HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS
DIRECTORS' REPORT AS OF JUNE 30th, 2006

Contents

CALTAGIRONE EDITORE GROUP

DIRECTORS' REPORT

ON OPERATIONS FOR THE SIX MONTHS

ENDED JUNE 30th , 2006

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INFORMATION ON OPERATIONS

The half-year report at June 30th, 2006 of the Caltagirone Editore Group was prepared in accordance with IFRS International Accounting Standards, in compliance with Consob Regulation No.11971/1999, amended by Consob Resolution No. 14990/2005. The data of the previous year is reported for comparative purposes using the same accounting standards and, where necessary, classified in accordance with the criteria adopted at December 31st, 2005 and June 30th, 2006.

The Caltagirone Editore Group ended the first half-year of 2006 with sales of Euro 147.26 million compared to Euro 143.94 million in the same period of the previous year, and an Ebitda of Euro 29.20 million. The Ebitda percentage on revenues was 19.8%.

The net profit was Euro 17.30 million, not comparable to the net profit at June 30th, 2005 (Euro 52.27 million) as the net profit in the previous year benefited from financial income from extraordinary operations, such as the sale of the investment in RCS Media Group S.p.A and exchange gains.

The most important results, compared to the same period in 2005, are reported in the table below:

In thousands of euros

INCOME STATEMENT	***30/06/06***	***30/06/05***	***Change %***
VALUE OF PRODUCTION	**147,258**	**143,943**	**2.3%**
CIRCULATION REVENUES	46,248	43,459	6.4%
ADVERTISING REVENUES	94,146	93,960	0.2%
OTHER INCOME AND REVENUES	6,864	6,524	5.2%
RAW MATERIALS, SUPPLIES & CONSUMABLE STORES	(15,461)	(13,930)	11.0%
PERSONNEL COSTS	(44,129)	(45,240)	-2.5%
SERVICES	(52,041)	(44,047)	18.1%
RENT, LEASE & SIMILAR COSTS	(3,961)	(4,036)	-1.9%
OTHER CHARGES	(1,419)	(1,236)	14.8%
OTHER OPERATING CHARGES	(1,052)	(705)	49.2%
EBITDA	**29,195**	**34,749**	**-16.0%**
AMORTISATION AND DEPRECIATION	(4,798)	(5,362)	-10.5%
OTHER COSTS/INCOME	(1,038)	(1,427)	-27.3%
EBIT	**23,359**	**27,960**	**-16.5%**
FINANCIAL INCOME	9,063	47,553	-80.9%
FINANCIAL CHARGES	(3,317)	(1,494)	122.0%
FINANCIAL RESULT	**5,746**	**46,059**	**-87.5%**
PROFIT BEFORE TAXES	**29,105**	**74,019**	**-60.7%**
INCOME TAXES	(11,479)	(21,747)	-47.2%
PROFIT BEFORE MINORITY SHARE	**17,626**	**52,272**	**-66.3%**
MINORITY INTEREST (PROFIT)/LOSS	(322)	(133)	142.1%
NET PROFIT	**17,304**	**52,139**	**-66.8%**

Circulation revenues increased by approximately 6.4% compared to the first half of 2005, thanks to the joint promotional initiatives which also account for a large part of the increase in service costs.

In the first six months of 2006 advertising revenues, in spite of the continuing difficulties in the national advertising market, were in line with the first half of 2005, thanks especially to the good results achieved by Leggo and Corriere Adriatico. The increase in the cost of raw materials is mainly due to the increase in the international price of paper.

The decrease in personnel costs compared to the first half of 2005 is due to the application of international accounting standard IAS 19. In fact, compared to Italian GAAP, the IAS requires that the employee leaving indemnity and other indemnities matured by personnel be discounted at market interest rates.

Group Net Financial Position at June 30th, 2006 is as follows:

In thousands of euros

NET FINANCIAL POSITION	***30/06/06***	***31/12/05***
NON-CURRENT FINANCIAL ASSETS	48	25
CURRENT FINANCIAL ASSETS	124	1,416
CASH AND CASH EQUIVALENTS	547,884	567,617
NON-CURRENT FINANCIAL LIABILIITES	(64,010)	(67,278)
CURRENT FINANCIAL LIABILITIES	(22,021)	(20,025)
TOTAL	**462,025**	**481,755**

The decrease in the period is principally due to the distribution of dividends of Euro 37.5 million, net of the positive cash flow from normal operations.

THE ACTIVITIES OF THE GROUP AS AT JUNE 30th, 2006

1. PUBLISHING ACTIVITIES

In thousands of euros

CIRCULATION REVENUES	***30/06/06***	***30/06/05***	***Change %***
SALES OF NEWSPAPERS	33,469	34,329	-2.5%
PROMOTIONS	12,779	9,130	40.0%
TOTAL	**46,248**	**43,459**	**6.4%**

All of the Group newspapers maintained their leadership positions in their respective markets. Sales in conjunction with newspapers and other differential price editorial initiatives are ongoing.

Newspaper sales revenues, which increased by 6.4% compared to the first half of 2005, were positively impacted on by the products sold in conjunction with the newspapers, whose contribution to Ebitda was approximately Euro 1.2 million. The most successful initiatives were the *National Geographic* collection and the *Muzzy language courses for children*.

2. ADVERTISING REVENUES

In thousands of euros

ADVERTISING	***30/06/06***	***30/06/05***	***Change %***
Il Messaggero	52,893	54,931	-3.7%
Il Mattino	20,136	19,883	1.3%
Leggo	13,561	12,273	10.5%
Quotidiano di Puglia	3,579	3,400	5.3%
Others	1,304	1,596	-18.3%
Total	**91,473**	**92,083**	**-0.7%**
Corriere Adriatico	2,673	1,877	42.4%
TOTAL	**94,146**	**93,960**	**0.2%**

In the first six months of 2006 the advertising revenues, overall in line with the result in the same period of the previous year, experienced different trends in the two quarters: a decrease in the first quarter of approximately 1.8% followed by growth in the second quarter of 2%.

Within this context noteworthy results were achieved by Leggo, which recorded an increase of 10.5% in advertising revenues, and by Corriere Adriatico, which increased advertising revenues in real terms by 14.4%. The increase of 42.4% relating to Corriere Adriatico, as shown in the above table, also includes the share of the agency Piemme S.p.A, which is responsible for advertising placements from January 1st, 2006.

3. OTHER ACTIVITIES

In thousands of euros

OTHER REVENUES	***30/06/06***	***30/06/05***	***Change %***
Services and internet	4,231	2,797	51.3%
Other	2,633	3,727	-29.4%
TOTAL	**6,864**	**6,524**	**5.2%**

B2Win SpA, which operates in the management of call centres and advanced computer services, ended the first half of 2006 with sales of Euro 3.91 million, reporting a strong increase compared to the same period in the previous year (Euro 2.61 million), and with a profit of Euro 164 thousand.

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

Other revenues derived from the recharging of costs, prior year income and other minor income.

TRANSACTIONS WITH RELATED PARTIES

The transactions with “related parties” in accordance with IAS No. 24 are disclosed in the notes to the financial statements at paragraph 28.

OUTLOOK FOR FULL YEAR 2006

With regard to the overall performance of the market, no particular changes are expected. The full year results relating to operations, based on the indications currently available, are expected to be in line with the results of the first half year.

The reconciliation of the shareholders’ equity at June 30th, 2006 and of the result for the period of Caltagirone Editore SpA with the consolidated accounts prepared in accordance with IFRS are attached to the present report.

SUBSEQUENT EVENTS TO JUNE 30th, 2006

On July 7th, 2006, Caltagirone Editore S.p.A. acquired 52% of the share capital of Editrice Padana – S.E.P. S.p.A , owner of the newspaper *“Il Gazzettino”* of Venice. The deal consideration of around Euro 120 million, was fully paid in cash.

On July 21st, 2006, Caltagirone Editore S.p.A. and Edizione Holding S.p.A. subscribed to a Put and Call option agreement on 2,527,152 shares representing 25.76% of the share capital of Editrice Padana – S.E.P. S.p.A. The exercise period will be between December 1st and December 31st , 2008.

Il Gazzettino, founded in 1887, is the largest newspaper in the North-East of Italy with a circulation of over 100,000 daily copies. S.E.P. S.p.A. ended the year 2005 with revenues of Euro

58.9 million, an Ebitda of Euro 5.1 million and a pre-tax profit of Euro 1.5 million. The Net Cash position on December 31st, 2005 was Euro 1.19 million.

With the acquisition of the majority share in *Il Gazzettino***,** the Group adds an important newspaper title to its portfolio, whilst acquiring a significant position in the North East of Italy and increasing its already significant presence in the Adriatic regions where the Group is already present with *il Corriere Adriatico*, the leader in the Marche region, and *il Quotidiano in Puglia.*

Caltagirone Editore Group also consolidated its position as the third national publishing group. The Group increased its average daily circulation to approximately 480 thousand copies, with over 3.5 million readers daily, excluding the readership of *Leggo.*

In August, the Ministerial Decree was signed for the restructuring of Il Mattino, which entails 30 print workers redundancies by April 2008. The cost savings, taking into account the employment of five new specialised professionals is around Euro 1.3 million per year.

Through this restructuring Il Mattino will further increase its high levels of efficiency in the printing division, thanks to a reduction in personnel and overhead costs.

A similar operation, although smaller in size (12 redundancies), is being negotiated with Il Messaggero trade unions and is expected to be signed by the end of the year.

RECONCILIATION BETWEEN

THE NET RESULT AND THE NET EQUITY OF THE PARENT COMPANY

AND THE CONSOLIDATED NET RESULT AND NET EQUITY

(in thousands of euros)

June 30th, 2006

	RESULT FOR THE PERIOD	NET EQUITY
NET EQUITY AND NET RESULT AS PER THE FINANCIAL STATEMENTS OF THE PARENT COMPANY	**(1,687)**	**672,944**
Contribution of subsidiary companies	17,204	130,510
Elimination of inter-group dividends	(433)	-
Adjustment of the half year results of the subsidiaries to Group International Accounting Standards (IFRS)	2,542	32,493
Minority interest share of net equity	(322)	(1,141)
NET EQUITY AND NET RESULT AS PER CONSOLIDATED FINANCIAL STATEMENTS	**17,304**	**834,806**

List of significant investments at 30.06.2006 as per art.38 of Legs. decree 127/1991

COMPANY	HEAD OFFICE	SHARE CAPITAL	CURRENCY	OWNERSHIP HELD DIRECTLY	INDIRECTLY THROUGH
COMPANIES INCLUDED IN THE CONSOLIDATION UNDER THE FULL INTEGRATION METHOD					
IL MESSAGGERO S.P.A.	ROME	36,900,000	Euro	99.999%	CEDFIN S.R.L.
IL MATTINO S.P.A.	ROME	500,000	Euro	99.999%	CEDFIN S.R.L.
PIEMME S.P.A.	ROME	104,000	Euro	-	IL MESSAGGERO S.P.A.
S.E.M. S.P.A.	ROME	2,481,600	Euro	0.001%	EMERA S.P.A.
CALTANET S.P.A.	ROME	5,414,463	Euro	98.778%	CEDFIN S.R.L.
LEGGO S.P.A.	ROME	1,000,000	Euro	90.00%	-
CEDFIN S.R.L.	ROME	10,200	Euro	99.995%	S.E.M. S.P.A.
B2WIN S.P.A.	ROME	1,000,000	Euro	-	CALTANET S.P.A. LEGGO S.P.A.
EMERA S.P.A.	ROME	2,496,000	Euro	-	IL MESSAGGERO S.P.A.
FINCED S.R.L.	ROME	10,000	Euro	99.99%	CEDFIN S.R.L.
CORRIERE ADRIATICO S.P.A.	ANCONA	102,000	Euro	51.00%	CEDFIN S.R.L.
QUOTIDIANO DI PUGLIA S.P.A.	ROME	1,020,000	Euro	85.00%	
OTHER INVESTMENTS IN SUBSIDIARY COMPANIES					
E.DI.ME. SPORT S.R.L.	NAPLES	10,200	Euro	-	IL MATTINO S.P.A.
NOISETTE SERVICOS DE CONS. LDA	PORTUGAL	5,000	Euro	-	CEDFIN S.R.L. LEGGO S.P.A.

