



**FIRST QUARTER REPORT  
AS OF 31<sup>st</sup> MARCH 2007**

## Board of Directors Review on First Quarter 2007

The consolidated quarterly report of Caltagirone Editore Group as of 31<sup>st</sup> March 2007 was prepared in accordance with IAS/IFRS. The report is in compliance with article 82 of CONSOB Regulation No. 11971/1999 as modified by Resolution No14990/2005 and appendix 3D of the Regulation.

### First quarter 2007 results highlights

---

Caltagirone Editore Group ended the first three months of 2007 with sales of Euro 82.99 million, growth of 18.6% compared to Euro 69.97 million in the same period of the previous year.

Ebitda in the quarter was Euro 15.63 million, growth of 21.9% compared to the first quarter of 2006. Ebitda margin was 18.8%.

Ebit grew by 26.4% from Euro 10.40 million in the first quarter of 2006 to Euro 13.14 million in the first quarter of 2007.

<i>In Euro thousands</i>	<b>Q1 2007</b>	<b>Q1 2006</b>	<b>Cge. %</b>
<b>Net Sales</b>	<b>82,991</b>	<b>69,970</b>	18.6%
of which:			
• Circulation	27,086	23,448	15.5%
• Advertising	52,124	42,980	21.3%
• Other revenues	3,781	3,542	6.7%
<b>Ebitda</b>	<b>15,626</b>	<b>12,820</b>	21.9%
<b>Ebit</b>	<b>13,139</b>	<b>10,396</b>	26.4%

The main consolidated results at constant perimeter, excluding the Il Gazzettino Group acquired in July 2006, are shown below.

<i>In Euro thousands</i>	Q1 2007	Q1 Il Gazzettino Group	Q1 2007 *	Q1 2006	Cge. %
<b>Net Sales</b>	<b>82,991</b>	<b>15,342</b>	<b>67,649</b>	<b>69,970</b>	-3.3%
of which:					
• Newspaper sales	22,465	5,979	16,486	16,436	0.3%
• Editorial promotions	4,621	1,553	3,068	7,012	-56.2%
• Newspaper advertising	51,732	7,203	44,529	42,357	5.1%
• Radio & other advertising	392	285	107	623	-82.8%
• Other revenues	3,781	322	3,459	3,542	-2.3%
<b>Ebitda</b>	<b>15,626</b>	<b>1,094</b>	<b>14,532</b>	<b>12,820</b>	13.4%
<b>Ebit</b>	<b>13,139</b>	<b>478</b>	<b>12,661</b>	<b>10,396</b>	21.8%

(\*) At constant perimeter

The reduction in Net Sales at constant perimeter is firstly due to the decrease in revenues from the joint promotions with the newspapers, following a change in readers demand for these products. Relating to the advertising revenues, the quarter was impacted by the decision to no longer place radio advertising on behalf of third parties, undertaken up to December 31, 2006. In the first quarter of 2006, these revenues amounted to Euro 569 thousand.

The Board of Directors considered it appropriate to change the accounting criteria of the effects deriving from the application of IAS 19 in relation to the Employee Leaving Indemnity Provision. Caltagirone Editore S.p.A., on the transition of the consolidated financial statements to the IAS /IFRS standards and at the balance sheet date as at 31<sup>st</sup> December 2006, chose to recognise the actuarial gains and losses in the income statement. With a specific amendment, adopted with EU Regulation No. 1910/2005 of 8<sup>th</sup> November 2005 (in force since 1<sup>st</sup> January 2006), a further possibility was introduced - that of fully recognising the actuarial gains and losses directly in equity in the year in which they arise and record only the financial effects deriving from the application of IAS 19 in the account "Financial income and charges" of the income statement. This new option appears preferable to that adopted on the transition, as it permits a considerable reduction in the risk of fluctuation of the result in the period following a change in variable factors external to the operating activities and also permits a better understanding of the operating performance of the company.

