CALTAGIRONE EDITORE

2010 annual report
eleventh fiscal year

Caltagirone Editore SpA

Head office Via Barberini, 28 - 00187 Rome
Share capital Euro 125,000,000
Internal Revenue Code and VAT n. 05897851001
Registered with the C.C.I.A.A. of Rome REG 935017

ordinary shareholders' meeting of April 27th, 2011

AGENDA

1. Presentation of the Separate
   and Consolidated financial statements
   for the year ended December 31st, 2010,
   together with the Directors' Report,
   Board of Statutory Auditors' Report
   and the Independent Auditors' Report
   deliberations thereon.

2. Integration of the Board of Statutory Auditors
   for the period 2011
   in accordance with article 2401,
   comma 1, of the Civil Code.

The convocation was published in the following daily newspapers
Il Messaggero
Il Sole 24 Ore

extract from the ordinary shareholders' meeting of April 27th, 2011

The Shareholders' Meeting in first call
chaired by Mr. Francesco Gaetano Caltagirone,
with the attendance of 62 Shareholders
representing 94,527,258 shares (75.62%),
approved the following resolutions:

- approval of the Board of Director's Report and the Financial statements for the year ended December 31st, 2010;

- distribution of a dividend of Euro 0.05 for each share outstanding, to be paid from May 26th, 2011;

- to complete the Board of Statutory Auditors for 2011.

corporate boards

Board of Directors

Chairman

Francesco Gaetano Caltagirone

Vice Chairmen

Azzurra Caltagirone
Gaetano Caltagirone

Directors

Francesco Caltagirone
Alessandro Caltagirone
Massimo Confortini *
Mario Delfini *
Massimo Garzilli *
Franco Luciano Lenti
Albino Majore *
Giampietro Nattino *

Board of Statutory Auditors

Chairman

Raul Bardelli

Standing Auditors

Maria Assunta Coluccia
Federico Malorni

Manager Responsible for Financial Reports

Roberto Di Muzio

Independent Auditors

KPMG SpA

** Members of the Internal Control Commitee*

delegated powers

In accordance with Consob

recommendation No. 97001574

of February 20th, 1997

the nature of delegated powers to the members

of the Board of Directors is indicated

Chairman

*The Chairman has the power to carry out,
with sole signature,
all the acts of ordinary and extraordinary administration,
with the exception of those reserved
to the Shareholders' Meeting and the Board of Directors.*

Vice Chairmen

*The Vice Chairmen have the power to carry out,
with sole signature,
in the case of the absence or impediment
of the Chairman,
all the acts of ordinary
and extraordinary administration,
with the exception
of those reserved to the Shareholders' Meeting
and the Board of Directors.*

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INTRODUCTION

The present Directors' Report refers to the Consolidated and Separate financial statements at December 31st 2010 prepared in accordance with *International Financial Reporting Standards* (*IFRS*), *International Accounting Standards* (*IAS*) and the interpretations of the *International Financial Reporting Interpretations Committee* (*IFRIC*) and of the *Standing Interpretations Committee* (*SIC*), approved by the European Commission (hereinafter *IFRS*).
The present Report should be read together with the Consolidated and Separate financial statements and the relative Notes, which constitute the Annual accounts for 2010.

GROUP OPERATIONS

Highlights

The Caltagirone Editore Group reports a net profit of Euro 6 million in 2010, with overall revenues of Euro 248.3 million; in 2009, the Group reported a net loss of Euro 39.2 million with revenues of Euro 256.9 million.
The Ebitda of Euro 27.4 million was a strong improvement on 2009 (Euro 6.1 million), due to the significant reduction in operating costs (-11.9%).
The Ebitda margin on revenues was 11% (2.4% in 2009).
The Ebit improved from a loss of Euro 24.8 million in 2009 to a profit of Euro 13.9 million. 2010 benefitted from the increase in Ebitda and was impacted by amortisation, depreciation, provisions and write-downs of Euro 13.6 million. In 2009, amortisation, depreciation, provisions and write-downs amounted to Euro 30.9 million and included the write-down of Euro 16.06 million on the Il Gazzettino Group goodwill following an impairment test. In 2010 the impairment tests of the individual newspaper titles did not reveal any losses of value.
The key financial results compared to 2009 are shown below.

Income statement	2010	2009	Change %
Circulation revenues	79,842	82,952	-3.7
Promotions revenues	2,282	3,628	-37.1
Advertising revenues	155,981	160,654	-2.9
Other operating revenues	10,241	9,634	6.3
OPERATING REVENUES	**248,346**	**256,868**	**-3.3**
Raw materials, supplies and consumable stores	(25,589)	(32,438)	-21.1
Labour costs	(96,405)	(111,683)	-13.7
Services	(86,239)	(91,544)	-5.8
Rent, leases and similar costs	(8,796)	(9,355)	-6.0
Other operating charges	(3,898)	(5,742)	-32.1
EBITDA	**27,419**	**6,106**	**n.a.**
Amortisation, depreciation & provisions	(13,562)	(30,908)	-56.1
EBIT	**13,857**	**(24,802)**	**n.a.**
Share of in./(charges) of companies valued at equity	**(342)**	**(7,106)**	**n.a.**
Financial income	5,715	7,175	-20.3
Financial charges	(4,720)	(16,407)	-71.2
Financial result	**995**	**(9,232)**	**n.a.**
PROFIT/(LOSS) BEFORE TAXES	**14,510**	**(41,140)**	**n.a.**
Income taxes	(8,814)	1,587	n.a.
NET PROFIT/(LOSS) BEFORE MINORITY SHARE	**5,696**	**(39,553)**	**n.a.**
Minority interest profit	307	347	-11.5
NET PROFIT/(LOSS) FOR THE YEAR	**6,003**	**(39,206)**	**n.a.**

In Euro thousands

Operating revenues reduced 3.3% on 2009 due to the contraction in all the principal revenue components as a result of the continued general uncertainty related to the poor domestic and international economic climate.
The cost of raw materials decreased by Euro 6.8 million (-21.1% on 2009) due to the lower unitary purchase price of paper (approx. 18%) and also the lesser amount utilised in the production process on the reduced number of copies printed from the combined effect of the optimisation of the print run and decreased sales and also due to the new and smaller format of *Il Gazzettino*.
Labour costs decreased by Euro 15.3 million (-13.7% on 2009), although including leaving incentives, employee disputes and settlements, and absorbing also normal contractual increases.
Other operating costs, including service, rent, leasing and other costs, decreased overall by 7.2% principally due to the reduction in copies distributed of the free newspaper *Leggo* and the lower number of promotional products offered.
The account amortisation, depreciation, write-downs and provisions includes amortisation and depreciation of Euro 9.5 million, provisions for risks arising on disputes in the year for Euro 1.8 million and doubtful debt provisions of Euro 2.2 million.
The results recorded under the equity method (loss of Euro 342 thousand) mainly relates to the effect of the associated companies and improved significantly on the previous year (loss of Euro 6.85 million) which was affected by the recording of a Group loss share of Euro 6.7 million by an associated company.
The net financial result was net income of Euro 995 thousand (net charges of Euro 9.2 million in 2009), comprising financial income of Euro 5.7 million (Euro 7.2 million in 2009) and financial charges of Euro 4.7 million (Euro 16.4 million in 2009). The reduction of Euro 1.5 million in financial income on 2009 follows both the decrease in interest on funds held, which have decreased due to the investments made in the year, and the decrease in dividends from listed shares in portfolio. Previous year financial charges included a loss of Euro 12.3 million from the sale on the market of listed shares.
Income taxes include the estimate for current income taxes and deferred tax income and charges. In the previous year, income taxes included a positive benefit of Euro 6.6 million from the recording of deferred tax assets on tax losses matured in the year against an assessable declaration in 2010 of Euro 755 thousand.
The Group net cash position at December 31st 2010 was Euro 208.9 million.

Net cash position*	**31.12.2010**	**31.12.2009**
Current financial assets	4,211	5,505
Cash and cash equivalents	256,987	284,460
Non-current financial liabilities	(33,756)	(41,387)
Current financial liabilities	(18,544)	(22,266)
Total	**208,898**	**226,312**

In Euro thousands

* *The Net cash position in accordance with CESR recommendation of February 10th 2005 is illustrated at paragraph 29 of the Notes to Consolidated financial statements*

The Net cash position decreased by approx. Euro 17.4 million due to investment in listed shares of approx. Euro 19.9 million and the distribution of dividends of Euro 6.2 million, net of positive cash flows.

The Consolidated net equity decreased from Euro 786.7 million to Euro 761.9 million at December 31st 2010. The decrease is substantially due to the effect of Euro 24.9 million from the valuation at fair value of equity investments held by the Group and the distribution of dividends, in part offset by the net profit in the year.

The Balance sheet and Income statement ratios are provided below:

	2010	**2009**
ROE* *Net result/Net equity***	0.75	n.a.
ROI* *Operating profit/Total assets***	1.38	n.a.
ROS* *Operating profit/operating revenues***	5.58	n.a.
Equity Ratio *Net equity/Total assets*	0.76	0.75
Liquidity Ratio *Current assets/Current liabilities*	3.81	3.88
Capital Invested Ratio *Net equity/Non-current assets*	1.15	1.15

* *Values in %*

** *For definitions of Net result and Operating profit,reference is made to the table attached at page 12 of the present Report*

The ratios improved significantly due to the strong operating and financial management performances.

The balance sheet ratios confirm Group financial and balance sheet equilibrium, with good stability in the ratio between equity and debt[1], a good capacity to meet short-term commitments through liquid funds[2] and finally a good equilibrium between equity and fixed assets[3].

1. An optimal equity ratio is considered as between 0.5 and 1.
2. The liquidity ratio is considered optimal when it is higher than 1.
3. The capital invested ratio is considered good when it is higher than 1.

