



CALTAGIRONE EDITORE

*2008 annual report
ninth fiscal year*

Caltagirone Editore SpA

Head office Via Barberini, 28 - 00187 Rome

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 27th, 2009

AGENDA

1. Presentation of the Separate and Consolidated Financial Statements for the year ended December 31st 2008, together with the Directors' Report, Board of Statutory Auditors' Report and the Independent Auditors' Report; deliberations thereon.
2. Appointment of the Board of Directors for the three-year period 2009-2011, with prior establishment of the number of Board members and remuneration and any resolutions in accordance with article 2390 of the Civil Code.
3. Appointment of the Board of Statutory Auditors for the three-year period 2009-2011, and determination of emoluments.
4. Deliberations upon the sale and purchase of treasury shares in accordance with article 2357 of the Civil Code.

The convocation was published in the following daily newspapers
Il Messaggero
Il Sole 24 Ore

extract from shareholders' agm of April 27th, 2009

The Shareholders' AGM in first call chaired by Mr. Francesco Gaetano Caltagirone, with the attendance of 86 Shareholders representing 96,299,181 shares (77.04%), approved the following resolutions:

- approval of the Board of Director's Report and the financial statements for the year ended December 31st 2008;
- distribution of a dividend of Euro 0.05 for each share outstanding;
- appointment of the new Board of Directors and the new Board of Statutory Auditors for the three years 2009, 2010 and 2011;
- authorisation for the purchase of 25,000,000 treasury shares, for a maximum period of 18 months.

corporate boards

Board of Directors

Chairman

Francesco Gaetano Caltagirone

Vice Chairmen

Azzurra Caltagirone
Gaetano Caltagirone

Directors

Francesco Caltagirone
Massimo Confortini
Mario Delfini
Franco Luciano Lenti
Albino Majore
Giampietro Nattino

Board of Statutory Auditors

Chairman

Raul Bardelli

Standing Auditors

Carlo Schiavone
Federico Malorni

Manager Responsible for Financial Reports

Roberto Di Muzio

Independent Auditors

KPMG SpA

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 administra-
tion, with the exception
of those reserved to the Shareholders' Meeting
and the Board of Directors.*

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CALTAGIRONE EDITORE

*consolidated financial statements
at December 31st, 2008*

*director's report on the consolidated
financial statements
at december 31st, 2008*

INTRODUCTION

The present Directors' Report refers to the consolidated financial statements of Caltagirone Editore SpA (hereafter also "the Group") at December 31st 2008, prepared in accordance with IAS/IFRS International Accounting Principles (*International Accounting Standards* and *International Financial Reporting Standards*) issued by International Accounting Standard Board and approved by the European Union. The present Report should be read together with the Financial Statements and the relative Notes, which constitute the Annual Accounts for 2008.

GROUP OPERATIONS

Highlights The Caltagirone Editore Group reports a net loss of Euro 10.98 million in 2008 after provisions, amortisation, depreciation and write downs of Euro 29.73 million. Operating revenues amounted to Euro 294.0 million, a decrease of 10.0% on Euro 326.9 million in 2007. The fall in turnover was principally due to the decrease in advertising revenues and to a lesser degree the reduction in circulation revenues and add-on product revenues.

However, operating revenues in 2007 included Euro 4.16 million from B2Win SpA, sold in July 2007. Therefore, on a like-for-like consolidation scope, the fall in operating revenues was 9.0%.

The Ebitda amounted to Euro 30.9 million, a 42.4% drop on the previous year; however the Ebitda in 2007 included Euro 699 thousand from B2Win SpA in the first half of the year (on like-for-like consolidation scope the decrease was 41.67%).

The Ebitda margin was 10.5% (16.4 % in 2007).

The EBIT of Euro 1.2 million was impacted – in addition to the reduction in Ebitda – by amortisation and depreciation of Euro 10.5 million and goodwill write down by Il Gazzettino Group for Euro 13.02 million following an impairment test.

The key financial results compared to 2007 are shown below.

Income statement	2008	2007	Cge %
Circulation revenues	86,852	91,805	-5.4
Promotions revenues	6,463	10,788	-40.1
Advertising revenues	193,585	210,652	-8.1
Revenues from services	–	4,159	na
Other revenues	7,138	9,483	-24.7
OPERATING REVENUES	294,038	326,887	-10.0
Raw materials, supplies and consumable stores	(37,068)	(39,133)	-5.3
Labour costs	(111,400)	(113,021)	-1.4
Services	(97,280)	(104,939)	-7.3
Rent, leases and similar costs	(9,852)	(9,709)	1.5
Other operating charges	(3,848)	(3,914)	-1.7
Other operating costs	(3,693)	(2,505)	47.7
EBITDA	30,897	53,666	-42.4
Amortisation, provisions & depreciation	(29,730)	(13,988)	112.5
EBIT	1,167	39,678	-97.1
Share of in./(charges) of companies valued at equity	(8,122)	3	n.a.
Financial income	18,791	37,747	-50.2
Financial charges	(11,180)	(10,521)	6.3
Financial result	7,611	27,226	-72.0
PROFIT BEFORE TAXES	656	66,907	-99.0
Income taxes	(11,739)	(4,812)	144.0
NET PROFIT BEFORE MINORITY SHARE	(11,083)	62,095	-117.8
Minority interest (profit)/loss	98	(854)	-111.5
NET PROFIT/(LOSS)	(10,985)	61,241	-117.9

In Euro thousands

The fall in Operating revenues is due to the current difficult market conditions, both in Italy and on world markets. The global financial crisis and fears of a prolonged recession have increased uncertainties, causing a drop in consumption and cutbacks in advertising spending – especially in daily newspapers. Advertising investments, which already suffered a slowdown in the first 6 months of 2008, recorded a further significant decrease in the final months of the year. According to the data from *Nielsen Media Research*, the advertising market contracted overall by 2.8% in 2008 on 2007; the reduction for newspaper advertising was 7.1%. In the final quarter of 2008 (from the same source), advertising investments decreased by 9.5% in general terms and 13.4% for newspapers.

Circulation revenues of the newspapers of the Caltagirone Editore Group contracted by approx. 5.4%, principally due to a fall in overall consumption, but also as a result of the increasing popularity of free newspapers and online newspapers.

Revenues from promotional products sold with the group's newspapers recorded a significant decrease following the reduced demand for these products.

The cost of raw materials decreased by 5.3% due to the lower quantities utilised in the production process following the fall in sales and also due to a drop in the international price of paper.

Labour costs decreased by approx. 1.4% on 2007. In 2007 this figure included charges of Euro 1.6 million from the application of IAS 19 following the employee leaving indemnity reform on the actuarial valuation. Labour costs in 2008 also include greater non structural charges (leaving indemnities) of approx. Euro 1 million. However, on a like-for-like basis, the decrease in labour costs in 2008 was 1% on 2007, benefiting from the restructuring undertaken in the previous year, although in the presence of salary increases related to the national agreement.

Service costs decreased principally due to the lower volumes of promotional products. The decrease in costs relating to these products was Euro 3.4 million on lower revenues of Euro 4.3 million, confirming the lower margin contribution of this area of activity.

The decrease in service costs is related to the lower advertising related charges following the drop in advertisement placements and also to the presence in the previous year of extraordinary costs for an executive procedure with a subsidiary company.

The significant increase in other operating costs is principally due to some extraordinary indemnity charges from third parties for approx. Euro 3 million.

The account amortisation, depreciation, write downs and provisions includes the write-down of the goodwill of the *Il Gazzettino* Group for Euro 13.02 million following an impairment test, amortisation and depreciation for Euro 10.5 million and provisions for risks arising on some major disputes in the year for Euro 3.3 million.

The result of the companies valued under the equity method was a loss of Euro 8.1 million; this result relates to the loss of the subsidiary *Rofin 2008 Srl* following the write-down on the 4,500,000 *Assicurazioni Generali SpA* shares, adjusted to the stock market price at December 31st 2008.

The financial management result, amounting to Euro 7.6 million, decreased significantly on 2007. However the 2007 result benefited from, in addition to the higher income deriving from the liquidity held, dividends and the extraordinary financial income realised on the sale of investments.

Net financial income includes bank deposit interest of Euro 18.8 million, less borrowing costs of Euro 8 million and losses of approx. Euro 2.6 million realised on the sale of shares in listed companies under common control and write-downs of investments for Euro 600 thousand.

Income taxes include the estimate for current income taxes and deferred tax income and charges. In the previous year, income taxes benefited from a positive effect of Euro 7.1 million from the reduction of the Ires and Irap rates introduced by the 2008 Finance Law with an effect on the calculation of deferred tax assets and liabilities.

The Group net financial position at December 31st 2008 was a cash position of Euro 262.6 million. The reduction of Euro 48.5 million relates to the distribution of dividends for Euro 25 million and investments in shareholdings for Euro 86 million, net of the sale of shareholdings for Euro 34 million and the positive cash flow generated from ordinary and extraordinary operating activities.

Net cash position*	31.12.2008	31.12.2007
Current financial assets	29,710	2,461
Cash and cash equivalents	308,349	444,146
Non-current financial liabilities	(49,061)	(104,410)
Current financial liabilities	(26,445)	(31,140)
Total	262,553	311,057

In Euro thousands

** The Net cash position in accordance with CESR recommendation of February 10th 2005 is illustrated at paragraph 30 of the Notes to Consolidated Financial Statements*

Group financial investments related to the purchase of 32,000,000 Banca Monte dei Paschi di Siena SpA shares and 1,800,000 Assicurazioni Generali SpA shares for a total value respectively of Euro 54.3 million and Euro 31.7 million.

Current financial assets are principally comprised of loans to the associated company Rofin 2008 Srl, held 30%, to support investment.

The consolidated net equity decreased from Euro 863.3 million to Euro 821.3 million at December 31st 2008.

Balance sheet ratios are provided below:

	2008	2007
Equity Ratio <i>Shareholders' equity/Total assets</i>	0.74	0.72
Liquidity Ratio <i>Current assets/Current liabilities</i>	4.01	5.09
Capital Invested Ratio <i>Share equity/Non-current ass.</i>	1.22	1.33

Despite the Group losses, the balance sheet ratios confirm Group financial and balance sheet equilibrium, with good stability in the ratio between own funds and debt¹, a good capacity to meet short-term commitments through liquid funds² and finally a good equilibrium between own funds and fixed assets³.

Group operating performance

Publishing

Circulation revenues	2008	2007	Cge
Newspaper sales	86,852	91,805	-5.4%
Promotions revenues	6,463	10,788	-40.1%
Total	93,315	102,593	-9.0%

In Euro thousands

Circulation revenues and add-on products recorded a total decrease of 9% on 2007. In particular, circulation revenues of Euro 86.8 million fell by 5.4%. This decrease is due to a contraction in the newspaper market both in Italy and in the principal western economies.

Joint promotional revenues sold with the Group newspapers decreased by approx. Euro 4.3 million with an Ebitda of 12.2% (15.6% in 2007), due to the implementation of a highly selective strategy, focused on maximising profitability despite the continual reduction in revenues, but without the risks related to some initiatives.

1. An optimal equity ratio is considered as between 0.5 and 1.
2. The liquidity ratio is considered optimal when it is higher than 1.
3. The capital invested ratio is considered good when it is higher than 1.

Advertising revenues

	2008	2007	Cge
Advertising			
<i>Il Messaggero</i>	89,266	101,918	-12.4%
<i>Il Mattino</i>	33,182	36,663	-9.5%
<i>Il Gazzettino</i>	29,292	30,595	-4.3%
<i>Leggo</i>	25,905	27,358	-5.3%
<i>Quotidiano di Puglia</i>	7,098	7,035	0.9%
<i>Corriere Adriatico</i>	5,932	5,949	-0.3%
Total newspapers	190,675	209,518	-8.99%
Other advertising revenues	2,910	1,134	156.6%
Total	193,585	210,652	-8.1%

In Euro thousands

In 2008, Group advertising revenues decreased by 8.1% on the previous year, with contrasting performances for the various newspapers. The most significant decrease was in newspapers with a higher degree of national advertising campaigns, while newspapers concentrated on local advertising remain stable.

These figures follow a strong reduction in advertising undertaken by business. In particular, there was a strong decline in advertising in the automobile sector, the financial-insurance sectors and the large retail sector.

Other advertising revenues relate principally to the advertising revenues from the TV broadcaster Telefriuli for approx. Euro 1.4 million and the internet sites of the newspapers for the remaining Euro 1.4 million. Advertising on Internet sites is experiencing a growth phase; volumes however remain too modest to offset the losses in the order sectors.

Other activities

	2008	2007	Cge
Internet & Services	–	4,159	n.a.
Other revenues	7,138	9,483	24.7%
Total	7,138	13,642	

In Euro thousands

The decrease of service revenues, as already reported, is due to the sale of the company B2Win SpA in July 2007, which contributed revenues of Euro 4.1 million in the first half of 2007.

Other revenues derive from the recharging of costs, prior year income and other minor income. The reduction of other revenues on the previous year is due to higher indemnities and repayments from third parties in 2007 and the reduction of grants in 2008.

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 28.

Management of risks

The activities of the Caltagirone Editore Group are subject to various financial risks: market risks (raw materials prices and the movements in listed share prices), credit risk, exchange rate risk, interest rate risk and liquidity risk. The management of the financial risks of the Group is undertaken through organisational directives which govern the management of these risks and the control of all operations which have importance in the composition of the financial and/or commercial assets and liabilities.

The Group has not used derivative financial instruments, nor do specific financial risks exist in relation to price, credit or liquidity (other than that deriving from the operating activities).

Market risk (price of raw materials – paper)

The Group is exposed to fluctuations in the price of paper – the principal raw material; this risk is managed through supply contracts with Italian and foreign companies with fixed prices and quantities for a maximum period of approximately 12 months, and through procurement from suppliers based in different geographic areas in order to avoid the risks related to an excessive concentration of suppliers and to obtain the most competitively priced supplies.

Price risk of the equity shareholdings

In relation to the risk of changes in the fair value of the equity shareholdings held as available for sale, the Group monitors the changes of share prices and for this reason constantly records the movements in the listed shares in portfolio. Based on this data, the investment and divestment policies of the Group are defined with the objective to optimise medium and long-term cash flows, also considering the distribution of dividends from the shares in portfolio. The investment and divestment strategies of the equity investments are also considered in relation to the diversification of risk.

The price risk is greater within the current Italian and international stock market conditions, which are undergoing strong turbulence and which have seen a reduction in the current stock market values of all of the listed companies throughout all sectors. The Group equity investments were carried out in the second half of 2008 and therefore at the end of the year there were no losses in value of more than 30% on the carrying value. This percentage limit was established by the Group as an accounting principle and therefore the write-down to the income statement of the equity

investments available-for-sale is carried out when the fair value is reduced on the initial carrying value by over 30% in a 12 month period.

In the first three months of 2009 further selective acquisitions of shares already in portfolio were carried out in order to reach an average price in line with that of the market.

Credit risk

The receivables at the end of the year are prevalently of a commercial nature, as indicated in the notes to the balance sheet and to which reference should be made. In general, receivables are recorded net of any write-downs, calculated on the basis of the risk of non-fulfilment by the counterparty, determined considering the information available on the clients solvency and historical insolvency data in relation to the varying expiry dates of receivables. Historically, there are no significant situations which are particularly problematic in relation to the solvency of the clients, as the policy of the Group is only to sell to clients after a prudent evaluation of their credit capacity and therefore within the established credit limits. Finally, no significant debtor positions were recorded which would equate to an excessive concentration of credit. On this basis, the credit risk to which the Group is exposed can be considered limited.

Currency risk

The Group operates exclusively in the Euro Zone and is therefore not exposed to exchange rate risk.

Interest rate risk

The interest rate risk relates to an uncontrolled increase of the charges deriving from variable interest rates on medium/long-term loans of Group companies. The interest rate risk to which the Group is exposed is considered limited as the risk is principally related to medium-long term financing operations of guaranteed mortgage loans based on secured guarantees on fixed assets. For further information on financial liabilities, reference should be made to the Notes to the Balance sheet.

Liquidity risk

Liquidity risk is linked to the difficulty in obtaining funds to cover commitments at a given moment. The Caltagirone Editore Group has access to its own liquidity which is in the form of short-term deposits and therefore easily accessible and highly liquid. This risk therefore does not pertain to the Group.

Environment and security risk

Existing regulations and laws are rigorously applied to workplace health and security and hence govern this area of risk.

**Principal uncertainties
and the going
concern principle**

Further to that stated in the paragraph on business risks, the current conditions in the financial markets and the real economy do not allow accurate evaluations of the short-term outlook. This situation does not cause concern in relation to the going concern principle in that the Group relies on its own funds and no uncertainties exist that could compromise the capacity of the Group to carry out its operating activities.

Other information

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

At December 31st 2008, there were 1,234 employees (1,256 at December 31st 2007). Caltagirone Editore SpA, as permitted by the Consolidated Finance Act, takes part in a Group tax regime called the *Tax Consolidation* as the parent company.

In accordance with that set out by paragraph 26 of the technical regulations on security, which comprise attachment B of Legislative Decree No. 196 of June 30, 2003 (code for the protection of personal data), in 2008 and in compliance with law the programmed document on security was updated. This document contained adequate information relating to the security measures adopted by the company, on the treatment of personal data, on the analysis of risks and the attribution of duties and responsibility in the treatment of data, in order to minimise the risk of destruction or loss, also accidental, of personal data, of non authorised access or of non consenting treatment and not in line with the reasons for its collection. Among the other information required by law is that the above stated document must outline the necessary measures to guarantee the completeness and the availability of the data.

During the year the Parent Company did not purchase or sell treasury shares or shares in subsidiary companies, nor through trust companies.

Caltagirone Editore SpA has not formally adopted the Self-Governance Code for listed companies issued by the Corporate Governance Committee of Borsa Italiana SpA, in that the Corporate Governance system of the company is substantially in line with the code.

The Issuer, nor its subsidiaries, are subject to laws in force outside Italy which affect the Corporate Governance structure.

The Corporate Governance structure will be updated based on national and international best practice.

The Corporate Governance system is based on the central role of the Board of the Issuer in establishing strategic direction, on the transparency of the operational decisions and the effectiveness of the internal control system which is undertaken through the existing control structure within the individual companies, supervised by the Internal Control Committee.

The Corporate governance report was prepared pursuant to article 124-bis of the Consolidated Finance Act, article 88 of the Issuer's Regulations adopted by Consob and article 2.6 of the Stock Exchange Regulations, which provide an outline of the Corporate Governance of the Group. Information on the shareholder structure is available on the Group's website (www.caltagironeditore.com).

The Parent Company is not subject to management and co-ordination pursuant to art. 2497 and subsequent of the Italian Civil Code.

Significant events after the year-end

The Parent Company purchased 1,500,000 Assicurazioni Generali SpA shares in the first part of the year in order to diversify the share portfolio, for a total value of Euro 19 million.

The associated company Rofin 2008 Srl sold 4,500,000 Assicurazioni Generali SpA shares for a counter value of Euro 56.9 million, realising a loss of approx. Euro 30.8 million. This operation will have a negative effect on the Group income statement in 2009 of approx. Euro 6.7 million, net of the fiscal effect, for the Group share.

The subsidiary Il Gazzettino SpA began the procedure set out in attachment d) of the journalists' national work contract presenting, at the end of February 2009, a "crisis reorganisation plan". This plan sets out the rationalisation of the structures and of the workforce, also through the relaunch of the paper *Il Gazzettino* with new graphics as well as the reduction in the current format of the newspaper. At the same time, negotiations commenced with trade union organisations aimed at establishing a reorganisation plan of workplace practices in order to achieve greater efficiencies which will guarantee the maximum competitiveness on the market.

Similar negotiations recently commenced for the subsidiary Il Mattino SpA.

The subsidiary Il Messaggero SpA is evaluating, as well as the recovery and containment of operating costs, actions on structural labour costs.

Outlook

The trend in operating activities in the first months of 2009 has not improved from the final months of 2008. The decrease in advertising investments, which worsened in the first months of 2009, does not allow any reasonably certain predictions on the outlook for the entire year.