The adoption of the new option will result in the application of IAS 8 – *Accounting policies, Changes in Accounting Estimates and Errors*; this standard requires that the opening data and the

comparative data are modified as if the new option had always been applied. Therefore the data was adjusted at 31<sup>st</sup> March 2006 in order to be comparable with 31<sup>st</sup> March 2007.

The Net Financial Position at 31<sup>st</sup> March 2007 was Euro 259.18 million; the reduction compared to 31<sup>st</sup> December 2006 is due to the purchase of listed shares, net of the positive cash flow from ordinary operations.

### Net Financial Position

<i>In Euro thousands</i>	<b>31/03/07</b>	<b>31/12/06</b>
Other financial assets	<b>28</b>	28
Marketable securities	<b>403</b>	423
Cash and Deposits	<b>391,927</b>	423,233
Long-term debt	<b>(112,067)</b>	(112,315)
Short-term debt	<b>(21,108)</b>	(22,691)
<b>Total</b>	<b>259,183</b>	<b>288,678</b>

## Operating performance

### Newspapers

---

#### Circulation

<i>In Euro thousands</i>	<b>Q1 2007</b>	<b>Q1 2006</b>	<b>Cge. %</b>
<b>Newspaper sales</b>	<b>22,465</b>	16,436	36.7%
Il Gazzettino	5,979	-	n.a
<b>Editorial promotions</b>	<b>4,621</b>	7,012	-34.1%
Il Gazzettino	1,553	-	n.a
<b>Total</b>	<b>27,086</b>	<b>23,448</b>	15.5%

Circulation revenues, which grew by 15.5% on Q1 2006, mainly increased thanks to the first time consolidation of the revenues of *Il Gazzettino* and to the increase in the price of the newspapers *Il Messaggero* and *Il Mattino*, from Euro 0.90 to Euro 1 as at 1<sup>st</sup> December 2006.

Revenues from products sold jointly with the newspapers of the Group decreased by approximately Euro 2.39 million; an Ebitda contribution of approximately Euro 710 thousand was nonetheless achieved (Euro 600 thousand in the first quarter of 2006).

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.

## Advertising

<i>In Euro thousands</i>	<b>Q1 2007</b>	<b>Q1 2006</b>	<b>Cge. %</b>
<b>Advertising revenues</b>			
• Il Messaggero	25,950	24,410	6.3%
• Il Mattino	9,335	9,110	2.5%
• Leggo	6,247	6,176	1.1%
• Quotidiano di Puglia	1,580	1,606	-1.6%
• Corriere Adriatico	1,417	1,055	34.3%
<b>Total</b>	<b>44,529</b>	<b>42,357</b>	5.1%
• Il Gazzettino	7,203	-	n.a
<b>Total</b>	<b>51,732</b>	<b>42,357</b>	22.1%
• Others	392	623	-37.1%
<b>Total</b>	<b>52,124</b>	<b>42,980</b>	21.3%

Newspaper advertising revenues in the first three months of 2007, at constant perimeter, grew by 5.1% on the first quarter of 2006; in particular, the advertising market was very strong in March with important signs of recovery.

Noteworthy results were achieved by *Il Messaggero*, with an increase in advertising revenues of 6.3%, and by *Corriere Adriatico*, with an increase in advertising revenues of 34.3%, thanks to the strong contribution by the agency Piemme S.p.A. and to the offer of colour advertising space after the industrial investments made in 2006.

## Other activities

<i>In Euro thousands</i>	<b>Q1 2007</b>	<b>Q1 2006</b>	<b>Cge. %</b>
<b>Internet &amp; Services</b>	<b>2,205</b>	2,341	-5.8%
Il Gazzettino	74	-	n.a
<b>Other revenues</b>	<b>1,576</b>	1,201	31.2%
Il Gazzettino	248	-	n.a
<b>Total</b>	<b>3,781</b>	<b>3,542</b>	6.7%

B2Win S.p.A., a subsidiary operating in the call centres and IT consultancy businesses, ended the first three months of 2007 with sales of Euro 2.1 million, in line with the first quarter of 2006.

