



**2006 THIRD QUARTER REPORT  
AS OF SEPTEMBER 30th, 2006**

## Board of Director Review on Third Quarter 2006

The consolidated quarterly report of the Caltagirone Editore Group as of September 31st, 2006 was prepared in accordance with IAS/IFRS. Such report is in compliance with article 82 of CONSOB Regulation No. 11971/1999 as modified by Resolution No. 14990/2005 and appendix 3D of the Regulation.

### Third quarter 2006 results highlights

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Caltagirone Editore Group ended the first nine months of 2006 with sales of Euro 217.37 million compared to Euro 202.09 million in the same period of the previous year, and an Ebitda of Euro 35.67 million. The Ebitda margin was 16.4%.

<i>In Euro thousands</i>	<b>Jan - Sept 2006</b>	<b>Jan - Sept 2005</b>
<b>Net Sales</b>	<b>217.371</b>	<b>202,086</b>
of which:		
• Circulation	72.819	65,137
• Advertising	134.368	127,790
• Other revenues	10.184	9,159
<b>Ebitda</b>	<b>35.668</b>	<b>43,816</b>
<b>Ebit</b>	<b>26.132</b>	<b>33,780</b>

On July 7th, 2006, Caltagirone Editore S.p.A. acquired 52% of the share capital of Società Editrice Padana S.p.A (hereafter S.E.P. S.p.A.), owner of the newspaper “*Il Gazzettino di Venezia*”, leader in the North-East. In addition, on July 21st, 2006, Caltagirone Editore S.p.A. and Edizione Holding S.p.A. subscribed a Sales and Purchase Option exercisable in 2008 of 2,527,152 shares corresponding to a further 25.76% of the share capital of S.E.P. S.p.A. For a better understanding of the results, the table below shows the principal results for the first nine months of 2006 compared at a constant perimeter basis and with the contribution of SEP for the period.

<i>In Euro thousands</i>	<b>Jan - Sept 2006</b>	<b>3<sup>rd</sup> Q SEP Group</b>	<b>Jan-Sept 2006*</b>	<b>Jan - Sept 2005</b>
<b>Net Sales</b>	<b>217.371</b>	<b>12.923</b>	<b>204.448</b>	<b>202,086</b>
of which:				
• Circulation	72.819	7.013	65.806	65,137
• Advertising	134.368	5.602	128.766	127,790
• Other revenues	10.184	308	9.876	9,159
<b>Ebitda</b>	<b>35.668</b>	<b>(370)</b>	<b>36.038</b>	<b>43,816</b>
<b>Ebit</b>	<b>26.132</b>	<b>(756)</b>	<b>26.888</b>	<b>33,780</b>

\* At constant perimeter

Net cash position as of September 30th, 2006, equal to Euro 352.59 million, decreased compared to Euro 481.75 million on December 31st, 2005. This decrease is mainly due to the distribution of dividends of Euro 37.5 million and to the acquisition of SEP S.p.A., for approximately Euro 120 million, fully paid from available liquidity.

### Net Financial Position

<i>In Euro thousands</i>	<b>30/09/06</b>	<b>31/12/05</b>	<b>30/06/06</b>
Other financial assets	<b>28</b>	25	48
Marketable securities	<b>588</b>	1,416	124
Cash and Deposits	<b>440.722</b>	567,616	547,884
Long-term debt	<b>(64.745)</b>	(67,277)	(64,010)
Short term debt	<b>(24.004)</b>	(20,025)	(22,021)
	<b>352.589</b>	<b>481,755</b>	<b>462,025</b>

### Third quarter 2006

Caltagirone Editore recorded revenues in the third quarter of 2006 of Euro 70.11 million, an increase of 20.6% compared to Euro 58.14 million in the same period of the previous year.

