CALTAGIRONE EDITORE

2011 annual report
twelfth 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 26th, 2012

AGENDA

1. Presentation of the Separate
   and Consolidated financial statements
   for the year ended December 31st, 2011,
   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 2011-2013 and 2014,
   determining the number of Board members
   and relative remuneration.

3. Appointment of the Board of Statutory Auditors
   for the three-year period 2012-2013 and 2014
   and determination of emoluments.

4. Appointment of the Independent Audit Firm
   for the 2012-2020 period;
   Resolutions thereon.

5. Resolutions on the sale and purchase of treasury shares
   in accordance with Article 2357 of the Civil Code.

6. *Remuneration Report*,
   in accordance with Article 123 ter, paragraph 6
   of Legislative Decree No. 58/98;
   Resolutions thereon.

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

extract from the ordinary shareholders' meeting of April 26th, 2012

The Shareholders' Meeting in first call
chaired by Mr. Francesco Gaetano Caltagirone,
with the attendance of 31 Shareholders
representing 88,044,749 shares (70.5103%),
approved the following resolutions:

- approval of the Board of Director's Report and the Financial statements for the year ended December 31st, 2011;

- distribution of a dividend of Euro 0.03 for each share outstanding;

- the appointment of the new Board of Directors and the new Board of Statutory Auditors for the three-year period 2012-2013 and 2014;

- to approve the proposal of the Board of Statutory Auditors to appoint the Independent Audit Firm PricewaterhouseCoopers for the nine-year period January 1st, 2012-December 31th, 2020 for the auditing of the Financial statements;

- to authorise the purchase of 3,750,000 treasury shares, for a maximum period of 18 months;

- to approve the General guidelines for the remuneration policy of the Board of Directors and of the Board of Statutory Auditors adopted by the Company.

corporate boards after shareholders' meeting of April 26th, 2012

Board of Directors

Chairman

Francesco Gaetano Caltagirone

Vice Chairmen

Azzurra Caltagirone
Gaetano Caltagirone

Directors

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

Board of Statutory Auditors

Chairman

Antonio Staffa

Standing Auditors

Maria Assunta Coluccia
Federico Malorni

Manager Responsible for Financial Reports

Roberto Di Muzio

Independent Auditors

PricewaterhouseCoopers SpA

** Members of the Internal Control Commitee*

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 is attributed all the ordinary and extraordinary administrative powers with the exception of those reserved by law and by the Company By-Laws to the Board of Directors.

Vice Chairmen

In the case of the absence or impediment of Chairman, the Vice Chairman Gaetano Caltagirone, and in the case of his impediment the Vice Chairman Azzurra Caltagirone is conferred all powers of ordinary and extraordinary administration, with the exception of those reserved by law or the Company By-Laws to the Shareholders' Meeting and the Board of Directors.

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CALTAGIRONE EDITORE

consolidated financial statements
at December 31st, 2011

director's report on the group results for the year ended december 31st, 2011

INTRODUCTION

The present Directors' Report refers to the Consolidated and Separate financial statements at December 31st 2011 prepared in accordance with *International Financial Reporting Standards* (*IFRS*), *International Accounting Standards* (*IAS*) and the interpretations of the *International Financial Reporting Interpretations Committee* (*IFRIC*) and of the *Standing Interpretations Committee* (*SIC*), approved by the European Commission (hereinafter *IFRS*).
The present Report should be read together with the Consolidated and Separate financial statements and the relative Notes, which constitute the Annual accounts for 2011.

GROUP OPERATIONS

Highlights

The Caltagirone Editore Group reports a net loss of Euro 30.7 million in 2011, with overall revenues of Euro 226 million; in 2010, the Group reported a profit of Euro 6 million with revenues of Euro 248.3 million.
The Ebitda totalled Euro 8.7 million, a decrease on the previous year (Euro 27.4 million), due principally to the reduction in operating revenues, in particular advertising revenues. The Ebitda revenue margin was 3.8%.
The Ebit, net of amortisation, depreciation, write downs and provisions of Euro 12.2 million recorded a loss of Euro 3.5 million (profit of Euro 13.8 million in 2010).

The key financial results compared to 2010 are shown below:

Income statement	2011	2010	Change %
Circulation revenues	77,360	79,842	-3.1
Promotions revenues	1,098	2,282	-51.9
Advertising revenues	139,859	155,981	-10.3
Other operating revenues	7,673	10,241	-25.1
OPERATING REVENUES	**225,990**	**248,346**	**-9.0**
Raw materials, supplies and consumable stores	(28,181)	(25,589)	10.1
Labour costs	(94,474)	(96,405)	-2.0
Other operating charges	(94,657)	(98,933)	-4.3
OPERATING COSTS	**(217,312)**	**(220,927)**	**-1.6**
EBITDA	**8,678**	**27,419**	**-68.4**
Amortisation, depreciation & provisions	(12,167)	(13,562)	-10.3
EBIT	**(3,489)**	**13,857**	**n.a.**
Share of in./(charges) of companies valued at equity	**(2)**	**(342)**	**n.a.**
Financial income	8,245	5,715	44.3
Financial charges	(36,698)	(4,720)	n.a.
Financial result	**(28,453)**	**995**	**n.a.**
PROFIT/(LOSS) BEFORE TAXES	**(31,944)**	**14,510**	**n.a.**
Income taxes	754	(8,814)	n.a.
NET PROFIT/(LOSS) BEFORE MINORITY SHARE	**(31,190)**	**5,696**	**n.a.**
Minority interest profit	453	307	47.6
NET PROFIT/(LOSS) FOR THE YEAR	**(30,737)**	**6,003**	**n.a.**

In Euro thousands

The reduction in Operating Revenues of 9% follows principally the decrease in circulation revenues (-3.1%) and a contraction in advertising revenues (-10.3%); these figures were affected by the continuation of the crisis which hit the overall economy and with significant repercussions for the publishing sector.
This reduction was also impacted by the drop in other operating revenues (-25.1%) due to the presence in 2010 of extraordinary non-recurring items.
Raw material costs increased 10.1% principally due to international paper price increases, despite the lower quantity utilised in the production process.
Labour costs reduced 2% on 2010, although including also non-structural costs of approx. Euro 1 million, following the agreement with the printing staff of the subsidiary Il Messaggero SpA of a complex restructuring plan which involves the departure of 30 employees. On a like-for-like comparison and excluding therefore extraordinary charges, labour costs (impacted by the collective labour contracts for both journalists and printing staff) reduced by 3.1% on the previous year, as a result of the corporate restructuring undertaken in previous years.
Other operating costs decreased by 4.3% due to the reduction in copies distributed of the free newspaper *Leggo* and the lower amount of add-on products, lower commissions paid to agents and the general cost containment exercises carried out in recent years.
Amortisation, depreciation, write-downs and provisions includes amortisation and depreciation of Euro 8.9 million, doubtful debts of approx. Euro 2.4 million and provisions for risks of Euro 812 thousand.
Net financial charges of Euro 28.5 million were recorded (net income of Euro 995 thousand in 2010), comprising financial income of Euro 8.2 million (Euro 5.7 million in 2010) and financial charges of Euro 36.7 million (Euro 4.7 million in 2010).
The financial income includes Euro 4.4 million of interest income on funds held and Euro 3.2 million as dividends received on listed shares. The increase of Euro 2.5 million on 2010 is due to both improved returns on Group liquidity following increased interest rates and higher dividends from listed shares in portfolio.
Financial charges include the loss of approx. Euro 12.8 million from the sale on the market of listed shares in portfolio and the write-down on listed shares for approx. Euro 20.7 million to Stock Market values at December 31st, 2011; these write-downs were carried out in application of the Group criteria to identify impairments on listed shares.
Tax income was Euro 754 thousand (charge of Euro 8.8 million in 2010) and includes the estimate for current income taxes and deferred tax income and charges. In comparison with the previous year, income taxes in 2011 included a positive benefit of Euro 6.4 million from the recording of deferred tax assets on tax losses matured in the year against a declaration in 2010 of Euro 728 thousand.

The Group Net cash position at December 31st 2011 was Euro 180.9 million.

Net cash position*	**31.12.2011**	**31.12.2010**
Current financial assets	1,548	4,211
Cash and cash equivalents	230,294	256,987
Non-current financial liabilities	(28,868)	(33,756)
Current financial liabilities	(22,032)	(18,544)
Total	**180,942**	**208,898**

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*

The Net cash position decreased by approx. Euro 28 million due principally to net investment in listed shares of approx. Euro 21.9 million and the distribution of dividends of Euro 6.3 million.

The Group Consolidated Net equity decreased from Euro 761.9 million to Euro 720.4 million at December 31st 2011; the decrease of Euro 41.6 million is due to the loss in the year (Euro 30.7 million), the distribution of the dividend and the valuation at fair value of equity investments (Euro 8 million), in part offset by the positive impact from the valuation of employee leaving indemnity according to *IAS 19*.

At December 31st 2011 Caltagirone Editore SpA had 132,125 treasury shares in portfolio, comprising 0.1057% of the share capital for a value of Euro 169,993. The purchases of treasury shares were made in the period August 3rd, 2011-October 25th, 2011, the date on which the authorisation expired.

The Balance sheet and Income statement ratios are provided below:

	2011	**2010**
ROE* *Net result/Net equity***	(4.33)	0.75
ROI* *Operating profit/Total assets***	(0.37)	1.38
ROS* *Operating profit/Operating revenues***	(1.54)	5.58
Equity Ratio *Net equity/Total assets*	0.76	0.76
Indice di liquidità *Current assets/Current liabilities*	3.63	3.81
Indice di struttura primario *Net equity/Non-current assets*	1.14	1.15

* *Values in %*

** *For definitions of Net result and Operating profit,reference is made to the table attached at page 11 of the present Report*

The operating ratios highlight a drop in profitability due to the contraction in revenues which impact both the operating performance and the financial management performance.

The Balance sheet ratios confirm Group financial and Balance sheet equilibrium, with good stability in the ratio between equity and debt[1], a good capacity to meet short-term commitments through liquid funds[2] and finally a good equilibrium between equity and fixed assets[3].

Group operating performance

Publishing

Circulation revenues

Group sales revenues from circulation and promotions decreased overall by 4.5% on 2010. In particular revenues from newspaper sales of Euro 77.4 million decreased by 3.1% within a difficult market in which according to ADS[4] data (moving average over the last 12 months to November 2011) sales contracted by 4.5%.

In relation to the sales performance of the individual Group newspapers, the turnaround achieved by *Il Gazzettino* is highlighted, with sales up 1.6%.

The Group – for the moment – has not applied the price rises implemented by almost all of its competitors.

The revenues from products sold together with the Group's newspapers decreased by 51.9% following the substantial shift away from add-on products; these margins however are not significant in relation to the overall result (Euro 291 thousand).

The Group is currently developing the multimedia version of its newspaper titles to attract new readers. The company Ced Digital & Servizi Srl was incorporated on June 8th, 2011 to manage the multimedia activities.

Advertising revenues

The poor advertising revenue performance (-10.3%) is related to the continued and extensive crisis which is impacting the advertising market. Economic weakness and an uncertain outlook have significantly affected consumption and therefore advertising investment, with the various media affected to differing degrees. In particular, the press sector overall in the period January-December 2011 contracted by 5.3%[5] on 2010, due to the drop in the paid newspaper advertising market (-5.5%)[6], the free press (-22.4%)[6] and periodicals (-3.6%)[6].

The decrease in revenues concerning the sale of advertising space in Group daily newspapers was impacted also by the particularly extensive drop in advertising revenues of the *Leggo* newspaper (-27.3%); net of this effect, the reduction in advertising revenues for paid daily newspapers was 7.9%.

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.
4. Accertamenti Diffusione Stampa (Newspaper Circulation Authority).
5. Data: FCP Press Research Centre – January-December 2011-2010.
6. ADS Data (Newspaper Circulation Authority).

The Group companies' internet advertising revenues grew 27% on the same period of the previous year. Sector internet advertising grew by +12.3%[7]. Although internet advertising revenues are in rapid growth, the volumes in this sector are not yet significant in relation to Group overall advertising revenue.

Transactions with related parties

The transactions with "related" parties, as set out in *IAS 24*, include inter-company transactions, form part of the ordinary business activities and are governed at market conditions.
The Company has not carried out significant transactions nor significant levels of ordinary transactions as established by Consob Regulation concerning transactions with related parties adopted with Resolution No. 17221 of March 12th 2010.
The information on transactions with related parties, including those required by Consob Communication of July 28th 2006, is shown in the Notes to the Consolidated financial statements.

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.

7. FCP data - Assointernet, January-December 2011.

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 of the Consolidated and Separate financial statements, to which reference is 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.

Exchange rate risk
The Group has a contained exposure to exchange rate risk in that significant liquidity is held both in Euro and in foreign currencies. The exchange rate risk would only impact financial income as operations and revenues are carried out exclusively in Italy, in addition to the principal costs. The exchange rate risk on financial assets is reduced as concerning currencies which historically have not recorded significant movements against the Euro.

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 in that the loans undertaken are contracted in Euro, which currently presents low interest rates following the monetary policies adopted by the central banks to counter the recession.

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 going concern

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, as previously highlighted, 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 2011, there were 1,060 employees (1,079 at December 31st 2010).
During the year, the winding-up was completed of the subsidiary companies Noisette Serviços de Consultoria Lda, Edi.Me. Sport Srl in liquidation and Ideco Holding SA in liquidation, which have been non-operative for some time.
For segment information on the costs, revenues and investments, reference should be made to the Notes to the Consolidated financial statements.
The reconciliation of the Shareholders' equity and Net profit of the Group and of the Parent Company as per Consob Communication No. 6064293 of July 28th 2006 is attached to the present report.

Significant events after the year-end

In January, the Caltagirone Editore Group sold listed shares in portfolio on the market, resulting in a loss of approx. Euro 1.3 million.
In the same month, the Group – through the subsidiary Finced Srl – acquired on the market 3,250,000 rights option concerning the Share capital increase approved by Unicredit SpA and consequently subscribed to the increase for 6,500,000 shares with a total value of Euro 19.8 million. Following the share capital subscription, a further 450,000 Unicredit SpA shares were acquired on the market for Euro 1.7 million.
No further significant events occurred after December 31st 2011.

Outlook

Deep uncertainty permeates the general sector outlook against which the Group continues to implement a rigorous cost control policy. The Group is currently developing the multimedia versions of its newspaper titles and the internet activities in order to attract new sources of advertising and new readers. The new editorial focus of *Leggo*, the leading *Social press* – together with the now reduced amount of operators in the free press – is expected to drive results.

For the year 2011 Caltagirone Editore SpA reports total revenues and income of Euro 4.8 million, and a net loss of Euro 29.6 million due to write-downs on investments of Euro 22.5 million and losses of Euro 12.8 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:

	2011	2010
Dividends from other companies	2,145	1,103
Other financial income	2,637	1,491
Financial income	**4,782**	**2,594**
Interest and financial charges from subsidiaries	(68)	(44)
Interest and financial charges from third parties	(111)	(138)
Losses on securities sold[1]	(12,846)	–
Write-down of investment in subsidiaries[2]	(6,554)	–
Write-down of investment & securities[3]	(15,930)	(6,900)
Financial charges	**(35,509)**	**(7,082)**
Total financial income and charges	**(30,727)**	**(4,487)**
Result from operating activities[4]	(2,323)	(1,625)
Loss before taxes	**(33,050)**	**(6,112)**
Income taxes for the year	3,423	28
Net loss for the year	**(29,628)**	**(6,084)**

In Euro thousands

[1] *The Losses on securities sold are included in the account Financial charges in the attached Parent Company Financial statements*

[2] *The Write-down of investment in subsidiaries are included in the account Financial charges in the attached Parent Company Financial statements*

[3] *The Write-down in investments are included in the account Financial charges in the attached Parent Company Financial statements*

[4] *The Result from operating activities corresponds to the Operating result in the attached Parent Company Financial statements*

The dividends from other companies concern the dividends received on listed shares. Other financial income represents the interest income on bank deposits accrued during the year. The increase on last year is principally due to improved interest income following the raising of interest rates.
The account Interest and financial charges principally comprises loan interest and bank charges.
The loss on securities sold follows the sale in December 2011 of listed shares.
The write-down of investments in subsidiaries concerns the companies Finced Srl, Corriere Adriatico SpA, Leggo SpA and Il Gazzettino SpA, following the losses returned by the companies.
The write-down of investments and securities relates to the adjustment to current market values at December 31st, 2011 of listed shares.
The Shareholders' equity of the Company at December 31st 2011 was Euro 631 million. The reduction on the Shareholders' equity at December 31st 2010 (Euro 668.3 million) is due to the loss in the year, the distribution of dividends (Euro 6.3 million) and the year-end valuation at fair value of shares in portfolio of Euro 16.2 million.

Net cash position

The Net cash position is as follows:

Net cash position*	31.12.2011	31.12.2010
Current financial assets	84,316	74,159
Cash and cash equivalents	119,577	148,085
Current financial liabilities	(4,100)	(5,718)
Total	**199,793**	**216,526**

In Euro thousands

* *The Net cash position in accordance with CESR recommendation of February 10th 2005 is illustrated at paragraph 22 of the Notes to Consolidated financial statements*

The decrease in the Net cash position is substantially due to the share investments for Euro 5.2 million, the payment of dividends for Euro 6.3 million and the Share capital operations on behalf of a number of subsidiaries (Euro 4.8 million) to cover losses recorded in 2010.

Principal equity investments

The principal results of the subsidiary companies are reported below, which are reflected in the Consolidated financial statements and to which reference should be made for further details on the segment operating performances.

Il Messaggero SpA

The Company, which publishes the newspaper *Il Messaggero* in Rome, in 2011 recorded a net loss of Euro 1.7 million (net profit of Euro 2.5 million in 2010) and a value of production of Euro 92.5 million (Euro 100.5 million in 2010). Due to the continued contraction in consumer spending, both sales revenues and advertising revenues decreased - respectively by approx. 5.6% and 7.5%; sales revenues, unlike for the majority of non Group titles, did not benefit from price increases.
The Ebitda was Euro 8.8 million (Euro 14.7 million in 2010). The containment of costs offset in part the contraction in revenues. All operating costs decreased, with the exception of raw material costs - in particular labour costs decreased by approx. 7%.
At December 31st 2011, Il Messaggero SpA recorded Net equity of Euro 207.3 million (Euro 208.9 million at December 31st 2010).

Il Mattino SpA

Il Mattino SpA, publisher of the newspaper of the same name, reported a value of production of Euro 35.7 million in 2011 (Euro 39.8 million in 2010) and a net loss of Euro 1.8 million (net profit of Euro 1.2 million in 2010).
The deterioration in the result is due particularly to the reduction in operating revenues.
Newspaper revenues decreased due to the reduction in copies sold and the contraction in advertising revenues.
Raw material costs increased – in particular paper – while service costs reduced by 3.6%.
The Ebitda amounted to Euro 1.8 million (Euro 6 million in 2010), while the margin on the value of production amounted to 5%.
At December 31st 2011, Il Mattino SpA recorded Net equity of Euro 12 million (Euro 13.7 million at December 31st 2010).

Il Gazzettino SpA

Il Gazzettino SpA in 2011 reports a loss of Euro 1.6 million (Euro 2.5 million in 2010); net revenues in 2011 amounted to Euro 39.2 million, a decrease of 1.3% compared to Euro 39.7 million in 2010. In particular, advertising revenues decreased from Euro 18.2 million in 2010 to Euro 17.9 million in 2011, a decrease of 1.6%, lower than the contraction in 2011 of the paid newspaper advertising market (-5.5%). Circulation revenues amounted to Euro 20.7 million (Euro 20.3 million in 2010), improving 1.8%. The paid daily newspaper circulation figures outperformed the Italian market, which contracted 4.5%[8].
Despite the drop in operating revenues, the Ebitda improved from Euro 622 thousand in 2010 to approx. Euro 860 thousand in 2011, thanks to the corporate restructuring carried out in previous years and the stringent cost control policy which significantly reduced operating costs.

8. ADS Data (Newspaper Circulation Authority): moving average over 12 months to November 2011.

Leggo SpA

The Company, which publishes the free daily newspaper *Leggo*, recorded a value of production of Euro 12 million in 2011, a decrease of approximately 26.5% on the previous year (Euro 16.3 million).
A loss of Euro 3.6 million is reported in 2011 compared to a loss of Euro 2.2 million in 2010. This result should be considered within the difficult market situation which has resulted in a contraction in consumption and particularly in newspaper advertising – more pronounced in the free newspaper sector. Profitability is expected to improve with the relaunch of the free newspaper in November 2011, together with the reduction from 15 editions to 2 principal editions (Milan and Rome) and the increase in the number of pages to over 40; in addition the newspaper has a new layout and a completely new website to allow reader interaction through multimedia instruments.

Corriere Adriatico SpA

The Company publishes the newspaper of the same name, leader in the Marche region. Il Corriere Adriatico SpA in 2011 recorded a loss of Euro 1.5 million (loss of Euro 1.2 million in 2010) with a value of production of Euro 8.6 million (Euro 9.1 million in 2010). The Ebitda was a loss of Euro 1.3 million (loss of Euro 1.1 million in 2010). The contraction in Ebitda is essentially due to decreased revenues and in particular advertising revenues (-10%) which were impacted by the general market performance, but also due to the fact that advertising revenues in the previous year were largely related to special projects undertaken to mark the 150th anniversary of the foundation of the newspaper.

Quotidiano di Puglia SpA

In 2011, Quotidiano di Puglia SpA, which publishes the newspaper of the same name in the provinces of Lecce, Brindisi and Taranto, recorded a loss of Euro 15 thousand (profit of Euro 437 thousand in 2010) and a value of production of Euro 7.9 million (Euro 9.1 million in 2010).

Telefriuli SpA

In 2011 Telefriuli SpA, a company which manages local television providers, reported a loss of Euro 525 thousand (Euro 381 thousand in 2010), against advertising revenues of Euro 1.0 million (Euro 800 thousand in 2010).

Piemme SpA

La Piemme SpA, a subsidiary of Il Messaggero SpA, is the sole advertising agency for all of the Group newspapers, and in 2011 recorded a net loss of Euro 621 thousand (net profit of Euro 1.5 million in 2010) and net revenues of Euro 139.4 million (Euro 155.2 million in 2010), a decrease of 10% on the previous year.
The reduction on the previous year is principally due to the contraction in advertising revenues. The difficult economic climate led to a reduction in newspaper advertising investments (-5.8% for the daily newspaper sector – source: Nielsen).
In this difficult environment we note the positive impact from the fashion sector and from the internet which for Piemme reported a growth of 27.1%, outperforming the market (+12.3%)[9].

9. Data Nielsen.

Other investments

The finance company Finced Srl reports a loss of Euro 2.4 million due to the write-down of shares held in portfolio.
For information relating to the market trends and performances of the principal subsidiaries and the business strategies, reference should be made to the Directors' Report accompanying the Consolidated financial statements.

Transactions with related parties

For the transactions between the companies of the Caltagiorne Editore Group and other related parties, reference should be made to the Notes to the Separate financial statements and the present Directors' Report of the Consolidated 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 Company 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.

Exchange rate risk
The Company has a contained exposure to exchange rate risk in that significant liquidity is held both in Euro and in foreign currencies. The exchange rate risk would only impact financial income as operations and revenues are carried out exclusively in Italy, in addition to the principal costs. The exchange rate risk on financial assets is reduced as concerning currencies which historically have not recorded significant movements against the Euro.

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 in that the loans undertaken are contracted in Euro, which currently presents low interest rates following the monetary policies adopted by the central banks to counter the recession.

Liquidity risk

Liquidity risk is linked to the difficulty in obtaining funds to cover commitments at a given moment. Caltagirone Editore SpA 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.

Principal uncertainties and going concern

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 Company relies on its own funds and no uncertainties exist that could compromise the capacity to carry out its operating activities.

Other information

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.

Caltagirone Editore SpA, as permitted by the Consolidated Income Act, takes part in a Group tax regime called the *Tax Consolidation* as the Parent Company.

The Shareholders' Meeting of April 27th 2011 completed the Board of Statutory Auditors, confirming as Standing Auditor Ms. Maria Assunta Coluccia who joined the Board on May 24th 2010 as an Alternate Auditor following the resignation of the Standing Auditor Mr. Carlo Schiavone at the same date.

The Board of Directors, in accordance with Article 154-bis of the Consolidated Finance Act, on March 15th 2011 confirmed also for 2011 the Executive Responsible for the preparation of corporate accounting documents as Mr. Roberto Di Muzio.

The *Remuneration Report* was made available at the registered offices and on the internet site of the Company www.caltagironeeditore.com as required by Article 123 ter of the CFA, which reports the information concerning the policy adopted by the Company for the remuneration of members of the Management and Control Boards, the remuneration paid to the members of these Boards and the information on investments held by these parties.