Group operating performance

Publishing

Circulation revenues	2010	2009	Change
Newspaper sales	79,842	82,952	-3.7%
Promotions revenues	2,282	3,628	-37.1%
Total	**82,124**	**86,580**	**-5.1%**

In Euro thousands

Circulation revenues decreased by 5.1% on 2009. In particular revenues from newspaper sales of Euro 79.8 million decreased by 3.7% within a difficult market in which according to ADS data (moving average over the last 12 months to November 2010) sales contracted by 5.2%. The Group – for the moment – has not applied the price rises implemented by almost all of its competitors.
Following the continual reduction in promotions, the revenues from products sold together with the Group's newspapers dropped by 37.1%; volumes, and especially margins which remaining substantially unchanged, are not considered significant in relation to the overall result.

Advertising revenues

	2010	2009	Change
Advertising			
Il Messaggero	70,423	73,147	-3.7%
Il Mattino	27,311	27,082	0.8%
Il Gazzettino	23,127	24,188	-4.4%
Leggo	19,829	21,517	-7.8%
Quotidiano di Puglia	5,796	5,985	-3.2%
Corriere Adriatico	5,548	5,279	5.1%
Total newspapers	**152,034**	**157,198**	**-3.3%**
Other advertising revenues	3,947	3,456	14.2%
Total	**155,981**	**160,654**	**-2.9%**

In Euro thousands

Group advertising revenues of Euro 155.9 million decreased by 2.9% on the previous year (Euro 160.7 million), in a market reporting increased advertising spending on 2009 of 3.8% according to Nielsen Media Research, however with contrasting performances in the various sectors. In fact while the most significant growth on 2009 was recorded in media such as internet (+20.1%), cinema (+12.2%), radio (+7.7%)

and TV (+6%), newspaper advertising decreased by 4.3% with reduced investment in magazines (-5.4%) and in the free press (-25.2%).
Other advertising revenues relate principally to the advertising revenues from the TV broadcaster Telefriuli for approx. Euro 1.0 million and the internet sites of the newspapers for approx. Euro 2.8 million. Internet advertising is in a significant expansionary phase (+36.3%); however volumes are still not large enough to comprise a significant share of the overall result.

Other activities

	2010	2009	Change
Other revenues	10,241	9,634	6.3%
Total	**10,241**	**9,634**	

In Euro thousands

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

Transactions with related parties

The transactions with "related" parties, as set out in *IAS 24*, include inter-company transactions, form part of the ordinary business activities and are governed at market conditions.
The Company has not carried out significant transactions nor significant levels of ordinary transactions as established by Consob Regulation concerning transactions with related parties adopted with Resolution No. 17221 of March 12th 2010.
The information on transactions with related parties, including those required by Consob communication of July 28th 2006, is shown in the Notes to the Consolidated financial statements.

Management of risks

The activities of the Caltagirone Editore Group are subject to various financial risks: market risks (raw materials prices and the movements in listed share prices), credit risk, exchange rate risk, interest rate risk and liquidity risk. The management of the financial risks of the Group is undertaken through organisational directives which govern the management of these risks and the control of all operations which have importance in the composition of the financial and/or commercial assets and liabilities.

The Group has not used derivative financial instruments, nor do specific financial risks exist in relation to price, credit or liquidity (other than that deriving from the operating activities).

Market risk (price of raw materials – paper)
The Group is exposed to fluctuations in the price of paper – the principal raw material; this risk is managed through supply contracts with Italian and foreign companies with fixed prices and quantities for a maximum period of approximately 12 months, and through procurement from suppliers based in different geographic areas in order to avoid the risks related to an excessive concentration of suppliers and to obtain the most competitively priced supplies.

Price risk of the equity shareholdings
In relation to the risk of changes in the fair value of the equity shareholdings held as available for sale, the Group monitors the changes of share prices and for this reason constantly records the movements in the listed shares in portfolio. Based on this data, the investment and divestment policies of the Group are defined with the objective to optimise medium and long-term cash flows, also considering the distribution of dividends from the shares in portfolio. The investment and divestment strategies of the equity investments are also considered in relation to the diversification of risk.

Credit risk
The receivables at the end of the year are prevalently of a commercial nature, as indicated in the Notes to the Balance sheet of the Consolidated and Separate financial statements, to which reference is made. In general, receivables are recorded net of any write-downs, calculated on the basis of the risk of non-fulfilment by the counterparty, determined considering the information available on the clients solvency and historical insolvency data in relation to the varying expiry dates of receivables. Historically, there are no significant situations which are particularly problematic in relation to the solvency of the clients, as the policy of the Group is only to sell to clients after a prudent evaluation of their credit capacity and therefore within the established credit limits. Finally, no significant debtor positions were recorded which would equate to an excessive concentration of credit. On this basis, the credit risk to which the Group is exposed can be considered limited.

Currency risk
The Group operates exclusively in the Euro area and therefore is not exposed to exchange rate risks.

Interest rate risk
The interest rate risk relates to an uncontrolled increase of the charges deriving from variable interest rates on medium/long-term loans of Group companies. The interest rate risk to which the Group is exposed is considered limited in that the loans undertaken are contracted in Euro, which currently presents low interest rates following the monetary policies adopted by the central banks to counter the recession.

Liquidity risk

Liquidity risk is linked to the difficulty in obtaining funds to cover commitments at a given moment. The Caltagirone Editore Group has access to its own liquidity which is in the form of short-term deposits and therefore easily accessible and highly liquid. This risk therefore does not pertain to the Group.

Environment and security risk

Existing regulations and laws are rigorously applied to workplace health and security and hence govern this area of risk.

Principal uncertainties and the going concern

Further to that stated in the paragraph on business risks, the current conditions in the financial markets and the real economy do not allow accurate evaluations of the short-term outlook. This situation does not cause concern in relation to the going concern principle in that the Group relies on its own funds and no uncertainties exist that could compromise the capacity of the Group to carry out its operating activities.

Other information

During the year, the companies of the Caltagirone Editore Group did not carry out any research and development activity.

At December 31st 2010, there were 1,079 employees (1,109 at December 31st 2009).

For segment information on the costs, revenues and investments, reference should be made to the Notes to the Consolidated financial statements.

The reconciliation of the Shareholders' equity and Net profit of the Group and of the Parent Company as per Consob Communication No. 6064293 of July 28th 2006 is attached to the present report.

Significant events after the year-end

No significant events occurred after the end of the financial year.

Outlook

The general economy and sector is affected by significant uncertainty especially concerning the advertising market. The stringent cost control policy implemented by the Group will continue.

For the year 2010 Caltagirone Editore SpA reports total revenues and income of Euro 2.6 million, and a net loss of Euro 6.1 million due to write-downs on investments of Euro 6.9 million as shown in the following table which compares the key financial results with the previous year, reclassified in accordance with the Consob Communication No. 94001437 of February 23rd, 1994:

	2010	2009
Dividends from subsidiaries	–	9,000
Dividends from other companies	1,103	1,377
Other financial income	1,491	2,668
Financial income	**2,594**	**13,045**
Interest and financial charges from subsidiaries	(44)	(60)
Interest and financial charges from third parties	(138)	(214)
Write-down of investment & securities*	(6,900)	(30,647)
Financial charges	**(7,082)**	**(30,921)**
Total financial income and charges	**(4,487)**	**(17,876)**
Result from operating activities**	(1,625)	(1,982)
Loss before taxes	**(6,112)**	**(19,858)**
Income taxes for the year	28	(379)
Net loss for the year	**(6,084)**	**(20,237)**

In Euro thousands

* *The Write-down in investments are included in the account Financial charges in the attached Parent Company Financial statements*

***The Result from operating activities corresponds to the Operating result in the attached Parent Company Financial statements*

Dividends from investments in other companies refer to the Assicurazioni Generali SpA shares in portfolio.

Other financial income represents the interest income on bank deposits accrued during the year. The decrease on last year is principally due to reduced interest income following a lowering of market rates.

The account Interest and other financial charges principally comprises loan interest. The write-down of investments and securities concerns the associated company E-Care SpA for Euro 3.8 million and the subsidiaries Corriere Adriatico SpA and Il Gazzettino SpA respectively for Euro 1.25 million and Euro 1.86 million. The previous year included Euro 16.06 million concerning Il Gazzettino SpA, whose write-down followed an impairment test on the goodwill recorded on the acquisition of the Il Gazzettino Group.

The Shareholders' equity of the Company at December 31st 2010 was Euro 668.3 million. The reduction on the Shareholders' equity at December 31st 2009 (Euro 696.1 million) is due to the loss in the year, the payment of dividends and the negative effect of the fair value valuation at year-end of shares in portfolio of Euro 15.5 million.

Net cash position

The Net cash position is as follows:

Net cash position*	**31.12.2010**	**31.12.2009**
Current financial assets	74,159	69,102
Cash and cash equivalents	148,085	174,525
Non-current financial liabilities	–	(1,404)
Current financial liabilities	(5,718)	(5,659)
Total	**216,526**	**236,564**

In Euro thousands

* *The Net cash position in accordance with CESR recommendation of February 10th 2005 is illustrated at paragraph 20 of the Notes to Consolidated financial statements*

The decrease in the Cash position is substantially due to the investment in shares of Euro 11.5 million and the payment of dividends of Euro 6.25 million.

Caltagirone Editore SpA manages the equity investments held in the operating companies.

Principal equity investments

The principal results of the subsidiary companies are reported below, which are reflected in the Consolidated financial statements and to which reference should be made for further details on the segment operating performances.

Il Messaggero SpA

The Company, which publishes the newspaper *Il Messaggero*, in 2010 recorded a net profit of Euro 2.5 million (loss of Euro 4.92 million in 2009) and a value of production of Euro 100.5 million (Euro 103.9 million in 2009). The 2009 result included extraordinary charges of approx. Euro 4.2 million concerning corporate restructuring.
Due to the continued contraction in consumer spending, both sales revenues and advertising revenues decreased, respectively by approx. 3.19% and 3.7%; sales revenues, unlike for the majority of Group third party titles, did not benefit from price increases.
The Ebitda was Euro 14.7 million (Euro 6.5 million in 2009). The improvement is entirely due to the decrease in costs. In particular, labour costs following the restructurings of 2009 and 2010 decreased by approx. 10%, although including other costs such as leaving incentives, employee disputes and settlements of Euro 1.1 million, absorbing also normal contractual increases. Raw material costs decreased by approx. 20%, principally due to the reduction in international paper costs (approx. 18%) with service costs reducing by approx. 6%, due to lower volumes and the restructuring of services and the renegotiation of contracts.
At December 31st 2010, Il Messaggero SpA recorded net equity of Euro 208.9 million (Euro 206.5 million at December 31st 2009).