The Caltagirone Editore Group, facing a particularly difficult and sharply contracting market, will develop strategies aimed at containing costs and in obtaining spaces adequate to differentiate its activities in areas undertaken alongside its traditional distribution, also through linking with local papers and differentiation in the sales price. The Group will be involved also in the development of the Internet sector – a growth sector at present.

attachments

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

	NET PROFIT/ (LOSS)
Net profit and net equity for the year as per financial statements of the parent company	(13,340)
Contribution of subsidiary companies	(3,549)
Elimination of inter-company dividends	(2,816)
Elimination of inter-company (gains) losses, net of tax effect	8,622
Minority interest share	98
NET PROFIT AND NET EQUITY AS PER THE CONSOLIDATED FINANCIAL STATEMENTS	(10,985)

In Euro thousands

EQUITY
NET EQUITY
715,262
147,154
–
(37,736)
(2,599)
822,081

CALTAGIRONE EDITORE GROUP

LIST OF INVESTMENTS AT 31.12.2008 AS PER ART. 38 OF LEGS. DECREE

COMPANY	REGISTERED OFFICE	SHARE CAPITAL	CURRENCY
Companies included in the consolidation under the line-by-line method			
Il Messaggero SpA	Rome	42,179,500.00	Euro
Il Mattino SpA	Rome	500,000.00	Euro
Piemme SpA	Rome	2,646,540.00	Euro
Leggo SpA	Rome	1,000,000.00	Euro
Finced Srl	Rome	10,000.00	Euro
Corriere Adriatico SpA	Ancona	102,000.00	Euro
Quotidiano di Puglia SpA	Rome	1,020,000.00	Euro
Il Gazzettino SpA	Rome	5,100,491.76	Euro
Centro Stampa Veneto SpA	Rome	567,000.00	Euro
Imprese Tipografiche Venete SpA	Rome	936,000.00	Euro
P.I.M. Pubblicità Italiana Multimedia Srl	Rome	1,044,000.00	Euro
Ideco Holding SA	Lugano (Switzerland)	100,000.00	Chf
Telefriuli SpA	Tavagnacco	1,655,300.00	Euro
Companies included in the consolidation under the Equity Method			
Rofin 2008 Srl	Rome	10,000.00	Euro
E-Care SpA	Rome	344,505.00	Euro
B2Win SpA	Rome	1,000,000.00	Euro
Other investments in subsidiaries			
Edi.Me. Sport Srl in liquidation	Naples	10,200.00	Euro
Noisette Serviços de Consultoria Lda	Madeira (Portugal)	5,000.00	Euro
Other investments in associated companies			
Editrice Telenuovo SpA	Verona	546,000.00	Euro
Pubblieditor Srl in liquidation	Verona	40,800.00	Euro

TYPE OF POSSESSION

Directly		Indirectly through
94.610%	Piemme SpA	5.390%
99.999%	Fincel Srl	0.001%
–	Il Messaggero SpA	100.000%
90.000%	–	–
99.990%	Piemme SpA	0.010%
99.999%	Fincel Srl	0.001%
85.000%	–	–
99.912%	–	–
–	Il Gazzettino SpA	100.000%
–	Il Gazzettino SpA	100.000%
–	Il Gazzettino SpA	100.000%
–	Il Gazzettino SpA	100.000%
–	Il Gazzettino SpA	86.020%
30.00%		
24.50%	–	
–	E-Care SpA	100.000%
–	Il Mattino SpA	99.500%
–	Fincel Srl	98.000%
	Leggo SpA	2.000%
–	Il Gazzettino SpA	40.000%
–	Il Gazzettino SpA	40.000%

CALTAGIRONE EDITORE GROUP

assets

	Note	31.12.2008	31.12.2007
Intangible assets with definite life	1	3,401	3,685
Goodwill and other indefinite intangible assets	2	463,374	477,219
Property, plant and equipment	3	95,329	103,142
Equity investments valued at cost	4	2,486	3,127
Equity investments valued at equity	5	4,498	4,941
Equity investments and non-current securities	6	83,914	37,510
Non-current financial assets	7	27	27
Other non-current assets	8	991	1,209
Deferred tax assets	9	20,071	21,215
NON-CURRENT ASSETS		674,091	652,075
Inventories	10	4,783	3,776
Trade receivables	11	87,130	98,759
Current financial assets	12	29,711	2,461
Tax receivables	9	1,627	1,107
Other current assets	13	3,126	2,176
Cash and cash equivalents	14	308,349	444,146
CURRENT ASSETS		434,726	552,425
TOTAL ASSETS		1,108,817	1,204,500

In Euro thousands

CALTAGIRONE EDITORE GROUP

shareholders' equity and liabilities

	Note	31.12.2008	31.12.2007
Share capital		125,000	125,000
Share capital issue costs		(18,865)	(18,865)
Other reserves		726,931	695,922
Profit/(loss) for the year		(10,985)	61,241
Group Shareholders' Equity		822,081	863,298
Minority interest shareholders' equity		2,599	2,842
SHAREHOLDERS' EQUITY	15	824,680	866,140
Employee provisions	17	45,245	46,185
Other non-current provisions	18	8,407	8,871
Non-current financial liabilities	16	49,061	104,410
Other non-current liabilities	20	3,437	3,420
Deferred tax liabilities	9	66,240	63,985
NON-CURRENT LIABILITIES		172,390	226,871
Current provisions	18	4,516	3,683
Trade payables	19	40,032	38,709
Current financial liabilities	16	26,446	31,140
Other current liabilities	20	40,753	37,957
CURRENT LIABILITIES		111,747	111,489
TOTAL LIABILITIES		284,137	338,360
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,108,817	1,204,500

In Euro thousands

CALTAGIRONE EDITORE GROUP

income statement

	Note	2008	2007
Revenues from sales and services	21	286,899	317,404
Other revenues	22	7,139	9,483
REVENUES		294,038	326,887
Raw material costs	23	37,068	39,133
Labour costs	17	111,400	113,021
Other operating charges	24	114,673	121,067
COSTS	263,141	273,221	
EBITDA		30,897	53,666
Amortisation & depreciation	25	10,539	10,359
Provisions	25	3,333	1,301
Goodwill write-down	2-25	13,019	–
Other write-downs	25	2,839	2,328
EBIT		1,167	39,678
Net result of the share of associates		(8,122)	3
Financial income		18,791	37,746
Financial charges		11,180	10,520
Net financial income	26	7,611	27,226
PROFIT BEFORE TAX		656	66,907
Income taxes for the year	9	11,739	4,812
PROFIT FROM CONTINUING OPERATIONS		(11,083)	62,095
NET PROFIT/(LOSS) FOR THE YEAR		(11,083)	62,095
Group net profit/(loss)		(10,985)	61,241
Minority interest share		(98)	854
Earnings per share	27	(0.088)	0.490
Diluted earnings per share	27	(0.088)	0.490

In Euro thousands

CALTAGIRONE EDITORE GROUP

INCOME AND CHARGES RECORDED IN THE FINANCIAL STATEMENTS

	Note	2008	2007
Change in fair value of equity securities available-for-sale		(2,019)	442
Gain/(loss) on sale of listed shares		–	(25,768)
Effect of actuarial gain/(loss)		(1,741)	944
NET PROFIT/(LOSS) RECORDED DIRECTLY TO NET EQUITY		(3,760)	(24,382)
Net profit/(loss)		(11,083)	62,095
TOTAL	15	(14,843)	37,713
Attributable to shareholders of the Parent Company		(14,745)	36,859
Attributable to minority interest		(98)	854

In Euro thousands

cash flow statement

	Note	2008	2007
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		444,146	423,233
Profit/(loss) for the year		(11,083)	62,095
Amortisation & depreciation	25	10,539	10,359
(Revaluations) and write-downs	25-26	16,503	3,885
Net result of the share of associates		8,122	(3)
Other income and financial charges		(10,912)	(10,444)
(Gains)/losses on disposals	26	2,652	(18,431)
Income taxes	9	11,739	4,812
Changes in employee provisions	17	(4,812)	(4,086)
Changes in current and non-current provisions	18	369	(876)
OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL		23,117	47,311
(Increase)/Decrease in inventories	10	(1,008)	488
(Increase)/Decrease in trade receivables	11	8,797	(5,664)
Increase/(Decrease) in trade payables	19	1,066	(10,272)
Change in other current and non-current liabilities		4,003	5,237
Change in deferred and current income taxes		(1,953)	2,275
OPERATING CASH FLOW		34,022	39,375
Interest received		18,297	14,283
Interest paid		(4,448)	(4,707)
Other income/(charges) received/paid		–	(30)
Income taxes paid		(6,958)	(6,955)
A. CASH FLOW FROM OPERATING ACTIVITIES		40,913	41,966

	Note	2008	2007
Dividends received	26	–	2,695
Investments in intangible fixed assets		(472)	(751)
Investments in tangible fixed assets	1	(834)	(5,518)
Investments in equity holdings and securities	6	(86,092)	(36,900)
Sale of intangible, tangible and financial assets		34,279	45,901
B. CASH FLOW FROM INVESTING ACTIVITIES		(53,119)	5,427
Change in non-current financial assets & liabilities		(55,551)	(9,506)
Change in current financial assets & liabilities		(41,417)	8,389
Dividends distributed	15	(25,139)	(25,000)
Other net equity changes		(1,484)	–
C. CASH FLOW FROM FINANCING ACTIVITIES		(123,591)	(26,117)
D. EFFECT EXCHANGE DIFFERENCES ON CASH & CASH EQUIVALENTS		–	(363)
Change in net liquidity (A+B+C+D)		(135,797)	20,913
CASH AND CASH EQUIVALENTS AT END OF YEAR		308,349	444,146

In Euro thousands

notes to the consolidated financial statements as at December 31st, 2008

Introduction Caltagirone Editore SpA (Parent Company) is a limited liability company, listed on the Milan Stock Exchange, operating in the publishing sector with its registered office in 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:
 - Parted 1982 SpA (35.56%),
 - Gamma Srl (12.00%);

2. Gaetano Caltagirone 3,000,000 shares (2.40%);

3. Edizione Srl 2,799,000 shares (2.24%).

The list of the equity investments reported in the attachment to the present notes is based also on the disclosure obligation of shareholdings held in non listed companies of more than 10% of the share capital in accordance with article 126 of Consob Regulation (National Commission for Companies and the Stock Exchange) No. 11971/1999.

At the date of the preparation of the present accounts, the ultimate holding company was FGC SpA, due to the shares held through subsidiary companies.

The present consolidated financial statements were authorised for publication by the directors on March 24th 2009.

**Compliance
with international
accounting standards
approved by the
European Commission**

The present Group consolidated financial statements for the year ended December 31st 2008 were prepared in accordance with articles 2 and 3 of Legislative Decree No. 38/2005, with international accounting standards (*International Accounting Standards* – IAS and *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).

All of the financial statements of the companies consolidated fully with the exception of those of the Parent Company were prepared according to Italian Accounting Standards, to which the necessary adjustments were made in order to render them uniform with the Parent Company principles. The financial statements of the subsidiaries were approved by their respective Boards of Directors.

Basis of presentation

The Consolidated Financial Statements consist of the Balance Sheet, Income Statement, Cash Flow Statement, Statement of income and charges and the notes to the financial statements.

The Balance Sheet is presented in a format which separates the current and non-current assets and liabilities, while the Income Statement is classified on the basis of the nature of the costs, and the Cash Flow statement is presented utilising the indirect method.

The IFRS were applied in accordance with the *Framework for the preparation and presentation of financial statements* and no matters arose which required recourse to the exceptions permitted by IAS 1, paragraph 17.

It is recalled that Consob resolution No. 15519 of July 27th 2006 requires that the above financial statements report, where the amounts are significant, additional sub-accounts to those already specifically required by IAS 1 and other international accounting standards in order to show the balances and transactions with related parties as well as the relative income statement accounts relating to non-recurring or unusual operations. These accounts are not reported separately in the present Consolidated Financial Statements as the amounts are not significant.

The Consolidated Financial Statements are presented in Euro and the amounts shown in the notes to the financial statements are shown in thousands, except where indicated otherwise.

The operational and presentation currency of the Group is the Euro, which is also the operational currency of all of the companies included in the present financial statements.

The comparative data relating to the previous year were reclassified for uniformity, and mentioned in the notes whenever the reclassification resulted in a significant change.

The assets and liabilities are shown separately and without any offsetting.

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:

	Registered office	2008	2007
Caltagirone Editore SpA	Rome	Parent Company	Parent Company
Il Messaggero SpA ¹	Rome	100.00	100.00
Il Mattino SpA	Rome	100.00	100.00
Piemme SpA ²	Rome	100.00	100.00
Leggo SpA	Rome	90.00	90.00
Finced Srl	Rome	100.00	100.00
Corriere Adriatico SpA	Ancona	100.00	100.00
Quotidiano di Puglia SpA	Rome	85.00	85.00
Il Gazzettino SpA ³	Venice	99.91	99.91
Centro Stampa Veneto SpA ⁴	Venice	99.91	99.91
Imprese Tipografiche Venete SpA ⁴	Venice	99.91	99.91
P.I.M. Pubblicità Italiana Multimedia Srl ⁴	Milan	99.91	99.91
Ideco Holding SA ⁴	Lugano (Switzerland)	99.91	99.91
Telefriuli SpA ⁵	Udine	85.94	85.94

Values in %

¹ 94.6% directly held and 5.4% through Piemme SpA

² Held through Il Messaggero SpA

³ The holding includes 1.27 % relating to the put options existing at December 31th, 2008

⁴ Held through Il Gazzettino SpA

⁵ 86.02% held through Il Gazzettino SpA

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:

	Registered office	2008	2007
Rofin 2008 Srl	Rome	30.00	–
E-Care SpA	Rome	24.50	24.50
Editrice Telenuovo SpA	Verona	39.96	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.

The balance sheet date of the financial statements of the associated companies is the same as the parent company.

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 procedures

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 results of consolidated companies acquired or sold during the year are included in the consolidated income statement from the date of acquisition or until the date of sale.

The share of the equity and of the result for the period relating to minority interests are recognised in specific accounts in the balance sheet (Minority interest capital and reserves) and income statement (Minority interest share of profit).

All inter-group balances and transactions, including any non-realised gains or losses deriving from transactions between Group companies, are eliminated net of the theoretical fiscal effect, if significant. The gains and losses not realised with associated companies are eliminated for the part pertaining to the Group.

The dividends distributed by the consolidated companies are eliminated from the income statement and aggregated to the retained earnings/accumulated losses, up to the amount of the dividends.

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.

Business combinations

All 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.

Where the fair value of the assets, liabilities and contingent liabilities may only be determined provisionally, the business combination is initially recorded utilising the provisional values. Any adjustments deriving from the completion of the initial recording of the business combinations are recorded within 12 months from the acquisition date and from that date.

On the first time application of IFRS, the Group decided to only recalculate the business combinations after January 1st 2004. For the acquisitions before this date, goodwill is the amount recorded in accordance with Italian GAAP.

In relation to business combinations which provide at the moment of the purchase the control of the investment and also the simultaneous assumption of an unconditional commitment for the purchase of further quotas in the investment from shareholders, for example through option contracts, the provisions of IFRS 3 and IAS 32, paragraph 23 are applied. In this case, the current value of the price paid is recorded as a financial liability and constitutes an integral part of the total purchase price of the investment.

The acquisition of shares in investments after the acquiring of the control by the Group, in the absence of specific treatment by IFRS, are recorded allocating to goodwill the entire difference between the purchase cost and the book value of the shares acquired.

The temporary differences arising from the difference between the fair value of the identifiable assets, liabilities and contingent liabilities recognised and the fiscal value recognised, gives rise to the recording of a deferred asset and/or liability that affects the determination of the goodwill.

Intangible assets with definite 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 definite useful lives 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 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 3-5 years. The amortisation begins when the intangible asset is available for use.

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 assets 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 those necessary for the asset being in the condition 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 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 and the depreciation is applied to each component.

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, which 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, but is subject to experts' opinions for any loss in value and subsequently written down.

The property, plant and equipment acquired through finance lease contracts, where the majority of the risks and rewards relating 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 relating 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	10.00%
Non automated machines and general plant	10 years	10.00%
Rotating press for paper in rolls	15 years	6.67%
Equipment	4 years	25.00%
Office furniture and equipment	8 years	12.50%
Transport vehicles	5 years	20.00%
Motor vehicles and similar	4 years	25.00%

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. Non-current assets classified as held for sale are not amortised.

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 useful 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 value must be determined and, where the book value exceeds the recoverable value, 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.

The restatement in value of a tangible asset is carried out in the presence of a change in the value utilised to determine the recoverable value within the limits of the net book value without considering the losses for reduction in value of the previous years.

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.

Investments in associated companies and joint ventures

The holdings in associated companies and joint ventures are valued under the equity method and the holding is included from the moment of the purchase and subsequently adjusted, for the relative share, of the changes in the net equity of the investment. Losses of the associated companies in excess of the Group share are not recorded unless the Group has an obligation to cover them.

The excess of the acquisition cost over the Group's share in the fair value of the assets, liabilities and continued liabilities at the acquisition date represents the goodwill and includes the carrying value of the investment which is periodically subject to an impairment test, and any reduction in values are recorded in the income statement.

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.

Investments in other companies and debt instruments

The Investments in other companies considered as available for sale 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.

Indicators of a possible reduction in value are for example significant difficulties of the issuer, non fulfilment or lack of payments of interest or of capital, the possibility that the issuer will become bankrupt, undergo examination procedures and the disappearance of an active market. A long-term or significant reduction in the market value of a capital instrument below its cost is considered as evidence of impairment; the analysis of impairment is therefore carried out annually on all of the capital instruments of the Group.

A long-term or significant reduction in the value of investments is defined as when at least one of the following conditions is met:

- a. the market price is consistently lower than the initial price recorded in the last 12 months;
- b. a decrease in value at the reporting date of 30% above than the average weighted cost at the balance sheet date.

Even in the case when these limits described above are not breached, a qualitative analysis is carried out on decreases in the fair value to establish if there is a loss in value.

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 and the effects are recognised in the income statement. Any write-downs may not be subsequently re-stated.

Trade receivables

Trade receivables are recorded at fair value and subsequently 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.

The trade payables which mature within the normal commercial terms are not discounted.

Net 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 employment period 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 maturity period of the right.

The defined benefit pension plans include the employee leaving indemnity due to employees, in accordance with article 2120 of the Civil Code, for the part matured up to December 31st, 2006. Following the approval of Law No. 296 of December 27th 2006, from January 1st 2007, for companies with over 50 employees, the employee leaving indemnity matured is obligatorily paid into a complementary pension fund, or rather the Treasury Fund held by the Inps Institute where employees have exercised this option. Therefore, the defined benefits in which the Group is debtor to the employees relates exclusively to the provisions made up to December 31st, 2006.

In the case of companies with less than 50 employees, where the employee does not exercise the option to allocate the pension provision, this latter remains in the enterprise as per article 2120 of the Civil Code.

The accounting treatment adopted by the Group from January 1st, 2007 – illustrated below – reflects the interpretation of the new regulations and applies the accounting regulations defined by the professional organisations.

In particular, in the companies with more than 50 employees or in the case of a specific option taken by the employee in companies with less than 50 employees:

- the employee leaving indemnity provisions matured from January 1st, 2007 are considered Defined Contribution Plans, also where the employee has opted to allocate the provision to the Treasury Fund of the Inps. These provisions, calculat-

ed in accordance with statutory provisions and not subject to any actuarial valuation, therefore represent a cost component recorded under personnel costs;

- the employee leaving indemnity provision matured at December 31st, 2006 continues however to represent the accumulated liability of the enterprise against a Defined Benefit Plan. This liability will no longer be increased by future provisions; therefore the actuarial calculation made to determine the balance at December 31st, 2007 is different from the past in that the component relating to future salary changes was excluded. The difference resulting from the new calculation, compared to the value previously recorded, is a *reduction* (curtailment) applied as per paragraph 109 of IAS 19 and, consequently, recorded as an expense component under personnel costs.

In the Group companies with less than 50 employees, the employee leaving indemnity provision which remains in the enterprise continues to be treated as a *Defined benefit plan* and the same accounting treatment contained in IAS 19 continues as applied prior to the reform.

The determination of the current value of the Group commitments is made by an independent expert using the projected unit credit method. Under this method, a future projection is made of the liability to determine the probable amount to be paid on the termination of employment and then discounted, to take into account the period of time which will pass before the actual payment. The calculation takes into account the employee leaving indemnity matured and is based on actuarial assumptions which principally relate to the interest rate, which reflects the market return of primary securities with maturities similar to those for bonds⁴ and the turnover of employees.

For the quota of the employee leaving indemnity allocated to the integrated pension or rather the Inps fund from the date of the option exercised by the employee, the Group is not a debtor of the employee indemnity provision matured after December 31st 2006, and therefore the actuarial calculation of the employee leaving indemnity excludes the component relating to future salary changes.

The actuarial gains and losses, defined as the differences between the carrying value of the liabilities and the current value of the Group commitments at the end of the period, due to changes in the actuarial parameters described above, are directly recorded under equity.

The financial component is however recorded in the income statement, in the account financial charges.

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

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

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.

Financial income and expenses

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 approve them respectively.

Earnings per share

Earnings per share are calculated by dividing the Group net profit for the year by the weighted average number of ordinary shares outstanding in the year.

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 recognition 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, while deferred tax liabilities are always recorded.

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

Segment information IAS 14 requires that information is disclosed relating to the various segments of activity and broken down by geographic area in which the Group operates for a better representation of the results, the risks and the profits of the Group. In particular, the sectors of activity and/or geographic area must be stated if the relative income statement or balance sheet data (revenues, assets and net profits) represent more than 10% of the total Group values, in a manner which illustrates at least 75% of the total consolidated revenues.

Taking account of the definitions of sectors of activities and geographic areas set out by IAS 14, based on the risks and benefits of the sectors, an analysis of the Group show that the sector representing the management of advertising concessions accounts for over 45% of consolidated revenues. 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 supplies related products and services to editorial activities and also includes the accessory activities to the core business, such as the sale of add-on products.

This activity is subject to different risks and benefits from 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.

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 uncer-

tainty which characterises the assumptions and conditions upon which the estimates are based.

The accounting principles 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;
- depreciation of tangible fixed assets;
- deferred tax charge;
- 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.

**Change of
accounting principles,
errors and change
of estimates**

The accounting principles adopted are amended from one period to another only if the change is required by a standard and if this contributes to providing more reliable information on the effects of the operations on the balance sheet, income statement and cash flows of the enterprise.

The changes to the accounting standards are recorded retrospectively with the recording of the effect to net equity for the more remote periods reported. The other comparative amounts indicated for each period are adjusted as if the new standard had always been applied. The prospective approach is made only when it is impractical to reconstruct the comparative information.

The application of a new or amended accounting standard is accounted for in accordance with the requirements of the standard. If the standard does not permit a transition period, the change is accounted in accordance with the retrospective method, or if impractical, with the prospective method.

In the case of significant errors, the same treatment is applied for changes in accounting standards illustrated at the previous point. In the case of non-significant errors, these are accounted for in the income statement in the period in which they are noted.

Changes in estimates are accounted in accordance with the prospective method in the income statement in the period in which the change occurs only if impacting upon this latter or in the period in which the change occurs, and subsequent periods if the change also impacts upon 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 competitive prices.

The effects on the results for the year 2008, net of the relative tax effect, of fluctuations in the price of paper by +/-5% are shown below.

	Book value 2008	Effect on the result	
		+5%	-5%
Paper purchase costs	31,342	(1,075)	1,075

In Euro thousands

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.

Trade receivables, amounting to Euro 103.2 million, principally relate to Group advertising revenues from Piemme SpA (Euro 92.1 million).

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.

Currency risk

The Group, operating exclusively in the Euro Zone, 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.

New accounting standards and interpretations

In 2008, no new accounting standards or interpretations were introduced – or modifications to accounting standards and interpretations already in force – which had a significant effect on the consolidated financial statements.

As required by IAS 8 *Accounting principles, changes in accounting estimates and errors*, the new accounting standards and interpretations, or the modifications to the existing standards and interpretations not yet in force or not yet approved by the European Commission, which could be applied in the future to the consolidated financial statements of the Group, are illustrated below.

IFRS 8 – Operating segments

IFRS 8, approved by the European Union in November 2007, establishes that an entity must provide information in relation to the operating segments in the annual accounts and, as an amendment to IAS 14 - Segment reporting, requires that this information is also contained in the interim accounts. IFRS 8 requires the identification of the operating segments on the basis of the internal reporting for management purposes which is regularly reviewed for the allocation of the resources to the different segments and for the purposes of performance analysis. It also sets out the disclosure requirements relating to products and services, to geographic areas and to major clients by size. IFRS 8 replaces IAS 14 and the application commences with the financial statements from the years beginning from January 1st 2009.

IFRS3 - Business Combinations and IAS 27R - Consolidated and Separate Financial Statements

The IASB published on May 10th 2008 a revised version of the IFRS 3 standard and some amendments to IAS 27. The major changes are the recording of the acquisitions over several phases, the recording of the transaction costs, the determination of the goodwill (option of the full goodwill method, which also results in the recording of the share of goodwill relating to the minority shareholders) and the recording of the acquisition of further shares in an entity already controlled or the sale of a share in a subsidiary in which the control is held. The principal changes enter into effect for periods beginning from July 1st 2009 (therefore from 2010 for the Group), but have not yet been approved by the European Union.

