

CALTAGIRONE EDITORE

Annual Report 2004
fifth fiscal year

Caltagirone Editore SpA

Head office Via Barberini, 28 - 00187 Roma

Share capital Euro 125,000,000

Internal Revenue Code and VAT n. 05897851001

Registered with the C.C.I.A.A. of Rome REG 935017

ordinary shareholders' meeting of April 19th, 2005

AGENDA

- Presentation of the Financial Statements for the year ended 31.12.2004, together with the reports of the Board of Directors, of the Board of Statutory Auditors and of the Independent Audit Firm, deliberations therein.
- Revocation of the resolution for the permission to sale and purchase own shares of April 30, 2004 and new permission for operations on own shares in accordance with article 2357 and 2357-ter of the Civil Code.

extract of the ordinary shareholders' meeting of April 19th, 2005

The ordinary Meeting held on 19th April 2005, in the presence of 32 shareholders representing n. 93.694.730 shares, decided:

- to approve the balance sheet closed on 31 December 2004 and the Board of Directors operating report;
- to distribute a dividend in the measure of euro 0,20 for each share in circulation;
- to allow the Board of Directors, for 18 months, starting from April 19, 2005, to make sale and purchase of treasury shares for a maximum of n. 2.500.000 and a maximum amount of euro 30.000.000, in accordance with article 2357 and subsequent amendments of the Civil Code.

corporate board

Board of Directors

Chairman

Francesco Gaetano Caltagirone

Deputy chairman

Gaetano Caltagirone

Deputy chairman

Azzurra Caltagirone

Directors

Massimo Confortini

Mario Delfini

Massimo Garzilli

Albino Majore

Michele Muzii

Giampietro Nattino

Board of Auditors

Chairman

Giampiero Tasco

Auditors

Carlo Schiavone

Mario Sica

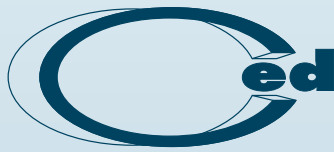
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**Caltagirone Editore SpA balance sheet
for the financial year ended December 31th, 2004**

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CALTAGIRONE EDITORE

*consolidated balance sheet
for the financial year ended
December 31st, 2004*

directors' report on operations for the year ended December 31st, 2004

Dear Shareholders,

The Caltagirone Editore Group ended the year 2004 with a net profit of euro 30.63 million (euro 25.99 million at December 31, 2003) and a consolidated Ebitda of euro 63.90 million, an increase of 16.2% compared to euro 54.99 million in the previous year.

The Ebit result also increased from euro 28.75 million to euro 34.27 million (+19.2%) and the sales, that increased by 8.2%, from euro 248.7 million to euro 269.07 million.

The Ebitda margin on revenues was 23.75%, a slight increase compared to 22.11% recorded at December 31, 2003.

The significant increase in sales and Ebitda is attributable to the greater advertising income of the principal newspapers sold and of the newspaper *Leggo*, and the success of the promotional initiatives with *Il Messaggero* and with *Il Mattino*.

These positive results were achieved in the presence of an advertising market that, as in the previous year, continued to show two different trends; on the one hand the national advertising market confirmed a slight contraction, while on the other hand, local advertising recorded a significant increase, sufficient to compensate the contraction mentioned. The increase in total advertising revenues equal to approximately 6.90% compared to 2003 also benefited from the positive revenues from the newspaper *Leggo* (+20.5%) and the contribution of advertising revenues from *Corriere Adriatico* purchased in the year.

Sales volumes registered a slight decrease compared to the previous year, in line with the daily newspaper market.

The Ebitda also benefited from the general reduction in costs of the raw materials equal to 9.1%; in particular, the international price of paper in the year decreased by approximately 6% compared to the average price in the previous year.

The year was characterised by a series of important acquisitions, among which 100% of the share capital of Editoriale Adriatica SpA that publishes *Corriere Adriatico*, and 85% in the share capital of Alfa Editoriale Srl that publishes the *Nuovo Quotidiano di Puglia*.

The *Corriere Adriatico* is an historic newspaper founded in 1860 and a newspaper with one of the longest traditions in Italy and deep rooted in the region.

The *Corriere Adriatico* is in fact the main newspaper in the Marche region for local news, with an average publication of approximately 20,000 copies sold daily and a number of readers equal to 244 thousand, with the highest ratio between number of readers and copies sold among Italian daily newspapers.

The *Nuovo Quotidiano di Puglia* has an average publication of approximately 20,000 copies daily and it is the daily newspaper for the provinces of Lecce, Brindisi and Taranto.

The most important results are shown in the table below compared to the previous year:

Profit and loss account	2004	2003	Variations %
Revenues from sales	83,367	78,185	6.6%
Advertising revenues	174,939	163,594	6.9%
Other income and revenues	10,760	6,922	55.4%
VALUE OF PRODUCTION	269,066	248,701	8.2%
Raw materials, supplies and consumable stores	(25,484)	(28,037)	-9.1%
Services	(91,072)	(80,877)	12.6%
Use of third party assets	(7,050)	(5,083)	38.7%
Personnel costs	(79,545)	(77,827)	2.2%
Other operating charges	(2,012)	(1,886)	6.7%
Total costs	(205,163)	(193,710)	5.9%
EBITDA	63,903	54,991	16.2%
Amortisation & depreciation	(24,171)	(21,742)	11.2%
Other (costs)/income	(5,459)	(4,500)	21.3%
EBIT	34,273	28,749	19.2%
Financial income	12,219	14,930	-18.2%
Financial charges	(9,416)	(11,664)	-19.3%
Financial result	2,803	3,266	-14.2%
Extraordinary items	188	(8,500)	102.2%
PRE-TAX RESULT	37,264	23,515	58.5%
Income taxes	(2,679)	4,538	-159.0%
RESULT BEFORE MINORITY SHARE	34,585	28,053	23.3%
Minority interest share	(3,957)	(2,061)	92.0%
NET RESULT	30,628	25,992	17.8%

In thousands of euros

The significant increase in the service costs is in part due to the costs incurred for editorial promotion costs of the newspapers *Il Messaggero* and *Il Mattino*; these promotions however contributed to the Ebit for approximately euro 2.66 million; this increase is also due to the different method of joint sales made with *Il Messaggero* and *Il Nuovo Quotidiano di Puglia*, that provides for the recharge to Il Messaggero SpA of the costs connected to the sales relating to Alfa Editoriale Srl. This method is in force since the second half of 2003.

The net profit for the year, euro 30.63 million, was impacted by goodwill and consolidation difference amortisation of approximately euro 4.32 million.

The net extraordinary items recorded a significant positive change where the data relating to 2003 included the effects of the adhesion to the fiscal amnesty.

The income taxes include the estimates for the current taxes and deferred taxes; the increase in the fiscal charge on the results before tax is principally due to the elimination of certain allowances on investments following the entry into force of the new fiscal regulations and a different impact of deferred taxes compared to the previous year.

In the financial statements as at December 31, 2004, the company Editoriale Adriatica SpA was consolidated for the first time, a company that publishes the newspaper *Corriere Adriatico*, acquired on June 21, 2004. The balance sheet was fully consolidated while the income statement was consolidated only for the 6 months after the acquisition. In relation to Alfa Editoriale Srl, acquired on December 23, 2004, only the balance sheet was consolidated.

At December 31, 2004 the employees of the Group amounted to 1,020 units (921 at December 31, 2003), in addition to 427 employees under project contracts.

Net Financial Position	12.31.2004	12.31.2003
Short-term financial assets	90,269	9
Current liquidity	282,296	545,509
Medium/long term debt	(73,735)	(82,358)
Short term debt	(18,588)	(21,187)
Total	280,242	441,973

The Net Financial Position at December 31, 2004 is equal to euro 280.24 million, a decrease compared to euro 441.97 million at December 31, 2003.

The decrease compared to December 31, 2003 is due in particular to the acquisition of 100% of the company Editoriale Adriatica SpA for euro 24 million and 85% of Alfa Editoriale Srl, publishing company of *Il Nuovo Quotidiano di Puglia* for euro 27 million, as well as the acquisition of 10% of the share capital of Il Messaggero SpA, with the relative investments in Piemme SpA, Emera SpA and Il Mattino S.E.M. SpA, and of Edi.Me. SpA for a total value respectively of euro 84 million and euro 11 million.

Due to these important acquisitions the Group strengthened its presence in the market and at the same time rationalised and amalgamated its most important publishing holdings.

During the year the Group also made financial investments of approximately euro 69 million. The total change takes into account the distribution of dividends of

approximately euro 25 million and the generation of cash flow from the operating activities.

Business performance

Editorial activities

Circulation figures	2004	2003	Variations %
Daily newspaper sales	68,061	67,231	1.2%
Editorial promotions	15,306	10,954	39.7%
<i>Il Messaggero</i>	9,079	7,497	21.1%
<i>Il Mattino</i>	5,794	3,457	67.6%
<i>Corriere Adriatico</i>	433	–	–
Total	83,367	78,185	6.6%

In thousands of euros

Il Messaggero and *Il Mattino* maintained their position as leaders in their respective markets.

The revenues from newspaper sales increased in the year by 6.6% from euro 78.18 million to euro 83.37 million, positively impacted by the sales of products together with the newspapers *Il Messaggero*, *Il Mattino* and *Il Corriere Adriatico*, whose contribution to the Ebitda was approximately euro 2.72 million, equal to approximately 17.8% of sales. The most successful initiatives were: “The Lire and its history”, “*Famous people of the Nineteenth-century*”, “BBC English course” and “Roman Library”.

Advertising revenues

	2004	2003	Variations %
Advertising			
<i>Il Messaggero</i>	103,924	100,602	3.3%
<i>Il Mattino</i>	38,454	37,619	2.2%
<i>Leggo</i>	20,736	17,211	20.5%
<i>Corriere Adriatico*</i>	1,982	–	n.a.
Other	9,843	8,162	20.6%
Total	174,939	163,594	6.9%

In thousands of euros

* Sales relating to the period 07.01.2004 – 12.31.2004

For the twelve month period, the advertising revenues increased by approximately 6.90% compared to the previous year with a positive trend although differentiated in the quarters: for the first quarter the increase was approximately 4.3%, followed by a second quarter extremely positive with an increase of 10.3% and a third quarter, that

also includes the summer vacation period, with an increase of approximately 3.5% while the fourth quarter recorded a particularly positive increase equal to 8.3%. In particular the trend registered in the third and fourth quarters was impacted by the advertising sales of *Corriere Adriatico* that entered into the consolidation in the second half of 2004.

Among the principal reasons for this increase: the greater availability of colour advertising of space, the development of related themes, the positive data recorded in the daily newspaper *Leggo* and by the radio market and the consolidation of the sales for the six months of *Corriere Adriatico*.

Also in 2004, the national advertising market was conditioned by the reduced commitments of the principal investors, especially in the telecommunication and Auto sectors.

The local advertising market confirmed its growth, led especially by the retail distribution sectors, semi-durable goods (such as electric domestic and home appliances) and food products.

This scenario, in addition to an overall good performance in advertising in the major newspapers of the Group, especially favoured the increase in sales by over 20% in *Leggo*, that, in addition, based on a market research commissioned by the sector to the “Eurisko” research institute strengthened its leadership position in the free newspaper sector with approximately 1,200,000 readers daily and an increase of 18.20% compared to the previous year.

The free newspaper is currently distributed in the principal Italian cities: Rome, Milan, Naples, Bologna, Venice, Verona, Padova, Turin and Florence.

The sales registered in the other newspapers largely relate to radio and *Il Nuovo Quotidiano di Puglia*, which entered into the Group at the end of the year.

Other activities

	2004	2003	Variations %
Services and internet	3,632	2,527	43.7%
Other revenues	7,129	4,395	62.2%
Total	10,761	6,922	55.4%

In thousands of euros

B2WIN SpA, operating in the management of call centres and advance computer services, ended the year 2004 with sales equal to euro 3.3 million in strong growth compared to the previous year equal to euro 1.5 million, reaching operational break-even.

Caltanet SpA Spa continued its activities in the web area with close control on operational costs.

The other revenues derive from the recharge of costs, prior year income and other minor income.

Forecast business outlook and Group strategies

The evolution of the activities remains connected to that of the advertising market which in 2004 registered a modest increase.

The strategic objectives of the Group remain centred on maintaining high levels of profitability and the quality of the products, with an increasingly greater affirmation of the publications in their regions and on the possibility to avail of all valid opportunities from the use of financial resources.

Transactions with related parties

In order to provide a full representation of the transactions with “related parties” as required by Consob communication 97001574 of February 20, 1997, the balance sheet and income statement balances with related parties are shown below.

In relation to the balance sheet at December 31, 2004, the receivables include euro 2,546,186 from companies belonging to the Caltagirone SpA Group.

The balance relates principally to euro 2,417,624 in Alfa Editoriale Srl for an interest bearing loan with Mantegna 87 Srl and Viafin Srl respectively of euro 1,011,690 and euro 1,405,934 including interest calculated at market rates. The residual amount is represented by invoices issued by the Parent Company to Vianini Industria SpA for administration-accounting services of euro 24,000, receivables for services provided by Caltanet SpA to Cementir SpA and Cimentas AS totalling euro 48,998 and receivables for services provided by Piemme SpA to different companies of the Caltagirone SpA Group for the purchase of advertising space of euro 33,326.

Other transactions were not individually significant.

The trade payables include payables of Il Messaggero SpA to related companies for euro 213,543 for the rental of its head office, based on a rental contract agreed at normal market conditions.

Included in Other Payables at December 31, 2004 are payables to companies of the Caltagirone SpA Group amounting to euro 382,464. The balance includes the following positions: Caltanet SpA and B2WIN SpA have payables to Cementir SpA respectively of euro 147,813 and euro 191,651 for the rental of offices at Rome, based on a contract agreed at market conditions; the majority of the companies of the Caltagirone Editore SpA Group have payables with the company Vianini Lavori SpA totalling euro 27,816 for fees for the use of information systems owned by Vianini Lavori SpA.

Other transactions were not individually significant.

The transactions recorded in the income statement in the year between the Group and related parties are as follows:

- the value of production includes revenues from companies of the Caltagirone SpA Group for euro 227,714; the largest amount related to revenues in Piemme SpA from companies of the Caltagirone SpA group for the purchase of advertising space totalling euro 124,133 and revenues for IT technical assistance by Caltanet SpA on behalf of Cementir SpA and Cimentas AS respectively of euro 52,324 and euro 48,732;
- the production costs include the recharges received from companies of the Caltagirone SpA Group and other related companies for euro 2,740,589. In particular the account service costs includes the transactions with related parties amounting to euro 220,499, of which euro 159,446 from Vianini Lavori SpA for IT services, principally for the press centre at Torrespaccata by companies of

the Group. The residual amount is represented by other less significant costs. The account use of third party assets includes transactions with companies of the Caltagirone SpA Group for euro 400,540, represented almost exclusively by the rental for the use of premises by Caltanet SpA, B2WIN SpA and Piemme SpA. This account also includes euro 2,083,550 for rental by the Parent Company and Il Messaggero SpA of property owned by companies under common control.

- the extraordinary charges include euro 87,249 of costs relating to the previous year, recharged only in 2004 by Cementir SpA to Caltanet SpA and B2WIN SpA relating to rental contracts in force between the companies.

All of the above-mentioned transactions were made at normal market conditions.

During the year following transactions were made with companies under common control.

- The Parent Company Caltagirone Editore SpA in December purchased from a company under common control 10% of the share capital of Il Messaggero SpA, with the relative investments in Piemme SpA, Emera SpA and Il Mattino S.E.M. SpA, and Edi.Me. SpA for a value respectively of euro 83.9 million and euro 11.1 million. The value of both these transactions was established by an independent expert's valuation.
- The Parent Company Caltagirone Editore SpA in December 2004 purchased 85% of the share capital of Alfa Editoriale Srl, a company that publishes *Il Nuovo Quotidiano di Puglia*. In particular 74.375% was purchased from Edigolfo SpA, a company of the Caltagirone SpA group for an amount of euro 23.8 million and 10.25% from companies under common control for a value of euro 3.4 million. The value of the quota was established by an independent expert's valuation.
- S.E.M. SpA in December sold to a company under common control the building at via Chiatamone in Naples for an amount of euro 10 million, based on an independent expert's valuation.

Other information

The Parent Company, based on Regulation (CE) No. 1725 of September 29, 2003 of the European Community that adopted some international accounting principles in conformity with Regulation 1606/2002 of the European Parliament and of the Council of July 19, 2002, is proceeding with the transition plans of the consolidated financial statements so that, commencing from January 1, 2005, it may prepare consolidated financial statements in conformity with International Accounting Standards – IAS (International Accounting Standards) and IFRS (International Financial Reporting Standards).

The Company commenced a process of analysis and valuation of the most significant accounting, organisation, business and information system matters related to the introduction of the IFRS, in order to manage the impact of the changes in an effective manner. The preparation of the financial statements in accordance with international accounting standards will result in, among other matters, a substantial change in the company information and the accounting policies utilised.

In relation to this, the expected impact on the information systems and on the financial statement values is currently in progress; this analysis will be completed in the coming months. At the present moment it is considered that the international accounting standards that will have largest impact are: IAS 14 (*Segment Reporting*),

IAS 16 (*Property, Plant and Equipment*), IAS 19 (*Employee Benefits*), IAS 36 (*Impairment of Assets*) and IAS 39 (*Financial Instruments*).

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

Finally, it is noted that the Parent Company directly holds 31,040 treasury shares for a total nominal value of euro 31,040.

During the year the company did not carry out any research and development activity.

Subsequent events

There were no significant events in the first months of 2005 to report. The activities of the Group continued in line with expectations in relation to the markets in which they operate.