Il Mattino SpA

Il Mattino SpA, publisher of the newspaper of the same name, reported a value of production of Euro 39.8 million in 2010 (Euro 40.4 million in 2009) and a net profit of Euro 1.2 million (loss of Euro 2.4 million in 2009).
The improved results is principally due to the reduction in operating costs; the 2009 results included non-recurring extraordinary charges of approx. Euro 1.7 million.
The Ebitda amounted to Euro 6 million (Euro 2.7 million in 2009), while the margin on the value of production amounted to 15.6% (6.8% in 2009).
Newspaper sales revenues decreased due to the reduced amount of copies sold (by approx. Euro 300 thousand, -1.8%) while advertising revenues increased by approx. Euro 246 million (approx. +0.8%), with a higher percentage in the first half year.
Raw material costs decreased by Euro 1.7 million, in particular paper, in addition to service costs. Labour costs reduced by 12.05% on the previous year due to the completion of the restructuring plan.
At December 31st 2010, Il Mattino SpA recorded Net equity of Euro 13.7 million (Euro 12.5 million at December 31st 2009).

Il Gazzettino SpA
In 2010, Il Gazzettino SpA recorded a loss of Euro 2.5 million compared to a loss of Euro 5.3 million in the previous year; the reduced loss is due to the effects of the restructuring and the reduction in operating costs.
In 2010 Il Gazzettino SpA recorded Net revenues of Euro 39.7 million, a decrease of 4.7% on Euro 41.7 million in 2009. In particular, advertising revenues decreased from Euro 18.8 million in 2009 to Euro 18.2 million in 2010, a decrease of 4.4% in line with the contraction in 2010 of the paid newspaper advertising market.
The Company, to offset the drop in revenues, from the beginning of the second half of 2009 began a restructuring plan with the containment of all costs which, through restructuring actions, and in particular focused on personnel, resulted in a reduction in labour costs in the 2009-2010 two year period of Euro 2.9 million (of which Euro 1.3 million in 2009 and a further Euro 1.6 million in 2010); in addition it was possible to reduce operating costs by Euro 4.7 million (10.5%). Due to that stated above, despite the drop in net revenues of Euro 1.9 million, Ebitda improved by Euro 2.8 million from a loss of Euro 2.1 million in 2009 to a profit of Euro 601 thousand in 2010.

Leggo SpA
The Company, which publishes the free daily newspaper *Leggo*, recorded a value of production of Euro 16.3 million in 2010, a decrease of approximately 7.7% on the previous year (Euro 17.7 million).
The year 2010 ended with a loss of Euro 2.2 million, compared to a loss of Euro 2.7 million in 2009. This result should be considered within the difficult market situation which has resulted in a contraction in consumption and particularly in newspaper advertising.
The Ebitda was a loss of Euro 3 million compared to a loss of Euro 3.77 million in 2009.

Corriere Adriatico SpA
The Company publishes the newspaper of the same name, leader in the Marche region. Il Corriere Adriatico SpA in 2010 recorded a loss of Euro 1.2 million (loss of Euro 1.5 million in 2009) with a value of production of Euro 9.1 million (Euro 9.03 million in 2009). The Ebitda was a loss of Euro 1.1 million (loss of Euro 1.25 million in 2009). The small improvement in the Ebitda is due both to ordinary revenue growth and the reduction in production costs. Advertising revenues in particular recorded strong growth (+5.1%), countering the market trend. Increase in advertising revenues is largely related to special initiatives to mark the 150th anniversary of the foundation of the newspaper.

Quotidiano di Puglia SpA
In 2010, Quotidiano di Puglia SpA, which publishes the newspaper of the same name in the provinces of Lecce, Brindisi and Taranto, recorded a net profit of Euro 437 thousand (Euro 196 thousand in 2009) and a value of production of Euro 9.1 million (Euro 8.84 million in 2009).

Piemme SpA
La Piemme SpA, a subsidiary of Il Messaggero SpA, is the sole advertising agency for all of the Group newspapers, and in 2010 recorded a net profit of Euro 1.5 million (Euro 1.6 million in 2009) and total revenues of Euro 156.8 million (Euro 161.3 million in 2009), a decrease of 2.8% on the previous year.
The reduction on the previous year is principally due to the contraction in advertising revenues. The difficult economic climate led to reduction in newspaper advertising investments (-4% for the daily newspaper sector – source: Nielsen).

Other investments

The finance company Finced Srl recorded a profit of Euro 737 thousand from dividends received on shares held in portfolio.
For information relating to the market trends and performances of the principal subsidiaries and the business strategies, reference should be made to the Directors' Report accompanying the Consolidated financial statements.

Transactions with related parties

For the transactions between the companies of the Caltagiorne Editore Group and other related parties, reference should be made to the Notes to the Separate financial statements and the Directors' Report of the Consolidated financial statements.

Management of risks

The activities of Caltagirone Editore SpA are subject to various financial risks: market risks due to the movements in listed share prices, exchange rate risk, interest rate risk and liquidity risk. The management of the financial risks of the Group is undertaken through organisational directives which govern the management of these risks and the control of all operations which have importance in the composition of the financial and/or commercial assets and liabilities.
The Company has not used derivative financial instruments, nor do specific financial risks exist in relation to price, credit or liquidity (other than that deriving from the operating activities).

Price risk of the equity shareholdings
In relation to the risk of changes in the fair value of the equity shareholdings held as available for sale, the Company monitors the changes of share prices and for this reason constantly records the movements in the listed shares in portfolio. Based on this data, the investment and divestment policies of the Group are defined with the objective to optimise medium and long-term cash flows, also considering the distribution of dividends from the shares in portfolio. The investment and divestment strategies of the equity investments are also considered in relation to the diversification of risk.

Credit risk
The Company operates exclusively in the Euro area and therefore is not exposed to exchange rate risks.

Interest rate risk
The interest rate risk relates to an uncontrolled increase of the charges deriving from variable interest rates on medium/long-term loans. The interest rate risk to which the Company is exposed is considered limited in that the loans undertaken are contracted in Euro, which currently presents low interest rates following the monetary policies adopted by the central banks to counter the recession.

Liquidity risk
Liquidity risk is linked to the difficulty in obtaining funds to cover commitments at a given moment. Caltagirone Editore SpA has access to its own liquidity which is in the form of short-term deposits and therefore easily accessible and highly liquid. It is therefore considered that this risk does not exist.

Principal uncertainties and the going concern

Further to that stated in the paragraph on business risks, the current conditions in the financial markets and the real economy do not allow accurate evaluations of the short-term outlook. This situation does not cause concern in relation to the going concern principle in that the Group relies on its own funds and no uncertainties exist that could compromise the capacity of the Group to carry out its operating activities.

Other information

In accordance with article 79 of Consob Resolution No. 11971, which implements Legislative Decree 58/98, the investments held in the Company by the members of the Board of Directors and Board of Statutory Auditors are reported in the attachment.

Caltagirone Editore SpA, in adherence with the current legislative provisions, is the Titleholder of the treatment of personal data. The Board of Directors of the Company, in the Meeting of March 23rd 2004, appointed a person Responsible for the treatment of personal data.

Caltagirone Editore SpA, as permitted by the Consolidated Finance Act, takes part in a Group tax regime called the *Tax Consolidation* as the Parent Company.

The Board of Directors, in accordance with article 154-bis of the Consolidated Finance Act, on March 23rd 2010 appointed the executive responsible for the preparation of corporate accounting documents and who holds the necessary professional requisites for the assignment.

In accordance with that set out by paragraph 26 of the technical regulations on security, which comprise attachment B of Legislative Decree No. 196 of June 30th 2003 (*Personal data protection code*), in 2010 and in compliance with law the *Programmed document on security* was updated. This document contained adequate information relating to the security measures adopted by the Company, on the treatment of personal data, on the analysis of risks and the attribution of duties and responsibility in the treatment of data, in order to minimise the risk of destruction or loss, also accidental, of personal data, of non authorised access or of non consenting treatment and not in line with the reasons for its collection. Among the other information required by law is that the above stated document must outline the necessary measures to guarantee the completeness and the availability of the data.

During the year, the Company did not purchase or sell treasury shares or shares in subsidiary companies, nor through trust companies. A reserve of Euro 50 million was created utilising the Share premium reserve to carry out share buy-back operations. Currently the reserve has not been utilised.

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

At December 31st 2010, the Company had 3 employees (3 at December 31st 2009).

The Parent Company is not subject to management and co-ordination pursuant to art. 2497 and subsequent of the Italian Civil Code.

Corporate Governance report

The Company's Corporate Governance model, although of reduced necessity for a holding company such as Caltagirone Editore SpA and also taking into account the specific controls in the subsidiary companies, has the objective of controlling and managing the business risks and for the correct and transparent communication to the market.

Caltagirone Editore SpA has not formally adopted the *Self-Governance Code for listed companies* issued by the Corporate Governance Committee of Borsa Italiana SpA, in that the Corporate Governance system of the Company is substantially in line with the *Code*.

The Issuer, and its subsidiaries, are not subject to laws in force outside Italy which affect the Corporate Governance structure.

The Corporate Governance structure will be updated based on national and international best practice.

The Corporate Governance system is based on the central role of the Board of the Issuer in establishing strategic direction, on the transparency of the operational decisions and the effectiveness of the internal control system which is undertaken through the existing control structure within the individual companies, supervised by the Internal Control Committee.