CALTAGIRONE EDITORE GROUP

CONSOLIDATED BALANCE SHEET

(in thousands of euros)

ASSETS

	Note	*30/06/2006*	*31/12/2005*
Non-current assets			
Intangible assets with definite life	**1**	660	693
Goodwill and other indefinite intangible assets	**2**	274,954	274,954
Property, plant & equipment	**3**	82,592	82,467
Equity investments measured at cost	**4**	4,319	4,319
Equity investments and non-current securities	**5**	51,699	43,394
Non-current financial assets	**6**	48	25
Other non-current assets	**7**	900	977
Deferred tax assets	**8**	13,222	16,605
TOTAL NON-CURRENT ASSETS		**428,394**	**423,434**
Current assets			
Inventories	**9**	2,411	2,588
Trade receivables	**10**	84,380	77,655
Current financial assets	**11**	124	1,416
Receivables for current taxes	**8**	3,175	4,578
Other current assets	**12**	2,301	3,819
Cash and cash equivalents	**13**	547,884	567,617
TOTAL CURRENT ASSETS		**640,275**	**657,673**
TOTAL ASSETS		**1,068,669**	**1,081,107**

CALTAGIRONE EDITORE GROUP

CONSOLIDATED BALANCE SHEET
(in thousands of euros)

SHAREHOLDERS' EQUITY AND LIABILITIES

	Note	*30/06/2006*	*31/12/2005*
Shareholders' Equity			
Share capital		125,000	125,000
Share capital issue costs		(18,865)	(18,865)
Treasury shares		(164)	(164)
Other reserves		711,531	647,420
Profit/(loss) for the period		17,304	94,307
Group Shareholders' Equity		**834,806**	**847,698**
Minority interest shareholders' equity		1,141	896
SHAREHOLDERS' EQUITY	**14**	**835,947**	**848,594**
Non-current liabilities			
Employee provisions	**16**	39,423	39,071
Other non-current provisions	**17**	7,276	9,028
Non-current financial liabilities	**15**	64,010	67,278
Other non-current liabilities	**20**	3,578	3,235
Deferred tax liability	**8**	33,688	31,087
NON-CURRENT LIABILITIES		**147,975**	**149,699**
Current liabilities			
Current provisions	**17**	70	661
Trade payables	**18**	33,939	32,257
Current financial liabilities	**15**	22,021	20,025
Payables for current taxes	**19**	37	1,500
Other current liabilities	**20**	28,680	28,371
CURRENT LIABILITIES		**84,747**	**82,814**
TOTAL LIABILITIES & EQUITY		**1,068,669**	**1,081,107**

CALTAGIRONE EDITORE GROUP

CONSOLIDATED INCOME STATEMENT
(in thousands of euros)

INCOME STATEMENT

	Note	*30/06/2006*	*30/06/2005*
Revenues			
Revenues from sales and supply of services	**21**	144,626	140,216
Other operating revenues	**22**	2,633	3,727
TOTAL REVENUES		**147,259**	**143,943**
Costs			
Raw material costs	**23**	15,461	13,930
Personnel costs	**16**	44,129	45,240
Other operating charges	**24**	58,474	50,024
TOTAL COSTS		**118,064**	**109,194**
EBITDA		**29,195**	**34,749**
Depreciation, amortisation, provisions & write-downs	**25**	5,836	6,789
EBIT		**23,359**	**27,960**
Financial income		9,063	47.553
Financial charges		3,317	1.494
Net financial result	**26**	**5,746**	**46,059**
PROFIT BEFORE TAXES		**29,105**	**74,019**
Income taxes	**8**	11,479	21,747
PROFIT FROM NORMAL OPERATIONS		**17,626**	**52,272**
NET PROFIT FOR THE PERIOD		**17,626**	**52,272**
Group net profit		17,304	52,139
Minority interest share of profit		322	133
Earnings per share (Euro per 1,000 shares)	**27**	138	417
Diluted earnings per share (Euro per 1,000 shares)	**27**	138	417

CALTAGIRONE EDITORE GROUP

INCOME AND CHARGES RECORDED IN THE FINANCIAL STATEMENTS

(in thousands of Euro)

	Note	30/06/2006	31/12/2005
Change in fair value of securities available for sale		8,059	(8,483)
Net profit directly to net equity		**8,059**	**(8,483)**
Net profit		17.626	94.567
Total income and charges recorded in the financial statements	**14**	**25,685**	**86,084**
Attributable to:			
Shareholders of the Parent Company		25.363	85.824
Minority interest		322	260
Total income and charges recorded in the financial statements		**25,685**	**86,084**

Cash flow statement

CALTAGIRONE EDITORE GROUP

in thousands of euros	Note	30/06/2006	30/06/2005
A) LIQUIDITY AT BEGINNING OF PERIOD		**567,617**	**282,297**
Profit for the period		17,626	52,272
Amortisation & depreciation	**25**	4,797	5,362
(Revaluations) and write-downs	**25**	860	1,022
Net financial result	**26**	(5,746)	(10,911)
(Gains) Losses on disposals		(86)	(35,148)
Income Taxes	**8**	11,479	21,747
Changes in employee provisions	**16**	352	2,835
Changes in current and non-current provisions	**17**	(2,342)	(100)
OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL		**26,940**	**37,079**
(Increase) Decrease in inventories	**9**	178	486
(Increase) Decrease in Trade receivables	**10**	(7,585)	(2,163)
Increase (Decrease) in Trade payables	**18**	1,505	15,125
Change in other current and non-current liabilities		2,246	(17,592)
Change in deferred and current income taxes		2,899	8,051
OPERATING CASH FLOW		**26,183**	**40,986**
Dividends received	**26**	1,430	2,355
Interest received		7,348	3,637
Interest paid		(1,774)	(1,317)
Other income (charges) received/paid		60	170
Income tax paid		(8,456)	(7,177)
CASH FLOW FROM INVESTING ACTIVITIES		**24,791**	**38,654**
Investments in intangible fixed assets		(484)	(292)
Investments in tangible fixed assets	**3**	(4,294)	(547)
Sale of intangible, tangible and financial assets	**1-3**	153	94,070
(Increase) Decrease in equity investments and current securities		-	2
Other changes in investment activities		6,171	(2,426)
C) CASH FLOW FROM FINANCING ACTIVITIES		**1,546**	**90,807**

Change in non-current financial assets and liabilities		(3,290)	(3,364)
Change in current financial assets and liabilities		3,617	88,647
Dividends Distributed	**14**	(37,491)	(24,995)
D) CASH FLOW FROM FINANCING ACTIVITIES		**(44,422)**	**60,288**
E) Effect exchange differences on cash and cash equivalents		(1,648)	5,709
F) Change in net liquidity (B+C+D+E)		**(19,733)**	**195,458**
LIQUIDITY AT END OF PERIOD		**547,884**	**477,755**

CALTAGIRONE EDITORE GROUP

NOTES TO THE CONSOLIDATED HALF-YEAR REPORT AS OF JUNE 30th, 2006

Introductions

Caltagirone Editore S.p.A. (Parent Company) is a limited liability company with its registered office at Rome (Italy), Via Barberini, No. 28.

The shareholders with holdings above 2% of the share capital, as per the shareholders register, the communications received in accordance with article 120 of Legislative Decree No. 58 of February 24, 1998, and other information available are:

1) Francesco Gaetano Caltagirone: 81,955,300 shares (65.56%).

This investment is held:

- Directly for 22,500,000 shares (18.0%)
- Indirectly through the Companies:
  - Capitolium S.p.A. (29.08%)
  - Gamma Immobiliare S.r.l (12.00%)
  - Viafin S.r.l (3.60%)
  - Ind 2004 S.r.l. (2.88%)

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

3) Edizioni Holding S.p.A. 2,799,000 shares (2.24%)

The present consolidated half-year report, including the section relating to "Transition to international accounting standards (IFRS)" of Caltagirone Editore S.p.A., was approved by the Board of Directors on September 12th, 2006.

Compliance with international accounting standards approved by the European Commission

The consolidated half-year report of the Caltagirone Editore relating to the first half of 2006 was prepared in accordance with international accounting standard IFRS-EU (IAS 34) applicable for the preparation of interim financial statements and in accordance with Consob communication No. DEM/6064293 of July 28th, 2006. These financial statements do not contain all the disclosure requirements for the annual report, and should be read together with the consolidated financial statements prepared for the year ended December 31st, 2005.

Presentation basis

The consolidated half-year report consists of the Balance Sheet, the Income Statement, the Cash Flow Statement, the Statement of changes in Shareholders' Equity, the Statement of income and charges recorded in the period and the notes to the financial statements.

The Balance Sheet is classified between "current/non-current", the Income Statement is classified based on the nature of the costs, while the Cash Flow Statement is presented using the indirect method.

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

The consolidation principles and accounting standards are in line with those used in the preparation of the financial statements at December 31st, 2005 and are stated below.

The operational and presentation currency of the Group is the euro, which is also the operational currency of all of the companies included in the consolidated half-year report.

Comparative data at June 30th, 2005

The comparative data relating to the same period of the previous year was restated in accordance with IFRS and derives from the half-year data prepared in accordance with law and Italian GAAP and present in the consolidated half-year report of the previous year.

Consolidation principles

Consolidation scope

The consolidation scope includes the parent company and all of its subsidiaries, directly or indirectly held (hereinafter the "Group").

The list of subsidiaries included in the consolidation scope is as follows:

	Head office	30/06/2006	31/12/2005	30/06/2005
Caltagirone Editore S.p.A.	Rome	Parent com.	Parent com.	Parent com.
Il Messaggero S.p.A.	Rome	100%	100%	100%
Il Mattino S.p.A.	Rome	100%	100%	100%
PIEMME S.p.A. *(1)*	Rome	100%	100%	100%
S.E.M: Società Editrice Meridionale S.p.A. *(2)*	Rome	100%	100%	100%
Caltanet S.p.A.	Rome	100%	100%	100%
Leggo S.p.A	Rome	90%	90%	90%
Cedfin S.r.l.	Rome	100%	100%	100%
B2WIN S.p.A. *(3)*	Rome	100%	100%	100%
Finced S.r.l.	Rome	100%	100%	100%
Emera S.p.A. *(1)*	Rome	100%	100%	100%
Corriere Adriatico S.p.A. *(4)*	Ancona	100%	100%	100%
Quotidiano di Puglia S.p.A.	Rome	85%	85%	85%

(1) Held through Il Messaggero S.p.A.; (2) Held through Emera S.p.A.; (3) Held through Caltanet S.p.A., (4) Held directly for 51% and through Cedfin S.r.l for 49%.