IAS 1 - Presentation of financial statements

On September 6th 2007, IASB published a revised version of IAS 1 in order to improve the quality and comparability of the information in financial statements, within the framework of the afore-mentioned convergence project between IFRS and US GAAP. The principal changes are related to the reintroduction of the presentation obligation, within the ambit of the financial statements, of the statement of changes in shareholders' equity also for the entities which adopt the direct recording method to shareholders' equity of the actuarial gains and losses (as carried out by the Group), as well as the necessity to represent in a complete manner all of the income and charges in the year, both those recorded in the income statement and those recorded directly to net equity. To achieve this objective, it is possible to prepare a more extensive income statement or a separate statement. The revised standard will be effective as of January 1st 2009. Earlier application is permitted however.

IAS 23 – Borrowing costs

In 2007, the IASB modified this standard. The principal amendment regards the elimination of the option to record immediately to the income statement the borrowing costs relating to the activities which require a significant period of time to be ready for use or for sale; these charges must therefore be included in the costs of the same asset, in that they are directly allocated to the acquisition, construction or production of an asset which warrants capitalisation. The standard will be effective as of January 1st 2009, but earlier application is permitted. In relation to this standard, the current criteria utilised by the Group are in line with the amendments introduced; therefore the change will have no effect.

IAS 39 – Financial instruments and IFRS 7 Financial instruments: disclosures

On July 31st 2008 the IASB published a revised version of the IAS 39 standard in order to clarify which risks are subject to hedging and which portions of fair value or cash flow may be hedged. Furthermore, it was clarified that the intrinsic value of an option purchased as an instrument for hedging a financial element cannot be perfectly efficient in that this intrinsic value reflects the hedging of only a part of the risks. The standard enters into force for the periods beginning from July 1st 2009 (and therefore for the Group from 2010) but has not yet been approved by the European Union. On October 13th 2008, the IASB amended IAS 39 and IFRS 7, extending, in particular circumstances, the possibility of reclassification of some financial assets. In particular, this amendment provides for the elimination of some limitations to the reclassification of financial instruments held in the fair value category through profit and loss and available-for-sale (which must be valued at fair value) to the category of instruments held until maturity and of the receivables and loans (valued under the amortised cost method). The amendment was approved by the European Commission on October 15th 2008. Finally, on March 5th 2009 the IASB amended IFRS 7 establishing hierarchical levels for the measuring of the fair value of financial instruments, broken down into 3 levels, each of which corresponds to a different method of determination, and requiring the companies to provide disclosures on the reliability of each measure; further information on the liquidity risk associated to financial liabilities is also requested (derivative and non, based on an analysis by maturity) and on how they are managed. The amendment will be effective for the financial statements for the years beginning January 1st 2009; however no comparative information is requested for the first year of application. The amendment has not yet been approved by the EU. For all the newly issued standards and interpretations, as well as the revision or amendments to existing standards, the Group is assessing the impacts that will derive from their future application, with the exception of that stated in the report in relation to the amendments introduced by IAS 23.

consolidated balance sheet

COMMENT ON THE MAIN ASSET ITEMS

Assets 1. Intangible assets with definite life

	Development and research	Patents	Trademarks	Others	Total
Historical cost 1.1.2007	751	1,030	6,123	3,447	11,351
Increases	–	78	77	547	702
Decreases	–	–	–	–	–
Change in consolidation scope	–	(138)	(56)	15	(179)
Write-downs	–	–	–	–	–
Reclassifications	–	(14)	(1,828)	1,659	(183)
31.12.2007	751	956	4,316	5,668	11,691
Historical cost 1.1.2008	751	956	4,316	5,668	11,691
Increases	–	142	40	469	651
Decreases	–	–	–	–	–
Change in consolidation scope	–	–	–	–	–
Write-downs	–	–	–	–	–
Reclassifications	–	228	–	(81)	147
31.12.2008	751	1,326	4,356	6,056	12,489

In Euro thousands

	Development and research	Patents	Trademarks	Others	Total
Amortisation and loss in value					
1.1.2007	744	952	2,909	2,774	7,379
Increases	–	50	494	472	1,016
Decreases	–	–	–	–	–
Change in consolidation scope	–	(84)	(44)	(78)	(206)
Reclassifications	–	(14)	(1,718)	1,549	(183)
31.12.2007	744	904	1,641	4,717	8,006
Amortisation and loss in value					
1.1.2008	744	904	1,641	4,717	8,006
Increases	5	149	363	565	1,082
Decreases	–	–	–	–	–
Change in consolidation scope	–	–	–	–	–
Reclassifications	–	–	–	–	–
31.12.2008	749	1,053	2,004	5,282	9,088
Net value					
1.1.2007	7	78	3,214	673	3,972
31.12.2007	7	52	2,675	951	3,685
31.12.2008	2	273	2,352	774	3,401

In Euro thousands

The values of intangible assets fully amortised and still in use are as follows:

Category	31.12.2008
Development costs	961
Industrial patents and intellectual property rights	1,980
Trademarks, concessions and licenses	297
Other	4,990

In Euro thousands

The amortisation rates used are shown below:

Category	Average rate
Development costs	20.00
Industrial patents and intellectual property rights	34.30
Trademarks, concessions and licenses	28.70
Others	31.00

Values in %

2. Goodwill and other indefinite intangible assets

The indefinite intangible assets, comprising of goodwill and newspaper titles, are not amortised, but annually subject 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 1.1.2007	190,421	286,799	477,220
Increases	–	–	–
Decreases	–	(1)	(1)
Change in consolidation scope	–	–	–
Write-downs	–	–	–
Other changes	–	–	–
31.12.2007	190,421	286,798	477,219

Historical cost 1.1.2008	190,421	286,798	477,219
Increases	–	–	–
Decreases	–	(1)	(1)
Change in consolidation scope	–	–	–
Write-downs	(13,019)	–	(13,019)
Other changes	(825)	–	(825)
31.12.2008	176,577	286,797	463,374

In Euro thousands

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

	31.12.2008	31.12.2007
Il Gazzettino SpA	87,723	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	176,577	190,421

In Euro thousands

The breakdown of the balance relating to the newspaper titles is shown below:

	1.1.2007	Increases	Decreases	Change in consolidation scope	Write-downs	31.12.2007
Il Messaggero SpA	90,808	–	–	–	–	90,808
Il Mattino SpA	44,496	–	–	–	–	44,496
Quotidiano di Puglia SpA	26,131	–	–	–	–	26,131
Corriere Adriatico SpA	24,656	–	–	–	–	24,656
Il Gazzettino SpA	100,700	–	–	–	–	100,700
Other minor newspaper titles	8	–	(1)	–	–	7
Total	286,799	–	(1)	–	–	286,798

	1.1.2008	Increases	Decreases	Change in consolidation scope	Write-downs	31.12.2008
Il Messaggero SpA	90,808	–	–	–	–	90,808
Il Mattino SpA	44,496	–	–	–	–	44,496
Quotidiano di Puglia SpA	26,131	–	–	–	–	26,131
Corriere Adriatico SpA	24,656	–	–	–	–	24,656
Il Gazzettino SpA	100,700	–	–	–	–	100,700
Other minor newspaper titles	7	–	(1)	–	–	6
Total	286,798	–	(1)	–	–	286,797

In Euro thousands

The estimate of the recoverable value of the goodwill and of the newspaper titles is based on the higher of the value in use and the fair value less sales costs, 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. The terminal value is added to this amount, which represents the infinite projections of the CGU revenue capacity and is compared with the terminal value calculated estimating the realisable value of the CGU on the basis of comparable transaction multiples in the time period from 2004 to 2008 on the national and international market; both the values are discounted at an appropriate rate.

The projection of cash flows is estimated through extrapolation of the projections formulated by Management and approved by the Board of Directors. The principal parameters used in the determination of the value in use (separately for each *Cash Generating Unit*) is shown below:

	Goodwill	Newspaper titles	Total Cash generating unit ¹	Tax rate	Growth rate terminal value	WACC ³	Explicit period cash flows
Il Gazzettino SpA	87,723	100,700	188,423 ²	31.4%	2%	7.3%	5 years
Il Messaggero SpA	51,613	90,808	142,421	31.4%	2%	7.3%	5 years
Il Mattino SpA	9,720	44,496	54,216	31.4%	2%	7.3%	5 years
Piemme SpA (Advertising agency)	27,521	–	27,521	31.4%	2%	8.0%	5 years
Quotidiano di Puglia SpA	–	26,131	26,131	31.4%	2%	7.3%	5 years
Corriere Adriatico SpA	–	24,656	24,656	31.4%	2%	7.3%	5 years

In Euro thousands

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

² The goodwill is recorded gross of the theoretical tax effect on the fair value of the activities of the company acquired, equal to Euro 29.94 million

³ The WACC represents the average weighted cost of capital of the company

As set out in IAS 36, an Impairment Test was carried out on the goodwill and on the newspaper titles recorded in the financial statements which resulted in a write-down of goodwill for the Il Gazzettino Group for Euro 13.02 million, and a reduction of Euro 825 thousand relating to deferred tax assets not valued at the moment of the first aggregation and relating to the indirect subsidiary P.I.M. Pubblicità Italiana Multimedia Srl.

3. Property, plant and equipment

	Land	Buildings	Plant and machinery	Commercial and industrial equipment	Other assets	Assets in progress	Total
Historical cost							
1.1.2007	8,429	55,307	86,390	978	22,843	8,750	182,697
Increases	127	192	598	10	1,253	4,230	6,410
Decreases	–	(3,819)	(206)	(26)	(614)	–	(4,665)
Change in consolidation scope	–	–	–	–	(1,492)	–	(1,492)
Revaluations/(Write-downs)	–	–	–	–	–	–	–
Reclassifications	–	(245)	12,113	71	(949)	(12,324)	(1,334)
31.12.2007	8,556	51,435	98,895	1,033	21,041	656	181,616
Historical cost							
1.1.2008	8,556	51,435	98,895	1,033	21,041	656	181,616
Increases	–	48	1,157	9	599	10	1,823
Decreases	–	–	(1,091)	–	(457)	(7)	(1,555)
Change in consolidation scope	–	–	–	–	–	–	–
Revaluations/(Write-downs)	–	–	–	–	–	–	–
Reclassifications	11	(11)	292	(1)	(435)	(649)	(793)
31.12.2008	8,567	51,472	99,253	1,041	20,748	10	181,091

In Euro thousands

	Land	Buildings	Plant and machinery	Commercial and industrial equipment	Other assets	Assets in progress	Total
Depreciation and loss in value I.I.2007	-	9,641	43,021	849	18,777	-	72,288
Increases	-	1,797	6,094	59	1,498	(104)	9,344
Decreases	-	(71)	(206)	(26)	(440)	-	(743)
Change in consolidation scope	-	-	-	-	(1,186)	104	(1,082)
Reclassifications	-	(245)	(104)	(9)	(975)	-	(1,333)
31.12.2007	-	11,122	48,805	873	17,674	-	78,474
Depreciation and loss in value I.I.2008	-	11,122	48,805	873	17,674	-	78,474
Increases	-	1,678	6,255	65	1,459	-	9,457
Decreases	-	-	(1,091)	-	(431)	-	(1,522)
Change in consolidation scope	-	-	-	-	-	-	-
Reclassifications	-	-	9	(1)	(655)	-	(647)
31.12.2008	-	12,800	53,978	937	18,047	-	85,762
Net Value I.I.2007	8,429	45,666	43,369	129	4,066	8,750	110,409
31.12.2007	8,556	40,313	50,090	160	3,367	656	103,142
31.12.2008	8,567	38,672	45,275	104	2,701	10	95,329

In Euro thousands

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:

	31.12.2008
Buildings	377
Plant and machinery	6,430
Other plant and equipment	2,420
Rotary and printing presses	5,460
Production and commercial equipment	52
EDP	3,520
Furniture, furnishings and office equipment	2,530
Motor vehicles and internal transport	413
Other minor assets	3,600

In Euro thousands

No financial expenses were capitalised.

In 2008, the company Il Messaggero SpA signed a leasing contract for the acquisition of electronic photocomposition and photo production systems. This contract has a duration period of 60 months for a total cost of Euro 909 thousand.

The assets were recorded under tangible fixed assets at consolidated level and depreciated; at December 31st 2008 the net book value amounted to Euro 729 thousand.

The book value of buildings provided as guarantees on liabilities amounts to Euro 12.1 million. For further information, reference should be made to Note 16.

4. Equity investments valued at cost

The movements in the account are as follows:

Investments in subsidiary companies	Location	%	1.1.2007	Increases/ (Decreases)	Change in consolidation area	Write-downs	31.12.2007
Noisette Serviços de Consultoria Lda	Madeira (Portugal)	99.8%	5	-	-	-	5
Edi.Me. Sport Srl in liquidation	Naples	99.5%	1	-	-	-	1
Total			6	-	-	-	6

	Location	%	1.1.2007	Increases/ (Decreases)	Change in consolidation area	Write-downs	31.12.2008
Noisette Serviços de Consultoria Lda	Madeira (Portugal)	99.8%	5	-	-	-	5
Edi.Me. Sport Srl in liquidation	Naples	99.5%	1	-	-	(1)	-
Total			6	-	-	(1)	5

In Euro thousands

Equity investments in associated companies	1.1.2007	Increases/ (Decreases)	Change in consolidation area	Write-downs	31.12.2007
Media Scarl	25	(15)	–	(10)	–
Total	25	(15)	–	(10)	–

	1.1.2008	Increases/ (Decreases)	Change in consolidation area	Write-downs	31.12.2008
Media Scarl	–	–	–	–	–
Total	–	–	–	–	–

In Euro thousands

Equity investments in other companies	%	1.1.2007	Increases/ (Decreases)	Change in consolidation area	Write-downs	31.12.2007
Euroqube SA	14.82%	3,482	–	–	(1,591)	1,891
Ansa Scarl	6.71%	1,166	–	–	–	1,166
Sviluppo Quotidiani Srl	33.34%	15	–	–	–	15
Other minor	–	56	(7)	–	–	49
Total	–	4,719	(7)	–	(1,591)	3,121

	%	1.1.2008	Increases/ (Decreases)	Change in consolidation area	Write-downs	31.12.2008
Euroqube SA	14.82%	1,891	–	–	(625)	1,266
Ansa Scarl	6.71%	1,166	–	–	–	1,166
Sviluppo Quotidiani Srl	33.34%	15	–	–	(15)	–
Other minor	–	49	–	–	–	49
Total	–	3,121	–	–	(640)	2,481

In Euro thousands

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

5. Investments in associated companies

The amount recorded of Euro 4.49 million relates for Euro 442 thousand to the company Editrice Telenuovo SpA, held 39.96% by Il Gazzettino SpA, and for Euro 4.06 million to the company E-Care SpA., held 24.5% by Caltagirone Editore SpA. The company E-Care SpA is the second largest Italian operator in *call centre* management and is valued under the equity method including the recording of goodwill of 24.5% of the share capital purchased for Euro 2.5 million, subject to an impairment test annually.

The investments in associated companies are valued under the equity method.

The key data from the accounts of these investments, not yet approved, is summarised below:

Investments in associated companies	Location	Share capital	% held	Net equity	Net profit/(loss)
Rofin 2008 Srl	Rome	10,000	30.0%	(25,585,492)	(25,595,492)
E-Care SpA	Rome	344,505	24.5%	8,444,690	(1,121,656)
Editrice Telenuovo SpA	Verona	546,000	40.0%	1,067,465	(38,067)

The company Rofin 2008 Srl was incorporated on February 28th 2008; the Parent Company holds 30% of the share capital. The shareholding was completely written down and the Group share (negative for Euro 7.7 million) was reclassified as a reduction of Financial Receivables from the company.

6. Investments in other companies and non current securities

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

Investments available-for-sale	1.1.2007	Increases/ (Decreases)	Change in consolidation area	Valuation at fair value	31.12.2007
Assicurazioni Generali SpA	–	36,900	–	610	37,510
Banca Monte dei Paschi di Siena SpA	53,966	(53,966)	–	–	–
Total	53,966	(17,066)	–	610	37,510

	1.1.2008	Increases/ (Decreases)	Change in consolidation area	Valuation at fair value	31.12.2008
Assicurazioni Generali SpA	37,510	(5,750)	–	3,322	35,082
Banca Monte dei Paschi di Siena SpA	–	54,330	–	(5,498)	48,832
Total	37,510	48,580	–	(2,176)	83,914

In Euro thousands

The Assicurazioni Generali SpA shares, held at December 31st 2007, were entirely sold to the associated company Rofin 2008 Srl, a company belonging to the Caltagirone Group, realising a loss of Euro 1.86 million. The transaction was made at the value of the share price on the day of the transaction.

At December 31st, the investment in Assicurazioni Generali SpA consists of 1,800,000 shares held by the subsidiary Finced Srl.

The shareholding in the Banca Monte dei Paschi di Siena SpA comprises of 16,000,000 shares purchased by the subsidiary Finced Srl in May 2008 following a share capital increase and 16,000,000 shares purchased in December 2008 by Caltagirone Editore SpA.

The fair value change in these investments, as per the official stock exchange prices at December 31st 2008, is recorded in a separate equity reserve, net of the relative tax effect, in that the above-mentioned loss in value is not considered significant or long-term as set out in the Group policy reported within the accounting principles section.

7. Non-current financial assets

The account, amounting to Euro 27 thousand, principally relates to receivables for deposits due within five years.

8. Other non-current assets

The account relates to the advance tax paid on the employee leaving indemnity for Euro 40 thousand and other receivables for Euro 951 thousand, principally relating to 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 taxes 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:

	1.1.2008	Provisions	Utilisations	Change in consolidation area	Reclassifications	Other changes	31.12.2008
Deferred tax assets							
Tax losses carried forward	15,417	825	(4,889)	–	(2,320)	–	9,033
Provision for risks and charges	2,864	949	(344)	–	(880)	–	2,589
Maintenance	233	3	(79)	–	(14)	–	143
Write-downs of receivables and equity investments	622	639	(1,387)	–	2,906	–	2,780
Others	2,079	97	(570)	–	308	3,612	5,526
Total	21,215	2,513	(7,269)	–	–	3,612	20,071
Deferred tax liabilities							
Fair value intangible & tangible assets	29,625	–	–	–	–	–	29,625
Differences fiscal depreciation rates	8,896	48	(229)	–	–	–	8,715
Gains	742	–	(600)	–	–	–	142
Goodwill amortisation	23,380	2,321	(439)	–	–	–	25,262
Others	1,342	3	(197)	–	–	1,348	2,496
Total	63,985	2,372	(1,465)	–	–	1,348	66,240
Net deferred tax liabilities	(42,770)	141	(5,804)	–	–	2,264	(46,169)

In Euro thousands

The decrease of the deferred tax asset is principally due to the utilisation of tax losses realised in previous years relating principally to Piemme SpA and Il Messaggero SpA. The increase in the deferred tax liability is principally due to the temporary differences relating to amortisation.

The other changes in the deferred tax assets and liabilities include the tax effects on the fair value of the investments and the actuarial gains recorded directly to Equity.

The due date of the deferred tax assets is as follows:

	Tax losses	Deferred taxes	2009	2010	2011	2012	2013	Unlimited
Deferred tax assets								
Carried in the balance sheet	32,849	9,033	824	288	585	2,073	35	5,228
Not carried in the balance sheet	4,166	1,146	139	408	83	423	93	–
Total	37,015	10,179	963	696	668	2,496	128	5,228
Deferred tax assets								
Provision for risks and charges		2,589	1,940	243	243	–	–	163
Maintenance		143	66	42	21	14	–	–
Write-downs of receivables and equity investments		2,780	7	–	–	–	–	2,773
Others		5,526	329	207	114	64	–	4,812
Total		11,038	2,342	492	378	78	–	7,748

In Euro thousands

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:

	31.12.2008	31.12.2007
Receivables for direct taxes	2,139	2,482
Reimbursement request of direct taxes	151	151
Other receivables	1,168	470
Payables for Ires/Irap/substitute taxes	(1,831)	(1,996)
Total	1,627	1,107

In Euro thousands

The income taxes for the year consist of:

	2008	2007
Current income tax	6,076	7,605
Current income tax	6,076	7,605
Provision for deferred tax liabilities	2,372	4,865
Utilisation of deferred tax liabilities	(1,465)	(2,084)
Change in tax rate	–	(10,449)
Deferred tax charge	907	(7,668)
Recording of deferred tax assets	(2,513)	(6,208)
Utilisation of deferred tax assets	7,269	7,852
Change in tax rate	–	3,231
Deferred tax income	4,756	4,875
Total income taxes	11,739	4,812

In Euro thousands

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

Ires income taxes	2008	
	Amount	Rate
Profit before taxes	656	27.5%
Theoretical tax charge		180
Permanent differences increase/(decrease):		
Dividends	516	
Write-down of equity investments	13,636	
Non-deductible costs	1,706	
Utilisation of previous years tax losses	(2,332)	
Tax losses carried forward	340	
Share of income from equity in. investments	8,122	
Others	36	
Total	22,680	
Actual tax charge	6,237	

In Euro thousands

Irap regional tax	2008	
	Amount	Rate
Difference between value and cost of production	30,897	3.90%
Personnel costs not deductible for Irap purposes	111,400	
Other changes for Irap purposes	(1,245)	
Total	141,052	
Current & deferred Irap	5,501	17.80%

In Euro thousands

10. Inventories

The inventories at December 31st 2008 amount to Euro 4.78 million (Euro 3.78 million at December 31st 2007) 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 2.68 million), Il Mattino SpA (Euro 970 thousand) and Il Gazzettino SpA (Euro 425 thousand).

The change in inventory recorded in the income statement is a negative amount of Euro 1.03 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 4.78 million.

There is no inventory provided as a guarantee on liabilities.

11. Trade receivables

This account can be broken down as follows:

	31.12.2008	31.12.2007
Trade receivables	103,231	117,691
Provisions for doubtful debts	(17,091)	(19,957)
Trade receivables	86,140	97,734
Receivables from other Group companies	936	996
Advances to suppliers	54	29
Total trade receivables	87,130	98,759

In Euro thousands

Trade receivables principally relate to Group advertising revenues from Piemme SpA (Euro 92.1 million).

The doubtful debt provision was utilised in the year for Euro 5.71 million and increased by Euro 2.83 million for the provisions made in the year.

There are no receivables due over 12 months.

The table below shows the ageing of the trade receivables at December 31st 2008 and at December 31st 2007.