Rome, March 14, 2005

CALTAGIRONE EDITORE GROUP

assets

	AT 12.31.2004	AT 12.31.2003
A. UNPAID SHARE CAPITAL	-	-
B. FIXED ASSETS		
I. Intangible assets		
1) Start-up, expansion and similar costs	3,170	9,584
2) Research, development and advertising costs	181	622
3) Industrial patents and intellectual property rights	10	1
4) Concessions, licences and brands	69	53
5) Goodwill	87,958	90,808
6) Assets in progress and payments on account	-	4
7) Other	1,983	1,086
8) Consolidation difference	180,068	35,753
Total intangible assets	273,439	137,911
II. Tangible assets		
1) Land and buildings	31,935	33,638
2) Plant and machinery	56,132	62,522
3) Industrial and sales equipment	108	184
4) Other assets	3,394	4,149
5) Assets under construction and payments on account	-	1,403
Total tangible assets	91,569	101,896
III. Financial assets		
1) Equity investments in:		
a) subsidiary companies	12	12
d) other companies	128,841	74,255
Total	128,853	74,267
2) Receivables:		
a) subsidiary companies		
- due within one year	13	12
d) other		
- due beyond one year	25	39
Total	38	51
3) Other securities	-	7
4) Treasury shares	164	164
Total financial assets	129,055	74,489
TOTAL B. FIXED ASSETS	494,063	314,296

	AT 12.31.2004	AT 12.31.2003
C. CURRENT ASSETS		
I. Inventory		
1) Raw materials, supplies and consumable stores	2,672	2,127
Total inventory	2,672	2,127
II. Receivables		
1) Customers:		
– due within one year	82,762	76,710
Total	82,762	76,710
2) Subsidiary companies:		
– due within one year	14	9
Total	14	9
4 bis) Tax receivables:		
– due within one year	4,710	7,996
– due beyond one year	1,193	1,304
Total	5,903	9,300
4 ter) Deferred tax asset	28,113	27,700
5) Others:		
– due within one year	3,526	2,978
– due beyond one year	35	51
Total	3,561	3,029
7) Supplier advances for services:		
– due within one year	28	60
Total	28	60
Total	120,381	116,808
III. Current financial assets		
6) Other securities	2	–
7) Financial receivables	90,255	–
Total	90,257	–
IV. Cash in hand and banks		
1) Banking and postal deposits	282,037	545,384
3) Cash on hand and equivalents	259	125
Total	282,296	545,509
TOTAL C. CURRENT ASSETS	495,606	664,444
D. PREPAYMENTS AND ACC. INCOME	1,967	1,260
TOTAL ASSETS	991,636	980,000

In thousands of euros

liabilities

	AT 12.31.2004	AT 12.31.2003
A. NET EQUITY		
I. Share capital	125,000	125,000
II. Share premium reserve	501,169	527,812
III. Revaluation reserves	-	-
IV. Legal reserve	25,000	25,000
V. Statutory reserves	-	-
VI. Reserve for ownshares in portfolio	164	164
VII. Other reserves		
Extraordinary reserve	-	5,549
Reserve for the acquisition of treasury shares	29,836	29,836
Other reserves	49,585	16,396
VIII. Retained earnings (losses)	-	-
IX. Net profit (loss) for the year	30,628	25,992
Total Group net equity	761,382	755,749
X. Minority capital and reserves	546	8,722
TOTAL (A) NET EQUITY	761,928	764,471
B. PROVISIONS FOR CONTINGENCIES AND CHARGES		
1) Pension and similar obligations	120	120
2) Taxes, including deferred	24,878	13,296
3) Others	7,393	7,127
TOTAL (B) PROVISIONS CONTINGENCIES AND CHARGES	32,391	20,543
C. EMPLOYEE LEAVING INDEMNITY	38,190	33,616

	AT 12.31.2004	AT 12.31.2003
D. PAYABLES		
4) Due to banks:		
– due within one year	16,079	18,778
– due beyond one year	58,401	64,515
Total	74,480	83,293
5) Payables to other lenders:		
– due within one year	2,509	2,408
– due beyond one year	15,334	17,843
Total	17,843	20,251
7) Trade payables:		
– due within one year	31,200	25,485
Total	31,200	25,485
12) Tax payables:		
– due within one year	6,470	4,351
Total	6,470	4,351
13) Payables to pension and social security institutions:		
– due within one year	5,660	5,108
Total	5,660	5,108
14) Other payables:		
– due within one year	15,303	15,556
– due beyond one year	7	7
Total	15,310	15,563
TOTAL D. PAYABLES	150,963	154,051
E. ACCRUALS AND DEFERRED INCOME	8,164	7,319
TOTAL LIABILITIES & EQUITY	991,636	980,000
MEMORANDUM ACCOUNT		
Sureties given		
In favour of third parties	2,104	2,102
Total	2,104	2,102
Other memorandum accounts		
Other memorandum accounts	662	1,232
On behalf of subsidiary companies	6,010	5,516
Total	6,672	6,748
TOTAL MEMORANDUM ACCOUNTS	8,776	8,850

In thousands of euros

CALTAGIRONE EDITORE GROUP

profit and loss account

	AT 12.31.2004	AT 12.31.2003
A. VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	261,937	244,306
5) Other revenues and income	7,129	4,395
TOTAL A. VALUE OF PRODUCTION	269,066	248,701
B. COSTS OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods for resale	(25,902)	(26,311)
7) Services	(91,072)	(80,877)
8) Use of third-party assets	(7,050)	(5,083)
9) Personnel costs:		
a) wages and salaries	(55,040)	(53,202)
b) social security costs	(17,650)	(16,949)
c) employee leaving indemnity	(4,541)	(4,417)
e) other	(2,314)	(3,259)
Total	(79,545)	(77,827)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed costs	(11,089)	(12,971)
b) depreciation of tangible fixed assets	(10,665)	(7,396)
c) other write-downs of fixed assets	(1,681)	(1,875)
d) provisions on current assets	(2,484)	(2,079)
e) amortisation of consolidation difference	(2,417)	(1,375)
Total	(28,336)	(25,696)
11) Changes in inventory of raw materials, consumables and supplies	418	(1,726)
12) Provisions for risks	(1,294)	(546)
14) Other operating expenses	(2,012)	(1,886)
TOTAL B. COSTS OF PRODUCTION	(234,793)	(219,952)
TOTAL (A-B) DIFFERENCE BETWEEN VALUES AND COSTS OF PRODUCTION	34,273	28,749

	AT 12.31.2004	AT 12.31.2003
C. FINANCIAL INCOME AND CHARGES		
15) Income from equity investments:		
– in other companies	1,808	1,680
Total	1,808	1,680
16) Other financial income:		
d) income other than the above:		
– from others	10,411	13,250
Total	10,411	13,250
17) Interest and other financial charges:		
– others	(3,676)	(3,381)
Total	(3,676)	(3,381)
17 bis) Exchange gains and losses	(2,942)	(2,276)
TOTAL C. FINANCIAL INCOME AND CHARGES	5,601	9,273
D. ADJUSTMENT OF FINANCIAL ASSETS		
18) Revaluations:		
a) of equity investments	–	84
Total	–	84
19) Write-downs:		
a) of equity investments	(2,797)	(6,091)
Total	(2,797)	(6,091)
TOTAL D. ADJ. OF FINANCIAL ASSETS	(2,797)	(6,007)
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
– gains on asset sales	7,852	35
– other income	1,196	376
Total	9,048	411
21) Charges:		
– losses on asset sales	(19)	(28)
– taxes relating to prior years	(790)	(4,373)
– other charges	(8,052)	(4,510)
Total	(8,861)	(8,911)
TOTAL E. EXTRAORDINARY INCOME AND CHARGES	187	(8,500)
PRE-TAX RESULT	37,264	23,515
22) Income taxes for the year:		
a) Current taxes	(11,220)	(12,269)
b) Deferred tax charge	(21,428)	(3,482)
c) Deferred tax income	29,969	20,289
TOTAL	(2,679)	4,538
NET PROFIT (LOSS) FOR THE YEAR	34,585	28,053
Minority interest (profit) loss	(3,957)	(2,061)
GROUP NET PROFIT (LOSS) FOR THE YEAR	30,628	25,992

In thousands of euros

notes to the consolidated financial statements for the year ended December 31st, 2004

Structure and contents

The Group Consolidated Financial Statements, consisting of the Balance Sheet, Income Statement and the notes thereto, have been prepared in accordance with the provisions and valuation criteria contained in article 2426 of the civil code, integrated and interpreted by the accounting principles issued by the Italian Accounting Profession. They have been prepared in accordance with the general principles of prudence and accruals, on a going concern basis and taking into consideration the economic function of the assets and liabilities concerned, without any change to those adopted in the preparation of the financial statements in the previous year.

The balance sheet and income statement formats utilised in these financial statements are in accordance with the current provisions for the preparation of consolidated financial statements, expressed in thousands of euro and compared with the corresponding accounts of the previous year.

The balance sheet and income statement format incorporates the changes made by the corporate law reform and therefore includes the accounts required by the new civil code. The balances relating to the previous year were appropriately reclassified to permit a correct comparison of the accounts.

As an integration to the financial statements the following attachments have been included:

- changes in Consolidated Shareholders' Equity;
- reconciliation between the results of the Parent Company and the consolidated result;
- reconciliation between the Parent Company net equity and the consolidated net equity;
- consolidated cash flow statement;
- principal data of the companies consolidated;
- lists of the companies included in the consolidation under the full consolidation method, the companies valued under the net equity method and the other subsidiary and associated companies as set out in article 38 of Legislative Decree 127/1991.

Consolidation area The companies included in the consolidation are as follows:

Company	Register office	Share capital as at 12.31.2004	Group share
Caltagirone Editore SpA	Rome	125,000,000	Parent company
Il Messaggero SpA	Rome	36,900,000	100%
Edi.Me. Edizioni Meridionali SpA	Rome	500,000	100%
Piemme SpA ¹	Rome	104,000	100%
Il Mattino Società Editrice Meridionale SpA ²	Rome	2,481,600	100%
Caltanet SpA	Rome	5,414,463	100%
Sigma Editoriale SpA	Rome	1,000,000	90%
Cedfin Srl	Rome	10,200	100%
B2WIN SpA ³	Rome	1,000,000	100%
Finced Srl	Rome	10,000	100%
Emera SpA ¹	Rome	2,496,000	100%
S.E.A. Società Editrice Adriatica SpA ⁴	Ancona	102,000	100%
Alfa Editoriale Srl	Rome	1,020,000	85%

¹ Held through *Il Messaggero SpA*

² Held through *Emera SpA*

³ Held through *Caltanet SpA*

⁴ 51% held directly and through *Cedfin Srl*

The subsidiary *Edi.Me. Sport Srl* was not consolidated as the values were not significant, as the company is not operative.

The subsidiary *Noisette SA*, a non-operating company with registered office at Madeira (Portugal), was not consolidated as the values are insignificant.

The consolidation area has changed as follows:

- on June 18, 2004, the company *Finced Srl* was incorporated, a holding company held 99.99% by *Caltagirone Editore SpA* and 0.01% by *Cedfin Srl*;
- on June 21, 2004, the Company *Editoriale Adriatica SpA* (hereafter indicated as *S.E.A. SpA*) was acquired, 51% held by *Sigma Editoriale SpA* and 49% by *Cedfin Srl*; subsequently on August 3, 2004, *Sigma Editoriale SpA* sold its holding of 51% to *Caltagirone Editore SpA* for an amount equal to the purchase price paid by *Sigma Editoriale SpA*;
- on November 26, 2004, *Cedfin Srl* acquired 66,165 shares of *Caltanet SpA* equal to 1.22% of the capital, increasing the holding of the Group to 100%;
- on December 21, 2004, *Caltagirone Editore SpA* and *Cedfin Srl* acquired respectively 9.999% and 0.001% of the share capital of *Il Messaggero SpA*. Following this acquisition the holding held by the Group in *Il Messaggero SpA* is equal to 100%;
- on December 21, 2004, *Caltagirone Editore SpA* and *Cedfin Srl* acquired respectively 9.999% and 0.001% of the share capital of *Edi.Me. SpA*. Following this acquisition the holding of the Group in *Edi.Me. SpA* is now 100%;
- on December 23, 2004 *Caltagirone Editore SpA* acquired from a company under common control, 85% of the share capital of *Alfa Editoriale Srl*.

Consolidation criteria

The consolidation was made under the full consolidation method.

In relation to S.E.A. SpA, acquired at the end of the first half of the year, the balance sheet and income statement were fully consolidated only for the second half of 2004. In relation to Alfa Editoriale Srl, acquired at the end of the year, only the Balance Sheet was consolidated.

The criteria adopted for the application of this method were principally the following:

- the carrying value of the equity investments, held by the Parent Company or by other companies included in the consolidation, is eliminated against the relative shareholders' equity at the date of the first inclusion of the subsidiary in the consolidation area, against the recording of the assets and liabilities, costs and revenues of the subsidiaries;
- any positive difference deriving from this elimination is recorded in an asset account, "consolidation difference", while the negative difference is recorded within the shareholders' equity account "consolidation reserve";
- the balance sheet and income statement accounts deriving from transactions between consolidated companies are eliminated, as are profits deriving from transactions between Group companies, net of the fiscal effect;
- the quota of minority interest net equity and result for the period are stated in separate accounts in the consolidated balance sheet and income statement;
- the dividends, net of the relative tax credit, distributed within the Group are eliminated in the income statement;
- the financial statements of the consolidated companies are adjusted in line with uniform group accounting principles and to eliminate the effects of entries made for fiscal purposes;
- the financial statements utilised for the consolidation are those ended December 31, 2004. For those companies with a year-end that does not coincide with the parent company, specific financial statements were prepared at the date of the preparation of the consolidated financial statements.
- Fiscal adjustment: It is noted that, as required by the new provisions introduced by the corporate law reform and by the communications of the Italian Accounting Organisation (OIC), the parent company and subsidiaries eliminated adjustments made solely for fiscal purposes in the financial statements (so-called "fiscal adjustment") in relation to the current year and with reference to the previous years. These effects were eliminated at consolidated level in that already considered in the elimination of adjustments made solely for fiscal purposes in previous years.

Accounting principles

The accounting principles used in the preparation of the consolidated financial statements are as follows:

Intangible assets

Intangible assets are recorded at acquisition or production cost including directly attributable accessory costs and are amortised on a straight-line basis over the period of their expected useful life.

Formation and start-up costs, research, development and advertising costs,

concessions, licences, trademarks and similar long-term assets are amortised between three and five years.

Leasehold improvements are amortised based on the lower between the residual duration of the contracts and the future utility of the costs incurred.

Goodwill, that corresponds to the higher price paid for the acquisition of publishing businesses compared to the quota of the net equity at the acquisition date, is recorded within the limit of the market value of the individual newspapers. The newspapers are amortised over a period of thirty years from the date of acquisition based on their residual use.

The consolidation difference corresponds to the excess of the purchase price compared to the quota of the book net equity at the date of acquisition of the subsidiary companies, not allocated to specific assets and liability accounts of the companies to which they refer. The consolidation difference that, not allocated to specific accounts, represents the goodwill and the value of the newspapers of the publishing companies, is also amortised over a period of thirty years from the date of acquisition based on the residual possible use.

Where, independent of the amortisation already recorded, there is a permanent impairment in value, the asset is written down. If in future years the reasons for the write-down no longer exist the original value is restated.

Tangible assets

They are recorded at purchase price inclusive of directly attributable incidental charges, increased by legal revaluations.

Tangible fixed assets are depreciation on a straight-line basis at rates which reflect the estimated useful life of the assets. The depreciation commences when the asset is available for use and reduced by half in the first year to reflect the lower use.

Where there is a permanent impairment in value, the asset is written down. If in future years the reasons for the write-down no longer exist the original value is restated, net of depreciation.

Maintenance costs of an incremental nature are allocated to the assets they relate to and depreciated in accordance with their residual use.

Normal on-going maintenance costs are charged in full to the income statement in the year in which they are sustained.

Goods acquired under finance leases, being of insignificant amounts, are recorded on the ownership of the asset.

The rates applied are as follows:

	Rate
Industrial buildings	3%
Light constructions	10%
Non automated machines and general plant	10%
Automated machinery for finishing operations	8.33%
Rotating press for paper in rolls	8.33% - 10%
Electronic systems for photocopying, photocomposition and similar	25%
Air conditioning	20%
Equipment	25%
Office furniture and equipment	12%
EDP and telephone systems	20%
Transport vehicles	20%
Motor vehicles and similar	25%
Electronic archiving	20%

Financial assets

The equity investments in subsidiaries not consolidated, the holdings in other companies and the treasury shares are valued under the cost method, reduced in the case of permanent loss where the investment has suffered losses and no recovery is foreseen in the immediate future, or sufficient profits may be generated to absorb the losses; the original value is restated when the reasons for the write-down no longer exist.

The value of the equity investments in non-consolidated subsidiaries is not significantly different from the value that would be obtained under application of the net equity method.

Fixed income credit instruments are valued at purchase cost, subject to application of premiums and discounts on issue, reduced to taking into consideration permanent impairment in value.

The non-current receivables are recorded at cost, reduced for permanent impairment in value.

Inventories

Inventories, consisting prevalently of paper, are valued at the lower value between purchase, calculated at average weighted cost, and market value.

Receivables

Receivables are recorded at realisation value through a specific doubtful debt provision. The doubtful debt provisions are calculated by the companies included in the consolidation through a valuation of the specific risk, in accordance with prudent criteria and experience acquired.

Conversion of foreign currencies

All of the balance sheet accounts expressed in foreign currencies are converted into euro applying the exchange rate at the end of the period.

The positive or negative differences between the values converted at the period end exchange rate and the original exchange rate are recorded in the income statement in the account exchange gains and losses.

Any net gain is included as a non-distributable reserve until the gain is realised.

Current financial assets

Current securities are valued at purchase cost or market, if lower. For quoted shares the market price is the average stock exchange price in December 2004.

Prepayments and accruals

Prepayments and accruals relate to income and costs of the period but which will be settled in future periods and income and costs received before the end of the period but that relate to future periods, the size of which varies over time.

Provisions for contingencies and charges

The provisions for contingencies and charges are recorded in respect of certain or probable losses or liabilities, the amount or due date of which could not be determined at period-end.

The amounts provided represent a best possible estimate on the basis of available information.

Provisions for employee leaving indemnities

The provision has been accrued at the end of the period to cover the full liability to all employees in accordance with current legislation and contractual agreements, net of advances made.

Payables

Payables are recorded at their nominal value, considered representative of their realisable value.

Commitments and guarantees

Commitments and guarantees are shown in the memorandum accounts at their contractual values.

Recognition of revenue and costs

The positive and negative elements of the income statement are recognised in accordance with the principles of prudent and accruals. Revenues from sales of newspapers, advertising revenue and associated costs are recorded in relation to the number of dailies distributed in the period. In particular revenues for newspaper sales are reduced at the end of the period to take account of the estimated returns on the basis of experience.

The dividends from non consolidated holdings, included the related tax credit, are recorded under financial income in the period in which the distribution is deliberated.

Capital grants

Capital grants on plant provided until December 31, 1997 on investments are credited, at the moment of the receipt, directly to net equity. Those received based on Law 488/92 after December 31, 1997 are recorded as deferred income and credited to the income statement in correlation to the depreciation on the asset to which they refer.

Deferred and current taxes

The current income taxes for the year are based on a realistic estimate of the fiscal charge to be paid, in accordance with the current fiscal regulations and are recorded net of withholding taxes and payments on account in the account "Tax payables". Where the taxes accrued are less than the withholding taxes and payments on account, the net receivable is recorded in the account "Tax receivables".

Deferred tax assets and liabilities are calculated on the timing differences between the book value of assets and liabilities for statutory purposes and their corresponding value for fiscal purposes.

Deferred tax liabilities are not recorded when there is small probability that the payable will materialise. The deferred tax assets are only recorded, in accordance with the prudence principle, if there is reasonable certainty that the temporary differences will reverse in future years resulting from an assessable income not lower than the differences that will reverse.

All amounts are shown in thousands of euro.

balance sheet

For a better comparison of the data with the previous year the balance sheet and income statement data deriving from the effect of the change in the consolidation area are indicated separately from the other changes in the year.

Fixed assets *Intangible assets*

Intangible assets consist of the following:

	Balance at 12.31.2003	Increases	Decreases	Amortisation	Change in consolidated area	Balance at 12.31.2004
Expansion and start up costs	9,584	–	–	(6,414)	–	3,170
Research, development and advertising costs	622	20	–	(461)	–	181
Patents and intellectual property rights	1	15	–	(6)	–	10
Concessions, licenses, trademarks and similar	53	85	–	(69)	–	69
Goodwill	90,808	–	–	(3,633)	783	87,958
Assets under construction and payments on account	4	–	(4)	–	–	–
Other	1,086	481	–	(506)	922	1,983
Consolidation difference	35,753	97,597	–	(2,417)	49,135	180,068
Total	137,911	98,198	(4)	(13,506)	50,840	273,439

In thousands of euros

Expansion and start-up costs are almost entirely attributable to charges incurred by Caltagirone Editore SpA in relation to its Stock Exchange listing. The decrease recorded in the year principally relates to amortisation.

The research, development and advertising costs principally relate to the investments made for the launch of the free newspaper Leggo and for the design and study of the press Centre at Caivano (NA), incurred respectively by Sigma Editoriale SpA and Edi.Me. SpA. The change in the year is due to amortisation in addition to the capitalisation of research and development costs incurred by Edi.Me. SpA.

The goodwill derives from the attribution of the merger deficit from the incorporation of Il Messaggero SpA, by the company Editrice Il Messaggero SpA in 1999.

The difference compared to 2003 is due to the amortisation for the year, calculated on a duration of 30 years, as attributed to the newspaper titles of the publishing companies. In addition, in 2004, with the consolidation of S.E.A. SpA the goodwill recorded in the financial statements of the subsidiary was acquired against the original value of the newspaper title.

The account other intangible assets at December 31, 2004 includes leasehold improvements, equal to euro 523 thousand and the cost for the use of application software, equal to euro 95 thousand. The decrease is due to amortisation for the year. The balance also includes the value of other minor newspaper titles owned by Alfa Editoriale Srl for approximately euro 870 thousand.

The increase in the consolidation difference is due to the acquisitions of the residual 10% of Il Messaggero SpA, of the residual 10% of Edi.Me. SpA, of the 100% of S.E.A. SpA and of the 85% of Alfa Editoriale Srl, this latter classified in the column "change in consolidation area". Part of the increase (euro 16,263 thousand) is due to the different composition of the value of the consolidation difference relating to Il Mattino S.E.M. SpA, that, although not attributed in a specific manner, is attributable to the value assigned to the newspaper *Il Mattino*. In the consolidation financial statements at December 31, 2003, this consolidation difference, whose value was not fiscally deductible, was recorded net of the relative fiscal charge, as permitted by the applicable accounting principles. Following the sale of the newspaper by Il Mattino S.E.M. SpA to Edi.Me. SpA for a value substantially in line with that recorded in the consolidated financial statements a gain arose assessable for taxation. Therefore, as the value of the newspapers includes the fiscal amount, the relative amortisation will be deductible in future years by Edi.Me. SpA.

As a consequence of this operation, the fiscal charge, equal to euro 16,263 thousand and no longer payable by the Group, recorded in previous years as a direct reduction of the consolidation difference, was recorded in the income statement in the account "Income taxes".

The decrease relates to the amortisation in the year.