Subsidiaries

All the companies in which the Group has the power to determine, directly or indirectly, the financial and operating policies of an entity, so as to obtain benefits from its activities are considered as subsidiary companies. In the evaluation of control, consideration is also taken of the potential voting rights that are effectively exercisable or convertible. The values of subsidiaries are consolidated from the date in which the parent company acquires control and until the moment in which this control ends.

Associated companies

Associated companies, which are the companies in which the Group exercises a significant influence, but not the control or joint control, on the financial and operating policies, are measured under the equity method. The profits and losses pertaining to the Group are recorded in the consolidated income statement at the date when such significant influence begins and until the date of termination.

In the evaluation of significant influence, consideration is also taken of the potential voting rights that are effectively exercisable or convertible. These investments are initially recognised at acquisition cost and subsequently measured under the equity method.

Where the loss pertaining to the Group exceeds the book value of the investment, the value is written down to zero and where the holding is committed to comply with legal or implicit obligations of the company or in any case to cover the losses, the excess is recorded in a specific provision.

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

On the first-time adoption of IFRS, the Group has chosen not to apply IFRS 3 (Business combinations) in retrospective manner for the acquisitions made prior to January 1st, 2004. Therefore the goodwill deriving from the acquisitions prior to the transition date to IFRS is maintained at the values recorded in the last consolidated financial statements prepared in accordance with the previous accounting standards (December 31st, 2003).

Consolidation procedure

The interim financial statements of the subsidiaries used for the preparation of the consolidated financial statements were prepared at June 30th and adjusted, where necessary, in accordance with the accounting standards applied by the Parent Company.

The assets and the liabilities, the charges and the income of the companies consolidated under the line-by-line method are fully included in the consolidated financial statements; the book value of the investments is eliminated against the corresponding fraction of the net equity of the subsidiaries, allocating to the individual assets and liabilities their current value at the date of acquisition of control. Any residual difference deriving from this elimination is recorded in the account "Goodwill" if positive, or charged to the Income Statement, if negative.

The share of net equity and result for the period relating to minority shareholders are recorded in specific accounts in the balance sheet and income statement.

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

The losses not realised are not eliminated when they represent a permanent impairment in value.

Translation criteria of foreign currencies

All transactions in currencies other than the Euro are recorded at the exchange rate at the date of the transaction. The assets and liabilities denominated in foreign currencies other than the operational currencies are subsequently adjusted to the exchange rate at the end of the reporting period. The positive or negative differences between the values converted at the period end exchange rate and the original exchange rate are recorded in the income statement.

The non monetary assets and liabilities denominated in foreign currencies and recorded at historical cost are converted utilising the exchange rate at the initial date of recording of the operation.

Business combinations

All the business combinations are recorded using the purchase method, which is the purchase cost equal to the fair value at the date of the exchange of the assets sold, liabilities incurred or assumed, plus directly attributable purchase costs. This cost is allocated recording the identifiable assets, liabilities and contingent liabilities of the purchase, at their fair value. Any positive difference between the purchase price and the fair value of the share of net assets acquired relating to the Group is recorded as goodwill. Any negative difference ("negative goodwill") is recorded in the profit and loss account at the time of acquisition.
Where the fair value of the assets, liabilities and contingent liabilities may only be determined provisionally, the business combination is recorded utilising the provisional values. Any adjustments deriving from the completion of the valuation process are recorded within 12 months from the acquisition date and from that date.

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

Accounting principles

Intangible assets with definite life

The Intangible assets with a definite life, which include patents, concessions, licences, trademarks and similar rights and software, are recorded at cost, including direct accessory costs necessary in order to render the asset available for use.

The intangible assets with a definite life are recorded net of the relative accumulated amortisation and any loss in value in accordance with the procedures described below. Amortisation is calculated on a straight line basis over the estimated useful life of the asset which is reviewed on an annual basis and any changes, where necessary, are made in accordance with future estimates. Considering the uniformity of the assets contained in the individual categories, it is considered, with the exception of specific cases, that the useful life of these assets is approximately 3-5 years. The amortisation begins when the intangible asset is available for use.

At the moment of sale or when no expected future economic benefits exist from the use of an intangible asset, it is eliminated from the financial statements and any loss or gain (calculated as the difference between the sales value and the net book value) is recorded in the income statement in the year of the above mentioned elimination.

Goodwill

The goodwill deriving from business combinations is allocated to the cash-generating unit identified which will benefit from these operations. The goodwill relating to investments in associated companies is included in the carrying value of these companies.

After initial recognition, goodwill is not amortised but is adjusted for any loss in value, determined in accordance with the procedures described below. Any write-downs may not be subsequently restated.

Intangible assets with an indefinite life

Intangible assets with an indefinite life are those activities for which, on the basis of analysis of all of the relevant factors, there is no perceivable limit to the period in which the cash flow generated is limited for the Group. The newspaper titles are considered assets with indefinite useful lives.

The intangible assets with an indefinite life are initially recorded at purchase cost, determined in accordance with the same procedures indicated for intangible assets with a definite life, but are not amortised subsequently. The recovery of their value is verified adopting the same criteria for Goodwill. The write-downs are reinstated if the reasons for their write down no longer exist.

Property, plant and equipment

“Property, plant and equipment” is recorded at cost, including directly allocated accessory costs and necessary for the asset being in the condition for use for which it was acquired, and increased, in the presence of legal or implicit obligations, by the current value of the estimated cost for the disposal of the asset. The corresponding liability is recorded in a liability provision in the balance sheet under provisions for risks and charges.

The costs incurred after acquisition are recorded as an increase in the book value of the asset to which it refers when it is probable that the Group will receive the future benefits deriving from the cost incurred for the replacement of a part of property, plant and equipment and this cost can be reliably determined. All the other costs are recorded in the income statement when incurred.

When significant parts of property, plant and equipment have different useful lives, these components are recorded separately.

“Property, plant and equipment” is recorded net of the relative accumulated depreciation and any loss in value determined in accordance with the procedures described below. Depreciation is calculated on a straight line basis on the estimated useful life of the asset for the company, that is reviewed on an annual basis and any changes, where necessary, are recorded in accordance with future estimates. Land, both constructible and annexes to buildings, is not depreciated in that it has an unlimited useful life.

The property, plant and equipment acquired through finance lease contracts, where the majority of the risks and rewards related to the ownership of an asset have been transferred to the Group, are recognised as assets of the Group at their fair value or, if lower, at the current value of the minimum lease payments, including any redemption amounts to be paid. The corresponding liability due to the lessor is recorded under financial payables. The leased assets are amortised based on the useful life of the asset. When there is no reasonable certainty that the Group will acquire ownership at the end of the lease, the asset is amortised over the shorter period of the duration of the lease and the useful life of the asset. The leased assets where the lessor bears the majority of the risks and rewards related to an asset are recorded as operating leases. The costs relating to operating leases are recorded on a straight-line basis in the income statement over the duration of the lease contract.

The principal depreciation rates applied are as follows:

	Useful life	Economic/technical rate
Industrial buildings	30 years	3.33%
Light structures	10 years	10%
Non automated machines and general plant	10 years	10%
Rotating press for paper in rolls	10- 12 years	10 – 8.33%
Equipment	4 years	25%

Office furniture and equipment	8 years	12%
Transport vehicles	5 years	20%
Motor vehicles and similar	4 years	25%

At the moment of sale or when there are no expected future economic benefits from the use of property, plant and equipment, they are eliminated from the financial statements and any loss or gain (calculated as the difference between the sales value and the book value) is recorded in the income statement in the year of the above mentioned elimination.

Assets and liabilities available for sale and discontinued operations

The assets or group of assets and liabilities whose book value will be recovered principally through sale rather than continual usage, are presented separately from the other assets and liabilities in the balance sheet.

The assets classified as held for sale are measured at the lower between their book value and the current realisable value, less costs to sell, determined at the reclassification date. Losses in value are recognised directly in the income statement. The corresponding balance sheet values of the previous year are not reclassified.

The results of the activities terminated or in the course of disposal (discontinued operations) are recorded separately in the income statement, net of the tax effect. The corresponding values relating to the previous year are reclassified and are shown separately in the income statement, net of the tax effect, for comparative purposes.

Loss in value

At each period end, the book value of the property, plant and equipment and of intangible assets with a definite life are reviewed, in order to verify the existence of events or changes which indicate that the carrying value may not be recovered. If an indication of this type exists, their recoverable value must be determined and, where the book value exceeds the recoverable value, these assets are written down to reflect their recoverable value.

The recoverable value of goodwill, of other intangible assets with an indefinite life and intangible assets not available for use are, however, estimated annually or, when there is a change in circumstances or specific events occur.

The recoverable value is represented by the higher value between the current value less costs to sell and their value in use.

In defining the value in use, the expected future pre-tax cash flows are discounted using a pre-tax rate that reflects the current market assessment of the time value of money and the specific risks of the activity. When an asset does not generate sufficient independent cash flows, the recoverable value is determined in relation to the cash-generating unit to which the asset belongs.

A loss in value is recognised in the income statement under amortisation, depreciation and write-downs, when the carrying value of the asset, or of the relative cash-generating unit to which it is

allocated, is higher than the recoverable value. The losses in value of cash-generating units are firstly attributed to the reduction in the carrying value of any goodwill allocated and, thereafter, to a reduction of other assets, in proportion to their carrying value.
With the exception of goodwill, a loss in value of an asset is restated, up to the amount of the previous write-downs made, when the recoverable value exceeds the written down carrying value.

Inventories

Raw materials, semi-finished and finished products are measured at the lower of cost and market value. The cost is calculated on the basis of the weighted average cost method, which includes related accessory costs.

Financial instruments

Investments in other companies and debt instruments

The investments in other companies are measured at fair value with the recording of any gain or loss directly to equity; when the financial asset is sold or written down, the accumulated gains and losses are recorded in the income statement of the period. The fair value of the securities traded on a regulated market is based on the quotation price at the balance sheet date.

When the fair value cannot be reasonably determined, these investments are measured at adjusted cost for reductions in value, whose effects are recorded in the income statement. Any write-downs may not be subsequently restated.

Trade receivables

Trade receivables are recorded at amortised cost, net of any loss in value. The losses in value are determined on the basis of the fair value of the estimated future cash flows, discounted on the basis of the original effective interest rate.

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

Cash and cash equivalents

The cash and cash equivalents include bank deposits and cash in hand, or rather those values that are available on demand at short notice, certain in nature and with no payment expenses.

Financial liabilities and trade payables

The financial liabilities and trade payables are initially recorded at fair value net of directly allocated transaction costs.
Thereafter, they are measured under the amortised cost criteria, using the original effective interest rate method.