	31.12.2008	31.12.2007
Due within	50,199	56,642
1-30 days	12,862	16,293
30-60 days	6,865	7,205
60-90 days	3,697	4,571
Over 90 days	29,608	32,980
Overdue	53,032	61,049
Total gross value	103,231	117,691
Provisions for doubtful debts	(17,091)	(19,957)
Trade receivables	86,140	97,734

In Euro thousands

12. Current financial assets

This account can be broken down as follows:

	31.12.2008	31.12.2007
Financial assets from subsidiaries	14	14
Financial assets from associated companies	29,203	–
Accrued interest	494	2,447
Total current financial assets	29,711	2,461

In Euro thousands

The increase compared to 2007 derives from the net effect resulting from the increase for the loan provided by Caltagirone Editore SpA to the associated company Rofin 2008 Srl of Euro 36.9 million, necessary to finance the investment in listed shares of Assicurazioni Generali SpA, and by the write-down of this receivable, amounting to Euro 7.7 million, for the valuation of the shares to the Stock Market values at December 31st 2008, as the conditions to define the negative fair value movement as significant and long-term were fulfilled.

The accrued interest refers to the interest income matured on bank deposit accounts.

13. Other current assets

This account can be broken down as follows:

	31.12.2008	31.12.2007
Receivables from employees	168	273
VAT receivables	962	408
Other receivables	526	476
Prepaid expenses	1,470	1,019
Total other current assets	3,126	2,176

In Euro thousands

Other receivables consist of deposits of Euro 75 thousand, social security receivables of Euro 76 thousand, withholding tax on interest of Euro 9 thousand and various other receivables of Euro 366 thousand.

The prepaid expenses relate to rental (Euro 389 thousand), insurance (Euro 165 thousand) and others (Euro 916 thousand).

14. Cash and cash equivalents

This account can be broken down as follows:

	31.12.2008	31.12.2007
Bank and postal deposits	308,120	443,691
Cash in hand and similar	229	455
Total	308,349	444,146

In Euro thousands

The reduction of Euro 135.8 million is essentially due to:

- dividends distributed of Euro 25 million;
- investments for Euro 86 million;
- sales of shareholdings of Euro 34 million;
- shareholder loan to the associated company Rofin 2008 Srl of Euro 36.9 million;
- exercise of the purchase option of the shares of Il Gazzettino SpA for approx. Euro 32 million.

The average interest rate on the bank deposits in Euro was 4.54 %.

consolidated balance sheet

COMMENT ON THE MAIN LIABILITIES ITEMS

Liabilities and shareholders' equity

15. Shareholders' equity

Capital and reserve movements

	Share capital	Quotation charges	Fair Value reserve	Other reserves	Net profit/(loss)
Balance at January 1st 2007	125,000	(18,865)	25,725	688,040	32,130
Dividends distributed	–	–	–	–	(25,000)
Retained earnings	–	–	–	6,539	(6,539)
Valuation at fair value	–	–	(25,326)	–	–
Change in consolidation area	–	–	–	–	–
Other changes	–	–	–	944	(591)
Net result	–	–	–	–	61,241
Balance at December 31st 2007	125,000	(18,865)	399	695,523	61,241
Balance at January 1st 2008	125,000	(18,865)	399	695,523	61,241
Dividends distributed	–	–	–	–	(25,000)
Retained earnings	–	–	–	34,757	(36,241)
Valuation at fair value	–	–	(2,019)	–	–
Change in consolidation area	–	–	–	–	–
Other changes	–	–	–	(1,729)	–
Net result	–	–	–	–	(10,985)
Balance at December 31st 2008	125,000	(18,865)	(1,620)	728,551	(10,985)

In Euro thousands

Group net equity	Minority interest N.E.	Total net equity
852,030	2,475	854,505
(25,000)	–	(25,000)
–	–	–
(25,326)	–	(25,326)
–	–	–
353	(487)	(134)
61,241	854	62,095
863,298	2,842	866,140

863,298	2,842	866,140
(25,000)	(139)	(25,139)
(1,484)	–	(1,484)
(2,019)	–	(2,019)
–	–	–
(1,729)	(6)	(1,735)
(10,985)	(98)	(11,083)
822,081	2,599	824,680

Share capital

The share capital amounts to Euro 125 million, consisting of 125 million ordinary shares at a nominal value of Euro 1 each.

All of the ordinary shares issued are fully paid-in. There are no shares subject to guarantees or restrictions on the distribution of dividends.

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 Civil Code. The consolidation reserve, consisting of the higher value of the Group's share of net equity compared to the cost of some equity investments and retained earnings are also included in this account.

The other reserves include the actuarial gains and losses relating to the application of IAS 19 for the Employee Leaving Indemnity, amounting to Euro 1.74 million, net of the relative tax effect.

Fair value reserve

The fair value reserve includes all the market value changes of the investments in other companies available-for-sale.

Liabilities *16. Financial liabilities*

	31.12.2008	31.12.2007
Non-current financial payables		
Payables for assets in leasing	580	–
Bank payables	43,412	47,241
Other lenders	5,069	57,169
Total	49,061	104,410
Current financial payables		
Bank payables	18,618	24,892
Short-term portion of non-current loans	3,844	3,694
Payables for assets in leasing	166	–
Other lenders	3,818	2,554
Total	26,446	31,140

In Euro thousands

The due dates of the financial liabilities are as follows:

	31.12.2008	31.12.2007
Within 3 months	10,517	21,188
Between 3 months & 1 year	15,929	9,952
Current financial payables	26,446	31,140
Between 1 and 2 years	11,105	54,907
Between 2 and 5 years	14,735	19,143
Over 5 years	23,221	30,360
Non-current financial payables	49,061	104,410
Total financial payables	75,507	135,550

In Euro thousands

The interest rates at the balance sheet date on the financial liabilities are as follows:

	2008	2007
Non-current financial payables		
Bank payables	5.5	5.0
Other financial payables	5.5	4.8
Current financial payables		
Bank payables	5.5	5.6
Short-term portion of non-current loans	5.5	5.0
Other financial payables	0.7	4.5

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%) and amounts to Euro 60 million, granted in 2005 by San Paolo - IMI to the company S.E.M. SpA, incorporated in 2006 into Il Messaggero SpA. 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 43.4 million.

The non-current financial payables to other lenders relates to two loans provided in 2002 by Mediocredito Lombardo to the Parent Company Caltagirone Editore SpA and to Il Mattino SpA for Euro 11.62 million and Euro 9.81 million respectively.

For the loans to the Parent Company and Il Mattino SpA, 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 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 Il Messaggero SpA as per Law No. 416 of August 5th 1981 was repaid in June 2008.

The current financial payables to other lenders includes the recording by the Parent Company of the current value of the payable as at December 31st 2008, equal to Euro 1.4 million, against sales and purchase option contracts signed on 1.274 % of the share capital of Il Gazzettino SpA. In 2008, the account reduced following the exercise of a sales option by a shareholder, which could be exercised at any moment up to December 31st 2008.

The main features of the option contracts are summarised in the table below:

Type of option	% Share capital	Subscription date	Expiry option period
Purchase/Sale	1.27%	9.10.2006	31.3.2009

17. Personnel

Employee leaving indemnity and employee provisions

The employee leaving indemnity in the Group companies with less than 50 employees 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.

In the Group companies with over 50 employees, in accordance with the pension reform, the employee leaving indemnity matured at 31st December 2006 represents the payable matured by the company to be paid at the end of the employment service. This payable is valued applying actuarial and financial techniques without however considering the future salaries of the employee.

The assumptions relating to the determination of the plan are summarised in the table below:

	31.12.2008	31.12.2007
Annual technical discounting rate	4.19	4.39
Annual inflation rate	3.00	2.60
Annual increase in employee leaving indemnity	3.34	3.07
Annual increase in salaries	3.83	3.83

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:

	2008	2007
Net liability at January 1st	46,185	48,369
Current cost for the period	458	460
Effect of employee indemnity reform	–	1,552
Interest charge/(income), net	1,442	1,904
Actuarial (profits)/losses	2,402	(1,316)
Change in consolidation area	–	(119)
(Services paid)	(5,242)	(4,665)
Net liability at December 31st	45,245	46,185

In Euro thousands

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

	1.1.2007	31.12.2007	31.12.2008
Nominal value of the provision	53,041	50,339	46,950
Actuarial adjustment	(4,672)	(4,154)	(1,705)
Total Employee leaving indemnity	48,369	46,185	45,245

In Euro thousands

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

	2008	2007
Salaries and wages	76,224	77,477
Social expenses	24,948	25,051
Employee leaving indemnity prov.	458	460
Employee leaving indemnity to complementary fund	5,008	5,197
Effect of employee indemnity reform	–	1,552
Other costs	4,762	3,284
Total	111,400	113,021

In Euro thousands

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

	31.12.2008	31.12.2007	Average 2008	Average 2007
Executives	27	27	27	28
Managers & white collar	413	432	421	421
Journalists	632	629	637	640
Print workers	162	168	168	174
Total	1,234	1,256	1,253	1,263

18. Provisions for risks and charges

	Legal disputes	Agents' indemnity	Other risks	Total
Balance at January 1st 2007	10,054	542	2,835	13,431
Provisions	1,132	3	796	1,931
Utilisations	(1,366)	(36)	(1,483)	(2,885)
Reclassifications	–	–	77	77
Balance at December 31st 2007	9,820	509	2,225	12,554
Of which:				
current portion	1,966	–	1,717	3,683
non-current portion	7,854	509	508	8,871
Total	9,820	509	2,225	12,554

Balance at January 1st 2008	9,820	509	2,225	12,554
Provisions	1,740	–	1,093	2,833
Utilisations	(1,527)	(5)	(1,432)	(2,964)
Reclassifications	112	–	(112)	–
Balance at December 31st 2008	10,145	504	1,774	12,423
Of which:				
current portion	2,496	–	2,020	4,516
non-current portion	7,649	504	254	8,407
Total	10,145	504	2,274	12,923

In Euro thousands

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. Pubblicità Italiana Multimedia Srl against liabilities deriving from damages requested for slander

and from employees. The provision was estimated taking into consideration the nature of the business, based on experience in similar cases and of all the information available at the date of the preparation of the consolidated financial statements, considering the difficulty in estimating charges and the timing 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 company Piemme SpA, advertising agency.

The other provisions include charges relating to some minor disputes.

19. Trade payables

	31.12.2008	31.12.2007
Trade payables	39,909	38,520
Payables to group companies	123	189
Total	40,032	38,709

In Euro thousands

Trade payables principally refer to operating subsidiaries in the publishing sector, Il Messaggero SpA, Il Gazzettino SpA, Il Mattino SpA, Piemme SpA, 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

	31.12.2008	31.12.2007
Other non-current liabilities		
Other payables	85	71
Deferred income	3,352	3,349
Total	3,437	3,420
Other current liabilities		
Social security institutions	9,408	9,022
Employee payables	10,865	11,296
VAT payables	1,105	2,028
Payables for withholding taxes	4,474	4,580
Other payables	13,578	9,202
Accruals	1,241	1,310
Deferred income	82	519
Total	40,753	37,957

In Euro thousands

consolidated income statement

COMMENT ON THE MAIN ITEMS

21. Revenues from sales and services

	2008	2007
Circulation revenues	86,852	91,805
Promotions revenues	6,463	10,788
Advertising	193,584	210,652
Services and Internet	–	4,159
Total	286,899	317,404

In Euro thousands

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

22. Other revenues

	2008	2007
Operating grants	539	477
Recovery of expenses from third parties	1,926	1,980
Capital grant contributions	386	845
Gains on disposal of assets	7	99
Reimbursements and claims	613	1,406
Subsidised tariffs	1,078	1,126
Other revenues	2,590	3,550
Total	7,139	9,483

In Euro thousands

23. Raw material costs

	2008	2007
Paper	31,342	32,659
Other publishing materials	6,723	5,929
Other	30	57
Change in inventory of raw materials and goods	(1,027)	488
Total	37,068	39,133

In Euro thousands

24. Other operating costs

	2008	2007
Editorial services	19,680	19,634
Transport and delivery	18,395	17,915
Outside contractors	11,331	11,848
Promotions	5,676	9,103
Advertising & promotions	3,502	3,225
Commissions and agent costs	10,715	9,549
Utilities and power	3,928	4,139
Maintenance and repair costs	4,400	4,593
Consulting	4,651	4,925
Purchase of advertising space third parties	82	1,151
Directors and Statutory Auditors fees	2,302	2,302
Insurance, postal and telephone	2,467	2,703
Other costs	10,151	13,853
Service costs	97,280	104,940
Rental	6,592	6,390
Hire	3,142	3,215
Others	118	103
Rent, lease and hire costs	9,852	9,708
Losses on asset disposals	2	7
Other operating charges	3,846	3,907
Others	3,693	2,506
Other costs	7,541	6,420
Total	114,673	121,068

In Euro thousands

25. Amortisation, depreciation & provisions

	2008	2007
Amortisation of intangible assets	1,084	1,016
Depreciation of tangible assets	9,455	9,344
Provision for risks and charges	3,333	1,301
Goodwill write-down	13,019	–
Doubtful debts	2,839	2,327
Total	29,730	13,988

In Euro thousands

The write-down of goodwill, valued through an impairment test, refers to the Il Gazzettino Group for Euro 13.02 million.

The depreciation of the tangible fixed assets principally relates to the depreciation on printing and rotary plant.

26. Net financial charges/(income)

	2008	2007
Financial income		
Dividends	–	2,695
Other income from equity investments	–	18,339
Interest income from bank deposits	18,718	16,448
Exchange gains	–	–
Revaluations of investments	–	52
Others	73	212
Total	18,791	37,746
Financial charges		
Loss on transfer of investments	2,657	–
Exchange losses	2	363
Write-downs of equity inv. and securities	645	1,609
Loan interest	3,283	3,173
Interest on current accounts	1,243	1,204
Banking commissions and charges	206	198
Interest on leaving indemnity	1,442	1,904
Others	1,702	2,069
Total	11,180	10,520
Net financial income	7,611	27,226

In Euro thousands

The loss on investments relates to the sale of shares of Assicurazioni Generali SpA by the associated company Rofin 2008 Srl at current market values.

The other charges include financial charges from discounting to the fair value recorded at December 31st 2008 of the payable of Caltagirone Editore SpA against the purchase/sale option signed on Il Gazzettino SpA (see note 16).

27. Earnings per share

The basic earnings 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.

		2008	2007
Net result	<i>thousands of euros</i>	(10,985)	61,241
Number of ordinary shares outstanding	<i>thousands</i>	125,000	125,000
Net earnings per share	<i>Euro per share</i>	(0.088)	0.490

The diluted earning per share is identical to the basic earnings per share as Caltagirone Editore SpA has only issued ordinary shares.

In 2008, dividends were distributed of Euro 0.20 per share, totalling Euro 25 million.

28. Transactions with related parties

Transactions with companies under common control

The transactions of Group companies with related parties, including inter-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 with associated companies and subsidiaries excluded from the consolidation area 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	Financial receivables	Operating costs	Financial charges
Editrice Telenuovo SpA	840	–	–	–
Vianini Lavori SpA	–	–	100	–
Rofin 2008 Srl	–	29,203	–	2,657
Total	840	29,203	100	2,657
% on total in accounts	0.96%	98.29%	0.10%	25.59%

In Euro thousands

The company Il Gazzettino SpA undertakes commercial transactions with the associated company Editrice Telenuovo SpA.

The financial receivables relate to the loan provided by Caltagirone Editore SpA to the associated company Rofin 2008 Srl of Euro 36.9 million, necessary to finance the investment in listed shares of Assicurazioni Generali SpA, and by the write-down of this receivable, amounting to Euro 7.7 million, for the valuation of the shares of Assicurazioni Generali SpA to the Stock Market values at December 31st 2008.

Other operating costs include rental costs by Piemme SpA of head offices of companies under common control.

The account Financial charges relates to the loss realised by Finced Srl on the sale of the shares of Assicurazioni Generali SpA to the associated company Rofin 2008 Srl.

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 2008 and in accordance with article 78 of Consob Resolution No. 11971/99.

Name	Surname	Office held	Period in which office held	Expiry of office	Emoluments for office	Other remuneration
Azzurra	Caltagirone	Vice Chairman	1.1.2008-31.12.2008	31.12.2008	200,000	410,000
Mario	Delfini	Director	1.1.2008-31.12.2008	31.12.2008	5,000	130,000
Albino	Majore	Director	1.1.2008-31.12.2008	31.12.2008	4,000	1,300,000
Massimo	Garzilli	Director	1.1.2008-31.12.2008	31.12.2008	5,000	380,482
Giampietro	Nattino	Director	1.1.2008-31.12.2008	31.12.2008	9,000	–
Massimo	Confortini	Director	1.1.2008-31.12.2008	31.12.2008	29,000	–
Gampiero	Tasco	Chairman Board Statutory Auditor	1.1.2008-31.12.2008	31.12.2008	14,500	10,859
Carlo	Schiavone	Statutory Auditor	1.1.2008-31.12.2008	31.12.2008	11,000	17,180
Maria Assunta	Coluccia	Statutory Auditor	1.1.2008-31.12.2008	31.12.2008	11,000	31,100
Total					288,500	2,279,621
Total						2,568,121

In Euro

The emoluments for the office held include the remuneration deliberated by the Shareholders' Meeting of Caltagirone Editore SpA. In accordance with article 2389 of the Civil Code, third paragraph, the Board of Directors, from January 1st 2007, established the annual remuneration of the Vice Chairman at Euro 200,000.

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.

29. Business 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.

2007	Newspapers	Advertising revenues	Other tangible	Consol. Adjustments	Consolidated pre-segment eliminations	Segment eliminations	Consolidated
Segment revenues	285,159	212,540	6,598	–	504,297	–	–
Inter-segment revenues	175,731	220	1,545	(86)	–	(177,410)	–
Revenues from third parties	109,428	212,320	5,053	86	504,297	–	326,887
Segment result	52,608	1,989	(931)	–	53,666	–	53,666
Amortisation, depreciation, write-downs and provisions	10,312	3,062	614	–	13,988	–	13,988
Segment assets	615,458	144,817	416,779	27,446	1,204,500	–	1,204,500
Segment liabilities	251,128	27,381	61,641	(1,790)	338,360	–	338,360
Investments valued at net equity	442	–	2,608	1,891	4,941	–	4,941
Net profit of invest. val. at equity	–	–	60	(57)	3	–	3
Investments in intangible and tangible fixed assets	6,262	837	13	–	7,112	–	7,112

2008	Newspapers	Advertising revenues	Other tangible	Consol. Adjustments	Consolidated pre-segment eliminations	Segment eliminations	Consolidated
Segment revenues	253,878	197,991	1,888	–	453,757	–	–
Inter-segment revenues	154,970	3,467	1,194	88	159,719	(159,719)	–
Revenues from third parties	98,908	194,524	694	(88)	294,038	–	294,038
Segment result	23,502	9,220	(1,825)	–	30,897	–	30,897
Amortisation, depreciation, write-downs and provisions	12,981	3,270	13,479	–	29,730	–	29,730
Segment assets	552,678	133,513	387,580	35,046	1,108,817	–	1,108,817
Segment liabilities	249,538	21,759	14,671	(1,831)	284,137	–	284,137
Investments valued at net equity	442	–	(5,511)	9,567	4,498	–	4,498
Net profit of invest. val. at equity	–	–	(8,122)	–	(8,122)	–	(8,122)
Investments in intangible and tangible fixed assets	1,895	413	164	–	2,472	–	2,472

In Euro thousands

30. Net financial position

The Net cash position, in accordance with the CESR recommendation of February 10th 2005, is as follows:

	31.12.2008	31.12.2007
A. Cash	229	454
B. Bank deposits	308,120	443,692
D. Liquidity (A+B)	308,349	444,146
E. Current financial receivables	29,710	2,461
F. Bank payables – current portion	18,618	24,893
G. Current portion of long-term loans	3,844	3,695
H. Current payables to other lenders	3,983	2,552
I. Current debt (F+G+H)	26,445	31,140
J. NET CURRENT CASH (I-E-D)	(311,614)	(415,467)
K. Non-current bank payables	43,412	47,241
M. Non-current payables to other lenders	5,649	57,169
N. NON-CURRENT FINANCIAL DEBT (K+M)	49,061	104,410
O. NET CASH POSITION (J+N)	(262,553)	(311,057)

In Euro thousands

Assignments conferred to the independent audit firm and related remuneration
The table below shows the payments made to the independent audit firm KPMG SpA in accordance with article 149 of Consob Resolution No. 11971/99 in 2008.

Company	Period	Audit of the financial statements	Audit of the consolidated financial statements	Audit of the half-year accounts	Verification of the accounting records	Audit service charges	Other activities	Annual fees
Caltagirone Editore SpA	2006-2011	14,644	17,450	8,238	–	40,331	1,000	41,331
Il Mattino SpA	2006-2011	27,956	–	4,976	5,599	38,531	1,150	39,681
Piemme SpA	2006-2011	26,274	–	4,705	–	30,979	1,000	31,979
Il Messaggero SpA	2006-2011	39,358	–	5,626	5,623	50,607	1,000	51,607
Leggo SpA	2006-2011	10,980	–	1,830	1,833	14,643	1,000	15,643
Finced Srl	2006-2011	4,038	–	1,346	–	5,384	1,000	6,384
Corriere Adriatico SpA*	2006-2008	19,382	–	3,691	2,326	25,399	4,748	30,147
Quotidiano di Puglia SpA*	2007-2009	21,936	–	4,113	2,742	28,791	1,038	29,829
Il Gazzettino SpA	2006-2011	41,130	–	–	–	41,130	5,000	46,130
Imprese Tipografiche Venete SpA*	2007-2009	10,860	–	–	–	10,860	1,000	11,860
Centro Stampa Veneto SpA*	2007-2009	18,240	–	–	–	18,240	1,000	19,240
Telefriuli SpA*	2008-2010	14,500	–	–	–	14,500	1,000	15,500
Total						319,396	19,936	339,332

In Euro

** Assignment in accordance with art. 2409 of the Civil Code*

***Declaration of the Consolidated Financial Statements as per art. 81 - ter of
Consob Regulation No. 11971 of May 14th 1999 and subsequent modifications and
integrations***

1. The undersigned Francesco Gaetano Caltagirone, as Chairman of the Board of Directors, and Roberto Di Muzio, executive responsible for the preparation of the corporate accounting documents of Caltagirone Editore S.p.A., affirm, and also in consideration of article 154-*bis*, paragraphs 3, 4 and 5 of Legislative Decree No. 58 of February 24th 1998:
 - the accuracy of the information on company operations and
 - the effective application,of the administrative and accounting procedures for the compilation of the financial statements for the year ended December 31st 2008.
2. The activity was undertaken evaluating the organisational structure and the execution, control and monitoring processes of the business activities necessary for the preparation of the consolidated financial statements. In relation to this, no important matters arose.
3. In addition, we declare that the consolidated financial statements at December 31st 2008:
 - a) correspond to the underlying accounting documents and records;
 - b) were prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and also in accordance with article 9 of Legislative Decree 38/2005 and provide a true and fair representation of the balance sheet, financial position and results of the issuer and of the companies included in the consolidation;
 - c) the Directors' Report includes a reliable analysis on the performance and operating result as well as the situation of the issuer and of the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Rome, March 24th 2009

The Chairman

The Executive Responsible



CALTAGIRONE EDITORE

*financial statements
at December 31st, 2008*

directors' report on operations for the year ended December 31st, 2008

Dear Shareholders,

for the year 2008 Caltagirone Editore SpA reports total revenues and income of Euro 15.5 million, and a net loss of Euro 13.3 million due to write-downs on investments of Euro 21.64 million as shown in the following table which compares the key financial results with the previous year, reclassified in accordance with the Consob communication No. 94001437 of February 23rd 1994:

	31.12.2008	31.12.2007
Dividends from subsidiaries	2,816	87,106
Other financial income	12,645	1,547
Total financial income	15,461	88,653
Interest and financial charges from subsidiaries	(184)	(929)
Interest and financial charges from third parties	(1,858)	(2,612)
Write-downs of equity investments and securities*	(21,641)	(9,837)
Total financial charges	(23,683)	(13,378)
Total financial income and charges	(8,222)	75,275
Result from operating activities**	(2,226)	(1,792)
Profit/(loss) before taxes	(10,448)	73,483
Income taxes for the year	(2,892)	702
Net profit/(loss) for the year	(13,340)	74,185

In Euro thousands

* *The write-downs in investments are included in the account financial charges in the attached financial statements*

** *The result from operating activities corresponds to the Operating result in the attached financial statements*

The dividends received were paid by the subsidiaries Il Gazzettino SpA (Euro 2.17 million) and Quotidiano di Puglia SpA (Euro 641 thousand).