The details of the consolidation difference is shown below:

	Gross value	Acc. amortisation	Net value
Piemme SpA	8,678	1,446	7,232
S.E.A. SpA	23,874	399	23,475
Edi.Me. SpA	9,721	–	9,721
Il Messaggero SpA	71,613	–	71,613
Il Mattino S.E.M. SpA	44,496	1,730	42,766
Alfa Editoriale Srl	25,261	–	25,261
Total	183,643	3,575	180,068

In thousands of euros

The amount relating to Piemme SpA is attributable to the greater value of the investment in Piemme SpA recognised on the merger between the company Editrice Il Messaggero SpA and the current Il Messaggero SpA.

The values attributed to Il Messaggero SpA and to Edi.Me. SpA relate to the excess cost paid on the acquisition of 10% of the relative share capital at the end of December 2004 by Caltagirone Editore SpA. The consolidation difference relating to S.E.A. SpA was recorded on the acquisition of 100% of the share capital by the parent company and by a subsidiary.

The consolidation difference relating to Alfa Editoriale is attributable to the excess of the cost paid on the acquisition of 85% of the investment at the end of December 2004.

The consolidation differences related to Il Messaggero, Edi.Me. and Alfa Editoriale were not amortised in that the relative acquisitions were made at the end of December 2004, while that relating to S.E.A. was amortised for a period of 6 months considering the relative acquisition was made in June 2004.

Tangible assets

The tangible assets are recorded net of the accumulated depreciation provision and are as follows:

	Gross value	Acc. amortisation	Net value at 12.31.2004	Net value at 12.31.2003
Land and buildings	35,234	(3,299)	31,935	33,638
Plant and machinery	95,923	(39,791)	56,132	62,522
Commercial and industrial equipment	1,439	(1,331)	108	184
Other assets	13,366	(9,972)	3,394	4,149
Assets under construction and payments on account	–	–	–	1,403
Totale	145,962	(54,393)	91,569	101,896

In thousands of euros

The most significant changes compared to the net book values at December 31, 2003 relate to the further investments made in accessory machinery for plant and rotating presses, in particular by the subsidiary Edi.Me. SpA, and the contribution of the companies acquired in 2004.

In addition, Il Mattino S.E.M. SpA during the year sold to companies under common control the building at Via Chiatamone in Naples, recording a gain of approximately euro 7,834 thousand. The sales value was determined based on a technical independent expert's report.

The change in the account Other Assets, substantially comprising computers, servers, network equipment in addition to furniture and equipment relate to the normal renewal of assets.

The movement in the year is represented in the following tables:

	Historical cost at 12.31.2003	Increases	Decreases	Reclassifications and other movements	Change in consolidated area	Historical cost at 12.31.2004
Land and buildings	37,219	119	(3,002)	–	898	35,234
Plant and machinery	114,762	4,518	(24,616)	569	690	95,923
Industrial and commercial equipment	1,828	25	(478)	9	55	1,439
Other assets	19,597	1,181	(8,314)	214	688	13,366
Intangibles in progress	1,403	138	–	(1,541)	–	–
Total historical cost	174,809	5,981	(36,410)	(749)	2,331	145,962

In thousands of euros

	Acc. depreciation at 12.31.2003	Depreciation for year	Acc. depreciation provision	Reclassifications and other movements	Change in consolidated area	Acc. depreciation at 12.31.2004
Land and buildings	3,581	1,151	(1,707)	(64)	338	3,299
Plant and machinery	52,240	8,056	(22,308)	902	901	39,791
Industrial and commercial equipment	1,644	105	(475)	1	56	1,331
Other assets	15,448	1,353	(7,545)	426	290	9,972
Total accumulated depreciation	72,913	10,665	(32,035)	1,265	1,585	(54,393)

In thousands of euros

The significant decrease relating to the historical cost and accumulated depreciation of Plant and Machinery and Other Assets relates to the cancellation of assets fully depreciated no longer existing at the balance sheet date in some subsidiaries. The decrease of the historical cost in the account Plant and Machinery also includes a write-down of euro 1,681 thousand, made by the subsidiary Il Mattino S.E.M. SpA relating to a rotating press currently not utilised and valued at net realisable value. The net value of the account “Land and Buildings”, divided by companies of the Group, is as follows:

	12.31.2004	12.31.2003
Il Mattino S.E.M. SpA	22,898	24,883
Il Messaggero SpA	355	374
Edi.Me. SpA	8,122	8,381
S.E.A. SpA	560	–
Total	31,935	33,368

In thousands of euros

The most important change relates to the already mentioned sale of the building at via Chiatamone in Naples by Il Mattino S.E.M. The value of the buildings recorded in Il Mattino S.E.M. SpA refers principally to the printing press centre located at Torrespaccata which entered into service in 2003.

The other changes principally relate to depreciation and the first consolidation of S.E.A. SpA.

For Edi.Me. SpA the value is represented by the building relating to the press centre at Caivano (NA) constructed in 2000.

The net value of the account "Plant and machinery", divided by companies of the Group, is as follows:

	12.31.2004	12.31.2003
Il Mattino S.E.M. SpA	42,089	44,107
Edi.Me. SpA	12,815	11,655
Il Messaggero SpA	1,080	6,737
Other companies	148	23
Total	56,132	62,522

In thousands of euros

The plant and machinery are substantially represented by the value of, net of depreciation, printing presses owned by the Group; the net change relates to the decrease for depreciation, the increase due principally to the purchase of new machinery by Edi.Me. SpA and by the write-down of euro 1,681 thousand, made by the subsidiary Il Mattino S.E.M. SpA relating to a printing press currently not utilised and valued at net realisable value.

In compliance with the provisions of article 10 of law No. 72 of March 19, 1983 information is provided on assets that have been revalued, and still recorded by the companies in the consolidation, in accordance with paragraph 4 of article 2423 of the civil code. The revaluations made as per law 342/2000 have been eliminated from the consolidated financial statements, as they only related to certain categories of assets and only some of the companies in the Group.

	Law no. 72/83	Law no. 413/91	Total
Buildings	27	27	54
Plant and machinery	256	–	256
Total	283	27	310

In thousands of euros

Financial assets

The financial assets consist of:

	12.31.2004	12.31.2003
Investments in other companies	128,841	74,255
Investments in subsidiaries not consolidated	12	12
Receivables from subsidiary companies	13	12
Receivables from others	25	39
Other securities	–	7
Treasury shares	164	164
Total	129,055	74,489

In thousands of euros

The investment in other companies at December 31, 2004 consist of:

	Holding %	Carrying value 2003	Changes	Carrying value 2004
Rcs MediaGroup SpA	2.05%	55,295	–	55,295
Banca Nazionale del Lavoro SpA	1.09%	–	41,508	41,508
Banca Monte dei Paschi di Siena SpA	0.36%	11,577	15,876	27,453
Euroqube SA	14.82%	6,552	(2,797)	3,755
Ansa Srl	6.71%	777	–	777
Immob. Ed. Giornali	3.85%	32	–	32
Casaclick	0.23%	15	(1)	14
Sviluppo Quotidiani Srl	16.67%	7	–	7
Total		74,255	54,586	128,841

In thousands of euros

The equity investment in Rcs MediaGroup SpA consists of 15,000,000 ordinary shares held by the Parent Company Caltagirone Editore SpA; the quotation of these shares as at December 31, 2004 is higher than the book value by approximately euro 9,175 thousand.

The increase relating to the Banca Nazionale del Lavoro SpA is due to the purchase in the year of 24,300,000 shares by the subsidiary Finced Srl for a total value of euro 41,508 thousand. The market value of these shares is higher than the carrying value by approximately euro 11,806 thousand.

The investment in Banca Monte dei Paschi di Siena SpA consists of 11,000,000 shares acquired by the subsidiary Emera SpA during the year. The shares held at December 31, 2003 by Sigma Editoriale SpA were sold realising a gain of euro 895 thousand. The value of the investment on the basis of the quotation at December 31, 2004 is higher than the book value by approximately euro 1,422 thousand.

The investment in Euroqube SA, held by the subsidiary Caltanet SpA, was written down during the year against the losses in the company which are considered permanent.

The investment in Ansa Srl is held through the subsidiary Il Messaggero SpA and Edi.Me. SpA, and is recorded net of adjustments totalling euro 486 thousand made in previous years.

The investments in subsidiaries not consolidated as not considered significant, refer entirely to the investment in Edi.Me. Sport Srl, (with registered office in Naples and share capital of euro 10,200), a 100% subsidiary of Edi.Me. SpA, and to the investment in Noisette SA, 98% held by Cedfin Srl and 2% held by Sigma Editoriale SpA.

The receivables from subsidiaries are due from Edi.Me. Sport Srl and are not due beyond five years.

The other receivables principally relate to deposits and are not due over five years.

The treasury shares amounting to euro 164 thousand represent 31,040 ordinary shares of Caltagirone Editore SpA, corresponding to 0.02% of the entire share capital; these shares, already in portfolio in the previous year, are directly held by the Parent Company.

Current assets *Inventories*

The inventory at December 31, 2004 amount to euro 2,672 thousand (euro 2,127 thousand at December 31, 2003) consisting exclusively of raw materials, ancillary and consumables. The raw materials principally relate to paper and ink and refer for euro 1,614 thousand to Il Messaggero SpA, euro 913 thousand to Edi.Me. SpA, and euro 87 thousand and euro 57 thousand respectively to S.E.A. SpA and Alfa Editoriale Srl. The increase in inventory compared to December 31, 2003 is principally due to the timing effect of the contracts agreed for the supply of raw materials and the first consolidation of S.E.A. SpA and Alfa Editoriale Srl.

The valuation of the inventory at market prices is not significantly different from that recorded in the financial statements.

Trade receivables

The trade receivables consist of:

	12.31.2004	12.31.2003
Trade receivables due within 12 months	92,370	86,255
Provision for doubtful debts	(9,608)	(9,545)
Total	82,762	76,710
Trade receivables due beyond 12 months	–	–
Total	82,762	76,710

In thousands of euros

Trade receivables derive almost entirely from advertising carried out for the Group through Piemme SpA. The increase compared to December 31, 2003 is in line with the increase in business compared to the previous year.

The doubtful debt provision was utilised in the year for euro 2,421 thousand and increased by euro 2,484 thousand following the provisions made in the year. There are no receivables due over 12 months.

Receivables from subsidiary companies

The account, equal to euro 14 thousand, represents the receivables due from Cedfin Srl to SA, a subsidiary not consolidated as not considered significant.

Tax receivables

Tax receivables relate entirely to receivables for reimbursements requested.

Deferred tax assets

The deferred tax assets, equal to euro 28,113 thousand (euro 27,700 thousand at December 31, 2003), are recorded in application of Accounting Principle No. 25 and relate to the timing differences between the statutory amounts recorded and the corresponding amount assessable for fiscal purposes. These differences relate principally to the quota not yet fiscally deductible of the write-downs in equity investments made by the individual companies included in the consolidated financial statements and by the provisions for contingencies and charges and the non deductible part of the doubtful debt provision, in accordance with current legislation, and deductible in future years.

The change in the deferred tax assets is related to the differences between the statutory values and the fiscal assessable values and the consequent adjustment of the receivable values. In particular, the receivable deriving from the statutory financial statements of the individual companies was utilised in the year for euro 9,312 thousand and increased by euro 11,557 thousand against the provisions made in the year. The balance decreased also for the utilisation of euro 788 thousand in relation to the fiscal consolidation procedure of the parent company and some of the adhering subsidiary companies. In relation to this it is noted that, following the new Finance Act (Legislative Decree No. 344 of December 12, 2003) that introduced the new group fiscal regime called "Fiscal Consolidation", Caltagirone Editore SpA formalised as holding company the adoption of the National Consolidation Fiscal regime for the three year period 2004-2006 together with the subsidiaries Edi.Me. SpA and Piemme SpA.

The same option was made by Emera SpA, as holding company, with Il Mattino S.E.M. SpA, also for the three year period 2004-2006.

The decrease in the year is principally due to the utilisation of fiscal losses registered in the previous year by Messaggero, resulting in the reduction of the fiscal assessment for the year, and to the deduction of the quota of write-down in equity investments deferred for taxation purposes made in previous years by the Parent Company.

The increase in the year is largely due to the provision for deferred tax assets on fiscal losses recorded by the Parent Company.

The following table shows the fiscal variations that generated the deferred tax assets with the relative taxation rates utilised.

Deferred tax asset at 12.31.2004	Amount	Tax	Rate
Fiscal losses carried forward	14,325	4,727	33%
Provision for contingencies and charges	23,930	7,897	33%
Maintenance	793	295	33%
Write-downs of equity investments	48,587	16,034	33%
Utilisation of taxes from fiscal consolidation	(2,388)	(788)	33%
Consolidation adjustments	–	(52)	–
Total deferred tax asset	85,247	28,113	

In thousands of euros

Receivables from others

	12.31.2004	12.31.2003
Employees	352	604
Social security institutions	132	49
Other receivables	3,042	2,325
Total	3,526	2,978
Receivables due beyond 12 months	35	51
Total	3,561	3,029

In thousands of euros

The other receivables include, for euro 2,546 thousand, amounts due to companies of the Caltagirone SpA Group relating to commercial and financial transactions regulated at market conditions. In particular this amount includes two short-term interest bearing loans provided by Alfa Editoriale to Viafin Srl and Mantegna 87 Srl respectively of euro 1,406 thousand and euro 1,011 thousand; these amounts include interest at market rates. The balance also includes euro 244 thousand of receivables for deposits and euro 252 thousand of other receivables of a various nature.

There are no receivables due over five years.

There are no receivables due from overseas companies.

Advances to suppliers

Advances to suppliers, equal to euro 28 thousand, refer to advances paid by the operating subsidiaries for the supply of different services.

Current financial assets

The current financial assets refer to a receivable on a time deposit on Italian government bonds.

Cash in banks and on hand

The table below shows the details of these accounts:

	12.31.2004	12.31.2003
Bank time deposits	279,706	544,168
Bank current accounts	2,331	1,216
Cash and equivalent on hand	259	125
Total	282,296	545,509

In thousands of euros

The liquidity prevalently consists of funds received through the share capital increase of the Parent Company on the stock market.

At December 31, 2004 the Parent Company held USD 61 million (equal to euro 44,695,670) in an overseas bank deposit.

The decrease in bank deposits is due to the payment of dividends, the acquisitions of the investments in S.E.A. SpA and in Alfa Editoriale Srl, of 10% of the share capital of Il Messaggero SpA and of Edi.Me. SpA and of the shares in Banca Monte dei Paschi di Siena and Banca Nazionale del Lavoro made in the year, net of the positive liquidity generated from operating activity.

Prepayments and accrued income

The accrued income, equal to euro 136 thousand (euro 270 thousand at December 31, 2003), relates to the quote of income on bank deposits for the year.

The prepayments, equal to euro 1,831 thousand (euro 990 thousand at December 31, 2003), refers to the quota of insurance premiums, rent and agency information relating to future periods.

shareholders' equity

The share capital at December 31, 2004, of euro 125 million, consists of 125 million ordinary shares at a nominal value of euro 1 each.

The share premium reserve decreased by euro 26,643 thousand following the shareholders' meeting resolution of April 30, 2004, which allocated euro 24,994 thousand as an extraordinary dividend to shareholders and the partial covering of the losses in the Parent Company for the year 2003 of euro 1,649 thousand.

The reserve for own shares in portfolio refers to 31,040 shares of Caltagirone Editore SpA held directly by the Parent Company.

The reserve for the acquisition of treasury shares, equal to euro 29,836 thousand, to be utilised for the purchase and sale of treasury shares as per article 2357 and subsequent amendments of the Civil Code, was created following the shareholders' meeting resolution of April 30, 2004. The reserve for the acquisition of treasury shares is non-distributable until the end of the period granted to purchase and sell treasury shares which is 18 months from the date of the resolution.

The account Other reserves, equal to euro 49,585 thousand, includes the results of the previous years relating to the Group.

The reconciliation between the net equity and the net result for the year of Caltagirone Editore SpA and the consolidated net equity and net result, and the changes in the consolidated net equity accounts are shown as an attachment.

Minority interest capital and reserves

The account represents the quota pertaining to the minority shareholders based on the percentages held at December 31, 2004, including the result for the period. The reduction of minority interest share capital and reserves is largely due to the acquisition by the Parent Company of 10% in the share capital of *Il Messaggero* SpA and of *Edi.Me.* SpA.

Provision for contingencies and charges

For taxation including deferred taxes

The provision for taxes, equal to euro 24,878 thousand (euro 13,296 thousand at December 31, 2003,) consists almost exclusively of deferred tax liability due to timing differences between the statutory accounts and their corresponding values for fiscal purposes.

Relating to the deferred tax liability, this includes euro 16,237 thousand from the effect of deferred taxes on the different period of amortisation of the goodwill recorded in *Il Messaggero* compared to that assessable for fiscal purposes which provides for the amortisation over 10 years. The residual provision relates to *Il Mattino S.E.M.* SpA for deferred taxes calculated on a gain whose tax effect is deferred and for accelerated depreciation on printing plant and rotating presses.

The table below shows the details of the fiscal changes that generated the deferred tax provision with the relative taxation rates utilised:

Deferred tax liability at 12.31.2004	Amount	Tax	Rate
Fiscal depreciation	14,805	5,515	37.25%
Gains on asset disposals	8,517	3,126	37%
Goodwill amortisation	43,588	16,237	37.25%
Total deferred liability	66,910	24,878	

In thousands of euros

Other provisions for contingencies and charges

The account provisions for contingencies and charges includes the amounts provided for against potential liabilities and consists of:

	12.31.2003	Other provisions	Utilisations	Other changes	12.31.2004
Provision for disputes and litigation	6,355	1,026	(1,397)	808	6,792
Provision for contractual risks	350	–	(350)	–	–
Agents' indemnity	303	82	(9)	–	376
Other provisions for contingencies and charges	119	–	–	106	225
Total	7,127	1,108	(1,756)	914	7,393

In thousands of euros

The provision for disputes and litigation principally refers to the provisions made by the companies Il Messaggero SpA and Edi.Me. SpA against future liabilities principally 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 all of the information available at the date of the preparation of the consolidated financial statements, considering the difficulty in estimating charges connected to each single case. The utilisation of the year derives from the settlement of some disputes that resulted in charges for indemnities, whose amount was deducted from the provision. The column other changes includes the values from the companies consolidated for the first time in 2004, equal to euro 283 thousand and euro 525 thousand, respectively for S.E.A. SpA and Alfa Editoriale Srl. The provision for contractual risks was utilised for euro 350 thousand following the settlement of the dispute on some rental contracts agreed in previous years by the subsidiary Il Mattino S.E.M. SpA.

The agent's indemnity provision, that reflects the prudent increase in the risk connected to the termination of the mandate conferred to agents in accordance with law, principally refers to the company Piemme SpA.

The other provisions include potential charges relating to some minor disputes.

Employee leaving indemnity

The movements in the provision are as follows:

Beginning balance	33,616
Provisions	4,541
Change in the consolidation area	2,877
Indemnities paid in the year	(2,844)
Closing balance	38,190

In thousands of euros

The balance refers to the payables due to personnel for the employee leaving indemnity in accordance with law, net of advances made to employees.

Payables *Payables to banks*

The bank payables are composed of:

	12.31.2004	12.31.2003
Overdraft accounts	14,480	17,176
Medium/long term loans		
Quota due within one year	1,599	1,602
Quota due beyond one year	58,401	64,515
Total	74,480	83,293

In thousands of euros

The medium/long term loans are represented by a loan to finance the investment for the construction of a printing centre located at Rome, at Torrespaccata. The loan is at a variable interest rate amounting to euro 60 million granted by San Paolo – IMI SpA to the Company Il Mattino S.E.M. SpA. The quota payable within one year is equal to euro 1,599 thousand while the amount due over one year is equal to euro 59.4 million. The loan is secured by a mortgage on a building owned by the company Il Mattino S.E.M. SpA for a total amount of euro 60 million. In addition, a special privileged guarantee was given on the assets in the factory for a total amount of euro 43,400 million.

The change compared to the previous year relates to the loan provided by Intesa BCI SpA, for an original amount of euro 10,329 thousand, transferred to the buyer together with the building at Via Chiatamone by the company Il Mattino S.E.M. SpA.

The amount of the loans payable over five years amounts to euro 42,043 thousand.

Other lenders

The table below shows the details of these accounts:

	12.31.2004	12.31.2003
Medium/long term loans		
Quota due within one year	2,509	2,408
Quota due beyond one year	15,334	17,843
Total	17,843	20,251

In thousands of euros

The balance relates to two loans received from Mediocredito Lombardo by the Parent Company Caltagirone Editore SpA and Edi.Me. SpA respectively of euro 11,620 thousand and euro 9,812 thousand and a loan at subsidised interest rates as per law No. 416 of August 5, 1981, received by Il Messaggero SpA from Mediocredito Lombardo for a total original value of euro 4,028 thousand.