The *Corporate Governance report* was prepared pursuant to article 123-bis of the Consolidated Finance Act, which provides an outline of the Corporate Governance of the Group. Information on the Shareholder structure and the *Corporate Governance report* are available on the Group's website (www.caltagironeditore.com).

The Extraordinary Shareholders' Meeting of April 26th 2010 amended article 19, point 2, of the By-Laws relating to the powers attributable to the Board of Directors, including among the powers of the Board of Directors the power to adjust the By-Laws according to regulatory requirements (as per article 2365, paragraph 2, of the Civil Code).

In 2010, on the proposal of the Internal Control Committee, following the entry into force of Legislative Decree No. 39 of January 27th 2010 (the Consolidated Auditing Act), a reallocation of duties and responsibilities from the Internal Control Committee to the Board of Statutory Auditors took place.

The Board of Directors in December, according to the principles indicated in the Consob Regulation concerning transactions with related parties, with the consent of the Independent Directors, adopted the procedure which ensures the material and procedural transparency and correctness of transactions with related parties; the document was published on the Company internet site www.caltagironeeditore.com in the *Corporate Documents/2010* section.

Following the resignation of the Standing Auditor, Mr. Carlo Schiavone, on May 24th 2010, in accordance with law and the By-Laws, at the same date the Alternate Auditor Ms. Maria Assunta Coluccia assumed office on the Board of Statutory Auditors and whose mandate will terminate with the approval by the Shareholders' Meeting of the 2010 annual accounts.

Significant events after the year-end

No significant events occurred after the end of the financial year.

PROPOSAL TO THE SHAREHOLDERS' AGM

In relation to the Parent Company Caltagirone Editore SpA's net loss of Euro 6,084,288, the Board of Directors proposes covering the loss through the utilisation of the retained earnings for years prior to 2007 for a value of Euro 7,551,029.
Finally, the Board of Directors proposed the distribution of a dividend of Euro 6,250,000, Euro 0.05 for each of the 125,000,000 shares outstanding, through the following reserves:

- Euro 1,462,500 through the residual amount of the reserve comprising retained earnings for years prior to 2007;
- Euro 4,787,500 through the Share premium reserve.

Rome, March 15th 2011

For the Board of Directors

The Chairman
Francesco Gaetano Caltagirone

attachments

RECONCILIATION BETWEEN THE NET RESULT AND THE NET EQUITY OF THE PARENT COMPANY AND THE CONSOLIDATED NET RESULT AND NET

	NET PROFIT/ (LOSS)
Net profit and net equity for the year as per Financial statements of the Parent Company	**(6,084)**
Contribution of subsidiary companies	4,497
Effect of the Equity method valuation of associated companies	1,498
Adjustment to the international accounting standards *IFRS/IAS*	4,394
Elimination of inter-company (gains)/losses, net of tax effect	1,391
Minority interest share of net equity	307
NET PROFIT AND NET EQUITY AS PER THE CONSOLIDATED FINANCIAL STATEMENTS	**6,003**

In Euro thousands

EQUITY

NET EQUITY
668,305
55,111
(2)
83,665
(44,496)
(609)
761,974

SHARES HELD IN THE ISSUER AND ITS SUBSIDIARIES

Publication in accordance with article 79 of Consob Resolution 11971/99

NAME	COMPANY	TYPE OF SHARE	TYPE HELD
Caltagirone Francesco Gaetano	Caltagirone Editore SpA	Ordin.	Full ownership rights
		Ordin.	Indirect through subsidiaries
Caltagirone Gaetano	Caltagirone Editore SpA	Ordin.	Full ownership rights
Caltagirone Azzurra	Caltagirone Editore SpA	Ordin.	Full ownership rights
Caltagirone Francesco	Caltagirone Editore SpA	Ordin.	Full ownership rights
		Ordin.	Indirect through subsidiaries
Caltagirone Alessandro	Caltagirone Editore SpA	Ordin.	Full ownership rights
Delfini Mario	Caltagirone Editore SpA	Ordin.	Full ownership rights
		Ordin.	Indirect through spouse
Majore Albino	Caltagirone Editore SpA	Ordin.	Full ownership rights
Lenti Franco Luciano	Caltagirone Editore SpA	Ordin.	Full ownership rights
Bardelli Raul	Caltagirone Editore SpA	Ordin.	Full ownership rights
		Ordin.	Indirect through spouse
Schiavone Carlo	Caltagirone Editore SpA	Ordin.	Full ownership rights

NUMBER OF SHARES HELD AT 31.12.2009	OPERATION CODE	NUMBER OF SHARES ACQUIRED	NUMBER OF SHARES SOLD	NUMBER OF SHARES HELD AT 31.12.2010
22,500,000	–	–	–	22,500,000
59,455,300	–	–	–	53,455,300
75,955,300				**75,955,300**
3,000,000	–	–	–	3,000,000
1,869,901	–	–	–	1,869,901
50,000	Purchased on Stock Exchange	50,000	–	100,000
1,900,000	–	–	–	1,900,000
1,950,000				**2,000,000**
1,800,000	–	–	–	1,800,000
150	–	–	–	150
150	–	–	–	150
300				**300**
15,000	–	–	–	15,000
63,000	–	–	–	63,000
21,600	–	–	–	21,600
2,600	–	–	–	2,600
24,200				**24,200**
4,000	–	–	–	4,000

LIST OF INVESTMENTS AT 31.12.2010 AS PER ART. 38 OF LEGS. DECREE

COMPANY	REGISTERED OFFICE	SHARE CAPITAL	CURRENCY
Companies included in the consolidation under the line-by-line method			
Il Messaggero SpA	Rome	42,179,500.00	Euro
Il Mattino SpA	Rome	500,000.00	Euro
Piemme SpA	Rome	2,646,540.00	Euro
Leggo SpA	Rome	1,000,000.00	Euro
Finced Srl	Rome	10,000.00	Euro
Corriere Adriatico SpA	Ancona	102,000.00	Euro
Quotidiano di Puglia SpA	Rome	1,020,000.00	Euro
Il Gazzettino SpA	Rome	1,078,950.00	Euro
Centro Stampa Veneto SpA	Rome	567,000.00	Euro
Imprese Tipografiche Venete SpA	Rome	936,000.00	Euro
P.I.M. Pubblicità Italiana Multimedia Srl	Rome	1,044,000.00	Euro
Ideco Holding SA in liquidation	Lugano (Switzerland)	100,000.00	Chf
Telefriuli SpA	Tavagnacco (Udine)	1,655,300.00	Euro
Companies included in the consolidation under the Equity Method			
Rofin 2008 Srl	Rome	10,000.00	Euro
Other investments in subsidiaries			
Edi.Me. Sport Srl in liquidation	Naples	10,200.00	Euro
Noisette Serviços de Consultoria Lda	Madeira (Portugal)	5,000.00	Euro
Other investments in associated companies			
Editrice Telenuovo SpA	Verona	546,000.00	Euro
Pubblieditor Srl in liquidation	Verona	40,800.00	Euro

NO. 127/1991

HOLDING		
Directly	Indirectly through	
94.613%	Piemme SpA	5.387%
99.999%	Finced Srl	0.001%
–	Il Messaggero SpA	100.000%
90.000%	–	–
99.990%	Piemme SpA	0.010%
99.999%	Finced Srl	0.001%
99.951%	Finced Srl	0.049%
99.999%	Finced Srl	0.001%
–	Il Gazzettino SpA	100.000%
–	Il Gazzettino SpA	100.000%
–	Il Gazzettino SpA	100.000%
–	Il Gazzettino SpA	100.000%
–	Il Gazzettino SpA	86.020%
30.000%	–	–
–	Il Mattino SpA	99.500%
–	Finced Srl Leggo SpA	98.000% 2.000%
–	Il Gazzettino SpA	40.000%
–	Il Gazzettino SpA	40.000%

CALTAGIRONE EDITORE GROUP

consolidated balance sheet assets

	Note	31.12.2010	31.12.2009
Intangible assets with definite life	1	2,258	2,777
Goodwill and other indefinite intangible assets	2	447,315	447,317
Property, plant and equipment	3	79,789	87,091
Equity investments valued at net equity	4	707	4,256
Equity investments and non-current securities	5	107,728	115,799
Non-current financial assets	6	37	32
Other non-current assets	7	632	901
Deferred tax assets	8	23,861	24,922
NON-CURRENT ASSETS		**662,327**	**683,095**
Inventories	9	3,316	3,713
Trade receivable	10	73,154	76,387
of which related parties		1,798	2,066
Current financial assets	11	4,211	5,505
of which related parties		4,171	5,435
Tax receivables	8	84	1,167
Other current assets	12	1,804	3,028
of which related parties		129	–
Cash and cash equivalents	13	256,987	284,460
of which related parties		254,686	144,279
CURRENT ASSETS		**339,556**	**374,260**
TOTAL ASSETS		**1,001,883**	**1,057,355**

In Euro thousands

consolidated balance sheet
liabilities and shareholders' equity

	Note	31.12.2010	31.12.2009
Share capital		125,000	125,000
Share capital issue costs		(18,865)	(18,865)
Other reserves		649,836	719,794
Profit/(loss) for the year		6,003	(39,206)
Group Shareholders' equity		**761,974**	**786,723**
Minority interest Shareholders' equity		**609**	**1,898**
SHAREHOLDERS' EQUITY	**14**	**762,583**	**788,621**
Employee provisions	16	40,138	41,060
Other non-current provisions	17	7,305	7,641
Non-current financial liabilities	18	33,756	41,387
Other non-current liabilities	19	2,746	3,100
Deferred tax liabilities	8	66,328	69,165
NON-CURRENT LIABILITIES		**150,273**	**162,353**
Current provisions	17	5,993	9,837
Trade payables	18	31,201	35,733
of which related parties		443	247
Current financial liabilities	15	18,544	22,266
of which related parties		3,684	7,992
Other current liabilities	19	33,289	38,545
of which related parties		17	2
CURRENT LIABILITIES		**89,027**	**106,381**
TOTAL LIABILITIES		**239,300**	**268,734**
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		**1,001,883**	**1,057,355**

