– payable within one year	2,214,850	2,189,741
TOTAL D. PAYABLES	**55,896,781**	**60,877,222**
E. ACCRUALS AND DEFERRED INCOME	**1,209,711**	**1,170,543**
TOTAL LIABILITIES	**172,114,250**	**77,204,021**
MEMORANDUM ACCOUNT		
3) Commitments, risks and other memorandum accounts:		
c) secured guarantees given to third parties on commitments of the company	392,817	94,888
f) other		
– discounting effects	919,452	1,637,880
TOTAL MEMORANDUM ACCOUNT	**1,312,269**	**1,732,768**

In euros

P I E M M E S P A

income statement

	2006	2005
A. VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	178,316,866	173,796,895
5) Other revenues and income	1,755,293	1,344,713
TOTAL A. VALUE OF PRODUCTION	**180,072,159**	**175,141,608**
B. COSTS OF PRODUCTION		
6) Purchase advertising space	(140,240,579)	(135,838,372)
7) Cost of services	(17,119,774)	(16,314,953)
8) Rents, lease and similar costs	(1,782,431)	(1,408,088)
9) Personnel costs:		
a) salaries and wages	(6,255,625)	(5,908,830)
b) social security charges	(1,933,962)	(1,936,607)
c) employee leaving indemnity	(554,956)	(526,252)
Total personnel costs	(8,744,543)	(8,371,689)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	(218,487)	(159,584)
b) depreciation of tangible assets	(218,025)	(233,212)
d) write-down of current assets	(1,810,953)	(2,405,000)
Total amortisation, depreciation & write-downs	(2,247,465)	(2,797,796)
14) Other operating costs	(153,045)	(76,212)
TOTAL B. COSTS OF PRODUCTION	**(170,287,837)**	**(164,807,110)**
DIFFERENCE (A-B) BETWEEN VALUE AND COSTS OF PRODUCTION	**9,784,322**	**10,334,498**

	2006	2005
C. FINANCIAL INCOME AND CHARGES		
15) Other financial income:		
d) dividend income	1,430,000	–
16) Other financial income:		
d) other income from:		
– holding companies	135,826	–
– other	579,135	89,200
Total other financial income	714,961	89,200
17) Interest and other financial charges:		
c) Group companies	(226,281)	(43,062)
d) holding companies	–	(249,830)
e) other	(314,251)	(321,178)
Total interest and other financial charges	(540,532)	(614,070)
TOTAL C. FINANCIAL INCOME AND CHARGES	**1,604,429**	**(524,870)**
D. ADJUSTMENT TO FINANCIAL ASSETS	**–**	**–**
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
a) gains on disposals	1,400	–
b) other extraordinary income	26,708,708	112,878
Total income	26,710,108	112,878
21) Charges:		
a) losses on asset sales	(14,376)	(61,973)
b) taxes relating to prior years	(71,908)	(47,398)
c) other extraordinary charges	(43,554)	(28,953)
Total charges	(129,838)	(138,324)
TOTAL E. EXTRAORDINARY INCOME AND CHARGES	**26,580,270**	**(25,446)**
PROFIT BEFORE TAXES	**37,969,021**	**9,784,182**
22) Income taxes:		
a) current taxes	(1,084,473)	(4,416,658)
c) deferred taxes	2,385,073	74,281
Total income taxes	1,300,600	(4,342,377)
23) NET PROFIT FOR THE YEAR	**39,269,621**	**5,441,805**

In euros

assets

	12.31.2006	12.31.2005
A. RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	**–**	**–**
B. FIXED ASSETS		
I. Intangible assets		
1) Research, development and advertising costs	12,082	12,123
2) Concessions, licenses, trademarks and similar costs	60,140	95,033
4) Newspaper titles	41,536,300	43,018,150
Total intangible assets	**41,608,522**	**43,125,306**
II. Tangible assets		
1) Land and buildings	7,641,472	7,868,576
2) Plant and machinery	9,289,835	10,782,379
3) Industrial and commercial equipment	1,063	2,266
4) Other fixed assets	672,674	688,897
Total tangible assets	**17,605,044**	**19,342,118**
III. Financial assets		
1) Equity investments		
a) subsidiaries	1,163	1,163
d) other companies	371,751	371,751
Total equity investments	372,914	372,914
2) Receivables		
– due over one year		
a) subsidiaries	13,518	12,914
Total receivables	13,518	12,914
Total financial assets	**386,432**	**385,828**
TOTAL B. FIXED ASSETS	**59,599,998**	**62,853,252**