For the loans received by the Parent Company and Edi.Me. SpA the first instalment was due on June 30, 2002, while the final instalment is due in 2011.

As guarantee on these loans mortgages were provided on the land and buildings of the factory of Edi.Me. SpA at Caivano for a total amount of euro 37,510 thousand and special privileges on the assets in the factory for a total amount of euro 17,170 thousand. The short-term portion amounts to euro 1,991 thousand, of which euro 1,079 thousand and euro 912 thousand respectively relate to Caltagirone Editore SpA and Edi.Me. SpA; the long term quota is equal to euro 13,966 thousand, of which euro 7,572 thousand relates to Caltagirone Editore SpA and euro 6,394 thousand to Edi.Me. SpA.

The amount of the loan payable over five years for both loans amounts to euro 5,068 thousand.

The residual payable at December 31, 2004 for the loan at a subsidised interest rate as per law 416 of August 5, 1981, received by Il Messaggero SpA from Mediocredito Lombardo, is equal to euro 1,886 thousand, of which euro 518 thousand within one year and euro 1,368 thousand over one year. The loan is for the period of 10 years and expires on June 30, 2008. This loan is secured by a privileged guarantee on the printing presses of the newspaper.

Trade payables

At December 31, 2004, trade payables amounted to euro 31,200 thousand (euro 25,485 thousand at December 31, 2003) fully payable within one year. These payables principally refer to operating subsidiaries in the publishing sector, Il Messaggero SpA, Piemme SpA, Edi.Me. SpA and Sigma Editoriale SpA, and relate to the purchase of raw materials and capital expenditures.

Tax payables

The account tax payables, equal to euro 6,470 thousand (euro 4,351 thousand at December 31, 2003), principally includes the taxes withheld on salaries and other retentions (euro 3,242 thousand) and the payable from the net VAT position of the Group (euro 3,921 thousand).

The balance includes the net position for direct taxes (euro 1,057 thousand), represented by the payables for Ires and Irap net of payments on account and other tax credits among which, a tax credit equal to euro 1,740 thousand in accordance with Law 350/2003 for editorial companies as contribution on costs incurred for the consumption of paper made in the year.

Payables to social security institutions

They amount to a total of euro 5,660 thousand (euro 5,108 thousand at December 31, 2003) and refer to the payables to the social security institutions for the quota payable by the companies of the Group and the contributions of employees.

Other payables

The Other payables, equal to euro 15,310 thousand, consist of payables to personnel for deferred retribution and the month of December for euro 7,520 thousand (euro 7,187 thousand at December 31, 2003) and other payables of euro 7,790 thousand (euro 8,369 thousand at December 31, 2003). They include euro 1,654 thousand relating to the amounts available to the Board of Directors of Caltagirone Editore SpA in conformity with article 24 of the by-laws of parent company, and euro 2,038 thousand relating to disputes in course and not yet paid by the subsidiary Il Messaggero SpA.

The balance includes a payable for disputes with employees of euro 1,140 thousand by the subsidiary Alfa Editoriale and a position equal to euro 1,123 thousand connected to contributions relating to law 488/1992 of the subsidiary Edi.Me. SpA. Included in Other payables are payables to companies of the Caltagirone SpA Group amounting to euro 382 thousand. The balance includes the following positions: Caltanet SpA and B2WIN SpA have payables to Cementir SpA respectively of euro 147 thousand and euro 191 thousand for the rental of offices at Rome, based on a contract agreed at market conditions; the majority of the companies of the Caltagirone Editore SpA Group have payables with the company Vianini Lavori SpA totalling euro 28 thousand for fees for the use of information systems owned by Vianini Lavori SpA.

Except where otherwise specified there are no payables due over five years.

There are no overseas payables.

Accruals and deferred income

This account consists of:

	12.31.2004	12.31.2003
Accruals	3,561	1,209
Deferred income	4,603	6,110
Total	8,164	7,319

In thousands of euros

The deferred income includes euro 4,581 thousand of grants received in accordance with Law 488/92 by Edi.Me. SpA for modernisation of the plant and the construction of the new press centre at Caivano (NA). The recording of the grant in the income statement is correlated with the duration of the depreciation of the asset to which the grant refers. The prepayments relate to interest, rent and other costs.

Memorandum accounts

The memorandum account refers to sureties, risks and commitments undertaken by the Group as shown below:

	2004	2003
Sureties given in favour of third parties	2,104	2,102
Other memorandum accounts	662	6,748
Total	2,766	8,850

In thousands of euros

income statement

Value of production The table below shows the composition of revenues from sales and services:

	2004	2003
Sales of newspapers	68,061	67,142
Editorial promotions	15,306	11,044
Advertising	174,938	163,593
Services and internet	3,632	2,527
Revenues from sales and services	261,937	244,306
Other revenues	7,129	4,395
Value of production	269,066	248,701

In thousands of euros

The revenues from sales and services, equal to euro 261,937 thousand, are divided as follows:

	2004	2003
Sales of newspapers		
<i>Il Messaggero</i>	48,028	48,805
<i>Il Mattino</i>	17,514	18,337
<i>Corriere Adriatico*</i>	2,519	–
Total	68,061	67,142
Editorial promotions		
<i>Il Messaggero</i>	9,079	7,497
<i>Il Mattino</i>	5,794	3,547
<i>Corriere Adriatico*</i>	433	–
Total	15,306	11,044
Advertising		
<i>Il Messaggero</i>	103,923	100,602
<i>Il Mattino</i>	38,454	37,619
<i>Leggo</i>	20,736	17,210
<i>Corriere Adriatico*</i>	1,982	–
Other	9,843	8,162
Total	174,938	163,593
Services and internet	3,632	2,527
Revenues from sales and services	261,937	244,306

In thousands of euros

** Sales relating to the period 07.01.2004 – 12.31.2004*

The sales and services relating to the two principal newspapers and the revenues from advertising are commented upon in the Director's report on operations.

The revenues for services and internet principally relate to the activities of B2WIN SpA and services provided by other companies of the Caltagirone Group.

The account other revenues is essentially represented by revenues for the recovery of expenses from third parties and grants received by subsidiaries against the consumption of paper made in the year. The grant for the purchase of paper, in accordance with law No. 350/03 for publishing companies, is equal to 10% of the relative expense that relates to the consumption on purchases only in 2004.

Production costs *Raw materials, ancillary, consumables and goods*

The costs for raw materials and goods, equal to euro 25,902 thousand (euro 26,311 thousand in 2003), principally relate to paper and consumable materials for publishing. The change compared to 2003 is substantially due to the decrease of

the unitary price of paper and to the reduction in the consumption of paper made possible by the new format of Il Messaggero.

Services

The details are as follows:

	2004	2003
Editorial services	13,626	12,609
Transport and delivery	14,406	13,576
Outside contractors	8,212	8,716
Editorial promotions	12,213	8,663
Commissions and other costs	8,309	8,079
Utilities and power	2,851	2,954
Maintenance and repair costs	3,098	2,503
Consultants fees	2,994	2,155
Advertising & promotions	1,692	1,865
Others	23,671	19,757
Service costs	91,072	80,877

In thousands of euros

The other service costs include, in addition to various services, euro 8,206 thousand for the advertising space in newspapers not owned by the Group related to the advertising on behalf of third parties by Piemme SpA. The balance also includes directors and statutory auditors fees respectively of euro 2,212 thousand and euro 76 thousand. Also included are postal and telephone costs of euro 826 thousand, and travel and transport of euro 226 thousand. The residual amount relates to services of a various nature related to the operating activities of the companies of the Group.

The increase in service costs is principally due to the costs incurred for the development of promotional activities (euro 12,213 thousand) connected to the sale of videotapes and books sold together with newspapers and other promotional initiatives.

Use of third party assets

This consists of:

	2004	2003
Rental	4,661	2,987
Hire	2,164	1,996
Royalties	23	23
Others	202	77
Costs for the use of third party assets	7,050	5,083

In thousands of euros

The account Rental principally relates to the rental costs for the head offices of Il Messaggero, the Parent Company and other subsidiaries and for the editorial centres. The hire charges principally relate to costs for the rental of office machines. The account includes the costs for leasing which are not recorded under the finance lease method as they are not significant.

Personnel

The personnel costs amount to euro 79,545 thousand (euro 77,827 thousand in 2003). The increase principally relates to the first consolidation of S.E.A. SpA that contributed personnel costs of approximately euro 2,654 thousand.

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

	12.31.2004	Average 2004	Average 2003
Executives	20	22	20
Managers & white-collar	349	347	345
Journalists and consultants	526	528	455
Print workers	125	128	101
Total	1,020	1,025	921

Amortisation, depreciation and provisions

The account refers to the amortisation and depreciation on intangible and tangible assets of euro 21,754 thousand (euro 20,367 thousand in 2003), doubtful debt provisions of euro 2,484 thousand (euro 2,079 thousand in 2003), tangible asset write down of euro 1,681 thousand and the amortisation on the consolidation differences of euro 2,417 thousand (euro 1,375 thousand in 2003).

The amortisation on intangible assets, equal to euro 11,089 thousand (euro 12,971 thousand in 2003), includes euro 6,339 thousand amortisation of the charges incurred in relation to the stock exchange share placement and euro 3,633 thousand for the amortisation of the goodwill recorded as allocation of part of the merger deficit resulting from the incorporation into Il Messaggero SpA of the company Editrice Il Messaggero SpA, in 1999.

The depreciation of tangible assets, equal to euro 10,665 thousand (euro 7,396 thousand in 2003), includes euro 5,417 thousand for the depreciation of printing and rotating presses (euro 2,749 thousand in 2003) and euro 2,638 thousand for the depreciation of other plant and machinery (euro 2,342 thousand in 2003). The increase compared to the previous year is principally due to the depreciation of the rotating printing presses owned by Il Mattino S.E.M. SpA, calculated for the full year while in 2003 they were only calculated for the period from the date of entry into the service (July 2003).

The account other fixed asset write-downs refer entirely to the rotating printing presses owned by Il Mattino S.E.M. no longer utilised for adjustment to the net realisable value.

The doubtful debt provision principally refers to the trade receivables of Piemme SpA.

Provision for risks

The provisions for risks amount to euro 1,294 thousand (euro 546 thousand in 2003) and relate to provisions for agents' supplementary indemnity of euro 82 thousand and provision for disputes and litigation of euro 1,212 thousand.

Other operating charges

The other operating charges relate to:

	2004	2003
Sales representatives expenses	327	279
Indirect taxes	248	212
Property tax	166	180
Others	1,271	1,215
Other operating charges	2,012	1,886

In thousands of euros

The other operating charges include various costs, such as association fees, promotional articles, subscriptions and other expenses.

Financial income and charges

The details of financial income are as follows:

	2004	2003
Income from equity investments	1,808	1,680
Interest income from bank deposits	10,235	13,074
Interest on tax receivables	100	102
Others	76	74
Financial income	12,219	14,930

In thousands of euros

The income from equity investments relate for euro 910 thousand to the dividends received on the shares held in Banca Monte dei Paschi di Siena SpA by the subsidiary Emera SpA and for euro 898 thousand to the gain realised by the subsidiary Sigma Editoriale SpA on the sale of 5,000,00 shares in the same banking institution.

The interest income on bank deposits relates to the available liquidity represented by the funds received from the stock exchange share placement by the Parent Company

in July 2000. The decrease in income compared to 2003 is principally due to the reduction of liquidity following the financial investments made.

The details of financial charges are as follows:

	2004	2003
Losses on exchange	2,942	2,276
Loan interest	2,300	1,886
Interest on current accounts	1,004	1,225
Commissions and bank expenses	320	220
Others	52	50
Financial charges	6,618	5,657

In thousands of euros

The exchange losses relate to the difference emerging of the conversion of a deposit in US Dollars at the year end exchange rate.

Adjustments to financial assets

The balance, equal to euro 2,797 thousand, principally refers to the write-down in the investment held by the company Caltanet SpA in Eurocube SA, as indicated under assets.

Extraordinary income and charges

The details of extraordinary income and charges are shown in the table below:

	2004	2003
Gain on disposals	7,852	35
Other extraordinary income	1,196	376
Extraordinary income	9,048	411
Losses on asset disposals	19	28
Taxes relating to prior periods	790	4,373
Charges for technical reserves	–	623
Indemnities and settlement of disputes	2,469	3,413
Others	5,583	474
Extraordinary charges	8,861	8,911

In thousands of euros

The gain from the disposals refers to the sale of the building in Via Chiatamone at Naples owned by Il Mattino S.E.M. SpA.

The other extraordinary income includes prior year income relating to Messaggero SpA and Edi.Me. SpA totalling euro 1,027 thousand.

The account indemnity to third parties and settlement of disputes relate principally to Il Messaggero SpA.

Income taxes The account is a negative amount of euro 2,679 thousand (positive euro 4,538 thousand in 2003) and includes, in addition to the estimate for the current taxes of the year relating to the companies including in the consolidation area for euro 11,220 thousand, the effects of deferred tax income and charges principally relating to the timing differences between statutory accounts and the amounts fiscally assessable.

	2004	2003
Ires	4,176	5,592
Irap	7,044	6,677
Current taxes	11,220	12,269
Reversal of deferred tax asset	9,312	–
Deferred tax liability provision (Ires)	10,991	–
Deferred tax liability provision (Irap)	879	–
Tax provision on consolidation adjustments	246	3,482
Deferred tax charge	21,428	3,482
Deferred tax assets	(11,557)	(18,212)
Utilisation of deferred tax liability	(18,412)	(2,077)
Deferred tax income	(29,969)	(20,289)
Total income taxes	2,679	(4,538)

In thousands of euros

The reversal of deferred tax assets is largely due to the utilisation of fiscal losses by the Parent Company and the subsidiary Il Messaggero SpA.

The provision for deferred tax liabilities is principally due to the timing difference between the statutory values and those assessable for fiscal purposes relating to the depreciation of plant owned by Il Mattino and goodwill recorded in Il Messaggero.

The deferred tax asset is related to the benefit due to losses carried forward in the Parent Company and the subsidiary Emera SpA.

These losses can be utilised in relation to the fiscal consolidation to which the two companies have adhered separately with their subsidiaries in accordance with the new Finance Act (Legislative Decree No. 344 of December 12, 2003).

The reconciliation between the actual fiscal charge and the theoretical fiscal charge is as follows:

Value at 12.31.2004	Amount	Tax	Rate
Deferred tax asset			
Provision for contingencies and charges	(700)	(231)	33%
Maintenance	(792)	(295)	37.25%
Write-downs of equity investments	(20,627)	(6,807)	33.00%
Utilisation of taxes from fiscal consolidation	(1,121)	(370)	33.00%
Consolidation adjustments	–	(2,149)	na
Deferred tax asset relating to fiscal losses in the year	(11,679)	(3,854)	33.00%
Deferred tax asset relating to transfer of the newspaper <i>Il Mattino</i>	(49,282)	(16,263)	33.00%
Total deferred tax asset		(29,969)	
Deferred tax liability			
Fiscal depreciation	14,805	5,515	37.25%
Gain on asset disposals	7,109	2,648	37.25%
Goodwill amortisation	9,952	3,707	37.25%
Utilisation of deferred tax asset on risk provision	2,464	813	33.00%
Deferred tax asset on losses of prior years	14,963	4,938	33.00%
Utilisation of deferred tax asset on write-down of equity investments	10,791	3,561	33.00%
Consolidation adjustments	–	246	na
Total deferred tax liability		21,428	
Net deferred tax liability (asset)		(8,541)	
The temporary differences are shown below excluded from the calculation of the taxes:			
Fiscal losses carried forward	2,261	746	33.00%
Total	2,261	746	

Remuneration of Directors and Statutory Auditors

The fees of the Directors and Statutory Auditors of Caltagirone Editore SpA, including those of subsidiary companies amount, respectively, to euro 2,216 thousand and euro 76 thousand; further information is provided in the notes to the parent company financial statements.

STATEMENT OF CHANGES IN CONSOLIDATED GROUP NET EQUITY

	BALANCE AT 12.31.2003	ALLOCATION OF PROFITS TO RESERVES
Share capital	125,000	–
Share premium reserve	527,812	–
Legal reserve	25,000	–
Reserve for treasury shares held	164	–
Extraordinary reserve	5,549	–
Reserve for the acquisition of treasury shares	29,836	–
Other reserves and retained earnings	16,396	25,992
Result for the year/period	25,992	(25,992)
TOTAL GROUP NET EQUITY	755,749	–

In thousands of euros

STATEMENT OF CHANGES IN CONSOLIDATED GROUP NET EQUITY

	BALANCE AT 12.31.2002	ALLOCATION OF PROFITS TO RESERVES
Share capital	125,000	–
Share premium reserve	530,311	–
Legal reserve	25,000	–
Reserve for treasury shares held	164	–
Extraordinary reserve	8,300	–
Reserve for the acquisition of treasury shares	29,836	–
other reserves and retained earnings	20,077	–
Result for the year/period	16,690	–
TOTAL GROUP NET EQUITY	755,378	–

In thousands of euros

AS AT DECEMBER 31, 2004

MOVEMENTS BETWEEN RESERVES	DIVIDENDS	AMOUNTS AVAILABLE TO BOARDS OF DIRECTORS	OTHER CHANGES	RESULT AT 12.31.2004	BALANCE AT 12.31.2004
-	-	-	-	-	125,000
-	(24,995)	-	(1,648)	-	501,169
-	-	-	-	-	25,000
-	-	-	-	-	164
-	-	-	(5,549)	-	-
-	-	-	-	-	29,836
-	-	-	7,197	-	49,585
-	-	-	-	30,628	30,628
-	(24,995)	-	-	30,628	761,382

AS AT DECEMBER 31, 2003

MOVEMENTS BETWEEN RESERVES	DIVIDENDS	AMOUNTS AVAILABLE TO BOARDS OF DIRECTORS	OTHER CHANGES	RESULT AT 12.31.2003	BALANCE AT 12.31.2003
-	-	-	-	-	125,000
-	(2,499)	-	-	-	527,812
-	-	-	-	-	25,000
-	-	-	-	-	164
-	(2,751)	-	-	-	5,549
-	-	-	-	-	29,836
-	(3,054)	(403)	(224)	-	16,396
-	(16,690)	-	-	25,992	25,992
-	(24,994)	(403)	(224)	25,992	755,749

**RECONCILIATION STATEMENT BETWEEN THE NET RESULT
AND NET EQUITY OF THE PARENT COMPANY AND THE GROUP AT**

	NET RESULT FOR THE YEAR
Net equity and net result for the year as reported in the financial statements of the parent company	19,051
Effect of the consolidation of subsidiaries	164,969
Elimination of the tax entries in the statutory accounts, net of tax impact	(107,306)
Elimination of intercompany (gains) losses, net of tax impact	(42,128)
Allocation of net equity accruing to minority interests	(3,958)
NET EQUITY AND NET RESULT FOR THE YEAR AS REPORTED IN THE CONSOLIDATED FINANCIAL STATEMENTS	30,628

In thousands of euros

DECEMBER 31, 2004

**NET
EQUITY**

700,220

(18,109)

—

92,317

(13,046)

761,382

CASH FLOW STATEMENT

	AT 12.31.2004	AT 12.31.2003
A. BEGINNING CASH AVAILABLE	526,731	525,734
B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES		
Net profit for the year	30,628	25,992
Minority share of profit for the year	3,957	2,061
Amortisation and depreciation	24,171	21,742
(Gains) losses from sale of fixed assets	(8,729)	(8)
(Revaluations) or write-downs of financial assets	2,797	6,007
(Revaluations) or write-downs of other fixed assets	1,681	1,875
Net change in provisions for contingencies and charges	11,848	1,242
Net change in provisions for employee termination indemnities	4,574	1,064
Operating income before changes in working capital	70,927	59,975
(Increase) decrease in current account receivables	(3,573)	(16,658)
(Increase) decrease in inventories	(545)	1,725
(Increases) decreases in current financial assets	(90,257)	5,542
Increase (decrease) in trade payables and other payables	8,133	(7,992)
(Increase) decrease in other working capital items	138	(6)
	(86,104)	(17,389)
	(15,177)	42,586
C. CASH FLOWS FROM (FOR) INVESTMENT ACTIVITIES		
Investments in fixed assets:		
Intangible assets	(122,072)	(792)
Tangible assets	(5,981)	(46,176)
Financial assets:		
Equity investments	(68,961)	(10,238)
Disposals of fixed assets	21,613	55
Other movements in fixed assets	(28,256)	326
	(203,657)	(56,825)