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 30th 2003 (*Personal data protection code*), in 2011 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 acci-

dental, 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.
The Parent Company did not undertake research and development activity in the year and does not have any secondary offices.
At December 31st 2011, the Company had 3 employees (3 at December 31st 2010).
The Parent Company is not subject to management and co-ordination pursuant to art. 2497 and subsequent of the Italian Civil Code.
With the approval of the 2011 Annual accounts, the mandate of the Corporate Boards expires and therefore the Shareholders' AGM is required to appoint the Boards for the years 2012, 2013 and 2014.
In addition, with the approval of the 2011 Annual accounts and the issue of the Auditors' report, the mandate conferred by the Shareholders' AGM to the Independent Audit Firm KPMG SpA concludes, and therefore the Meeting is invited to appoint a new mandate based on the recent proposal by the Board of Statutory Auditors as established by article 159 of the Consolidated Finance Act.

Corporate Governance report

For further information on the Corporate Governance system of Caltagirone Editore SpA and the shareholders, pursuant to article 123 bis of the Consolidated Finance Act, reference should be made to the *Corporate Governance report*, prepared in accordance with the indications and recommendations of Borsa Italiana SpA and published in accordance with article 89 of the Issuers Regulations and available on the internet site of the Company (www.caltagironeeditore.com).

Significant events after the year-end

In January, Caltagirone Editore SpA sold on the market listed shares in portfolio, resulting in a loss of approx. Euro 659 thousand.
No other significant events occurred after the end of the financial year.

PROPOSAL TO THE SHAREHOLDERS' AGM

Dear Shareholders,

we propose to you the approval of the Financial statements at December 31st 2011, consisting of the Balance sheet, Income statement, Comprehensive income statement, Statement of changes in Shareholders' equity and the Cash flow statement, as well as the relative attachments and the Directors' Report.
In relation to the Parent Company Caltagirone Editore SpA's net loss of Euro 29,627,574, the Board of Directors proposes covering the loss through the utilisation of the following reserves:
- Euro 4,245.00 through the residual amount of the Retained earnings reserve;
- Euro 29,623,329.00 through the Share premium reserve.

The Board of Directors proposes the creation, through use of the Share premium reserve, of a reserve for Euro 98,250.65 for the net exchange gains from the valuation of the assets in foreign currencies at December 31st 2011, not distributable until realisation, in accordance with article 8, paragraph 8 bis of the Civil Code.
The Board of Directors in addition proposes the distribution of a total dividend of Euro 3,746,036.25, corresponding to Euro 0.03 for each of the 124,867,875 ordinary shares currently in circulation (taking account of treasury shares in portfolio, today amounting to 132,125) through the use of the Share premium reserve.

Rome, March 14th 2012

For the Board of Directors

The Chairman
Francesco Gaetano Caltagirone

attachments

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

	Net profit/(Loss)	Net equity
Net profit and Net equity for the year as per Financial statements of the Parent Company	**(29,628)**	**631,182**
Contribution of subsidiary and associated companies	(5,796)	49,188
Effect of the Equity method valuation of associated companies	(2)	(4)
Adjustment to the international accounting standards IFRS/IAS	4,096	84,489
Elimination of inter-company (gains)/losses, net of tax effect	140	(44,356)
Minority interest share of Net equity	453	(127)
NET PROFIT AND NET EQUITY AS PER THE CONSOLIDATED FINANCIAL STATEMENTS	**(30,737)**	**720,372**

In Euro thousands

LIST OF INVESTMENTS AT 31.12.2011 AS PER ART. 38 OF LEGS. DECREE NO. 127/1991

Company	Registered office	Share capital		Holding	Held by	Share
Companies included in the consolidation under the line-by-line method						
Ced Digital & Servizi Srl	Rome	100,000.00	Euro	*Directly*	Caltagirone Editore SpA	99.990%
				Indirectly through	Finced Srl	0.010%
Il Messaggero SpA	Rome	42,179,500.00	Euro	*Directly*	Caltagirone Editore SpA	94.613%
				Indirectly through	Piemme SpA	5.387%
Il Mattino SpA	Rome	500,000.00	Euro	*Directly*	Caltagirone Editore SpA	99.999%
				Indirectly through	Finced Srl	0.001%
Piemme SpA	Rome	2,646,540.00	Euro	*Indirectly through*	Il Messaggero SpA	100.000%
Leggo SpA	Rome	1,000,000.00	Euro	*Directly*	Caltagirone Editore SpA	90.000%
Finced Srl	Rome	10,000.00	Euro	*Directly*	Caltagirone Editore SpA	99.990%
				Indirectly through	Piemme SpA	0.010%
Corriere Adriatico SpA	Ancona	2,000,000.00	Euro	*Directly*	Caltagirone Editore SpA	99.999%
				Indirectly through	Finced Srl	0.001%
Quotidiano di Puglia SpA	Rome	1,020,000.00	Euro	*Directly*	Caltagirone Editore SpA	99.951%
				Indirectly through	Finced Srl	0.049%
Il Gazzettino SpA	Rome	2,000,000.00	Euro	*Directly*	Caltagirone Editore SpA	99.999%
				Indirectly through	Finced Srl	0.001%
Centro Stampa Veneto SpA	Rome	567,000.00	Euro	*Indirectly through*	Il Gazzettino SpA	100.000%
Imprese Tipografiche Venete SpA	Rome	936,000.00	Euro	*Indirectly through*	Il Gazzettino SpA	100.000%
P.I.M. Pubblicità Italiana Multimedia Srl	Rome	1,044,000.00	Euro	*Indirectly through*	Il Gazzettino SpA	100.000%
Telefriuli SpA	Tavagnacco (Udine)	1,655,300.00	Euro	*Indirectly through*	Il Gazzettino SpA	87.498%
Companies included in the consolidation under the Equity Method						
Rofin 2008 Srl	Rome	10,000.00	Euro	*Directly*	Caltagirone Editore SpA	30.000%
Other investments in subsidiaries						
Editrice Telenuovo SpA	Verona	546,000.00	Euro	*Indirectly through*	Il Gazzettino SpA	40.000%
Pubblieditor Srl in liquidation	Verona	40,800.00	Euro	*Indirectly through*	Il Gazzettino SpA	40.000%

C A L T A G I R O N E   E D I T O R E   G R O U P

consolidated balance sheet
assets

	Note	31.12.2011	31.12.2010
Intangible assets with definite life	1	1,918	2,258
Goodwill and other indefinite intangible assets	2	447,315	447,315
Property, plant and equipment	3	73,077	79,789
Equity investments valued at Net equity	4	858	707
Equity investments and non-current securities	5	76,608	107,728
Non-current financial assets	6	37	37
Other non-current assets	7	616	632
Deferred tax assets	8	29,087	23,861
NON-CURRENT ASSETS		**629,516**	**662,327**
Inventories	9	3,665	3,316
Trade receivable	10	68,151	73,154
of which related parties		1,619	1,798
Equity investments and current securities	11	11,970	–
Current financial assets	12	1,548	4,211
of which related parties		1,536	4,171
Tax receivables	8	2,229	84
Other current assets	13	1,797	1,804
of which related parties		–	129
Cash and cash equivalents	14	230,294	256,987
of which related parties		19,130	254,686
CURRENT ASSETS		**319,654**	**339,556**
TOTAL ASSETS		**949,170**	**1,001,883**

In Euro thousands

consolidated balance sheet
liabilities and shareholders' equity

	Note	31.12.2011	31.12.2010
Share capital		125,000	125,000
Share capital issue costs		(18,865)	(18,865)
Other reserves		644,974	649,836
Profit/(loss) for the year		(30,737)	6,003
Group Shareholders' equity		**720,372**	**761,974**
Minority interest Shareholders' equity		**127**	**609**
SHAREHOLDERS' EQUITY	**15**	**720,499**	**762,583**
Employee provisions	16	32,627	40,138
Other non-current provisions	17	7,126	7,305
Non-current financial liabilities	18	28,868	33,756
Other non-current liabilities	19	3,661	2,746
Deferred tax liabilities	8	68,383	66,328
NON-CURRENT LIABILITIES		**140,665**	**150,273**
Current provisions	17	5,722	5,993
Trade payables	20	29,284	31,201
of which related parties		158	443
Current financial liabilities	18	22,032	18,544
of which related parties		2,394	3,684
Other current liabilities	19	30,968	33,289
of which related parties		12	17
CURRENT LIABILITIES		**88,006**	**89,027**
TOTAL LIABILITIES		**228,671**	**239,300**
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		**949,170**	**1,001,883**

In Euro thousands

consolidated income statement

	Note	2011	2010
Revenues from sales and services	21	218,318	238,105
of which related parties		2,728	2,930
Other revenues	22	7,672	10,241
of which related parties		18	224
REVENUES		**225,990**	**248,346**
Raw material costs	23	28,181	25,589
Labour costs	16	94,474	96,405
Other operating charges	24	94,657	98,933
of which related parties		6,300	5,314
COSTS		**217,312**	**220,927**
EBITDA		**8,678**	**27,419**
Amortisation & depreciation	25	8,927	9,528
Provisions	25	812	1,788
Write-downs	25	2,428	2,246
EBIT		**(3,489)**	**13,857**
Net result of the share of associates	**4-26**	**(2)**	**(342)**
Financial income		8,245	5,715
of which related parties		7,009	5,213
Financial charges		(36,698)	(4,720)
of which related parties		(208)	(73)
Net financial income/(charges)	**26**	**(28,453)**	**995**
PROFIT/(LOSS) BEFORE TAX		**(31,944)**	**14,510**
Income taxes for the year	8	754	(8,814)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**(31,190)**	**5,696**
NET PROFIT/(LOSS) FOR THE YEAR		**(31,190)**	**5,696**
Attributable to:			
– Parent Company shareholders		(30,737)	6,003
– Minority interest		(453)	(307)
Earnings per share	27	(0.246)	0.048
Diluted earnings per share	27	(0.246)	0.048

In Euro thousands

comprehensive consolidated income statement

	Note	2011	2010
NET PROFIT/(LOSS) FOR THE YEAR (A)		**(31,190)**	**5,696**
Gain/(Loss) from recalculation of available-for-sale financial assets net of tax effect	15	(8,013)	(24,870)
Effect of actuarial gain/(loss) net of tax effect		3,665	(626)
TOTAL OTHER ITEMS IN THE CONSOLIDATED INCOME STATEMENT (B)		**(4,348)**	**(25,496)**
TOTAL NET/(LOSS) FOR THE YEAR (A+B)		**(35,538)**	**(19,800)**
Attributable to:			
– Parent Company shareholders		(35,092)	(19,491)
– Minority interest		(446)	(309)

In Euro thousands

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY 2010

	Share capital	Quotation charges	Treasury shares	Fair value reserve	Other reserves	Net result	Group net equity	Minority interest N.E.	Total net equity
Balance at January 1st 2010	**125,000**	**(18,865)**	**–**	**11,376**	**708,418**	**(39,206)**	**786,723**	**1,898**	**788,621**
Dividends distributed	–	–	–	–	(6,250)	–	(6,250)	–	(6,250)
Retained earnings	–	–	–	–	(39,206)	39,206	–	–	–
Change in consolidation area	–	–	–	–	980	–	980	(980)	–
Total operations with Shareholders	**125,000**	**(18,865)**	**–**	**11,376**	**663,942**	**–**	**781,453**	**918**	**782,371**
Change in fair value reserve	–	–	–	(24,870)	–	–	(24,870)	–	(24,870)
Change in employment termination reserve	–	–	–	–	(624)	–	(624)	(2)	(626)
Net result	–	–	–	–	–	6,003	6,003	(307)	5,696
Total profit/(loss) recorded in the period	**–**	**–**	**–**	**(24,870)**	**(624)**	**6,003**	**(19,491)**	**(309)**	**(19,800)**
Other changes	–	–	–	–	12	–	12	–	12
BALANCE AT DECEMBER 31ST 2010	**125,000**	**(18,865)**	**–**	**(13,494)**	**663,330**	**6,003**	**761,974**	**609**	**762,583**

In Euro thousands

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY 2011

	Share capital	Quotation charges	Treasury shares	Fair value reserve	Other reserves	Net result	Group net equity	Minority interest N.E.	Total net equity
Balance at January 1st 2011	**125,000**	**(18,865)**	**–**	**(13,494)**	**663,330**	**6,003**	**761,974**	**609**	**762,583**
Dividends distributed	–	–	–	–	(6,250)	–	(6,250)	–	(6,250)
Retained earnings	–	–	–	–	6,003	(6,003)	–	–	–
Acquisition of treasury shares	–	–	(170)	–	–	–	(170)	–	(170)
Change in consolidation area	–	–	–	–	(92)	–	(92)	(35)	(127)
Total operations with Shareholders	**125,000**	**(18,865)**	**(170)**	**(13,494)**	**662,991**	**–**	**755,462**	**574**	**756,036**
Change in fair value reserve	–	–	–	(8,013)	–	–	(8,013)	–	(8,013)
Change in employment termination reserve	–	–	–	–	3,658	–	3,658	7	3,665
Net result	–	–	–	–	–	(30,737)	(30,737)	(453)	(31,190)
Total profit/(loss) recorded in the period	**–**	**–**	**–**	**(8,013)**	**3,658**	**(30,737)**	**(35,092)**	**(446)**	**(35,538)**
Other changes	–	–	–	–	2	–	2	(1)	1
BALANCE AT DECEMBER 31ST 2011	**125,000**	**(18,865)**	**(170)**	**(21,507)**	**666,651**	**(30,737)**	**720,372**	**127**	**720,499**

In Euro thousands

consolidated cash flow statement

	Note	2011	2010
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**14**	**256,986**	**284,460**
Net profit/(loss) for the year		(31,190)	5,696
Amortisation & depreciation		8,927	9,528
(Revaluations) and write-downs		23,025	4,300
Net result of the share of associates		2	342
Net financial income/(charges)		(4,990)	(1,658)
(Gains)/Losses on disposals		12,790	(1,407)
Income taxes		(753)	8,814
Changes in employee provisions		(3,815)	(2,834)
Changes in current and non-current provisions		(450)	(4,181)
OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL		**3,546**	**18,600**
(Increase)/Decrease in inventories		(350)	397
(Increase)/Decrease in trade receivables		2,575	987
Increase/(Decrease) in trade payables		(2,088)	(4,679)
Change in other current and non-current liabilities		(1,493)	(3,264)
Change in deferred and current income taxes		(3,429)	(737)
OPERATING CASH FLOW		**(1,239)**	**11,304**
Dividends received		3,202	1,925
Interest received		4,390	1,992
Interest paid		(1,585)	(1,227)
Income taxes paid		(3,110)	(3,927)
A. CASH FLOW FROM OPERATING ACTIVITIES		**1,658**	**10,067**

	Note	2011	2010
Investments in intangible fixed assets		(288)	(658)
Investments in tangible fixed assets		(1,421)	(1,118)
Investments in equity holdings and non-current securities		(7,034)	(19,891)
Sale of intangible and tangible assets		61	22
Sale of equity investments and non-current securities		30	–
(Increase)/Decrease in equity investments and current securities		(14,945)	–
Change in non-current financial assets		–	341
Change in current financial assets		2,674	1,604
B. CASH FLOW FROM INVESTING ACTIVITIES		**(20,923)**	**(19,700)**
Change in non-current financial liabilities		(4,912)	(7,631)
Change in current financial liabilities		3,427	(3,960)
Dividends distributed		(6,250)	(6,250)
Other changes		(170)	–
C. CASH FLOW FROM FINANCING ACTIVITIES		**(7,905)**	**(17,841)**
D. EFFECT EXCHANGE DIFFERENCES ON CASH & CASH EQUIVALENTS		**478**	**–**
Change in net liquidity (A+B+C+D)		**(26,692)**	**(27,474)**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**14**	**230,294**	**256,986**

In Euro thousands

notes to the consolidated financial statements as at December 31st, 2011

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 24th 1998, and other information available are:

1. Francesco Gaetano Caltagirone: 75,955,300 shares (60.76%).
   This investment is held:
   - directly for 22,500,000 shares (18.0%);
   - indirectly through the companies:
     - Parted 1982 SpA (35.56%),
     - Gamma Srl (7.2%);
2. Gaetano Caltagirone 3,000,000 shares (2.40%);
3. Edizione Srl 2,799,000 shares (2.24%).

The recording of the 2010 dividend, paid in May 2011, resulted in the payment of dividends on 2,685,000 shares, representing 2.1487% of the Share capital through the Credit Suisse Equity Fund.

The list of the equity investments reported in the attachment to the Annual report 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 Consolidated financial statements at December 31st 2011 include the Financial statements of the Parent Company and its subsidiaries (together the "Group"). The Financial statements prepared by the Directors of the individual companies for approval, where required, by the respective Shareholders' Meetings, were utilised for the consolidation.

The present Consolidated financial statements were authorised for publication by the directors on March 14th 2012.

Compliance with international accounting standards approved by the European Commission

The Consolidated financial statements at December 31st 2011 are prepared on the going concern basis of the Parent Company and the subsidiaries and in accordance with articles 2 and 3 of Legislative Decree 38/2005 and *International Financial Reporting Standards* (*IFRS*), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), approved by the European Commission and in force at the Balance sheet date, in addition to the preceding *International Accounting Standards* (*IAS*). For simplicity, all the standards and interpretations are hereafter stated simply as *IFRS*.

In the preparation of the present document, account was taken of article 9 of Legislative Decree No. 28 of February 28th 2005, of the provisions of the Civil Code, of Consob Resolution No. 15519 (*Regulations relating to financial statements to be issued in accordance with article 9, paragraph 3 of Legs. Decree No. of February 28th 2005*) and No. 15520 (*Modifications and amendments to the implementation rules of Legs. Decree No. 58 of 1998*) both of July 27th 2006 as well as Consob Communication No. DEM/6064293 of July 28th 2006 (*Disclosure of issuers of shares and financial instruments in accordance with article 116 of the CFA*).

All of the Financial statements of the companies consolidated fully are prepared at the same date as the Consolidated financial statements and, with the exception of those of the Parent Company which are prepared according to *IFRS*, were prepared according to Italian GAAP, to which the necessary adjustments were made in order to render them uniform with the Parent Company principles.

The Group did not opt for the advance adoption of the standards, interpretations and updates already approved, which are applicable after the date of the Accounts.

The Group is evaluating the possible effects related to the application of the new standards/changes to accounting standards already in force listed below in the present notes; based on a preliminary evaluation, significant effects are not expected on the Consolidated financial statements and the Parent Company Financial statements.

Basis of presentation

The Consolidated financial statements consist of the Balance sheet, the Consolidated income statement, the Comprehensive consolidated income statement, the Consolidated cash flow statement, the Statement of changes in Shareholders' equity and the present 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 Consolidated 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 19.

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.

The Consolidated financial statements are presented in Euro, the functional currency of the Parent Company, 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 assets and liabilities are shown separately and without any offsetting.
The 2011 Financial statements of the Parent Company Caltagirone Editore SpA are also prepared in accordance with *IFRS* as defined above.

Consolidation methods

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	2011	2010	Activities
Caltagirone Editore SpA	Rome	Parent company	Parent company	Finance
Il Messaggero SpA[1]	Rome	100.00	100.00	Editorial
Il Mattino SpA	Rome	100.00	100.00	Editorial
Piemme SpA[2]	Rome	100.00	100.00	Advertising
Leggo SpA	Rome	90.00	90.00	Editorial
Finced Srl	Rome	100.00	100.00	Finance
Ced Digital & Servizi Srl	Rome	100.00	–	Editorial
Corriere Adriatico SpA	Ancona	100.00	100.00	Editorial
Quotidiano di Puglia SpA	Rome	100.00	100.00	Editorial
Il Gazzettino SpA	Rome	100.00	100.00	Editorial
Centro Stampa Veneto SpA[3]	Rome	100.00	100.00	Editorial
Imprese Tipografiche Venete SpA[3]	Rome	100.00	100.00	Editorial
P.I.M. Pubblicità Italiana Multimedia Srl[3]	Rome	100.00	100.00	Editorial
Telefriuli SpA[3]	Tavagnacco (Udine)	87.50	86.02	Television

Values in %

[1] *94.6% directly held and 5.4% through Piemme SpA*

[2] *Held through Il Messaggero SpA*

[3] *Held through Il Gazzettino SpA*

In 2011, the company Ced Digital & Servizi Srl was incorporated, which carries out telecommunication, design and implementation of IT, multimedia and electronic services. The company Il Gazzettino SpA also purchased 24,521 shares of the company Telefriuli SpA, comprising 1.48% of the Share capital.
The winding up of the company Ideco Holding SA in liquidation was completed, which has been non operational for some time.

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

	Registered office	2011	2010
Rofin 2008 Srl	Rome	30.00	30.00
Editrice Telenuovo SpA	Verona	40.00	40.00

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 fair 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 year relating to minority interests are recognised in specific accounts in the Balance sheet (Minority interest Shareholders' equity) and Income statement (Minority interest result).
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.

Foreign currency transactions

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.

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 recorded in the Income statement at the moment of the 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 transactions with minority Shareholders subsequent to the acquisition of control are recorded, in the absence of a principle or interpretation which can be specifically applied to this type of transaction, in accordance with Group principles which provide for the recording of these effects based on the entity model theory. According to this theory, the Shareholders are considered as a single group and the transactions between them are recorded as Net equity movements. Therefore in the case of acquisitions of further holdings from the minority Shareholders, the difference between the price paid and the book value of the holding acquired in the Net assets of the subsidiary is recorded as a decrease or increase of the reserves, while any sale to minority Shareholders is recorded as a gain or a loss under equity, as long as control remains.
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.

Accounting principles

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 gain or loss (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.

Loss in value

At each period end, or when altered circumstances or events warrant, 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 after 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.

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.

Holdings in associated companies

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 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.

Financial Instruments

Equity investments in other companies
In relation to other equity investments, these were valued at fair value or, where the development plans are not available, at cost.

Investments in other companies available-for-sale
The available-for-sale assets are non-derivative financial instruments explicitly designated in this category and are classified under non-current assets unless management has the intention to sell them within 12 months from the Balance sheet date, in which case they are recognised to Investments and current securities.

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 through the Comprehensive income statement 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.
In relation to the identification of losses in value of listed shares classified in the available-for-sale financial assets category (AFS), consideration is made of the interpretive clarifications contained in the joint document issued by Bank of Italy, Consob and Isvap No. 4 of March 3rd 2010 in relation to the weight to be given to the concepts of "significant" or "prolonged" of the fair value under cost in order to declare an impairment.
Considering the uncertainty surrounding economic forecasts, in addition to that concerning financial market performances which are largely based on speculation and the extreme volatility in particular of the Italian stock market, the Group considered it appropriate, with the support of studies, to re-establish as 50% the reduction in book value required (30% at December 31st 2010) and as 60 months (30 months at December 31st 2010) to respectively establish "significance" and "duration" in relation to impairments on AFS securities in accordance with *IAS 39*.
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 are accounted at fair value and 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.
Cash and cash equivalents in foreign currencies are valued at the year-end exchange rate.

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.

Inventories

Raw materials, semi-finished and finished products are recognised at cost and measured at the lower of cost and the market value. The cost is calculated on the basis of the weighted average cost method, which includes related accessory costs.
In order to establish the net realisable value, the value of any obsolete or slow-moving inventory is written-down based on the expected future utilisation/realisable value through the creation of a relative fund for the reduction in value of the inventory.

Shareholders' equity

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

Costs for Share capital increases
The costs incurred for the stock exchange listing of the Parent Company Caltagirone Editore SpA, net of the relative tax effect, are recorded as a reduction of the Shareholders' equity in a separate negative reserve.

Employee benefits

The liabilities relating to the benefits recognised to employees and paid on or after the 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.
In relation to the Employee leaving indemnity, following the amendments to Law No. 296 of December 27, 2006 and subsequent Decrees and Regulations (*Pension Reform*) issued in the first months of 2007, it is noted that:
- the Employee leaving indemnity matured at December 31st 2006 continues to be considered as a defined benefit plan;

- the Employee leaving indemnity matured from January 1st 2007, for Italian companies with a number of employees above 50, is considered a defined contribution plan.

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 bonds 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 to the Comprehensive income statement. 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 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.

Public 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

The 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.

Income tax

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 recorded in every case.
The recovery of the deferred tax asset is reviewed at each Balance sheet date.

Use of estimates

The preparation of the Consolidated 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 Consolidated income statement and the Consolidated 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 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 taxes;
- Provisions for risks and charges;
- Allowance for doubtful accounts;
- Other write-down provisions;
- Employee benefits.

