



INTERIM REPORT
September 30th 2013

Corporate Boards

Board of Directors

Chairman Francesco Gaetano Caltagirone

Vice Chairmen Gaetano Caltagirone
Azzurra Caltagirone

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

Board of Statutory Auditors

Chairman Antonio Staffa

Standing Auditors Federico Malorni
Maria Assunta Coluccia

Executive Responsible Roberto Di Muzio

Independent Auditors PricewaterhouseCoopers SpA

* *Members of the Internal Control Committee*

INTERIM REPORT AT SEPTEMBER 30TH 2013

The present Interim Report at September 30th 2013 was prepared in accordance with IAS/IFRS. The report is in compliance with Article 154, paragraph 5 of Legislative Decree 58/1998, as supplemented.

Highlights

The key consolidated financial results for the first nine months and third quarter of 2013 compared with the same periods in 2012 are shown below.

<i>In thousands of Euro</i>	9M 2013	9M 2012	Change %	Q3 2013	Q3 2012	Change %
Circulation revenues	57,956	56,509	2.6%	20,697	20,041	3.3%
Promotions revenues	267	477	-44.0%	34	7	na
Advertising revenues	68,728	82,318	-16.5%	20,100	22,102	-9.1%
Other operating revenues	4,934	5,864	-15.9%	1,701	1,592	6.8%
Total operating revenues	131,885	145,168	-9.2%	42,532	43,742	-2.8%
Raw material costs	(15,668)	(20,330)	-22.9%	(5,295)	(6,356)	-16.7%
Labour costs	(60,847)	(71,071)	-14.4%	(17,746)	(20,162)	-12.0%
Other operating costs	(57,331)	(64,580)	-11.2%	(19,287)	(20,623)	-6.5%
Total operating costs	(133,846)	(155,981)	-14.2%	(42,328)	(47,141)	-10.2%
EBITDA	(1,961)	(10,813)	81.9%	204	(3,399)	na
Amortisation, depreciation and provisions	(7,495)	(8,312)	-9.8%	(2,663)	(2,840)	-6.2%
EBIT	(9,456)	(19,125)	50.6%	(2,459)	(6,239)	60.6%
Net result valued at equity method	(115)	(2)	na	52	(1)	na
Net financial income/(charges)	4,100	(4,242)	na	571	(1,838)	na
Loss before taxes	(5,471)	(23,369)	76.6%	(1,836)	(8,078)	77.3%
Group net loss	(5,389)	(22,907)	76.5%	(1,813)	(7,950)	77.2%
Minority interest share	(82)	(462)	82.3%	(23)	(128)	82.0%

In the first nine months of 2013 Operating Revenues reduced 9.2%, principally due to the contraction in advertising revenues (-16.5%), following the prolonged economic difficulties within the country which resulted in significant cuts in advertising sector expenditure.

In Q3 2013 the Group reports Operating Revenues of Euro 42.5 million, decreasing 2.8% on Q3 2012 (Euro 43.7 million), however recovering on preceding quarters (-16.3% in Q1 and -7.3% in Q2).

Raw material costs in 9M 2013 decreased by 22.9%, due principally to the lower quantity utilised in the production process following the reduction in consumption (approx. 22.5%) and the lower paper acquisition price (approx. 4.1%). In the third quarter, raw material costs decreased 16.7% - almost entirely due to the lower quantities utilised in the production process.

Labour costs in the first nine months, net of non-recurring charges of Euro 1.4 million (Euro 4.8 million in 9M 2012) related to the reorganisation plans implemented by a number of Group companies, decreased by 10.2% following the corporate restructurings introduced in preceding years; this affected also labour costs in the third quarter which, net of non-recurring charges, decreased 12.5% on the same period of the previous year.

In the first nine months of 2013, other operating costs decreased overall by 11.2%, principally due to the reduction in copies distributed of the free newspaper Leggo, the lower commissions recognised to agents and the action taken on overhead and general costs. The cost control policy resulted in a reduction in other operating costs in the third quarter of 6.5%.

For the first nine months of 2013 an EBITDA loss of Euro 1.9 million is reported (loss of Euro 10.8 million in 9M 2012) – therefore significantly improving. In Q3 2013, EBITDA reported a profit of Euro 204 thousand (loss of Euro 3.4 million in Q3 2012).