	AT 12.31.2004	AT 12.31.2003
D. CASH FLOW FROM (FOR) FINANCIAL ACTIVITIES		
Other increases (decreases) in reserves	–	(224)
New loans	–	60,000
Repayments of loans, net of the short term portion	(8,522)	(3,399)
Repayment of non-current financial receivables	13	(38)
Distribution of profits and amounts available to the BOD	(24,995)	(25,397)
Net change in minority interest net equity	(8,176)	(15,706)
	(41,680)	15,236
E. CASH FLOW FOR THE YEAR (B+C+D)	(260,514)	997
F. CLOSING CASH AVAILABLE (A+E)	266,217	526,731

In thousands of euros

LIST OF HOLDINGS AT 12.31.2004 AS PER ART. 38 OF DECREE

COMPANY	REGISTERED OFFICE	SHARE CAPITAL	CURRENCY
Companies included in the consolidation under the full integrated method			
Il Messaggero SpA	Rome	36,900,000	Euro
Edi.Me. Edizioni Meridionali SpA	Rome	500,000	Euro
Piemme SpA	Rome	104,000	Euro
Il Mattino Società Editrice Meridionale SpA	Rome	2,481,600	Euro
Caltanet SpA	Rome	5,414,463	Euro
Sigma Editoriale SpA	Rome	1,000,000	Euro
Cedfin Srl	Rome	10,200	Euro
B2WIN SpA	Rome	1,000,000	Euro
Emera SpA	Rome	2,496,000	Euro
Finced Srl	Rome	10,000	Euro
S.E.A. Società Editrice Adriatica SpA	Ancona	102,000	Euro
Alfa Editoriale Srl	Rome	1,020,000	Euro
Other subsidiaries			
Edi.Me. Sport Srl	Naples	10,200	Euro
Noisette Servicos de Consultoria Lda	Portugal	5,000	Euro

OWNERSHIP

Direct	Indirect through	
99.999%	Cedfin Srl	0.001%
99.999%	Cedfin Srl	0.001%
–	Il Messaggero SpA	100%
0.001%	Emera SpA	99.999%
98.778%	Cedfin Srl	1.222%
90.00%	–	–
99.995%	Il Mattino S.E.M. SpA	0.005%
–	Caltanet SpA	99.00%
	Sigma Editoriale SpA	1.00%
–	Il Messaggero SpA	100%
99.99%	Cedfin Srl	0.01%
51.00%	Cedfin Srl	49.00%
85.00%	–	–
–	Edi.Me. SpA	99.50%
–	Cedfin Srl	98.00%
	Sigma Editoriale SpA	2.00%

SUMMARY OF THE PRINCIPAL DATA OF THE CONSOLIDATED

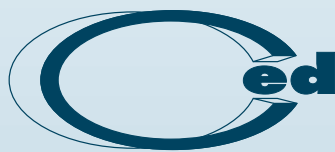
COMPANY	YEAR END	% HELD	SHARE CAPITAL
B2WIN SpA	12-31-04	100.00	1,000
Caltanet SpA	12-31-04	100.00	5,414
Cedfin Srl	11-30-04	100.00	10
Edi.Me. SpA	12-31-04	100.00	500
Emera SpA	12-31-04	100.00	2,496
Il Mattino S.E.M. SpA	12-31-04	100.00	2,482
Il Messaggero SpA	12-31-04	100.00	36,900
Piemme SpA	12-31-04	100.00	104
Sigma Editoriale SpA	12-31-04	90.00	1,000
Fincel Srl	12-31-04	100.00	10
S.E.A. Società Editrice Adriatica SpA	12-31-04	100.00	102
Alfa Editoriale Srl	12-31-04	85.00	1,020

In thousands of euros from the last financial statements approved or in the course of approval

** For the holding companies the value of production relates to income from normal activities*

COMPANIES

NET EQUITY	VALUE OF PRODUCTION*	NET PROFIT (LOSS)	FIXED ASSETS	TOTAL ASSETS	TOTAL LIABILITIES
1,110	3,808	142	1,025	3,056	1,946
41,165	663	(4,027)	6,569	46,878	5,713
741	599	731	11,850	316,896	316,155
13,788	56,655	1,299	66,431	98,012	84,224
51,160	910	48,678	71,253	78,420	27,260
57,535	12,428	47,383	65,144	141,949	84,414
103,196	142,764	66,234	158,138	200,116	96,920
6,088	173,950	4,279	732	80,985	74,897
2,039	17,102	1,284	543	6,319	4,280
(9)	–	(19)	41,631	41,664	41,673
(428)	9,730	(889)	1,708	4,802	5,230
2,281	9,744	1,395	963	6,407	4,126



CALTAGIRONE EDITORE

*balance sheet for the financial year
ended December 31st, 2004*

directors' report on operations for the year ended December 31st, 2004

Dear Shareholders,

at the end of the year 2004 the Company recorded income and revenues equal to euro 34.30 million of which euro 24.12 million extraordinary income due to the elimination from the financial statements at January 1, 2004 of the adjustments made in previous years exclusively in application of taxation regulations, in compliance with the new provisions introduced by the corporate law reforms.

From this operation a net profit was recorded of euro 19.05 million, after amortisation of intangible assets of euro 6.40 million and without inclusion of dividends from holdings, as results from the table below that shows the principal results in the year compared to the previous year, reclassified in accordance with the Consob communication No. 94001437 of February 23, 1994.

	12.31.2004	12.31.2003
Dividends and tax credits from subsidiaries	–	22,459
Dividends and tax credits from other equity investments	–	1,050
Gains on other equity investments	–	–
Total income from equity investments	–	23,509
Other financial income	10,131	14,404
Interest and financial charges from subsidiaries	–	(43)
Interest and financial charges from third parties	(3,475)	(2,671)
Total interest and other financial charges	(3,475)	(2,714)
TOTAL FINANCIAL INCOME AND CHARGES	6,656	35,199
Write-downs	(4,138)	(40,891)
Result from ordinary activities	(7,995)	(7,869)
Result from extraordinary activities	24,104	(26)
PRE-TAX RESULT	18,627	(13,587)
Income taxes for the year	424	6,389
NET PROFIT (LOSS) FOR THE YEAR	19,051	(7,198)

In thousands of euros

The Shareholders' Equity of the Company at December 31, 2004 was over euro 700 million.

Caltagirone Editore SpA, holding of the Group, is absolved of the role of management of the equity investments held by the operating companies of the Group.

The year was characterised by a series of important acquisitions, among which the acquisition of 100% of the share capital of Editoriale Adriatica SpA that publishes *Corriere Adriatico*, and 85% in the share capital of Alfa Editoriale Srl that publishes the *Nuovo Quotidiano di Puglia*, in addition to 10% of Il Messaggero SpA, with its holdings in Piemme SpA, Emera SpA and Il Mattino S.E.M. SpA, and Edi.Me. – Edizioni Meridionali SpA that publishes *Il Mattino*, which contributed to strengthen and rationalise the Caltagirone Editore SpA Group.

The Company after the above acquisitions, directly controls Il Messaggero SpA, Edi.Me. SpA, Alfa Editoriale SpA, Caltanet SpA, Sigma Editoriale SpA, Cedfin Srl and Finced Srl, incorporated in the year, and indirectly Il Mattino S.E.M. SpA, Piemme SpA, Emera SpA and B2WIN SpA.

The Company Editoriale Adriatica SpA is directly held for 51% and indirectly for 49%.

Principal equity investments

The principal results from the subsidiary companies, whose effects are reflected in the consolidated financial statements of the Group, are shown below.

Il Messaggero SpA

The Company, that publishes the newspaper *Il Messaggero* of Rome, for the year ended December 31, 2004 recorded a net profit of euro 66.23 million and a value of production of euro 142.74 million. The result benefits from the effects of the elimination of the adjustments of values in application of fiscal regulations made in previous years of euro 52.18 million. The Ebitda was approximately euro 32.73 million.

The previous year end of the Company was November 30 and compared to the 12 months to November 30, 2003, the corresponding value of production was euro 137.79 million and the Ebit was euro 36.67 million. The difference between the two results is substantially due to the different effect, in the two periods under examination, of the rental of offices and of the New Press Centre.

At December 31, 2004, the net equity of Il Messaggero SpA was equal to approx. euro 104 million.

The newspaper maintained substantially stable its market share. The value of production in the year increased due to the growth (+ 3.3%) of advertising revenues, against the general market trend, also thanks to initiatives undertaken in the local advertising sector and due to revenues from the sale of complementary products sold at differentiated prices.

The contribution of these initiatives to the Ebit margin in the year amounted to over euro 1.59 million.

Edi.Me. Edizioni Meridionali SpA

The Company, that publishes the newspaper *Il Mattino*, ended the year 2004 with a total value of production of euro 56.66 million (euro 54.75 million in 2003) and a net profit of euro 2.96 million (euro 0.67 in 2003).

The Ebitda of the Company was euro 8.31 million, in line with 2003 (euro 8.24 million).

Also for Edi.Me. SpA, in order for a full understanding of the results, it is necessary to make the same considerations as for Il Messaggero SpA; in particular the revenues from the sale of complimentary products (books and VHS cassettes) amounted to euro 5.79 million and an Ebit margin of approximately euro 1.07 million.

At the end of the year Edi.Me. SpA purchased from S.E.M. SpA the rights of the newspaper *Il Mattino* and other minor newspapers, thus reuniting the ownership and the management of the newspaper.

Sigma Editoriale SpA

The Company, that publishes the daily newspaper *Leggo*, ended 2004 with a value of production of euro 17.10 million, an increase of over 18% compared to the previous year. The newspaper is distributed in the principal Italian cities: Rome, Milan, Turin, Naples, Bologna, Florence, Venice, Padova and Verona; this coverage permitted *Leggo* to maintain and consolidate its leadership position in Italy in the *free-press* sector, as confirmed by a recent market study commissioned by the sector to the research institute *Eurisko*.

The Company in the year recorded a net profit of euro 1.28 million due to financial operations made in the year; the Ebit was a breakeven in the year (euro -264 thousand).

Piemme SpA

Piemme SpA, subsidiary through Il Messaggero SpA, exclusive agency for the advertising in the newspapers *Il Messaggero*, *Il Mattino*, *Il Nuovo Quotidiano di Puglia* and *Leggo*, for the year ended October 31, 2004 recorded a net profit of euro 4.45 million (euro 3.75 million to October 31, 2003) and total revenues of euro 171.0 million (euro 161.83 in 2003).

The increase in the result is due to the higher local advertising in the paid newspapers Il Messaggero and Il Mattino, in addition to the consolidation of the free newspaper Leggo and the positive results in the radio sector.

Società Editoriale Adriatica SpA

The Company was fully acquired in June 2004 and publishes the *Corriere Adriatico*, an historic newspaper founded in 1860 and a newspaper with one of the longest traditions in Italy and deep rooted in the region.

The *Corriere Adriatico* is in fact the main newspaper in the Marche region for local news, with an average publication of approximately 20,000 copies sold daily and a number of readers equal to 244 thousand, with the highest ratio between number of readers and copies sold among Italian daily newspapers.

The Company in 2004 recorded a net loss equal to euro 888 thousand and a value of production of euro 9.73 million, an increase compared to the previous year (11%).

Alfa Editoriale Srl

The company was acquired at the end of the year for a quota of 85% of the share capital and publishes *il Nuovo Quotidiano di Puglia* with an average coverage of approximately 20,000 daily newspapers and the weekly magazine *Tuttomercato*.

The daily coverage is mainly in the provinces of Lecce, Brindisi and Taranto.

In 2004, the Company recorded a net profit of euro 1,395 thousand (loss of euro 431 thousand in 2003) and a value of production of euro 9.74 million (+12% compared to 2003).

Other equity investments

Caltanet SpA ended the year with a negative Ebitda of euro 837 thousand compared to euro 1.81 million in 2003, continuing its activities with a close control of operating costs.

Il Mattino S.E.M. SpA ended the twelve months to July 31, 2004 with a net profit of euro 584 thousand after amortisation and depreciation of euro 9.5 million, made in application of fiscal regulations and relating to the new Press Centre at Rome, Torre Spaccata.

Subsequently the Company changed its year-end to December 31 and the financial statements for the five months relating to August 1, 2004 – December 31, 2004 report a net profit of over euro 54 million following the gains recorded on the transfer of the newspaper *Il Mattino* and other minor newspapers to Edi.Me. SpA.

The profit also includes the gains realised on the transfer to a company under common control of the building at Via Chiatamone and the effects of the elimination of the fiscal adjustments on the financial statement values at August 1, 2004 of the higher depreciation made in application of fiscal regulations.

B2WIN SpA, operating in the supply of added value services, through a multi-channel call center, recorded a positive result with a doubling of sales (euro 3.81 million) compared to the previous year thanks to greater affirmation in the market with the acquisition of new contracts, permitting a positive result of euro 142 thousand.

Emera SpA, holder of the investment in Il Mattino S.E.M. SpA, closed its year to July 31, 2004 with a loss of euro 2.7 million, due to the write-down of the investment in Il Mattino S.E.M. SpA.

Subsequently the Company changed its year-end to December 31 and the financial statements for the period August 1, 2004 to December 31, 2004 report a profit of euro 47.87 million, due to the effects of the elimination of the fiscal adjustment on financial statement values at August 1, 2004 of the write-downs made in application of fiscal regulations and the deferred tax assets of losses carried forward, whose utilisation is expected also in consideration of the fiscal consolidation to which the Company adhered together with Mattino S.E.M. SpA.

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

Transactions with related parties

Relating to the positions at December 31, 2004 the following information is provided. The Receivables from Subsidiaries relates to interest bearing loans at market conditions to the companies Piemme SpA (euro 13.92 million) and Emera SpA (euro 26.89 million). Also included are non-interest bearing loans granted to Cedfin Srl and to Finced Srl, a receivable from Il Mattino S.E.M. SpA for the transfer of Irpeg receivables and a receivable from Piemme SpA for the fiscal consolidation.

The payable from Subsidiaries recorded in the financial statements for euro 1.88 million principally includes amounts due to subsidiaries for the transfer of the VAT receivable from the VAT Group consolidation and a payable to Edi.Me. SpA for the fiscal consolidation.

In the income statement, in the account *Services* are included costs, equal to euro 18 thousand, for the utilisation of IT systems of Vianini Lavori SpA.

The amount of euro 1,210 thousand for "interest income from subsidiaries and associated companies" relates to interest on loans at market rates to the companies Il Messaggero SpA (euro 338,178), Sigma Editoriale SpA (euro 116,893), Piemme SpA (euro 377,438), Edi.Me. SpA (euro 31,328) and Emera SpA (euro 346,977).

The recourse to internal financing within the Group is due to the reciprocal convenience of these operations compared to those made on the credit market, as this eliminates intermediary margins.

Other transactions were not individually significant.

The transactions between the Companies of the Group and other related entities not belonging to the Caltagirone Editore Group are shown in the Group Director's Report on operations.

Other information

At December 31, 2004 the Company had four employees, one journalist and three white collar workers.

In accordance with article 79 of Consob Resolution No. 11971 that adopts Legislative

Decree 58/98, the investments held in the Company by the members of the Board of Directors and Board of Statutory Auditors are provided as an attachment.

The Company, based on Regulation (CE) No. 1725 of September 29, 2003 of the European Community that adopted some international accounting principles in conformity with Regulation 1606/2002 of the European Parliament and of the Council of July 19, 2002, is proceeding with the transition plans of the consolidated financial statements so that, commencing from January 1, 2005, it may prepare consolidated financial statements in conformity with International Accounting Standards - IAS (International Accounting Standards) and IFRS (International Financial Reporting Standards).

The Company commenced a process of analysis and valuation of the most significant accounting, organisation, business and information system matters related to the introduction of the IFRS, in order to manage the impact of the changes in an effective manner. The preparation of the financial statements in accordance with international accounting standards will result in, among other matters, a substantial change in the company information and the accounting policies utilised.

In relation to this, the most important expected impact on the Company and Group in terms of information systems or in economic terms were not fully estimated, but in the coming months the analysis will continue to determine the effective impact of these principles on the financial statements of the company.

The governance model in place by the Company, although reflecting the reduced necessity of a holding company such as Caltagirone Editore SpA and also taken into account the specific control systems already introduced in the subsidiary companies, has the objective of the control and management of the business risks and the correct and transparent communication to the market.

The current Board of Directors, that will remain in office until the Shareholders' Meeting that will be called to approve the financial statements relating to 2005, is composed of three executive directors, the Chairman and two Vice Chairmen, and six non-executive directors. Among the non-executive directors, two are independent directors as they do not have economic relationships with the Company.

Caltagirone Editore SpA, in accordance with the current legislative provisions, is responsible for the treatment of personal data.

The Board of Directors of the Company, in the meeting of March 23, 2004, appointed a person Responsible for the treatment of personal data.

Finally, it is noted that the Company directly holds 31, 040 treasury shares for a total nominal value of euro 31,040 acquired in the previous year.

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

Subsequent events and business outlook

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

The activities of the Group continued in line with expectations in relation to the markets in which they operate.

**Proposal
to shareholders'
meeting**

In consideration of the results of the financial statements presented to the Shareholders' Meeting, the Board of Directors propose to allocate the net profit of euro 19,051,200.00 as follows:

- euro 381,024.00 as 2% available to the Board of Directors in accordance with article 24 of the By-Laws of the Company;
- euro 18,670,176.00 available to the Shareholders' Meeting.

The Board proposes to the Shareholders' Meeting the distribution of total dividend of euro 24,993,792 corresponding to euro 0.20, for each of the euro 124,968,960 shares in circulation, through the utilisation of the above amount and, for the difference of euro 6,323,616 through the use of the Share Premium Reserve.

Rome, March 14, 2005

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

NAME	COMPANY	TYPE OF SHARE	TYPE OF HOLDING
Caltagirone Francesco Gaetano	Caltagirone Editore SpA	Ordin. Ordin.	Full ownership Indirect through subsidiaries held
Caltagirone Gaetano	Caltagirone Editore SpA	Ordin. Ordin.	Full ownership Indirect through spouse
Caltagirone Azzurra	Caltagirone Editore SpA	Ordin.	Full ownership
Delfini Mario	Caltagirone Editore SpA	Ordin. Ordin.	Full ownership Indirect through spouse
Majore Albino	Caltagirone Editore SpA	Ordin.	Full ownership
Garzilli Massimo	Caltagirone Editore SpA	Ordin.	Full ownership
Muzii Michele	Caltagirone Editore SpA	Ordin.	Full ownership
Tasco Giampiero	Caltagirone Editore SpA	Ordin.	Full ownership

N. SHARES HELD AT 12.31.2003	TYPE OF OPERATION	N. SHARES PURCHASED	N. SHARES SOLD	N. SHARES HELD AT 12.31.2004
22,500,000				22,500,000
59,486,340				59,486,340
				81,986,340
3,000,000				3,000,000
60,000				60,000
				3,060,000
1,869,901				1,869,901
150				150
150				150
				300
15,000				15,000
450	Sales/purchase stock exchange		450	–
450				450
15,600				15,600

assets

	AT 12.31.2004	AT 12.31.2003
A. UNPAID SHARE CAPITAL	-	-
B. FIXED ASSETS		
I. Intangible assets		
1) Start-up, expansion and similar costs	3,169,075	9,507,849
7) Other	232,385	230,107
Total	3,401,460	9,737,956
II. Tangible assets		
3) Industrial and commercial equipment	1,180	1,574
4) Other assets	7,264	-
Total	8,444	1,574
III. Financial assets		
1) Equity investments in:		
a) subsidiary companies	231,299,705	47,734,934
d) other companies	52,724,214	39,030,000
Total	284,023,919	86,764,934
4) Treasury shares	164,169	164,169
Total	284,188,088	86,929,103
TOTAL (B) FIXED ASSETS	287,597,992	96,668,633

	AT 12.31.2004	AT 12.31.2003
C. CURRENT ASSETS		
I. Inventory	-	-
II. Receivables		
1) Customers:		
– due within one year	6,000	3,000
Total	6,000	3,000
2) Subsidiary companies:		
– due within one year	301,434,680	63,054,843
Total	301,434,680	63,054,843
4 bis) Tax receivables:		
– due within one year	2,478,630	6,314,374
Total	2,478,630	6,314,374
4 ter) Deferred tax asset:		
– due within one year	12,261,582	12,129,973
Total	12,261,582	12,129,973
5) Others:		
– due within one year	31,332	3,176,555
Total	31,332	3,176,555
Total	316,212,224	84,678,745
III. Current financial assets	-	-
IV. Cash in hand and banks		
1) Banking and postal deposits	109,309,853	538,318,890
3) Cash on hand and equivalents	97	161
Total	109,309,950	538,319,051
TOTAL (C) CURRENT ASSETS	425,522,174	622,997,796
D. PREPAYMENTS AND ACC. INCOME	102,154	267,132
TOTAL ASSETS	713,222,320	719,933,561