	12.31.2006	12.31.2005
C. CURRENT ASSETS		
I. Inventories		
1) Raw materials, consumables and ancillary	931,389	662,340
Total inventories	**931,389**	**662,340**
II. Receivables		
1) Trade receivables:		
– due within one year	1,658,894	1,579,816
– due over one year	621	621
2) Holding companies:		
– due within one year	159,854	1,077,888
3) Group companies:		
– due within one year	9,195,312	9,908,040
4 bis) Taxes receivable:		
– due within one year	712,208	5,543,664
– due over one year	340,397	447,541
4 ter) Deferred tax assets	1,282,001	776,000
5) Others:		
– due within one year	156,837	188,375
– due over one year	51,775	54,901
Totale others	208,612	243,276
Total receivables	**13,557,899**	**19,576,846**
IV. Cash and cash equivalents		
1) Banking and postal deposits	462,433	59,620
Total cash and cash equivalents	**462,433**	**59,620**
TOTAL C. CURRENT ASSETS	**14,951,721**	**20,298,806**
D. PREPAYMENTS AND ACCRUED INCOME	**232,214**	**333,626**
TOTAL ASSETS	**74,783,933**	**83,485,684**

In euros

liabilities

	12.31.2006	12.31.2005
A. SHAREHOLDERS´ EQUITY		
I. Share capital	**500,000**	**500,000**
II. Share premium reserve	**–**	**–**
III. Revaluation reserve	**2,711,834**	**2,711,834**
IV. Legal reserve	**107,681**	**107,681**
V. Statutory reserves	**–**	**–**
VI. Reserve for treasury shares in portfolio	**–**	**–**
VII. Other reserves	**11,342,334**	**10,642,334**
VIII. Retained earnings	**582,011**	**(173,777)**
IX. Profit/(loss) for the year	**(1,536,051)**	**755,789**
TOTAL A. SHAREHOLDERS´ EQUITY	**13,707,809**	**14,543,861**
B. PROVISIONS FOR RISKS AND CHARGES		
1) Provision for risks	3,074,000	2,763,000
2) Tax provisions, also deferred	3,705,000	1,900,900
TOTAL B. PROVISIONS FOR RISKS AND CHARGES	**6,779,000**	**4,663,900**
C. EMPLOYEE LEAVING INDEMNITY	**12,392,340**	**12,411,337**

	12.31.2006	12.31.2005
D. PAYABLES		
3) Bank borrowings:		
– payable within one year	5,032,674	3,466,477
5) Other lenders:		
– payable within one year	995,104	952,443
– payable over one year	4,446,543	5,441,647
7) Trade payables:		
– payable within one year	5,948,734	5,468,696
11) Holding companies:		
– payable within one year	240,000	221,328
12) Tax payables:		
– payable within one year	978,610	1,045,621
13) Payables to social security institutions:		
– payable within one year	1,828,139	1,056,295
14) Other payables:		
– payable within one year	3,604,545	3,528,416
15) Group companies:		
– payable within one year	1,257,008	691,103
– payable over one year	14,115,000	26,085,000
TOTAL D. PAYABLES	**38,446,357**	**47,957,026**
E. ACCRUALS AND DEFERRED INCOME	**3,458,427**	**3,909,560**
TOTAL LIABILITIES	**74,783,933**	**83,485,684**
MEMORANDUM ACCOUNT		
Guarantees given directly or indirectly in favour of third parties:		
– mortgage on new factory	17,172,190	17,172,190
– sureties in favour of third parties	66,561	735,198
Sureties received from third parties		
– from third parties	905,350	905,350
TOTAL MEMORANDUM ACCOUNT	**18,144,101**	**18,812,738**