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

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 method that is used for changes in accounting standards illustrated previously is applied. 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 2011, net of the relative tax effect, of fluctuations in the price of paper by +/-5% are shown below.

	Book value 2011	Effect on the result	
		+5%	-5%
Paper purchase costs	23,797	(816)	816

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 78.8 million, principally relate to Group advertising revenues from Piemme SpA (Euro 70.2 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.

Exchange rate risk

The Group has a contained exposure to exchange rate risk in that significant liquidity is held both in Euro and in foreign currencies. The exchange rate risk would only impact financial income as operations and revenues are carried out exclusively in Italy, in addition to the principal costs. The exchange rate risk on financial assets is reduced as concerning currencies which historically have not recorded significant movements against the Euro.

New accounting standards and interpretations

Accounting standards and interpretations applied after January 1st 2011

The amendments, interpretations and amendments listed below are applicable from January 1st 2011, however their adoption did not have any change to the presentation and valuation of the Financial statements of the Group:

- amendment to *IAS 32 - Financial instruments: presentation of Financial statements*, adopted with European Regulation (EU) No. 1293 issued on December 23rd 2009;
- amendments to *IFRS 1 - Limited exemption from comparative IFRS disclosure under IFRS 7 for first-time adopters and IFRS 7 - Financial instruments: disclosures*, adopted with European Regulation (EU) No. 574 issued on June 30th 2010;
- amendments to *IAS 24 - Related party disclosures and IFRS 8 - Operating segments*, adopted with European Regulation (EU) No. 632 issued on July 19th 2010;
- amendments to *IFRIC 14 - The limit of a defined benefit asset, minimum funding requirements and their interaction*, adopted with European Regulation (EU) No. 633 issued on July 19th 2010;
- *IFRIC 19 - Extinguishing financial liabilities with equity instruments* and the amendment to *IFRS 1 - First-time adoption of International Financial Reporting Standards*, adopted with European Regulation (EU) No. 662 issued on July 23rd 2010.

In addition, on February 18th 2011 EU regulation No. 149/2011 was published which adopts a number of improvements to *IAS/IFRS* applicable from January 1st 2011:

- *IFRS 1 - First-time adoption of International Financial Reporting Standards;*
- *IFRS 3 - Business combinations;*
- *IFRS 7 - Financial instruments: disclosures;*
- *Amendments to IFRS 7 - Financial instruments: disclosure;*
- *IAS 1 - Presentation of Financial statements;*
- *IAS 27 - Consolidated and Separate financial statements;*
- *IAS 32 - Financial instruments: disclosure;*
- *IAS 39 - Financial instruments: recognition and measurement;*
- *IAS 34 - Interim Financial statements;*
- *IFRIC 13 - Customer loyalty programmes.*

Accounting standards and interpretations on standards effective from the periods subsequent to 2011 and not adopted in advance by the Group

- Amendments to *IFRS 7 - Financial instruments: additional disclosure - Transfer of financial assets*, adopted with Regulation (EC) issued on November 22nd 2011.

New accounting standards and interpretations

At the date of the approval of the Consolidated financial statements, IASB had issued (however not yet approved by the European Union) a number of accounting standards, interpretations and amendments – some still in the consultation phase – among which we highlight:

- a number of *Exposure Drafts* (ED), some of which issued within the review of the current *IAS 39*, concerning *Amortised cost and impairments, the fair value option for Financial liabilities and hedge accounting*;
- *Exposure Draft* (ED) *Measurement of non-financial liabilities* as part of the review of the current *IAS 37* in relation to the recognition and measurement of Provisions and contingent liabilities and assets;
- *Exposure Draft* (ED) *Revenues* in relation to the review of the current *IAS 11* and *IAS 18*, concerning the recognition of revenues;
- *Exposure Draft* (ED) *Insurance contracts* in relation to the review of the current *IFRS 4*, concerning the recognition of insurance contracts;
- *Exposure Draft* (ED) *Leasing* in relation to the review of the current *IAS 17*, concerning the recognition of leases;
- *Exposure Draft* (ED) *Improvements to IFRS*, as part of the annual improvement and general review of the international accounting standards;
- amendment to *IAS 1 - Presentation of Financial statements: Comprehensive income statement* in relation to the presentation of Financial statements concerning the Comprehensive income statement;
- *IAS 12 - Income taxes - Deferred taxation: recovery of underlying assets*;
- *IAS 19 - Employee benefits*, as part of the review of the current international accounting standard concerning employee benefits;
- *IAS 28 - Investments in associates and joint ventures*, within the review process of the current standard concerning joint ventures;
- *IFRS 9 - Financial instruments*, within the ambit of the review of the current *IAS 39*;
- *IFRS 10 - Consolidated financial statements*, in relation to the consolidation of Financial statements of subsidiaries as part of the review of *IAS 27* and of *SIC 12 - Consolidation - Special purpose entities*;
- *IFRS 11 - Joint arrangements*, as part of the review of *IAS 31 - Interests in joint ventures*;
- *IFRS 12 - Disclosure of interests in other entitles*;
- *IFRS 13 - Fair value measurement*.

Any effects that the newly applied accounting standards, amendments and interpretations may have on the Group financial disclosure are currently being evaluated.

assets

1. Intangible assets with definite life

	Development and research	Patents	Trademarks	Others	Total
Historical cost 1.1.2010	**762**	**1,423**	**4,378**	**6,224**	**12,787**
Increases	–	53	163	171	387
31.12.2010	**762**	**1,476**	**4,541**	**6,395**	**13,174**
Historical cost 1.1.2011	**762**	**1,476**	**4,541**	**6,395**	**13,174**
Increases	–	46	2	239	287
Decreases	–	–	–	(139)	(139)
31.12.2011	**762**	**1,522**	**4,543**	**6,495**	**13,322**

In Euro thousands

	Development and research	Patents	Trademarks	Others	Total
Amortisation and loss in value 1.1.2010	**762**	**1,219**	**2,339**	**5,690**	**10,010**
Increases	–	164	416	326	906
31.12.2010	**762**	**1,383**	**2,755**	**6,016**	**10,916**
Amortisation and loss in value 1.1.2011	**762**	**1,383**	**2,755**	**6,016**	**10,916**
Increases	–	58	392	177	627
Decreases	–	–	–	(139)	(139)
31.12.2011	**762**	**1,441**	**3,147**	**6,054**	**11,404**
Net value 1.1.2010	**–**	**204**	**2,039**	**534**	**2,777**
31.12.2010	**–**	**93**	**1,786**	**379**	**2,258**
31.12.2011	**–**	**81**	**1,396**	**441**	**1,918**

In Euro thousands

The account Trademarks and concessions relates to the television concession of Telefriuli SpA.
At December 31st 2011, no Companies of the Group recorded the existence of inactive intangible assets or completely amortised still in use of significant value.
The amortisation rates used are shown below:

Category	Average rate
Development costs	20.00
Industrial patents and intellectual property rights	26.50
Trademarks, concessions and licenses	31.80
Others	28.70

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			
1.1.2010	**160,521**	**286,796**	**447,317**
Increases	–	–	–
Decreases	–	(2)	(2)
31.12.2010	**160,521**	**286,794**	**447,315**
Historical cost			
1.1.2011	**160,521**	**286,794**	**447,315**
Increases	–	–	–
Decreases	–	–	–
31.12.2011	**160,521**	**286,794**	**447,315**

In Euro thousands

The amount of cumulative impairments at December 31st 2011 was Euro 31 million, allocated to the goodwill of Il Gazzettino SpA.
The breakdown of the balance relating to the newspaper titles is shown below:

	1.1.2010	Increases	Decreases	31.12.2010
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	5	–	(2)	3
Total	**286,796**	**–**	**(2)**	**286,794**

	1.1.2011	Increases	Decreases	31.12.2011
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	3	–	–	3
Total	**286,794**	**–**	**–**	**286,794**

In Euro thousands

The CGU, defined as the smallest identifiable group of assets which generate cash inflows which are sufficiently independent from the cash inflows generated by other assets or group of assets, are identified as the newspaper title operating companies concerning the individual newspapers and to which the goodwill paid on acquisition was allocated.
The goodwill and the newspapers are allocated to the following cash generating units (hereafter also the CGU's):

	Goodwill 31.12.2011	Goodwill 31.12.2010	Newspaper titles 31.12.2011	Newspaper titles 31.12.2010	Total CGU 31.12.2011	Total CGU 31.12.2010
Il Gazzettino SpA	71,667	71,667	100,700	100,700	172,367	172,367
Il Messaggero SpA	51,613	51,613	90,808	90,808	142,421	142,421
Piemme SpA (*advertising agency*)	27,521	27,521	–	–	27,521	27,521
Il Mattino SpA	9,720	9,720	44,496	44,496	54,216	54,216
Quotidiano di Puglia SpA	–	–	26,131	26,131	26,131	26,131
Corriere Adriatico SpA	–	–	24,656	24,656	24,656	24,656
Other minor newspaper titles	–	–	3	3	3	3
Total	**160,521**	**160,521**	**286,794**	**286,794**	**447,315**	**447,315**

In Euro thousands

The goodwill relating to Il Gazzettino SpA includes the tax calculated due to the fair value recognition of assets concerning the acquisition of the Group Il Gazzettino in 2006.
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 in 2011 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 period of 5 years and then discounted based on the cost of capital of the individual CGU (WACC). A terminal value representing the projections of the CGU's revenue capacity, calculated under the perpetual return model, is added to this value. A growth rate of 0.7 was applied for the calculation of the terminal value.
The forecasts for 2012 were considered in the implementation of the impairment tests. For subsequent years, specific forecasts for the performance of the business were drawn up, taking account therefore of the economic-financial context and the changed environment following the current crisis, as well as the related different operating conditions.
The expected cash flows utilised in the model are calculated based on the budget and planning data of the operating Companies and represent the best estimate of the amounts and timing for which the future cash flows are expected to occur based on the long-term plan which is updated annually. The expected sales growth is based on management plans and forecasts. The operating costs considered in the expected cash flows are also determined based on management estimates for the coming five years and take account of the positive effects of the restructuring plan already in place.
The projection of cash flows is estimated through extrapolation of the projections formulated by Management and approved by the Board of Directors.
The estimates and the budget data used in the application of the above indicated parameters are determined by Group management based on past experience and forecasts relating to the development of the relative markets.
The internal and external factors which may lead to the verification of a loss in value will be constantly monitored by the Group.
The sensitivity analysis in relation to the parameters utilised for the impairment test did not result in significant effects on the results of the valuations carried out and was based on estimated movements in the rate/g-rate.
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	WAAC[3]	G-rate[4]	Explicit period cash flows
Il Gazzettino SpA	71,667	100,700	172,367[2]	31.4%	8.0%	0.7	5 years
Il Messaggero SpA	51,613	90,808	142,421	31.4%	8.0%	0.7	5 years
Il Mattino SpA	9,720	44,496	54,216	31.4%	8.0%	0.7	5 years
Piemme SpA (*advertising agency*)	27,521	–	27,521	31.4%	8.0%	0.7	5 years
Quotidiano di Puglia SpA	–	26,131	26,131	31.4%	8.0%	0.7	5 years
Corriere Adriatico SpA	–	24,656	24,656	31.4%	8.0%	0.7	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 and newspaper titles are recorded gross of the theoretical tax effect on the fair value of the group assets acquired*

3 *The WACC represents the average weighted cost of capital of the company. This rate used is net of the tax effect*

4 *The g-rate concerns the expected growth rate in order to calculate the Terminal value*

In accordance with *IAS 36*, an Impairment test was carried out on the goodwill and on the newspaper titles recorded in the Financial statements and the relative results, also confirmed by valuations made by an independent expert, did not result in the recording of a loss in value.
In the valuation of the newspapers, elements which lie outside the typical economic considerations are also considered and which relate to the number of readers and the circulation on the market, issues which determine the effective value of the newspaper and the price.

3. Property, plant and equipment

	Land	Buildings	Plant and machinery	Commercial and industrial equipment	Other assets	Assets in progress	Total
Historical cost 1.1.2010	**8,606**	**51,456**	**98,458**	**1,041**	**20,408**	**165**	**180,134**
Increases	–	69	641	2	781	107	1,600
Decreases	–	–	(72)	(9)	(283)	(261)	(625)
31.12.2010	**8,606**	**51,525**	**99,027**	**1,034**	**20,906**	**11**	**181,109**

	Land	Buildings	Plant and machinery	Commercial and industrial equipment	Other assets	Assets in progress	Total
Historical cost 1.1.2011	**8,606**	**51,525**	**99,027**	**1,034**	**20,906**	**11**	**181,109**
Increases	–	–	319	20	1,205	51	1,595
Decreases	–	–	(134)	(13)	(659)	–	(806)
31.12.2011	**8,606**	**51,525**	**99,212**	**1,041**	**21,452**	**62**	**181,898**

In Euro thousands

	Land	Buildings	Plant and machinery	Commercial and industrial equipment	Other assets	Assets in progress	Total
Depreciation and loss in value 1.1.2010	**–**	**14,480**	**59,322**	**968**	**18,273**	**–**	**93,043**
Increases	–	1,676	5,951	38	957	–	8,622
Decreases	–	–	(62)	(6)	(277)	–	(345)
31.12.2010	**–**	**16,156**	**65,211**	**1,000**	**18,953**	**–**	**101,320**
Depreciation and loss in value 1.1.2011	**–**	**16,156**	**65,211**	**1,000**	**18,953**	**–**	**101,320**
Increases	–	1,663	5,769	22	846	–	8,300
Decreases	–	–	(133)	(11)	(655)	–	(799)
31.12.2011	**–**	**17,819**	**70,847**	**1,011**	**19,144**	**–**	**108,821**
Net value 1.1.2010	**8,606**	**36,976**	**39,136**	**73**	**2,135**	**165**	**87,091**
31.12.2010	**8,606**	**35,369**	**33,816**	**34**	**1,953**	**11**	**79,789**
31.12.2011	**8,606**	**33,706**	**28,365**	**30**	**2,308**	**62**	**73,077**

In Euro thousands

The account Plant and machinery is substantially composed of the presses belonging to Group publishing Companies.
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 assets mentioned above are assets not of significant value and are still in use due to the ordinary maintenance carried out in the course of the year and previous years.
No financial expenses were capitalised.
In 2008, the company Il Messaggero SpA signed a finance lease 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 the fair value and depreciated; at December 31st 2011 the net book value amounted to Euro 189 thousand.
The book value of plant and machinery provided as guarantees on liabilities amounts to Euro 17.03 million. For further information, reference should be made to note 18.

4. Equity investments valued at Net equity

Investments in associated companies	1.1.2010	Reclassifications	Increases/ (Decreases) to the Income statement	Reval/ (Write-downs)	Other movement	31.12.2010
Editrice Telenuovo SpA	595	–	–	97	–	692
Rofin 2008 Srl	17	–	(2)	–	–	15
E-Care SpA	3,644	(2,745)	(340)	(1,950)	1,391	–
Total	**4,256**	**(2,745)**	**(342)**	**(1,853)**	**1,391**	**707**

	1.1.2011	Reclassifications	Increases/ (Decreases) to the Income statement	Reval/ (Write-downs)	Other movement	31.12.2011
Editrice Telenuovo SpA	692	–	–	153	–	845
Rofin 2008 Srl	15	–	(2)	–	–	13
Total	**707**	**–**	**(2)**	**153**	**–**	**858**

In Euro thousands

The key financial data relating to the last available financial statements of the above investments is summarised below:

Investments in associated companies	Registered office	Share capital	% held	Net equity	Net profit/(loss)
Rofin 2008 Srl	Rome	10	30.00%	43	(7)
Editrice Telenuovo SpA	Verona	546	40.00%	2,112	383

In Euro thousands

5. Equity investments and non-current securities

	1.1.2010	Increases/ (Decreases)	Reclassifications	Write-downs	31.12.2010
Investments in subsidiary companies	5	–	–	–	5
Investments in other companies valued at cost	2,046	2,554	–	–	4,600
Investments in other companies available-for-sale	113,748	(10,625)	–	–	103,123
Total	**115,799**	**(8,071)**	**–**	**–**	**107,728**

	1.1.2011	Increases/ (Decreases)	Reclassifications	Write-downs	31.12.2011
Investments in subsidiary companies	5	–	(5)	–	–
Investments in other companies valued at cost	4,600	(30)	(68)	–	4,502
Investments in other companies available-for-sale	103,123	(8,891)	–	(22,126)	72,106
Total	**107,728**	**(8,921)**	**(73)**	**(22,126)**	**76,608**

In Euro thousands

The breakdown of the account Investments in subsidiaries is as follows:

Investments in subsidiary companies	Locations	%	1.1.2010	Increases/ (Decreases)	Write-downs	31.12.2010
Noisette Serviços de Consultoria Lda	Madeira (Portugal)	99.8%	5	9	(9)	5
Edi.Me. Sport Srl in liquidation	Naples	99.5%	–	–	–	–
Total			**5**	**9**	**(9)**	**5**

	Locations	%	1.1.2011	Increases/ (Decreases)	Write-downs	31.12.2011
Noisette Serviços de Consultoria Lda	Madeira (Portugal)	99.8%	5	–	(5)	–
Edi.Me. Sport Srl in liquidation	Naples	99.5%	–	–	–	–
Total			**5**	**–**	**(5)**	**–**

In Euro thousands

The companies Noisette Serviços de Consultoria Ltd and Edi.Me. Sport Srl in liquidation were fully wound up in 2011.

The breakdown of the account Investments in other companies is as follows:

Equity investments in other companies	%	1.1.2010	Increases/ (Decreases)	Reclassifications	Write-downs	31.12.2010
Euroqube SA in liquidation	14.82%	833	–	–	(186)	647
Ansa Scarl	6.71%	1,166	–	–	–	1,166
E-Care SpA	–	–	–	2,745	–	2,745
Other minor	–	47	–	–	(5)	42
Total		**2,046**	**–**	**2,745**	**(191)**	**4,600**

	%	1.1.2011	Increases/ (Decreases)	Reclassifications	Write-downs	31.12.2011
Euroqube SA in liquidation	14.82%	647	(30)	–	(68)	549
Ansa Scarl	6.71%	1,166	–	–	–	1,166
E-Care SpA	–	2,745	–	–	–	2,745
Other minor	–	42	–	–	–	42
Total		**4,600**	**(30)**	**–**	**(68)**	**4,502**

In Euro thousands

The investments in other companies are valued at fair value or, where the development plans are not available, at cost.
The breakdown of the account Investments in other companies available-for-sale is as follows:

Investments available-for-sale	1.1.2010	Share capital increase	Increases/ (Decreases)	Valuation at fair value	Reclassifications	31.12.2010
Assicurazioni Generali SpA	94,100	–	11,399	(24,502)	–	80,997
Banca Monte dei Paschi di Siena SpA	19,648	–	8,492	(6,014)	–	22,126
Total	**113,748**	**–**	**19,891**	**(30,516)**	**–**	**103,123**

	1.1.2011	Share capital increase	Increases/ (Decreases)	Valuation at fair value	Reclassifications	31.12.2011
Assicurazioni Generali SpA	80,997	–	6,954	(15,845)	–	72,106
Banca Monte dei Paschi di Siena SpA	22,126	8,349	(6,250)	(12,255)	(11,970)	–
Total	**103,123**	**8,349**	**704**	**(28,100)**	**(11,970)**	**72,106**

In Euro thousands

Number of shares

Investments in other companies available-for-sale	1.1.2011	Share capital increase	Increases	(Decreases)	Reclassifications	31.12.2011
Assicurazioni Generali SpA	5,700,000	–	500,000	–	–	6,200,000
Banca Monte dei Paschi di Siena SpA	26,000,000	18,720,000	25,280,000	(22,500,000)	(47,500,000)	–

During the year, a total of 44 million Banca Monte dei Paschi di Siena SpA shares were acquired (of which 18,720,000 shares within the share capital increase) for a value of Euro 20.8 million and 22,500,000 shares were sold on the market for a value of Euro 5.9 million, with an overall loss of Euro 12.9 million.
The fair value valuation of these investments at December 31st 2011 resulted in a loss of Euro 12.2 million. Under the Group policy to identify a significant loss in the book value of listed shares in portfolio compared to the stock market value, a write-down of the investment in Banca Monte dei Paschi di Siena SpA of Euro 20.7 million was recognized in the Income statement.
The residual shares, amounting to Euro 11.97 million, were reclassified to the account current investments and securities, as they were subsequently sold on the market.
The increase of Euro 6.95 million is due to the acquisition of 500,000 Assicurazioni Generali SpA shares. The valuation at fair value of these investments at December 31st 2011 was recorded to the Comprehensive income statement with a negative impact of Euro 15.8 million, gross of the tax effect.
If the Group had not amended the parameters utilised to identify a significant or a long-term loss in value of the AFS investments, the Assicurazioni Generali SpA investment would not have been subject to any impairment recognised to the Income statement.

The changes in the fair value reserve are reported below:

Fair value reserve	**1.1.2011**	**Increases**	**(Decreases)**	**Release to the Income statement**	**31.12.2011**
Fair value reserve	(14,790)	–	(28,100)	20,673	(22,217)
Tax effect	1,296	744	(1,330)	–	710
Fair value reserve, net of tax effect	**(13,494)**	**744**	**(29,430)**	**20,673**	**(21,507)**
Changes in the year	**–**	**–**	**–**	**–**	**(8,013)**

In Euro thousands

In relation to the disclosure required by *IFRS 7*, concerning the so-called "hierarchy of fair value", the shares available for sale belong to Level 1, as defined by paragraph 27 A (*IFRS 7*) concerning financial instruments listed on an active market.

6. Non-current financial assets

The account, amounting to Euro 37 thousand, principally relates to Receivables for deposits due within five years.

7. Other non-current assets

The account, totalling Euro 616 thousand, is composed principally of the receivable of Telefriuli SpA from the Communication Ministry for grants to local television providers under Ministerial Decree No. 378/1999.

8. 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:

	1.1.2010	Provisions	Utilisa-tions	Reclassifica-tions	Other changes	31.12.2010
Deferred tax assets						
Tax losses carried forward	14,527	728	(1,969)	–	–	13,286
Provision for risks and charges	2,770	348	(643)	–	–	2,475
Doubtful debt provision	3,715	498	(813)	–	–	3,400
Others	3,910	290	(1,064)	–	1,564	4,700
Total	**24,922**	**1,864**	**(4,489)**	**–**	**1,564**	**23,861**
Deferred tax liabilities						
Fair value intangible & tangible assets	28,131	–	(240)	1,011	–	28,902
Differences fiscal depreciation rates	8,488	64	(225)	–	–	8,327
Goodwill amortisation	27,051	2,197	(414)	–	–	28,834
Others	5,495	40	59	(1,011)	(4,318)	265
Total	**69,165**	**2,301**	**(820)**	**–**	**(4,318)**	**66,328**
Net deferred tax liabilities	**(44,243)**	**(437)**	**(3,669)**	**–**	**5,882**	**(42,467)**

	1.1.2011	Provisions	Utilisa-tions	Reclassifica-tions	Other changes	31.12.2011
Deferred tax assets						
Tax losses carried forward	13,286	6,360	(213)	–	–	19,433
Provision for risks and charges	2,475	326	(492)	–	–	2,309
Doubtful debt provision	3,400	640	(1,273)	–	–	2,737
Others	4,700	1,301	(104)	–	(1,289)	4,608
Total	**23,861**	**8,597**	**(2,082)**	**–**	**(1,289)**	**29,087**
Deferred tax liabilities						
Fair value intangible & tangible assets	28,902	–	(240)	–	–	28,662
Differences fiscal depreciation rates	8,327	49	(221)	–	–	8,155
Goodwill amortisation	28,834	2,193	(404)	–	–	30,623
Others	265	40	(45)	–	683	943
Total	**66,328**	**2,282**	**(910)**	**–**	**683**	**68,383**
Net deferred tax liabilities	**(42,467)**	**6,315**	**(1,172)**	**–**	**(1,972)**	**(39,296)**

In Euro thousands

The increase of the deferred tax assets is principally due to the tax losses recorded in the year.
The deferred tax provision relates to temporary timing differences on amortisation and depreciation.
The other changes in the deferred tax assets and liabilities include the estimates of the tax effects on the fair value of the investments and the actuarial losses recorded directly to the Comprehensive income statement.
The expected period for reversal of the deferred tax assets are as follows:

	Deferred taxes	2012	2013	2014	2015	2016	Unlimited
Deferred tax assets							
Tax losses carried forward	19,433	–	–	–	–	–	19,433
Provision for risks and charges	2,309	1,719	266	260	–	–	64
Doubtful debt provision	2,737	2,681	–	–	–	–	56
Others	4,608	1,655	180	123	92	16	2,542
Total	**29,087**	**6,055**	**446**	**383**	**92**	**16**	**22,095**

In Euro thousands

Assets include the receivables for current taxes, which shows the net position for income taxes, represented by the payments on account, other tax credits, net of income tax payables and the tax receivable concerning the provisional payment in accordance with article 15 of Min. Decree 602/73.