In euros

liabilities

	AT 12.31.2004	AT 12.31.2003
A. NET EQUITY		
I. Share capital	125,000,000	125,000,000
II. Share premium reserve	501,169,126	527,811,877
III Revaluation reserves	-	-
IV. Legal reserve	25,000,000	25,000,000
VI. Statutory reserves	-	-
V. Reserve for own shares in portfolio	164,169	164,169
VII. Other reserves		
Extraordinary reserve	-	5,549,470
Reserve for the acquisition of treasury shares	29,835,831	29,835,831
VIII. Retained earnings (losses)	-	-
IX. Net profit (loss) for the year	19,051,200	(7,198,429)
TOTAL (A) NET EQUITY	700,220,326	706,162,918
B. PROVISIONS FOR CONTINGENCIES AND CHARGES	-	-
C. EMPLOYEE LEAVING INDEMNITY	70,235	86,915

	AT 12.31.2004	AT 12.31.2003
D. PAYABLES		
4) Due to banks:		
– due within one year	–	2,543
Total	–	2,543
5) Payables to other lenders:		
– due within one year	1,079,460	1,033,259
– due beyond one year	7,571,950	8,651,490
Total	8,651,410	9,684,749
7) Trade payables:		
– due within one year	425,403	214,678
Total	425,403	214,678
9) Payables to subsidiary companies:		
– due within one year	1,876,338	1,910,369
Total	1,876,338	1,910,369
12) Tax payables:		
– due within one year	34,636	74,089
Total	34,636	74,089
13) Payables to pension and social security institutions:		
– due within one year	18,381	40,041
Total	18,381	40,041
14) Other payables:		
– due within one year	1,925,591	1,755,592
Total	1,925,591	1,755,592
TOTAL (D) PAYABLES	12,931,759	13,682,061
E. ACCRUALS AND DEFERRED INCOME	–	1,667
TOTAL LIABILITIES & EQUITY	713,222,320	719,933,561
MEMORANDUM ACCOUNTS		
On behalf of subsidiary companies	18,726,076	5,516,000
TOTAL	18,726,076	5,516,000

In euros

profit and loss account

	AT 12.31.2004	AT 12.31.2003
A. VALUE OF PRODUCTION		
1) Revenues from sales and services	–	220,000
5) Other revenues and income	45,247	5,536
TOTAL (A) VALUE OF PRODUCTION	45,247	225,536
B. COSTS OF PRODUCTION		
7) Services	(545,543)	(352,423)
8) Use of third-party assets	(326,963)	(360,457)
9) Personnel costs:		
a) wages and salaries	(380,347)	(547,484)
b) social security costs	(95,920)	(119,080)
c) employee leaving indemnity	(15,284)	(41,480)
e) other	(205,419)	(191,697)
Total	(696,970)	(899,741)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed costs	(6,406,496)	(6,383,163)
b) depreciation of tangible fixed assets	(1,208)	(393)
Total	(6,407,704)	(6,383,556)
14) Other operating expenses	(63,239)	(98,098)
TOTAL (B) COSTS OF PRODUCTION	(8,040,419)	(8,094,275)
TOTAL (A - B) DIFFERENCE BETWEEN VALUES AND COSTS OF PRODUCTION	(7,995,172)	(7,868,739)

	AT 12.31.2004	AT 12.31.2003
C. FINANCIAL INCOME AND CHARGES		
15) Income from equity investments:		
– in subsidiary and associated companies	–	22,458,885
– in other companies	–	1,050,000
Total	–	23,508,885
16) Other financial income:		
d) income other than the above:		
– from subsidiary and associated companies	1,210,814	1,528,036
– from others	8,920,437	12,875,683
Total	10,131,251	14,403,719
17) Interest and other financial charges:		
– from subsidiary and associated companies	–	(43,194)
– others	(533,133)	(395,380)
Total	(533,133)	(438,574)
17 bis) Exchange gains and losses	(2,941,794)	(2,275,822)
TOTAL (C) FINANCIAL INCOME AND CHARGES	6,656,324	35,198,208
D. ADJUSTMENT TO FINANCIAL ASSETS		
19) Write-downs:		
a) of equity investments	(4,032,980)	(40,890,731)
Total	(4,032,980)	(40,890,731)
TOTAL (D) ADJUSTMENT TO FINANCIAL ASSETS	(4,032,980)	(40,890,731)
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
– Other income	24,015,536	–
Total	24,015,536	–
21) Charges:		
– taxes relating to prior years	(17,066)	(26,533)
Total	(17,066)	(26,533)
TOTAL (E) EXTRAORDINARY INCOME AND CHARGES	23,998,470	(26,533)
PRE-TAX RESULT	18,626,642	(13,587,795)
Current taxes	–	(1,142,725)
Deferred tax charge	(3,397,229)	7,532,091
Deferred tax income	3,821,787	–
TOTAL INCOME TAXES	424,558	6,389,366
NET PROFIT (LOSS) FOR THE YEAR	19,051,200	(7,198,429)

In euros

notes to the financial statements for the year ended December 31st, 2004

Structure and contents

The Financial Statements as at December 31, 2004, as illustrated in the attached notes, were prepared in accordance with the provisions and valuation criteria contained in article 2426 of the Civil Code, integrated and interpreted by the accounting principles issued by the Italian Accounting Profession. They have been prepared in accordance with the general principles of prudence and accruals, on a going concern basis without any change to those adopted in the preparation of the financial statements in the previous year, with the exception of the matters relating to the “fiscal adjustments”.

The notes to the financial statements, prepared in accordance with the provisions of articles 2423 and 2427 of the Civil Code, refer to the activities performed directly by Caltagirone Editore SpA and, therefore, comments and details on the accounts of the Balance Sheet and Income Statement. The Cash flow statement is also presented with the financial statements.

Together with the Financial Statements for the year ended December 31, 2004 were prepared the Consolidated Financial Statements of the Group that report shareholders' equity equal to euro 761.38 million and a net profit of euro 30.63 million.

Based on the new company law reform the format of the balance sheet and income statement were changed to include new accounts required by the amended Civil Code. The accounts relating to the previous year were appropriately reclassified to permit a correct comparison.

In relation to the activities of the company and to subsequent events after the year end reference should be made to the Director's Report on Operations.

Accounting principles The main accounting principles are as follows:

Intangible assets

Intangible assets are recorded at acquisition or production cost including directly attributable accessory costs and are amortised on a straight-line basis over the period of their expected useful life.

The formation and start-up costs are recorded under assets with the approval of the Statutory Auditors. These costs are amortised over a period of five years.

Advertising and promotional costs, where they do not provide long-term benefit, are expensed as incurred.

Leasehold improvements are amortised based on the residual duration of the rights.

Financial assets

The equity investments in subsidiaries and in other companies and the treasury shares are valued under the cost method, reduced in the case of permanent loss where the investment has suffered losses and no recovery is foreseen in the immediate future, or sufficient profits may be generated to absorb the losses; the original value is restated when the reasons for the write-down no longer exist.

Receivables

Accounts receivable are stated at their nominal value, adjusted in order to reflect their realizable value by provisions for doubtful accounts.

Receivables and payables in foreign currencies are recorded at the year end exchange rate. The positive or negative differences between the values converted at the period end exchange rate and the original exchange rate are recorded in the income statement in the account exchange gains and losses.

Any net gain is included as a non-distributable reserve until the gain is realised.

Accrued income and prepaid expenses

Prepayments and accruals relate to income and costs of the period which will be settled in future periods and income and costs received before the end of the period but that relate to future periods, the size of which varies over time.

Deferred and current taxes

The current income taxes for the year are based on a realistic estimate of the fiscal charge to be paid, in accordance with the current fiscal regulations and the tax payables are recorded net of withholding taxes and payments on account. Where the taxes accrued are less than the withholding taxes and payments on account, the net receivable is recorded in the account "Tax receivables".

Deferred tax assets and liabilities are calculated on the timing differences between the book value of assets and liabilities for statutory purposes and their corresponding value for fiscal purposes. Deferred tax liabilities are not recorded when there is small probability that the payable will materialise.

The deferred tax assets are only recorded, in accordance with the prudence principle, if there is reasonable certainty that the temporary differences will reverse in future years resulting from an assessable income not lower than the differences that will reverse.

Payables

Payables are recorded at their nominal value, representative of their realisable value.

Commitments and guarantees

Commitments and guarantees are shown in the memorandum accounts at their contractual values.

Recognition of revenue and costs

The positive and negative elements of the income statement are recognised in accordance with the principles of prudent and accruals. The dividends from equity investments are recorded under financial income in the period in which the distribution is deliberated.

Elimination of fiscal adjustments

The new provisions introduced by the corporate law reform do not permit adjustments or provisions made solely for tax purposes. In relation to this, it was necessary to make the so-called "fiscal adjustment" of the values at January 1, 2004 adjusting values made in previous years solely for fiscal purposes. The fiscal adjustments in the financial statements at December 31, 2003 related exclusively to the write-down of equity investments.

The effect of the fiscal adjustment, as required by the regulations of the Italian Accounting Organisation (OIC), was recorded under extraordinary income in the income statement.

Adhesion to fiscal consolidation

In accordance with the new Finance Act (Legislative Decree No. 344 of December 12, 2003) that introduced the new group fiscal regime “Fiscal Consolidation”, Caltagirone Editore SpA formalised as holding company the adoption of the National Consolidation Fiscal regime for the three year period 2004-2006 together with the subsidiaries Edi.Me. SpA and Piemme SpA.

As a consequence, the Company recorded the new account balances relating to Ires income tax balances with subsidiary companies in the accounts “Subsidiary receivables” and “Subsidiary payables” as well as in the accounts “Tax receivables”, “Deferred tax assets” and “Tax payables”.

balance sheet

Fixed assets *Intangible assets*

Intangible assets consist of the following:

Intangible assets	12.31.2003	Increases	Amortisation	12.31.2004
Expansion and start up costs	9,019,106	–	(6,012,737)	3,006,369
Advertising expenses	488,118	–	(325,412)	162,706
Incorporation costs	625	–	(625)	–
Other	230,107	70,000	(67,722)	232,385
Total	9,737,956	70,000	(6,406,496)	3,401,460

In euros

Expansion, start-up and advertising costs are almost entirely attributable to charges incurred by the Company in relation to its Stock Exchange listing in 2000.

The increase in the account Other Intangible Assets relates to leasehold improvements made in the year owned by companies under common control where the head office of the company is located. The account also includes charges incurred in relation to financing received in 2000 from Mediocredito Lombardo.

Tangible fixed assets

The tangible fixed assets, shown net of the relative accumulated depreciation fund, equal to euro 8,444, includes furniture and office machines depreciated over three years.

Financial assets

The total amounts to euro 284,188,088 (euro 86,929,103 at December 31, 2003), a net increase of euro 197,258,985 as shown in the table below:

	12.31.2003	Change	12.31.2004
Investments in subsidiaries	47,734,934	183,564,771	231,299,705
Investments in other companies	39,030,000	13,694,214	52,724,214
Treasury shares	164,169	–	164,169
Total	86,929,103	197,258,985	284,188,088

In euros

Equity investments in subsidiaries

	12.31.2003	Increases	Decreases	12.31.2004
Il Messaggero SpA	33,370,931	94,209,955	–	127,580,886
Edi.Me. SpA	8,506,045	14,384,778	–	22,890,823
Caltanet SpA	5,184,792	39,511,200	(4,032,981)	40,663,011
Sigma Editoriale SpA	662,869	–	–	662,869
Cedfin Srl	10,200	–	–	10,200
Il Mattino S.E.M. SpA	97	–	–	97
Società Editoriale Adriatica SpA	–	12,281,820	–	12,281,820
Alfa Editoriale Srl	–	27,200,000	–	27,200,000
Finced Srl	–	9,999	–	9,999
Total	47,734,934	187,597,752	(4,032,981)	231,299,705

In euros

The movements in the account investments in subsidiaries is as follows:

- The investment in Il Messaggero SpA increased by euro 83,888,632 following the purchase from a company under common control of 7,379 shares, equal to 10% of the share capital and euro 10,321,323 as the fiscal adjustment effect relating to the write-downs made, for fiscal purposes, in the previous year.
- The increase in the investment in Edi.Me. SpA is a consequence of a share capital payment (euro 3,285,000) and to the purchase from a company under common control of 49,999 shares (euro 11,099,778), equal to 10% of the share capital of the Company.
- The increase in the holding in Caltanet SpA is due to a paid in share capital (euro 39,511,200). At the end of the year this investment was written down by euro 4,032,981 for losses considered permanent.
- In the year 102,000 shares were purchased from the subsidiary Sigma Editoriale SpA in the company Editoriale Adriatica SpA, equal to 51% of the share capital, for a total value of euro 12,281,820, equal to the book value recorded by the subsidiary.
- The investment in Alfa Editoriale Srl, equal to 85% of the share capital, was purchased at the end of the year from a company under common control for a total amount of euro 27,200,000.

During the year the company Finced Srl was incorporated with a share capital of euro 10,000, held 100% directly and indirectly.

Further information on the subsidiaries and the results from the latest financial statements approved (in thousands of euro) is shown below:

Company	Registered office	Share capital	% held		Net equity	Result for year	Value recorded 12.31. 2004	Value as per art. 2426 n. 4 C.C.	Difference
			Direct	Indirect					
Il Messaggero SpA	Rome	36,900	100.00	–	103,196	66,234	127,581	187,173	(59,592)
Edi.Me. SpA	Rome	500	100.00	–	13,788	1,299	22,891	23,509	(618)
Caltanet SpA	Rome	5,414	98.78	–	41,165	(4,027)	40,663	40,212	451
Sigma Editoriale SpA	Rome	1,000	90.00	–	2,039	1,283	662	1,844	(1,182)
Cedfin Srl	Rome	10	99.99	0.01	1,045	1,038	10	502	(492)
Il Mattino S.E.M. SpA	Rome	2,482	0.01	99.99	57,455	54,389	–	–	–
Alfa Editoriale SpA	Rome	1,020	85.00	–	2,281	1,395	27,200	27,200	–
S.E.A. SpA	Ancona	102	51.00	49.00	(428)	(889)	12,282	11,754	528
Fincel Srl	Rome	10	99.99	0,01	(9)	(19)	10	(9)	19
Total							231,299	292,185	(60,886)

In thousands of euros

The other companies controlled indirectly with indication of the net equity and results from the latest financial statements approved are as follows:

Company	Registered office	Share capital	% control of the Group	Net equity	Result for the year
Piemme SpA	Rome	104	90.00	6,088	1,585
Emera SpA	Rome	2,496	90.00	3,283	(2,724)
B2WIN SpA	Rome	1,000	100.00	1,110	142

Investments in other companies

The account relates exclusively to 15,000,000 shares of Rcs Media Group SpA, equal to 2.05% of the share capital, and increased by euro 13,546,673. This change results from the elimination of write-downs made solely for fiscal purposes in the previous year as permitted by the “fiscal adjustments”. The market value at December 31, 2004 of these shares was equal to euro 64.47 million and therefore above the carrying value.

Treasury shares

The account in the financial statements of euro 164,169 represents the value of 31,040 treasury shares held in portfolio, acquired in the previous year.

Current assets *Receivables from subsidiary companies*

The amount of euro 301,434,680 (euro 63,054,843 at December 31, 2003) represents the loans provided to the subsidiaries Piemme SpA (euro 13,920,000) and Emera SpA (euro 26,890,000) including interest at market conditions. The balance also includes non-interest bearing loans to the subsidiary Cedfin Srl (euro 217,702,129) and Finced Srl (euro 41,656,792) and the transfer of Irpeg to the subsidiary Il Mattino S.E.M. SpA (euro 40,000), in addition to invoices to issue for commissions on sureties for euro 34,036. Also included is the receivable from Piemme SpA (euro 662,477) following the fiscal consolidation (as per Legislative Decree No. 344 of December 12, 2003) and the receivable from the subsidiary B2WIN SpA (euro 61,393) and Caltanet SpA (euro 564) for the Group VAT consolidation.

Tax receivables

The balance equal to euro 2,478,630 relates to income tax receivables, for Irpeg payments on account (euro 248,320), Irpeg tax credits carried forward (euro 680,967), withholding tax on bank interest and VAT from the Group consolidation (euro 1,544,400).

Deferred tax assets

The deferred tax asset, equal to euro 12,261,582, refers for euro 8,732,745 to the quota of the write-down on equity investments made solely for fiscal purposes in previous years and whose deductibility is deferred and for euro 3,528,837 calculated on the future fiscal benefits connected to fiscal losses recorded in the year.

The deferred tax assets on fiscal losses are net of the utilisation of the Fiscal Consolidation in accordance with the new Finance Act (Legislative Decree No. 344 of December 12, 2003). Following this utilisation a receivable was recorded from subsidiaries for a similar amount.

In relation to this, it is noted that Caltagirone Editore SpA formalised with the subsidiaries Edi.Me. SpA and Piemme SpA an agreement relating to the joint National Consolidation fiscal regime for the three year period 2004-2006 in accordance with the Legislative Decree previously mentioned.

	12.31.2003		12.31.2004	
	Amount of temporary difference	Fiscal effect (rate 33%)	Amount of temporary difference	Fiscal effect (rate 33%)
Deferred tax asset:				
Write-downs of equity investments	36,757,384	12,129,937	26,462,863	8,732,745
Total	36,757,384	12,129,937	26,462,863	8,732,745
Deferred tax asset relating to fiscal losses for the year	–	–	10,693,448	3,528,837
Net total	36,757,384	12,129,937	37,156,311	12,261,582

The receivables are entirely in Italy and are all due within 5 years.

Cash in banks and on hand

The table below shows the details of these accounts:

	12.31.2004	12.31.2003
Bank current accounts	480,082	80,622
Bank time deposits	108,829,772	538,238,268
Cash and equivalent on hand	96	161
Total	109,309,950	538,319,051

The liquidity is representative of the finance received from the stock exchange share placement; the reduction compared to the previous year relates to the significant loans provided in the year to subsidiaries as commented in the relative accounts and to the important acquisitions made in the year.

At December 31, 2004 the Company held USD 61 million (equal to euro 44,695,670 at year end exchange rate) in an overseas bank deposit.

Prepayments and accrued income

Equal to euro 102,154 (euro 267,132 at December 31, 2003) relating to accrued income on bank deposits and prepayments on the rental costs where the head office of the company is located.

shareholders' equity

The share capital at December 31, 2004, of euro 125 million, fully subscribed and paid in, consists of 125 million ordinary shares at a nominal value of euro 1 each and has not changed from the previous year.

The reserves amount to euro 556,169,126 (euro 588,361,347 at December 31, 2003) with a net decrease of euro 32,192,221 deriving from the implementation of the Shareholders' Meeting resolution of April 30, 2004 relating to the utilisation of the Share Premium reserve and the Extraordinary reserve for the distribution of the dividends and for the covering of losses in 2003.

The movements in the year are shown in the relative schedules of shareholder's equity movements at December 31, 2004 and December 31, 2003.

	Balance at 12.31.2003	Coverage losses at 12.31.2003	Dividends as per res. of sh. m. of 04.30.04	Amounts available to Board	Result at 12.31.2004	Balance at 12.31.2004
Share capital	125,000,000	–	–	–	–	125,000,000
Share premium reserve	527,811,877	(1,648,959)	(24,993,792)	–	–	501,169,126
Legal reserve	25,000,000	–	–	–	–	25,000,000
Reserve for treasury shares in portfolio	164,169	–	–	–	–	164,169
Extraordinary reserve	5,549,470	(5,549,470)	–	–	–	–
Reserve for purchase of treasury shares	29,835,831	–	–	–	–	29,835,831
Net result for the year	(7,198,429)	7,198,429	–	–	19,051,200	19,051,200
Total shareholders' equity	706,162,918	–	(24,993,792)	–	19,051,200	700,220,326

	Balance at 12.31.2002	Dividends as per res. of sh. m. of 04.30.03	Amounts available to Board	Result at 12.31.2004	Balance at 12.31.2003
Share capital	125,000,000	–	–	–	125,000,000
Share premium reserve	530,311,256	(2,499,379)	–	–	527,811,877
Legal reserve	25,000,000	–	–	–	25,000,000
Reserve for treasury shares in portfolio	164,169	–	–	–	164,169
Extraordinary reserve	8,300,426	(2,750,956)	–	–	5,549,470
Reserve for purchase of treasury shares	29,835,831	–	–	–	29,835,831
Net result for the year	20,146,384	(19,743,457)	(402,927)	(7,198,429)	(7,198,429)
Total shareholders' equity	738,758,066	(24,993,792)	(402,927)	(7,198,429)	706,162,918

In euros

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

	Summary of utilisations made in the three previous years				
	Amount	Possibility of utilisation	Quota available	For coverage of losses	For other reasons
Share Capital	125,000	–	–	–	–
Share premium reserve	501,169	A-B-C	501,169	1,649	61,991*
Legal reserve	25,000	B	–	–	–
Reserve for treasury shares in portfolio	164	–	–	–	–
Extraordinary reserve	–	–	–	5,549	2,751
Reserve for purchase of treasury shares	29,836	–	–	–	164
Total	681,169	–	501,169	7,198	64,906
Non distributable quota	–	–	(3,169)**	–	–
Residual quota distributable		–	498,000	–	–

* Utilised euro 23,248,043 for integration of the legal reserve, euro 38,743,171 for dividends, euro 1,648,959 for the covering of losses

**In relation to formation and start up costs not amortised at December 31, 2004

A For share capital increase

B To cover losses

C For distribution to shareholders

Employee leaving indemnity

The relative amount of euro 70,235 (euro 86,915 at December 31, 2003) is representative of the amount matured to employees at the year end, consisting of one journalist and three white-collar workers. The average number of employees in the year was 5. The decrease in the provision is due to one departure during the year.

