



**INTERIM REPORT**  
**September 30th 2010**

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## Corporate Boards

### Board of Directors

*Chairman* Francesco Gaetano Caltagirone

*Vice Chairmen* Gaetano Caltagirone  
Azzurra Caltagirone

*Directors* Francesco Caltagirone  
Alessandro Caltagirone  
Massimo Confortini \*  
Mario Delfini \*  
Massimo Garzilli \*  
Franco Luciano Lenti  
Albino Majore \*  
Giampietro Nattino \*

### Board of Statutory Auditors

*Chairman* Raul Bardelli

*Standing Auditors* Federico Malorni  
Maria Assunta Coluccia

**Executive Responsible** Roberto Di Muzio

**Independent Auditors** KPMG SpA

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\* *Members of the Internal Control Committee*

## Introduction

The present interim report at September 30<sup>th</sup> 2010 was prepared in accordance with IAS/IFRS. The report is in compliance with article 154, paragraph 5 of Legislative Decree 58/1998, as supplemented.

## Highlights

In the first nine months of 2010 the Caltagirone Editore Group operated within a still uncertain general economic and market environment.

Group advertising revenues of Euro 109.6 million decreased by 2.9% on the same period of the previous year (Euro 112.8 million), in a market reporting increased overall advertising spending in the January-August period of 4.8% according to the Nielsen Media Research, however with contrasting performances in the various sectors. While TV, radio and internet communication grew respectively by 7.7%, 12.8% and 17.7%, newspaper advertising revenues overall contracted by 3.8%, confirming also the differences between paid newspapers (-0.3%) and the free press (-10.8%).

Within this overall economic environment - according to ADS data (moving average over the last 12 months to July 2010) - daily newspapers sales fell 6.6%.

## Operating Performance in 9M and Q3 2010

Caltagirone Editore Group in the first nine months of 2010 reported an EBITDA of Euro 15.2 million, a significant improvement on 9M 2009 (Euro 3.8 million), due to the significant reduction in operating costs (-10.2%).

The Ebitda margin on Revenues was 8.6%.

The EBIT improved from a loss of Euro 12.4 million in 9M 2009 to a profit of Euro 5.8 million. The 2009 result was affected by extraordinary charges of approx. Euro 6.9 million related to the restructuring plans of the publishing companies of the Group.

The pre-tax result was a profit of Euro 6.2 million compared to a loss of Euro 30.2 million in the first nine months of 2009, which was affected by the financial management result including the Group share of an associated company loss of Euro 9.2 million and a loss of Euro 12.3 million relating to the sale of listed shares on the market.

In the third quarter of 2010, the Group recorded revenues of Euro 53.5 million, a decrease of 5.6% on the same period of the previous year, with an EBITDA of Euro 2.9 million compared to Euro 866 thousand in Q3 2009.

The EBIT improved from a loss of Euro 6.2 million in Q3 2009 to a loss of Euro 362 thousand in the third quarter of 2010, considering also that the 2009 result was affected by extraordinary restructuring charges for approx. Euro 3.9 million.

The key financial results for the first nine months and third quarter of 2010 compared with the same periods in 2009 are shown below.