<i>In Euro thousands</i>	3rd Q 2006	3rd Q 2005
<b>Net Sales</b>	<b>70.113</b>	<b>58,143</b>
of which:		
• Circulation	26.571	21,678
• Advertising	40.222	33,830
• Other revenues	3.320	2,635
<b>Ebitda</b>	<b>6.473</b>	<b>9,067</b>
<b>Ebit</b>	<b>2.773</b>	<b>5,820</b>

The principal results at constant perimeter were as follows:

<i>In Euro thousands</i>	3rd Q 2006	3rd Q SEP Group	3rd Q 2006*	3rd Q 2005
<b>Net Sales</b>	<b>70.113</b>	<b>12.923</b>	<b>57.190</b>	<b>58,143</b>
of which:				
• Circulation	26.571	7.013	19.558	21,678
• Advertising	40.222	5.602	34.620	33,830
• Other revenues	3.320	308	3.012	2,635
<b>Ebitda</b>	<b>6.473</b>	<b>(370)</b>	<b>6.843</b>	<b>9,067</b>
<b>Ebit</b>	<b>2.773</b>	<b>(756)</b>	<b>3.529</b>	<b>5,820</b>

\* At constant perimeter

## Operating performance

### Newspapers

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#### Circulation

<i>In Euro thousands</i>	Jan-Sept	Jan-Sept	3rd Q	3rd Q
	2006	2005	2006	2005
<b>Newspaper sales and promotions</b>	<b>65.806</b>	65.137	<b>19.558</b>	21.678
<b>Il Gazzettino</b>	<b>7.013</b>	-	<b>7.013</b>	-
<b>Total</b>	<b>72.819</b>	<b>65.137</b>	<b>26.571</b>	<b>21.678</b>

During the year, all of the Group newspapers maintained their leadership positions in their respective markets. Joint sales initiatives as well as other promotions are currently underway.

The decrease in newspaper sales is in line with that of the general newspaper market and without a price increase for around six years.

Circulation revenues, which recorded a total increase in the first nine months of 2006 of 11.8% compared to the first nine months of 2005, were positively impacted upon by sales of *Il Gazzettino* from the third quarter of 2006.

The revenues in the third quarter of 2006 relating to promotional initiatives decreased due to the fact that these initiatives in 2005 related to a longer period which included the summer months.

## Advertising

<i>In Euro thousands</i>	Jan - Sept	Jan - Sept	3 <sup>rd</sup> Q	3rd Q
	2006	2005	2006	2005
<b>Advertising revenues</b>				
• Il Messaggero	73.305	74,459	20.412	19,528
• Il Mattino	27.157	27,065	7.021	7,182
• Leggo	17.497	16,276	3.936	4,003
• Quotidiano di Puglia	5.075	4,911	1.496	1,511
• Corriere Adriatico	3.769	2,815	1.096	938
• Others	1.963	2,264	659	668
<b>Total</b>	<b>128.766</b>	<b>127,790</b>	<b>34.620</b>	<b>33,830</b>
• Il Gazzettino	5.602	-	5.602	-
<b>Total</b>	<b>134.368</b>	<b>127,790</b>	<b>40.222</b>	<b>33,830</b>

Advertising revenues in the first nine months of 2006, at constant perimeter, were in line with the same period of the previous year, with differences in each quarter: a decrease in the first quarter of approximately 1.8% followed by growth in the second and third quarters of 2% and 2.3% respectively.

Noteworthy results were achieved by Leggo, which recorded an increase of 7.5% in advertising revenues, and by Corriere Adriatico, which increased advertising revenues in real terms by 13.7%. The increase relating to Corriere Adriatico also includes the share of the agency Piemme S.p.A, which is responsible for advertising placements since January 1st, 2006.

## Other activities

<i>In Euro thousands</i>	Jan - Sept	Jan - Sept	3rd Q	3rd Q
	2006	2005	2006	2005
Internet & Services	5.923	4,357	1.692	1,560
Other revenues	3.953	4,802	1.320	1,075
<b>Total</b>	<b>9.876</b>	<b>9,159</b>	<b>3.012</b>	<b>2,635</b>
<b>Il Gazzettino</b>	<b>308</b>	<b>-</b>	<b>308</b>	<b>-</b>
<b>Total</b>	<b>10.184</b>	<b>9,159</b>	<b>3.320</b>	<b>2,635</b>

B2Win S.p.A., a subsidiary operating in the call centres and IT consultancy businesses, ended the first nine months of 2006 with sales of Euro 5.38 million, a strong increase compared to the same period in the previous year (Euro 3.95 million), and with a profit of Euro 404 thousand. Caltanet S.p.A Spa, operating in the web consultancy services, focused on cost control. Other revenues derive from the costs refunds, prior year income and other minor income.