Other financial income represents the interest income on bank deposits accrued during the year.

The account interest and other financial charges refer principally to the charges relating to the fair value of the put/call options on the residual share capital of Il Gazzettino S.p.A (Euro 1.53 million), interest on loans (Euro 284 thousand) and interest charges and banking expenses.

The write-down of the investments relates to the investment of Il Gazzettino SpA for Euro 13.02 million, determined in accordance with the impairment test applied on the goodwill recorded on the acquisition of the Il Gazzettino Group. The write downs include those relating to the subsidiary Corriere Adriatico SpA for Euro 943 thousand and to the associated company Rofin 2008 Srl for Euro 7.7 million.

The shareholders' equity of the Company at December 31st 2008 was Euro 714.44 million.

The cash position is as follows:

Net cash position*	31.12.2008	31.12.2007
Current financial assets	116,382	111,564
Cash and cash equivalents	182,554	265,091
Non-current financial liabilities	(2,748)	(53,762)
Current financial liabilities	(6,144)	(13,344)
Total	290,044	309,549

In Euro thousands

** The Net cash position in accordance with CESR recommendation of February 10th 2005 is illustrated at paragraph 31 of the Notes to Consolidated Financial Statements*

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, Leggo SpA and Finced Srl, and indirectly controls Piemme SpA, Centro Stampa Veneto SpA, Imprese Tipografiche Venete SpA, P.I.M. Pubblicità Italiana Multimedia Srl, Telefriuli SpA and Ideco Holding SA.

The company has a 30% stake in Rofin 2008 Srl, incorporated on February 28th 2009, which at the year-end held 4,500,000 Assicurazioni Generali SpA shares.

The company holds 24.5% of E-Care SpA, the second largest Italian operator in the management of *call centres*.

Main equity investments

The main 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* in Rome, in 2008 recorded a net loss of Euro 165 thousand (net profit of 20.2 million in 2007) and a value of production of Euro 116.9 million (Euro 129.9 million in 2007).

The Ebitda amounted to Euro 13.45 million compared to Euro 29.41 million in 2007, principally due to a decrease in revenues; in particular, circulation revenues fell by 5%, in line with the market trend, while add-on products recorded a decrease of approx. 31%, underscoring the difficulties among consumers. Advertising revenues of Euro 70.45 million decreased by 10.71%; the decline, consequent of the global crisis, concerned all advertising markets and deteriorated significantly in the second half of the year.

At December 31st, 2008, the net equity of Il Messaggero SpA was Euro 211.4 million.

Il Mattino SpA

Il Mattino SpA, publisher of the newspaper of the same name, reported a value of production of Euro 46.3 million in 2008 (Euro 50.4 million in 2007) and a net loss of Euro 379 thousand.

The Ebitda amounted to Euro 4.7 million (Euro 7.9 million in 2007), while the margin on the value of production amounted to 10.12% (15.67% in 2007).

Circulation revenues decreased by approx. Euro 300 thousand due to the reduction in copies sold.

All cost categories remained unchanged except for labour costs which decreased by 4.85%. This is due to the completion of the restructuring plan for printers with the advanced pension of 11 employees.

Advertising revenues decreased by approx. Euro 2.6 million, a drop of 9.07% on the previous year. The drop concerned the entire advertising market and in particular local and national newspaper retail advertising.

Il Gazzettino SpA

Il Gazzettino SpA, publisher of the newspaper of the same name, reported revenues of Euro 51.0 million in 2008 (Euro 56.27 million in 2007) and a net loss of Euro 239 thousand (Euro 2.98 million net profit in 2007). The Ebitda was Euro 3.8 million (Euro 7.2 million in 2007). The decrease in Ebitda of Euro 3.4 million is largely attributable to the declining advertising revenues and margins on the add-on products sold together with the newspapers.

On the circulation front, *Il Gazzettino*, although maintaining its leadership position in the North-East of Italy, recorded a contraction in circulation revenues of 5.7%, from Euro 23.7 million to Euro 22.4 million, due to the decrease in consumption but also due to the aggressive competition on the local markets in the Veneto province and the increasing presence of the free and online newspapers.

Revenues from promotional products sold with the group's newspapers recorded a significant decrease following the reduced demand for these products.

Leggo SpA

The Company, which publishes the daily newspaper *Leggo*, recorded a value of production of Euro 21.21 million in 2008, a decrease of approximately 5.3% on the previous year (Euro 22.4 million).

The year 2008 recorded a loss of Euro 1.56 million. This result compares to a profit in 2007 of Euro 6.98 million. The change is principally attributable, in addition to the general market conditions, to the lower financial income realised following the repayment of the loan to the parent company.

The Company's result was recorded within a difficult global market which has continued into the current year. The financial crisis resulted in a contraction in consumption and particularly a reduction in advertising.

The Ebitda was a loss of Euro 2.90 million compared to a loss of Euro 790 thousand in 2007. As already described, the decrease is a consequence of the global crisis which has affected in particular the advertising market. The drop in advertising investments deteriorated significantly in the second half of the year.

Piemme SpA

La Piemme SpA, a subsidiary of Il Messaggero SpA, is the sole advertising agency for all of the Group newspapers, and in 2008 recorded a net profit of Euro 2.5 million (Euro 2.9 million in 2007) and total revenues of Euro 194.5 million (Euro 203.4 million in 2007).

The reduction compared to the previous year is principally due to the contraction in advertising revenues in addition to higher management charges of the Gazzettino concession contract for approx. half of the year.

This reduction in advertising is principally due to the block in national advertising – in addition the slowdown in local advertising resulting from the fall in consumption, a segment in which the Company is among the leaders thanks to the reach of the Group's titles in the respective regions.

Corriere Adriatico SpA

The Company publishes the newspaper of the same name, leader in the Marche region.

Il *Corriere Adriatico* in 2008 recorded a net loss of Euro 943 thousand (a loss of Euro 676 thousand in 2007) and a value of production of Euro 9.56 million (Euro 10.1 million in 2007).

Quotidiano di Puglia SpA

In 2008, Quotidiano di Puglia SpA, which publishes the well-established newspaper of the same name in the provinces of Lecce, Brindisi and Taranto, recorded a net profit of Euro 179 thousand (Euro 787 thousand in 2007) and a value of production of Euro 10.7 million (Euro 10.9 million in 2007).

Other investments The financial company Finced Srl reported a loss of Euro 1.95 million following the losses realised on the sale of listed equity securities, only in part offset by the dividends received from the investments in listed companies.

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 Caltagirone Editore Group and other related parties, reference should be made to notes to the financial statements.

Management of risks The activities of Caltagirone Editore SpA are subject to various financial risks: market risks due to the movements in listed share prices, exchange rate risk, interest rate risk and liquidity risk. The management of the financial risks of the Group is undertaken through organisational directives which govern the management of these risks and the control of all operations which have importance in the composition of the financial and/or commercial assets and liabilities.

The Company has not used derivative financial instruments, nor do specific financial risks exist in relation to price, credit or liquidity (other than that deriving from the operating activities).

Price risk of the equity shareholdings

In relation to the risk of changes in the fair value of the equity shareholdings held as available for sale, the Company monitors the changes of share prices and for this reason constantly records the movements in the listed shares in portfolio. Based on this data, the investment and divestment policies of the Group are defined with the objective to optimise medium and long-term cash flows, also considering the distribution of dividends from the shares in portfolio. The investment and divestment strategies of the equity investments are also considered in relation to the diversification of risk.

The price risk is greater within the current Italian and international stock market conditions, which are undergoing strong turbulence and which have seen a reduction in the current stock market values of all of the listed companies throughout all sectors. The Group equity investments were carried out in the second half of 2008 and therefore at the end of the year there were no losses in value of more than 30% on the carrying value. This percentage limit was established by the Company and the Group as an accounting principle and therefore the write-down to the income statement of the equity investments available-for-sale is carried out when the fair value is reduced on the initial carrying value by over 30% in at least a 12 month period.

In the first three months of 2009 further selective acquisitions of shares were carried out in order to reach an investment mix with a lower concentration of risk.

Currency risk

The Company operates exclusively in the Euro area and therefore is not exposed to exchange rate risks.

Interest rate risk

The interest rate risk relates to an uncontrolled increase of the charges deriving from variable interest rates on medium/long-term loans. The interest rate risk to which the Company is exposed is considered limited as the risk is principally related to medium-long term financing operations of guaranteed mortgage loans based on secured guarantees on fixed assets. For further information on financial liabilities, reference should be made to the Notes to the Balance sheet.

Liquidity risk

Liquidity risk is linked to the difficulty in obtaining funds to cover commitments at a given moment. Caltagirone Editore has access to its own liquidity which is in the form of short-term deposits and therefore easily accessible and highly liquid. It is therefore considered that this risk does not exist.

Other information

In accordance with article 79 of Cosob Resolution No. 11971, which implements Legislative Decree 58/98, the investments held in the Company by the members of the Board of Directors and Board of Statutory Auditors are reported in the attachment.

The current Board of Directors, which will remain in office until the Shareholders' Meeting to approve the financial statements relating to the year 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 have no financial relationships with the Company.

Caltagirone Editore SpA, in adherence with the current legislative provisions, is the Titleholder of 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.

The Board of Directors, in accordance with article 154-bis of the Consolidated Finance Act, on May 13th 2008 appointed the executive responsible for the preparation of corporate accounting documents for the year and who holds the necessary professional requisites for the assignment.

In accordance with point 19 of the Technical Regulations in relation to minimum security (Attachment B of Legislative Decree No. 196 of June 30th 2003), the Company has prepared the programmed security document.

During the year, the Company did not purchase or sell treasury shares or shares in subsidiary companies, nor through trust companies.

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

At December 31st 2008, the Company had 2 employees (3 at December 31st 2007).

Corporate Governance Report

The Company's corporate governance model, although of reduced necessity for 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 for the correct and transparent communication to the market.

Caltagirone Editore SpA has not formally adopted the Self-Governance Code for listed companies issued by the Corporate Governance Committee of Borsa Italiana SpA, in that the Corporate Governance system of the company is substantially in line with the code.

The Issuer, and its subsidiaries, are not subject to laws in force outside Italy which affect the Corporate Governance structure.

The Corporate Governance structure will be updated based on national and international best practice.

The Corporate Governance system is based on the central role of the Board of the Issuer in establishing strategic direction, on the transparency of the operational decisions and the effectiveness of the internal control system which is undertaken through the existing control structure within the individual companies, supervised by the Internal Control Committee.

The Corporate governance report was prepared pursuant to article 124-bis of the Consolidated Finance Act, article 88 of the Issuer's Regulations adopted by Consob and article 2.6 of the Stock Exchange Regulations, which provide an outline of the Corporate Governance of the Group. Information on the shareholder structure and the Corporate Governance Report are available on the Group's website (www.caltagironeditore.com).

The company is not subject to management and co-ordination pursuant to art. 2497 and subsequent of the Italian Civil Code.

Subsequent events after year end and outlook

Caltagirone Editore SpA purchased 1,500,000 Assicurazioni Generali SpA shares in the first part of the year for a total value of Euro 19.1 million.

The associated company Rofin 2008 Srl in February 2009 sold 4,500,000 Assicurazioni Generali SpA shares on the Stock Market for a value of Euro 56.9 million, realising a loss of approx. Euro 30.8 million. This operation will have a negative effect on the Group income statement, net of the tax effect, of approx. Euro 6.6 million, for the Group share.

In addition to the matters outlined above, at the beginning of the current year no significant events arose; the activities continued in line with the market conditions as at December 31st 2008.

Proposal to the Shareholders' Meeting

The Board of Directors proposes to cover the losses reported of Euro 13,340,037 through the utilisation of retained earnings.

Finally, the Board of Directors proposed the distribution of a dividend of Euro 6,250,000, Euro 0.05 for each of the 125,000,000 shares outstanding, through the utilisation of retained earnings.

Rome, March 24th 2009

attachments

SHARES HELD IN THE ISSUER AND ITS SUBSIDIARIES **Publication in accordance with article 79 of Consob Resolution 11971/99**

NAME	COMPANY	TYPE OF SHARE	TYPE HELD
Caltagirone Francesco Gaetano	Caltagirone Editore SpA	Ordin. Ordin.	Full ownership rights Indirect through subsidiaries
Caltagirone Gaetano	Caltagirone Editore SpA	Ordin. Ordin.	Full ownership rights Indirect through spouse
Caltagirone Azzurra	Caltagirone Editore SpA	Ordin.	Full ownership rights
Caltagirone Francesco	Caltagirone Editore SpA	Ordin.	Full ownership rights
Delfini Mario	Caltagirone Editore SpA	Ordin. Ordin.	Full ownership rights Indirect through spouse
Majore Albino	Caltagirone Editore SpA	Ordin.	Full ownership rights
Tasco Giampiero	Caltagirone Editore SpA	Ordin.	Full ownership rights
Schiavone Carlo	Caltagirone Editore SpA	Ordin.	Full ownership rights

NUMBER OF SHARES HELD AT 31.12.2007	OPERATION CODE	NUMBER OF SHARES ACQUIRED	NUMBER OF SHARES SOLD	NUMBER OF SHARES HELD AT 31.12.2008
22,500,000	–	–	–	22,500,000
59,455,300	–	–	–	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
1,900,000	–	–	–	1,900,000
150	–	–	–	150
150	–	–	–	150
				300
15,000	–	–	–	15,000
15,600	–	–	–	15,600
4,000	–	–	–	4,000

**LIST OF SIGNIFICANT INVESTMENTS AT 31.12.2008 AS PER ART. 120 OF
Publication in accordance with article 126 of the Consob Resolution 11971 of May 14th, 1999**

COMPANY	REG. OFFICE	SHARE CAPITAL	CURRENCY
Centro Stampa Veneto SpA	Rome	567,000	Euro
Corriere Adriatico SpA	Ancona	102,000	Euro
E-Care SpA	Rome	344,505	Euro
Edi.Me. Sport Srl in liquidation	Naples	10,200	Euro
Editrice Telenuovo SpA	Verona	546,000	Euro
Euroqube SA	Belgium	84,861,116	Euro
Finced Srl	Rome	10,000	Euro
Ideco Holding SA	Lugano (Switzerland)	100,000	Chf
Il Gazzettino SpA	Rome	5,100,492	Euro
Il Mattino SpA	Rome	500,000	Euro
Il Messaggero SpA	Rome	42,179,500	Euro
Imprese Tipografiche Venete SpA	Rome	936,000	Euro
Leggo SpA	Rome	1,000,000	Euro
Noisette Serviços de Consultoria Lda	Madeira (Portugal)	5,000	Euro
Piemme SpA	Rome	2,646,540	Euro
P.I.M. Pubblicità Italiana Multimedia Srl	Rome	1,044,000	Euro
Pubblieditor Srl in liquidation	Verona	40,800	Euro
Quotidiano di Puglia SpA	Rome	1,020,000	Euro
Rofin 2008 Srl	Rome	10,000	Euro
Telefriuli SpA	Tavagnacco (Udine)	1,655,300	Euro

LEGS. DECREE NO. 58 OF 24.2.1998

HOLDING

Direct		Indirect through
–	Il Gazzettino SpA	100.000%
99.999%	Finced Srl	0.001%
24.500%	–	–
–	Il Mattino SpA	99.500%
–	Il Gazzettino SpA	40.000%
–	Il Messaggero SpA	14.820%
99.990%	Piemme SpA	0.010%
–	Il Gazzettino SpA	100.000%
98.638%	–	–
99.999%	Finced Srl	0.001%
94.610%	Piemme SpA	5.390%
–	Il Gazzettino SpA	100.000%
90.000%	–	–
–	Finced Srl	98.000%
	Leggo SpA	2.000%
–	Il Messaggero SpA	100.000%
–	Il Gazzettino SpA	100.000%
–	Il Gazzettino SpA	40.000%
85.000%	–	–
30.000%		
–	Il Gazzettino SpA	86.020%

assets

	Note	31.12.2008	31.12.2007
Intangible assets with definite life	1	8,165	10,886
Property, plant and equipment	2	9,803	65,322
Equity investments valued at cost	3	–	–
subsidiary companies		398,441,004	438,564,764
associated companies		6,536,000	6,536,000
Afs investments		24,416,000	–
Deferred tax assets	4	3,361,844	5,045,236
NON-CURRENT ASSETS		432,772,816	450,222,208
Trade receivables	5	46,792	89,420
of which related parties		46,792	85,455
Current financial assets	6	116,381,975	111,563,693
of which related parties		116,057,140	110,670,089
Tax receivables	4	298,702	242,730
Other current assets	7	727,520	1,294,416
of which related parties		713,352	1,230,426
Cash and cash equivalents	8	182,553,791	265,091,255
CURRENT ASSETS		300,008,780	378,281,514
TOTAL ASSETS		732,781,596	828,503,722

In Euro

CALTAGIRONE EDITORE SPA

shareholders' equity and liabilities

	Note	31.12.2008	31.12.2007
Share capital		125,000,000	125,000,000
Share capital issue costs		(18,864,965)	(18,864,965)
Other reserves		622,467,286	573,055,372
Profit/(Loss) for the year		(13,340,037)	74,184,792
SHAREHOLDERS' EQUITY	9	715,262,284	753,375,199
Employee provisions	11	29,128	32,663
Non-current financial liabilities	10	2,748,110	53,761,536
Deferred tax liabilities	4	653,517	3,607
NON-CURRENT LIABILITIES		3,430,755	53,797,806
Trade payables	12	193,236	432,675
of which related parties		91,556	224,895
Current financial liabilities	10	6,144,356	13,344,194
of which related parties		3,413,000	12,113,000
Current income tax payables	4	518,263	2,132
Other current liabilities	13	7,232,702	7,551,716
of which related parties		1,715,813	2,862,897
CURRENT LIABILITIES		14,088,557	21,330,717
TOTAL LIABILITIES		17,519,312	75,128,523
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		732,781,596	828,503,722

In Euro

CALTAGIRONE EDITORE SPA

income statement

	Note	2008	2007
Other revenues	14	14,067	128,998
of which related parties		10,606	73,068
REVENUES		14,067	128,998
Labour costs	11	533,652	482,618
Other operating charges	15	1,648,546	1,380,107
of which related parties		472,570	472,768
COSTS		2,182,198	1,862,725
EBITDA		(2,168,131)	(1,733,727)
Amortisation, provisions & depreciation	16	58,241	58,386
EBIT		(2,226,372)	(1,792,113)
Financial income		15,461,086	88,652,660
of which related parties		2,849,733	87,200,097
Financial charges		23,679,940	13,378,509
of which related parties		21,822,184	10,766,318
Write-downs of financial assets for related parties		3,000	–
Net financial income/(charges)	17	(8,221,854)	75,274,151
PROFIT/(LOSS) BEFORE TAX		(10,448,226)	73,482,038
Income taxes for the year	4	2,891,811	(702,754)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		(13,340,037)	74,184,792
NET PROFIT/(LOSS) FOR THE YEAR		(13,340,037)	74,184,792

In Euro

CALTAGIRONE EDITORE SPA

INCOME AND CHARGES RECORDED IN THE FINANCIAL STATEMENTS

	Note	2008	2007
Fair value on AFS investments		1,713,399	–
Effect of actuarial gain/(loss)		(1,723)	133
NET PROFIT/(LOSS) RECORDED DIRECTLY TO NET EQUITY		1,711,676	133
Net profit/(loss)		(13,340,037)	74,184,792
TOTAL	9	(11,628,361)	74,184,925

In Euro

cash flow statement

	Note	2008	2007
OPENING CASH AND CASH EQUIVALENTS		265,091	21,684
Profit/(loss) for the year		(13,340)	74,185
Amortisation & depreciation	16	58	58
(Revaluations) and write-downs of which related parties	16-17	21,641 21,641	9,837 9,837
Net financial income/(charges) of which related parties		(13,419) (2,665)	(85,182) (86,343)
Income taxes	4	2,892	(703)
Change in employee provisions	11	(6)	7
OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL		(2,174)	(1,798)
(Increase)/Decrease in trade receivables	5	77	70
Increase/(Decrease) in trade payables	12	(285)	(292)
Change in other current and non-current liabilities		248	2,830
Change in deferred and current income taxes		(749)	(117)
OPERATING CASH FLOW		(2,883)	693
Dividends received of which related parties	17	21,856 (21,856)	87,106 (87,106)
Interest received of which related parties		12,286 34	558 166
Interest paid of which related parties		(451) (185)	(1,101) (929)
Other income/(charges) received/paid		–	82
A. CASH FLOW FROM OPERATING ACTIVITIES		30,808	87,338

	Note	2008	2007
Investments in tangible fixed assets	2	–	(4)
Investments in equity holdings and securities	3	(22,806)	(6,680)
Sale of intangible, tangible and financial assets		–	551
Other changes in investment activities		–	(12,266)
B. CASH FLOW FROM INVESTING ACTIVITIES		(22,806)	(18,399)
Change in non-current financial assets & liabilities		(51,013)	(5,113)
Change in current financial assets & liabilities		(13,042)	204,944
Dividends distributed	9	(25,000)	(25,000)
Other net equity changes		(1,484)	–
C. CASH FLOW FROM FINANCING ACTIVITIES		(90,539)	174,831
D. EFFECT EXCHANGE DIFFERENCES ON CASH & CASH EQUIVALENTS		–	(363)
Change in net liquidity (A+B+C+D)		(82,537)	243,407
CLOSING CASH AND CASH EQUIVALENTS		182,554	265,091

In Euro thousands

notes to the financial statements as at December 31st 2008

Introduction Caltagirone Editore SpA (Parent Company), listed on the Milan Stock Exchange, 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 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:
 - Parted 1982 SpA (35.56%),
 - Gamma Srl (12.00%);

2. Gaetano Caltagirone 3,000,000 shares (2.40%);

3. Edizione Srl 2,799,000 shares (2.24%).

The present parent company financial statements were authorised for publication by the Directors on March 24th 2009.