<i>In Euro thousands</i>	<b>9M 10</b>	<b>9M 09</b>	<b>Change %</b>	<b>Q3 2010</b>	<b>Q3 2009</b>	<b>Change %</b>
Circulation revenues	60,545	63,506	-4.7%	21,517	22,638	-5.0%
Promotions revenues	1,680	3,052	-45.0%	612	365	na
Advertising revenues	109,570	112,876	-2.9%	29,555	32,127	-8.0%
Other operating revenues	5,959	5,346	11.5%	1,849	1,596	15.9%
<b>Total operating revenues</b>	<b>177,754</b>	<b>184,780</b>	<b>-3.8%</b>	<b>53,533</b>	<b>56,726</b>	<b>-5.6%</b>
Raw material costs	(19,064)	(24,873)	-23.4%	(6,215)	(8,210)	-24.3%
Labour costs	(71,011)	(78,332)	-9.3%	(21,119)	(23,236)	-9.1%
Other operating costs	(72,481)	(77,760)	-6.8%	(23,300)	(24,414)	-4.6%
<b>total operating costs</b>	<b>(162,556)</b>	<b>(180,965)</b>	<b>-10.2%</b>	<b>(50,634)</b>	<b>(55,860)</b>	<b>-9.4%</b>
<b>EBITDA</b>	<b>15,198</b>	<b>3,815</b>	<b>Na</b>	<b>2,899</b>	<b>866</b>	<b>na</b>
Amortisation, depreciation and provisions	(9,419)	(10,747)	-12.4%	(3,261)	(3,817)	-14.6%
Actuarial reserve provision	-	(5,431)	Na	-	(3,291)	na
<b>EBIT</b>	<b>5,779</b>	<b>(12,363)</b>	<b>Na</b>	<b>(362)</b>	<b>(6,242)</b>	<b>94.2%</b>
Financial result	514	(17,922)	Na	(518)	(262)	na
<b>Profit/(loss) before taxes</b>	<b>6,293</b>	<b>(30,285)</b>	<b>Na</b>	<b>(880)</b>	<b>(6,504)</b>	<b>86.5%</b>
Group net profit (loss)	6,599	(29,867)	Na	(747)	(6,313)	88.2%
Minority interest share	(306)	(418)	26.8%	(133)	(191)	30.4%

Operating Revenues reduced 3.8% due to the contraction in all the principal revenue components, as a result of the continued general uncertainty related to the poor domestic and international economic situation influencing investors.

The cost of raw materials dropped 23.4% principally due to the lower unitary purchase price of paper (approx. -15%) and also the lower amount utilised in the production process on the reduced number of copies printed and the new format adopted for "Il Gazzettino".

Labour costs decreased by 9.3% on 9M 2009 with the restructuring begun in 2009.

Other operating costs decreased overall by 6.8% principally due to the reduction in copies distributed of the free newspaper “Leggo” and the lower number of promotional products offered.

Amortisation, depreciation, write-downs and provisions of Euro 9.4 million includes amortisation and depreciation of Euro 7 million, doubtful debts of approx. Euro 1.3 million and provisions for risks of Euro 1.1 million. The reduction on the same period of the previous year is due to the presence in 2009 of higher doubtful debt provisions of approx. Euro 1 million. The previous year also included provisions of Euro 5.4 million relating to the estimated costs to implement the restructuring plans.

The net financial management result recorded income of Euro 514 thousand (charges of Euro 17.9 million in 2009) comprising the result from the valuation of companies under the equity method reporting a charge of Euro 342 thousand (charge of Euro 9.5 million in 2009) and the financial management result of Euro 856 thousand (charge of Euro 8.4 million in 2009).

As illustrated previously in 2009 the result of the companies valued under the equity method was affected by the recording of a Euro 9.2 million loss by an associated company.

The financial management result includes financial income of Euro 4.9 million (Euro 6.7 million in 2009) and financial charges of Euro 4 million (Euro 15.1 million in 2009).

The reduction of financial income on 2009 follows both the decrease in interest on funds held, which have decreased due to the investments made in the period, and the decrease in dividends from listed shares in portfolio.

The significant reduction in financial charges is, as already stated, due to the presence in 2009 of a loss incurred through the sale on the market of listed shares.

## Publishing activities

<i>In Euro thousands</i>	9M 2010	9M 2009	Cge %	Q3 2010	Q3 2009	Cge %
<b>Newspaper sales</b>	60,545	63,506	-4.7%	21,517	22,638	-5.0%
<b>Promotions revenues</b>	1,680	3,052	-45.0%	612	365	67.7%
<b>Total</b>	62,225	66,558	-6.5%	22,129	23,003	-3.8%

Revenues from sales recorded a total decrease of 6.5% on 9M 2009. In particular revenues from newspaper sales of Euro 60.5 million decreased by 4.7%; the Group - for the moment - has not applied the price rises implemented by almost all of its competitors.