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>	<b>Q1 2007</b>	<b>Q1 2006</b>	<b>Cge. %</b>
Newspaper sales	22,465	16,436	36.7%
Editorial promotions	4,621	7,012	-34.1%
Advertising	52,124	42,980	21.3%
Other revenues	3,781	3,542	6.7%
<b>Total Revenues</b>	<b>82,991</b>	<b>69,970</b>	18.6%
Raw material costs	(9,351)	(7,298)	28.1%
Labour costs	(27,727)	(21,052)	31.7%
Other operating costs	(30,287)	(28,800)	5.2%
<b>Total operating costs</b>	<b>(67,365)</b>	<b>(57,150)</b>	17.9%
<b>Ebitda</b>	<b>15,626</b>	<b>12,820</b>	21.9%
Amortisation, depreciation & provisions	(2,487)	(2,424)	2.6%
<b>Ebit</b>	<b>13,139</b>	<b>10,396</b>	26.4%
Financial result	2,292	1,977	15.9%
<b>Profit before taxes</b>	<b>15,431</b>	<b>12,373</b>	24.7%
Group Pre-tax profit	15,142	12,320	22.9%
Minority share of pre-tax profit	289	53	445.3%

Newspaper sales, as described previously, increased due to the first time consolidation of *Il Gazzettino* and the increase in the cover price on the principal newspapers of Caltagirone Editore S.p.A.

The increase in raw materials, labour and other operating costs is largely due to the consolidation of the *Il Gazzettino* S.p.A. Group.



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

<i>In Euro thousands</i>	Q1 2007	Q1 II Gazzettino Group	Q1 2007*	Q1 2006	Cge. %
Newspaper sales	22,465	5,979	16,486	16,436	0.3%
Editorial promotions	4,621	1,553	3,068	7,012	-56.2%
Advertising	52,124	7,488	44,636	42,980	3.9%
Other revenues	3,781	322	3,459	3,542	-2.3%
<b>Total Revenues</b>	<b>82,991</b>	<b>15,342</b>	<b>67,649</b>	<b>69,970</b>	-3.3%
Raw material costs	(9,351)	(1,934)	(7,417)	(7,298)	1.6%
Labour costs	(27,727)	(6,643)	(21,084)	(21,052)	0.2%
Other operating costs	(30,287)	(5,671)	(24,616)	(28,800)	-14.5%
<b>Total operating costs</b>	<b>(67,365)</b>	<b>(14,248)</b>	<b>(53,117)</b>	<b>(57,150)</b>	-7.1%
<b>Ebitda</b>	<b>15,626</b>	<b>1,094</b>	<b>14,532</b>	<b>12,820</b>	13.4%
Amortisation, depreciation & provisions	(2,487)	(616)	(1,871)	(2,424)	-22.8%
<b>Ebit</b>	<b>13,139</b>	<b>478</b>	<b>12,661</b>	<b>10,396</b>	21.8%
Financial result	2,292	(100)	2,392	1,977	21.0%
<b>Profit before taxes</b>	<b>15,431</b>	<b>378</b>	<b>15,053</b>	<b>12,373</b>	21.7%
Group Pre-tax result	15,142	370	14,772	12,320	19.9%
Minorities share of pre-tax profit	289	8	281	53	n.a

(\*) At constant perimeter

The raw material and labour costs, at parity of consolidation area, were in line with the first quarter of 2006.

Labour costs were substantially unchanged while the effects will shortly be seen of the restructuring which commenced during 2006. However, there were increases from normal salary contractual agreements.

Other operating costs decreased principally as a result of the lower number of joint promotional initiatives with the newspapers in the first quarter of 2007.

## Outlook for 2007

---

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 three months of 2007.