**Compliance with
international
accounting standards
approved by the
European Commission**

The present financial statements for the year ended December 31st 2008 were prepared in accordance with articles 2 and 3 of Legislative Decree No. 38/2005, 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).

Basis of presentation The Financial Statements consist of the Balance Sheet, Income Statement, Cash Flow Statement and the Notes to the Financial Statements.
The Balance Sheet is presented in a format which separates the current and non-current assets and liabilities, while the Income Statement is classified on the basis of the nature of the costs and the Cash Flow statement is presented utilising the indirect method.
The Financial Statements are presented in Euro and all the amounts refer to units of the currency, except where indicated otherwise.
The comparative data relating to the previous year were reclassified for uniformity, and mentioned in the notes whenever the reclassification resulted in a significant change.
The assets and liabilities are shown separately and without any offsetting.

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 translated at the period end exchange rate and the original exchange rate are recognised 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 principles *Intangible assets with definite 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 definite useful lives 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 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 3-5 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 those necessary for the asset being in the condition 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 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	25.00%
Office furniture and equipment	8 years	12.50%

At the moment of sale or when there are no expected future economic benefits from the use of the 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 sales cost (put options) of the investment in a subsidiary. In fact, the subscription by the parent company to these 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.

The changes to the current value are recorded to the income statement.

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.

Indicators of a possible reduction in value are for example significant difficulties of the issuer, non fulfilment or lack of payments of interest or of capital, the possibility that the issuer will become bankrupt, undergo examination procedures and the disappearance of an active market. A long-term or significant reduction in the market value of a capital instrument below its cost is considered as evidence of impairment; the analysis of impairment is therefore carried out semi-annually on all of the capital instruments of the group.

A long-term or significant reduction in the value of investments is defined as when at least one of the following conditions is met:

- the market price is consistently lower than the initial price recorded in the last 12 months;

- a decrease in value at the reporting date of 30% above than the average weighted cost at the reporting date.

Even in the case when these limits described above are not breached, a qualitative analysis is carried out on decreases in the fair value to establish if there is a loss in value. A negative fair value difference compared to the carrying value at the reporting date, which is within the limit of 20% or for a continuous period of less than six months, does not require an impairment test.

Trade receivables

Trade receivables are recorded at fair value and subsequently 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.

Net 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 employment period 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 maturity period 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 when 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 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.

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, Quotidiano di Puglia SpA, Il Gazzettino SpA, Imprese Tipografiche Venete SpA and Leggo SpA.

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 recognition 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, while deferred taxes are always recorded.

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;
- Depreciation of tangible 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.

Currency risk

The Company, operating exclusively in the Euro Zone, is normally not exposed to foreign exchange currency movements.

Price risk of the listed financial investments

In relation to the risk of changes in the fair value of the equity shareholdings held as available for sale, the company monitors the changes of share prices and for this reason constantly records the movements in the listed shares in portfolio. Based on this data, the re-investment and divestment policies of the Group are defined with the objective to optimise medium and long-term cash flows, also considering the distribution of dividends from the shares in portfolio.

balance sheet

COMMENT ON THE MAIN ASSET ITEMS

Assets *1. Intangible assets with definite life*

	Others	Total
Historical cost 1.1.2007	19,051	19,051
Increases	–	–
Decreases	–	–
Write-downs	–	–
Reclassifications	–	–
31.12.2007	19,051	19,051

Historical cost 1.1.2008	19,051	19,051
Increases	–	–
Decreases	–	–
Write-downs	–	–
Reclassifications	–	–
31.12.2008	19,051	19,051

In Euro

	Others	Total
Amortisation and loss in value		
1.1.2007	5,443	5,443
Increases	2,722	2,722
Decreases	–	–
Reclassifications	–	–
31.12.2007	8,165	8,165

Amortisation and loss in value		
1.1.2008	8,165	8,165
Increases	2,721	2,721
Decreases	–	–
Reclassifications	–	–
31.12.2008	10,886	10,886

Net value		
1.1.2007	13,608	13,608
31.12.2007	10,886	10,886
31.12.2008	8,165	8,165

In Euro

2. Property, plant and equipment

	Equipment	Other assets	Total
Historical cost			
1.1.2007	15,637	213,333	228,970
Increases	4,191	–	4,191
Decreases	–	–	–
Reclassifications	–	–	–
31.12.2007	19,828	213,333	233,161

Historical cost			
1.1.2008	19,828	213,333	233,161
Increases	–	–	–
Decreases	–	–	–
Reclassifications	–	–	–
31.12.2008	19,828	213,333	233,161

In Euro

	Equipment	Other assets	Total
Amortisation and loss in value			
1.1.2007	5,509	106,666	112,175
Increases	2,331	53,333	55,664
Decreases	–	–	–
Reclassifications	–	–	–
31.12.2007	7,840	159,999	167,839

Amortisation and loss in value			
1.1.2008	7,840	159,999	167,839
Increases	2,185	53,333	55,518
Decreases	–	–	–
Reclassifications	–	–	–
31.12.2008	10,025	213,332	223,357

Net value			
1.1.2007	10,128	106,667	116,795
31.12.2007	11,988	53,334	65,322
31.12.2008	9,803	–	9,803

In Euro

The account Other assets includes leasehold improvements and the restructuring of premises owned by related companies where the head office of the Company is located, fully depreciated at December 31st 2008.

3. Equity investments valued at cost

The movements in the account are as follows:

Investments in subsidiary companies	Location	%	1.1.2007	Increases/ (Decreases)	Write-downs	31.12.2007
Il Mattino SpA	Rome	99.99%	23,590,822	–	–	23,590,822
Caltanet SpA	Rome	–	40,663,011	(40,663,011)	–	–
Cedfin Srl	Rome	–	10,199	(10,199)	–	–
Leggo SpA	Rome	90.00%	662,869	–	–	662,869
Fincel Srl	Rome	99.99%	9,999	8,857,185	(8,857,185)	9,999
Corriere Adriatico SpA	Ancona	100.00%	12,650,346	12,053,235	(980,119)	23,723,462
Quotidiano di Puglia SpA	Rome	85.00%	27,200,000	–	–	27,200,000
Il Gazzettino SpA	Rome	99.91%	194,589,837	(1,791)	–	194,588,046
Il Messaggero SpA	Rome	94.61%	127,580,885	41,208,681	–	168,789,566
Total			426,957,968	21,444,100	(9,837,304)	438,564,764

	Location	%	1.1.2008	Increases/ (Decreases)	Write-downs	31.12.2008
Il Mattino SpA	Rome	99.99%	23,590,822	–	–	23,590,822
Leggo SpA	Rome	90.00%	662,869	–	–	662,869
Fincel Srl	Rome	99.99%	9,999	–	–	9,999
Corriere Adriatico SpA	Ancona	100.00%	23,723,462	749,996	(942,915)	23,530,543
Quotidiano di Puglia SpA	Rome	85.00%	27,200,000	–	–	27,200,000
Il Gazzettino SpA	Rome	99.91%	194,588,046	(26,911,841)	(13,019,000)	154,657,205
Il Messaggero SpA	Rome	94.61%	168,789,566	–	–	168,789,566
Total			438,564,764	(26,161,845)	(13,961,915)	398,441,004

In Euro

The movements in the value of the investment in Corriere Adriatico SpA were as follows: the increases for the paid-in share capital, made at the beginning of the year, to cover the losses of the subsidiary at December 31st 2007 of Euro 749,996 and decreases due to the write-down following the covering of the losses in the year 2008 of Euro 942,915.

The decrease of the investment in Il Gazzettino SpA amounted to Euro 26,911,841 and relates for Euro 7,871,563 to the contractual difference contained in the option right price on 2,652,144 shares, on the distribution of a dividend by Il Gazzettino

SpA before the exercise of the purchase option, and Euro 19,040,278 as a reduction for dividends received relating to the share premium reserve and retained earnings existing before the acquisition of the holding.

Finally, the write-down of Euro 13,019,000 was determined based on the impairment tests applied on the goodwill recorded on the acquisition of Il Gazzettino SpA. The other subsidiaries indirectly held are as follows:

Equity investments in indirect subsidiaries	Location	Share capital	Controlling interest %	Shareholders' equity	Result for the year
Piemme SpA	Rome	2,646,540	100.00%	40,403,299	2,474,268
Centro Stampa Veneto SpA	Rome	567,000	100.00%	549,308	(9,991)
Imprese Tipografiche Venete SpA	Rome	936,000	100.00%	3,588,042	411,956
P.I.M. Pubblicità Italiana Multimedia Srl	Rome	1,044,000	100.00%	5,817,217	3,021,029
Telefriuli SpA	Tavagnacco (Udine)	1,655,300	86.02%	1,583,787	303,716

The associated companies directly and indirectly held by Caltagirone Editore SpA are as follows:

Investments in associated companies	Location	Share capital	Controlling interest %	Shareholders' equity	Result for the year
E-Care SpA	Rome	344,505	24.50%	8,444,690	(1,121,656)
B2Win SpA	Rome	1,000,000	24.50%	391,713	(686,938)
Rofin 2008 Srl	Rome	10,000	30.00%	(25,585,492)	(25,595,492)

On February 28th 2008 the company Rofin 2008 Srl was incorporated, in which Caltagirone Editore SpA holds a 30% stake. At the end of the year, this investment was fully written down and the excess of the loss attributable to Caltagirone Editore SpA was recorded in a specific provision for risks and charges amounting to Euro 7,675,648.

This write-down was recorded in the income statement respectively in the account Write-down of investments for the cancellation of the book value and Losses on investments for the provision.

The loss recorded by the associated company Rofin 2008 Srl derives from the write-down to market values at December 31st 2008 of the 4,500,000 shares in Assicurazioni Generali SpA at that date.

Equity investments in other companies

The breakdown is as follows:

Investments available-for-sale	1.1.2008	Increases/ (Decreases)	Valuation at fair value	31.12.2008
Banca Monte dei Paschi di Siena SpA	–	22,052,691	2,363,309	24,416,000
Total	–	22,052,691	2,363,309	24,416,000

In Euro

The holding in Banca Monte dei Paschi di Siena SpA consists of 16,000,000 shares purchased in November and December 2008. The difference between the carrying value and the fair value of these investments, as per the Official Stock Exchange price at December 31st 2008, is recorded in a separate equity reserve, net of the relative tax effect.

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:

	1.1.2008	Provisions	Utilisations	Others	31.12.2008
Deferred tax assets					
Tax losses carried forward	4,397,988	–	(2,132,877)	(217,413)	2,047,698
Provision for risks and charges	–	–	–	–	–
Maintenance	–	–	–	–	–
Write-down of equity investments	503	–	–	–	503
Others	646,745	524,428	(74,943)	217,413	1,313,643
Utilisation of taxes from fiscal consolidation	–	–	–	–	–
Total	5,045,236	524,428	(2,207,820)	–	3,361,844
Deferred tax liabilities					
Exchange (losses)/gains	–	–	–	–	–
Others	3,607	–	–	649,910	653,517
Total	3,607	–	–	649,910	653,517
Net deferred tax asset	5,041,629	524,428	(2,207,820)	649,910	2,708,327

In Euro

The balance sheet includes receivables for current taxes of Euro 298,702, consisting of the receivable from the fiscal consolidation of Euro 149,719 and other tax credits. The income taxes for the year consist of:

	2008	2007
Ires current income taxes	692,756	1,801,084
Irap current income taxes	516,132	-
Current income tax	1,208,888	1,801,084
Income taxes of prior years	(469)	-
Income taxes of prior years	(469)	-
Provision for deferred tax liabilities	-	-
Utilisation of deferred tax liabilities	-	(81,686)
Deferred tax charge	-	(81,686)
Recording of deferred tax assets	(524,428)	(4,523,964)
Utilisation of deferred tax assets	2,207,820	1,996,552
Adjustment to Ires-Irap rate	-	105,260
Deferred tax income	1,683,392	(2,422,152)
Total income taxes	2,891,811	(702,754)

In Euro

The current income taxes are the result of the assessable amounts net of the utilisation of tax losses of the companies within the tax consolidation. The breakdown of income taxes is as follows:

	2008
Current and deferred Ires tax	2,451,366
Current and deferred Irap tax	440,445
Total	2,891,811

In Euro

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

Ires income taxes	2008	
	Amount	Rate
Profit before taxes	(10,448,226)	27.50%
Theoretical tax charge		(2,873,262)
Permanent differences increase/(decrease):		
Dividends	(2,299,722)	
Write-down of equity investments	21,640,563	
Others	21,444	
Total	8,914,059	
Actual tax charge	2,451,366	-23%

In Euro

5. Trade receivables

This account can be broken down as follows:

	31.12.2008	31.12.2007
Receivables from third parties	6,363	3,965
Trade receivables	6,363	3,965
Receivables from subsidiaries	40,429	85,455
Total trade receivables	46,792	89,420

In Euro

The receivables from subsidiaries derive from invoices for interest on loans granted. There are no receivables due over 12 months.

6. Current financial assets

This account can be broken down as follows:

	31.12.2008	31.12.2007
Financial assets from subsidiaries	86,853,788	110,670,089
Financial assets from associated companies	29,203,352	–
Financial assets from third parties	324,835	893,604
Total current financial assets	116,381,975	111,563,693

In Euro

The balance of Euro 86,853,788 represents non-interest bearing loans due within one year renewable on request, granted respectively to Finced Srl (Euro 63,843,788) and Il Mattino SpA (Euro 13,410,000) and an interest bearing loan to Il Gazzettino SpA (Euro 9,600,000) at current market rates.

The amount of Euro 29,203,352 relates entirely to the net effect of the loan granted to the associated company Rofin 2008 Srl for Euro 36,879,000, necessary to finance the investment in listed shares of Assicurazioni Generali SpA, and to the write-down of this receivable, amounting to Euro 7,675,648, on the valuation of the shares to the stock market prices at December 31st 2008, as the conditions to define the negative fair value movement as significant and long-term were fulfilled.

The amount of Euro 324,835 relates to accrued interest on time deposits.

7. Other current assets

This account can be broken down as follows:

	31.12.2008	31.12.2007
Subsidiaries	713,352	1,230,426
Receivables – third parties	14,168	163,990
Total current assets	727,520	1,294,416

In Euro

The receivables from subsidiaries due within one year relate for Euro 688,352 to the companies within the fiscal consolidation, of which Euro 398,285 from Quotidiano di Puglia SpA, Euro 203,901 from il Mattino SpA and Euro 86,166 from Tipografiche Venete SpA.

The residual amount of Euro 25 thousand relates to the transfer of the Ires receivable to Finced SpA.

The receivables from third parties include receivables from social security institutions and VAT.

8. Cash and cash equivalents

This account can be broken down as follows:

	31.12.2008	31.12.2007
Bank and postal deposits	182,553,445	265,090,774
Cash in hand and similar	346	481
Total	182,553,791	265,091,255

In Euro

The decrease in cash and cash equivalents is due to the loans granted to subsidiaries and associated companies for Euro 13,062,699, investments in equities of Euro 22,052,691, payment of the purchase option of Il Gazzettino SpA for approx. Euro 44,676,870 and dividends paid of Euro 25 million less the dividends received from Il Gazzettino SpA and Quotidiano di Puglia SpA.

The average rate for funds in the year was 4.57%.

balance sheet

COMMENT ON THE MAIN LIABILITIES ITEMS

Liabilities and shareholders' equity

9. Shareholders' equity

Capital and reserve movements

	Share capital	Quotation charges	Fair value reserve	Other reserves
Balance at January 1st 2007	125,000,000	(18,864,965)	-	568,694,256
Dividends distributed	-	-	-	3,937,620
Other changes	-	-	-	423,496
Net result	-	-	-	-
Balance at December 31st 2007	125,000,000	(18,864,965)	-	573,055,372
Balance at January 1st 2008	125,000,000	(18,864,965)	-	573,055,372
Dividends distributed	-	-	-	-
Other changes	-	-	2,363,309	47,048,605
Net result	-	-	-	-
Balance at December 31st 2008	125,000,000	(18,864,965)	2,363,309	620,103,977

In Euro

Result for the year	Group net equity
29,528,184	704,357,475
(25,000,000)	(21,062,380)
(4,528,184)	(4,104,688)
74,184,792	74,184,792
74,184,792	753,375,199

74,184,792	753,375,199
(25,000,000)	(25,000,000)
(49,184,792)	227,122
(13,340,037)	(13,340,037)
(13,340,037)	715,262,284

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.

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 net exchange gains reserve, 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 balance includes the reserve created following the merger of Cedfin Srl.

The account includes the reserve for actuarial gains and losses in application of IAS 19 for the employee leaving indemnity net of the fiscal effect.

Fair value reserve

The fair value reserve includes all the market value changes of the investments in other companies held-for-sale until these investments are maintained in the accounts. The reserve is net of the tax effect.

The analysis of the individual equity accounts indicating whether they are distributable and their utilisation in the previous years is shown in the table below:

Nature	Amount at December 31 st 2007	Possibility of utilisation	Quota available	Utilisation in 3 previous year	
				Coverage of losses	Other
Share capital	125,000	–	–	–	–
Share capital issue costs	(18,865)	–	–	–	–
Share premium reserve	521,022	A B C	521,022	–	3,824 ¹
Legal reserve	25,000	B	–	–	–
Reserve for exchange gains not realised	3,770	A B C	3,770	–	–
IAS Reserve	18,624	–	–	–	–
Reserve for share swap surplus	423	A B C	423	–	–
Retained earnings ²	53,628	A B C	34,763	–	–
Total available	728,602	–	559,978	–	3,824
Non-distributable quota	–	–	13,340	–	–
Residual quota distributable	–	–	546,638	–	–

In Euro thousands

A For share capital increase

B To cover losses

C For distribution to shareholders

¹ *Utilisation for distribution of dividends*

² *Art. 2443 of the Civil Code*

Liabilities 10. *Financial liabilities*

	31.12.2008	31.12.2007
Non-current financial payables		
Other lenders for loans	2,748,110	4,034,450
Other payables for share purchase options	–	49,727,086
Total	2,748,110	53,761,536
Current financial payables		
Payable to subsidiaries	3,413,000	12,113,000
Other lenders	2,731,356	1,231,194
Total	6,144,356	13,344,194

In Euro

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

	31.12.2008	31.12.2007
Between 1 and 5 years	2,748,110	53,761,536
Total	2,748,110	53,761,536

In Euro

There are no financial liabilities over five years.

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

	2008
Non-current financial liabilities	
Other lenders for loans	5.65
Other payables for share purchase options	2.38
Current financial liabilities	
Short-term portion of non-current loans	5.65
Other financial payables	5.45

Values in %

The non-current financial payables to other lenders relates entirely to a loan provided in 2000 by Mediocredito Lombardo of 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 current financial payables to subsidiaries refer entirely to a loan received from Quotidiano di Puglia SpA at market rates.

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 an expected payment date can be identified, the payable was discounted using a pre-tax discount rate of 2.38%.

The maturity of the exercise of this option is March 31st 2009.

The difference between the current value of the option recorded at the subscription date and that at the end of the year of Euro 1,535,767 was recorded under financial charges in the income statement.

The reduction of the non-current financial payables is related to the exercise of the option of the shares of Il Gazzettino SpA which expired respectively on July 7th 2008 and December 31st 2008.

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:

	31.12.2008	31.12.2007
Annual technical discounting rate	4.19	4.39
Annual inflation rate	3.00	2.60
Annual increase in employee leaving indemnity	3.34	3.07
Annual increase in salaries	3.83	3.83

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:

	2008	2007
Net liability at January 1st	32,663	25,937
Current cost for the period	5,254	5,215
Interest charge/(income), net	1,030	1,693
Actuarial (profits)/losses	2,581	(182)
(Services paid)	(12,400)	–
Net liability at December 31st	29,128	32,663

In Euro

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

	1.1.2007	31.12.2007	31.12.2008
Nominal value of the provision	36,087	43,018	36,845
Adjustment for discounting	(10,150)	(10,355)	(7,717)
Total Employee leaving indemnity	25,937	32,663	29,128

In Euro

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

	2008	2007
Salaries and wages	116,598	139,361
Social expenses	41,557	40,674
Employee leaving indemnity prov.	5,254	5,238
Other costs	370,243	297,345
Total	533,652	482,618

In Euro

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

	31.12.2008	31.12.2007	Average 2008	Average 2007
Executives	–	–		
Managers & white collar	2	3	2	3
Journalists	4	3	4	3
Total	6	6	6	6

12. Trade payables

	31.12.2008	31.12.2007
Trade payables	101,680	207,780
Payables to subsidiaries	67,289	203,967
Payables to holding companies	–	–
Payables to other Group companies	24,267	20,928
Total	193,236	432,675

In Euro

At December 31st 2008, trade payables amounted to Euro 101,680 (Euro 207,780 at December 31st 2007) fully payable within one year, of which Euro 54,858 are for invoices to be received.

The payables to subsidiaries relate to invoices received from Piemme SpA (Euro 21,262) for the recharge of personnel at Caltagirone Editore SpA and from Quotidiano di Puglia SpA (Euro 46,027) for interest on loans received at normal market conditions.

There are no payables due over 12 months.

13. Other liabilities

Other current liabilities	31.12.2008	31.12.2007
Social security institutions	7,684	11,689
Employee payables	9,345	20,796
Payables to subsidiaries	1,715,813	2,862,897
Other payables	5,499,860	4,656,334
Total	7,232,702	7,551,716

In Euro

The other payables to subsidiaries refer to transactions with the companies in the fiscal consolidation.

The amount of Euro 5,499,860 includes Euro 4,873,306 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.

income statement

COMMENT ON THE MAIN ITEMS

14. Other operating revenues

	2008	2007
Other revenues	14,067	128,998
Total	14,067	128,998

In Euro

15. Other operating costs

	2008	2007
Labour costs	533,652	482,618
Rent, leases and similar costs	333,811	329,742
Services	844,276	929,476
Other operating charges	470,459	120,889
Total	2,182,198	1,862,725

In Euro

Total labour costs in 2008 amount to Euro 533,652, of which Euro 116,598 for salaries, Euro 41,557 for social security costs, Euro 5,254 for employee leaving indemnity and Euro 370,243 for consultants.