Following the continual reduction in the add-on products, the revenues from products sold together with the Group's newspapers decreased by 45%; volumes, and especially margins, remaining substantially unchanged, are not considered significant in relation to the overall result.

## Advertising revenues

<i>In Euro thousands</i>	<b>9M 2010</b>	<b>9M 2009</b>	<b>Cge %</b>	<b>Q3 2010</b>	<b>Q3 2009</b>	<b>Che %</b>
<b>Advertising</b>						
• Il Messaggero	49,339	51,853	-4.8%	13,758	15,139	-9.1%
• Il Mattino	19,457	18,649	4.3%	5,256	5,452	-3.6%
• Il Gazzettino	15,926	16,627	-4.2%	4,429	4,841	-8.5%
• Leggo	14,168	15,282	-7.3%	3,014	3,507	-14.1%
• Quotidiano di Puglia	4,203	4,278	-1.8%	1,269	1,335	-4.9%
• Corriere Adriatico	3,772	3,767	0.1%	1,131	1,100	2.8%
<b>Total newspapers</b>	<b>106,865</b>	<b>110,456</b>	<b>-3.3%</b>	<b>28,857</b>	<b>31,374</b>	<b>-8.0%</b>
• Other advertising revenues	2,705	2,420	11.8%	698	753	-7.3%
<b>Total</b>	<b>109,570</b>	<b>112,876</b>	<b>-2.9%</b>	<b>29,555</b>	<b>32,127</b>	<b>-8.0%</b>

In the first nine months of 2010, advertising revenues contracted 2.9% on the same period in the previous year, with contrasting performances in the quarters. An increase of 4.7% was recorded in the first quarter with decreases in the second and third quarters respectively of 5.4% and 8%. The fall off was particularly significant in newspaper advertising revenues from national advertising campaigns in comparison to newspapers concentrated on local advertising.

The Other advertising revenues principally include revenues from the internet sites of the Group newspapers (Euro 1.9 million) and on the Telefriuli television network for approx. Euro 672 thousand; the internet advertising revenues performed very strongly (+35%) although currently the volumes do not contribute significantly to the overall result.

## Net Cash Position

The Net Cash Position at September 30<sup>th</sup> 2010 amounted to Euro 217.3 million decreasing on Euro 226.3 million at December 31<sup>st</sup> 2009 following the distribution of

dividends of Euro 6.2 million and the acquisition of listed shares of Euro 11.4 million, net of the positive operating cash flow.

<i>In Euro thousands</i>	<b>30/09/10</b>	<b>31/12/09</b>
Current financial assets	5,987	5,505
Cash and cash equivalents	263,742	284,460
Non-current financial liabilities	(37,119)	(41,387)
Current financial liabilities	(15,263)	(22,266)
	<b>217,347</b>	<b>226,312</b>

The Caltagirone Editore Group Shareholders' Equity amounted to Euro 767.7 million (Euro 786.7 million at December 31<sup>st</sup> 2009); the decrease is principally due to the net effect of the result for the period, the distribution of the dividend and the effects of the valuation at fair value of the shareholdings held by the Group.

## Other information

The holding in the company E-Care Spa decreased from 24.5% to 15% following the share capital increase, in which Caltagirone Editore Spa did not participate.

## Q4 2010 Outlook

The general economic climate and consumer sentiment within the sector continues to be uncertain, although the extensive cost control policy implemented by the Group has resulted in significant benefits in the period which will continue to be seen in the coming months.

Rome, November 9<sup>th</sup> 2010

For the Board of Directors

The Chairman

Francesco Gaetano Caltagirone

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The Executive responsible for the preparation of the corporate accounting documents, Roberto Di Muzio, declares in accordance with article 154 bis, paragraph 2, of the Consolidated Finance Act, that the accounting information contained in the present report corresponds to the underlying accounting documents, records and accounting entries.