In Euro thousands

consolidated income statement

	Note	2010	2009
Revenues from sales and services	20	238,105	247,234
of which related parties		2,930	3,025
Other revenues	21	10,241	9,634
of which related parties		224	111
REVENUES		**248,346**	**256,868**
Raw material costs	22	25,589	32,438
Labour costs	16	96,405	111,683
Other operating charges	23	98,933	106,641
of which related parties		5,314	6,459
COSTS		**220,927**	**250,762**
EBITDA		**27,419**	**6,106**
Amortisation & depreciation	24	9,528	9,892
Provisions	24	1,788	1,429
Goodwill write-down	2-24	–	16,056
Other write-downs	24	2,246	3,531
EBIT		**13,857**	**(24,802)**
Net result of the share of associates		**(342)**	**(7,106)**
Financial income		5,715	7,175
of which related parties		5,310	4,484
Financial charges		(4,720)	(16,407)
of which related parties		(2,032)	(99)
Net financial income/(charges)	**25**	**995**	**(9,232)**
PROFIT BEFORE TAX		**14,510**	**(41,140)**
Income taxes for the year	8	(8,814)	1,587
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**5,696**	**(39,553)**
NET PROFIT/(LOSS) FOR THE YEAR		**5,696**	**(39,553)**
Attributable to:			
– Parent Company shareholders		6,003	(39,206)
– Minority interest		(307)	(347)
Earnings per share	26	0.048	(0.314)
Diluted earnings per share	26	0.048	(0.314)

In Euro thousands

comprehensive consolidated income statement

	Note	2010	2009
NET PROFIT/(LOSS) FOR THE YEAR (A)		**5,696**	**(39,553)**
Gain/(Loss) from recalculation of available-for-sale financial assets net of tax effect	5	(24,870)	12,954
Effect of actuarial gain/(loss) net of tax effect		(626)	(2,245)
TOTAL OTHER COMPREHENSIVE PROFIT/(LOSS) NET OF TAX EFFECT (B)		**(25,496)**	**10,709**
TOTAL NET/(LOSS) FOR THE YEAR (A+B)		**(19,800)**	**(28,844)**
Attributable to:			
– Parent Company shareholders		(19,491)	(28,486)
– Minority interest		(309)	(358)

In Euro thousands

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	SHARE CAPITAL	QUOTATION CHARGES
Balance at January 1st 2009	**125,000**	**(18,865)**
Dividends distributed	–	–
Retained earnings	–	–
Change in consolidation area	–	–
Total operations with Shareholders	**125,000**	**(18,865)**
Change in fair value reserve	–	–
Change in employment termination reserve	–	–
Net result	–	–
Total profit/(loss) recorded in the period	**–**	**–**
Other changes	–	–
Reclassifications	–	–
BALANCE AT DECEMBER 31ST 2009	**125,000**	**(18,865)**
Balance at January 1st 2010	**125,000**	**(18,865)**
Dividends distributed	–	–
Retained earnings	–	–
Change in consolidation area	–	–
Total operations with Shareholders	**125,000**	**(18,865)**
Change in fair value reserve	–	–
Change in employment termination reserve	–	–
Net result	–	–
Total profit/(loss) recorded in the period	**–**	**–**
Other changes	–	–
BALANCE AT DECEMBER 31ST 2010	**125,000**	**(18,865)**

In Euro thousands

FAIR VALUE RESERVE	OTHER RESERVES	NET RESULT	GROUP NET EQUITY	MINORITY INTEREST N.E.	TOTAL NET EQUITY
(1,620)	**728,551**	**(10,985)**	**822,081**	**2,599**	**824,680**
–	(6,250)	–	(6,250)	(1,000)	(7,250)
–	(10,985)	10,985	–	–	–
–	(657)	–	(657)	657	–
(1,620)	**710,659**	**–**	**815,174**	**2,256**	**817,430**
12,954	–	–	12,954	–	12,954
–	(2,234)	–	(2,234)	(11)	(2,245)
–	–	(39,206)	(39,206)	(347)	(39,553)
12,954	**(2,234)**	**(39,206)**	**(28,486)**	**(358)**	**(28,844)**
–	35	–	35	–	35
42	(42)	–	–	–	–
11,376	**708,418**	**(39,206)**	**786,723**	**1,898**	**788,621**
11,376	**708,418**	**(39,206)**	**786,723**	**1,898**	**788,621**
–	(6,250)	–	(6,250)	–	(6,250)
–	(39,206)	39,206	–	–	–
–	980	–	980	(980)	–
11,376	**663,942**	**–**	**781,453**	**918**	**782,371**
(24,870)	–	–	(24,870)	–	(24,870)
–	(624)	–	(624)	(2)	(626)
–	–	6,003	6,003	(307)	5,696
(24,870)	**(624)**	**6,003**	**(19,491)**	**(309)**	**(19,800)**
–	12	–	12	–	12
(13,494)	**663,330**	**6,003**	**761,974**	**609**	**762,583**

consolidated cash flow statement

	Note	2010	2009
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**13**	**284,460**	**308,349**
Net profit/(loss) for the year		5,696	(39,553)
Amortisation & depreciation		9,528	9,892
(Revaluations) and write-downs		4,300	19,689
Net result of the share of associates		342	7,106
Net financial income/(charges)		(1,658)	9,130
(Gains)/losses on disposals		(1,407)	48
Income taxes		8,814	(1,587)
Changes in employee provisions		(2,834)	(8,521)
Changes in current and non-current provisions		(4,181)	4,555
OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL		**18,600**	**759**
(Increase)/Decrease in inventories		397	1,070
(Increase)/Decrease in trade receivables		987	7,261
Increase/(Decrease) in trade payables		(4,679)	(4,710)
Change in other current and non-current liabilities		(3,264)	(2,317)
Change in deferred and current income taxes		(737)	423
OPERATING CASH FLOW		**11,304**	**2,486**
Dividends received		1,925	911
Interest received		1,992	3,797
Interest paid		(1,227)	(2,340)
Income taxes paid		(3,927)	(4,399)
A. CASH FLOW FROM OPERATING ACTIVITIES		**10,067**	**455**

	Note	2010	2009
Investments in intangible fixed assets		(658)	(363)
Investments in tangible fixed assets		(1,118)	(733)
Investments in equity holdings and non-current securities		(19,891)	(43,765)
Sale of intangible and tangible assets		22	227
Sale of equity investments and non-current securities		–	20,423
Change in non-current financial assets		341	1,269
Change in current financial assets		1,604	17,522
Other changes in investments		–	180
B. CASH FLOW FROM INVESTING ACTIVITIES		**(19,700)**	**(5,240)**
Change in non-current financial liabilities		(7,631)	(7,674)
Change in current financial liabilities		(3,960)	(4,180)
Dividends distributed		(6,250)	(7,250)
C. CASH FLOW FROM FINANCING ACTIVITIES		**(17,841)**	**(19,104)**
D. EFFECT EXCHANGE DIFFERENCES ON CASH & CASH EQUIVALENTS		**–**	**–**
Change in net liquidity (A+B+C+D)		**(27,474)**	**(23,889)**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**13**	**256,986**	**284,460**

In Euro thousands

notes to the consolidated financial statements as at December 31st, 2010

Introduction

Caltagirone Editore SpA (Parent Company) is a limited liability company, listed on the Milan Stock Exchange, operating in the publishing sector with its registered office in 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 24th 1998, and other information available are:

1. Francesco Gaetano Caltagirone: 75,955,300 shares (60.76%).
   This investment is held:
   - directly for 22,500,000 shares (18.0%);
   - indirectly through the companies:
     – Parted 1982 SpA (35.56%),
     – Gamma Srl (7.2%);
2. Gaetano Caltagirone: 3,000,000 shares (2.40%);
3. Edizione Srl: 2,799,000 shares (2.24%).

The list of the equity investments reported in the attachment to the Annual report is based also on the disclosure obligation of shareholdings held in non listed companies of more than 10% of the Share capital in accordance with article 126 of Consob Regulation (National Commission for Companies and the Stock Exchange) No. 11971/1999.
At the date of the preparation of the present Accounts, the ultimate holding company was FGC SpA, due to the shares held through subsidiary companies.
The Consolidated financial statements at December 31st 2010 include the Financial statements of the Parent Company and its subsidiaries (together the "Group"). The Financial statements prepared by the Directors of the individual companies for approval, where required, by the respective Shareholders' Meetings, were utilised for the consolidation.
The present Consolidated financial statements were authorised for publication by the directors on March 15th 2011.

Compliance with international accounting standards approved by the European Commission

The Consolidated financial statements at December 31st 2010 were prepared in accordance with *International Financial Reporting Standards* (*IFRS*), *International Accounting Standards* (*IAS*) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and of the Standing Interpretations Committee (SIC), approved by the European Commission (hereinafter *IFRS*).
In the preparation of the present document, account was taken of article 9 of Legislative Decree No. 28 of February 28th 2005, of the provisions of the Civil Code, of Consob Resolution No. 15519 (*Regulations relating to Financial statements to be issued in accordance with article 9, paragraph 3, of Legs. Decree No. of February 28th 2005*) and No. 15520 (*Modifications and amendments to the implementation rules of Legs. Decree No. 58 of 1998*) both of July 27th, 2006 as well as Consob Communication No. DEM/6064293 of July 28th, 2006 (*Disclosure of issuers of shares and financial instruments in accordance with article 116 of the CFA*).
All of the Financial statements of the companies consolidated fully are prepared at the same date as the Consolidated financial statements and, with the exception of those of the Parent Company, were prepared according to Italian GAAP, to which the necessary adjustments were made in order to render them uniform with the Parent Company principles.
The Group did not opt for the advance adoption of the standards, interpretations and updates already approved, which are applicable after the date of the accounts.
The Group is evaluating the possible effects related to the application of the above-mentioned new standards/changes to accounting standards already in force; based on a preliminary evaluation, significant effects are not expected on the Consolidated financial statements and the Parent Company Financial statements.