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

Shareholders' Equity

Treasury shares

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

Costs for share capital increases

The costs incurred for the stock exchange listing of the Parent Company Caltagirone Editore S.p.A., net of the relative tax effect, are recorded as a reduction of the shareholders' equity in a separate negative reserve.

Employee benefits

The liabilities relating to the benefits recognised to employees and paid on or after the termination of employment and relating to defined benefit programmes (Employee Leaving Indemnity), net of any assets serving the plan, are determined on the basis of actuarial assumptions estimating the amount of the future benefits that the employees have matured at the balance sheet date. The liability is recorded on an accruals basis over the period of maturity of the right. The valuation of the liability is made by independent professional actuaries.

Provisions for risks and charges

The provisions for risks and charges are recorded when a legal or implicit obligation exists towards a third party that derives from a past event, and a payment of resources is probable in order to satisfy the obligation and this amount can be reliably estimated. When the financial effect of the time value of money is significant and the payment dates of the obligations can be estimated reliably, the provision is discounted using the estimated future cash flows at a pre-tax rate that reflects the current market assessment of the cost of money and, if appropriate, the specific risks of the obligation; the increase of the provision due to the passing of time is recorded as a financial charge.

Grants

The grants and contributions, from public entities and private third parties, are recognised at fair value when there is reasonable certainty that they will be received and that they will satisfy the conditions for their attainment.

The grants received against specific expenses are recorded under other liabilities and credited to the income statement over the period to which the related costs mature.

The grants received against specific assets whose value is recorded under fixed assets are recorded under other liabilities and credited to the income statement in relation to the depreciation period to which the asset refers.

The operating grants are fully charged to the income statement when they satisfy the conditions for their recording.

Revenues

Revenues are recorded in accordance with the probability that the Group will receive economic benefits and the amount can be determined reliably. Revenues are recorded net of returns, discounts and allowances.

In particular, the revenues from the sale of goods are recorded when the significant risks and benefits of the ownership of the assets are transferred to the purchaser.

Revenues for services are recorded when the services are provided, with reference to the progress of completion of the activities.

Financial income and expense

Financial income and charges are recorded on an accruals basis of the interest matured on the net value of the relative financial assets and liabilities utilising the effective interest rate.

Dividends

Dividends are recorded when the right of the shareholders to receive the payment arises. Dividends and dividend payments on account payable to third parties are recorded as changes in shareholders' equity at the date in which the Shareholders and Board of Directors meetings are approved respectively.

Income taxes

Current Income taxes for the period are determined on the basis of the fiscal assessable income and in compliance with current fiscal law; in addition, the effects deriving from the implementation of some companies of the Group's national fiscal consolidation is applied.

Deferred tax assets and liabilities are calculated on temporary differences between the balance sheet values and the corresponding values recognised for tax purposes, applying the expected tax rates when the differences are reversed, determined on the basis of the current tax rates in force and in consideration of any expected changes relating to future years.

The recording of deferred tax assets is made when their recovery is probable, that is when it is expected that there will be future assessable fiscal income sufficient to recover the asset.

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

Use of estimates

The preparation of the consolidated half-year financial statements require the Directors to apply accounting principles and methods that, in some circumstances, are based on difficulties and subjective valuations and estimates based on the historical experience and assumptions which are from time to time considered reasonable and realistic based on the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the consolidated half-year financial statements, such as the balance sheet, the income statement and the cash flow statement, and on the disclosures in the notes to the accounts. The final outcome of the accounts in the consolidated half-year financial statements which use the above-mentioned estimates and assumptions, may differ from those reported in the financial statements due to the uncertainty which characterises the assumptions and the conditions upon which the estimates are based.

The accounting standards and accounts in the consolidated half-year financial statements which require greater subjectivity in the preparation of the estimates and for which a change in the underlying conditions of the assumptions used may have a significant impact on the consolidated half-year financial statements of the Group, are as follows:

- Goodwill and other indefinite intangible assets
- Write-down of fixed assets
- Amortisation and depreciation of fixed assets
- Deferred income taxes
- Provisions for risks and charges
- Allowance for doubtful accounts
- Other write-down provisions
- Employee benefits

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

Management of risks

The Group is exposed to different market risks and in particular to raw material price risk, credit risk, risk of changes in interest rates, liquidity risk, risk of change in the prices of quoted financial investments and foreign exchange risk.

Price risk (paper)

The group is exposed to fluctuations in the price of paper, principal raw material; the risk is managed through supply contracts with Italian and foreign companies with fixed prices and quantities for a maximum period of approximately one year, and through the provision from suppliers based in different geographic areas in order to obtain the most competitively priced supplies.

Credit risk

The Group does not have particularly significant credit risks. The operating procedures permit a control of the risk connected to the receivable, limiting the sales of products and/or services to clients without an adequate level of credit lines or guarantees.

Liquidity risk

The liquidity risk is managed by the group through the investment of liquidity in short term operations (generally between one and three months) or readily liquid investments.

Interest rate risk

The exposure of the group to interest rate changes is not particularly significant as this risk is principally related to medium/long-term loans with variable interest rates. The group operations of this kind relate to bank loans.

Foreign currency risks

The Group, operating exclusively in the eurozone, is normally not exposed to foreign exchange currency movements. In some circumstances, however, foreign currency operations are undertaken which expose the Group to contained foreign currency risk.

Notes to the interim Consolidated Financial Statements

ASSETS

1) Intangible assets with definite life

Historical cost	Research and development	Patents	Trademarks	Others	Total
01/01/2005	751	56	958	2,679	**4,444**
Increases		3	147	279	**429**
31/12/2005	**751**	**59**	**1,105**	**2,958**	**4,873**
01/01/2006	751	59	1,105	2,958	**4,873**
Increases			53	96	149
30/06/2006	**751**	**59**	**1,158**	**3,054**	**5,022**

Amortisation and loss in value	Research and development	Patents	Trademarks	Others	Total
01/01/2005	727	46	889	2,097	**3,759**
Increases	22	6	90	313	**431**
Decreases	(10)				**(10)**
31/12/2005	**739**	**52**	**979**	**2,411**	**4,180**
01/01/2006	739	52	979	2,411	**4,181**
Increases	2	3	48	128	181
30/06/2006	**741**	**55**	**1,027**	**2,539**	**4,362**
Net value					
01/01/2005	**24**	**10**	**69**	**582**	**685**
31/12/2005	**12**	**7**	**126**	**547**	**693**
30/06/2006	**10**	**4**	**131**	**515**	**660**

The average amortisation rates used are shown below:

Category	**Average rate**
Development costs	20.0%
Industrial patents and intel. property rights	29.0%
Trademarks, concessions and licenses	18.5%
Others	28.0%

2) *Goodwill and other indefinite intangible assets*

The indefinite intangible assets, comprising of goodwill and newspaper titles, are not amortised, but are subject annually to verifications to determine the existence of any loss in value.
The table below shows the movements in the indefinite intangible assets:

Historical cost	Goodwill	Newspaper titles	Total
01/01/2005	88,854	186,100	**274,954**
Increases			
Decreases			
Change in consolidation scope			
31/12/2005	**88,854**	**186,100**	**274,954**
01/01/2006	88,854	186,100	**274,954**
Increases			
Decreases			
Change in consolidation scope			
30/06/2006	**88,854**	**186,100**	**274,954**

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

	30/06/2006	31/12/2005
Messaggero S.p.A.	51,613	51,613
Piemme (Advertising agency)	27,521	27,521
Il Mattino S.pA.	9,720	9,720
Total	**88,854**	**88,854**

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

	01/01/2005	Increases	Decreases	Change in consolidation scope	Write-downs	31/12/2005
Il Messaggero	90,808					90,808
Il Mattino	44,496					44,496
Il Quotidiano di Puglia	26,131					26,131
Corriere Adriatico	24,656					24,656
Other minor newspaper titles	9					9
Total	**186,100**	**-**	**-**	**-**	**-**	**186,100**

	01/01/2006	Increases	Decreases	Change in consolidation scope	Write-downs	30/06/2006
Il Messaggero	90,808					90,808
Il Mattino	44,496					44,496
Il Quotidiano di Puglia	26,131					26,131

Corriere Adriatico	24,656					24,656
Other minor newspaper titles	9					9
Total	**186,100**	**-**	**-**	**-**	**-**	**186,100**

In the absence of elements which indicate a loss in value of the Cash Generating Units to which the values of the newspaper titles are attributed and of the goodwill, the Group did not make an estimate of the recoverable value in the period. The last estimate remains, therefore, that made for the preparation of the consolidated financial statements at December 31st, 2005.

3) *Property, plant and equipment*

Historical cost	**Land**	**Buildings**	**Plant and machinery**	**Commercial and industrial equipment**	**Other assets**	**Assets in progress**	**Total**
01/01/2005	4,783	30,450	95,923	1,439	15,578	-	**148,173**
Increases		13	921	61	1,106	1,725	**3,826**
Decreases			(18,396)		(259)		**(18,655)**
31/12/2005	**4,783**	**30,463**	**78,448**	**1,500**	**16,425**	**1,725**	**133,344**
01/01/2006	4,783	30,463	78,448	1,500	16,425	1,725	**133,344**
Increases		15	762	57	1,030	2,943	4,807
Decreases			(661)		(324)		(985)
30/06/2006	**4,783**	**30,478**	**78,549**	**1,557**	**17,131**	**4,668**	**137,166**

Amortisation and loss in value	**Buildings**	**Plant and machinery**	**Commercial and industrial equipment**	**Other assets**		**Total**
01/01/2005	3,129	39,791	1,331	11,660	-	**55,911**
Increases	909	7,369	77	1,628		**9,983**
Decreases		(14,772)		(245)		**(15,017)**
31/12/2005	**4,038**	**32,388**	**1,408**	**13,043**	**-**	**50,877**
01/01/2006	4,038	32,388	1,408	13,043	-	**50,877**
Increases	456	3,421	22	717		4,616
Decreases		(616)		(303)		(919)
30/06/2006	**4,494**	**35,193**	**1,430**	**13,457**	**-**	**54,574**

Net value							
01/01/2005	**4,783**	**27,321**	**56,132**	**108**	**3,918**	**-**	**92,262**
31/12/2005	**4,783**	**26,425**	**46,060**	**92**	**3,382**	**1,725**	**82,467**
30/06/2006	**4,783**	**25,984**	**43,356**	**127**	**3,674**	**4,668**	**82,592**

The account “Other assets” includes, in addition to computers, servers and network appliances, leasehold improvements and restructuring relating to rented offices. Depreciation is calculated based on the duration of the contract which is lower than the useful life of the asset.
The book value of buildings provided as guarantees on liabilities amounts to Euro 7.03 million. For further information, reference should be made to Note 15.