Rent, leases and similar items 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 37,160, the Board of Directors for Euro 252,580 and the audit firm for Euro 57,727.

16. Amortisation, depreciation & provisions

	2008	2007
Depreciation of tangible assets	55,519	55,664
Amortisation of intangible assets	2,722	2,722
Total	58,241	58,386

In Euro

17. Net financial income

Financial income	2008	2007
Dividends	2,816,121	87,105,710
Other income from equity investments	–	82,000
Interest income from bank deposits	12,611,353	1,452,563
Interest income from subsidiaries and associated companies	33,612	12,387
Total	15,461,086	88,652,660

In Euro

The amount of Euro 2,816,121 relates to the dividends received respectively from the subsidiaries Il Gazzettino SpA (Euro 2,174,541) and Quotidiano di Puglia SpA (Euro 641,580).

The interest income on bank deposits of Euro 12,611,353 is representative of the return on the liquidity invested.

Financial charges	2008	2007
Exchange losses	–	363,114
Write-down of equity inv. and securities	21,637,563	9,837,304
Loan interest	284,376	300,670
Banking commissions and charges	14,922	477,206
Interest expense from subsidiaries	184,621	929,014
Financial charges from discounting	1,536,797	1,471,201
Total	23,679,940	13,378,509

In Euro

The write-down of Euro 21,673,563 refers to the loss of the subsidiary Corriere Adriatico SpA (Euro 942,915), of the associated company Rofin 2008 Srl (Euro 7,675,648) and to the write-down following the impairment test of Il Gazzettino SpA (Euro 13,019,000).

The interest expense from subsidiaries relates for Euro 24,590 to Il Gazzettino SpA and Euro 160,031 to Quotidiano di Puglia 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	Exercise date
Purchase/Sale	4.152%	7.7.2006	7.7.2008	13.2.2008
Purchase/Sale	25.765%	21.7.2006	31.12.2008	1.12.2008
Purchase/Sale	1.270%	9.10.2006	31.3.2009	

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.

At December 31st 2008, the purchase options expiring in the year were exercised by the maturity date; the options on 124,992 shares equal to 1.274% of the share capital of Il Gazzettino SpA were not yet exercised, with maturity date of March 31st 2009.

19. Transactions with related parties

Transactions with companies under common control

The transactions of Group companies with related parties, including inter-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	–	–	–	–	–	106
Leggo SpA	–	–	–	–	–	562,522
Finced Srl	–	63,843,788	25,000	–	–	733,910
Il Mattino SpA	–	13,410,000	203,901	–	–	–
Piemme SpA	6,817	–	–	21,262	–	22,201
Mantegna '87 Srl	–	–	–	17,667	–	–
Vianini Lavori SpA	–	–	–	6,600	–	–
Corriere Adriatico SpA	–	–	–	–	–	375,526
Quotidiano di Puglia SpA	–	–	398,285	46,026	3,413,000	–
Imprese Tipografiche Venete SpA	–	–	86,166	–	–	–
Il Gazzettino SpA	33,612	9,600,000	–	–	–	19,458
P.I.M. Pubblicità Italiana Multimedia Srl	–	–	–	–	–	357
Centro Stampa Veneto SpA	–	–	–	–	–	1,733
Rofin 2008 Srl	–	29,203,352	–	–	–	–
A.D.Fid. Srl	6,363	–	–	–	–	–
Total	46,792	116,057,140	713,352	91,555	3,413,000	1,715,813

In Euro

	Operating revenues	Operating costs	Financial income	Financial charges
Vianini Lavori SpA	–	20,400	–	–
Mantegna '87 Srl	–	44,876	–	–
Quotidiano di Puglia SpA	–	–	641,580	160,031
Piemme SpA	–	75,855	–	–
Ical SpA	–	331,438	–	–
Il Gazzettino SpA	–	–	2,208,153	24,590
A.D.Fid. Srl	10,606	–	–	–
Total	10,606	472,569	2,849,733	184,621

In Euro

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 2008 and in accordance with article 78 of Consob Resolution No. 11971/99.

Name	Surname	Office held	Period in which office held	Expiry of office	Emoluments for office	Other remuneration
Azzurra	Caltagirone	Vice Chairman	1.1.2008-31.12.2008	31.12.2008	200,000	410,000
Mario	Delfini	Director	1.1.2008-31.12.2008	31.12.2008	5,000	130,000
Albino	Majore	Director	1.1.2008-31.12.2008	31.12.2008	4,000	1,300,000
Massimo	Garzilli	Director	1.1.2008-31.12.2008	31.12.2008	5,000	380,482
Giampietro	Nattino	Director	1.1.2008-31.12.2008	31.12.2008	9,000	–
Massimo	Confortini	Director	1.1.2008-31.12.2008	31.12.2008	29,000	–
Gampiero	Tasco	Chairman Board Statutory Auditor	1.1.2008-31.12.2008	31.12.2008	14,500	10,859
Carlo	Schiavone	Statutory Auditor	1.1.2008-31.12.2008	31.12.2008	11,000	17,180
Maria Assunta	Coluccia	Statutory Auditor	1.1.2008-31.12.2008	31.12.2008	11,000	31,100
Total					288,500	2,279,621
Total						2,568,121

In Euro

The emoluments for office held consist of the remuneration fixed 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. Business 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 cash position

The Net cash position, in accordance with the CESR recommendation of February 10th 2005, is as follows:

	31.12.2008	31.12.2007
A. Bank deposits	182,554	265,091
B. Current financial receivables	116,382	111,564
C. Current payables to other lenders	6,144	13,344
D. NET CURRENT CASH POSITION (C-B-A)	(292,791)	(363,311)
E. Non-current payables to other lenders	2,748	53,761
F. NET CASH POSITION (D+E)	(290,044)	(309,550)

In Euro thousands

***Declaration of the Financial Statements as per art. 81 - ter of
Consob Regulation No. 11971 of May 14th 1999 and subsequent modifications and
integrations***

1. The undersigned Francesco Gaetano Caltagirone, as Chairman of the Board of Directors, and Roberto Di Muzio, executive responsible for the preparation of the corporate accounting documents of Caltagirone Editore S.p.A., affirm, and also in consideration of article 154-*bis*, paragraphs 3, 4 and 5 of Legislative Decree No. 58 of February 24th 1998:

- the accuracy of the information on company operations and
- the effective application,

of the administrative and accounting procedures for the compilation of the financial statements for the year ended December 31st 2008.

2. The activity was undertaken evaluating the organisational structure and the execution, control and monitoring processes of the business activities necessary for the preparation of the financial statements. In relation to this, no important matters arose.

3. In addition, we certify that the financial statements for 2008:

- a) correspond to the underlying accounting documents and records;
- b) were prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and also in accordance with article 9 of Legislative Decree 38/2005 and provide a true and fair representation of the balance sheet, financial position and results of the issuer;
- c) the Directors' Report includes a reliable analysis on the performance and operating result as well as the situation of the issuer and of the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Roma, March 24th 2009

The Chairman

The Executive Responsible



CALTAGIRONE EDITORE

*subsidiaries
financial statements*

assets

	31.12.2008	31.12.2007
A. RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	-	-
B. FIXED ASSETS		
I. Intangible assets		
5) Goodwill	72,646,470	76,278,793
7) Other	311,438	290,680
Total intangible assets	72,957,908	76,569,473
II. Tangible assets		
1) Land and buildings	20,383,356	21,138,484
2) Plant and machinery	35,971,188	40,106,694
3) Industrial and commercial equipment	62,253	92,989
4) Other fixed assets	798,094	832,221
5) Assets in progress and advances	58,390	146,540
Total tangible assets	57,273,281	62,316,928
III. Financial assets		
1) Equity investments:		
a) subsidiaries	71,972,862	71,972,862
d) other companies	1,709,953	2,336,154
Total equity investments	73,682,815	74,309,016
2) Receivables:		
– due over one year		
d) other	57,039	56,685
Total receivables	57,039	56,685
Total financial assets	73,739,854	74,365,701
TOTAL B. FIXED ASSETS	203,971,043	213,252,102

	31.12.2008	31.12.2007
C. CURRENT ASSETS		
I. Inventories		
1) Raw materials, ancillary and consumables	2,681,867	1,930,488
Total inventories	2,681,867	1,930,488
II. Receivables		
1) Trade receivables:		
– due within one year	1,739,108	1,582,625
2) Subsidiaries:		
– due within one year	60,063,185	65,028,378
4) Holding companies	106	–
4 bis) Taxes receivable	754,924	350,150
4 ter) Deferred tax assets	2,633,609	4,151,772
5) Others:		
– due within one year	192,652	161,918
– due over one year	–	16,117
Total others	192,652	178,035
6) Group companies:		
– due within one year	1,483,020	1,837,686
Total receivables	66,866,604	73,128,646
IV. Cash and cash equivalents		
1) Banking and postal deposits	70,727,327	55,811,967
2) Cheques	–	28,789
3) Cash and cash equivalents	2,898	2,139
Total cash and cash equivalents	70,730,225	55,842,895
TOTAL C. CURRENT ASSETS	140,278,696	130,902,029
D. PREPAYMENTS AND ACCRUED INCOME		
1) Accrued income	45,309	633,277
2) Prepayments	190,033	136,016
TOTAL D. PREPAYMENTS AND ACCRUED INCOME	235,342	769,293
TOTAL ASSETS	344,485,081	344,923,424

In Euro

liabilities

	31.12.2008	31.12.2007
A. SHAREHOLDERS' EQUITY		
I. Share capital	42,179,500	42,179,500
IV. Legal reserve	8,435,900	8,288,068
VII. Other reserves		
– Merger with S.E.M. surplus	209,600	209,600
– Shareholders' equity reduction reserve	62,112	62,112
– Reserve Law 266/05	11,000,328	11,000,328
– Other reserves ex Caltanet	42,406,963	42,406,963
Total other reserves	53,679,003	53,679,003
VIII. Retained earnings	107,270,129	87,182,649
IX. Profit/(Loss) for the year	(165,359)	20,235,312
TOTAL A. SHAREHOLDERS' EQUITY	211,399,173	211,564,532
B. PROVISIONS FOR RISKS AND CHARGES		
2) Tax provisions, includ. deferred tax liability	20,996,217	22,053,366
3) Other	4,373,427	4,004,949
TOTAL B. PROVISIONS FOR RISKS AND CHARGES	25,369,644	26,058,315
C. EMPLOYEE LEAVING INDEMNITY	19,972,141	20,960,878
D. PAYABLES		
4) Bank borrowings:		
– due within one year	11,964,614	11,393,521
– due over one year	43,412,056	47,241,486
Total bank borrowings	55,376,670	58,635,007
5) Other lenders:		
– due within one year	–	282,104
7) Trade payables:		
– due within one year	14,707,252	14,079,172
9) Subsidiaries:		
– due within one year	19,805	180,604

	31.12.2008	31.12.2007
11) Holding companies:		
– due within one year	–	72,165
12) Tax payables:		
– due within one year	1,707,598	1,860,038
13) Payables to social security institutions:		
– due within one year	4,557,033	4,250,314
14) Other payables:		
– due within one year	10,111,098	6,480,084
– due over one year	5,549	5,549
Total other payables	10,116,647	6,485,633
15) Group companies:		
– due within one year	1,244,786	487,418
TOTAL D. PAYABLES	87,729,791	86,332,455
E. ACCRUALS AND DEFERRED INCOME		
2) Deferred income	14,332	7,244
TOTAL E. ACCRUALS AND DEFERRED INCOME	14,332	7,244
TOTAL LIABILITIES	344,485,081	344,923,424
MEMORANDUM ACCOUNT		
Guarantees given directly or indirectly in favour of third parties:		
– sureties given to third parties	17,322	17,322
– bank collateral and pledges	43,400,000	43,400,000
Third-party guarantees:		
– third parties	60,000	60,000
Goods held by third parties:		
– paper held in warehouses and printers		
– equipment at printers		
Third-party owned assets:		
– leased printing machinery	746,089	–
TOTAL MEMORANDUM ACCOUNT	44,223,414	43,477,324

In Euro

income statement

	2008	2007
A. VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	112,918,273	126,472,755
5) Other revenues and income:		
a) other revenues and income	3,567,447	2,944,267
b) operating grants	423,471	492,836
TOTAL A. VALUE OF PRODUCTION	116,909,191	129,909,858
B. COSTS OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods	(17,469,259)	(17,624,075)
7) Services	(33,399,347)	(33,170,985)
8) Rents, lease and similar costs	(2,812,131)	(2,676,252)
9) Personnel costs:		
a) salaries and wages	(30,031,127)	(29,745,253)
b) social security charges	(9,877,854)	(9,800,569)
c) employee leaving indemnity	(2,767,633)	(3,013,932)
e) other costs	(3,619,578)	(2,344,879)
Total personnel costs	(46,296,192)	(44,904,633)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	(3,878,901)	(3,715,998)
b) depreciation of tangible assets	(5,325,002)	(5,402,893)
Total amortisation, depreciation and write-downs	(9,203,903)	(9,118,891)
11) Change in inventory of raw materials ancillary, consumables and goods	751,379	(172,999)
12) Provisions for risks	(500,000)	–
14) Other operating costs	(4,236,601)	(1,952,090)
TOTAL B. COSTS OF PRODUCTION	(113,166,054)	(109,619,925)
DIFFERENCE (A-B) BETWEEN VALUE AND COST OF PRODUCTION	3,743,137	20,289,933

	2008	2007
C. FINANCIAL INCOME AND CHARGES		
16) Other financial income:		
d) income other than above:		
2) group companies	10,358	159,140
4) other	2,843,182	656,291
Total other financial income	2,853,540	815,431
17) Interest and other financial charges:		
2) group companies	–	(2,576)
3) holding companies	–	(57,317)
4) other	(3,078,479)	(2,897,587)
Total interest and other financial charges	(3,078,479)	(2,957,480)
17 bis) Exchange losses	(1,652)	(51)
TOTAL C. FINANCIAL INCOME AND CHARGES	(226,591)	(2,142,100)
D. ADJUSTMENT OF FINANCIAL ASSETS		
19 a) Write-downs of equity investments	(626,201)	–
TOTAL D. ADJUSTMENT OF FINANCIAL ASSETS	(626,201)	–
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
a) gains on disposals	5,537	2,083
b) other extraordinary income	371,060	75,194
Total income	376,597	77,277
21) Charges:		
b) prior years taxes	–	(41,790)
c) other extraordinary charges	(503,075)	–
Total charges	(503,075)	(41,790)
TOTAL E. EXTRAORDINARY INCOME AND CHARGES	(126,478)	35,487
PROFIT BEFORE TAXES	2,763,867	18,183,320
22) Income taxes		
b) Irap	(2,468,212)	(2,917,561)
– deferred tax charge	1,057,149	2,792,454
– deferred tax assets	(1,518,163)	2,177,099
Total income taxes	(2,929,226)	2,051,992
23) NET PROFIT FOR THE YEAR	(165,359)	20,235,312

In Euro

assets

	31.12.2008	31.12.2007
A. RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	-	-
B. FIXED ASSETS		
I. Intangible assets		
7) Other	440,225	413,030
Total intangible assets	440,225	413,030
II. Tangible assets		
4) Other fixed assets	661,719	908,530
Total tangible assets	661,719	908,530
III. Financial assets		
I) Equity investments in:		
b) associated companies	40	40
c) holding companies	22,334,693	22,334,693
Total financial assets	22,334,733	22,334,733
TOTAL B. FIXED ASSETS	23,436,677	23,656,293

	31.12.2008	31.12.2007
C. CURRENT ASSETS		
II. Receivables		
1) Trade receivables:		
– due within one year	79,622,277	92,309,004
3) Group companies:		
– due within one year	240,853	64,173
4) Holding companies:		
– due within one year	63,396	269,039
4 bis) Taxes receivable	700,462	594,110
4 ter) Deferred tax assets	7,180,691	8,573,523
5) Others:		
– due within one year	229,839	262,654
– due over one year	124,150	122,169
Total others	353,989	384,823
Total receivables	88,161,668	102,194,672
IV. Cash and cash equivalents		
1) Banking and postal deposits	35,447,552	33,438,256
3) Cash and cash equivalents	208,778	407,733
Total cash and cash equivalents	35,656,330	33,845,989
TOTAL C. CURRENT ASSETS	123,817,998	136,040,661
D. PREPAYMENTS AND ACCRUED INCOME	146,672	56,010
TOTAL ASSETS	147,401,347	159,752,964

In Euro

liabilities

	31.12.2008	31.12.2007
A. SHAREHOLDERS' EQUITY		
I. Share capital	2,646,540	2,646,540
IV. Legal reserve	520,000	520,000
VII. Other reserves	26,830,923	26,830,923
VIII. Retained earnings	7,931,569	5,032,178
IX. Profit for the year	2,474,268	2,899,390
TOTAL A. SHAREHOLDERS' EQUITY	40,403,300	37,929,031
B. PROVISIONS FOR RISKS AND CHARGES		
3) Other	757,483	885,539
TOTAL B. PROVISIONS FOR RISKS AND CHARGES	757,483	885,539
C. EMPLOYEE LEAVING INDEMNITY	3,712,612	4,105,720

	31.12.2008	31.12.2007
D. PAYABLES		
4) Bank borrowings:		
– due within one year	2,494,587	7,107,294
7) Trade payables:		
– due within one year	8,151,854	8,346,329
10) Group companies:		
– due within one year	26,284,095	30,291,207
11) Holding companies:		
– due within one year	60,070,001	65,034,835
12) Tax payables:		
– due within one year	1,260,046	1,411,546
13) Payables to social security institutions:		
– due within one year	825,201	797,785
14) Others:		
– due within one year	2,204,163	2,539,450
TOTAL D. PAYABLES	101,289,947	115,528,446
E. ACCRUALS AND DEFERRED INCOME	1,238,005	1,304,228
TOTAL LIABILITIES	147,401,347	159,752,964
MEMORANDUM ACCOUNT		
3) Commitments, risks and other memorandum accounts:		
c) secured guarantees given to third parties for obligations of the company	405,657	399,057
f) other		
– bills discounted	3,019,795	3,595,940
TOTAL MEMORANDUM ACCOUNT	3,425,452	3,994,997

In Euro

income statement

	2008	2007
A. VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	192,763,972	201,843,865
5) Other revenues and income	1,709,065	1,570,707
TOTAL A. VALUE OF PRODUCTION	194,473,037	203,414,572
B. COSTS OF PRODUCTION		
6) Purchase of advertising space	(154,613,330)	(163,147,122)
7) Services	(19,468,362)	(20,887,734)
8) Rents, lease and similar costs	(2,691,994)	(2,473,567)
9) Personnel costs:		
a) salaries and wages	(7,687,881)	(7,037,212)
b) social security charges	(2,262,527)	(2,078,477)
c) employee leaving indemnity	(97,493)	(213,013)
d) other costs	(610,446)	(580,462)
Total personnel costs	(10,658,347)	(9,909,164)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	(321,654)	(282,953)
b) depreciation of tangible assets	(309,179)	(306,415)
d) doubtful debt provision	(2,638,810)	(2,217,046)
Total amortisation, depreciation and write-downs	(3,269,643)	(2,806,414)
12) Provisions for risks	-	(58,469)
14) Other operating costs	(162,278)	(5,161,153)
TOTAL B. COSTS OF PRODUCTION	(190,863,954)	(204,443,623)
DIFFERENCE (A-B) BETWEEN VALUE AND COST OF PRODUCTION	3,609,083	(1,029,051)

	2008	2007
C. FINANCIAL INCOME AND CHARGES		
15) Other investment income		
a) dividends from holding companies	–	5,225,600
16) Other financial income		
d) other income from:		
– holding companies	–	660,661
– other	1,610,288	1,192,977
Total other financial income	1,610,288	1,853,638
17) Interest and other financial charges from:		
c) group companies	(54,180)	(129,875)
d) holding companies	–	(6,817)
e) other	(648,940)	(617,649)
Total interest and other financial charges	(703,120)	(754,341)
TOTAL C. FINANCIAL INCOME AND CHARGES	907,168	6,324,897
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
a) gains on disposals	1,000	6,924
b) other extraordinary income	125,694	94,856
Total income	126,694	101,780
21) Charges:		
a) losses on disposals	(2,025)	(7,030)
b) prior years taxes	(49,565)	(17,617)
c) other extraordinary charges	(59,986)	(62,133)
Total charges	(111,576)	(86,780)
TOTAL E. EXTRAORDINARY INCOME AND CHARGES	15,118	15,000
PROFIT BEFORE TAXES	4,531,369	5,310,846
22) Income taxes:		
a) current taxes	(653,875)	(500,827)
c) deferred tax	(1,403,226)	(1,910,629)
Total income taxes	(2,057,101)	(2,411,456)
23) NET PROFIT FOR THE YEAR	2,474,268	2,899,390

In Euro

assets

	31.12.2008	31.12.2007
A. RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	-	-
B. FIXED ASSETS		
I. Intangible assets		
2) Research, development and advertising costs	2,000	7,041
4) Concessions, licenses, trademarks and similar costs	958	38,428
5) Newspapers titles	38,572,600	40,054,450
6) Assets in progress and advances	30,000	-
Total intangible assets	38,605,558	40,099,919
II. Tangible assets		
1) Land and buildings	7,217,189	7,453,821
2) Plant and machinery	6,782,815	8,068,984
3) Industrial and commercial equipment	2,225	638
4) Other fixed assets	335,748	514,500
5) Assets in progress and advances	-	6,986
Total tangible assets	14,337,977	16,044,929
III. Financial assets		
1) Equity investments:		
a) subsidiaries	-	1,163
d) other companies	366,063	371,751
Total equity investments	366,063	372,914
2) Receivables:		
- due within one year		
a) subsidiaries	14,132	14,132
Total receivables	14,132	14,132
Total financial assets	380,194	387,046
TOTAL B. FIXED ASSETS	53,323,729	56,531,894

	31.12.2008	31.12.2007
C. CURRENT ASSETS		
I. Inventories		
1) Raw materials, ancillary and consumables	969,985	729,382
Total inventories	969,985	729,382
II. Receivables		
1) Trade receivables:		
– due within one year	2,376,092	1,731,832
– due over one year	621	621
Total trade receivables	2,376,713	1,732,453
2) Holding companies:		
– due within one year	186	–
3) Group companies:		
– due within one year	7,608,073	9,116,370
4 bis) Taxes receivable:		
– due within one year	439,832	389,999
– due over one year	–	202,177
Total taxes receivable	439,832	592,176
4 ter) Deferred tax	817,001	880,000
5) Others:		
– due within one year	59,470	154,617
– due over one year	45,121	38,296
Total others	104,591	192,914
Total receivables	11,346,395	12,513,912
IV. Cash and cash equivalents		
1) Banking and postal deposits	586,147	673,946
Total cash and cash equivalents	586,147	673,946
TOTAL C. CURRENT ASSETS	12,902,527	13,917,241
D. PREPAYMENTS AND ACCRUED INCOME	255,595	250,026
TOTAL ASSETS	66,481,851	70,699,160