In euros

I L M A T T I N O S P A

income statement

	2006	2005
A. VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	51,598,955	52,342,394
5) Other revenues and income, with separate indication of grants:		
a) other revenues	314,638	295,000
b) operating grants	676,429	1,324,876
Total other revenues and income		
TOTAL A. VALUE OF PRODUCTION	**52,590,022**	**53,962,270**
B. COSTS OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods	(7,040,909)	(6,079,739)
7) Cost of services	(14,333,358)	(15,030,206)
8) Rents, lease and similar costs	(877,720)	(853,484)
9) Personnel costs:		
a) salaries and wages	(15,602,924)	(15,522,766)
b) social security charges	(5,108,578)	(5,266,779)
c) employee leaving indemnity	(1,374,951)	(1,278,419)
e) other costs	(495,613)	(516,897)
Total personnel costs	(22,582,066)	(22,584,861)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	(1,605,747)	(1,565,424)
b) depreciation of tangible assets	(2,053,787)	(3,340,768)
Total amortisation, depreciation and write-downs	(3,659,534)	(4,906,192)
11) Change in inventory of raw materials, ancillary, consumables and goods	269,049	(250,948)
12) Other provisions	(657,244)	(58,367)
14) Other operating costs	(650,310)	(444,270)
TOTAL B. COSTS OF PRODUCTION	**(49,532,092)**	**(50,208,067)**
DIFFERENCE (A-B) BETWEEN VALUE AND COST OF PRODUCTION	**3,057,930**	**3,754,203**

	2006	2005
C. FINANCIAL INCOME AND CHARGES		
16) Other financial income		
d) income other than above:		
4) other	139,071	83,484
Total other financial income	139,071	83,484
17) Interest and other financial charges:		
1) Group companies	(661,396)	(656,823)
4) other	(403,910)	(412,648)
Total interest and other financial charges	(1,065,306)	(1,069,471)
TOTAL C. FINANCIAL INCOME AND CHARGES	**(926,235)**	**(985,987)**
D. ADJUSTMENT TO FINANCIAL ASSETS		
19) Write-downs:		
a) of equity investments	–	(6,182)
Total write-downs	–	(6,182)
TOTAL D. ADJUSTMENT TO FINANCIAL ASSETS	**–**	**(6,182)**
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
a) gains on disposals	91,745	–
b) other extraordinary income	357,401	318,730
Total income	449,146	318,730
21) Charges:		
a) losses on disposals	(8,328)	–
b) other extraordinary charges	(2,371,600)	(302,269)
Total charges	(2,379,928)	(302,269)
TOTAL E. EXTRAORDINARY INCOME AND CHARGES	**(1,930,782)**	**16,461**
PROFIT BEFORE TAXES	**200,913**	**2,778,495**
22) Income taxes:		
a) current taxes	(1,299,964)	(1,036,061)
b) deferred tax charge	(942,000)	(1,105,000)
c) deferred tax income	505,000	118,355
Total income taxes	(1,736,964)	(2,022,706)
23) NET PROFIT (LOSS) FOR THE YEAR	**(1,536,051)**	**755,789**

In euros

assets

	12.31.2006	12.31.2005
A. RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	**–**	**–**
B. FIXED ASSETS		
I. Intangible assets		
2) Research, development and advertising costs	–	34,116
5) Goodwill	4,676	5,845
7) Other	89,336	126,184
Total intangible assets	**94,012**	**166,145**
II. Tangible assets		
2) Plant and machinery	17,340	21,290
3) Industrial and commercial equipment	57,085	63,233
4) Other fixed assets	72,674	90,511
Total tangible assets	**147,099**	**175,034**
III. Financial assets		
1) Equity investments:		
b) Group companies	10,000	10,000
c) other companies	433	–
Total equity investments	10,433	10,000
2) Receivables:		
– due over one year		
d) other	4,383	1,801
Total receivables	4,383	1,801
Total financial assets	**14,816**	**11,801**
TOTALE B. FIXED ASSETS	**255,927**	**352,980**

	12.31.2006	12.31.2005
C. CURRENT ASSETS		
II. Receivables		
1) Trade receivables:		
– due within one year	45,002	50,134
3) Group companies:		
– due within one year	5,956,637	6,622,654
4) Holding companies:		
– due within one year	29,764	–
4 bis) Taxes receivable:		
– due within one year	285,105	130,476
4-ter) Deferred tax assets	3,557,374	–
5) Others:		
– due within one year	61,705	90,033
Total receivables	**9,935,587**	**6,893,297**
IV. Cash and cash equivalents		
1) Banking and postal deposits	306,790,445	8,034
3) Cash and cash equivalents	1,215	1,260
Total cash and cash equivalents	**306,791,660**	**9,294**
TOTAL C. CURRENT ASSETS	**316,727,247**	**6,902,591**
D. PREPAYMENTS AND ACCRUED INCOME	**1,525,883**	**36,793**
TOTAL ASSETS	**318,509,057**	**7,292,364**