4) Equity investments measured at cost

This account has not changed compared to December 31st, 2005:

Equity investments in other companies	**%**	**01/01/2005**	**Increases (Decreases)**	**Change in consolidation scope**	**Write-downs**	**31/12/2005**
Euroqube	14.82	3,754			(272)	3,482
Ansa	6.71	777				777
Casaclick	0.227	14				14
Sviluppo Quotidiani	16.66	7				7
Other minor		45			(6)	39
Total		**4,597**	**-**	**-**	**(272)**	**4,319**

Equity investments in other companies		**01/01/2006**	**Increases (Decreases)**	**Change in consolidation scope**	**Write-downs**	**30/06/2006**
Euroqube	14.82	3,482				3,482
Ansa	6.71	777				777
Casaclick	0.227	14				14
Sviluppo Quotidiani	16.66	7				7
Other minor		39				39
Total		**4,319**	**-**	**-**	**-**	**4,319**

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

5) Equity investments and non-current and current securities

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

Equity investments available-for-sale	**%**	**01/01/2005**	**Purchases/(sales)**	**Change in consolidation scope**	**Change in fair value**	**31/12/2005**
Banca Nazionale del Lavoro SpA	0.809	53,241	(53,241)			-
Monte dei Paschi di Siena SpA	0.365	28,665	14,729			43,394
RCS Media Group SpA	2.047	66,300	(66,300)			-

		01/01/2006	Purchases/(sales)	Change in consolidation scope	Change in fair value	30/06/2006
Total		**148,206**	**(104,812)**	**-**	**-**	**43,394**

		01/01/2006	Purchases/(sales)	Change in consolidation scope	Change in fair value	30/06/2006
Monte dei Paschi di Siena SpA	0.365	43,394			8,305	51,699
Total		**43,394**	**-**	**-**	**8,305**	**51,699**

The holding in Banca Monte dei Paschi Siena S.p.A. consists of 11,000,000 shares held by the subsidiary Emera S.p.A..

The fair value valuations of the above-mentioned investments are recorded in a separate equity reserve.

6) Non-current financial assets

The account, amounting to Euro 48 thousand, principally relates to receivables for deposits due within five years.

7) Other non-current assets

The account mainly relates to advance tax paid relating to the employee leaving indemnity for the employees of Il Messaggero SpA (Euro 351 thousand) and of Il Mattino SpA (Euro 494 thousand) and other receivables (Euro 55 thousand).

8) Deferred and current income taxes

The deferred tax assets refer to temporary differences between the values recorded in the financial statements and the corresponding values recognised for tax purposes.

The movements are shown below of the deferred tax assets and liabilities:

	01/01/2006	Provisions	Utilisations	Other changes	30/06/2006
Deferred tax assets					
Fiscal losses carried forward	3,666	1,808	(1,268)		4,206
Provisions for risks and charges	2,212	42	(135)		2,119
Maintenance	118		(13)		105
Write-downs of equity investments	8,686	143	(3,823)		5,006
Others	1,923	25	(28)	(134)	1,786
Total	**16,605**	**2,018**	**(5,267)**	**(134)**	**13,222**
Deferred tax liabilities					
Differences fiscal depreciation rates	5,653	2,882			8,535
Gains	2,403		(436)		1,967
Goodwill amortisation	20,487	452	(49)		20,890
Others	2,544		(495)	247	2,296
Total	**31,087**	**3,334**	**(980)**	**247**	**33,688**
Net deferred tax liabilities	**(14,481)**	**(1,316)**	**(4,287)**	**(381)**	**(20,466)**

The column "Other changes" relates to the deferred taxes provided on the fair value valuations of the investments in Banca Monte dei Paschi di Siena SpA. which did not impact on the income statement.

The assets include the receivables for current taxes, which shows the net position for income taxes, represented by the payments on account and other tax credits, net of income taxes payable:

	30/06/2006	31/12/2005
Receivables for direct taxes	3,813	1,975
Reimbursement request of direct taxes	4,799	4,754
Other receivables	427	2,228
Payables for IRES/IRAP/substitute taxes	(5,864)	(4,379)
Total	**3,175**	**4,578**

The income taxes for the period consist of:

	30/06/2006	31/12/2005
Current taxes	5,741	10,042
Current taxes	**5,741**	**10,042**
Provision for deferred tax liabilities	3,334	9,155
Utilisation of deferred tax liabilities	(980)	(5,448)
Deferred tax liabilities	**2,354**	**3,707**
Recording of deferred tax assets	(2,018)	(1,779)
Utilisation of deferred tax assets	5,402	14,525
Deferred tax assets	**3,384**	**12,746**
Total income taxes	**11,479**	**26,495**

At June 30th, 2006, the current and deferred income taxes amounted to Euro 7.7 million; therefore the effective fiscal charge is approximately 27% of the pre-tax consolidated result. The difference compared with December 31st, 2005, equal to 17%, is due to the presence of significant exempt income in the previous year following the sale of the investments held in RCS Media Group S.p.A. and in Banca Nazionale del Lavoro S.p.A. which benefited from the legislation for the exemption on investments.

9) Inventories

The inventories at June 30th, 2006 amount to Euro 2.41 million (Euro 2.58 million at December 31st, 2005) and consist exclusively of raw materials, ancillary and consumables. Raw materials consist prevalently of paper and ink and relate for Euro 1.58 million to Il Messaggero S.p.A., for Euro 556 thousand to Il Mattino S.p.A, and for Euro 188 thousand and Euro 86 thousand respectively to Corriere Adriatico Spa and to Quotidiano di Puglia SpA.

The cost of inventory recorded in the income statement amounts to Euro 178 thousand and is included in the account Raw material costs (see Note 23).

Inventories are measured at the lower of the purchase price, calculated using the weighed average cost method, and the realisable value.

The net realisable value of inventories amounts to Euro 2.41 million.

There is no inventory provided as a guarantee on liabilities.

10) Trade receivables

This account can be broken down as follows:

	30/06/2006	31/12/2005
Trade receivables	94,165	87,496
Provisions for doubtful debts	(9,924)	(10,035)
Trade receivables	**84,241**	**77,461**
Receivables from other Group companies	118	130
Advances to suppliers	15	57
Receivables from related parties	6	6
Total trade receivables	**84,380**	**77,654**

Trade receivables principally relate to Group advertising revenues of Piemme SpA.

The doubtful debt provision was utilised in the period for Euro 971 thousand and increased by Euro 860 thousand for the provisions made in the period.

There are no receivables due over 12 months.

11) Current financial assets

This account can be broken down as follows:

	30/06/2006	31/12/2005
Subsidiaries	24	19
Accrued interest	100	1,397
Total current financial assets	**124**	**1,416**

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

12) Other current assets

This account can be broken down as follows:

	30/06/2006	31/12/2005
Receivables from employees	294	391
VAT receivables	135	504

Other receivables	1,208	1,108
Accrued income	43	59
Prepaid expenses	621	1,757
Total other current assets	**2,301**	**3,819**

The prepaid expenses relate to rental (Euro 80 thousand), insurance (Euro 92 thousand) and others (Euro 449 thousand).

13) Cash and cash equivalents

This account can be broken down as follows:

	30/06/2006	**31/12/2005**
Bank and postal deposits	547,659	567,250
Cash in hand and similar	225	367
Total	**547,884**	**567,617**

The decrease in bank deposits in the period was due to the distribution of dividends of Euro 37.5 million, net of the positive cash flow from normal operations.

At June 30th, 2006, the Parent Company held USD 10.33 million (equal to Euro 8.12 million) in an overseas bank deposit. This deposit generated an exchange loss of Euro 1.65 million in the period.

The average interest rates on bank deposits in the period did not change significantly from those indicated in the consolidated financial statements at December 31st, 2005.

LIABILITIES & EQUITY

14) Shareholders' equity

Changes of capital and reserves

	Share Capital	Quotation charges	Treasury shares	Fair Value reserve	Other reserves	Result for the period	Group net equity	Minority interest N.E.	Total net equity
Balance at January 1st, 2005	**125,000**	**(18,865)**	**(164)**	**32,298**	**617,735**	**31,376**	**787,380**	**531**	**787,911**
Dividends distributed					(24,994)		**(24,994)**		**(24,994)**
Result of previous years					31,376	(31,376)	**-**		**-**
Valuation at fair value				8,513			**8,513**		**8,513**
Other changes					(381)		**(381)**		**(381)**
Profit for the period						52,139	**52,139**	133	**52,272**
Balance at June 30th, 2005	**125,000**	**(18,865)**	**(164)**	**40,811**	**623,736**	**52,139**	**822,657**	**664**	**823,321**
Balance at January 1st, 2006	**125,000**	**(18,865)**	**(164)**	**23,815**	**623,605**	**94,307**	**847,698**	**896**	**848,594**
Dividends distributed						(37,491)	**(37,491)**		**(37,491)**
Result of previous years					56,052	(56,052)	**-**		**-**
Valuation at fair value				8,059			**8,059**		**8,059**
Other changes						(764)	**(764)**	(77)	**(841)**
Profit for the period						17,304	**17,304**	322	**17626**
Balance at June 30th, 2006	**125,000**	**(18,865)**	**(164)**	**31,874**	**679,657**	**17,304**	**834,806**	**1,141**	**835,947**

Share capital

- The share capital amounts to Euro 125 million, consisting of 125 million ordinary shares at a nominal value of Euro 1 each. The number of ordinary shares outstanding did not change during the period.
- All of the ordinary shares issued are fully paid-in. There are no restrictions on the distribution of dividends, with the exception of the requirements of article 2357 of the Civil Code in relation to treasury shares.

Other reserves

- "Other Reserves" include the Share Premium Reserve of Euro 491.02 million, the Legal Reserve of the Parent Company of Euro 25 million created as per article 2430 of the Civil Code and the reserve for the purchase of treasury shares (Euro 29.84 million), to be utilised as per article 2357 of the Civil Code, in accordance with the shareholders' meeting resolution of April 27th, 2006. This reserve 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.

Fair value reserve

- The Fair value reserve includes all the market value changes of the investments in other companies available for sale until these investments are maintained in the accounts.

LIABILITIES

15) Financial liabilities

	30/06/2006	31/12/2005
Non-current financial payables		
Bank payables	52,601	54,559
Other lenders	11,409	12,719
	64,010	**67,278**
Current financial liabilities		
Bank payables	15,468	13,577
Short-term portion of non-current loans	3,883	3,833
Other lenders	2,670	2,615
	22,021	**20,025**

The non-current bank payables are represented by a loan to finance the construction of a printing centre located at Torrespaccata in Rome. The loan is at a variable interest rate (Euribor at 6 months + spread 0.5%) amounting to Euro 60 million, granted by San Paolo – IMI to the company S.E.M. S.p.A.. The first capital repayment was made in December 2005, while the final repayment is due in June 2018. The loan is secured by a mortgage on a building owned by the company S.E.M. S.p.A. for a total amount of Euro 60 million. In addition, a special privileged guarantee was given on the plant and equipment utilised in the factory amounting to Euro 43.40 million.

The non-current financial payables to other lenders consists of two loans provided by Mediocredito Lombardo to the parent company Caltagirone Editore S.p.A. and Il Mattino S.p.A., respectively of Euro 11.62 million and Euro 9.81 million and of a loan at subsidised interest rates as per law 416 of August 5th, 1981, received by Il Messaggero S.p.A. from Mediocredito Lombardo for a total original value of Euro 4.03 million.

The first instalment was due on June 30th, 2002, while the final instalment is due in 2011 for the loans received by the Parent Company and Il Mattino S.p.A. The interest rate applied on these loans is a variable Euribor at 6 months + spread 0.70%.