	31.12.2011	31.12.2010
Receivables for direct taxes	1,254	882
Reimbursement request of direct taxes	–	151
Other receivables	2,190	207
Payables for Ires/Irap/substitute taxes	(1,215)	(1,156)
Total	**2,229**	**84**

In Euro thousands

The income taxes for the year consist of:

	2011	2010
Current income taxes	3,934	4,664
Income taxes of prior years	455	44
Current income taxes	**4,389**	**4,708**
Provision for deferred tax liabilities	2,282	2,301
Utilisation of deferred tax liabilities	(862)	(879)
Change in tax rate	(48)	59
Deferred tax charge	**1,372**	**1,481**
Recording of deferred tax assets	(8,597)	(1,864)
Utilisation of deferred tax assets	2,082	4,489
Deferred tax income	**(6,515)**	**2,625**
Total income taxes	**(754)**	**8,814**

In Euro thousands

	2011	2010
Current and deferred Ires tax	(4,856)	4,315
Current and deferred Irap tax	3,647	4,455
Income taxes of prior years	455	44
Total	**(754)**	**8,814**

In Euro thousands

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

	2011		
	Amount	**Rate**	**Effective rate**
Loss before taxes	**(31,944)**	**(8,785)**	**27.5%**
Permanent differences increase/(decrease):			
Dividends	(3,043)	(837)	
Write-down of equity investments	16,008	4,402	
Non-deductible costs	1,721	473	
Share of income from equity investments	2	1	
Permanent differences	(510)	(140)	
Others	108	30	
Current & deferred Ires	**(17,658)**	**(4,856)**	**15.2%**

In Euro thousands

9. Inventories

The Inventories at December 31st 2011 amount to Euro 3.67 million (Euro 3.32 million at December 31st 2010) 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 1.92 million), Il Mattino SpA (Euro 806 thousand) and Il Gazzettino SpA (Euro 382 thousand).
The change for inventory recognised to the Income statement was positive for Euro 350 thousand 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 3.67 million. There is no inventory provided as a guarantee on liabilities.

10. Trade receivables

This account can be broken down as follows:

	31.12.2011	31.12.2010
Trade receivables	78,790	86,355
Provisions for doubtful debts	(14,304)	(16,906)
Trade receivables	**64,486**	**69,449**
Receivables from related parties	1,619	1,798
Advances to suppliers	145	6
Trade receivables beyond 12 months	1,901	1,901
Total trade receivables	**68,151**	**73,154**

In Euro thousands

Trade receivables principally relate to Group advertising revenues from Piemme SpA (Euro 70.2 million).
The Doubtful debt provision was utilised in the year for Euro 5.03 million and increased by Euro 2.43 million for the provisions made in the year.
The table below shows the ageing of the Trade receivables at December 31st 2011 and at December 31st 2010.

	31.12.2011	31.12.2010
Due within	**44,682**	**46,273**
1-30 days	5,896	10,239
30-60 days	4,087	4,047
60-90 days	2,443	2,152
Over 90 days	21,682	23,644
Overdue	**34,108**	**40,082**
Total gross value	**78,790**	**86,355**
Provisions for doubtful debts	(14,304)	(16,906)
Trade receivables	**64,486**	**69,449**

In Euro thousands

The amount of receivables due beyond 90 days is not a result of payment problems, but relates to receivables of an advertising agency with historic average payment times of approx. 100 days.

11. Equity investments and current securities

The account includes the Banca Monte dei Paschi di Siena SpA shares reclassified from the account Non-current investments and securities. For further information, reference should be made to note 5.
In relation to the disclosure required by *IFRS 7*, concerning the so-called "hierarchy of fair value", the shares available for sale belong to level one, as defined by paragraph 27 A (*IFRS 7*) concerning financial instruments listed on an active market.

12. Current financial assets

This account can be broken down as follows:

	31.12.2011	31.12.2010
Financial assets from subsidiaries	–	11
Financial assets from associated companies	1,536	3,891
Financial assets from related parties	–	269
Accrued interest	12	40
Total current financial assets	**1,548**	**4,211**
Of which related parties	1,536	4,171

In Euro thousands

Euro 1.5 million refers entirely to the non-interest bearing loan granted to the associated company Rofin 2008 Srl. The decrease on December 31st 2010 relates to the partial repayment of Euro 2.36 million.

The accrued interest refers to the interest income matured on long-term bank deposits.

13. Other current assets

This account can be broken down as follows:

	31.12.2011	31.12.2010
Employee receivables	231	135
VAT receivables	318	455
Receivables from related parties	–	129
Other receivables	710	441
Prepaid expenses	538	644
Total other current assets	**1,797**	**1,804**

In Euro thousands

Other receivables consist of deposits of Euro 95 thousand, social security receivables of Euro 33 thousand, various other receivables of Euro 406 thousand and withholding tax on interest of Euro 4 thousand.
The Prepaid expenses relate to rental (Euro 54 thousand), insurance (Euro 252 thousand) and others (Euro 404 thousand).

14. Cash and cash equivalents

This account can be broken down as follows:

	31.12.2011	31.12.2010
Bank and postal deposits	211,084	2,162
Bank and postal deposits from related parties	19,130	254,686
Cash in hand and similar	80	139
Total	**230,294**	**256,987**

In Euro thousands

The reduction in bank deposits in 2011 is essentially due to the distribution of dividends for Euro 6.3 million and net investments in listed shares for Euro 21.9 million, net of Group operating activities.
The average interest rate on the bank deposits in Euro was 1.9% (0.8% in 2010).
Bank and postal deposits with related parties refer principally to the positions with Banca Monte dei Paschi di Siena SpA.

liabilities and shareholders' equity

15. Shareholders' equity

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.

Treasury shares

At December 31st 2011 Caltagirone Editore SpA had 132,125 treasury shares in portfolio, comprising 0.1057% of the Share capital for a value of Euro 169,993. The purchases of treasury shares were made in the period August 3rd, 2011-October 25th, 2011, the date in which the authorisation granted on April 26th 2010 expired.

Other reserves

Other reserves includes the Share premium reserve of Euro 516.06 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 for a total amount of Euro 104.4 million.

The other reserves principally include:

- the Fair value reserve (for greater details reference should be made to note 5), negative for Euro 21.5 million, includes the net changes in the year of Euro 8 million, concerning the market value adjustments of Investments in other companies held-for-sale;
- the Actuarial losses reserve relating to the application of *IAS 19* for post-employment benefits, amount to Euro 1 thousand, net of the relative tax effect. The increase in the year of Euro 3.66 million is essentially due to the change in the discount rate utilised in the valuation of the provision;
- Other reserves relating to the application of *IAS* standards of Euro 16.9 million.

Post-employment benefits and employee provisions

Post-employment benefits 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, together with the senior management indemnity provision, 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 December 31st 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:

	2011	2010
Annual technical discounting rate	4.60	1.20
Annual inflation rate	2.20	2.20
Annual increase in Employee leaving indemnity	3.15	2.80
Annual increase in salaries	3.00	3.83

Values in %

In relation to the senior manager indemnity provision, the annual discount rate is 3.35% and the annual compensation increase rate is 3.5%.

The movements in the year are as follows:

	2011	2010
Net liability at January 1st	**40,138**	**41,060**
Current cost for the period	243	593
Interest charge/(income), net	1,359	1,049
Actuarial profits/(losses)	(5,168)	862
(Services paid)	(3,945)	(3,426)
Net liability at December 31st	**32,627**	**40,138**

In Euro thousands

The significant change in the actuarial profit/losses relates to the choice and application of a discount rate considered more in line with the Group situation, the changes in the market rates compared to 2010, in addition to the amendments to the turnover criteria and the effect of the so-called *Save Italy* Manoeuvre introduced by the Government in 2011 (Euro 849 thousand).

The comparison between the employee benefit provision and the liability in accordance with Italian regulations is as follows:

	1.1.2010	31.12.2010	31.12.2011
Nominal value of the provision	39,625	37,741	35,263
Actuarial adjustment	1,435	2,397	(2,636)
Total DBO	**41,060**	**40,138**	**32,627**

In Euro thousands

As illustrated in the movement, the change between the liability determined in accordance with Italian regulations and *IFRS* is essentially due to the change in the discount rate utilised, as described previously.

Cost and personnel numbers

Personnel costs	2011	2010
Salaries and wages	63,998	65,533
Social security expenses	21,649	22,087
Employee leaving indemnity prov.	243	593
Employee leaving indemnity to complementary fund	4,360	4,428
Other costs	4,224	3,764
Total	**94,474**	**96,405**

In Euro thousands

The significant decrease in Labour costs is due to the restructuring policies put in place in 2009 and 2010 by the Group publishing companies.
Other costs include charges concerning labour disputes, leaving incentives and the social security institution contributions from the restructuring in the year of Euro 2.5 million.
The following table shows the average number of employees by category:

	31.12.2011	31.12.2010	Average 2011	Average 2010
Executives	27	27	28	27
Managers & white collar	376	388	386	394
Journalists	509	510	505	515
Print workers	148	154	152	152
Total	**1,060**	**1,079**	**1,071**	**1,088**

17. Provisions for risks and charges

	Legal disputes	Agents' indemnity	Other risks	Total
Balance at January 1st 2010	**11,839**	**459**	**5,180**	**17,478**
Provisions	1,473	–	315	1,788
Utilisations	(2,215)	(13)	(3,740)	(5,968)
Balance at December 31st 2010	**11,097**	**446**	**1,755**	**13,298**
Of which:				
current portion	4,323	–	1,670	5,993
non-current portion	6,774	446	85	7,305
Total	**11,097**	**446**	**1,755**	**13,298**
Balance at January 1st 2011	**11,097**	**446**	**1,755**	**13,298**
Provisions	812	–	1,346	2,158
Utilisations	(1,111)	(76)	(1,421)	(2,608)
Balance at December 31st 2011	**10,798**	**370**	**1,680**	**12,848**
Of which:				
current portion	4,288	–	1,434	5,722
non-current portion	6,510	370	246	7,126
Total	**10,789**	**370**	**1,680**	**12,848**

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 Provision for other risks principally includes charges concerning the restructuring plans of Il Messaggero SpA and Corriere Adriatico SpA.

18. Financial liabilities

	31.12.2011	31.12.2010
Current financial payables		
Bank payables	14,682	7,303
Payables to related parties	2,394	3,684
Short-term portion of non-current loans	4,761	4,782
Payables for assets in leasing	195	185
Other lenders	–	2,590
Total	**22,032**	**18,544**
Non-current financial payables		
Payables for assets in leasing	27	221
Bank payables	28,841	33,535
Total	**28,868**	**33,756**

In Euro thousands

The due dates of the financial liabilities are as follows:

	31.12.2011	31.12.2010
Within 3 months	11,644	9,008
Between 3 months & 1 year	10,388	9,536
Current financial payables	**22,032**	**18,544**
Between 1 and 2 years	4,906	4,862
Between 2 and 5 years	15,379	15,298
Over 5 years	8,583	13,596
Non-current financial payables	**28,868**	**33,756**
Total financial payables	**50,900**	**52,300**

In Euro thousands

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

	2011	2010
Current financial payables		
Bank payables	3.4	2.0
Short-term portion of non-current loans	2.3	1.7
Other financial payables	–	1.7
Non-current financial payables		
Bank payables	2.3	1.7
Other financial payables	2.2	1.7

Values in %

The Non-current financial liabilities to banks are represented by a loan to finance the construction in 2005 of a printing centre located at Torrespaccata in Rome. The loan is at a variable interest rate (Euribor at 6 months + spread 0.5%) amounting to Euro 60 million, granted by Intesa Sanpaolo SpA to the company S.E.M. SpA, incorporated in 2006 into Il Messaggero SpA. The first capital repayment was made in December 2005 while the final repayment is due in June 2018. In addition, a special privileged guarantee was given on the factory assets amounting to Euro 60 million, in addition to a bank surety of the Parent Company of Euro 37.9 million.
The reduction in payables to other lenders concerns the payment of the final mortgage instalments by the Parent Company and by Il Mattino SpA in 2011.

19. Other liabilities

	31.12.2011	31.12.2010
Other current liabilities		
Social security institutions	8,143	8,479
Employee payables	8,656	9,598
VAT payables	547	558
Payables for withholding taxes	4,091	3,898
Other payables	9,284	9,501
Payables to related parties	12	17
Accruals	–	1,030
Deferred income	235	208
Total	**30,968**	**33,289**
Other non-current liabilities		
Other payables	114	84
Deferred income	3,547	2,662
Total	**3,661**	**2,746**

In Euro thousands

Other payables include Euro 4.9 million as the amount available to the Board of Directors in accordance with article 25 of the By-Laws which establishes the allocation to this account of 2% of net profit.

20. Trade payables

	31.12.2011	31.12.2010
Trade payables	29,126	30,758
Payables to Group companies	158	443
Total	**29,284**	**31,201**

In Euro thousands

Trade payables principally refer to operating subsidiaries in the publishing sector and relate to the purchase of raw materials, services and capital expenditures.
There are no payables due over 12 months.

income statement

21. Revenues from sales and services

	2011	2010
Circulation revenues	77,360	79,842
Promotions revenues	1,098	2,282
Advertising	139,860	155,981
Total	**218,318**	**238,105**
Of which related parties	2,728	2,930

In Euro thousands

Sales and advertising revenues of the principal newspaper titles were affected by the economic-financial crisis of recent years.
The performances are commented upon in detail in the Directors' Report to which reference is made.

22. Other operating revenues

	2011	2010
Operating grants	314	274
Recovery of expenses from third parties	1,715	2,532
Capital grant contributions	338	359
Rent, leases and hire charges	120	–
Gains on disposal of assets	57	15
Reimbursements and claims	689	2,321
Subsidised tariffs	716	842
Other revenues	3,723	3,898
Total	**7,672**	**10,241**
Of which related parties	18	224

In Euro thousands

The decrease in the accounts Recovery of expenses from third parties and Reimbursements and claims is principally due to the extraordinary items in 2010 concerning over-accruals relating to the reversal of payables for disputes.

23. Raw material costs

	2011	2010
Paper	23,797	20,510
Other publishing materials	4,731	4,668
Other	3	14
Change in inventory of raw materials and goods	(350)	397
Total	**28,181**	**25,589**

In Euro thousands

The increase in paper costs is related to the significant increase in the unitary prices in 2011 and the reduction in the print runs. For further information, reference should be made to the Directors' Report.

24. Other operating costs

	2011	2010
Editorial services	17,458	17,721
Transport and delivery	16,061	16,753
Outside contractors	9,349	10,088
Promotions	806	1,743
Advertising & promotions	3,647	4,294
Commissions and agent costs	9,101	9,224
Utilities and power	2,440	3,876
Maintenance and repair costs	3,774	3,882
Consulting	3,358	3,986
Purchase of advertising space third parties	166	50
Directors and Statutory Auditors fees	2,467	2,447
Insurance, postal and telephone	1,821	1,790
Cleaning and security	905	934
Subcontractors and other services	2,321	3,120
Independent Auditors fees	412	437
Other costs	8,280	5,894
Service costs	**82,366**	**86,239**
Rental	6,439	6,381
Hire	1,879	2,304
Other	100	110
Rent, lease and hire costs	**8,418**	**8,795**
Other operating charges	3,732	3,651
Other	141	248
Other costs	**3,873**	**3,899**
Total	**94,657**	**98,933**
Of which related parties	7,113	6,482

In Euro thousands

25. Amortisation, depreciation, provisions & write-downs

	2011	**2010**
Amortisation of intangible assets	627	906
Depreciation of tangible assets	8,300	8,622
Provision for risks and charges	812	1,788
Doubtful debts	2,428	2,246
Total	**12,167**	**13,562**

In Euro thousands

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

26. Net financial income/(charges)

	2011	2010
Losses on investments at equity		
E-Care SpA	–	(41)
B2Win SpA	–	(299)
Rofin 2008 Srl	(2)	(2)
Total	**(2)**	**(342)**
Financial income		
Dividends	3,202	1,925
Interest on bank deposits (B2Win SpA)	–	1,391
Interest on bank deposits	4,365	2,243
Exchange gains	478	–
Revaluations of investments	153	97
Other financial income	47	59
Total	**8,245**	**5,715**
Of which related parties	7,162	5,310
Financial charges		
Loss on sale of investments	(12,846)	(56)
Write-down of equity investments	(20,750)	(2,151)
Loan interest	(843)	(755)
Interest on bank current accounts	(540)	(315)
Interest on leaving indemnity	(1,359)	(1,049)
Banking commissions and charges	(243)	(243)
Other financial expenses	(117)	(151)
Total	**(36,698)**	**(4,720)**
Of which related parties	(33,804)	(2,032)
Net financial income/(charges)	**(28,453)**	**995**

In Euro thousands

The Dividends included in financial income concern the investments in Assicurazioni Generali SpA and Banca Monte dei Paschi di Siena SpA, respectively for Euro 2.6 million and Euro 0.6 million.
The Loss on the sale of investments concerns the sale on the market of 22,500,000 Banca Monte dei Paschi di Siena shares.
The Write-down of investments concerns Euro 20.67 million to the allocation to the Income statement, for significant losses in value, of the fair value reserve at December 31st 2011 of 47,500,000 Banca Monte dei Paschi di Siena SpA shares in portfolio.
Reference should be made to notes 5 and 11 for greater details.

27. Earnings per share

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

		2011	2010
Net result	*thousands of Euros*	(30,737)	6,003
Number of ordinary shares outstanding	*thousands*	125,000	125,000
Net earnings per share	*Euro per share*	**(0.246)**	**0.048**

The diluted earning per share is identical to the basic earnings per Share as Caltagirone Editore SpA has only issued ordinary shares.
In 2011, dividends were distributed of Euro 0.05 per share, totalling Euro 6.25 million.

28. Transactions with related parties

Transactions with companies under common control

The transactions of Group companies with related parties generally relate to normal operations and are regulated at market conditions. They principally relate to the exchange of goods, the provision of services, and the provision and use of financial resources by associated companies and subsidiaries excluded from the consolidation scope, as well as with other companies belonging to the Caltagirone Group or under common control.

There are no atypical or unusual transactions which are not within the normal business operations. Where such operations exist, detailed information is provided in the present paragraph.

The table below shows the operations considered significant, or rather those above Euro 250 thousand:

	Trade receivables	Financial receivables	Cash and cash equivalents	Trade payables	Financial payables	Other payables
Banca Finnat Euramerica SpA	–	–	562	–	–	–
Banca Monte dei Paschi di Siena SpA	216	–	18,568	–	2,394	–
Intermedia Srl	262	–	–	–	–	–
Pubblieditor Srl in liquidation	840	–	–	–	–	–
Rofin 2008 Srl	–	1,536	–	–	–	–
Other minor	301	–	–	158	–	12
Total	**1,619**	**1,536**	**19,130**	**158**	**2,394**	**12**
% on total in accounts	**2.38%**	**99.22%**	**8.31%**	**0.54%**	**10.87%**	**0.04%**

In Euro thousands

	Operating revenues	Operating costs	Financial income	Financial charges
Assicurazioni Generali SpA	–	–	2,565	–
Banca Monte dei Paschi di Siena SpA	2,042	–	4,439	197
Caltagirone SpA	–	1,013	–	–
Fabrica Immobiliare Sgr	–	2,350	–	–
Ical SpA in liquidation	–	2,487	–	–
Intermedia Srl	502	–	–	–
Other minor	202	450	5	11
Total	**2,746**	**6,300**	**7,009**	**208**
% on total in accounts	**1.22%**	**2.90%**	**85.01%**	**0.57%**

In Euro thousands

The company Il Gazzettino SpA undertakes commercial transactions with the associated company Pubblieditor Srl in liquidation.
The account Financial receivables principally includes the non-interest bearing Shareholder loan provided by the Parent Company to the associated company Rofin 2008 Srl.
Cash and cash equivalents and financial payables concern the operations in place at December 31st 2011 with the credit institutions Banca Monte dei Paschi di Siena SpA and Banca Finnat Euramerica SpA.
Operating revenues concern the advertising carried out with Group newspapers by Banca Monte dei Paschi di Siena SpA.
Operating costs also includes rental costs by the Parent Company and Il Messaggero SpA for their respective head offices from companies under common control.
The account Financial income concerns dividends received from Assicurazioni Generali SpA and Banca Monte dei Paschi di Siena SpA, and interest income on bank deposits at Banca Monte dei Paschi di Siena SpA.
Financial charges refer principally to current account interest with Banca Monte dei Paschi di Siena SpA.

29. Business segment information

The disclosures required in accordance with *IFRS 8* on the segment information are provided below. The Caltagirone Editore Group has adopted the sector of operating 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. This break-down is used by Management to carry out an analysis of operational performance and for the specific management of risks related to each sector. The Group operates exclusively in Italy and bases sector performance on turnover volumes and Ebitda from ordinary operations.

2010	**Newspapers**	**Advertising revenues**	**Other activities**	**Consol. Adjustments**	**Consolidated pre-segment eliminations**	**Segment eliminations**	**Consolidated**
Sector revenues – Third parties	90,224	157,363	749	10	248,346	–	248,346
Inter-segment revenues	120,651	1,294	1,469	(10)	123,404	(123,404)	–
Segment revenues	**210,875**	**158,657**	**2,218**	**–**	**371,750**	**(123,404)**	**248,346**
Segment Ebitda	**22,330**	**6,695**	**(1,606)**	**–**	**27,419**	**–**	**27,419**
Amortisation, depreciation, write-downs and provisions	10,498	2,637	427	–	13,562	–	13,562
EBIT	**11,832**	**4,058**	**(2,033)**	**–**	**13,857**	**–**	**13,857**
Net financial income/(charges)	–	–	–	–	–	–	995
Net result of the share of associates	–	–	–	–	–	–	(342)
Loss before taxes	**–**	**–**	**–**	**–**	**–**	**–**	**14,510**
Income taxes	–	–	–	–	–	–	(8,814)
Net profit	**–**	**–**	**–**	**–**	**–**	**–**	**5,696**
Segment assets	548,631	82,365	344,968	25,919	1,001,883	–	1,001,883
Segment liabilities	215,825	15,638	9,272	(1,435)	239,300	–	239,300
Investments valued at Net equity	692	–	15	–	707	–	707
Investments in intangible and tangible fixed assets	1,358	192	436	–	1,986	–	1,986

In Euro thousands

2011	Newspapers	Advertising revenues	Other activities	Consol. Adjustments	Consolidated pre-segment eliminations	Segment eliminations	Consolidated
Sector revenues – Third parties	84,097	141,353	535	5	225,990	–	225,990
Inter-segment revenues	108,279	858	1,648	(148)	110,637	(110,637)	–
Segment revenues	**192,376**	**142,211**	**2,183**	**(143)**	**336,627**	**(110,637)**	**225,990**
Segment Ebitda	**7,940**	**3,628**	**(2,747)**	**(143)**	**8,678**	**–**	**8,678**
Amortisation, depreciation, write-downs and provisions	9,123	2,741	446	(143)	12,167	–	12,167
EBIT	**(1,183)**	**887**	**(3,193)**	**–**	**(3,489)**	**–**	**(3,489)**
Net financial income/(charges)	–	–	–	–	–	–	(28,453)
Net result of the share of associates	–	–	–	–	–	–	(2)
Loss before taxes	**–**	**–**	**–**	**–**	**–**	**–**	**(31,944)**
Income taxes	–	–	–	–	–	–	754
Net loss	**–**	**–**	**–**	**–**	**–**	**–**	**(31,190)**
Segment assets	545,044	75,941	302,031	26,154	949,170	–	949,170
Segment liabilities	206,706	16,397	6,804	(1,236)	228,671	–	228,671
Investments valued at Net equity	845	–	13	–	858	–	858
Investments in intangible and tangible fixed assets	1,542	188	151	–	1,881	–	1,881

In Euro thousands

30. Net cash position

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

	31.12.2011	31.12.2010
A. Cash	80	139
B. Bank deposits	230,214	256,848
D. Liquidity (A+B)	**230,294**	**256,987**
E. Current financial receivables	**1,548**	**4,211**
F. Bank payables – current portion	17,076	10,987
G. Current portion of long-term loans	4,761	4,782
H. Current payables to other lenders	195	2,775
I. Current debt (F+G+H)	**22,032**	**18,544**
J. NET CURRENT CASH (I-E-D)	**(209,810)**	**(242,654)**
K. Non-current bank payables	28,841	33,535
M. Non-current payables to other lenders	27	221
N. NON-CURRENT FINANCIAL DEBT (K+M)	**28,868**	**33,756**
O. NET CASH POSITION (J+N)	**(180,942)**	**(208,898)**

In Euro thousands

31. Guarantees given and commitments

At December 31st 2011 the Group gave guarantees or commitments to third parties for Euro 138 million.