In euros

LEGGO SPA

liabilities

	12.31.2006	12.31.2005
A. SHAREHOLDERS´ EQUITY		
I. Share capital	1,000,000	1,000,000
II. Share premium reserve	–	–
III. Revaluation reserve	–	–
IV. Legal reserve	78,409	64,187
V. Statutory reserves	–	–
VI. Reserve for treasury shares in portfolio	–	–
VII. Other reserves	–	–
VIII. Retained earnings	1,245,153	974,936
IX. Profit for the year	9,894,861	284,438
TOTAL A. SHAREHOLDERS´ EQUITY	12,218,423	2,323,561
B. PROVISIONS FOR RISKS AND CHARGES	–	–
C. EMPLOYEE LEAVING INDEMNITY	492,658	380,198

	12.31.2006	12.31.2005
D. PAYABLES		
4) Bank borrowings:		
– payable within one year	356,232	363,179
7) Trade payables:		
– payable within one year	3,575,146	3,057,534
11) Subsidiaries:		
– payable within one year	300,201,567	1,567
12) Tax payables:		
– payable within one year	94,742	135,974
13) Payables to social security institutions:		
– payable within one year	122,421	122,357
14) Other payables:		
– payable within one year	44,958	45,938
15) Group companies:		
– payable within one year	1,402,910	862,056
TOTAL D. PAYABLES	**305,797,976**	**4,588,605**
E. ACCRUALS AND DEFERRED INCOME	**–**	**–**
TOTAL LIABILITIES	**318,509,057**	**7,292,364**
MEMORANDUM ACCOUNT		
Commitments and others risks with third parties	7,424	7,424
TOTAL MEMORANDUM ACCOUNT	**7,424**	**7,424**

In euros

L E G G O   S P A

income statement

	2006	2005
A. VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	20,017,530	19,014,352
5) Other revenues and income, with separate indication of grants:		
– other revenues	193,394	394,512
– operating grants	65,145	80,322
Total other revenues and income	258,539	474,834
TOTAL A. VALUE OF PRODUCTION	**20,276,069**	**19,489,186**
B. COSTS OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods	(4,644,947)	(3,787,002)
7) Cost of services	(12,661,344)	(11,126,006)
8) Rents, lease and similar costs	(1,828,606)	(1,789,768)
9) Personnel costs:		
a) salaries and wages	(1,624,153)	(1,488,796)
b) social security charges	(436,849)	(407,687)
c) employee leaving indemnity	(131,407)	(120,157)
e) other costs	(39,268)	(38,752)
Total personnel costs	(2,231,677)	(2,055,392)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	(78,228)	(143,474)
b) depreciation of tangible assets	(76,560)	(122,277)
Total amortisation, depreciation and write-downs	(154,788)	(265,751)
14) Other operating costs	(78,242)	(54,506)
TOTAL B. COSTS OF PRODUCTION	**(21,599,604)**	**(19,078,425)**
DIFFERENCE (A-B) BETWEEN VALUE AND COST OF PRODUCTION	**(1,323,535)**	**410,761**

	2006	2005
C. FINANCIAL INCOME AND CHARGES		
15) Investment income:		
b) Group companies	4,450	–
Total investment income	**4,450**	**–**
16) Other financial income:		
a) from non-current receivables:		
2) Group companies	59,067	36,606
4) other	7,705,368	326
Total other financial income	**7,764,435**	**36,932**
17) Interest and other financial charges:		
c) holding companies	–	(1,567)
d) other	(15,678)	(15,165)
Total interest and other financial charges	**(15,678)**	**(16,732)**
TOTAL C. FINANCIAL INCOME AND CHARGES	**7,753,207**	**20,200**
D. ADJUSTMENT TO FINANCIAL ASSETS	**–**	**–**
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
d) other extraordinary income	34	303
Total income	**34**	**303**
21) Charges:		
d) other extraordinary charges	(32,819)	(28,526)
Total charges	**(32,819)**	**(28,526)**
TOTAL E. EXTRAORDINARY INCOME AND CHARGES	**(32,785)**	**(28,223)**
PROFIT BEFORE TAXES	**6,396,887**	**402,738**
22) Income taxes		
a) current taxes	(59,400)	(118,300)
c) deferred taxes	3,557,374	–
Total income taxes	3,497,974	(118,300)
23) NET PROFIT FOR THE YEAR	**9,894,861**	**284,438**