As a guarantee on these loans, mortgages were provided on the land and buildings of the factory of Il Mattino S.p.A at Caivano amounting to Euro 37.51 million and special privileges on the factory assets amounting to Euro 17.17 million.

The subsidised loan granted to Messaggero S.p.A. is at a fixed rate of 3.15% over 10 years, with final repayment due in June 2008. This loan is secured by pledges on the printing presses of the newspaper.

The amount of the non-current liabilities payable over five years is Euro 35.75 million.

16) Personnel

Employee leaving indemnity and employee provisions

The employee leaving indemnity represents a liability relating to the benefits recognised to employees and paid either on termination or after employment service. This liability is a defined benefit plan and therefore is determined applying the actuarial method.

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

The movements were as follows:

	30/06/2006	31/12/2005
Net liability at January 1st , 2006	39,071	38,217
Current cost for the year	1,907	3,097
Interest charge (income), net	604	903
Actuarial profits/(losses)	(637)	(246)
(Services paid)	(1,522)	(2,900)
Net liability at June 30th, 2006	**39,423**	**39,071**

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

	01/01/2005	31/12/2005	30/06/2006
Nominal value of the provision	38,309	40,412	**41,933**
Actuarial adjustment	(92)	(1,341)	**(2,510)**
Total Employee leaving indemnity	**38,217**	**39,071**	**39,423**

As illustrated in the movement, the change between the liability determined in accordance with Italian regulations and IFRS was principally impacted by the interest rates.

Cost and personnel numbers

	30/06/2006	30/06/2005
Salaries and wages	30,858	29,649
Social security charges	10,093	9,868
Employee leaving indemnity prov.	1,874	4,086
Other costs	1,304	1,637
Total personnel costs	**44,129**	**45,240**

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

	30/06/2006	31.12.2005	Average 2006	Average 2005
Executives	23	22	23	22
Managers & white collar	352	347	351	345
Journalists	503	512	504	515
Print workers	129	128	126	128
Total	**1,007**	**1,009**	**1,004**	**1,010**

17) Provisions for risks and charges

	Legal disputes	Agents' indemnity	Other risks	Total
Balance at January 1st, 2005	6,267	376	750	**7,393**
Provisions	3,384	64	364	**3,812**
Utilisation	(1,227)		(289)	**(1,516)**
Balance at December 31st, 2005	**8,424**	**440**	**825**	**9,689**
Of which:				
Current portion			661	**661**
Non-current portion	8,424	440	164	**9,028**
Total	**8,424**	**440**	**825**	**9,689**
Balance at January 1st, 2006	8,424	440	825	**9,689**
Provisions	124	15	39	**178**
Utilisation	(2,423)		(98)	**(2,521)**
Other changes	554		(554)	**-**
Balance at June 30th, 2006	**6,679**	**455**	**212**	**7,346**
Of which:				
Current portion			70	**70**
Non-current portion	6,679	455	142	**7,276**
Total	**6,679**	**455**	**212**	**7,346**

The provision for legal disputes refers principally to the provisions made by the companies Il Messaggero S.p.A. and Il Mattino S.p.A. against liabilities prevalently deriving from damages requested for slander and also from employees. The provision was estimated taking into account 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 half-year financial statements, considering the difficulty in estimating charges connected to each single case.

The agents' indemnity provision, which 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 S.p.A.

The other provisions include charges relating to some minor disputes.

18) Trade payables

	30/06/2006	**31/12/2005**
Trade payables – suppliers	33,566	31,705
Payables to group companies	373	552
	33,939	**32,257**

Trade payables principally refer to operating subsidiaries in the publishing sector, Il Messaggero S.p.A., Il Mattino S.p.A., Piemme S.p.A. and Leggo S.p.A., and relate to the purchase of raw materials and capital expenditures.

There are no payables due over 12 months.

19) Payables for current taxes

The payables for current taxes relates entirely to the substitute tax to be paid by Il Messaggero S.p.A.

20) Other Liabilities

	30/06/2006	**31/12/2005**
Other non-current liabilities		
Other payables	6	6
Deferred income	3,572	3,229
	3,578	**3,235**
Other current liabilities		
Social sec. institutions	4,172	5,726
Employee payables	9,959	8,638

VAT payables	3,033	709
Payables for withholding taxes	2,188	3,190
Payables to associated companies	4	166
Payables to other third parties	7,836	7,140
Accruals	1,486	2,109
Deferred income	2	693
	28,680	**28,371**

The other non-current liabilities include deferred income principally relating to the grants received by Il Mattino S.p.A., in accordance with Law No. 488/92.

INCOME STATEMENT

21) Revenues from sales and supply of services

	30/06/2006	30/06/2005
Newspaper sales	33,469	34,329
Promotions	12,779	9,130
Advertising	94,146	93,960
Services and Internet	6,864	6,524
Total revenues from sales and supply of services	**147,258**	**143,943**

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

22) Other operating revenues

	30/06/2006	30/06/2005
Operating grants	31	37
Recovery of expenses from third parties	891	673
Capital grant contributions	451	452
Gains on disposal of assets	94	776
Prior period income	133	506
Other revenues	1,033	1,283
Total other operating revenues	**2,633**	**3,727**

23) Raw material costs

	30/06/2006	30/06/2005
Paper	13,609	10,928
Other publishing materials	1,628	2,062
Other	46	454
Change in inventory of raw materials and goods	178	486
Total raw materials costs	**15,461**	**13,930**

The increase in the costs of raw material is mainly due to the increase in the international price of paper.

24) Other operating charges

	30/06/2006	30/06/2005
Editorial services	7,209	7,097
Transport and delivery	7,588	7,373
Outside contractors	5,583	5,113
Editorial promotions	11,621	7,062
Advertising & promotions	524	474
Commissions and agent costs	4,795	4,286
Utilities and power	1,569	1,274
Maintenance and repair costs	1,536	1,464
Consultants fees	1,259	1,306
Purchase of advertising space from third parties	1,752	1,058
Directors and statutory auditors fees	766	552
Insurance, postal and telephone	1,156	1,276
Other costs	6,683	5,712
Total service costs	**52,041**	**44,047**
Rental	2,378	2,452
Hire	1,286	1,507
Royalties	12	57
Others	285	77
Total rent, lease and hire costs	**3,961**	**4,093**
Taxes relating to prior periods	168	1
Other operating charges	1,419	1,236
Others	885	704
Total other costs	**2,472**	**1,941**
Total other operating costs	**58,474**	**50,081**

The increase in the account “Promotions” is due to the increase in the promotions with newspapers, contributing to revenues of Euro12,779 thousand.

25) Depreciation, amortisation, provisions & write-downs

	30/06/2006	30/06/2005
Amortisation of intangible assets	182	309
Depreciation of tangible assets	4,616	5,053
Provisions for risks and charges	178	405

Write down of receivables	860	1,022
Amortisation, depreciation, write-downs and provisions	**5,836**	**6,789**

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

26) Net financial result

Financial income	**30/06/2006**	**30/06/2005**
Dividends	1,430	2,355
Other income from equity investments	-	35,149
Interest income from bank deposits	7,536	4,029
Exchange gains	-	5,709
Other financial income	97	312
Total	**9,063**	**47,554**

Financial charges	**30/06/2006**	**30/06/2005**
Exchange losses	1,648	-
Loan interest	1,196	1,006
Interest on current accounts	323	346
Bank commission and charges	150	142
Total	**3,317**	**1,494**

Financial income, amounting to Euro 9,063 thousand, does not benefit from the income in the previous period following the sale of the investment in RCS Media Group S.p.A.
The dividends were received from the shares held in Banca Monte dei Paschi di Siena S.p.A..
The exchange losses relate to the difference arising from the conversion of a deposit in US Dollars at the period end exchange rate.

27) Earning per share

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

	30/06/2006	30/06/2005
Net profit	17,304	52,139
Number of ordinary shares outstanding (000)	124,969	124,969
Basic earnings per share (Euro per 1,000 shares)	**138**	**417**

The diluted earnings per share is identical to the basic earnings per share as Caltagirone Editore S.p.A has only issued ordinary shares.

28) Transactions with related parties

Transactions with companies under common control

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

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

The table below shows the operations considered significant, or rather those above Euro 100 thousand, with other companies belonging to the Caltagirone Group or under common control.

	Receivables	Payables	Operating revenues	Operating costs	Financial income	Financial costs
Caltagirone Editore S.p.A.	-	-	-	162	-	-
B2Win S.p.A.	-	-	-	165	-	-
Il Messaggero S.p.A.	-	-	-	912	-	-
Piemme S.p.A.	-	-	-	182	-	-
Total	**-**	**-**	**-**	**1,421**	**-**	**-**
% on total in accounts	**-**	**-**	**-**	**1.2%**	**-**	**-**

The account Operating costs consists exclusively of rental costs of B2Win SpA for buildings from Cementir S.p.A. and of the Parent Company, of Messaggero S.p.A., and of Piemme S.p.A. for property owned by companies under common control.

Given the total amount of the transactions with related parties, the percentage of such transactions in the period is not significant.

29) Segment information

The disclosures required in accordance with IAS 14 on the Segment information are provided below. The Caltagirone Editore Group has adopted the sector of activity as the primary disclosure of information, defined as a separate and distinctly identifiable part of the Group, which provides related products and services and that is subject to risks and benefits different than those of the other sectors of activity of the Group.

The Group operates exclusively in Italy and therefore no geographic sectors were identified as defined by IAS 14.

In Euro thousands	***Newspapers***	***Advertising revenues***	***Other activities***	***Consol. Adjustments***	***Consolidated pre-segment eliminations***	***Segment eliminations***	***Consolidated***
30/06/2005							
Segment revenues	127,800	92,751	3,367	163	224,081	-	-
Inter-segment revenues	79,862	-	113	-	-	(79,975)	-
Revenues from third parties	**47,938**	**92,751**	**3,254**	**163**	**-**	**-**	**143,943**
Segment Ebitda	27,454	7,580	(41)	(244)	34,749	-	34,749
Amortisation, depreciation, write-downs and provisions	4,910	1,227	652	-	6,789	-	6,789
Segment assets	251,508	29,587	757,715	22,722	1,061,532	-	1,061,532
Segment liabilities	203,168	17,746	20,865	(3,568)	238,211	-	238,211
Investments in intangible and tangible fixed assets	696	141	28	-	865	-	865

In Euro thousands	***Newspapers***	***Advertising revenues***	***Other activities***	***Consol. Adjustments***	***Consolidated pre-segment eliminations***	***Segment eliminations***	***Consolidated***
30/06/2006							
Segment revenues	121,051	94,912	4,825	126	220,914	-	-
Inter-segment revenues	73,269		260	-	-	(73,655)	-
Revenues from third parties	**47,782**	**94,912**	**4,565**	**126**	**-**	**-**	**147,259**
Segment Ebitda	22,641	7,137	(583)	-	29,195	-	29,195
Amortisation, depreciation, write-downs and provisions	4,570	1,094	172	-	5,836	-	5,836
Segment assets	789,780	89,792	167,856	21,241	1,068,669	-	1,068,669
Segment liabilities	199,611	17,018	21,956	(5,863)	232,722	-	232,722
Investments in intangible and tangible fixed assets	4,322	511	123	-	4,956	-	4,956

30) Subsequent events to the end of the period

On July 7th, 2006, Caltagirone Editore S.p.A. acquired 52% of the share capital of Editrice Padana – S.E.P. S.p.A , owner of the newspaper *"Il Gazzettino"* di Venezia.
This acquisition is described in detail in the Directors' Report.

