



**2006 FIRST QUARTER REPORT
AS OF MARCH 31st 2006**

Board of Directors Review on First Quarter 2006

The consolidated quarterly report of the Caltagirone Editore Group as of March 31, 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.

In order to provide a comparative set of results, 2005 figures have been restated accordingly.

First quarter 2006 results highlights

Caltagirone Editore Group ended the first three months of 2006 with sales of Euro 69.97 millions, an increase of 4.9% compared to Euro 66.72 millions in the same period of the previous year.

Ebitda reached Euro 14.97 millions, increasing by 14.0% compared to the same period in 2005. The Ebitda margin was 21.4%.

<i>In Euro thousands</i>	1st Q 2006	1st Q 2005	Cge. %
Net Sales	69.970	66.720	4,9%
of which:			
• Circulation	23.448	20.389	15,0%
• Advertising	42.980	43.769	-1,8%
• Other revenues	3.542	2.562	38,2%
Ebitda	14.968	13.132	14,0%
Ebit	12.544	9.703	29,3%

Net cash position as of March 31st, 2006 increased to Euro 497.88 millions from Euro 481.76 millions on December 31st, 2005; the increase is mainly due to positive cash flow from operations.

Net Financial Position

<i>in Euro thousands</i>	31/03/06	31/12/05
Other financial assets	42	25
Marketable securities	71	1.416
Cash and Deposits	582.797	567.616
Long term debt	(66.957)	(67.277)
Short term debt	(18.077)	(20.025)
Net Financial Position	497.876	481.755

Operating performance

Newspapers

Circulation

<i>in Euro thousands</i>	1st Q 2006	1st Q 2005	Cge. %
Circulation	16.436	16.923	-2,9%
Promotions	7.012	3.466	102,3%
Total	23.448	20.389	15,0%

Circulation revenues increased by 15% compared to the first quarter of 2005 thanks to the promotional initiatives with the daily newspapers. Their contribution to Ebitda amounted to approximately Euro 600.000.

All of the Group newspapers maintained their leadership positions in their respective markets. Joint sales initiatives as well as other promotions are currently under way.

Advertising

<i>in Euro thousands</i>	1st Q 2006	1st Q 2005	Cge. %
Advertising			
• Il Messaggero	24.410	25.601	-4,7%
• Il Mattino	9.110	9.376	-2,8%
• Leggo	6.176	5.506	12,2%
• Quotidiano di Puglia	1.606	1.658	-3,1%
• Corriere Adriatico	1.055	938	12,5%
• Other	623	690	-9,7%
Total	42.980	43.769	-1,8%

Advertising revenues recorded a decrease in the first quarter of approximately 1.8% compared to the same period in 2005. This was due to the continued depressed nature of the national advertising market.

However, within this context, the good results achieved by Leggo are noteworthy, which recorded an increase in advertising revenues of 12.2%, as are those of Corriere Adriatico, whose advertising, undertaken from January 1 by the agency Piemme S.p.A, increased by 12.5%.

Other activities

<i>in Euro thousands</i>	1st Q 2006	1st Q 2005	Cge. %
Internet & Services	2.341	1.473	58,9%
Other revenues	1.201	1.089	10,3%
Total	3.542	2.562	38,2%

B2Win S.p.A., a subsidiary operating in the call centers and IT consultancy businesses, ended the first three months of 2006 with sales of Euro 2.16 millions, up from Euro 1.38 millions reached last year.

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>	1st Qtr.	1st Qtr.	Cge. %
	2006	2005	
Circulation	23.448	20.389	15,0%
Advertising	42.980	43.769	-1,8%
Other revenues	3.542	2.562	38,2%
Total Revenues	69.970	66.720	4,9%
Raw materials	(7.298)	(6.584)	10,8%
Personnel	(18.904)	(23.793)	-20,5%
Other Operating costs	(28.800)	(23.211)	24,1%
Total Operating Costs	(55.002)	(53.588)	2,6%
Ebitda	14.968	13.132	14,0%
D&A	(2.424)	(3.429)	-29,3%
Ebit	12.544	9.703	29,3%
Financial result	2.189	3.475	-37,0%
Profit before taxes	14.733	13.178	11,8%
Group Pre-tax result	14.680	13.140	11,7%
Minority share of Pre-tax result	53	38	39,5%

Revenues from circulation, as previously mentioned, increased by approximately 15.0% compared to the first three months of 2005, thanks to sales promotion initiatives, which however determined a significant increase in Other Operating Costs.

The increase in raw material costs is mainly due to surging paper prices. The decrease in labour costs compared to 2005 is mainly due to the application of IAS 19, which differently from Italian GAAP, calculates the present value of future severance liabilities by using prevailing market interest rates.

Ebit reached Euro 12.54 millions, increasing by 29.3% compared to March 31, 2005, benefiting from lower provisions for risk and charges and the absence of write-downs on tangible and intangible assets.

Outlook for 2006

With regard to the overall market trends, management does not expect major changes during the year. Group trading is expected to be in line with the first three months of 2006.