	31.12.2011	31.12.2010
Bank and insurance sureties given	38,584	60,844
Bank and insurance sureties received	60	60
Bills at banks	2,230	2,158
Mortgage and priviledges	97,510	97,510
Total	**138,384**	**160,572**

In Euro thousands

Assignments conferred to the Audit Firm and related remuneration
The table below shows the payments made to the Audit Firm KPMG SpA in accordance with article 149 of Consob Resolution No. 11971/99 in 2011.

Company	Period	Audit service charges	Other activities	Annual fees
Caltagirone Editore SpA	2006-2011	45,475	1,000	46,475
Il Mattino SpA	2006-2011	43,146	7,262	50,408
Piemme SpA	2006-2011	47,330	1,060	48,390
Il Messaggero SpA	2006-2011	57,527	1,000	58,527
Leggo SpA	2006-2011	16,638	1,000	17,638
Finced Srl	2006-2011	6,002	1,000	7,002
Corriere Adriatico SpA	2009-2011	30,630	4,872	35,502
Quotidiano di Puglia SpA	2010-2012	33,169	1,013	34,182
Il Gazzettino SpA	2006-2011	53,050	5,300	58,350
Imprese Tipografiche Venete SpA	2010-2012	13,140	1,060	14,200
Centro Stampa Veneto SpA	2010-2012	21,690	1,060	22,750
Telefriuli SpA	2011-2013	17,490	1,060	18,550
Total		**385,287**	**26,687**	**411,974**
Caltagirone Editore SpA				46,475
Subsidiary companies				365,499
Total				**411,974**

In Euro

CALTAGIRONE EDITORE
Società per Azioni - Cap.Soc. Euro 125.000.000

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 and 4, 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 consolidated financial statements for 2011.

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. It is also declared that:

3.1 the Consolidated Financial Statements:

a) were prepared in accordance with international accounting standards, recognised in the European Union pursuant to EU regulation No. 1606/2002 of the European Parliament and Council, of July 19th 2002;

b) correspond to the underlying accounting documents and records;

c) provide a true and correct representation of the economic, balance sheet and financial situation of the issuer and of the companies included in the consolidation.

3.2 The Directors' Report, prepared using a standard format for both the individual and consolidated financial statements, 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 14th 2012

The Chairman	**The Executive Responsible**
Mr. Francesco Gaetano Caltagirone	Mr. Roberto Di Muzio

CALTAGIRONE EDITORE

financial statements at December 31st, 2011

balance sheet
assets

	Note	31.12.2011	31.12.2010
Intangible assets with definite life	1	–	2,721
Property, plant and equipment	2	9,669	12,680
Equity investments valued at cost:	3		
subsidiary companies		382,265,194	381,302,011
associated companies		17,356	17,356
other companies		2,745,000	2,745,000
Equity investments and non-current securities	4	38,960,500	69,729,499
Deferred tax assets	5	16,869,405	11,402,515
NON-CURRENT ASSETS		**440,867,124**	**465,211,782**
Trade receivable	6	697,378	847,495
of which related parties		690,000	846,556
Equity investments and current securities	7	6,930,000	–
Current financial assets	8	84,315,566	74,159,232
of which related parties		84,304,061	74,118,558
Tax receivables	5	54,458	107,880
Other current assets	9	2,459,302	958,741
of which related parties		2,247,791	770,985
Cash and cash equivalents	10	119,577,489	148,085,756
of which related parties		19,045,862	147,934,692
CURRENT ASSETS		**214,034,193**	**224,159,104**
TOTAL ASSETS		**654,901,317**	**689,370,886**

In Euro

balance sheet
shareholders' equity and liabilities

	Note	31.12.2011	31.12.2010
Share capital		125,000,000	125,000,000
Share capital issue costs		(18,864,965)	(18,864,965)
Other reserves		554,674,675	568,254,226
Loss for the year		(29,627,574)	(6,084,288)
SHAREHOLDERS' EQUITY	**11**	**631,182,136**	**668,304,973**
Employee provisions	12	54,514	53,366
Deferred tax liabilities	5	3,607	37,195
NON-CURRENT LIABILITIES		**58,121**	**90,561**
Current provisions	13	2,725,782	–
Trade payables	14	180,086	471,210
of which related parties		42,761	324,980
Current financial liabilities	15	4,099,765	5,718,868
of which related parties		4,099,715	4,314,715
Current income tax payables	5	–	2,132
Other current liabilities	16	16,655,427	14,783,142
of which related parties		11,268,763	8,996,202
CURRENT LIABILITIES		**23,661,060**	**20,975,352**
TOTAL LIABILITIES		**23,719,181**	**21,065,913**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**654,901,317**	**689,370,886**

In Euro

income statement

	Note	2011	2010
Other revenues	17	700,845	711,625
of which related parties		700,845	710,845
REVENUES		**700,845**	**711,625**
Labour costs	12	603,016	781,767
Other operating charges	18	2,415,142	1,549,147
of which related parties		1,449,226	662,414
COSTS		**3,018,158**	**2,330,914**
EBITDA		**(2,317,313)**	**(1,619,289)**
Amortisation, depreciation & provisions	19	5,732	5,343
EBIT		**(2,323,045)**	**(1,624,632)**
Financial income		4,781,776	2,594,339
of which related parties		4,479,532	2,510,096
Financial charges		35,509,127	7,081,511
of which related parties		79,330	46,921
Net financial income/(charges)	**20**	**(30,727,351)**	**(4,487,172)**
PROFIT/(LOSS) BEFORE TAX		**(33,050,396)**	**(6,111,804)**
Income taxes for the year	5	(3,422,822)	(27,516)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**(29,627,574)**	**(6,084,288)**
NET PROFIT/(LOSS) FOR THE YEAR		**(29,627,574)**	**(6,084,288)**

In Euro

comprehensive income statement

	Note	2011	2010
NET PROFIT/(LOSS) RECORDED IN THE INCOME STATEMENT		**(29,627,574)**	**(6,084,288)**
Net profit/(loss) from recalculation of available-for-sale financial assets net of tax effect	11	(1,081,532)	(15,481,405)
Effect of actuarial gain/(loss) net of tax effect		6,262	(1,956)
NET INCOME/(CHARGES) RECORDED IN EQUITY		**(1,075,270)**	**(15,483,361)**
NET PROFIT/(LOSS) FOR THE YEAR		**(30,702,844)**	**(21,567,649)**

In Euro

STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY 2010

	Share capital	Quotation charges	Treasury shares	Fair value reserve	Other reserves	Net result	Total
Balance at January 1st 2010	**125,000,000**	**(18,864,965)**	**–**	**9,064,463**	**601,159,790**	**(20,236,666)**	**696,122,622**
Dividends distributed	–	–	–	–	(6,250,000)	–	(6,250,000)
Retained earnings	–	–	–	–	(20,236,666)	20,236,666	–
Total operations with Shareholders	**125,000,000**	**(18,864,965)**	**–**	**9,064,463**	**574,673,124**	**–**	**689,872,622**
Change in fair value reserve	–	–	–	(15,481,405)	–	–	(15,481,405)
Change in employment termination reserve	–	–	–	–	(1,956)	–	(1,956)
Net result	–	–	–	–	–	(6,084,288)	(6,084,288)
Net profit/(loss) recorded in period	**–**	**–**	**–**	**(15,481,405)**	**(1,956)**	**(6,084,288)**	**(21,567,649)**
BALANCE AT DECEMBER 31ST 2010	**125,000,000**	**(18,864,965)**	**–**	**(6,416,942)**	**574,671,168**	**(6,084,288)**	**668,304,973**

In Euro

STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY 2011

	Share capital	Quotation charges	Treasury shares	Fair value reserve	Other reserves	Net result	Total
Balance at January 1st 2011	**125,000,000**	**(18,864,965)**	**–**	**(6,416,942)**	**574,671,168**	**(6,084,288)**	**668,304,973**
Dividends distributed	–	–	–	–	(6,250,000)	–	(6,250,000)
Retained earnings	–	–	–	–	(6,084,288)	6,084,288	–
Treasury shares in portfolio	–	–	(169,993)	–	–	–	(169,993)
Total operations with Shareholders	**125,000,000**	**(18,864,965)**	**(169,993)**	**(6,416,942)**	**562,336,880**	**–**	**661,884,980**
Change in fair value reserve	–	–	–	(1,081,532)	–	–	(1,081,532)
Change in employment termination reserve	–	–	–	–	6,262	–	6,262
Net result	–	–	–	–	–	(29,627,574)	(29,627,574)
Net profit/(loss) recorded in period	**–**	**–**	**–**	**(1,081,532)**	**6,262**	**(29,627,574)**	**(30,702,844)**
BALANCE AT DECEMBER 31ST 2011	**125,000,000**	**(18,864,965)**	**(169,993)**	**(7,498,474)**	**562,343,142**	**(29,627,574)**	**631,182,136**

In Euro

cash flow statement

	Note	2011	2010
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**10**	**148,085,756**	**174,525,060**
Profit/(Loss) for the year		(29,627,574)	(6,084,288)
Amortisation & depreciation		5,732	5,343
(Revaluations) and write-downs		22,483,668	6,900,099
Net financial income/(charges)		(4,592,199)	(2,412,927)
of which related parties		(4,400,202)	(2,463,175)
(Gains)/Losses on disposals		12,835,882	–
Income taxes		(3,422,822)	(27,516)
Changes in employee provisions		9,784	9,019
OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL		**(2,307,529)**	**(1,610,270)**
(Increase)/Decrease in trade receivables		150,118	(812,308)
Increase/(Decrease) in trade payables		(309,983)	230,569
Change in other current and non-current liabilities		309,462	581,241
Change in deferred and current income taxes		(2,883,629)	(491,715)
OPERATING CASH FLOW		**(5,041,561)**	**(2,102,483)**
Dividends received		2,144,500	1,102,500
of which related parties		2,144,500	1,102,500
Interest received		2,517,183	1,451,165
of which related parties		2,324,695	1,366,360
Interest paid		(88,534)	(78,328)
of which related parties		60,346	(34,329)
A. CASH FLOW FROM OPERATING ACTIVITIES		**(468,412)**	**372,854**

	Note	2011	2010
Investments in tangible fixed assets		–	(6,500)
Equity investments and non-current securities		(4,873,529)	(14,464,517)
Sale of equity investments and non-current securities		92,500	–
(Increase)/Decrease in equity investments and current securities		(5,161,647)	–
Change in current financial assets		(10,156,334)	(4,656,693)
B. CASH FLOW FROM INVESTING ACTIVITIES		**(20,099,010)**	**(19,127,710)**
Change in non-current financial liabilities		–	(1,404,153)
Change in current financial liabilities		(1,619,103)	(30,295)
Dividends distributed		(6,250,000)	(6,250,000)
Other changes		(169,993)	–
C. CASH FLOW FROM FINANCING ACTIVITIES		**(8,039,096)**	**(7,684,448)**
D. EFFECT EXCHANGE DIFFERENCES ON CASH & CASH EQUIVALENTS		**98,251**	**–**
Change in net liquidity (A+B+C+D)		**(28,508,267)**	**(26,439,304)**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**10**	**119,577,489**	**148,085,756**

In Euro

notes to the financial statements as at December 31st, 2011

Introduction

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

1. Francesco Gaetano Caltagirone: 75,955,300 shares (60.76%).
   This investment is held:
   - directly for 22,500,000 shares (18.0%),
   - indirectly through the Companies:
     - Parted 1982 SpA (35.56%),
     - Gamma Srl (7.2%);
2. Gaetano Caltagirone 3,000,000 shares (2.40%);
3. Edizione Srl 2,799,000 shares (2.24%).

The recording of the 2010 dividend, paid in May 2011, resulted in the payment of dividends on 2,685,000 shares, representing 2.1487% of the share capital through the Credit Suisse Equity Fund.
The present Financial statements were authorised for publication by the Directors on March 14th 2012.

Compliance with international accounting standards approved by the European Commission

The Financial statements at December 31st 2011 were prepared in accordance with *International Financial Reporting Standards* (*IFRS*), *International Accounting Standards* (*IAS*) and the interpretations of the *International Financial Reporting Interpretations Committee* (*IFRIC*) and of the *Standing Interpretations Committee* (*SIC*), approved by the European Commission (hereinafter *IFRS*).
In the preparation of the present document, account was taken of article 9 of Legislative Decree No. 28 of February 28th 2005, of the provisions of the Civil Code, of Consob Resolution No. 15519 (*Regulations relating to financial statements to be issued in accordance with article 9, paragraph 3 of Legs. Decree No. of February 28th 2005*) and No. 15520 (*Modifications and amendments to the implementation rules of Legs.*

Decree No. 58 of 1998) both of July 27th 2006 as well as Consob Communication No. DEM/6064293 of July 28th 2006 (*Disclosure of issuers of shares and financial instruments in accordance with article 116 of the CFA*).
The Company did not opt for the advance adoption of the standards, interpretations and updates already approved, which are applicable after the date of the accounts.
The Company is evaluating the possible effects related to the application of the above-mentioned new standards/changes to accounting standards already in force; based on a preliminary evaluation, significant effects are not expected on the Financial statements.

Basis of presentation

The Financial statements consist of the Balance sheet, the Income statement, the Comprehensive income statement, the Cash flow statement, the Statement of changes in Shareholders' equity 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 Financial statements as the amounts are not significant.
The assets and liabilities are shown separately and without any offsetting.
The Financial statements are presented in Euro and all the amounts refer to units of the currency, except where indicated otherwise.

Foreign currency transactions

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

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.

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 associates

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

Assets and liabilities held for sale and extraordinary operations

The assets or group of assets and liabilities whose book value will be recovered principally through sale rather than continual usage, are presented separately from the other assets and liabilities in the Balance sheet.
The assets classified as held for sale are measured at the lower between their book value and the current realisable value, less costs to sell, determined at the reclassification date. Losses in value are recognised directly in the Income statement. The corresponding Balance sheet values of the previous year are not reclassified.
The results of the 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.

Investments in other companies and debt instruments

The Available-for-sale assets are non-derivative financial instruments explicitly designated in this category and are classified under non-current assets unless management has the intention to sell them within 12 months from the Balance sheet date, in which case they are recognised to Current investments and securities.

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 through the Comprehensive income statement 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 Company.

In relation to the identification of losses in value of listed shares classified in the available-for-sale financial assets category (AFS), consideration is made of the interpretive clarifications contained in the joint document issued by Bank of Italy, Consob and Isvap No. 4 of March 3rd 2010 in relation to the weight to be given to the concepts of "significant" or "prolonged" of the fair value under cost in order to declare an impairment.

Considering the uncertainty surrounding economic forecasts, in addition to that concerning financial market performances which are largely based on speculation (particularly in relation to the Italian stock market), the Group considered it appropriate to re-establish as 50% the reduction in book value required (30% at December 31st 2010) and as 40 months (30 months at December 31st 2010) to respectively establish "significance" and "duration" in relation to impairments on AFS securities in accordance with *IAS 39*.

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 are accounted at fair value and 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.

Shareholders' equity

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

Costs for Share capital increases
The costs incurred for the Stock Exchange listing, net of the relative tax effect, are recorded as a reduction of the Shareholders' equity in a separate negative reserve.

Employee benefits

The liabilities relating to the benefits recognised to employees and paid on or after the 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.

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.

Public 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 recognised to the Income statement over 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 recognised 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

The 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.

Income tax

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 , Leggo SpA and Centro Stampa Veneto 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.
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.

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.

Exchange rate risk

The Company has a contained exposure to exchange rate risk in that liquidity is held both in Euro and in foreign currencies. The exchange rate risk would only impact financial income as operations and revenues are carried out exclusively in Italy, in addition to the principal costs. The exchange rate risk on financial assets is reduced as concerning currencies which historically have not recorded significant movements against the Euro.

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 in that the loans undertaken are contracted in Euro, which currently presents low interest rates following the monetary policies adopted by the central banks to counter the recession.

Liquidity risk

Liquidity risk is linked to the difficulty in obtaining funds to cover commitments at a given moment. Caltagirone Editore SpA 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.

New accounting standards and interpretations

Accounting principles and interpretations applied after January 1st 2011

The amendments, interpretations and amendments listed below are applicable from January 1st 2011, however their adoption did not have any change to the presentation and valuation of the Financial statements of the Company:

- amendment to *IAS 32 - Financial instruments: Presentation of Financial statements*, adopted with European Regulation (EU) No. 1293 issued on December 23rd 2009;
- amendments to *IFRS 1 - Limited exemption from comparative IFRS disclosure under IFRS 7 for first time adopters* and *IFRS 7 - Financial instruments: Disclosures*, adopted with European Regulation (EU) No. 574 issued on June 30th 2010;
- amendments to *IAS 24 - Related party disclosures* and *IFRS 8 - Operating segments*, adopted with European Regulation (EU) No. 632 issued on July 19th 2010;
- amendments to *IFRIC 14 - The limit of a defined benefit asset, minimum funding requirements and their interaction*, adopted with European Regulation (EU) No. 633 issued on July 19th 2010;
- *IFRIC 19 - Extinguishing financial liabilities with equity instruments* and the amendment to *IFRS 1 - First time adoption of International Financial Reporting Standards*, adopted with European Regulation (EU) No. 662 issued on July 23rd 2010.

In addition, on February 18th 2011 EU regulation No. 149/2011 was published which adopts a number of improvements to *IAS/IFRS* applicable from January 1st 2011.

- *IFRS 1 - First-time adoption of International Financial Reporting Standards;*
- *IFRS 3 - Business combinations;*
- *IFRS 7 - Financial Instruments: disclosures;*
- *Amendments to IFRS 7 - Financial instruments: disclosure;*
- *IAS 1 - Presentation of Financial statements;*
- *IAS 27 - Consolidated and separate Financial statements;*
- *IAS 32 - Financial instruments: disclosure;*
- *IAS 39 - Financial instruments: recognition and measurement;*
- *IAS 34 - Interim Financial statements;*
- *IFRIC 13 - Customer loyalty programmes.*

Accounting standards and interpretations on standards effective from the periods subsequent to 2011 and not adopted in advance by the Company

- Amendments to *IFRS 7 - Financial instruments: additional disclosure - Transfer of financial assets*, adopted with Regulation (EC) issued on November 22nd 2011.

New accounting standards and interpretations

At the date of the approval of the present Financial statements, the IASB had issued (however not yet approved by the European Union) a number of accounting standards, interpretations and amendments – some still in the consultation phase – among which we highlight:

- a number of *Exposure Drafts* (ED), some of which issued within the review of the current *IAS 39*, concerning *Amortised cost and impairments, the fair value option for Financial liabilities and hedge accounting;*
- *Exposure Draft* (ED) *Measurement of non-financial liabilities* as part of the review of the current *IAS 37* in relation to the recognition and measurement of provisions and contingent liabilities and assets;
- *Exposure Draft* (ED) *Revenues* in relation to the review of the current *IAS 11* and *IAS 18*, concerning the recognition of revenues;
- *Exposure Draft* (ED) *Insurance contracts* in relation to the review of the current *IFRS 4*, concerning the recognition of insurance contracts;
- *Exposure Draft* (ED) *Leasing* in relation to the review of the current *IAS 17*, concerning the recognition of leases;
- *Exposure Draft* (ED) *Improvements to IFRS*, as part of the annual improvement and general review of the international accounting standards;
- amendment to *IAS 1 - Presentation of Financial statements: Comprehensive income statement* in relation to the presentation of Financial statements concerning the Comprehensive income statement;
- *IAS 12 - Income taxes - Deferred taxation: recovery of underlying assets*;
- *IAS 19 - Employee benefits*, as part of the review of the current international accounting standard concerning employee benefits;
- *IAS 28 - Investments in associates and joint ventures*, within the review process of the current principle concerning joint ventures;
- *IFRS 9 - Financial instruments*, within the ambit of the review of the current *IAS 39*;
- *IFRS 10 - Consolidated financial statements*, in relation to the consolidation of Financial statements of subsidiaries as part of the review of *IAS 27* and of *SIC 12 Consolidation - Special purpose entities*;
- *IFRS 11 - Joint arrangements*, as part of the review of *IAS 31 - Interests in joint ventures*;
- *IFRS 12 - Disclosure of interests in other entitles*;
- *IFRS 13 - Fair value measurement.*

Any effects that the newly applied accounting standards, amendments and interpretations may have on the Company financial disclosure are currently being evaluated.

assets

1. Intangible assets with definite life

	Others	Total
Historical cost 1.1.2010	**19,051**	**19,051**
Increases	–	–
Decreases	–	–
31.12.2010	**19,051**	**19,051**

Historical cost 1.1.2011	**19,051**	**19,051**
Increases	–	–
Decreases	–	–
31.12.2011	**19,051**	**19,051**

In Euro

	Others	Total
Amortisation and loss in value 1.1.2010	**13,608**	**13,608**
Increases	2,722	2,722
Decreases	–	–
31.12.2010	**16,330**	**16,330**

Amortisation and loss in value 1.1.2011	**16,330**	**16,330**
Increases	2,721	2,721
Decreases	–	–
31.12.2011	**19,051**	**19,051**

Net value 1.1.2010	**5,443**	**5,443**
31.12.2010	**2,721**	**2,721**
31.12.2011	**–**	**–**

In Euro

2. Property, plant and equipment

	Equipment	Other assets	Total
Historical cost 1.1.2010	**21,266**	**213,333**	**234,599**
Increases	6,500	–	6,500
Decreases	–	–	–
31.12.2010	**27,766**	**213,333**	**241,099**
Historical cost 1.1.2011	**27,766**	**213,333**	**241,099**
Increases	–	–	–
Decreases	–	–	–
31.12.2011	**27,766**	**213,333**	**241,099**
Amortisation and loss in value 1.1.2010	**12,466**	**213,333**	**225,799**
Increases	2,620	–	2,620
Decreases	–	–	–
31.12.2010	**15,086**	**213,333**	**228,419**
Amortisation and loss in value 1.1.2011	**15,086**	**213,333**	**228,419**
Increases	3,011	–	3,011
Decreases	–	–	–
31.12.2011	**18,097**	**213,333**	**231,430**
Net value 1.1.2010	**8,800**	**–**	**8,800**
31.12.2010	**12,680**	**–**	**12,680**
31.12.2011	**9,669**	**–**	**9,669**

In Euro

3. Investments valued at cost

The movements in the account are as follows:

Investments in subsidiary companies	Location	%	1.1.2010	Increases/ (Decreases)	Write-downs	31.12.2010
Il Mattino SpA	Rome	99.99%	23,590,822	–	–	23,590,822
Leggo SpA	Rome	90.00%	662,869	–	–	662,869
Finced Srl	Rome	99.99%	9,999	–	–	9,999
Corriere Adriatico SpA	Ancona	100.00%	22,967,303	1,146,551	(1,250,463)	22,863,391
Quotidiano di Puglia SpA	Rome	85.00%	28,445,915	–	–	28,445,915
Il Gazzettino SpA	Rome	99.91%	137,326,792	1,471,282	(1,858,635)	136,939,449
Il Messaggero SpA	Rome	94.61%	168,789,566	–	–	168,789,566
Total			**381,793,266**	**2,617,833**	**(3,109,098)**	**381,302,011**

	Location	%	1.1.2011	Increases/ (Decreases)	Write-downs	31.12.2011
Il Mattino SpA	Rome	99.99%	23,590,822	–	–	23,590,822
Leggo SpA	Rome	90.00%	662,869	–	(662,869)	–
Finced Srl	Rome	99.99%	9,999	–	(9,999)	–
Corriere Adriatico SpA	Ancona	99.99%	22,863,391	2,373,588	(1,522,571)	23,714,408
Quotidiano di Puglia SpA	Rome	99.95%	28,445,915	–	–	28,445,915
Il Gazzettino SpA	Rome	99.99%	136,939,449	2,317,664	(1,632,620)	137,624,493
Il Messaggero SpA	Rome	94.61%	168,789,566	–	–	168,789,566
Ced Digital & Servizi Srl	Rome	99.99%	–	99,990	–	99,990
Total			**381,302,011**	**4,791,242**	**(3,828,059)**	**382,265,194**

In Euro

The write-down of the investments in the companies Leggo SpA and Finced Srl concern the losses in 2011, respectively of Euro 1,701,579 and Euro 1,697,071.
The amount exceeding the book value of the investment was recorded to a liability provision within the provisions for risks and future charges.
The value of the investment in Corriere Adriatico SpA increased due to the reconstitution of the Share capital and for the coverage of losses recorded in 2010 for a total of Euro 2,373,588; the write-down concerns the loss of the subsidiary in 2011 for Euro 1,522,571.
The value of the investment in Il Gazzettino SpA increased due to the reconstitution of the Share capital and for the coverage of losses recorded in 2010 for a total of Euro 2,317,664; the write-down concerns the coverage of the loss of the subsidiary in 2011 for Euro 1,632,620.
In 2011, the company Ced Digital & Servizi Srl was incorporated, which carries out telecommunication, design and implementation of IT, multimedia and electronic services.