31) Net financial position

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

In Euro thousands	**30/06/2006**	**31/12/2005**
A. Cash	225	367
B. Bank deposits	547,659	567,250
D. Liquidity (A)+(B)	**547,884**	**567,617**
E. Current financial receivables	**124**	**1,416**
F. Bank payables – current portion	15,468	13,577
G. Current portion of long-term loans	3,883	3,833
H. Current payables to other lenders	2,670	2,615
I. Current debt (F)+(G)+(H)	**22,021**	**20,025**
J. Net current debt (I)-(E)-(D)	**(525,987)**	**(549,008)**
K. Non-current financial receivables	**48**	**25**
L. Bank payables – non-current portion	52,601	54,559
M. Non-current payables to other lenders	11,409	12,719
N. Non-current debt (L)+(M)	**64,010**	**67,278**
O. Net non-current debt (N)-(K)	**63,962**	**67,253**
P. Net financial debt (J)+(O)	**(462,025)**	**(481,755)**

The decrease in the period is principally due to the distribution of dividends of Euro 37.5 million, net of the positive cash flow from normal operations.

Attachments

CALTAGIRONE EDITORE S.p.A.

BALANCE SHEET

(in Euro)

ASSETS

	30/06/2006	***31/12/2005***
Non-current assets		
Intangible assets with definite life	14,968	16,329
Property, plant and equipment	144,610	172,197
Equity investments measured at cost	232,368,229	231,405,614
Deferred tax assets	4,223,293	6,044,960
TOTAL NON-CURRENT ASSETS	**236,751,100**	**237,639,100**
Current assets		
Trade receivables	79,512	110,943
Current financial assets	435,072,661	474,817,581
Receivables for current taxes	280,262	791,208
Other current assets	7,833,012	4,230,890
Cash and cash equivalents	35,521,084	35,190,381
TOTAL CURRENT ASSETS	**478,786,531**	**515,141,003**
TOTAL ASSETS	**715,537,631**	**752,780,103**

CALTAGIRONE EDITORE S.p.A.

BALANCE SHEET
(in Euro)

SHAREHOLDERS' EQUITY AND LIABILITIES

	30/06/2006	***31/12/2005***
Shareholders' Equity		
Share capital	125,000,000	125,000,000
Share capital issue costs	(18,864,965)	(18,864,965)
Treasury shares	(164,169)	(164,169)
Other reserves	568,660,396	566,725,222
Profit/(loss) for the period	(1,687,158)	40,189,888
TOTAL SHAREHOLDERS' EQUITY	**672,944,104**	**712,885,976**
Non-current liabilities		
Employee provisions	22,816	51,129
Non-current financial liabilities	5,861,304	6,444,057
Deferred tax liabilities	752,017	1,245,957
NON-CURRENT LIABILITIES	**6,636,137**	**7,741,143**
Current liabilities		
Trade payables	816,921	580,773
Current financial liabilities	25,081,605	25,056,622
Payables for current taxes	2,384,248	133,371
Other current liabilities	7,674,616	6,382,218
CURRENT LIABILITIES	**35,957,390**	**32,152,984**
TOTAL LIABILITIES AND NET EQUITY	**715,537,631**	**752,780,103**

CALTAGIRONE EDITORE S.p.A.

INCOME STATEMENT

(in Euro)

INCOME STATEMENT

	30/06/2006	***30/06/2005***
Revenues		
Revenues from sales and supply of services	37,594	17,018
Other operating revenues	5,136	5,064
TOTAL REVENUES	**42,730**	**22,082**
Costs		
Personnel costs	185,355	231,471
Other operating charges	671,143	439,447
TOTAL COSTS	**856,498**	**670,918**
EBITDA	**(813,768)**	**(648,836)**
Depreciation, amortisation, provisions & write-downs	28,948	28,610
EBIT	**(842,716)**	**(677,446)**
Financial income	1,450,823	48.075.495
Financial charges	2,790,368	24.560
Net financial result	**(1,339,545)**	**48,050,935**
PROFIT BEFORE TAXES	**(2,182,261)**	**47,373,489**
Current income tax	(495,103)	7,711,113
NET PROFIT FROM NORMAL OPERATIONS	**(1,687,158)**	**39,662,376**
NET PROFIT FOR THE PERIOD	**(1,687,158)**	**39,662,376**

Transition to International Financial Reporting Standards (IFRS) of Caltagirone Editore S.p.A.

Explanatory notes

1. Introduction

Following the enactment of European Regulation No. 1606/2002 and in relation to legislative decree No. 38/2005 and the Issuers' Regulation No. 11971/1999, as amended by Consob Resolution No. 14990 of April 14th, 2005, commencing from 2006 the companies issuing financial instruments on regulated markets must prepare the parent company financial statements in compliance with international accounting standards. Therefore, Caltagirone Editore S.p.A., from 2006 has adopted international accounting standards (International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretation Committee (SIC) approved by the European Commission, hereafter "IFRS-EU", with the transition date to IFRS-EU of January 1st, 2005. The last financial statements of Caltagirone Editore S.p.A. prepared in accordance with Italian GAAP relate to the year ended December 31st, 2005.

As required by IFRS No. 1, paragraphs 39 and 40, the present document contains the reconciliation of the shareholders' equity at January 1st, 2005 and at December 31st, 2005 and of the result for the year ended December 31st, 2005, between the values determined in accordance with Italian GAAP and those in accordance with IFRS-EU, together with the relative explanatory notes on the adjustments.

The balance sheet and income statement, attached to the consolidated half-year report, were prepared only for the purposes of the transition project for the preparation of the first full consolidated financial statements in accordance with IFRS-EU, and, therefore, do not contain the necessary explanatory notes that would be required to represent the balance sheet, financial position and result of Caltagirone Editore S.p.A. in conformity with IFRS-EU standards.

2. Adoption of IFRS 1

For the adoption of international accounting standards the company has applied the provisions contained in IFRS 1 - First-time adoption of International Financial Reporting Standards. This standard provides that, where the Parent Company adopts the international accounting standards first in the consolidated financial statements and subsequently in the individual financial statements, the

assets and liabilities must be recorded at the same amount in both financial statements, except for consolidation adjustments.
Therefore, the reconciliation statements attached reflect the same accounting standards and the same options contained in IFRS 1 adopted in the preparation of the consolidated financial statements of the Caltagirone Editore Group relating to the year 2005, with the exception of the standard relating to the valuation of the investments in subsidiaries and associated companies.

3 Accounting standards and valuation criteria

Presentation basis

The functional currency utilised for the preparation of the Balance Sheet and Income Statement is the Euro and all values are expressed in thousands of Euro.

Translation criteria of foreign currencies

All transactions in currencies other than the Euro are recorded at the exchange rate at the date of the transaction. The assets and liabilities denominated in foreign currencies other than the operational currencies are subsequently adjusted to the exchange rate at the end of the reporting period. The positive or negative differences between the values converted at the period end exchange rate and the original exchange rate are recorded in the income statement.

The non monetary assets and liabilities denominated in foreign currencies and recorded at historical cost are converted utilising the exchange rate at the initial date of recording of the operation.

Intangible assets with definite life

Intangible assets with a definite life, represented by software costs, are recorded at cost, including direct accessory costs necessary in order to render the asset available for use.

The intangible assets with a definite life are recorded net of the relative accumulated amortisation and any loss in value in accordance with the procedures described below. Amortisation is calculated on a straight line basis over the estimated useful life of the asset which is reviewed on an annual basis and any changes, where necessary, are made in accordance with future estimates. Considering the uniformity of the assets contained in the individual categories, it is considered, with the exception of specific cases, that the useful life of these assets is approximately 3 years.

At the moment of sale or when no expected future economic benefits exist from the use of an intangible asset, it is eliminated from the financial statements and any loss or gain (calculated as the difference between the sales value and the net book value) is recorded in the income statement in the year of the above mentioned elimination.

Property, plant and equipment

"Property, plant and equipment" is recorded at cost, including directly allocated accessory costs necessary for the asset being in the condition for use for which it was acquired, and increased, in the presence of legal or implicit obligations, by the current value of the estimated cost for the disposal of the asset. The corresponding liability is recorded in a liability provision in the balance sheet under provisions for risks and charges.

The costs incurred after acquisition are recorded as an increase in the book value of the asset to which it refers when it is probable that the Company will receive the future benefits deriving from the cost incurred for the replacement of a part of property, plant and equipment and this cost can be reliably determined. All the other costs are recorded in the income statement when incurred.

When significant parts of property, plant and equipment have different useful lives, these components are recorded separately.

"Property, plant and equipment" is recorded net of the relative accumulated depreciation and any loss in value determined in accordance with the procedures described below. Depreciation is calculated on a straight-line basis according to the estimated useful life of the asset; useful life is reviewed annually, and any changes (if necessary) are made on the basis of the new estimate.

The property, plant and equipment acquired through finance lease contracts, where the majority of the risks and rewards related to the ownership of an asset have been transferred to the Company, are recognised as assets of the Company at their fair value or, if lower, at the current value of the minimum lease payments, including any redemption amounts to be paid. The corresponding liability due to the lessor is recorded under financial payables. The leased assets are amortised based on the useful life of the asset. When there is no reasonable certainty that the Company will acquire ownership at the end of the lease, the asset is amortised over the shorter period of the duration of the lease and the useful life of the asset. The leased assets where the lessor bears the majority of the risks and rewards related to an asset are recorded as operating leases. The costs relating to operating leases are recorded on a straight-line basis in the income statement over the duration of the lease contract.

The principal depreciation rates applied are as follows:

	Useful life	Economic technical rate
Equipment	4 years	25%

Office furniture and equipment	8 years	12%

At the moment of sale or when there are no expected future economic benefits from the use of property, plant and equipment, they are eliminated from the financial statements and any loss or gain (calculated as the difference between the sales value and the book value) is recorded in the income statement in the year of the above mentioned elimination.

Investments in subsidiaries and associates

All the companies in which Caltagirone Editore S.p.A. has the power to determine, directly or indirectly, the financial and operating policies of the entity, so as to obtain benefits from its activities are considered as subsidiary companies.

For investments in associated companies it is intended those in which Caltagirone Editore S.p.A. has a significant influence.

In the evaluation of control and significant influence, consideration is also taken of the potential voting rights that are effectively exercisable or convertible.

The above-mentioned equity investments are recognised at cost adjusted for loss in value.

Losses in value are recognised in the income statement and can be restated where the reasons for their write-down no longer exist. Where the loss pertaining to the company exceeds the book value of the investment, and where the holding is committed to comply with legal or implicit obligations of the company or in any case to cover the losses, the book value is written down and any excess is recorded in a specific risk provision.

Assets and liabilities available for sale and discontinued operations

The assets or group of assets and liabilities whose book value will be recovered principally through sale rather than continual usage, are presented separately from the other assets and liabilities in the balance sheet.