Payables

The payables at December 31, 2004 amount to euro 12,931,759 (euro 13,682,061 at December 31, 2003) with a net decrease of euro 750,302.

	12.31.2003	Changes	12.31.2004
Payables to banks	2,543	(2,543)	–
Other financiers	9,684,749	(1,033,339)	8,651,410
Trade payables	214,678	210,725	425,403
Subsidiaries	1,910,369	(34,031)	1,876,338
Taxes authorities	74,089	(39,453)	34,636
Social security institutions	40,041	(21,660)	18,381
Other payables	1,755,592	169,999	1,925,591
Total	13,682,061	(750,302)	12,931,759

In euros

Other lenders

The amount is represented by a loan from Mediocredito Lombardo equal to euro 8,651,429 with expiry in 2011, of which euro 1,079,460 due within one year. As guarantee on this loan a mortgage was provided on the building and land of the subsidiary Edi.Me. SpA at Caivano for a total amount of euro 20,335,490. The amount of the loan payable over five years amounts to euro 2,748,109.

Trade payables

At December 31, 2004 trade payables amounted to euro 425,403 (euro 214,678 at December 31, 2003) fully payable within one year of which euro 312,287 for invoices to receive principally relating to emoluments from the corporate boards.

Subsidiaries

The payables to subsidiaries, due within one year, amount to euro 1,876,338 (euro 1,910,369 at December 31, 2003) and relate to VAT Group consolidation of euro 1,506,810 and Edi.Me. SpA for the fiscal consolidation of euro 369,528.

Tax payables

The account tax payables, for euro 34,636, relates to payables for employee and consultant withholding taxes.

Other payables

The amount equal to euro 1,925,591 (euro 1,755,592 at December 31, 2003) includes euro 1,653,996 as amounts available to the Board of Directors in accordance with article 24 of the Company By-Laws.

The other amounts represent the payables to the companies of the Caltagirone SpA group for commercial transactions at market conditions and deferred charges to employees for vacation days matured but not taken.

All payables are in Italy.

Memorandum accounts

The memorandum account is represented by two comfort letters given in favour of the subsidiaries Sigma Editoriale SpA and Caltanet SpA and sureties given in favour of the Tax Office as guarantees on the reimbursement of the excess tax paid by the subsidiaries Il Mattino S.E.M. SpA, Emera SpA and Caltanet SpA.

income statement

Value of production *Other income and revenues*

The other income and revenues for 2004 are equal to euro 45,247 and relate to commissions on sureties given to third parties as guarantees on behalf of subsidiaries.

Production costs The operating costs of the company related to:

	2004	2003
Services rendered	545,543	352,423
Use of third party assets	326,963	360,457
Personnel expenses	696,970	899,741
Amortisation, depreciation and provisions	6,407,704	6,383,556
Other operating charges	63,239	98,098
Total production costs	8,040,419	8,094,275

Services

The account services includes the remuneration of the Board of Statutory Auditors for euro 42,800, the Board of Statutory Auditors for euro 33,000 and the audit firm for euro 15,047. Also included are costs of euro 56,417 relating to services provided by companies of the Caltagirone Group at market conditions.

The details of the remuneration paid by the Group to members of the corporate boards, in accordance with attachment 3C required by article 78 of the Consob No 11971 resolution are as follows:

Surname	Name	Office held	Period office held	Expiry	Emoluments for office	Other remunerations
Caltagirone	Azzurra	Vice Chairman	1.1./12.31.2004	12.31.2005	–	99,962.07
Delfini	Mario	Director	1.1./12.31.2004	12.31.2005	6,000.00	100,000.00
Majore	Albino	Director	1.1./12.31.2004	12.31.2005	6,000.00	1,214,979.32
Garzilli	Massimo	Director	1.1./12.31.2004	12.31.2005	6,000.00	274,617.96
Muzii	Michele	Director	1.1./12.31.2004	12.31.2005	5,000.00	460,000.00
Nattino	Giampiero	Director	1.1./12.31.2004	12.31.2005	10,000.00	–
Confortini	Massimo	Director	1.1./12.31.2004	12.31.2005	30,000.00	–
Tasco	Giampiero	Chairman Board Stat.Aud.	1.1./12.31.2004	12.31.2005	16,500.00	–
Schiavone	Carlo	Standing Auditor	1.1./12.31.2004	12.31.2005	13,000.00	33,889.38
Sica	Mario	Standing Auditor	1.1./12.31.2004	12.31.2005	13,000.00	–

In euros

Use of third party assets

Relates to the utilisation of offices for the head office of the company for an amount of euro 326,963 (euro 360,457 at December 31, 2003).

The offices utilised by the Company are provided by a company under common control at market rents.

Personnel costs

The total costs at December 31, 2004 relate to personnel for euro 696,970 (euro 899,741 in 2003) of which euro 380,347 for salaries, euro 95,920 for social security costs, euro 15,284 for employee leaving indemnity and euro 205,419 for consultants.

Amortisation, depreciation and provisions

The account refers to amortisation relating to the costs incurred for the stock exchange quotation.

Financial income and charges

The details of financial income are as follows:

	2004	2003
Income from investments		
in subsidiary and associated companies	–	22,458,885
in other companies	–	1,050,000
Interest from subsidiary and associated companies	1,210,814	1,528,036
Interest income from bank deposits	8,920,437	12,875,683
Financial income	10,131,251	37,912,604

In euros

The amount of euro 1,210,814 for interest income from subsidiaries and associated companies relates to the loans provided to the subsidiaries Il Messaggero SpA (euro 338,178), Piemme SpA (euro 377,438), Emera SpA (euro 346,977), Sigma Editoriale SpA (euro 116,893) and Edi.Me. SpA (euro 31,328).

The interest income on bank deposits equal to euro 8,920,437 is representative of the return on the liquidity invested.

The details of financial charges are as follows:

	2004	2003
Interest payable from subsidiaries	–	43,194
Interest on current accounts	17,010	16,467
Interest payable to other lenders	271,724	329,401
Commissions and bank expenses	244,399	49,512
Losses on exchange	2,941,794	2,275,822
Financial charges	3,474,927	2,714,396

In euros

The interest to other lenders relates to a loan with Mediocredito Lombardo.

The account commissions and other bank expenses includes the amount of euro 235,000 for fixed brokerage rights (banks and brokerage firms) relating to operations for the payment of dividends.

The exchange losses relate to the conversion of a foreign currency deposit at the year end exchange rate.

Adjustments to financial assets

The write-down refers to the investment in Caltanet SpA for euro 4,032,980 for the adjustment of the net equity value of the company considering the losses recorded as permanent.

Extraordinary income and charges

The extraordinary income includes the values relating to the so-called “fiscal adjustment”. In fact, the new provisions contained in the Civil Code following the corporate law reform does not permit adjustments and provisions in the financial statements solely for tax purposes.

Therefore the “fiscal adjustment” was made on the values in the financial statements at January 1, 2004 of the adjustments made in the previous years.

In particular, the so-called fiscal adjustments at December 31, 2003 as illustrated in the relative financial statements, related to the write-downs of equity investments, made in 2003 in Il Messaggero SpA and in Rcs Media Group SpA in accordance with fiscal legislation. Following the fiscal adjustment a revaluation of these investments was made recording them at their initial value. The fiscal effect was not considered as following the introduction of the New Finance Act on the taxation of income from equity investment the difference between the statutory and fiscal results is to be considered a permanent difference.

The classification of the effects of the fiscal adjustment under extraordinary items was made in accordance with the provisions of the Italian Accounting Organisation (OIC).

The extraordinary charges include prior year taxes.

Income taxes The balance of taxes is equal to a positive amount of euro 424,558 and is the effect of the utilisation of deferred tax assets for euro 3,397,229 relating to the write-downs made in previous years on deferred taxation and the deferred tax assets for euro 3,821,787 relating to future benefits connected to the utilisation of fiscal losses recorded in the year.

Reconciliation between theoretical and actual fiscal charge

	Assessable	Income tax	Rate %
Net result before taxes	18,627	6,147	33
Fiscal adjustment net of deferred tax liability	(24,121)	(7,960)	(43)
Temporary differences deductible in future years	63	21	–
Reversal of prior years' temporary differences	(10,358)	(3,418)	(18)
Permanent differences	4,208	1,390	(6)
Total	(11,581)	(3,822)	

In thousands of euros

The present financial statements, comprising the Balance Sheet, Income Statement and Notes, represent in a true and fair manner the financial situation and balance sheet as well as the income statement for the year and correspond to the underlying accounting entries.

CASH FLOW STATEMENT

	12.31.2004	12.31.2003
A. BEGINNING CASH AVAILABLE	538,317	531,623
B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES		
Net profit for the year	19,051	(7,198)
Amortisation and depreciation	6,408	6,383
(Revaluations) or write-downs of fixed assets	4,033	40,891
Fiscal adjustment	(24,015)	–
Net change in provisions for employee termination indemnities	(17)	17
Operating income before changes in working capital	5,460	40,093
(Increase) decrease in current account receivables	(231,534)	(51,605)
Increase (decrease) in trade payables and other payables	285	(68,321)
(Increase) decrease in other working capital items	163	(26)
	(231,086)	(119,952)
	(225,626)	(79,859)
C. CASH FLOW FROM (FOR) INVESTMENT ACTIVITIES		
Investments in fixed assets:		
Intangible assets	(70)	(250)
Tangible assets	(8)	(1)
Financial assets:		
Equity investments	(177,277)	(17,898)
Disposal of fixed assets	–	131,088
	(177,355)	112,939

	12.31.2004	12.31.2003
D. CASH FLOW FROM (FOR) FINANCIAL ACTIVITIES		
Distribution of profits and amounts available to the BOD	(24,994)	(25,396)
Repayments of loans, net of the short term portion	(1,032)	(990)
	(26,026)	(26,386)
E. CASH FLOW FOR THE YEAR (B+C+D)	(429,007)	6,694
F. CLOSING CASH AVAILABLE (A+E)	109,310	538,317

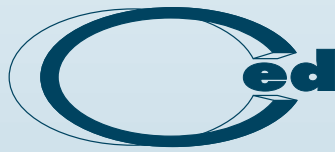
In thousands of euros

**LIST OF HOLDINGS AT 12.31.2004 AS PER ART. 120 OF DECREE LAW
(Publication in accordance with article 126 of Consob Resolution 11971 of May 14, 1999)**

COMPANY	REGISTERED OFFICE	SHARE CAPITAL	CURRENCY
Alfa Editoriale Srl	Rome	1,020.000	Euro
B2WIN SpA	Rome	1,000,000.00	Euro
Caltanet SpA	Rome	5,414,463.00	Euro
Cedfin Srl	Rome	10,200.00	Euro
Edi.Me. Edizioni Meridionali SpA	Rome	500,000.00	Euro
Edi.Me. Sport Srl	Naples	10,200.00	Euro
Emera SpA	Rome	2.496,000.00	Euro
Euroqube SA	Belgium	84,861,115.53	Euro
Fincel Srl	Rome	10,000.00	Euro
Il Mattino Società Editrice Meridionale SpA	Rome	2,481,600.00	Euro
Il Messaggero SpA	Rome	36,900,000.00	Euro
Noisette Servicos de Consultoria Lda	Portugal	5,000	Euro
Piemme SpA	Rome	104,000.00	Euro
S.E.A. Società Editoriale Adriatica SpA	Ancona	102,000.00	Euro
Sigma Editoriale SpA	Rome	1,000,000.00	Euro
Sviluppo Quotidiani Srl	Rome	45,900.00	Euro

OWNERSHIP

Direct	Indirect through	
85.000%	–	–
–	Caltanet SpA	99.000%
	Sigma Editoriale SpA	1,000%
98.778%	Cedfin Srl	1.222%
99.995%	Il Mattino S.E.M. SpA	0.005%
99.999%	Cedfin Srl	0.001%
–	Edi.Me. SpA	99.500%
–	Il Messaggero SpA	100.000%
–	Caltanet SpA	14.820%
99.990%	Cedfin Srl	0.010%
0.001%	Emera SpA	99.999%
99.999%	Cedfin Srl	0.001%
–	Cedfin Srl	98.000%
	Sigma Editoriale SpA	2.000%
–	Il Messaggero SpA	100.000%
51.000%	Cedfin Srl	49.000%
90.000%	–	–
–	Edi.Me. SpA	16.666%



CALTAGIRONE EDITORE

*subsidiaries
financial statements*

assets

	AT 12.31.2004	AT 12.31.2003*
A. UNPAID SHARE CAPITAL	-	-
B. FIXED ASSETS		
I. Intangible assets		
1) Start-up and expansion costs	-	73,250
5) Goodwill	87,175,764	54,484,853
7) Other	350,202	291,675
Total intangible fixed assets	87,525,966	54,849,778
II. Tangible assets		
1) Land and buildings	355,222	374,018
2) Plant and machinery	1,080,530	1,413,713
3) Industrial and sales equipment	16,185	13,051
4) Other assets	1,211,189	862,684
5) Assets under const. and payments on account	-	45,267
Total tangible assets	2,663,126	2,708,733
III. Financial assets		
1) Equity investments in:		
a) subsidiary companies	67,387,862	37,909,255
c) other companies	444,440	444,440
Total equity investments	67,832,302	38,353,694
2) Receivables :		
- due within one year		
d) other	116,780	84,347
Total receivables	116,780	84,347
Total financial assets	67,949,082	38,438,041
TOTAL FIXED ASSETS (B)	158,138,174	95,996,552

	AT 12.31.2004	AT 12.31.2003*
C. CURRENT ASSETS		
I. Inventories		
1) Raw, ancillary and consumable materials	1,614,360	1,740,573
Total inventory	1,614,360	1,740,573
II. Receivables		
1) Customers:		
– due within one year	3,374,508	2,008,405
2) Subsidiary companies:		
– due within one year	24,929,154	24,336,993
3) Group companies:		
– due within one year	315,316	1,055,719
4) Parent companies:		
– due within one year	1,015,360	–
4 bis) Tax receivables:		
– due within one year	1,772,352	2,236,115
4 ter) Deferred tax asset:		
– due within one year	6,886,187	12,121,943
5) Others:		
– due within one year	256,743	603,488
– due beyond one year	558,561	700,513
Total receivables	39,108,181	43,063,176
III. Current financial assets		
7) Financial assets:		
– Receivables (group companies)	–	500,000
Total financial assets	–	500,000
IV. Cash in hand and at banks		
1) Banking and postal deposits	1,051,730	1,064,597
3) Cash and cash equivalents	1,193	1,282
Total	1,052,923	1,065,879
TOTAL CURRENT ASSETS (C)	41,775,464	46,369,628
D. PREPAYMENTS AND ACCRUED INCOME		
2) Prepayments	872,653	180,472
TOTAL PREPAYMENTS AND ACCRUED INCOME (D)	872,653	180,472
TOTAL ASSETS (A+B+C+D)	200,786,291	142,546,652

In euros

* *Financial statements of one month*

liabilities

	AT 12.31.2004	AT 12.31.2003*
A. SHAREHOLDERS' EQUITY		
I. Share capital	36,900,000	48,598,000
II. Share premium reserve	-	-
III. Revaluation reserves	-	4,126,621
IV. Legal reserve	-	4,537,530
V. Statutory reserves	-	-
VI. Reserve for own shares in portfolio	-	-
VII. Other reserves	62,112	-
VIII. Retained earnings (losses) carried forward	-	1,066
IX. Profit (loss) for the year	66,903,966	(20,301,105)
TOTAL NET EQUITY (A)	103,866,078	36,962,112
B. PROVISIONS FOR CONTINGENCIES AND CHARGES		
2) Taxation fund, including deferred	16,595,825	-
3) Others	3,873,427	3,873,427
TOTAL PROVISIONS FOR CONTINGENCIES AND CHARGES (B)	20,469,252	3,873,427
C. EMPLOYEE LEAVING INDEMNITY	19,566,436	18,529,261

	AT 12.31.2004	AT 12.31.2003*
D) PAYABLES		
4) Due to banks:		
– due within one year	2,657,237	7,402,186
5) Payables to other lenders:		
– due within one year	518,098	502,276
– due beyond one year	1,367,774	1,885,873
Total payables to other lenders	1,885,872	2,388,149
7) Suppliers:		
– due within one year	14,488,372	11,956,886
9) Payables to subsidiary companies:		
– due within one year	21,499,999	889,416
10) Payables to group companies:		
– due within one year	2,768,581	10,147,492
11) Payables to parent companies:		
– due within one year	–	34,328,413
12) Tax payables:		
– due within one year	4,910,297	6,837,974
13) Accounts payable to social security institutions:		
– due within one year	3,171,942	3,242,759
14) Other payables:		
– due within one year	5,496,676	5,983,028
– due beyond one year	5,549	5,549
Total other payables	5,502,225	5,988,577
TOTAL PAYABLES (D)	56,884,525	83,181,852
E. ACCRUALS AND DEFERRED INCOME	–	–
TOTAL LIABILITIES & EQUITY (A+B+C+D+E)	200,786,291	142,546,652
MEMORANDUM ACCOUNTS		
Guarantees given (direct or indirect) in favour of third parties:		
– sureties given in favour of third parties	132,781	138,462
– pledges to Inst. Bancario di Napoli	25,822,845	25,822,845
Sureties received:		
– from third parties	61,975	61,975
Assets held by third parties:		
– paper in deposit at warehouses and printers		
– equipment at printers		
TOTAL MEMORANDUM ACCOUNTS	26,017,603	26,023,284

In euros

* *Financial statements of one month*

income statement

	AT 12.31.2004	AT 12.31.2003*
A. VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	138,764,191	10,440,114
5) Other income and revenues, with separate indication of grants received		
– Other revenues	2,786,029	236,171
– Operating grants	1,214,356	–
TOTAL VALUE OF PRODUCTION (A)	142,764,576	10,676,285
B. COSTS OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods for resale	(15,527,985)	(1,673,690)
7) Services	(39,198,574)	(2,942,436)
8) Use of third party assets	(11,666,537)	(811,914)
9) Personnel:		
a) salaries and wages	(29,304,720)	(2,820,145)
b) social security costs	(9,311,685)	(1,204,754)
c) employee leaving indemnity	(2,455,161)	(310,885)
e) other costs	(1,720,283)	(143,080)
Total personnel	(42,791,849)	(4,478,864)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	(3,928,221)	(923,210)
b) depreciation of tangible assets	(831,958)	(71,091)
Total amort., depreciation and write-downs	(4,760,179)	(994,301)
11) Change in inventories of raw materials, ancillary and consumables	(126,213)	262,172
14) Other operating expenses	(850,579)	(323,613)
TOTAL COSTS OF PRODUCTION (B)	(114,921,916)	(10,962,646)
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)	27,842,660	(286,361)

	AL 12.31.2004	AL 12.31.2003*
C. FINANCIAL INCOME AND CHARGES		
16) Other financial income:		
d) Income other than the above:		
2) group companies	4,153	916
4) other	17,648	46
Total other financial income	21,801	962
17) Interest and other financial charges:		
a) subsidiary companies	(123,696)	–
b) group companies	(250,408)	(5,577)
c) parent companies	(338,178)	(25,465)
d) other	(371,599)	(22,909)
Total interest and other financial charges	(1,083,881)	(53,951)
17 bis) Exchange gains and losses	(346)	–
BALANCE OF FINANCIAL INCOME AND CHARGES (E)	(1,062,426)	(52,989)
D. ADJUSTMENT OF FINANCIAL ASSETS		
19) Write-downs		
a) of equity investments	–	(29,478,607)
TOTAL ADJUSTMENT OF FINANCIAL ASSETS (D)	–	(29,478,607)
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
a) gains on asset sales	15,919	–
b) other	65,849,042	–
c) prior year income	1,559,842	–
Total	67,424,803	–
21) Charges:		
a) losses on asset sales	(1,184)	–
b) taxes relating to prior years	(13,530,405)	–
c) other	(2,469,082)	–
Total charges	(16,000,671)	–
EXTRAORDINARY ITEMS (E)	51,424,132	–
PRE-TAX RESULT (A-B+/-C+/-D+/-E)	78,204,366	(29,817,957)
22) Current taxes		
– Irap	(2,825,000)	(224,000)
– deferred tax charge	(8,790,422)	–
– deferred tax income	315,022	9,740,852
Total	(11,300,400)	9,516,852
PROFIT FOR THE YEAR	66,903,966	(20,301,105)