In Euro

liabilities

	31.12.2008	31.12.2007
A. SHAREHOLDERS' EQUITY		
I. Share capital	500,000	500,000
III. Revaluation reserve	2,711,834	2,711,834
IV. Legal reserve	107,681	107,681
VII. Other reserves		
– capital grants as per Law 488/92	740,238	740,238
– capital grants as per Law 67/87	6,251,358	6,251,358
– share capital paid-in	4,350,000	4,350,000
– profit reserve reinvested	739	739
Total other reserves	11,342,334	11,342,334
VIII. Retained earnings	651,023	(954,040)
IX. Profit/(loss) for the year	(379,147)	1,605,062
TOTAL A. SHAREHOLDERS' EQUITY	14,933,725	15,312,872
B. PROVISIONS FOR RISKS AND CHARGES		
1) Provision for risks	2,522,370	3,084,957
2) Tax provisions, includ. deferred tax liability	3,828,631	3,877,000
TOTAL B. PROVISIONS FOR RISKS AND CHARGES	6,351,001	6,961,957
C. EMPLOYEE LEAVING INDEMNITY	9,765,307	11,545,538

	31.12.2008	31.12.2007
D. PAYABLES		
4) Bank borrowings:		
– due within one year	5,237,387	4,935,451
5) Other lenders:		
– due within one year	1,086,243	1,039,675
– due over one year	2,320,513	3,406,756
Total others finanziatori	3,406,756	4,446,431
7) Trade payables:		
– due within one year	4,961,393	4,432,081
10) Group companies:		
– due within one year	527,717	107,363
11) Holding companies:		
– due within one year	204,088	397,814
– due over one year	13,410,000	13,410,000
Total holding companies	13,614,088	13,807,814
12) Tax payables:		
– due within one year	1,004,410	1,473,928
13) Payables to social security institutions:		
– due within one year	1,231,247	1,351,016
14) Other payables:		
– due within one year	2,058,517	2,540,800
TOTAL D. PAYABLES	32,041,514	33,094,885
E. ACCRUALS AND DEFERRED INCOME	3,390,303	3,783,907
TOTAL LIABILITIES	66,481,851	70,699,160
MEMORANDUM ACCOUNT		
Guarantees given directly or indirectly in favour of third parties:		
– mortgage on new factory	17,172,190	17,172,190
– sureties given to third parties	587,561	99,561
Sureties or mortgages received:		
– third parties	905,350	892,438
TOTAL MEMORANDUM ACCOUNT	18,665,101	18,164,189

In Euro

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

income statement

	2008	2007
A. VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	44,289,345	47,680,244
5) Other revenues and income:		
a) other revenues	1,431,389	1,628,232
b) operating grants	582,083	1,064,522
Total other revenues and income	2,013,472	2,692,754
TOTAL A. VALUE OF PRODUCTION	46,302,818	50,372,998
B. COSTS OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods	(6,777,494)	(6,372,857)
7) Services	(12,442,732)	(12,381,255)
8) Rents, lease and similar costs	(929,550)	(873,603)
9) Personnel costs:		
a) salaries and wages	(14,118,644)	(15,499,154)
b) social security charges	(4,771,401)	(4,862,916)
c) employee leaving indemnity	(1,253,355)	(1,400,261)
e) other costs	(840,625)	(454,106)
Total personnel costs	(20,984,025)	(22,216,436)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	(1,526,277)	(1,585,460)
b) depreciation of tangible assets	(1,800,242)	(1,809,488)
Total amortisation, depreciation and write-downs	(3,326,519)	(3,394,947)
11) Change in inventory of raw materials ancillary, consumables and goods	240,603	(202,007)
12) Provision for risks	(769,317)	(4,580)
14) Other operating costs	(720,867)	(647,672)
TOTAL B. COSTS OF PRODUCTION	(45,709,902)	(46,093,357)
DIFFERENCE (A-B) BETWEEN VALUE AND COST OF PRODUCTION	592,916	4,279,642

	2008	2007
C. FINANCIAL INCOME AND CHARGES		
16) Other financial income:		
d) income other than above:		
4) others	2,055	53,909
Total other financial income	2,055	53,909
17) Interest and other financial charges:		
1) group companies	–	(159,140)
2) holding companies	–	(3,683)
4) others	(525,731)	(468,186)
Total interest and other financial charges	(525,731)	(631,009)
TOTAL C. FINANCIAL INCOME AND CHARGES	(523,677)	(577,100)
D. ADJUSTMENT OF FINANCIAL ASSETS		
19) Write-downs of equity investments	(4,421)	–
TOTAL D. ADJUSTMENT OF FINANCIAL ASSETS	(4,421)	–
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
a) gains on disposals	–	18,050
b) other extraordinary income	754,665	488,838
Total income	754,665	506,888
21) Charges:		
a) losses on disposals	(325)	–
b) other extraordinary charges	(84,225)	(509,860)
Total charges	(84,550)	(509,860)
TOTAL E. EXTRAORDINARY INCOME AND CHARGES	(670,115)	(2,972)
PROFIT BEFORE TAXES	734,933	3,699,570
22) Income taxes:		
a) current taxes		
Ires	(219,240)	(409,251)
Irap	(880,209)	(1,112,257)
b) deferred tax charge	48,369	(172,000)
c) deferred tax income	(63,000)	(401,000)
Total income taxes	(1,114,080)	(2,094,508)
23) NET PROFIT FOR THE YEAR	(379,147)	(1,605,062)

In Euro

L E G G O S P A

assets

	31.12.2008	31.12.2007
A. RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	-	-
B. FIXED ASSETS		
I. Intangible assets		
5) Goodwill	2,338	3,507
7) Other	20,341	55,232
Total intangible assets	22,679	58,739
II. Tangible assets		
2) Plant and machinery	9,849	13,723
3) Industrial and commercial equipment	17,809	38,183
4) Other assets	31,245	55,930
Total tangible assets	58,903	107,836
III. Financial assets		
1) Equity investments:		
d) other companies	180	433
Total equity investments	180	433
2) Receivables:		
d) others	4,383	4,383
Total receivables	4,383	4,383
Total financial assets	4,563	4,816
TOTAL B. FIXED ASSETS	86,145	171,391

	31.12.2008	31.12.2007
C. CURRENT ASSETS		
II. Receivables		
1) Trade receivables:		
– due within one year	20,000	20,000
3) Group companies:		
– due within one year	4,626,038	6,345,586
4) Holding companies:		
– due within one year	562,522	–
4 bis) Taxes receivable:		
– due within one year	283,880	130,817
4 ter) Deferred tax assets	55,246	61,846
5) Others:		
– due within one year	4,314	24,643
Total receivables	5,552,000	6,582,892
IV. Cash and cash equivalents		
1) Banking and postal deposits	17,951,059	78,724,425
3) Cash and cash equivalents	900	771
Total cash and cash equivalents	17,951,959	78,725,196
TOTAL C. CURRENT ASSETS	23,503,959	85,308,088
D. PREPAYMENTS AND ACCRUED INCOME		
1) Accrued income	38,484	910,861
2) Prepayments	837,234	387,211
TOTAL D. PREPAYMENTS AND ACCRUED INCOME	875,718	1,298,072
TOTAL ASSETS	24,465,822	86,777,551

In Euro

L E G G O S P A

liabilities

	31.12.2008	31.12.2007
A. SHAREHOLDERS' EQUITY		
I. Share capital	1,000,000	1,000,000
IV. Legal reserve	200,000	200,000
VIII. Retained earnings	18,000,476	11,018,423
IX. Profit/(loss) for the year	(1,558,700)	6,982,053
TOTAL A. SHAREHOLDERS' EQUITY	17,641,776	19,200,476
B. PROVISIONS FOR RISKS AND CHARGES	-	-
C. EMPLOYEE LEAVING INDEMNITY	542,678	497,901

	31.12.2008	31.12.2007
D. PAYABLES		
4) Bank borrowings:		
– due within one year	452,443	295,640
7) Trade payables:		
– due within one year	4,211,771	4,095,827
9) Group companies:		
– due within one year	1,249,185	1,770,685
10) Holding companies	–	60,557,567
12) Tax payables:		
– due within one year	82,249	135,157
13) Payables to social security institutions:		
– due within one year	196,386	166,728
14) Other payables:		
– due within one year	84,934	53,170
TOTAL D. PAYABLES	6,276,968	67,074,774
E. ACCRUALS AND DEFERRED INCOME		
2) Deferred Income	4,400	4,400
TOTAL E. ACCRUALS AND DEFERRED INCOME	4,400	4,400
TOTAL LIABILITIES	24,465,822	86,777,551
MEMORANDUM ACCOUNT		
Commitments and others risks with third parties	7,424	7,424
TOTAL MEMORANDUM ACCOUNT	7,424	7,424

In Euro

L E G G O S P A

income statement

	2008	2007
A. VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	20,952,517	22,125,196
5) Other revenues and income	261,910	273,175
TOTAL A. VALUE OF PRODUCTION	21,214,427	22,398,371
B. COSTS OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods	(4,924,751)	(5,100,269)
7) Services	(14,587,725)	(13,524,660)
8) Rents, lease and similar costs	(2,091,719)	(1,971,045)
9) Personnel costs:		
a) salaries and wages	(1,746,873)	(1,687,450)
b) social security charges	(463,273)	(448,975)
c) employee leaving indemnity	(139,757)	(140,199)
e) other costs	(44,502)	(164,063)
Total personnel costs	(2,394,405)	(2,440,687)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	(36,741)	(37,502)
b) depreciation of tangible assets	(48,933)	(53,321)
Total amortisation, depreciation and write-downs	(85,674)	(90,823)
14) Other operating costs	(115,968)	(153,831)
TOTAL B. COSTS OF PRODUCTION	(24,200,242)	(23,281,315)
DIFFERENCE (A-B) BETWEEN VALUE AND COST OF PRODUCTION	(2,985,815)	(882,944)

	2008	2007
C. FINANCIAL INCOME AND CHARGES		
15) Income from investments:		
c) other	–	5,167
Total income from investments	–	5,167
16) Other financial income:		
d) income other than above:		
2) group companies	–	28,133
4) others	947,168	11,364,262
Total other financial income	947,168	11,392,395
17) Interest and other financial charges:		
b) group companies	(10,358)	–
d) others	(25,062)	(21,003)
Total interest and other financial charges	(35,420)	(21,003)
TOTAL C. FINANCIAL INCOME AND CHARGES	911,748	11,376,559
D. ADJUSTMENT OF FINANCIAL ASSETS	–	–
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
b) other extraordinary income	2,008	56,800
21) Charges:		
c) other extraordinary charges	(41,401)	–
TOTAL E. EXTRAORDINARY INCOME AND CHARGES	(39,393)	56,800
PROFIT BEFORE TAXES	(2,113,460)	10,550,415
22) Income taxes:		
a) current taxes	–	(72,835)
c) deferred tax assets	554,760	(3,495,527)
Total income taxes	554,760	(3,568,362)
23) NET PROFIT FOR THE YEAR	(1,558,700)	6,982,053

In Euro

assets

	31.12.2008	31.12.2007
A. RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	-	-
B. FIXED ASSETS		
I. Intangible assets		
3) Industrial patents and intellectual property rights	33,578	51,129
5) Goodwill	19,543,495	21,046,841
6) Assets in progress and advances	-	10,400
7) Other	66,473	113,565
Total intangible assets	19,643,546	21,221,935
II. Tangible assets		
1) Land and buildings	848,580	896,390
2) Plant and machinery	45,448	63,121
4) Other fixed assets	386,330	335,821
5) Assets in progress and advances	-	220,416
Total tangible assets	1,280,358	1,515,748
III. Financial assets		
1) Equity investments:		
a) subsidiaries	7,374,292	7,374,292
b) associated companies	442,212	442,212
d) other companies	404,717	412,367
Total equity investments	8,221,221	8,228,871
Total financial assets	8,221,221	8,228,871
TOTAL B. FIXED ASSETS	29,145,125	30,966,554

	31.12.2008	31.12.2007
C. CURRENT ASSETS		
I. Inventories		
1) Raw materials, ancillary and consumables	425,368	466,085
Total inventories	425,368	466,085
II. Receivables		
1) Trade receivables:		
– due within one year	1,440,276	1,312,684
2) Subsidiaries:		
– due within one year	1,259,115	1,719,308
3) Associated companies:		
– due within one year	840,207	840,207
4) Holding companies:		
– due within one year	19,459	9,098,811
4 bis) Taxes receivable:		
– due within one year	684,763	11,984
– due over one year	39,825	75,741
Total taxes receivable	724,588	87,725
4 ter) Deferred tax assets		
– due within one year	271,367	927,435
– due over one year	716,248	377,566
Total deferred tax assets	987,615	1,305,001
5) Others:		
– due within one year	8,763,647	9,565,143
– due over one year	149,550	164,680
Total others	8,913,197	9,729,823
Total receivables	14,184,457	24,093,559
IV. Cash and cash equivalents		
1) Banking and postal deposits	374,299	9,493,263
3) Cash and cash equivalents	8,682	6,090
Total cash and cash equivalents	382,981	9,499,353
TOTAL C. CURRENT ASSETS	14,992,806	34,058,997
D. PREPAYMENTS AND ACCRUED INCOME	75,914	107,449
TOTAL ASSETS	44,213,845	65,133,000

In Euro

liabilities

	31.12.2008	31.12.2007
A. SHAREHOLDERS' EQUITY		
I. Share capital	5,100,492	5,100,492
II. Share premium reserve	7,284	15,827,304
IV. Legal reserve	1,020,098	1,020,098
VIII. Retained earnings	–	10,308,004
IX. Profit/(loss) for the year	(239,520)	2,984,014
TOTAL A. SHAREHOLDERS' EQUITY	5,888,354	35,239,912
B. PROVISIONS FOR RISKS AND CHARGES		
1) Pensions and similar obligations	307,750	119,808
3) Others	2,496,000	1,966,000
TOTAL B. PROVISIONS FOR RISKS AND CHARGES	2,803,750	2,085,808
C. EMPLOYEE LEAVING INDEMNITY	7,389,307	7,659,161

	31.12.2008	31.12.2007
D. PAYABLES		
4) Bank borrowings:		
– due within one year	593,002	2,627,886
7) Trade payables:		
– due within one year	4,713,958	4,395,645
9) Subsidiaries:		
– due within one year	6,979,556	6,891,089
10) Associated companies:		
– due within one year	181,680	600
11) Holding companies:		
– due within one year	9,633,612	–
12) Tax payables:		
– due within one year	1,144,009	1,827,713
13) Payables to social security institutions:		
– due within one year	1,519,227	1,421,328
14) Other payables:		
– due within one year	3,352,525	2,978,133
TOTAL D. PAYABLES	28,117,569	20,142,394
E. ACCRUALS AND DEFERRED INCOME	14,865	5,725
TOTAL LIABILITIES	44,213,845	65,133,000
MEMORANDUM ACCOUNT		
Purchase commitments	156,820	125,000
TOTAL MEMORANDUM ACCOUNT	156,820	125,000

In Euro

income statement

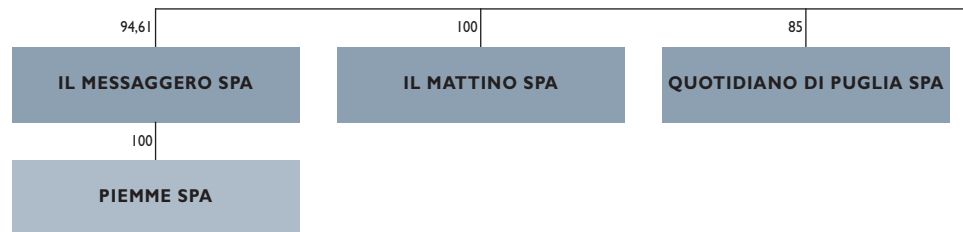
	2008	2007
A. VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	50,976,220	56,267,518
5) Other revenues and income:		
a) Other revenues and income	1,269,119	1,885,082
TOTAL A. VALUE OF PRODUCTION	52,245,339	58,152,600
B. COSTS OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods	(5,159,952)	(5,352,551)
7) Services	(24,165,193)	(24,967,750)
8) Rents, lease and similar costs	(1,110,873)	(1,176,154)
9) Personnel costs:		
a) salaries and wages	(12,973,024)	(13,215,337)
b) social security charges	(3,780,529)	(3,897,530)
c) employee leaving indemnity	(1,130,875)	(1,168,799)
e) other costs	(3,513)	(15,142)
Total personnel costs	(17,887,941)	(18,296,808)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	(1,580,008)	(1,601,093)
b) depreciation of tangible assets	(244,207)	(198,719)
Total amortisation, depreciation and write-downs	(1,824,215)	(1,799,812)
11) Change in inventory of raw materials ancillary, consumables and goods	(21,430)	(298,946)
12) Provisions for risks	(1,054,526)	(902,303)
14) Other operating costs	(610,351)	(843,424)
TOTAL B. COSTS OF PRODUCTION	(51,834,481)	(53,637,748)
DIFFERENCE (A-B) BETWEEN VALUE AND COST OF PRODUCTION	410,858	4,514,852

	2008	2007
C. FINANCIAL INCOME AND CHARGES		
16) Other financial income:		
d) income other than above:		
1) subsidiaries	9,877	222,932
2) holding companies	24,590	183,523
4) others	765,020	64,203
Total other financial income	799,487	470,658
17) Interest and other financial charges:		
1) subsidiaries	(175,030)	(161,678)
2) holding companies	(33,612)	–
4) others	(121,933)	(181,898)
Total interest and other financial charges	(330,575)	(343,576)
TOTAL C. FINANCIAL INCOME AND CHARGES	(468,912)	(127,082)
D. ADJUSTMENT OF FINANCIAL ASSETS		
18) Revaluation:		
a) of equity investments	–	51,846
19) Write-down:		
a) of equity investments	(3,952)	(1,282,924)
TOTAL D. ADJUSTMENT OF FINANCIAL ASSETS	(3,952)	(1,231,078)
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
b) other extraordinary income	–	5,000,000
21) Charges:		
b) prior years taxes	(5,944)	–
c) other extraordinary charges	(77,008)	(776,390)
Total charges	(82,952)	(776,390)
TOTAL E. EXTRAORDINARY INCOME AND CHARGES	(82,952)	4,223,610
PROFIT BEFORE TAXES	792,866	7,634,466
22) Income taxes:		
a) current taxes	(715,000)	(1,300,000)
b) deferred taxes	(317,386)	(3,350,452)
Total income taxes	(1,032,386)	(4,650,452)
23) NET PROFIT FOR THE YEAR	(239,520)	2,984,014

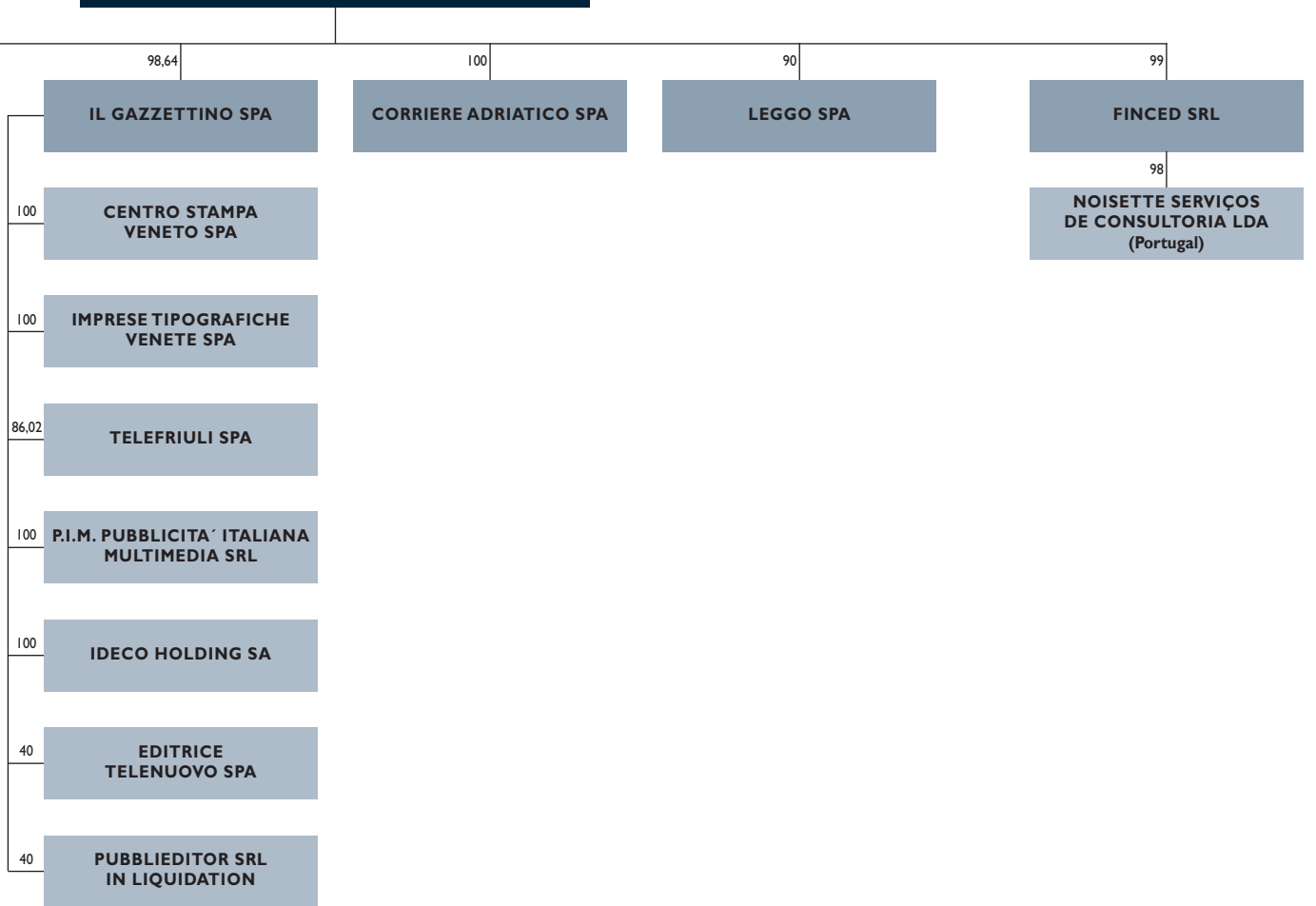
In Euro

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