Basis of presentation

The Consolidated financial statements consist of the Balance sheet, the Consolidated income statement, the Comprehensive consolidated income statement, the Consolidated cash flow statement, the Statement of changes in Shareholders' equity and the present Notes to the Financial statements.
The Balance sheet is presented in a format which separates the current and non-current assets and liabilities, while the Consolidated income statement is classified on the basis of the nature of the costs and the Cash flow statement is presented utilising the indirect method. The *IFRS* were applied in accordance with the *Framework for the preparation and presentation of Financial statements* and no matters arose which required recourse to the exceptions permitted by *IAS 1*, paragraph 17.
It is recalled that Consob Resolution No. 15519 of July 27th 2006 requires that the above Financial statements report, where the amounts are significant, additional sub-accounts to those already specifically required by *IAS 1* and other international accounting standards in order to show the balances and transactions with related parties as well as the relative Income statement accounts relating to non-recurring or unusual operations.
The Consolidated financial statements are presented in Euro, the functional currency of the Parent Company, and the amounts shown in the Notes to the Financial statements are shown in thousands, except where indicated otherwise.
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 present Financial statements.
The assets and liabilities are shown separately and without any offsetting.

The 2010 Financial statements of the Parent Company Caltagirone Editore SpA are also prepared in accordance with *IFRS* as defined above.

Basis of consolidation

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:

	Registered office	2010	2009	Activities
Caltagirone Editore SpA	Rome	Parent Company	Parent Company	Finance
Il Messaggero SpA[1]	Rome	100.00	100.00	Editorial
Il Mattino SpA	Rome	100.00	100.00	Editorial
Piemme SpA[2]	Rome	100.00	100.00	Advertising
Leggo SpA	Rome	90.00	90.00	Editorial
Finced Srl	Rome	100.00	100.00	Finance
Corriere Adriatico SpA	Ancona	100.00	100.00	Editorial
Quotidiano di Puglia SpA	Rome	100.00	100.00	Editorial
Il Gazzettino SpA	Rome	100.00	98.64	Editorial
Centro Stampa Veneto SpA[3]	Rome	100.00	98.64	Editorial
Imprese Tipografiche Venete SpA[3]	Rome	100.00	98.64	Editorial
P.I.M. Pubblicità Italiana Multimedia Srl[3]	Rome	100.00	98.64	Editorial
Ideco Holding SA in liquidation[3]	Lugano (Switzerland)	100.00	98.64	Finance
Telefriuli SpA[3]	Tavagnacco (Udine)	86.02	84.85	Television

Values in %

[1] *94.6% directly held and 5.4% through Piemme SpA*

[2] *Held through Il Messaggero SpA*

[3] *Held through Il Gazzettino SpA*

In 2010, the Company fully subscribed the share capital increase of Il Gazzettino SpA, following the revocation by the minority Shareholders of the rights options.

Subsidiary companies

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 Financial statements of subsidiaries are consolidated from the date in which the Parent Company acquires control and until the moment in which this control terminates.

Associated companies

	Registered office	2010	2009
Rofin 2008 Srl	Rome	30.00	30.00
E-Care SpA	Rome	–	24.50
Editrice Telenuovo SpA	Verona	40.00	39.96

Values in %

Associated companies (companies in which the Group exercises a significant influence but does not control – or jointly controlled entities – the financial and operating policies) are measured under the equity method. The profits and losses pertaining to the Group are recognised in the Consolidated income statement at the date when the significant influence begins and until the date of termination.
The Balance sheet date of the Financial statements of the associated companies is the same as the Parent Company.
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.
In 2010, as Caltagirone Editore SpA did not subscribe to the Share capital increase of E-Care SpA, the investment reduced from 24.5% to 15%, with a consequent recognition of such in the fair value.

Consolidation procedures

All of the Financial statements used for the preparation of the Consolidated financial statements were prepared at December 31st and adjusted, where necessary, in accordance with the accounting standards applied by the Parent Company.
The assets and liabilities, and the income and expenses, of the companies consolidated on a line-by-line basis 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 fair 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 results of consolidated companies acquired or sold during the year are included in the Consolidated income statement from the date of acquisition or until the date of sale.
The share of the equity and of the result for the year relating to minority interests are recognised in specific accounts in the Balance sheet (Minority interest Shareholders' equity) and Income statement (Minority interest result).
All inter-group balances and transactions, including any non-realised gains or losses deriving from transactions between Group companies, are eliminated net of the theoretical fiscal effect, if significant. The gains and losses not realised with associated companies are eliminated for the part pertaining to the Group.
The dividends distributed by the consolidated companies are eliminated from the Income statement and aggregated to the retained earnings/accumulated losses, up to the amount of the dividends.

Foreign currency transactions

All transactions in currencies other than the Euro are recognised 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 translated utilising the exchange rate at the initial date of recording of the operation.

Business combinations

All 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 recognised in the income statement at the date of acquisition.
Where the fair value of the assets, liabilities and contingent liabilities may only be determined provisionally, the business combination is initially recorded utilising the provisional values. Any adjustments deriving from the completion of the initial recording of the business combinations are recorded within 12 months from the acquisition date and from that date.
On the first time application of *IFRS*, the Group decided to only recalculate the business combinations after January 1st 2004. For the acquisitions before this date, goodwill is the amount recorded in accordance with Italian GAAP.
In relation to business combinations which provide at the moment of the purchase the control of the investment and also the simultaneous assumption of an unconditional

commitment for the purchase of further quotas in the investment from Shareholders, for example through option contracts, the provisions of *IFRS 3* and *IAS 32*, paragraph 23 are applied. In this case, the current value of the price paid is recorded as a financial liability and constitutes an integral part of the total purchase price of the investment.
The transactions with minority Shareholders subsequent to the acquisition of control are recorded, in the absence of a principle or interpretation which can be specifically applied to this type of transaction, in accordance with Group principles which provide for the recording of these effects based on the entity model theory. According to this theory, the Shareholders are considered as a single group and the transactions between them are recorded as net equity movements. Therefore in the case of acquisitions of further holdings from the minority Shareholders, the difference between the price paid and the book value of the holding acquired in the net assets of the subsidiary is recorded as a decrease or increase of the reserves, while any sale to minority Shareholders is recorded as a gain or a loss under equity, as long as control remains. The temporary differences arising from the difference between the fair value of the identifiable assets, liabilities and contingent liabilities recognised and the fiscal value recognised, gives rise to the recording of a deferred asset and/or liability that affects the determination of the goodwill.

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.
Intangible assets with definite useful lives are recognised net of the relative accumulated amortisation and any impairment in accordance with the procedures described below. Amortisation is calculated on a straight line basis over the estimated useful life of the asset and 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 the initial recording, 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 re-stated.

Intangible assets with an indefinite life

Intangible assets with indefinite useful lives are those assets for which, on the basis of an analysis of all of the relevant factors, there is no foreseeable 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 the goodwill. 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 those necessary for the asset being in the condition 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 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 and the depreciation is applied to each component.
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, which 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, but is subject to experts' opinions for any loss in value and subsequently written down.
The Property, plant and equipment acquired through finance lease contracts, where the majority of the risks and rewards relating 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 relating 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	10.00%
Non automated machines and general plant	10 years	10.00%
Rotating press for paper in rolls	15 years	6.67%
Equipment	4 years	25.00%
Office furniture and equipment	8 years	12.50%
Transport vehicles	5 years	20.00%
Motor vehicles and similar	4 years	25.00%

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.

Loss in value

At each period end, or when altered circumstances or events warrant, the book value of the property, plant and equipment and of intangible assets with a definite useful 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 cash flows are discounted using a after 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.
The restatement in value of a tangible asset is carried out in the presence of a change in the value utilised to determine the recoverable value within the limits of the net book value without considering the losses for reduction in value of the previous years.
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.

Assets and liabilities held 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. Non-current assets classified as held for sale are not amortised.
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.

Investments in associated companies

The holdings in associated companies and joint ventures are valued under the equity method and the holding is included from the moment of the purchase and subsequently adjusted, for the relative share, of the changes in the net equity of the investment. Losses of the associated companies in excess of the Group share are not recorded unless the Group has an obligation to cover them.
The excess of the acquisition cost over the Group's share in the fair value of the assets, liabilities and continued liabilities at the acquisition date represents the goodwill and includes the carrying value of the investment which is periodically subject to an impairment test, and any reduction in values are recorded in the income statement.

Financial instruments

Equity investments in other companies
In relation to other equity investments, these were valued at fair value or, where the development plans are not available, at cost.

Investments in other companies available-for-sale
The Investments in other companies considered as available for sale are measured at fair value with the recording of any gain or loss directly to Shareholders' equity through the Comprehensive income statement until the Financial asset is sold or written down; at that moment the accumulated gains and losses are recorded in the Income statement of the period.
Indicators of a possible reduction in value are for example significant difficulties of the issuer, non fulfilment or lack of payments of interest or of capital, the possibility that the issuer will become bankrupt, undergo examination procedures and the disappearance of an active market. A long-term or significant reduction in the market value of a capital instrument below its cost is considered as evidence of impairment; the analysis of impairment is therefore carried out annually on all of the capital instruments of the Group.
In relation to the identification of losses in value of listed shares classified in the available-for-sale financial assets category (AFS), consideration is made of the interpretive clarifications contained in the joint document issued by Bank of Italy, Consob and Isvap

No. 4 of March 3rd 2010 in relation to the weight to be given to the concepts of "significant" or "prolonged" of the fair value under cost in order to declare an impairment. Following the above stated clarifications, the Company carried out a valuation with different parameters from those previously considered and the quantitative limits utilised to identify the necessity for an impairment procedure, taking account of the types of shares held, as well as the high levels of instability within the stock market from the second half of 2008, are for a decrease in the fair value at the Balance sheet date of above 30% compared to the original book value or a decrease in the fair value below the initial recording for 30 consecutive months.
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 reliably determined, these investments are valued at cost adjusted for reductions in value and the effects are recognised in the Income statement. Any write-downs may not be subsequently re-stated.