## Notes to profit and loss accounts highlights

<i>In Euro thousands</i>	Jan - Sept	Jan - Sept
	2006	2005
Circulation	72.819	65,137
Advertising	134.368	127,790
Other revenues	10.184	9,159
<b>Total Revenues</b>	<b>217.371</b>	<b>202,086</b>
Raw materials costs	(25.115)	(21,176)
Labour costs	(69.731)	(63,539)
Other operating costs	(86.857)	(73,555)
<b>Total operating costs</b>	<b>(181.703)</b>	<b>(158,270)</b>
<b>Ebitda</b>	<b>35.668</b>	<b>43,816</b>

Amortisation, depreciation & provisions	(9.536)	(10,036)
<b>Ebit</b>	<b>26.132</b>	<b>33,780</b>
Financial result	6.131	71,602
<b>Profit before taxes</b>	<b>32.263</b>	<b>105,382</b>
Group Pre-tax result	32.058	105,134
Minorities share of pre-tax profit	205	248

Circulation revenues, as previously mentioned, increased by approximately 11.8% compared to the first nine months of 2005, thanks to sales promotion initiatives and the consolidation of revenues from the "Il Gazzettino di Venezia" newspaper.

The increase in raw materials costs at constant perimeter was around 9%, mainly due to the surging price of paper internationally.

The increase in labour costs and other operating costs principally relate to the consolidation of the S.E.P. S.p.A. Group.

The increase in other operating costs is also due to increased promotional activities.

The pre-tax profit was Euro 32.26 million. In the first nine months of 2005, the pre-tax profit was Euro 105.38 million and benefited from financial income from extraordinary operations, such as the sale of the investments in RCS Media Group S.p.A and Banca Nazionale del Lavoro S.p.A.

The table below shows the profit and loss account at constant perimeter.

<i>In Euro thousands</i>	<b>Jan - Sep 2006</b>	<b>3rd Q SEP Group</b>	<b>Jan - Sep 2006*</b>	<b>Jan - Sep 2005</b>
Circulation	72.819	7.013	65.806	65,137
Advertising	134.368	5.602	128.766	127,790
Other revenues	10.184	308	9.876	9,159
<b>Total Revenues</b>	<b>217.371</b>	<b>12.923</b>	<b>204.448</b>	<b>202,086</b>
Raw material costs	(25.115)	(1.969)	(23.146)	(21,176)
Labour costs	(69.731)	(5.849)	(63.882)	(63,539)
Other operating costs	(86.857)	(5.475)	(81.382)	(73,555)



<b>Total operating costs</b>	<b>(181.703)</b>	<b>(13.293)</b>	<b>(168.410)</b>	<b>(158,270)</b>
<b>Ebitda</b>	<b>35.668</b>	<b>(370)</b>	<b>36.038</b>	<b>43,816</b>
Amortisation, depreciation & provisions	(9.536)	(386)	(9.150)	(10,036)
<b>Ebit</b>	<b>26.132</b>	<b>(756)</b>	<b>26.888</b>	<b>33,780</b>
Financial result	6.131	(104)	6.235	71,602
<b>Profit before taxes</b>	<b>32.263</b>	<b>(860)</b>	<b>33.123</b>	<b>105,382</b>
Group Pre-tax result	32.058	(448)	32.506	105,134
Minorities share of pre-tax profit	205	(412)	617	248

\* At constant perimeter

### Outlook for fourth quarter of 2006

In October, a further 971,549 shares, equal to 9.91% of the share capital, were acquired in S.E.P. S.p.A. at an average price of Euro 15.93.

Also in October, an agreement was signed for the purchase by November 30th, 2006 of 330,513 shares and for the exercise by the first quarter of 2009 of a sales and purchase option for a further 124,992 shares at an average price of Euro 14.52.

After the above-mentioned operations, at the date of the preparation of the present document the situation relating to the purchase of the shareholding in S.E.P. S.p.A. is as follows:

– Shares held:	6,072,041
– Shares contracted to be purchased:	330,513
– Purchase and sales options	3,207,568
<b>Total</b>	<b>9,610,122</b> , equal to 97.98% of the share capital

With regard to the overall performance of the market, no particular changes are forecast.

Based on the available indicators, the Group's performance is expected to be in line with the first nine months of 2006.