The subsidiaries indirectly held are as follows:

Equity investments in indirect subsidiaries	Location	Share capital	% of control of the Group	Net equity	Result for the year
Piemme SpA	Rome	2,646,540	100.00%	42,911,507	(620,815)
Centro Stampa Veneto SpA	Rome	567,000	100.00%	1,434,862	306,530
Imprese Tipografiche Venete SpA	Rome	936,000	100.00%	5,451,161	689,812
P.I.M. Pubblicità Italiana Multimedia Srl	Rome	1,044,000	100.00%	6,611,856	482,454
Telefriuli SpA	Tavagnacco (Udine)	1,655,300	87.50%	725,611	(524,534)

In Euro

The investments in associated companies directly held by Caltagirone Editore SpA are as follows:

Investments in associated companies	Location	%	1.1.2010	Increases/ (Decreases)	Write-downs	Reclassifications	31.12.2010
E-Care SpA	Rome	24.50%	6,536,000	–	(3,791,000)	(2,745,000)	–
Rofin 2008 Srl	Rome	30.00%	17,356	–	–	–	17,356
Total			**6,553,356**	**–**	**(3,791,000)**	**(2,745,000)**	**17,356**

Investments in associated companies	Location	%	1.1.2011	Increases/ (Decreases)	Write-downs	Reclassifications	31.12.2011
Rofin 2008 Srl	Rome	30.00%	17,356	–	–	–	17,356
Total			**17,356**	**–**	**–**	**–**	**17,356**

In Euro

The other companies include:

Equity investments in other companies	Location	%	1.1.2010	Increases/ (Decreases)	Reclassifications	31.12.2010
E-Care SpA	Rome	15.00%	–	–	2,745,000	2,745,000

Equity investments in other companies	Location	%	1.1.2011	Increases/ (Decreases)	Reclassifications	31.12.2011
E-Care SpA	Rome	15.00%	2,745,000	–	–	2,745,000

In Euro

4. Equity investments and non-current securities

The breakdown is as follows:

Investments available-for-sale	1.1.2010	Share capital increase	Increases/ (Decreases)	Valuation at fair value	Reclassifications	31.12.2010
Banca Monte dei Paschi di Siena SpA	19,648,000	–	8,491,582	(6,013,583)	–	22,125,999
Assicurazioni Generali SpA	59,283,000	–	2,995,497	(14,674,997)	–	47,603,500
Total	**78,931,000**	**–**	**11,487,079**	**(20,688,580)**	**–**	**69,729,499**

Investments available-for-sale	1.1.2011	Share capital increase	Increases/ (Decreases)	Valuation at fair value	Reclassifications	31.12.2011
Banca Monte dei Paschi di Siena SpA	22,125,999	8,349,120	(16,033,566)	(7,511,553)	(6,930,000)	–
Assicurazioni Generali SpA	47,603,500	–	–	(8,643,000)	–	38,960,500
Total	**69,729,499**	**8,349,120**	**(16,033,566)**	**(16,154,553)**	**(6,930,000)**	**38,960,500**

In Euro

Number of shares

	1.1.2011	Share capital increase	Increases	(Decreases)	Reclassifications	31.12.2011
Assicurazioni Generali SpA	3,350,000	–	–	–	–	3,350,000
Banca Monte dei Paschi di Siena SpA	26,000,000	18,720,000	5,280,000	(22,500,000)	(27,500,000)	–

During the year, a total of 24 million Banca Monte dei Paschi di Siena SpA shares were acquired (of which 18,720,000 shares within the share capital increase) for a value of Euro 11,019,047 million and 22,500,000 shares were sold on the market for a value of Euro 5,857,400 million, with an overall loss of Euro 12,846,094.
The valuation at fair value of these investments at December 31st 2011 resulted in a negative impact of Euro 7,511,552. Under the Company policy to identify a significant loss in the book value of listed shares in portfolio compared to the Stock Market value, a write-down of the investment in Banca Monte dei Paschi di Siena SpA of Euro 15,919,827 was recognized in the Income statement.
The residual shares, amounting to Euro 6.9 million, were reclassified to the account current investments and securities, as they were subsequently sold on the market.
The valuation at fair value of the investment in Assicurazioni Generali SpA at December 31st 2011 was recorded to the Comprehensive income statement with a negative impact of Euro 8,643,000.

The changes in the fair value reserve are reported below:

Fair value reserve	1.1.2011	Increases	(Decreases)	Release to the Income statement	31.12.2011
Fair value reserve	(7,273,748)	–	(16,154,553)	15,929,827	(7,498,474)
Tax effect	856,806	33,588	(890,394)	–	–
Fair value reserve, net of tax effect	**(6,416,942)**	**33,588**	**(17,044,947)**	**15,929,827**	**(7,498,474)**
Changes in the year	**–**	**–**	**–**	**–**	**(1,081,532)**

In Euro thousands

In relation to the disclosure required by *IFRS 7*, concerning the so-called "hierarchy of fair value", the shares available for sale belong to Level 1, as defined by paragraph 27 A (*IFRS 7*) concerning financial instruments listed on an active market.

5. Deferred tax assets and liabilities and current 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:

	1.1.2010	Provisions	Utilisations	Others charges	31.12.2010
Deferred tax assets					
Tax losses carried forward	8,626,332	–	–	560,165	9,186,497
Write-down of equity investments	503	–	–	–	503
Other	1,254,727	95,977	(26,324)	891,135	2,215,515
Total	**9,881,562**	**95,977**	**(26,324)**	**1,451,300**	**11,402,515**
Deferred tax liabilities					
Other	4,353,976	–	–	(4,316,781)	37,195
Total	**4,353,976**	**–**	**–**	**(4,316,781)**	**37,195**
Net deferred tax asset	**5,527,586**	**95,977**	**(26,324)**	**5,768,081**	**11,365,320**

	1.1.2011	Provisions	Utilisations	Others charges	31.12.2011
Deferred tax assets					
Tax losses carried forward	9,186,497	3,543,839	(27,128)	2,842,947	15,546,155
Write-down of equity investments	503	–	–	–	503
Other	2,215,515	–	–	(892,768)	1,322,747
Total	**11,402,515**	**3,543,839**	**(27,128)**	**1,950,179**	**16,869,405**
Deferred tax liabilities					
Other	37,195	–	–	(33,588)	3,607
Total	**37,195**	**–**	**–**	**(33,588)**	**3,607**
Net deferred tax asset	**11,365,320**	**3,543,839**	**(27,128)**	**1,983,767**	**16,865,798**

In Euro

The Other changes in deferred tax assets and liabilities include the effects of the tax on the fair value of investments and of actuarial losses recorded directly to the Comprehensive income statement as well as deferred tax assets recorded due to the losses incurred by the subsidiaries. The decrease in the other deferred tax liabilities refers to the tax effect from the change of the Fair value reserve on available-for-sale investments.

The Balance sheet includes Receivables for current taxes of Euro 54,458, consisting of the Receivable from the Fiscal consolidation of Euro 30,536, tax credits of Euro 13,739, withholding taxes on interest income for Euro 3,965 and the Irap receivable of Euro 66,875.
The income taxes for the year consist of:

	2011	2010
Ires current income taxes	–	–
Irap current income taxes	48,317	42,378
Current income tax	**48,317**	**42,378**
Income taxes of prior years	45,572	(241)
Income taxes of prior years	**45,572**	**(241)**
Provision for deferred tax liabilities	–	–
Utilisation of deferred tax liabilities	–	–
Deferred tax charge	**–**	**–**
Recording of deferred tax assets	(3,543,839)	(95,977)
Utilisation of deferred tax assets	27,128	26,324
Deferred tax assets	**(3,516,711)**	**(69,653)**
Total income taxes	**(3,422,822)**	**(27,516)**

In Euro

The breakdown of income taxes is as follows:

	2011	2010
Current and deferred Ires tax	3,471,298	69,871
Current and deferred Irap tax	(48,476)	(42,355)
Total	**3,422,822**	**27,516**

In Euro

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

Ires income taxes	2011	
	Amount	Rate
Loss before taxes	**(33,050,396)**	**27.50%**
Theoretical tax charge	**–**	**(9,088,859)**
Permanent differences increase/(decrease):		
Dividends	(2,037,275)	
Write-down of equity investments	22,483,668	
Others	(21,190)	
Total	**(12,625,193)**	
Actual tax charge	**3,471,928**	

In Euro

6. Trade receivables

This account can be broken down as follows:

	31.12.2011	31.12.2010
Receivables from third parties	7,378	940
Receivables from related parties	–	6,555
Receivables from subsidiaries	690,000	840,000
Total	**697,378**	**847,495**

In Euro

Receivables from subsidiaries concern invoices issued for administrative, financial and tax assistance services respectively of Euro 450,000 from Il Messaggero SpA, Euro 120,000 from Il Mattino SpA and Euro 60,000 from Piemme SpA and Il Gazzettino SpA.
There are no receivables due over 12 months.

7. Equity investments and current securities

The account includes the Banca Monte dei Paschi di Siena SpA shares reclassified from the account Non-current investments and securities. For further information, reference should be made to note 4.
In relation to the disclosure required by *IFRS 7*, concerning the so-called "hierarchy of fair value", the shares available for sale belong to level one, as defined by paragraph 27 A (*IFRS 7*) concerning financial instruments listed on an active market.

8. Current financial assets

This account can be broken down as follows:

	31.12.2011	31.12.2010
Financial assets from subsidiaries	82,768,060	70,227,557
Financial assets from associated companies	1,536,001	3,891,001
Financial assets from third parties	11,505	40,674
Total	**84,315,566**	**74,159,232**

In Euro

The balance of Euro 82,768,060 represents non-interest bearing loans due within one year renewable on request, granted respectively to Finced Srl (Euro 59,508,060), Il Mattino SpA (Euro 18,660,000) and Il Gazzettino SpA (Euro 4,600,000).
Euro 1,536,001 refers entirely to the non-interest bearing loan granted to the associated company Rofin 2008 Srl. The decrease on December 31st 2010 relates to the partial repayment of Euro 2.36 million.
The amount of Euro 11,505 relates to accrued interest on time deposits.

9. Other current assets

This account can be broken down as follows:

	31.12.2011	31.12.2010
Receivables from subsidiaries	2,247,791	770,985
Receivables – third parties	211,511	187,756
Total	**2,459,302**	**958,741**

In Euro

The Receivables from subsidiaries due within one year relate to the companies within the National tax consolidation, of which Euro 31,291 from Centro Stampa Veneto SpA and Euro 300,656 from Tipografiche Venete SpA.
The account also includes the VAT receivable of Euro 319,117 transferred from the subsidiary companies within the VAT consolidation. In particular, this concerns Euro 107,025 from Il Messaggero SpA, Euro 93,504 from Leggo SpA, Euro 6,983 from Quotidiano di Puglia SpA, Euro 15,329 from Corriere Adriatico SpA, Euro 74,794 from P.I.M. Pubblicità Italiana Multimedia Srl and Euro 21,177 from Il Gazzettino SpA.
The Receivables from third parties include receivables from social security institutions and VAT.

10. Cash and cash equivalents

This account can be broken down as follows:

	31.12.2011	31.12.2010
Bank and postal deposits	119,577,319	148,085,146
Cash in hand and similar	170	610
Total	**119,577,489**	**148,085,756**
Of which related parties	19,045,862	147,934,692

In Euro

Euro 19,045,865 concerns Bank deposits with related companies – for Euro 515,257 from Banca Finnat Euramerica SpA and for Euro 18,530,605 from Banca Monte dei Paschi di Siena SpA, of which Euro 18,418,369 for short-term time deposits. The decrease in Cash and cash equivalents of Euro 28.5 million is substantially due to the net investments in shares for Euro 5.2 million, the loan granted to Finced Srl for Euro 15.8 million, the Share capital interventions in a number of subsidiary companies for Euro 4.8 million and the issue of dividends for Euro 6.2 million, net of dividends received of Euro 2.2 million.
The average rate for funds in the year was 2.1%.

liabilities and shareholders' equity

11. Shareholders' equity

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.

Treasury shares

At December 31st 2011 Caltagirone Editore SpA had 132,125 treasury shares in portfolio, comprising 0.1057% of the Share capital for a value of Euro 169,993. The purchases of treasury shares were made in the period August 3rd, 2011-October 25st, 2011, the date in which the authorisation expired.

Other reserves

The Other reserves consist of:

	31.12.2011	31.12.2010
Legal reserve	25,000,000	25,000,000
Share premium reserve	516,064,188	471,021,681
Reserve for treasury shares	169,993	50,000,000
Treasury shares in portfolio	(169,993)	–
Reserve for exchange gains	3,770,408	3,770,408
Merger reserve Cedfin	423,291	423,291
Fair value reserve	(7,498,474)	(6,416,942)
IAS leaving indemnity reserve	1,206	(5,052)
Treasury shares sales gains reserves	33,704	33,704
IAS non recognised asset reversal reserve	16,876,107	16,876,107
Retained earnings	4,245	7,551,029
Total other reserves	**554,674,675**	**568,254,226**

In Euro

The Shareholders' equity disclosure document with breakdown by individual accounts concerning the availability and usage in previous years is reported below.

Schedule of equity accounts at 31.12.2011	Amount 31.12.10	Amount 31.12.11	Possibility of utilisation	Quota available	Summary of utilisations made in the three previous years	
					for coverage	*for other*
Share capital	125,000	125,000	–	–	–	–
Share capital issue costs	(18,865)	(18,865)	–	–	–	–
Share premium reserve	471,022	516,064	A B C	516,064	–	(4,957)[1]
Legal reserve	25,000	25,000	B	–	–	–
Reserve for exchange gains (Other reserves)	3,770	3,770	A B C	3,770	–	–
IAS reserve	10,488	9,243	–	–	–	–
Merger reserve (Other reserves)	423	423	A B C	423	–	–
Retained earnings	7,551	4	A B C	4	39,661	13,963[2]
Treasury share reserve	50,000	170	–	–	–	–
Total available	**674,389**	**660,809**	**–**	**520,261**	**–**	**9,006**
Non-distributable quota:						
– taking account of the 2011		–	–	(29,628)	–	–
– art. 2433 of the Civil Code		–	–	(18,865)		
Residual distributable		**–**	**–**	**471,768**	**–**	**–**

In Euro thousands

A For Share capital increase

B To cover losses

C For distribution to Shareholders

[1] *Utilisation 2010 dividends, paid in 2011 (Euro 4,787,500) and creation Treasury share reserve (Euro 169,993) nel 2011*

[2] *Utilisation for dividend distribution in 2009, 2010 and 2011 (Euro 13,962,500) and coverage of losses in 2008, 2009 and 2010 (Euro 39,660,991)*

Post-employment benefits and employee provisions

Post-employment benefits represent 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:

	31.12.2011	31.12.2010
Annual technical discounting rate	4.60	1.20
Annual inflation rate	2.20	2.20
Annual increase in Employee leaving indemnity	3.15	2.80
Annual increase in salaries	3.00	3.83

Values in %

The movements in the year are as follows:

	2011	2010
Net liability at January 1st	**53,366**	**41,648**
Current cost for the period	7,934	7,686
Interest charge/(income), net	1,846	1,332
Actuarial profits/(losses)	(8,632)	2,700
Net liability at December 31st	**54,514**	**53,366**

In Euro

The change in the actuarial profit/losses relates to the choice and application of a discount rate considered more in line with the Company situation, the changes in the market rates compared to 2010, in addition to the amendments to the turnover criteria and the effect of the so-called *Save Italy* Manoeuvre introduced by the Government in 2011.

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

	1.1.2010	31.12.2010	31.12.2011
Nominal value of the provision	44,843	53,582	63,462
Actuarial adjustment	(3,195)	(216)	(8,948)
Total DBO	**41,648**	**53,366**	**54,514**

In Euro

As illustrated in the movement, the change between the liability determined in accordance with Italian regulations and *IFRS* is essentially due to the change in the discount rate utilised, as described previously.

Cost and personnel numbers

Personnel costs	2011	2010
Salaries and wages	125,313	123,230
Social security expenses	39,494	36,944
Employee leaving indemnity prov.	7,934	7,686
Other costs	430,275	613,907
Total	**603,016**	**781,767**

In Euro

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

	31.12.2011	31.12.2010	Average 2011	Average 2010
Managers & white collar	3	3	3	3
Journalists	6	6	6	6
Total	**9**	**9**	**9**	**9**

13. Current provisions

The amount of Euro 2,725,782 concerns the provision for risks and future charges concerning the equity deficits of the investments in Leggo SpA for Euro 1,038,710 and Finced Srl for Euro 1,687,072. These amounts comprise the excess compared to the book value of the investment following the write-downs of the losses in the current year.

14. Trade payables

	31.12.2011	31.12.2010
Trade payables	137,325	146,230
Payables to subsidiaries	21,521	15,232
Payables to holding companies	–	288,000
Payables to other Group companies	21,240	21,748
Total	**180,086**	**471,210**
Of which related parties	42,761	324,980

In Euro

At December 31st 2011, Trade payables amounted to Euro 137,325 (Euro 146,230 at December 31st 2010) fully payable within one year, of which Euro 94,234 are for invoices to be received.

The Payables to subsidiaries relate to invoices received from Piemme SpA (Euro 2,662) for services provided and from Quotidiano di Puglia SpA (Euro 18,859) for interest on loans received at normal market conditions.

Payables to other Group companies concern the companies under common control for rental invoices.

There are no payables due over 12 months.

15. Current financial liabilities

	31.12.2011	31.12.2010
Current financial payables		
Payable to subsidiaries	4,099,715	4,314,715
Bank payables	50	–
Other lenders	–	1,404,153
Total	**4,099,765**	**5,718,868**

In Euro

The reduction in Payables to other lenders concerns the payments of the final instalments of the loan issued by Mediocredito Lombardo and expiring in 2011.

The interest rates at the Balance sheet date on the current liabilities are as follows:

	2011	2010
Current financial liabilities		
Payables to subsidiaries	1.63	0.99
Other financial payables	2.12	1.74

Values in %

The Current financial payables to subsidiaries refer entirely to a loan received from Quotidiano di Puglia SpA at market rates.

16. Other current liabilities

Other current liabilities	**31.12.2011**	**31.12.2010**
Social security institutions	12,127	13,355
Employee payables	13,356	12,099
Payables to subsidiaries	11,268,764	8,996,202
Other payables	5,361,180	5,761,486
Total	**16,655,427**	**14,783,142**

In Euro

The Other payables to subsidiaries refer to transactions with the companies in the Fiscal consolidation. For further details see note 21 (Transactions with related parties).
The account Other payables of Euro 5,361,180 includes Euro 4,873,606 as amounts available to the Board of Directors in accordance with article 25 of the Company By-Laws, which provides for the allocation of 2% of the net profits to this account.
The other amounts concern emoluments due to Directors and Statutory Auditors and personnel withholding tax payables.

income statement

17. Other operating revenues

	2011	2010
Other operating revenues	–	780
Other revenues and income from related parties	700,845	710,845
Total	**700,845**	**711,625**

In Euro

The Revenues from sales and services concern the provision of services to Group companies.

18. Other operating costs

	2011	2010
Rent, leases and similar costs	363,900	343,900
Services	1,979,228	1,141,552
Other operating charges	72,014	63,695
Total	**2,415,142**	**1,549,147**
Of which related parties	1,449,226	662,414

In Euro

The costs Rent, leases and similar refer entirely to the headquarters of the Company, provided by a company under common control at market rents.
The account services includes the remuneration of the Board of Statutory Auditors for Euro 37,888, the Board of Directors for Euro 253,480 and the Audit Firm for Euro 46,475. The account includes also the fee to Caltagirone SpA for services provided.

19. Amortisation, depreciation, provisions & write-downs

	2011	2010
Depreciation of tangible assets	3,011	2,621
Amortisation of intangible assets	2,721	2,722
Total	**5,732**	**5,343**

In Euro

20. Net financial income/(charges)

Financial income	2011	2010
Dividends from other companies	2,144,500	1,102,500
Other income	10,337	–
Interest income from bank deposits	2,528,688	1,429,111
Interest income from subsidiaries and associated companies	–	62,728
Non-realised exchange gains	98,251	–
Total	**4,781,776**	**2,594,339**
Of which related parties	4,479,532	2,510,096

In Euro

The Dividends included in financial income concern the investments in Assicurazioni Generali SpA and Banca Monte dei Paschi di Siena SpA, respectively for Euro 1,507,500 and Euro 637,000.
Interest income on bank deposits of Euro 2,528,688 concerns the return on invested liquidity, of which Euro 2,320,197 from the related companies Banca Monte dei Paschi di Siena SpA and Euro 4,498 from Banca Finnat Euramerica SpA.
Non-realised exchange gains concern the conversion into Euro of foreign exchange deposits at December 31st 2011.

Financial charges	2011	2010
Loss on disposal of investments	12,846,219	–
Write-down of equity inv. and securities	22,483,668	6,900,099
Loan interest	22,607	42,018
Interest on bank current accounts	2,207	2,163
Banking commissions and charges	6,701	3,040
Interest expense from subsidiaries	67,753	43,695
Financial charges from discounting	1,846	1,332
Other	78,126	89,164
Total	**35,509,127**	**7,081,511**
Of which related parties	79,330	46,921

In Euro

The Loss on the sale of investments concerns for Euro 12,846,094, the sale on the market of 22,500,000 Banca Monte dei Paschi di Siena SpA shares and Euro 125 for the sale of a Corriere Adriatico SpA share to the subsidiary Finced Srl.
The Write-down of investments concerns Euro 15,929,827 to the allocation to the Income statement, for significant losses in value, of the fair value reserve at December 31st 2011 of 27,500,000 Banca Monte dei Paschi di Siena SpA shares in portfolio.
Reference should be made to the Directors' report for further detail.
The residual amount of the Write-down concerns the losses of the subsidiaries Corriere Adriatico SpA (Euro 1,522,571), Il Gazzettino SpA (Euro 1,632,620), Leggo SpA (Euro 1,701,579) and Finced Srl (Euro 1,697,071).
Interest expense from subsidiaries refers entirely to Quotidiano di Puglia SpA for interest bearing loans.

21. Transactions with related parties

Transactions with companies under common control
The transactions of the Company 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	Cash and cash equivalents	Trade payables	Financial payables	Other payables
Caltagirone SpA	–	–	–	–	–	–	–
Il Messaggero SpA	450,000	–	107,025	–	–	–	437,880
Leggo SpA	–	–	93,504	–	–	–	2,880,199
Finced Srl	–	59,508,060	493,035	–	–	–	3,522,791
Il Mattino SpA	120,000	18,660,000	1,103,691	–	–	–	524,694
Piemme SpA	60,000	–	–	–	2,663	–	617,646
Mantegna '87 Srl	–	–	–	–	14,589	–	–
Vianini Lavori SpA	–	–	–	–	6,651	–	–
Corriere Adriatico SpA	–	–	15,329	–	–	–	1,219,550
Quotidiano di Puglia SpA	–	–	6,983	–	18,858	4,099,715	75,204
Imprese Tipografiche Venete SpA	–	–	300,656	–	–	–	1,796
Il Gazzettino SpA	60,000	4,600,000	21,177	–	–	–	1,977,253
P.I.M. Pubblicità Italiana Multimediale Srl	–	–	75,100	–	–	–	–
Centro Stampa Veneto SpA	–	–	31,291	–	–	–	11,750
Rofin 2008 Srl	–	1,536,001	–	–	–	–	–
Banca Monte dei Paschi di Siena SpA	–	–	–	18,530,605	–	–	–
Banca Finnat Euramerica SpA	–	–	–	515,257	–	–	–
Assicurazioni Generali SpA	–	–	–	–	–	–	–
Total	**690,000**	**84,304,061**	**2,247,791**	**19,045,862**	**42,761**	**4,099,715**	**11,268,763**
% on total in accounts	**98.94%**	**99.99%**	**91.40%**	**8.90%**	**23.74%**	**100.00%**	**67.66%**

In Euro

	Operating revenues	Operating costs	Financial income	Financial charges
Caltagirone SpA	–	1,000,000	–	–
Vianini Lavori SpA	–	20,400	–	–
Mantegna '87 Srl	–	46,183	–	–
Quotidiano di Puglia SpA	–	–	–	67,753
Piemme SpA	60,000	20,900	–	–
Ical SpA	–	361,743	–	–
Il Messaggero SpA	450,000	–	–	–
Corriere Adriatico SpA	–	–	–	125
Il Gazzettino SpA	60,000	–	10,337	–
Il Mattino SpA	120,000	–	–	–
A.D.Fid. Srl	10,845	–	–	–
Banca Monte dei Paschi di Siena SpA	–	–	2,957,197	702
Banca Finnat Euramerica SpA	–	–	4,498	10,750
Assicurazioni Generali SpA	–	–	1,507,500	–
Total	**700,845**	**1,449,226**	**4,479,532**	**79,330**
% on total in accounts	**100.00%**	**48.02%**	**93.68%**	**0.22%**

In Euro

Financial receivables from subsidiaries relate to non-interest bearing loans granted.