Trade receivables
Trade receivables are recorded at fair value and subsequently 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
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
Financial liabilities and trade payables are initially recognised 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.
Commitments deriving from contracts which contain an obligation for a company to acquire shares for cash or other financial assets are considered as financial liabilities. The value of this financial liability is equal to the fair value of the sums to be paid determined at the subscription date; the financial liability is discounted when the maturity dates of the obligation can be determined. The increase in the value of the payable due to the passing of time is recorded as a financial expense.
The trade payables which mature within the normal commercial terms are not discounted.

Inventories

Raw materials, semi-finished and finished products are recognised at cost and 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.
In order to establish the net realisable value, the value of any obsolete or slow-moving inventory is written-down based on the expected future utilisation/realisable value through the creation of a relative fund for the reduction in value of the inventory.

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 SpA, 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 employment period and relating to defined benefit plans (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 recognised on an accruals basis over the maturity period of the right.
In relation to the Employee leaving indemnity, following the amendments to Law No. 296 of December 27th, 2006 and subsequent Decrees and Regulations (*Pension Reform*) issued in the first months of 2007, it is noted that:

- the Employee leaving indemnity matured at December 31st 2006 continues to be considered as a defined benefit plan;
- the Employee leaving indemnity matured from January 1st 2007, for Italian companies with a number of employees above 50, is considered a defined contribution plan.

The determination of the current value of the Group commitments is made by an independent expert using the projected unit credit method. Under this method, a future projection is made of the liability to determine the probable amount to be paid on the termination of employment and then discounted, to take into account the period of time which will pass before the actual payment. The calculation takes into account the Employee leaving indemnity matured and is based on actuarial assumptions which principally relate to the interest rate, which reflects the market return of primary securities with maturities similar to those for bonds[4] and the turnover of employees.
For the quota of the Employee leaving indemnity allocated to the integrated pension or rather the Inps fund from the date of the option exercised by the employee, the Group is not a debtor of the employee indemnity provision matured after December 31st 2006, and therefore the actuarial calculation of the Employee leaving indemnity excludes the component relating to future salary changes.
The actuarial gains and losses, defined as the differences between the carrying value of the liabilities and the current value of the Group commitments at the end of the period, due to changes in the actuarial parameters described above, are directly recorded to the Comprehensive income atatement. The financial component is however recorded in the Income statement, in the account Financial charges.

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

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 when 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 recognised under other liabilities and credited to the Income statement in the period in 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.
Operating grants are fully recognised to the Income statement at the moment in which they satisfy the conditions for their recognition.

Revenues

Revenues are recognised in accordance with the probability that the Group will receive economic benefits and the amount can be determined reliably. Revenues are recognised net of returns, discounts and allowances.
In particular, the revenues from the sale of goods are recognised when the significant risks and benefits of the ownership of the assets are transferred to the purchaser.
Revenues for services are recognised when the services are provided, with reference to the progress of completion of the activities.

Financial income and expenses

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

Dividends

The 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 approve them respectively.

Earnings per share

Earnings per share are calculated by dividing the Group Net profit for the year by the weighted average number of ordinary shares outstanding in the year.

Income taxes

Current income taxes for the period are determined on the basis of the taxable assessable income and in accordance 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 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 recognition 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, while deferred tax liabilities are recorded in every case.
The recovery of the deferred tax asset is reviewed at each balance sheet date.

Use of estimates

The preparation of the Consolidated 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 Financial statements, such as the Balance sheet, the Consolidated income statement and the Consolidated cash flow statement, and on the disclosures in the Notes to the accounts. 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 principles 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 Consolidated financial statements of the Group are as follows:
- Goodwill and other indefinite intangible assets;
- Write-down of fixed assets;
- Depreciation of tangible fixed assets;
- Deferred 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.

Change of accounting principles, errors and change of estimates

The accounting principles adopted are amended from one period to another only if the change is required by a standard and if this contributes to providing more reliable information on the effects of the operations on the Balance sheet, Income statement and Cash flows of the enterprise.
The changes to the accounting standards are recorded retrospectively with the recording of the effect to net equity for the more remote periods reported. The other comparative amounts indicated for each period are adjusted as if the new standard had always been applied. The prospective approach is made only when it is impractical to reconstruct the comparative information.
The application of a new or amended accounting standard is accounted for in accordance with the requirements of the standard. If the standard does not permit a transition period, the change is accounted in accordance with the retrospective method, or if impractical, with the prospective method.
In the case of significant errors, the same treatment is applied for changes in accounting standards illustrated at the previous point. In the case of non-significant errors, these are accounted for in the Income statement in the period in which they are noted.
Changes in estimates are accounted in accordance with the prospective method in the Income statement in the period in which the change occurs only if impacting upon this latter or in the period in which the change occurs, and subsequent periods if the change also impacts upon 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 – the 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 competitive prices.
The effects on the results for the year 2010, net of the relative tax effect, of fluctuations in the price of paper by +/-5% are shown below.

	Book value 2010	Effect on the result	
		+5%	-5%
Paper purchase costs	20,510	(703)	703

In Euro thousands

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.
Trade receivables, amounting to Euro 86.4 million, principally relate to Group advertising revenues from Piemme SpA (Euro 77.3 million).

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.

Currency risk

The Group, operating exclusively in the Euro Zone, 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.

New accounting standards and interpretations

New standards and amendments to standards adopted by the Group

The effects of the new standards or the modifications which are applicable from the period beginning January 1st 2010 are listed and summarised below.

- *IFRS 3 revised - Business combinations* and the consequent amendments to *IAS 27 - Consolidated financial statements*, *IAS 28 - Investments in associated companies* and *IAS 31 - Interests in joint venture*: are applicable prospectively to the business combinations whose date of acquisition coincides to or is subsequent to the periods beginning July 1st 2009. Based on the revised standards, the so-called "acquisition method" continues to be applied, but with some significant changes to the methodology with particular reference to measurement and representation of acquisition costs, minority interest costs and potential payments and others. All of the accessory costs to the business acquisitions are recorded to the Income statement in accordance with *IAS 27 revised* and all of the effects of the transactions with minority interests which do not result in a change of control are recorded to Net equity.

Standards, amendments and new interpretations on standards effective from 2010 but not significant for the Group

- *IFRIC 12 - Service concession arrangements*: this interpretation is presently not applicable to the Group as no service concession arrangements are in place.
- *IFRIC 17 - Distribution of non cash assets to Shareholders*: effective from periods commencing from July 1st 2009. This interpretation is presently not applicable to the Group as no such distributions have been made to Shareholders.
- *IFRIC 18 - Transfer of assets from customers*: effective for transfers subsequent to July 1st 2009. This interpretation is not applicable to the Group as it has not received any assets from clients.
- *IFRS 1 - Further exemptions for First Time Adopters* and amendments to *IFRS 2 - Share based payments in favour of Group employees*: both these standards are not applicable to the Group.

Standards, amendments and new interpretations on standards effective from the periods subsequent to 2010 and not adopted in advance by the Group

- *IFRS 9 - Financial instruments*: issued in December 2009, not yet approved which deals with the classification and measurement of financial assets. This standard which will not enter into force before the periods beginning from 2013 may have impacts on the valuation of Group financial assets. The Group has decided not to adopt this standard in advance and is evaluating possible accounting impacts.
- *IAS 24 revised - Related party disclosures*: issued in November 2009 and published in the Official Gazette. The standard will be effective from the periods beginning January 1st 2011 and allows advanced application. It is not expected that there will be significant impacts for the Group.
- *Prepayments on a minimum funding requirement*: issued in November 2009 and published in the Official Gazette clarifies *IFRIC 14* through *IAS 19* with reference to the possibility – now applicable – to recognise under assets advanced payments made voluntarily to these funds. It is effective from 2011 with retrospective effects and with the disclosure to be modified. It is not expected that there will be significant impacts for the Group.
- *IFRIC 19 - Extinguishing financial liabilities with equity instruments*: this interpretation is concerned with better defining the characteristics required to classify under equity those equity instruments issued in favour of creditors which accept in exchange the settlement of debts. The interpretation is effective from periods beginning July 1st 2010 and may be adopted in advance. It is not expected that there will be significant impacts for the Group.
- Amendment to *IAS 32 - Classification of "right issues"*: published in the Official Gazette, this standard governs the classification of fixed amounts of rights issues in foreign currencies under liabilities. The standard is effective from 2011. It is not expected that there will be significant impacts for the Group.
- Improvements to the international accounting standards issued in May 2010 and published in the Official Gazette. This relates to various modifications and improvements, whose effects are principally applicable from periods beginning January 1st 2011. It is not expected that there will be significant impacts for the Group.
- Improvement 2008 to *IFRS 5 - Non-current assets held for sale and discontinued operations.*
- Minor amendments to *IFRIC 14 - Minimum funding requirements*: allowing companies which pay in advance the minimum contribution due to recognise it as an asset. The amendment must be applied from January 1st 2011. However, it is considered that the adoption of this amendment will not result in significant effects on the income statement of the Group.

assets

1. Intangible assets with definite life

	Development and research	Patents	Trademarks	Others	Total
Historical cost 1.1.2009	**751**	**1,326**	**4,356**	**6,056**	**12,489**
Increases	11	97	22	217	347
Decreases	–	–	–	(49)	(49)
31.12.2009	**762**	**1,423**	**4,378**	**6,224**	**12,787**
Historical cost 1.1.2010	**762**	**1,423**	**4,378**	**6,224**	**12,787**
Increases	–	53	163	171	387
31.12.2010	**762**	**1,476**	**4,541**	**6,395**	**13,174**

In Euro thousands

	Development and research	Patents	Trademarks	Others	Total
Amortisation and loss in value 1.1.2009	**749**	**1,053**	**2,004**	**5,282**	**9,088**
Increases	13	166	335	428	942
Decreases	–	–	–	(20)	(20)
31.12.2009	**762**	**1,219**	**2,339**	**5,690**	**10,010**
Amortisation and loss in value 1.1.2010	**762**	**1,219**	**2,339**	**5,690**	**10,010**
Increases	–	164	416	326	906
31.12.2010	**762**	**1,383**	**2,755**	**6,016**	**10,916**
Net value 1.1.2009	**2**	**273**	**2,352**	**774**	**3,401**
31.12.2009	**–**	**204**	**2,039**	**534**	**2,777**
31.12.2010	**–**	**93**	**1,786**	**379**	**2,258**

In Euro thousands

The account Brands and concessions relates to the television concession of Telefriuli SpA. At December 31st 2010, no Companies of the Group recorded the existence of inactive intangible assets or completely amortised still in use of significant value.
The amortisation rates used are shown below:

Category	Average rate
Development costs	20.00
Industrial patents and intellectual property rights	26.50
Trademarks, concessions and licenses	31.80
Others	28.70

Values in %

2. Goodwill and other indefinite intangible assets

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

	Goodwill	Newspaper titles	Total
Historical cost 1.1.2009	**176,577**	**286,797**	**463,374**
Increases	–	–	–
Decreases	–	(1)	(1)
Write-downs	(16,056)	–	(16,056)
31.12.2009	**160,521**	**286,796**	**447,317**
Historical cost 1.1.2010	**160,521**	**286,796**	**447,317**
Increases	–	–	–
Decreases	–	(2)	(2)
31.12.2010	**160,521**	**286,794**	**447,315**

In Euro thousands

The amount of cumulative impairments at December 31st 2010 was Euro 31 million.