In euros

assets

	12.31.2006	12.31.2005
A. RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	**–**	**–**
B. FIXED ASSETS		
I. Intangible assets		
3) Industrial patents and intellectual property rights	24,415	91,498
5) Goodwill	22,550,187	24,053,533
7) Other	158,761	119,076
Total intangible assets	**22,733,363**	**24,264,107**
II. Tangible assets		
1) Land and buildings	942,900	2,322,828
2) Plant and machinery	72,210	86,055
4) Other fixed assets	267,360	394,219
Total tangible assets	**1,282,470**	**2,803,102**
III. Financial assets		
1) Equity investments:		
a) subsidiaries	11,900,660	9,183,136
b) associated companies	391,312	369,850
c) other companies	419,729	419,729
Total equity investments	12,711,701	9,972,715
2) Receivables:		
– due within one year		
d) subsidiaries	565,778	544,017
Total receivables	565,778	544,017
Total financial assets	**13,277,479**	**10,516,732**
TOTAL B. FIXED ASSETS	**37,293,312**	**37,583,941**

	12.31.2006	12.31.2005
C. CURRENT ASSETS		
I. Inventories		
1) Raw materials, consumables and ancillary	765,031	312,813
Total inventories	**765,031**	**312,813**
II. Receivables		
1) Trade receivables:		
– due within one year	1,456,194	900,543
2) Subsidiaries:		
– due within one year	11,877,619	13,903,769
– due over one year	4,087,623	400,000
Total subsidiaries	15,965,212	14,303,769
3) Group companies:		
– due within one year	951,079	951,079
4 bis) Taxes receivable:		
– due within one year	32,026	791,105
– due over one year	200,658	816,094
Total taxes receivable	232,684	1,607,199
4 ter) Deferred tax assets:		
– due within one year	1,120,160	1,194,447
– due over one year	3,535,293	3,493,617
Total deferred tax assets	4,655,453	4,688,064
5) Others:		
– due within one year	168,101	179,598
– due over one year	135,749	125,120
Total others	303,850	304,718
Total receivables	**23,564,502**	**22,755,372**
IV. Cash and cash equivalents		
1) Banking and postal deposits	716,723	3,560,590
3) Cash and cash equivalents	2,444	6,420
Total cash and cash equivalents	**719,167**	**3,567,010**
TOTAL C. CURRENT ASSETS	**25,048,700**	**26,635,195**
D. PREPAYMENTS AND ACCRUED INCOME	**243,736**	**661,630**
TOTAL ASSETS	**62,585,748**	**64,880,766**

In euros

liabilities

	12.31.2006	12.31.2005
A. SHAREHOLDERS´ EQUITY		
I. Share capital	**5,100,492**	**5,100,492**
II. Share premium reserve	**15,827,304**	**15,827,304**
III. Revaluation reserve	**–**	**–**
IV. Legal reserve	**1,020,098**	**1,020,098**
V. Statutory reserves	**–**	**–**
VI. Reserve for treasury shares in portfolio	**–**	**–**
VII. Other reserves	**–**	**–**
VIII. Retained earnings	**12,769,091**	**12,742,388**
IX. Profit/(loss) for the year	**(2,461,087)**	**26,704**
TOTAL A. SHAREHOLDERS´ EQUITY	**32,255,898**	**34,716,986**
B. PROVISIONS FOR RISKS AND CHARGES		
1) Pension and similar	39,396	28,430
3) Other	1,894,000	1,721,000
TOTAL B. PROVISIONS FOR RISKS AND CHARGES	**1,933,396**	**1,749,430**
C. EMPLOYEE LEAVING INDEMNITY	**7,833,970**	**7,588,658**