22. Net cash position

	31.12.2011	31.12.2010
A. Bank deposits	119,577,489	148,085,756
B. Current financial receivables	84,315,566	74,159,232
C. Current payables to other lenders	4,099,765	5,718,868
D. NET CURRENT CASH POSITION (C-B-A)	**(199,793,290)**	**(216,526,120)**
E. Non-current payables to other lenders	–	–
I. NET CASH POSITION (D+E)	**(199,793,290)**	**(216,526,120)**

In Euro

23. Other information

Assignments conferred to the Audit Firm and related remuneration

The table below shows the payments made to the Audit Firm KPMG SpA in accordance with article 149 of Consob Resolution No. 11971/99 in 2011.

Company	Independent Auditors	Period	Audit service charges	Other activities	Compensi
Caltagirone Editore SpA	KPMG SpA	2006-2011	45,475	1,000	46,475

In Euro

attachment

LIST OF SIGNIFICANT INVESTMENTS AT 31.12.2011 AS PER ART. 120 OF LEGS. DECREE NO. 58 OF 24.2.1998
Publication in accordance with article 126 of the Consob Resolution 11971 of May 14th, 1999

Company	Registered office	Share capital		Holding	Held by	Share
Ced Digital & Servizi Srl	Rome	100,000	Euro	*Directly*	Caltagirone Editore SpA	99.990%
				Indirectly through	Finced Srl	0.010%
Centro Stampa Veneto SpA	Rome	567,000	Euro	*Indirectly through*	Il Gazzettino SpA	100.000%
Corriere Adriatico SpA	Ancona	2,000,000	Euro	*Directly*	Caltagirone Editore SpA	99.999%
				Indirectly through	Finced Srl	0.001%
E-Care SpA	Rome	562,727	Euro	*Directly*	Caltagirone Editore SpA	14.998%
Editrice Telenuovo SpA	Verona	546,000	Euro	*Indirectly through*	Il Gazzettino SpA	40.000%
Euroqube SA in liquidation	Belgium	84,861,115	Euro	*Indirectly through*	Il Messaggero SpA	14.820%
Finced Srl	Rome	10,000	Euro	*Directly*	Caltagirone Editore SpA	99.990%
				Indirectly through	Piemme SpA	0.010%
Il Gazzettino SpA	Rome	2,000,000	Euro	*Directly*	Caltagirone Editore SpA	99.999%
				Indirectly through	Finced Srl	0.001%
Il Mattino SpA	Rome	500,000	Euro	*Directly*	Caltagirone Editore SpA	99.999%
				Indirectly through	Finced Srl	0.001%
Il Messaggero SpA	Rome	42,179,500	Euro	*Directly*	Caltagirone Editore SpA	94.613%
				Indirectly through	Piemme SpA	5.387%
Imprese Tipografiche Venete SpA	Rome	936,000	Euro	*Indirectly through*	Il Gazzettino SpA	100.000%
Leggo SpA	Rome	1,000,000	Euro	*Directly*	Caltagirone Editore SpA	90.000%
Piemme SpA	Rome	2,646,540	Euro	*Indirectly through*	Il Messaggero SpA	100.000%
P.I.M. Pubblicità Italiana Multimedia Srl	Rome	1,044,000	Euro	*Indirectly through*	Il Gazzettino SpA	100.000%
Pubblieditor Srl in liquidation	Verona	40,800	Euro	*Indirectly through*	Il Gazzettino SpA	40.000%
Quotidiano di Puglia SpA	Rome	1,020,000	Euro	*Directly*	Caltagirone Editore SpA	99.951%
				Indirectly through	Finced Srl	0.049%
Rofin 2008 Srl	Rome	10,000	Euro	*Directly*	Caltagirone Editore SpA	30.000%
Telefriuli SpA	Tavagnacco (Udine)	1,655,300	Euro	*Indirectly through*	Il Gazzettino SpA	87.498%

CALTAGIRONE EDITORE
Società per Azioni - Cap.Soc. Euro 125.000.000

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 and 4, 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 2011.

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. It is also declared that:

3.1 the financial statements:

   a) were prepared in accordance with international accounting standards, recognised in the European Union pursuant to EU regulation No. 1606/2002 of the European Parliament and Council, of July 19th 2002;

   b) correspond to the underlying accounting documents and records;

   c) provide a true and correct representation of the balance sheet, financial situation and result for the year of the issuer.

3.2 The Directors' Report, prepared using a standard format for both the individual and consolidated financial statements, includes a reliable analysis on the performance and operating result as well as the situation of the issuer, together with a description of the principal risks and uncertainties to which they are exposed.

Rome, March 14th 2012

The Chairman	**The Executive Responsible**
Mr. Francesco Gaetano Caltagirone	Mr. Roberto Di Muzio

BOARD OF STATUTORY AUDITORS' REPORT

Dear Shareholders,

The present report, prepared in accordance with Article 153 of Legislative Decree No. 58/1998 (hereafter the Consolidated Finance Act - CFA), in compliance with Consob provisions relates to the activities of the Board of Statutory Auditors of Caltagirone Editore s.p.a. for the year ended December 31st 2011.

1. In carrying out its activities of supervision and control, the Board of Statutory Auditors:

a) verified compliance with law and the by-laws of the company;
b) obtained from the Directors, at least quarterly, information on the activities carried out and on the operations of greatest economic, financial and balance sheet significance resolved upon and implemented in the year. Based on the information available, the Board can reasonably state that these operations were in compliance with law and the corporate objectives and were not imprudent, reckless or such as to compromise the integrity of the company's assets;
c) confirmed the inexistence of atypical and unusual transactions with Group companies, with third parties or with related parties. The Board of Directors in the Directors' Report and the Notes to the Financial Statements provided exhaustive information on the effects of the ordinary operations of greatest economic, financial and

balance sheet significance with subsidiaries and with related parties at market conditions. The Transactions with Related Parties procedure was approved by the Board of Directors on November 29th 2010. The Board of Statutory Auditors verified the compliance of the above-stated procedures. The Board noted the inexistence of inter-group transactions or with related parties which conflicted with the interests of the company;

d) obtained information in relation to and supervised the effectiveness of the company's organisational structure, adherence to principles of best practice and the adequacy of directives issued by the Company to the subsidiary companies in accordance with Article 114, paragraph 2 of the CFA;

e) examined the adequacy of the internal control and administrative-accounting systems, as well as the reliability of this latter to correctly represent the operating events through:

   i) examination of the declarations of the Chairman and the Executive Responsible for the preparation of the corporate accounting documents, pursuant to article 154 *bis* of the CFA.

   ii) reports of the members of the Board who hold office in the corporate boards of the subsidiary companies in accordance with paragraphs 1 and 2 of Article 151 of the CFA.

iii) discussion of the work carried out by the Independent Audit Company.

iv) interaction with the Internal Control Manager and attendance at the Internal Control Committee meetings.

In the course of the activities carried out, no irregularities which may be considered as indicators of significant inadequacies in the internal control system emerged;

f) held periodic meetings with the managers of the Auditing Firm in accordance with article 150, paragraph 3 of the CFA and no significant information or facts arose that requires inclusion in the present report;

g) examined the implementation of the corporate governance system adopted by Caltagirone Editore s.p.a. which partially implements the Self-Governance Code promoted by Borsa Italiana s.p.a. The Board, among other matters, verified the independence of three members of the Board of Directors.

h) in relation to the provisions of Legislative Decree No. 231/2001 concerning the administrative responsibility of Entities, the Company, considering its nature as a holding company and its essential structure, considers that the risks deriving from actions of parties which undertake representation, administration and management functions are greatly reduced.

During the year we gave opinions as requested in accordance with law.

The Board of Statutory Auditors met 5 times, attended one Shareholders' Meeting, 4 Board of Directors' Meetings and two meetings of the Internal Control Committee.

Based on the information acquired, the Board considers that the activities were carried out in compliance with the principles of proper management and that the organisational structure, the internal control system and the administrative-accounting structure overall is suited to the corporate needs.

2. In relation to meetings with the Audit firm, the Board of Statutory Auditors reports that:

a) No other offices are held which affect the independence of the Audit firm;

b) the appointment awarded to, in accordance with Article 155 of the CFA, KPMG s.p.a. concluded with the approval of the 2011 annual accounts and is not renewable. Therefore the Board of Statutory Auditors drew up a reasoned proposal for the appointing of the audit firm for the nine-year period 2012-2020.

c) From today's meeting with KPMG s.p.a. it may be stated that, in accordance with Art. 14 of Legs. Decree 39/2010 that the reports highlight:

i) the individual and consolidated financial statements for the year ended December 31st 2011 were prepared with clarity and represent in a true and fair manner the balance sheet, financial position, the results and the cash flows of Caltagirone Editore s.p.a. and the Group;

ii) the Directors' Reports and the information as per paragraph 1) of letters c), d), f), l) m) and at paragraph 2 of letter b) of Article 123-bis of the C.F.A., presented in the Corporate Governance and Ownership Structure Report, comply with the individual and consolidated financial statements;

iii) no opinions were issued by the Audit firm in accordance with law without the relative requirements for their issuance.

3. During the year no notifications in accordance with Article 2408 were received and the Board is not aware of facts or petitions which would merit reporting to the Shareholders' Meeting.

4. In the course of the activities carried out and based on the information obtained, no significant omissions, matters, irregularities or circumstances that would require reporting to the Supervisory Authority or mention in the present report were noted.

It was not necessary to call the shareholders' meeting and/or the corporate boards.

5. The Board of Statutory Auditors, taking account of the specific duties of the Audit firm in relation to accounting controls and the verification of the reliability of the financial statements, does not report any observations to the Shareholders' AGM in relation to the approval of the financial statements at 31.12.2011, accompanied by the Directors' Report as presented by the Board of Directors, the manner of the coverage of losses and the proposal to distribute dividends by the Board.

Dear Shareholders,

We thank you for the trust afforded to us and invite the Shareholders’ AGM to appoint the Board of Statutory Auditors, having completed its three-year term.

Rome, March 30th 2012

The Board of Statutory Auditors

Mr. Raul Bardelli

Ms. Maria Assunta Coluccia

Mr. Federico Malorni

CALTAGIRONE EDITORE

subsidiaries
financial statements

assets

	31.12.2011	31.12.2010
A. RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	**–**	**–**
B. FIXED ASSETS		
I. Intangible assets		
5) Goodwill	61,749,500	65,381,823
7) Other	271,057	312,512
Total intangible assets	**62,020,557**	**65,694,335**
II. Tangible assets		
1) Land and buildings	18,117,975	18,873,102
2) Plant and machinery	23,873,868	27,849,403
3) Industrial and commercial equipment	10,082	26,913
4) Other fixed assets	914,177	616,249
5) Assets in progress and advances	145,060	145,116
Total tangible assets	**43,061,162**	**47,510,783**
III. Financial assets		
1) Equity investments:		
a) subsidiaries	71,972,862	71,972,862
d) other companies	993,013	1,090,982
Total equity investments	72,965,875	73,063,844
2) Receivables:		
– due within one year		
d) others	51,127	53,135
Total receivables	51,127	53,135
Total financial assets	**73,017,002**	**73,116,979**
TOTAL B. FIXED ASSETS	**178,098,721**	**186,322,097**

	31.12.2011	31.12.2010
C. CURRENT ASSETS		
I. Inventories		
1) Raw materials, ancillary and consumables	1,921,169	1,390,813
Total inventories	**1,921,169**	**1,390,813**
II. Receivables		
1) Trade receivables:		
– due within one year	1,492,752	1,620,054
2) Subsidiaries:		
– due within one year	15,315,936	19,791,047
3) Group companies:		
– due within one year	1,460,687	2,153,268
4) Holding companies:		
– due within one year	613,288	665,369
4 bis) Taxes receivable	228,852	48,599
4 ter) Deferred tax	1,715,104	1,729,176
5) Others:		
– due within one year	187,421	323,353
Total receivables	**21,014,040**	**26,330,866**
IV. Cash and cash equivalents		
1) Banking and postal deposits	109,485,157	102,079,398
3) Cash and cash equivalents	2,614	1,502
Total cash and cash equivalents	**109,487,771**	**102,080,900**
TOTAL C. CURRENT ASSETS	**132,422,980**	**129,802,579**
D. PREPAYEMENTS AND ACCRUED INCOME		
1) Accrued income	–	257,249
2) Prepayments	141,203	103,921
TOTAL D. PREPAYEMENTS AND ACCRUED INCOME	**141,203**	**361,170**
TOTAL ASSETS	**310,662,904**	**316,485,846**

In Euro

liabilities

	31.12.2011	31.12.2010
A. SHAREHOLDERS' EQUITY		
I. Share capital	**42,179,500**	**42,179,500**
IV. Legal reserve	**8,435,900**	**8,435,900**
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	**104,661,911**	**102,181,821**
IX. Profit/(Loss) for the year	**(1,663,283)**	**2,480,090**
TOTAL A. SHAREHOLDERS' EQUITY	**207,293,031**	**208,956,314**
B. PROVISIONS FOR RISKS AND CHARGES		
2) Tax provisions, includ. deferred tax liability	20,128,698	20,187,072
3) Other	4,933,715	4,683,427
TOTAL B. PROVISIONS FOR RISKS AND CHARGES	**25,062,413**	**24,870,499**
C. EMPLOYEE LEAVING INDEMNITY	**14,028,214**	**16,052,546**
D. PAYABLES		
4) Bank borrowings:		
– due within one year	11,712,882	9,420,104
– due over one year	28,841,392	33,535,335
Total bank borrowings	40,554,274	42,955,439
7) Trade payables:		
– due within one year	11,689,100	10,960,778
9) Subsidiaries:		
– due within one year	–	61,614
10) Group companies:		
– due within one year	581,452	677,221

	31.12.2011	31.12.2010
11) Holding companies:		
– due within one year	732,433	800,648
12) Tax payables:		
– due within one year	1,326,044	1,371,997
13) Payables to social security institutions:		
– due within one year	3,726,597	3,985,824
14) Other payables:		
– due within one year	5,611,599	5,751,311
– due over one year	5,549	5,549
Total other payables	5,617,148	5,756,860
TOTAL D. PAYABLES	**64,227,048**	**66,570,381**
E. ACCRUALS AND DEFERRED INCOME		
2) Deferred income	52,198	36,106
TOTAL E. ACCRUALS AND DEFERRED INCOME	**52,198**	**36,106**
TOTAL LIABILITIES	**310,662,904**	**316,485,846**
MEMORANDUM ACCOUNT		
Guarantees given directly or indirectly in favour of third parties:		
– sureties given to third parties	19,678	19,678
– bank collateral and pledges	60,000,000	60,000,000
Goods held by third parties:		
– paper held in warehouses and printers	1	1
– equipment at printers	1	1
Third-party owned assets:		
– leased printing machinery	220,849	405,489
TOTAL MEMORANDUM ACCOUNT	**60,240,529**	**60,425,169**

In Euro

income statement

	2011	2010
A. VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	88,318,233	95,033,934
5) Other revenues and income:		
a) other revenues and income	3,911,570	5,210,725
b) operating grants	269,224	262,910
TOTAL A. VALUE OF PRODUCTION	**92,499,027**	**100,507,569**
B. COSTS OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods	(13,840,366)	(11,432,538)
7) Services	(30,680,416)	(31,986,202)
8) Rents, lease and similar costs	(2,628,147)	(2,649,895)
9) Personnel costs:		
a) salaries and wages	(23,587,305)	(25,229,469)
b) social security charges	(8,018,827)	(8,523,412)
c) employee leaving indemnity	(2,243,475)	(2,412,423)
e) other costs	(1,632,804)	(1,937,650)
Total personnel costs	(35,482,411)	(38,102,954)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	(3,711,885)	(3,770,710)
b) depreciation of tangible assets	(5,052,400)	(5,088,499)
Total amortisation, depreciation and write-downs	(8,764,285)	(8,859,209)
11) Change in inventory of raw materials ancillary, consumables and goods	530,356	(362,155)
14) Other operating costs	(1,590,964)	(1,287,596)
TOTAL B. COSTS OF PRODUCTION	**(92,456,233)**	**(94,680,549)**
DIFFERENCE (A-B) BETWEEN VALUE AND COST OF PRODUCTION	**42,794**	**5,827,020**

	2011	2010
C. FINANCIAL INCOME AND CHARGES		
16) Other financial income:		
d) income other than above:		
2) Group companies	3,099	4,054
4) others	1,767,149	754,605
Total other financial income	1,770,248	758,659
17) Interest and other financial charges:		
4) others	(1,011,182)	(785,439)
17 bis) Exchange losses	380,208	(987)
TOTAL C. FINANCIAL INCOME AND CHARGES	**1,139,274**	**(27,767)**
D. ADJUSTMENT OF FINANCIAL ASSETS		
19 a) Write-downs of equity investments	(67,950)	(185,554)
TOTAL D. ADJUSTMENT OF FINANCIAL ASSETS	**(67,950)**	**(185,554)**
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
a) gains on disposals	33,180	1,625
b) other extraordinary income	171,196	589,847
Total income	204,376	591,472
21) Charges		
b) prior years taxes	(400,435)	(14,661)
c) other extraordinary charges	(1,061,813)	(5,528)
Total charges	(1,462,248)	(20,189)
TOTAL E. EXTRAORDINARY INCOME AND CHARGES	**(1,257,872)**	**571,283**
PROFIT BEFORE TAXES	**(143,754)**	**6,184,982**
22) Income taxes		
a) Ires	(175,408)	(248,648)
b) Irap	(1,788,423)	(2,159,289)
– deferred tax charge	458,374	361,404
– deferred tax assets	(14,072)	(1,658,359)
Total income taxes	(1,519,529)	(3,704,892)
23) NET PROFIT FOR THE YEAR	**(1,663,283)**	**2,480,090**

In Euro

PIEMME SPA

assets

	31.12.2011	31.12.2010
A. RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	**–**	**–**
B. FIXED ASSETS		
I. Intangible assets		
7) Other	154,358	175,603
Total intangible assets	**154,358**	**175,603**
II. Tangible assets		
4) Other fixed assets	233,967	329,369
Total tangible assets	**233,967**	**329,369**
III. Financial assets		
1) Equity investments:		
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	**22,723,058**	**22,839,705**

	31.12.2011	31.12.2010
C. CURRENT ASSETS		
II. Receivables		
1) Trade receivables:		
– due within one year	60,775,328	65,303,774
3) Group companies:		
– due within one year	1,338,284	1,009,619
4) Holding companies:		
– due within one year	646,094	92,627
4 bis) Taxes receivable	268,123	482,470
4 ter) Deferred tax	5,270,095	5,962,530
5) Others:		
– due within one year	265,517	140,036
– due over one year	81,715	104,388
Total others	347,232	244,423
Total receivables	**68,645,156**	**73,095,444**
IV. Cash and cash equivalents		
1) Banking and postal deposits	178,778	733,501
3) Cash and cash equivalents	64,127	96,946
Total cash and cash equivalents	**242,905**	**830,447**
TOTAL C. CURRENT ASSETS	**68,888,061**	**73,925,891**
D. PREPAYEMENTS AND ACCRUED INCOME	**111,196**	**67,411**
TOTAL ASSETS	**91,722,315**	**96,833,007**

In Euro

liabilities

	31.12.2011	31.12.2010
A. SHAREHOLDERS' EQUITY		
I. Share capital	**2,646,540**	**2,646,540**
IV. Legal reserve	**529,308**	**529,308**
VII. Other reserves	**26,830,923**	**26,830,923**
VIII. Retained earnings	**13,525,551**	**12,045,605**
IX. Profit/(Loss) for the year	**(620,815)**	**1,479,946**
TOTAL A. SHAREHOLDERS' EQUITY	**42,911,507**	**43,532,322**
B. PROVISIONS FOR RISKS AND CHARGES		
3) Other	495,409	530,505
TOTAL B. PROVISIONS FOR RISKS AND CHARGES	**495,409**	**530,505**
C. EMPLOYEE LEAVING INDEMNITY	**3,043,842**	**3,061,022**

	31.12.2011	31.12.2010
D. PAYABLES		
4) Bank borrowings:		
– due within one year	1,950,089	160,944
7) Trade payables:		
– due within one year	5,679,783	6,249,029
10) Group companies:		
– due within one year	17,556,118	18,758,522
11) Holding companies:		
– due within one year	15,401,723	19,888,824
12) Tax payables:		
– due within one year	1,033,968	965,799
13) Payables to social security institutions:		
– due within one year	725,424	741,393
14) Others:		
– due within one year	1,701,241	1,919,315
TOTAL D. PAYABLES	**44,048,346**	**48,683,826**
E. PREPAYEMENTS AND ACCRUED INCOME	**1,223,211**	**1,025,332**
TOTAL LIABILITIES	**91,722,315**	**96,833,007**
MEMORANDUM ACCOUNT		
3) Commitments, risks and other memorandum accounts:		
c) secured guarantees given to third parties for obligations of the company	411,757	411,986
f) other		
– bills discounted	2,230,267	2,157,757
TOTAL MEMORANDUM ACCOUNT	**2,642,024**	**2,569,743**

In Euro

P I E M M E   S P A

income statement

	2011	2010
A. VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	139,421,636	155,188,990
5) Other revenues and income	1,699,996	1,602,493
TOTAL A. VALUE OF PRODUCTION	**141,121,632**	**156,791,483**
B. COSTS OF PRODUCTION		
6) Purchase of advertising space	(108,107,599)	(120,522,953)
7) Services	(17,304,586)	(17,932,520)
8) Rents, lease and similar costs	(2,577,269)	(2,557,713)
9) Personnel costs:		
a) salaries and wages	(7,153,586)	(7,232,931)
b) social security charges	(2,251,426)	(2,264,557)
c) employee leaving indemnity	(116,873)	(89,255)
d) pension and similar rights	(558,486)	(552,566)
e) other costs	(137,800)	–
Total personnel costs	(10,218,171)	(10,139,309)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	(138,522)	(240,919)
b) depreciation of tangible assets	(166,239)	(227,102)
d) pension and similar rights	(2,370,340)	(2,153,481)
Total amortisation, depreciation and write-downs	(2,675,101)	(2,621,502)
12) Provisions for risks	(66,000)	(15,605)
14) Other operating costs	(119,428)	(195,723)
TOTAL B. COSTS OF PRODUCTION	**(141,068,154)**	**(153,985,325)**
DIFFERENCE (A-B) BETWEEN VALUE AND COST OF PRODUCTION	**53,478**	**2,806,158**

	2011	2010
C. FINANCIAL INCOME AND CHARGES		
16) Other financial income		
d) Other income from:		
– other	55,089	61,585
17) Interest and other financial charges:		
c) Group companies	(22,193)	(3,038)
e) other	(290,505)	(270,223)
Total interest and other financial charges	(312,698)	(273,261)
TOTAL C. FINANCIAL INCOME AND CHARGES	**(257,609)**	**(211,676)**
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
a) gains on disposals	–	8
b) other extraordinary income	298,365	623,671
Total income	298,365	623,679
21) Charges:		
a) losses on disposals	(433)	–
b) prior years taxes	–	(28,043)
c) other extraordinary charges	(82,371)	(90,243)
Total charges	(82,804)	(118,286)
TOTAL E. EXTRAORDINARY INCOME AND CHARGES	**215,561**	**505,393**
PROFIT BEFORE TAXES	**11,430**	**3,099,875**
22) Income taxes:		
a) current taxes	(481,133)	(593,758)
b) deferred tax	(698,392)	(1,026,171)
c) income from tax consolidation	547,280	–
Total income taxes	(632,245)	(1,619,929)
23) NET PROFIT FOR THE YEAR	**(620,815)**	**1,479,946**