In euros

* *Financial statements of one month*

assets

	10.31.2004	10.31.2003
A. UNPAID SHARE CAPITAL	-	-
B. FIXED ASSETS		
I. Intangible assets		
2) Advertising costs	22,413	242,370
7) Other	129,457	211,881
Total intangible assets	151,870	454,251
II. Fixed assets		
4) Other assets	597,635	796,402
Total fixed assets	597,635	796,402
TOTAL (B) FIXED ASSETS	749,505	1,250,653

	10.31.2004	10.31.2003
C. CURRENT ASSETS		
II. Receivables		
1) Customer:		
– due within one year	66,795,495	66,294,183
3) Group companies:		
– due within one year	104,254	27,636
4) parent companies:		
– due within one year	43,373	17,889
4 ter) Deferred tax asset:		
– due within one year	2,455,784	2,425,123
5) Other companies:		
– due within one year	62,552	91,056
– due beyond one year	228,000	277,064
Total	69,689,458	69,132,951
IV. Cash in banks and on hand		
1) Bank and postal deposits	395,792	90,903
3) Cash and cash equivalents	324,522	269,006
Total	720,314	359,909
TOTAL (C) CURRENT ASSETS	70,409,772	69,492,860
D. PREPAYMENTS AND ACC. INCOME	118,630	138,329
TOTAL ASSETS	71,277,907	70,881,842

In euros

liabilities

	10.31.2004	10.31.2003
A. SHAREHOLDERS' EQUITY		
I. Share capital	104,000	104,000
II. Share premium reserve	-	-
III. Revaluation reserves	-	-
IV. Legal reserve	20,800	20,800
V. Statutory reserves	-	-
VI. Reserve for own shares in portfolio	-	-
VII. Other reserves	-	-
VIII. Retained earnings	7,864	236
IX. Profit for the year	4,369,897	3,747,629
TOTAL (A) NET EQUITY	4,502,561	3,872,665
B. PROVISIONS FOR CONTINGENCIES AND CHARGES		
3) Other	480,655	408,568
TOTAL (B) PROVISIONS FOR CONTINGENCIES AND CHARGES	480,655	408,568
C. EMPLOYEE LEAVING INDEMNITY	3,357,703	3,148,668

	10.31.2004	10.31.2003
D. PAYABLES		
4) Banks:		
– due within one year	391,067	5,710,045
7) Trade payables:		
– due within one year	5,311,291	3,990,495
11) Parent companies:		
– due within one year	39,345,816	36,708,808
12) Tax payables:		
– due within one year	3,113,455	2,529,166
13) Social security institutions:		
– due within one year	476,528	423,097
14) Other companies:		
– due within one year	1,284,858	1,304,152
15) Group companies		
– due within one year	11,612,019	11,916,639
TOTAL (D) PAYABLES	61,535,034	62,582,402
E. ACCRUALS AND DEFERRED INCOME	1,401,954	869,539
TOTAL NET EQUITY AND LIABILITIES	71,277,907	70,881,842
MEMORANDUM ACCOUNTS		
3) Guarantees, commitments and other memorandum accounts:		
c) secured guarantees to third parties	53,247	51,388
f) others		
– future leasing commitments	-	3,114
– discounted bills	487,356	703,394
Total others	487,356	706,508
TOTAL MEMORANDUM ACCOUNTS	540,603	757,896

In euros

income statement

	10.31.2004	10.31.2003
A. VALUE OF PRODUCTION		
1) Revenues from sales and services	171,637,011	160,664,971
5) Other revenues and income	1,289,509	1,164,575
TOTAL (A) VALUE OF PRODUCTION	172,926,520	161,829,546
B. COSTS OF PRODUCTION		
6) For advertising space	(133,977,882)	(125,288,107)
7) Services	(16,365,007)	(15,912,687)
8) Use of third party assets	(1,366,530)	(1,293,481)
9) Personnel costs:		
a) wages and salaries	(6,427,967)	(5,846,841)
b) social security costs	(1,755,934)	(1,788,660)
c) employee leaving indemnity	(502,494)	(478,130)
Total personnel costs	(8,686,395)	(8,113,631)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible assets	(356,062)	(377,158)
b) depreciation of tangible assets	(308,891)	(324,691)
d) provision of current asset accounts	(2,625,000)	(1,781,300)
Total amortisation, depreciation and write-downs	(3,289,953)	(2,483,149)
14) Other operating costs	(59,123)	(61,562)
TOTAL (B) COSTS OF PRODUCTION	(163,744,890)	(153,152,617)
DIFFERENCE (A-B) BETWEEN VALUE AND COSTS OF PRODUCTION	9,181,630	8,676,929

	10.31.2004	10.31.2003
C. FINANCIAL INCOME AND CHARGES		
16) Other financial income		
d) other income from:		
– other	217,437	42,708
Total	217,437	42,708
17) Interest and other financial charges:		
c) group companies	(392,022)	(379,357)
e) other	(336,080)	(376,006)
Total	(728,102)	(755,363)
TOTAL (C) FINANCIAL INCOME AND CHARGES	(510,665)	(712,655)
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
a) gains on asset sales	216	5,466
b) other extraordinary income	44,571	30,964
Total	44,787	36,430
21) Charges:		
a) losses on asset sales	(3,252)	(3,101)
c) other extraordinary charges	(44,381)	(578,492)
Total	(47,633)	(581,593)
TOTAL (E) EXTRAORDINARY INCOME AND CHARGES	(2,846)	(545,163)
PRE-TAX RESULT	8,668,119	7,419,111
22) Income taxes:		
a) current taxes	(4,328,883)	(3,594,525)
c) deferred tax income	30,661	(76,957)
Total income taxes	(4,298,222)	(3,671,482)
PROFIT FOR THE YEAR	4,369,897	3,747,629

In euros

assets

	AT 12.31.2004	AT 12.31.2003
A. UNPAID SHARE CAPITAL	-	-
B. FIXED ASSETS		
I. Intangible assets		
1) Research, development and advertising costs	24,552	128,329
2) Concessions, licences, trademarks and similar rights	57,122	53,196
4) Titles	44,500,000	-
Total	44,581,674	181,525
II. Tangible assets		
1) Land and buildings	8,122,325	8,380,826
2) Plant and machinery	12,815,624	11,042,171
3) Industrial and commercial equipment	2,542	8,615
4) Other assets	517,351	582,214
5) Assets under constr. and payments on account	-	1,360,732
Total	21,457,842	21,374,558
III. Financial assets		
1) Equity investments in:		
a) subsidiary companies	7,288	7,288
d) other companies	371,808	371,808
Total equity holdings	379,096	379,096
2) Receivables:		
a) subsidiary companies		
- due within one year	12,914	12,231
3) Securities		
a) Banca Intesa shares	-	7,130
Total	12,914	19,361
Total financial assets	392,010	398,457
TOTAL FIXED ASSETS (B)	66,431,526	21,954,540

	AT 12.31.2004	AT 12.31.2003
C. CURRENT ASSETS		
I. Inventory		
1) Raw material, subsidiaries and consumables	913,288	385,622
Total inventory	913,288	385,622
II. Receivables		
1) Trade receivables:		
– due within one year	2,059,095	2,067,364
– due over one year	621	621
Total	2,059,716	2,067,985
2) Parent companies:		
– due within one year	369,528	336,951
3) Group companies:		
– due within one year	10,212,517	10,254,688
4 bis) Tax receivables:		
– due within one year	15,979,014	4,818,588
– due over one year	559,696	603,164
Total	16,538,710	5,421,752
4 ter) Deferred tax asset	847,000	1,008,000
5) Others:		
– due within one year	139,681	136,042
– due over one year	35,040	51,418
Total other receivables	174,721	187,460
Total receivables	30,202,192	19,276,835
III. Current financial assets		
1) Financial receivables		
– group companies	–	9,190,000
Total financial assets	–	9,190,000
IV. Cash in banks and on hand		
1) Bank and post office deposits	208,729	45,388
Total cash in bank and on hand	208,729	45,388
TOTAL CURRENT ASSETS (C)	31,324,209	28,897,845
D. PREPAYMENTS AND ACCRUED INCOME		
2) Prepayments	255,066	265,984
TOTAL PREPAYMENTS AND ACCRUED INCOME (D)	255,066	265,984
TOTAL ASSETS	98,010,801	51,118,369

In euros

liabilities

	AT 12.31.2004	AT 12.31.2003
A. NET EQUITY		
I. Share capital	500,000	500,000
II. Share premium reserve	–	–
III. Revaluation reserves	2,711,834	2,711,834
IV. Legal reserve	107,681	107,681
V. Statutory reserves	–	–
VI. Reserve for own shares in portfolio	–	–
VII. Other reserves		
Grants as per Law 488/92	740,238	740,238
Grants as per Law 67/87	6,251,358	6,251,358
Paid in share capital	3,650,000	–
Retained earnings	739	739
Total other reserves	10,642,334	6,992,334
VIII. Retained earnings (losses)	(1,472,714)	(2,141,026)
IX. Net profit (loss) for the year	1,298,936	668,312
TOTAL NET EQUITY (A)	13,788,072	8,839,136
B. PROVISIONS FOR CONTINGENCIES AND CHARGES		
1) Provisions for risks	2,110,740	2,481,600
2) Taxation provision, including deferred	1,658,000	13,000
TOTAL (B)	3,768,740	2,494,600
C. EMPLOYEE LEAVING INDEMNITY	11,827,948	11,455,552

	AT 12.31.2004	AT 12.31.2003
D. PAYABLES		
4) Due to banks:		
– due within one year	5,081,406	3,607,742
5) Borrowings from other lenders:		
– due within one year	911,612	872,530
– due over one year	6,394,091	7,305,702
Total	7,305,703	8,178,232
7) Trade payables:		
– due within one year	5,174,924	4,374,417
11) Parent companies:		
– due within one year	31,328	–
12) Tax payables:		
– due within one year	1,039,047	3,103,734
13) Social security institutions:		
– due within one year	1,136,612	1,093,056
14) Other payables:		
– due within one year	3,601,033	2,554,768
15) Group companies:		
– due within one year	39,779	156,051
– due over one year	40,635,000	–
Total	40,674,779	156,051
TOTAL (D)	64,044,832	23,068,001
E. ACCRUED EXPENSES AND DEFERRED INCOME		
2) Accruals	4,581,209	5,261,080
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME (E)	4,581,209	5,261,080
TOTAL LIABILITIES & EQUITY	98,010,801	51,118,369
MEMORANDUM ACCOUNTS		
Guarantees given (direct or indirect) in favour of third parties:		
– mortgage for new factory	17,172,190	17,172,190
– sureties given in favour of third parties	1,904,774	1,904,774
Sureties and mortgages received:		
– from third parties	1,522,094	1,643,374
TOTAL MEMORANDUM ACCOUNTS	20,599,058	20,720,338

In euros

income statement

	AT 12.31.2004	AT 12.31.2003
A. VALUE OF PRODUCTION		
1) Revenues from sales and services	54,918,073	53,426,331
5) Other revenues and income:		
a) other revenues and income	337,123	388,272
b) grants	1,400,363	932,259
TOTAL VALUE OF PRODUCTION (A)	56,655,559	54,746,861
B. COSTS OF PRODUCTION		
6) Raw materials, ancillary and consumables	(7,296,942)	(6,626,357)
7) Services	(15,156,806)	(13,607,114)
8) Use of third party assets	(3,829,454)	(2,823,846)
9) Personnel costs:		
a) wages and salaries	(15,286,845)	(15,395,582)
b) social security costs	(5,225,911)	(5,054,671)
c) employee leaving indemnity	(1,257,163)	(1,275,765)
e) other	(353,935)	(536,567)
Total personnel costs	(22,123,854)	(22,262,585)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible assets	(187,145)	(189,158)
b) depreciation of tangible assets	(3,259,547)	(2,623,692)
d) provisions on current asset accounts	(63,930)	(63,860)
Total amortisation, depreciation and write-downs	(3,510,622)	(2,876,710)
11) Change in inventories of raw materials, ancillary and consumables	527,665	(759,014)
12) Provisions for risks	(1,026,329)	(456,909)
14) Other operating charges	(464,378)	(422,546)
TOTAL COSTS OF PRODUCTION (B)	(52,880,720)	(49,835,081)
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)	3,774,839	4,911,780

	AT 12.31.2004	AT 12.31.2003
C. FINANCIAL INCOME AND CHARGES		
16) Other financial income:		
d) income other than the above:		
3) group companies	204,786	258,178
4) from others	151,314	100,182
Total	356,100	358,360
17) Interest and other financial expenses:		
1) group companies	(21,831)	–
2) parent companies	(31,328)	–
4) from others	(392,932)	(522,521)
Total	(446,091)	(522,521)
TOTAL FINANCIAL INCOME AND CHARGES) (C)	(89,991)	(164,161)
D. ADJUSTMENT TO FINANCIAL ASSETS		
18) Revaluations of equity holdings	–	33,158
19) Write-downs of equity holdings	–	(2,129)
TOTAL ADJUSTMENT TO FIN. ASSET VALUES (D)	–	31,029
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
a) gains on asset sales	1,210	30,076
b) other extraordinary income	466,837	244,355
Total	468,047	274,432
21) charges:		
a) losses on asset sales	(18,395)	(24,632)
b) other extraordinary income	(469,628)	(1,504,135)
Total	(488,023)	(1,528,767)
TOTAL EXTRAORDINARY INCOME AND CHARGES (E)	(19,976)	(1,254,336)
PRE-TAX RESULT (A-B+C+D+E)	3,664,872	3,524,312
a) Current taxes		
– Ires	–	(1,711,000)
– Irap	–	(1,207,000)
b) Deferred tax charge	(1,645,000)	62,000
c) Deferred tax income	(161,000)	–
e) Ires credit on losses – fiscal consolidation	369,528	–
Total income tax	(2,365,936)	(2,856,000)
NET PROFIT FOR THE YEAR	1,298,936	668,312

In euros

assets

	AT 12.31.2004	AT 12.31.2003
A. UNPAID SHARE CAPITAL	-	-
B. FIXED ASSETS		
I. Intangible assets		
1) Start-up and expansion costs	421	841
2) Research, development and advertising costs	136,412	238,709
5) Goodwill	7,014	8,184
7) Other	162,834	205,448
Total intangible fixed assets	306,681	453,182
II. Tangible assets		
2) Plant and machinery	20,545	22,838
3) Industrial and sales equipment	78,186	153,228
4) Other assets	127,283	138,505
Total tangible assets	226,014	314,571
III. Financial assets		
1) Equity investments in:		
b) associated companies	10,000	10,000
c) other companies	-	10,424,884
Total equity investments	10,000	10,434,884
2) Receivables:		
d) other		
- due over one year	875	991
Total receivables	875	991
Total financial assets	10,875	10,435,875
TOTAL FIXED ASSETS (B)	543,570	11,203,628

	AT 12.31.2004	AT 12.31.2003
C. CURRENT ASSETS		
I. Inventories	-	-
II. Receivables		
1) Customers:		
– due within one year	84,396	85,933
3) Group companies:		
– due within one year	4,712,993	3,800,060
4) Parent companies		
– due within one year	139,099	-
4 bis) Tax receivables		
– due within one year	237,991	214,394
5) Others:		
– due within one year	42,988	6,511
Total receivables	5,217,467	4,106,898
III. Current financial assets	-	-
IV. Cash in bank and on hand		
1) Banking and postal deposits	246,619	297,979
3) Cash and cash equivalents	1,543	1,316
Total	248,162	299,295
TOTAL CURRENT ASSETS (C)	5,465,629	4,406,193
D. PREPAYMENTS AND ACCRUED INCOME		
2) Prepayments	309,823	367,860
TOTAL	309,823	367,860
TOTAL ASSETS (A+B+C+D)	6,319,022	15,977,681

In euros

liabilities

	AT 12.31.2004	AT 12.31.2003
A. SHAREHOLDERS' EQUITY		
I. Share capital	1,000,000	1,000,000
II. Share premium reserve	-	-
III. Revaluation reserves	-	-
IV. Legal reserve	-	-
V. Statutory reserves	-	-
VI. Reserve for own shares in portfolio	-	-
VII. Other reserves	-	3,143,167
VIII. Retained earnings (losses)	(244,627)	-
IX. Profit (loss) for the year	1,283,750	(3,387,794)
TOTAL NET EQUITY (A)	2,039,123	755,373
B. PROVISIONS FOR CONT. AND CHARGES	-	-
TOTAL PROV. FOR CONTIN. AND CHARGES (B)	-	-
C. EMPLOYEE LEAVING INDEMNITY	282,437	185,884

	AT 12.31.2004	AT 12.31.2003
D. PAYABLES		
4) Due to banks:		
– due within one year	1,087	–
7) Trade payables:		
– due within one year	3,337,826	3,130,822
10) Group companies:		
– due within one year	259,715	1,003,328
11) Parent companies:		
– due within one year	1,567	10,587,129
12) Taxes payable:		
– due within one year	259,843	204,150
13) Payables to social security institutions:		
– due within one year	100,896	96,401
14) Other payables:		
– due within one year	36,528	14,594
TOTAL PAYABLES (D)	3,997,462	15,036,424
ACCRUED LIABILITIES AND DEFERRED INCOME	–	–
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME (E)	–	–
TOTAL LIABILITIES & EQUITY (A+B+C+D+E)	6,319,022	15,977,681

In euros

income statement

	AT 12.31.2004	AT 12.31.2003
A. VALUE OF PRODUCTION		
1) Income from sales and supply of services	16,821,124	14,281,176
5) Other income and revenues		
– Other revenues	187,384	139,313
– Operating grants	93,123	41,064
TOTAL VALUE OF PRODUCTION (A)	17,101,631	14,461,553
B. COSTS OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods	(3,338,459)	(3,982,326)
7) Services	(10,386,764)	(10,362,411)
8) Use of third party assets	(1,647,635)	(1,668,490)
9) Personnel:		
a) salaries and wages	(1,382,754)	(1,300,856)
b) social security costs	(359,681)	(331,749)
c) employee leaving indemnity	(107,775)	(100,363)
e) other costs	(31,858)	(70,675)
Total personnel	(1,882,068)	(1,803,643)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	(149,253)	(167,100)
b) depreciation of tangible assets	(141,518)	(136,196)
Total amort., depreciation and write-downs	(290,771)	(303,296)
14) Other operating costs	(110,540)	(94,167)
TOTAL COSTS OF PRODUCTION (B)	(17,656,237)	(18,214,333)
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)	(554,606)	(3,752,780)

	AT 12.31.2004	AT 12.31.2003
C. FINANCIAL INCOME AND CHARGES		
15) Income from equity holdings:		
c) other	2,050,116	630,282
Total income from equity holdings	2,050,116	630,282
16) Other financial income:		
a) from receivables recorded under non-current assets:		
2) group companies	16,699	–
d) income other than the above:		
4) other	1,420	103
Total other financial income	18,119	103
17) Interest and other financial charges:		
b) group companies	(4,153)	(13,035)
c) parent companies	(116,893)	(183,858)
d) other	(11,515)	(20,823)
Total interest and other financial charges	(132,561)	(217,716)
NET FINANCIAL INCOME AND CHARGES (E)	1,935,674	412,669
D. ADJUSTMENT TO FINANCIAL ASSET VALUES		
19) Write-downs of equity investments	–	(11,116)
TOTAL ADJUSTMENT TO FINANCIAL ASSET VALUES (D)	–	(11,116)
E. EXTRAORDINARY INCOME AND CHARGES		
21) Charges:		
d) prior year charges	(27,318)	(36,567)
Total charges	(27,318)	(36,567)
NET EXTRAORDINARY ITEMS (E)	(27,318)	(36,567)
PRE-TAX RESULT (A-B+/-C+/-D+/-E)	1,353,750	(3,387,794)
22) Current taxes	(70,000)	–
Total	(70,000)	–
PROFIT (LOSS) FOR THE YEAR	1,283,750	(3,387,794)

In euros

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