	12.31.2006	12.31.2005
D. PAYABLES		
4) Bank borrowings:		
– payable within one year	1,877,242	1,596,424
– payable over one year	–	1,189,502
Total bank borrowings	1,877,212	2,785,926
7) Trade payables:		
– payable within one year	6,857,991	5,138,245
9) Subsidiaries:		
– payable within one year	6,880,475	7,944,581
10) Group companies:		
– payable within one year	133,047	133,047
12) Tax payables:		
– payable within one year	1,092,420	1,102,926
13) Payables to social security institutions:		
– payable within one year	933,573	976,096
14) Other payables:		
– payable within one year	2,554,040	2,454,053
TOTAL D. PAYABLES	**20,328,788**	**20,534,874**
E. ACCRUALS AND DEFERRED INCOME	**233,696**	**290,818**
TOTAL LIABILITIES	**62,585,748**	**64,880,766**
MEMORANDUM ACCOUNT		
Guarantees given directly or indirectly in favour of third parties:		
– sureties in favour of third parties	203,782	238,200
Other memorandum account:		
– purchase commitments	125,000	125,000
TOTAL MEMORANDUM ACCOUNT	**328,782**	**363,200**

In euros

income statement

	2006	2005
A. VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	51,751,214	51,926,798
5) Other revenues and income, with separate indication of grants	1,730,581	2,650,282
TOTAL A. VALUE OF PRODUCTION	**53,481,795**	**54,577,080**
B. COSTS OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods	(6,504,096)	(5,998,756)
7) Cost of services	(27,547,563)	(25,216,469)
8) Rents, lease and similar costs	(1,114,426)	(704,431)
9) Personnel costs:		
a) salaries and wages	(13,467,249)	(13,120,010)
b) social security charges	(3,950,175)	(3,749,043)
c) employee leaving indemnity	(1,125,954)	(1,095,309)
e) other costs	(12,869)	(16,181)
Total personnel costs	(18,556,247)	(17,980,543)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	(1,621,900)	(1,609,751)
b) depreciation of tangible assets	(234,381)	(538,926)
Total amortisation, depreciation and write-downs	(1,856,281)	(2,148,677)
11) Change in inventory of raw materials, ancillary, consumables and goods	452,218	(113,271)
12) Provisions for risks	(833,966)	(51,133)
14) Other operating costs	(1,026,594)	(761,939)
TOTAL B. COSTS OF PRODUCTION	**(56,986,955)**	**(52,975,219)**
DIFFERENCE (A-B) BETWEEN VALUE AND COST OF PRODUCTION	**(3,505,160)**	**1,601,861**

	2006	2005
C. FINANCIAL INCOME AND CHARGES		
16) Other financial income:		
a) from non-current receivables		
1) subsidiaries	21,761	20,534
d) income other than above:		
1) subsidiaries	137,856	43,850
4) other	42,050	58,032
Total other financial income	**201,667**	**122,416**
17) Interest and other financial charges:		
a) subsidiaries	(89,699)	(9,690)
d) other	(112,453)	(172,111)
Total interest and other financial charges	**(202,152)**	**(181,801)**
TOTAL C. FINANCIAL INCOME AND CHARGES	**(485)**	**(59,385)**
D. ADJUSTMENT TO FINANCIAL ASSETS		
18) Revaluations		
a) of equity investments	**39,721**	**55,336**
19) Write-downs		
a) of equity investments	(15,383)	(2,398)
b) of financial assets	–	(20,534)
Total write-downs	**(15,383)**	**(22,932)**
TOTAL D. ADJUSTMENT TO FINANCIAL ASSETS	**24,338**	**32,404**
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
a) gains on disposals	2,490,934	–
b) other extraordinary income	–	110,872
Total income	**2,490,934**	**110,872**
21) Charges:		
c) other extraordinary charges	(488,103)	(181,576)
Total charges	**(488,103)**	**(181,576)**
TOTAL E. EXTRAORDINARY INCOME AND CHARGES	**2,002,831**	**(70,704)**
PROFIT/(LOSS) BEFORE TAXES	**(1,478,476)**	**1,504,176**
22) Income taxes		
a) current taxes	(950,000)	(960,310)
b) deferred taxes	(32,611)	(517,162)
Total income taxes	**(982,611)**	**(1,477,472)**
23) NET PROFIT (LOSS) FOR THE YEAR	**(2,461,087)**	**26,704**

In euros

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