Amortisation, depreciation, write-downs and provisions includes amortisation and depreciation of Euro 6.4 million, doubtful debts of approx. Euro 796 thousand and provisions for risks related to disputes in the period of Euro 305 thousand.

Net financial income/(charges) reported net income of Euro 4.1 million (net charges of Euro 4.2 million in 9M 2012) and includes dividends received on listed shares of Euro 1.8 million and net financial income of Euro 2.3 million.

The pre-tax result reports a loss of Euro 5.5 million (loss of Euro 23.4 million in 9M 2012).

Group operating performance

- **Publishing**

Circulation revenues of Euro 57.9 million increased 2.6% in the first nine months of 2013 compared to the same period of 2012, following the increase in the sales price applied from February 1st 2013 at all Group newspapers. The expected volume reduction following this increase is compounded by the significant contraction of the newspaper market: the latest official available figures (ADS – Newspaper Sales Figures) of copies sold at newsstands report a reduction of slightly under 11%¹, highlighting the impact of the recession on the newspaper sector. Circulation revenues were however also affected by a number of strike days by the printing staff of “Il Messaggero” and “Corriere Adriatico”.

The Revenues from products sold together with Group newspapers were not significant (Euro 267 thousand), following the substantial discontinuation of these promotional activities.

The sale of subscriptions and multimedia versions - although increasing - were not significant and the percentage of total Group circulation revenues was still negligible. Group websites reports a significant increase in average daily users² (approx. +42.5% compared to the same period of 2012).

- **Advertising**

The newspaper sector advertising market in the first nine months of 2013 reported a revenue contraction of 21.5%³ compared to the same period of 2012, with a significant difference between national commercial advertising (-28.3%)⁴ and local commercial advertising (-19.5%)⁵.

In the first nine months of 2013 Group newspaper advertising revenues decreased 16.5%, from Euro 82.3 million in 9M 2012 to Euro 68.7 million in 9M 2013; revenues from the

¹ ADS data (Newspaper Sales Figures) April – August 2013 compared to the same period of 2012 (sales at newsstands).

² Shinystat Data September 2012 – September 2013

³ FCP newspaper research data – January – September 2013 with corresponding period of 2012

⁴ FCP newspaper research data – January – September 2013 with corresponding period of 2012

⁵ FCP newspaper research data – January – September 2013 with corresponding period of 2012

sale of space was particularly impacted by the performance of the free newspaper Leggo (-41.5%); net of this effect the reduction in Group advertising revenues was 14.7%.

Advertising revenues from Group internet sites in the first nine months increased 12.4% on the previous year. The general internet advertising figures highlight a check to a number of years of continuous growth (-3%)⁶. Although internet advertising revenues are generally improving, the volumes in this sector are still marginal in relation to overall advertising revenue.

Net Cash Position

The Net Cash Position at September 30th 2013 is as follows:

<i>In thousands of Euro</i>	30/09/13	31/12/12
Current financial assets	77	1,536
Cash and cash equivalents	188,931	188,902
Non-current financial payables	(20,782)	(23,749)
Current financial liabilities	(24,781)	(12,334)
	143,445	154,355

The Net Cash Position decreased approx. Euro 10.9 million, due to the funding of the reorganisation plans implemented in previous years and the absorption of cash flow from operating activities.

Shareholders' equity

The Group Consolidated shareholders' equity increased from Euro 670.6 million at December 31st 2012 to Euro 677.7 million at September 30th 2013; the increase of Euro 7.1 million is due to the valuation at fair value of equity investments held by the Group, net of the loss for the period.

At September 30th 2013 Caltagirone Editore Spa had 745,026 treasury shares in portfolio, comprising 0.596% of the share capital for a value of Euro 694,486.

⁶ Nielsen figures January – August 2013 with corresponding period of 2012

Outlook for fourth quarter of 2013

The poor performance within the advertising sector persists and against which the Group continues to implement a close cost containment policy.

Rome, November 11th 2013

For the Board of Directors

The Chairman

Francesco Gaetano Caltagirone

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