In Euro

assets

	31.12.2011	31.12.2010
A. RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	**–**	**–**
B. FIXED ASSETS		
I. Intangible assets		
2) Research, development and advertising costs	24,000	36,000
3) Concessions, licenses, trademarks and similar costs	900	80,834
4) Newspapers titles	34,127,050	35,608,900
Total intangible assets	**34,151,950**	**35,725,734**
II. Tangible assets		
1) Land and buildings	6,442,276	6,715,273
2) Plant and machinery	3,355,163	4,419,921
3) Industrial and commercial equipment	288	863
4) Other fixed assets	438,385	212,073
5) Assets in progress and advances	38,498	–
Total tangible assets	**10,274,609**	**11,348,129**
III. Financial assets		
1) Equity investments:		
d) other companies	364,796	364,796
Total equity investments	364,796	364,796
2) Receivables:		
– due within one year		
a) subsidiaries	–	4,609
Total receivables	–	4,609
Total financial assets	**364,796**	**369,404**
TOTAL B. FIXED ASSETS	**44,791,355**	**47,443,267**

	31.12.2011	31.12.2010
C. CURRENT ASSETS		
I. Inventories		
1) Raw materials, ancillary and consumables	806,197	925,303
Total inventories	**806,197**	**925,303**
II. Receivables		
1) Trade receivables:		
– due within one year	394,924	464,800
– due over one year	1,901,160	1,901,160
Total trade receivables	2,296,084	2,365,960
3) Group companies:		
– due within one year	5,582,580	6,480,267
4) Holding companies:		
– due within one year	548,224	346,094
4 bis) Taxes receivable:		
– due within one year	215,743	–
– due over one year	1,458,079	151,256
Total taxes receivable	1,673,822	151,256
4 ter) Deferred tax	883,158	911,379
5) Others:		
– due within one year	94,413	23,423
– due over one year	38,881	47,895
Total others	133,294	71,318
Total receivables	**11,117,162**	**10,326,274**
IV. Cash and cash equivalents		
1) Banking and postal deposits e cassa	544,848	546,387
Total cash and cash equivalents	**544,848**	**546,387**
TOTAL C. CURRENT ASSETS	**12,468,207**	**11,797,965**
D. PREPAYEMENTS AND ACCRUED INCOME	**193,265**	**209,568**
TOTAL ASSETS	**57,452,827**	**59,450,799**

In Euro

liabilities

	31.12.2011	31.12.2010
A. SHAREHOLDERS' EQUITY		
I. Share capital	**500,000**	**500,000**
III. Revaluation reserve	**297,473**	**297,473**
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	**1,510,850**	**271,876**
IX. Profit/(Loss) for the year	**(1,781,025)**	**1,238,974**
TOTAL A. SHAREHOLDERS' EQUITY	**11,977,313**	**13,758,338**
B. PROVISIONS FOR RISKS AND CHARGES		
1) Provision for risks	2,077,410	2,145,930
2) Tax provisions, includ. deferred tax liability	3,688,839	3,738,713
TOTAL B. PROVISIONS FOR RISKS AND CHARGES	**5,766,249**	**5,884,643**
C. EMPLOYEE LEAVING INDEMNITY	**6,879,962**	**7,059,734**

	31.12.2011	31.12.2010
D. PAYABLES		
4) Bank borrowings:		
– due within one year	3,872,447	2,209,672
5) Other lenders:		
– due within one year	–	1,185,729
– due over one year	–	–
Total other lenders	–	1,185,729
7) Trade payables:		
– due within one year	3,363,629	3,473,993
10) Group companies:		
– due within one year	147,718	200,240
11) Holding companies:		
– due within one year	1,247,210	849,414
– due over one year	18,660,000	18,660,000
Total holding companies	19,907,210	19,509,414
12) Tax payables:		
– due within one year	880,128	1,036,732
13) Payables to social security institutions:		
– due within one year	1,009,817	1,040,672
14) Other payables:		
– due within one year	1,279,460	1,400,693
TOTAL D. PAYABLES	**30,460,410**	**30,057,146**
E. PREPAYEMENTS AND ACCRUED INCOME	**2,368,894**	**2,690,937**
TOTAL LIABILITIES	**57,452,827**	**59,450,799**
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	–	–
Sureties or mortgages received:		
– third parties	997,313	1,020,959
TOTAL MEMORANDUM ACCOUNT	**18,169,503**	**18,193,149**

In Euro

income statement

	2011	2010
A. VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	34,469,461	38,263,903
5) Other revenues and income:		
a) other revenues and income	812,106	1,022,794
b) operating grants	468,297	506,241
Total other revenues and income	1,280,403	1,529,035
TOTAL A. VALUE OF PRODUCTION	**35,749,864**	**39,792,938**
B. COSTS OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods	(4,767,477)	(4,565,750)
7) Services	(10,746,070)	(11,151,069)
8) Rents, lease and similar costs	(937,688)	(903,704)
9) Personnel costs:		
a) salaries and wages	(11,361,349)	(11,178,848)
b) social security charges	(4,056,948)	(3,936,689)
c) employee leaving indemnity	(1,027,105)	(973,444)
e) other costs	(227,946)	(272,437)
Total personnel costs	(16,673,348)	(16,361,418)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	(1,575,584)	(1,586,621)
b) depreciation of tangible assets	(1,510,119)	(1,639,045)
d) write-downs current receivables	(200,000)	–
Total amortisation, depreciation and write-downs	(3,285,703)	(3,225,666)
11) Change in inventory of raw materials ancillary, consumables and goods	(119,106)	(47,359)
12) Provisions for risks	(106,248)	(79,500)
14) Other operating costs	(702,400)	(714,263)
TOTAL B. COSTS OF PRODUCTION	**(37,338,040)**	**(37,048,730)**
DIFFERENCE (A-B) BETWEEN VALUE AND COST OF PRODUCTION	**(1,588,176)**	**2,744,208**

	2011	2010
C. FINANCIAL INCOME AND CHARGES		
16) Other financial income:		
d) income other than above:		
4) others	6,090	4,506
17) Interest and other financial charges:		
4) others	(125,742)	(111,826)
TOTAL C. FINANCIAL INCOME AND CHARGES	**(119,651)**	**(107,320)**
D. ADJUSTMENT OF FINANCIAL ASSETS		
19) Write-downs of equity investments	–	–
TOTAL D. ADJUSTMENT OF FINANCIAL ASSETS	**–**	**–**
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
a) gains on disposals	13,849	7,083
b) other extraordinary income	91,760	254,996
Total income	105,609	262,080
21) Charges:		
a) losses on disposals	–	–
b) other extraordinary charges	(48,748)	(55,951)
Total charges	(48,748)	(55,951)
TOTAL E. EXTRAORDINARY INCOME AND CHARGES	**56,861**	**206,129**
PROFIT BEFORE TAXES	**(1,650,966)**	**2,843,018**
22) Income taxes:		
a) current taxes		
Ires	–	(706,055)
Irap	(595,307)	(811,140)
b) deferred tax charge	49,874	34,922
c) deferred tax income	(28,221)	(121,771)
e) income tax receivable on losses from tax consolidation	443,595	–
Total income taxes	(130,059)	(1,604,044)
23) NET PROFIT FOR THE YEAR	**(1,781,025)**	**1,238,974**

In Euro

LEGGO SPA

assets

	31.12.2011	31.12.2010
A. RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	**–**	**–**
B. FIXED ASSETS		
I. Intangible assets		
5) Goodwill	–	–
7) Other	46,669	3,784
Total intangible assets	**46,669**	**3,784**
II. Tangible assets		
2) Plant and machinery	4,206	7,130
3) Industrial and commercial equipment	10,916	591
4) Other fixed assets	77,474	32,410
5) Assets in progress and advances	2,466	–
Total tangible assets	**95,062**	**40,131**
III. Financial assets		
1) Equity investments:		
c) other companies	–	89
Total equity investments	–	89
2) Receivables:		
d) others	4,232	4,399
Total receivables	4,232	4,399
Total financial assets	**4,232**	**4,488**
TOTAL B. FIXED ASSETS	**145,963**	**48,403**

	31.12.2011	31.12.2010
C. CURRENT ASSETS		
II. Receivables		
1) Trade receivables:		
– due within one year	36,284	16,108
3) Group companies:		
– due within one year	1,250,643	3,254,225
4) Holding companies:		
– due within one year	2,880,199	2,135,072
4 bis) Taxes receivable:		
– due within one year	62,644	62,644
4 ter) Deferred tax	42,024	42,046
5) Others:		
– due within one year	15,448	5,219
Total receivables	**4,287,242**	**5,515,314**
IV. Cash and cash equivalents		
1) Banking and postal deposits	6,583	4,592,106
3) Cash and cash equivalents	374	1,030
Total cash and cash equivalents	**6,957**	**4,593,136**
TOTAL C. CURRENT ASSETS	**4,294,199**	**10,108,450**
D. PREPAYEMENTS AND ACCRUED INCOME		
1) Accrued income	–	11,526
2) Prepayments	38,542	101,786
TOTAL D. PREPAYEMENTS AND ACCRUED INCOME	**38,542**	**113,312**
TOTAL ASSETS	**4,478,704**	**10,270,165**

In Euro

liabilities

	31.12.2011	31.12.2010
A. SHAREHOLDERS' EQUITY		
I. Share capital	1,000,000	1,000,000
IV. Legal reserve	200,000	200,000
VIII. Retained earnings	1,521,963	3,762,746
IX. Profit/(Loss) for the year	(3,612,606)	(2,240,783)
TOTAL A. SHAREHOLDERS' EQUITY	(890,643)	2,721,963
B. PROVISIONS FOR RISKS AND CHARGES	–	–
C. EMPLOYEE LEAVING INDEMNITY	492,409	478,673

	31.12.2011	31.12.2010
D. PAYABLES		
4) Bank borrowings:		
– due within one year	1,202,644	1,263,157
7) Trade payables:		
– due within one year	1,803,111	2,740,808
10) Group companies:		
– due within one year	1,411,000	2,301,691
11) Holding companies:		
– due within one year	93,504	359,592
12) Tax payables:		
– due within one year	87,933	88,603
13) Payables to social security institutions:		
– due within one year	219,907	222,939
14) Other payables:		
– due within one year	53,917	85,890
TOTAL D. PAYABLES	**4,872,016**	**7,062,680**
E. PREPAYEMENTS AND ACCRUED INCOME		
2) Deferred income	4,922	6,849
TOTAL E. PREPAYEMENTS AND ACCRUED INCOME	**4,922**	**6,849**
TOTAL LIABILITIES	**4,478,704**	**10,270,165**
MEMORANDUM ACCOUNT		
Commitments, risks and other memorandum accounts	5,324	7,424
TOTAL MEMORANDUM ACCOUNT	**5,324**	**7,424**

In Euro

L E G G O   S P A

income statement

	2011	2010
A. VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	11,838,631	16,184,734
5) Other revenues and income	160,886	138,628
TOTAL A. VALUE OF PRODUCTION	**11,999,517**	**16,323,362**
B. COSTS OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods	(2,936,522)	(2,875,767)
7) Services	(10,210,571)	(11,845,181)
8) Rents, lease and similar costs	(1,225,218)	(1,685,513)
9) Personnel costs:		
a) salaries and wages	(1,801,466)	(1,789,290)
b) social security charges	(485,341)	(481,531)
c) employee leaving indemnity	(156,145)	(147,638)
e) other costs	(70,213)	(442,092)
Total personnel costs	(2,513,165)	(2,860,551)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	(24,614)	(3,530)
b) depreciation of tangible assets	(21,663)	(19,943)
Total amortisation, depreciation and write-downs	(46,277)	(23,473)
14) Other operating costs	(108,456)	(123,066)
TOTAL B. COSTS OF PRODUCTION	**(17,040,209)**	**(19,413,551)**
DIFFERENCE (A-B) BETWEEN VALUE AND COST OF PRODUCTION	**(5,040,692)**	**(3,090,189)**

	2011	2010
C. FINANCIAL INCOME AND CHARGES		
16) Other financial income:		
d) income other than above:		
4) others	49,983	50,088
Total other financial income	49,983	50,088
17) Interest and other financial charges:		
b) Group companies	(3,099)	(4,054)
d) others	(29,005)	(29,180)
Total interest and other financial charges	(32,104)	(33,234)
TOTAL C. FINANCIAL INCOME AND CHARGES	**17,879**	**16,854**
D. ADJUSTMENT OF FINANCIAL ASSETS	**(89)**	**(180)**
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
a) gains on disposals	–	50
b) other extraordinary income	46,930	–
21) Charges:		
c) other extraordinary charges	–	(89)
TOTAL E. EXTRAORDINARY INCOME AND CHARGES	**46,930**	**(39)**
PROFIT BEFORE TAXES	**(4,975,972)**	**(3,073,554)**
22) Income taxes:		
a) Ires	1,363,388	839,371
c) deferred tax assets	(22)	(6,600)
Total income taxes	1,363,366	832,771
23) NET PROFIT FOR THE YEAR	**(3,612,606)**	**(2,240,783)**

In Euro

assets

	31.12.2011	31.12.2010
A. RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	**–**	**–**
B. FIXED ASSETS		
I. Intangible assets		
3) Industrial patents and intellectual property rights	5,101	8,501
5) Goodwill	15,033,458	16,536,804
7) Other	–	518
Total intangible assets	**15,038,559**	**16,545,823**
II. Tangible assets		
1) Land and buildings	727,091	760,093
2) Plant and machinery	18,608	28,876
4) Other fixed assets	250,454	299,759
Total tangible assets	**996,153**	**1,088,728**
III. Financial assets		
1) Equity investments:		
a) subsidiaries	7,453,097	7,374,292
b) associated companies	844,949	691,712
d) other companies	398,717	398,717
Total equity investments	8,696,763	8,464,721
Total financial assets	**8,696,763**	**8,464,721**
TOTAL B. FIXED ASSETS	**24,731,475**	**26,099,272**

	31.12.2011	31.12.2010
C. CURRENT ASSETS		
I. Inventories		
1) Raw materials, ancillary and consumables	382,489	415,634
Total inventories	**382,489**	**415,634**
II. Receivables		
1) Trade receivables:		
– due within one year	1,158,482	1,213,953
2) Subsidiaries:		
– due within one year	602,520	633,973
3) Associated companies:		
– due within one year	840,207	840,207
4) Holding companies:		
– due within one year	1,977,253	1,893,863
4 bis) Taxes receivable:		
– due within one year	–	–
– due over one year	24,795	24,795
Total taxes receivable	24,795	24,795
4 ter) Deferred tax:		
– due within one year	278,750	678,552
– due over one year	748,097	614,302
Total deferred tax	1,026,847	1,292,854
5) Others:		
– due within one year	127,506	84,189
– due over one year	94,949	131,850
Total others	222,455	216,039
6) Group companies:		
– due within one year	6,887,222	6,038,911
Total receivables	**12,739,781**	**12,154,595**
IV. Cash and cash equivalents		
1) Banking and postal deposits	68,481	79,559
3) Cash and cash equivalents	5,406	31,129
Total cash and cash equivalents	**73,887**	**110,688**
TOTAL C. CURRENT ASSETS	**13,196,157**	**12,680,917**
D. PREPAYEMENTS AND ACCRUED INCOME	**141,569**	**97,049**
TOTAL ASSETS	**38,069,201**	**38,877,238**

In Euro

liabilities

	31.12.2011	31.12.2010
A. SHAREHOLDERS' EQUITY		
I. Share capital	**2,000,000**	**1,078,950**
II. Share premium reserve	**–**	**–**
IV. Legal reserve	**–**	**–**
VIII. Retained earnings	**–**	**–**
IX. Profit/(Loss) for the year	**–**	**–**
– Loss for the year	(1,632,620)	(2,471,797)
– Loss coverage	–	1,005,520
Retained loss	**(1,632,620)**	**(1,466,277)**
TOTAL A. SHAREHOLDERS' EQUITY	**367,380**	**(387,327)**
B. PROVISIONS FOR RISKS AND CHARGES		
1) Pensions and similar obligations	492,110	503,863
3) Other	3,336,000	4,092,590
TOTAL B. PROVISIONS FOR RISKS AND CHARGES	**3,828,110**	**4,596,453**
C. EMPLOYEE LEAVING INDEMNITY	**5,335,982**	**5,513,089**

	31.12.2011	31.12.2010
D. PAYABLES		
4) Bank borrowings:		
– due within one year	1,930,850	1,242,608
7) Trade payables:		
– due within one year	3,858,387	4,145,534
9) Subsidiaries:		
– due within one year	12,734,430	10,647,679
10) Associated companies:		
– due within one year	–	–
11) Holding companies:		
– due within one year	4,681,177	7,592,706
12) Tax payables:		
– due within one year	917,322	961,031
13) Payables to social security institutions:		
– due within one year	1,448,633	1,429,944
14) Other payables:		
– others	2,840,976	2,990,650
– other Group companies	13,608	18,867
TOTAL D. PAYABLES	**28,425,383**	**29,029,019**
E. PREPAYEMENTS AND ACCRUED INCOME	**112,346**	**126,004**
TOTAL LIABILITIES	**38,069,201**	**38,877,238**
MEMORANDUM ACCOUNT		
Purchase commitments	–	78,805
TOTAL MEMORANDUM ACCOUNT	**–**	**78,805**

In Euro

income statement

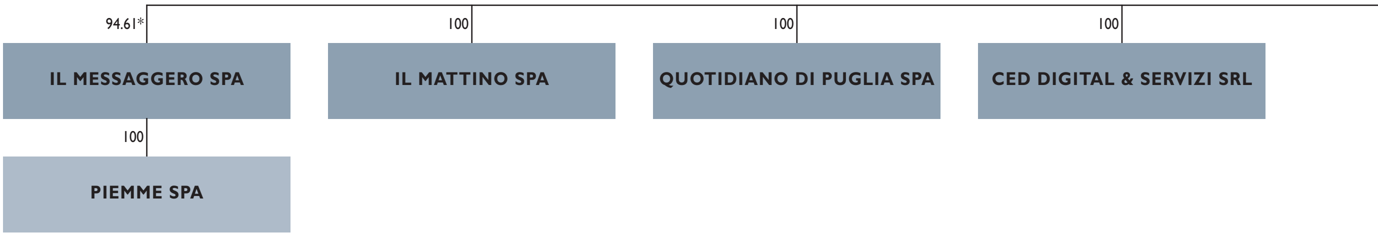
	2011	2010
A. VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	39,180,583	39,701,196
5) Other revenues and income:		
a) other revenues and income	1,563,432	1,302,739
TOTAL A.VALUE OF PRODUCTION	**40,744,015**	**41,003,935**
B. COSTS OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods	(3,615,515)	(3,148,905)
7) Services	(19,296,049)	(20,500,401)
8) Rents, lease and similar costs	(1,096,186)	(1,062,809)
9) Personnel costs:		
a) salaries and wages	(10,951,071)	(10,829,827)
b) social security charges	(3,208,279)	(3,187,836)
c) employee leaving indemnity	(1,004,610)	(982,434)
e) other costs	(145,723)	(80,247)
Total personnel costs	(15,309,683)	(15,080,344)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	(1,507,264)	(1,527,988)
b) depreciation of tangible assets	(179,039)	(195,625)
d) write-downs current receivables	–	(42,000)
Total amortisation, depreciation and write-downs	(1,686,303)	(1,765,613)
11) Change in inventory of raw materials ancillary, consumables and goods	(33,200)	(14,948)
12) Provisions for risks	(515,156)	(1,180,350)
14) Other operating costs	(533,497)	(574,646)
TOTAL B. COSTS OF PRODUCTION	**(42,085,589)**	**(43,328,016)**
DIFFERENCE (A-B) BETWEEN VALUE AND COST OF PRODUCTION	**(1,341,574)**	**(2,324,081)**

	2011	2010
C. FINANCIAL INCOME AND CHARGES		
16) Other financial income:		
d) income other than above:		
1) subsidiaries	–	–
4) others	986	527
Total other financial income	986	527
17) Interest and other financial charges:		
1) subsidiaries	(134,697)	(72,139)
2) holding companies	–	(62,728)
4) others	(85,003)	(44,168)
Total interest and other financial charges	(219,700)	(179,035)
TOTAL C. FINANCIAL INCOME AND CHARGES	**(218,714)**	**(178,508)**
D. ADJUSTMENT OF FINANCIAL ASSETS		
18) Revaluation:		
a) of equity investments	153,237	96,764
19) Write-down:		
a) of equity investments	–	(6,001)
TOTAL D. ADJUSTMENT OF FINANCIAL ASSETS	**153,237**	**90,763**
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
a) income	8,543	3,771
b) gains on asset sales	10,221	1,750
Total income	18,764	5,521
21) Charges	(90,681)	(58,527)
TOTAL E. EXTRAORDINARY INCOME AND CHARGES	**(71,917)**	**(53,006)**
PROFIT BEFORE TAXES	**(1,478,968)**	**(2,464,832)**
22) Income taxes:		
a) current taxes	112,355	264,222
b) deferred tax charge	(266,007)	(271,187)
Total income taxes	(153,652)	(6,965)
23) NET PROFIT FOR THE YEAR	**(1,632,620)**	**(2,471,797)**

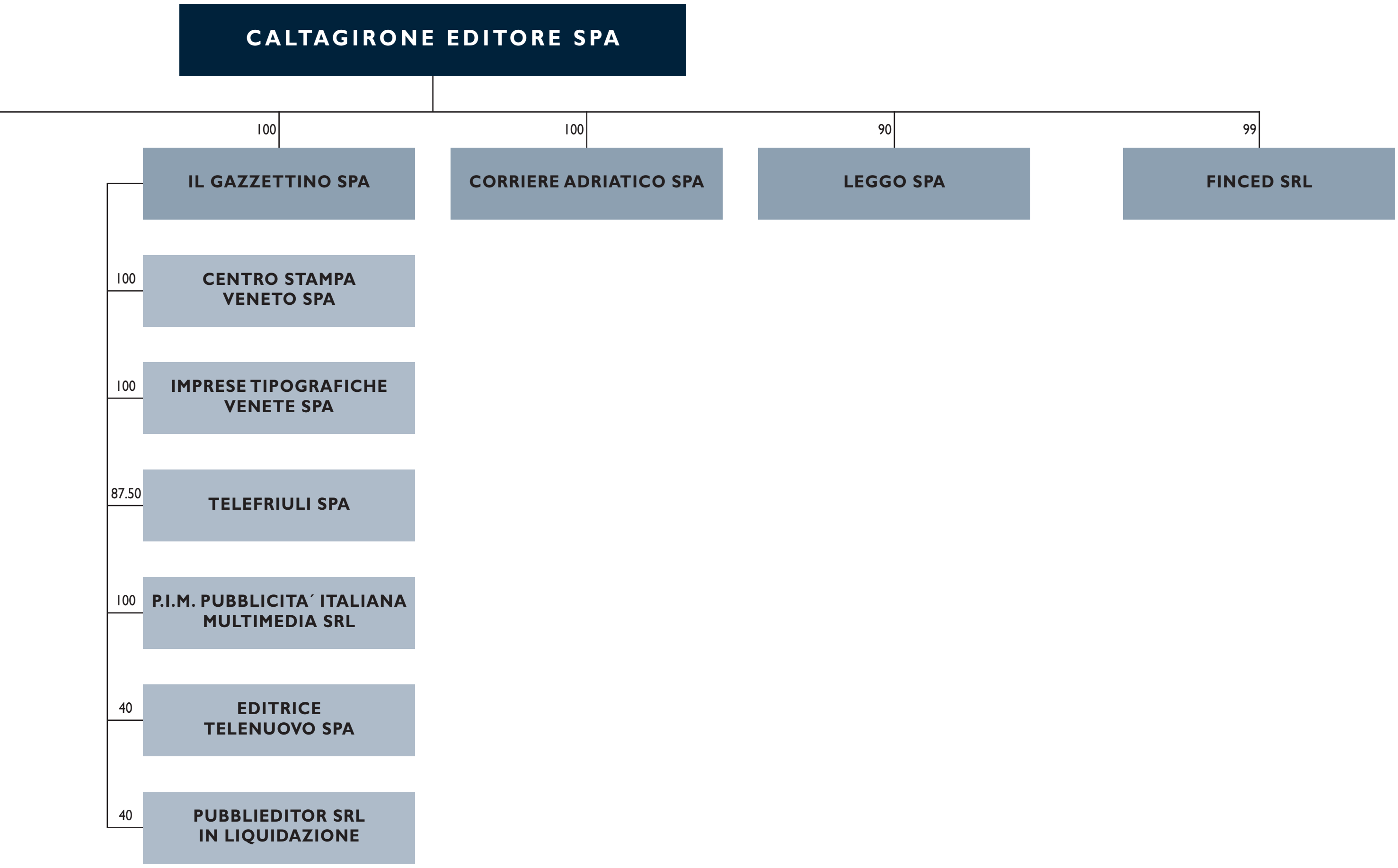
In Euro

Caltagirone Editore Group

CONTROLLED COMPANIES AND MAIN INVESTMENTS AT DECEMBER 31ST, 2011



* 5.39% held through Piemme SpA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