The assets classified as available for sale are measured at the lower between their book value and the current realisable value, less costs to sell, determined at the reclassification date. Losses in value are recognised directly in the income statement. The corresponding balance sheet values of the previous year are not reclassified.

The results of the activities terminated or in the course of disposal (discontinued operations) are recorded separately in the income statement, net of the tax effect. The corresponding values relating to the previous year are reclassified and are shown separately in the income statement, net of the tax effect, for comparative purposes.

Loss in value

At each period end, the book value of the property, plant and equipment and of intangible assets with a definite life are reviewed, in order to verify the existence of events or changes which indicate that the carrying value may not be recovered. If an indication of this type exists, their recoverable value must be determined and, where the book value exceeds the recoverable value, these assets are written down to reflect their recoverable value.

The recoverable value is represented by the higher value between the current value less costs to sell and their value in use.

In defining the value in use, the expected future cash flows are discounted using a pre-tax rate that reflects the current market assessment of the time value of money and the specific risks of the activity. When an asset does not generate sufficient independent cash flows, the recoverable value is determined in relation to the cash-generating unit to which the asset belongs.

A loss in value is recognised in the income statement under amortisation, depreciation and write-downs, when the carrying value of the asset, or of the relative cash-generating unit to which it is allocated, is higher than the recoverable value. The losses in value of cash-generating units are firstly attributed to the reduction in the carrying value of any goodwill allocated and, thereafter, to a reduction of other assets, in proportion to their carrying value.

A loss in value of an asset is restated, up to the amount of the previous write-downs made, when the recoverable value exceeds the written down carrying value.

Financial instruments

Investments in other companies and debt instruments

The investments in other companies (if classified as "available for sale") are measured at fair value with the recording of any gain or loss directly to equity; when the financial asset is sold or written down, the accumulated gains and losses are recorded in the income statement of the period. The fair value of the securities traded on a regulated market is based on the quotation price at the balance sheet date.

When the fair value cannot be reasonably determined, these investments are measured at adjusted cost for reductions in value, whose effects are recorded in the income statement. Any write-downs may not be subsequently restated.

Trade receivables

Trade receivables are recorded at amortised cost, net of any loss in value. The losses in value are determined on the basis of the fair value of the estimated future cash flows, discounted on the basis of the original effective interest rate.

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

Cash and cash equivalents

The cash and cash equivalents include bank deposits and cash in hand, or rather those values that are available on demand at short notice, certain in nature and with no payment expenses.

Financial liabilities and trade payables

The financial liabilities and trade payables are initially recorded at fair value net of directly allocated transaction costs.

Thereafter, they are measured under the amortised cost criteria, using the original effective interest rate method.

Shareholders' Equity

Treasury shares

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

Costs for share capital increases

The costs incurred for the stock exchange listing of Caltagirone Editore S.p.A., net of the relative tax effect, are recorded as a reduction of the shareholders' equity in a separate negative reserve.

Employee benefits

The liabilities relating to the benefits recognised to employees and paid on or after the termination of employment and relating to defined benefit programmes (Employee Leaving Indemnity), net of any assets serving the plan, are determined on the basis of actuarial assumptions estimating the amount of the future benefits that the employees have matured at the balance sheet date. The liability is recorded on an accruals basis over the period of maturity of the right. The valuation of the liability is made by independent professional actuaries.

Provisions for risks and charges

The provisions for risks and charges are recorded when a legal or implicit obligation exists towards a third party that derives from a past event, and a payment of resources is probable in order to satisfy the obligation and this amount can be reliably estimated. When the financial effect of the time value of money is significant and the payment dates of the obligations can be estimated reliably, the provision is discounted using the estimated future cash flows at a pre-tax rate that reflects the current market assessment of the cost of money and, if appropriate, the specific risks of the obligation; the increase of the provision due to the passing of time is recorded as a financial charge.

Revenues

Revenues are recorded in accordance with the probability that the Group will receive economic benefits and the amount can be determined reliably. Revenues are recorded net of returns, discounts and allowances.

Revenues from services, principally relating to commissions for sureties given to third parties, are recognised when the services are rendered.

Financial income and expense

Financial income and charges are recorded on an accruals basis of the interest matured on the net value of the relative financial assets and liabilities utilising the effective interest rate.

Dividends

Dividends are recorded when the right of the shareholders to receive the payment arises.

The dividends and dividend payments on account payable to third parties are recorded as changes in shareholders’ equity at the date in which the Shareholders and Board of Directors meetings are approved respectively.

Income taxes

Current Income taxes for the period are determined on the basis of the fiscal assessable income and in compliance with current fiscal law; in addition, the effects deriving from the implementation of some companies of the Group’s national fiscal consolidation is applied.

Deferred tax assets and liabilities are calculated on temporary differences between the balance sheet values and the corresponding values recognised for tax purposes, applying the expected tax rates when the differences are reversed, determined on the basis of the current tax rates in force and in consideration of any expected changes relating to future years.

The recording of deferred tax assets is made when their recovery is probable, that is when it is expected that there will be future assessable fiscal income sufficient to recover the asset.

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

Use of estimates

The preparation of the Balance Sheet and Income Statement require the Directors to apply accounting principles and methods that, in some circumstances, are based on difficulties and subjective valuations and estimates based on the historical experience and assumptions which are from time to time considered reasonable and realistic based on the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the balance sheet and income statement. The final outcome of the accounts in the financial statements, which use the above-mentioned estimates and assumptions, may differ from those reported in the financial statements due to the uncertainty which characterises the assumptions and conditions upon which the estimates are based.

The accounting standards and accounts in the financial statements which require greater subjectivity in the preparation of the estimates and for which a change in the underlying conditions of the assumptions used may have a significant impact on the balance sheet and income statement are as follows:

- Write-down of fixed assets
- Amortisation and depreciation of fixed assets
- Deferred taxes
- Provisions for risks and charges
- Allowance for doubtful accounts
- Employee benefits

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

Reconciliation of net equity and result for the year ended December 31st, 2005

(in thousands of euros)	Note	Shareholders' equity January 1st, 2005	Shareholders' Equity December 31st, 2005	Result for the year 2005
Italian GAAP		**700,220**	**713,047**	**38,201**
Adjustments:				
Intangible assets with definite life	a	(3,169)	-	3,169
Financial instruments	b	13,576	-	-
Treasury shares	c	(164)	(164)	-
Employee provisions	d	5	5	-
Fiscal effects of the adjustments	e	1,179	(2)	(1,181)
Total adjustments net of fiscal effect		**11,427**	**(161)**	**1,988**
IAS/IFRS		**711,647**	**712,886**	**40,189**

a) Intangible assets with definite life

The capitalisation of some intangible assets is no longer permitted by IFRS; therefore there was a reversal of the values recorded by Caltagirone Editore S.p.A for the admission of the Stock Exchange quotation and research and advertising costs.

This adjustment results in a decrease in the shareholders' equity at January 1st, 2005 of Euro 3,169 thousand.

The income statement in 2005 prepared based on IFRS benefits from the elimination of the amortisation calculated on the intangible assets reversed in the opening IFRS balance sheet (January 1st, 2005), equal to Euro 3,169 thousand.

b) Financial instruments

In accordance with IFRS the equity investments in other companies available for sale must be measured at fair value, where available, with the recording of any gain or loss directly to equity until the financial asset is sold or written down.

This adjustment results in an increase in the shareholders' equity at January 1st, 2005 of Euro 13,576 thousand, relating to the investment in RCS Mediagroup S.p.A. sold in 2005.

c) Treasury shares

The Treasury shares are recorded as a reduction of shareholders’ equity, as required by IFRS.

This adjustment results in a decrease in the shareholders’ equity at January 1st, 2005 and at December 31st, 2005 of Euro 164 thousand.

d) Employee provisions

The IFRS identifies among the various kind of benefits for employees, “Post-employment benefits”. These represent the benefits due to employees after the termination of employment. In the defined benefit programmes, the discounted risk (where the benefits are lower than those expected) and the investment risk (where the assets invested are insufficient to satisfy the benefits expected) are the responsibility of the company and not the employee. Therefore, it is necessary to record the current financial discounted value of the expected liabilities and the relative cost and income, including financial charges and discounted profits and losses.

This adjustment results in an increase of the shareholders’ equity at January 1st, 2005 and December 31st, 2005 of Euro 5 thousand respectively.

e) Tax effects of the adjustments

The total fiscal effect calculated on the IAS adjustments results in an increase of the shareholders’ equity at January 1st, 2005 (Euro 1,179 thousand) and a decrease at December 31st, 2005 (Euro 2 thousand).

The effect on the income statement was negative for Euro 1,181 thousand.

Effects on the cash flow statement at December 31st, 2005

The cash flow statement reconciliation is not presented in that the effects deriving from the application of the IAS/IFRS accounting standards do not result in a significant impact.

Audit on the reconciliations required by IFRS 1

The reconciliations to the IFRS of the balance sheets at January 1st, 2005 and December 31st, 2005, as well as the income statement for 2005, together with the relative explanatory notes, were audited. The audit firm KPMG S.p.A. completed its activity and the relative report will be available shortly.

List of significant investments held as of 30.06.2006

as per art.120 of Legs. Decree 24.02.1998 n. 58

(in accordance with article 126 of the CONSOB Resolution 11971 of May 14, 1999)

COMPANY	HEAD OFFICE	SHARE CAPITAL	CURRENCY	OWNERSHIP HELD DIRECT	INDIRECTLY THROUGH
B2WIN S.p.A.	ROME	1,000,000.00	Euro	-	CALTANET spa LEGGO spa
CALTANET S.p.A.	ROME	5,414,463.00	Euro	98.778%	CEDFIN S.r.l.
CEDFIN S.r.l.	ROME	10,200.00	Euro	99.995%	SEM S.p.A.
CORRIERE ADRIATICO S.p.A.	ANCONA	102,000.00	Euro	51.000%	CEDFIN s.r.l.
E.DI.ME. SPORT S.r.l. In liquidation	NAPLES	10,200.00	Euro	-	IL MATTINO S.p.a.
EMERA S.p.A.	ROME	2,496,000.00	Euro	-	IL MESSAGGERO spa
EUROQUBE S.A.	BELGIUM	84,861,115.53	Euro	-	CALTANET spa
FINCED S.r.l.	ROME	10,000.00	Euro	99.990%	CEDFIN srl
IL MATTINO S.p.A.	ROME	500,000.00	Euro	99.999%	CEDFIN S.r.l.
IL MESSAGGERO S.p.A.	ROME	36,900,000.00	Euro	99.999%	CEDFIN S.r.l.
LEGGO S.p.A. *	ROME	1,000,000.00	Euro	90.000%	-
NOISETTE SERVICOS DE CONSULTORIA LDA	PORTUGAL	5,000	Euro	-	CEDFIN s.r.l. LEGGO spa
PIEMME S.p.A.	ROME	104,000.00	Euro	-	IL MESSAGGERO spa
QUOTIDIANO DI PUGLIA S.p.A.	ROME	1,020,000	Euro	85.000%	
S.E.M. SOCIETA' EDITRICE MERIDIONALE S.p.A.	ROME	2,481,600.00	Euro		EMERA spa
SVILUPPO QUOTIDIANI S.r.l.	ROME	45,900.00	Euro	-	IL MATTINO S.p.a.