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

	1.1.2009	Increases	Decreases	31.12.2009
Il Messaggero SpA	90,808	–	–	90,808
Il Mattino SpA	44,496	–	–	44,496
Quotidiano di Puglia SpA	26,131	–	–	26,131
Corriere Adriatico SpA	24,656	–	–	24,656
Il Gazzettino SpA	100,700	–	–	100,700
Other minor newspaper titles	6	–	(1)	5
Total	**286,797**	**–**	**(1)**	**286,796**

	1.1.2010	Increases	Decreases	31.12.2010
Il Messaggero SpA	90,808	–	–	90,808
Il Mattino SpA	44,496	–	–	44,496
Quotidiano di Puglia SpA	26,131	–	–	26,131
Corriere Adriatico SpA	24,656	–	–	24,656
Il Gazzettino SpA	100,700	–	–	100,700
Other minor newspaper titles	5	–	(2)	3
Total	**286,796**	**–**	**(2)**	**286,794**

In Euro thousands

Goodwill and the newspaper titles were allocated to the following cash generating units:

	Goodwill 31.12.2010	Goodwill 31.12.2009	Newspaper titles 31.12.2010	Newspaper titles 31.12.2009	Total CGU 31.12.2010	Total CGU 31.12.2009
Il Gazzettino SpA	71,667	71,667	100,700	100,700	172,367	172,367
Il Messaggero SpA	51,613	51,613	90,808	90,808	142,421	142,421
Piemme SpA (*advertising agency*)	27,521	27,521	–	–	27,521	27,521
Il Mattino SpA	9,720	9,720	44,496	44,496	54,216	54,216
Quotidiano di Puglia SpA	–	–	26,131	26,131	26,131	26,131
Corriere Adriatico SpA	–	–	24,656	24,656	24,656	24,656
Other minor	–	–	3	5	3	5
Total	**160,521**	**160,521**	**286,794**	**286,796**	**447,315**	**447,317**

In Euro thousands

The goodwill relating to Il Gazzettino SpA includes the tax calculated due to the fair value recognition of assets concerning the acquisition of the Group Il Gazzettino in 2007.
The estimate of the recoverable value of the goodwill and of the newspaper titles is based on the higher of the value in use and the fair value less sales costs, in accordance with *IAS 36*. The value in use is determined through the Discounted cash flow method, which is the discounting of the future operating cash flows generated by the Cash Generating Unit (CGU). In particular, the cash flows are estimated for a specific period and then discounted based on the cost of capital of the single CGU's. The *terminal value* is added to this amount, which represents the projections of the CGU revenue capacity, calculated estimating the realisable value of the CGU on the basis of comparable transaction multiples in the time period from 2006 to 2010 on the national and international market; both the values are discounted at an appropriate rate.
The forecasts for 2011 were considered in the implementation of the impairment tests. For subsequent years, specific forecasts for the performance of the business were drawn up, taking account therefore of the economic-financial context and the changed environment following the current crisis, as well as the related different operating conditions.
The expected cash flows utilised in the model are calculated based on the budget and planning data of the operating companies and represent the best estimate of the amounts and timing for which the future cash flows are expected to occur based on the long-term plan which is updated annually. The expected sales growth is based on management plans and forecasts. The operating costs considered in the expected cash flows are also determined based on management estimates for the coming five years and take account of the positive effects of the restructuring plan already in place.
The projection of cash flows is estimated through extrapolation of the projections formulated by Management and approved by the Board of Directors.
The estimates and the budget data used in the application of the above indicated parameters are determined by Group management based on past experience and forecasts relating to the development of the relative markets.
The internal and external factors which may lead to the verification of a loss in value will be constantly monitored by the Group.
The sensitivity analysis in relation to the parameters utilised for the impairment test did not result in significant effects on the results of the valuations carried out.

The principal parameters used in the determination of the value in use (separately for each *Cash Generating Unit*) is shown below:

	Goodwill	**Newspaper titles**	**Total Cash Generating Unit**[1]	***Tax rate***	**WAAC**[3]	**Explicit period cash flows**
Il Gazzettino SpA	71,667	100,700	172,367 [2]	31.4%	7.2%	5 years
Il Messaggero SpA	51,613	90,808	142,421	31.4%	7.2%	5 years
Il Mattino SpA	9,720	44,496	54,216	31.4%	7.2%	5 years
Piemme SpA (advertising agency)	27,521	–	27,521	31.4%	7.2%	5 years
Quotidiano di Puglia SpA	–	26,131	26,131	31.4%	7.2%	5 years
Corriere Adriatico SpA	–	24,656	24,656	31.4%	7.2%	5 years

In Euro thousands

[1] *Represents the sum of the goodwill and of the newspaper titles allocated to the individual Cash Generating Unit*

[2] *The goodwill and newspaper titles are recorded gross of the theoretical tax effect on the fair value of the group assets acquired*

[3] *The WACC represents the average weighted cost of capital of the company. This rate used is net of the tax effect*

In accordance with *IAS 36*, an Impairment test was carried out on the goodwill and on the newspaper titles recorded in the Financial statements and the relative results, also confirmed by valuations made by an independent expert, did not result in the recording of a loss in value.

3. Property, plant and equipment

	Land	**Buildings**	**Plant and machinery**	**Commercial and industrial equipment**	**Other assets**	**Assets in progress**	**Total**
Historical cost 1.1.2009	**8,567**	**51,472**	**99,253**	**1,041**	**20,748**	**10**	**181,091**
Increases	–	33	193	–	655	181	1,062
Decreases	–	–	(994)	(26)	(999)	–	(2,019)
Reclassifications	39	(49)	6	26	4	(26)	–
31.12.2009	**8,606**	**51,456**	**98,458**	**1,041**	**20,408**	**165**	**180,134**
Historical cost 1.1.2010	**8,606**	**51,456**	**98,458**	**1,041**	**20,408**	**165**	**180,134**
Increases	–	69	641	2	781	107	1,600
Decreases	–	–	(72)	(9)	(283)	(261)	(625)
31.12.2010	**8,606**	**51,525**	**99,027**	**1,034**	**20,906**	**11**	**181,109**

In Euro thousands

	Land	Buildings	Plant and machinery	Commercial and industrial equipment	Other assets	Assets in progress	Total
Depreciation and loss in value 1.1.2009	**–**	**12,800**	**53,978**	**937**	**18,047**	**–**	**85,762**
Increases	–	1,680	6,031	52	1,187	–	8,950
Decreases	–	–	(686)	(21)	(962)	–	(1,669)
Reclassifications	–	–	(1)	–	1	–	–
31.12.2009	**–**	**14,480**	**59,322**	**968**	**18,273**	**–**	**93,043**
Depreciation and loss in value 1.1.2010	**–**	**14,480**	**59,322**	**968**	**18,273**	**–**	**93,043**
Increases	–	1,676	5,951	38	957	–	8,622
Decreases	–	–	(62)	(6)	(277)	–	(345)
31.12.2010	**–**	**16,156**	**65,211**	**1,000**	**18,953**	**–**	**101,320**
Net value 1.1.2009	**8,567**	**38,672**	**45,275**	**104**	**2,701**	**10**	**95,329**
31.12.2009	**8,606**	**36,976**	**39,136**	**73**	**2,135**	**165**	**87,091**
31.12.2010	**8,606**	**35,369**	**33,816**	**34**	**1,953**	**11**	**79,789**

In Euro thousands

The account Plant and machinery is substantially composed of the presses belonging to Group publishing companies.
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 assets mentioned above are assets not of significant value and are still in use due to the ordinary maintenance carried out in the course of the year and previous years.
No financial expenses were capitalised.
In 2008, the company Il Messaggero SpA signed a finance lease contract for the acquisition of electronic photocomposition and photo production systems. This contract has a duration period of 60 months for a total cost of Euro 909 thousand. The assets were recorded under tangible fixed assets at consolidated level and depreciated; at December 31st 2010 the net book value amounted to Euro 369 thousand.
The book value of plant and machinery provided as guarantees on liabilities amounts to Euro 19.9 million. For further information, reference should be made to note 15.

4. Equity investments valued at net equity

Investments in associated companies	1.1.2009	Reclassifications	Increases/ (Decreases) to the Income statement	Reval/ (Write-downs)	Other movement	31.12.2009
Editrice Telenuovo SpA	443	–	–	152	–	595
Rofin 2008 Srl	–	–	(6,682)	–	6,699	17
E-Care SpA	4,056	–	(424)	–	12	3,644
Total	**4,499**	**–**	**(7,106)**	**152**	**6,711**	**4,256**

	1.1.2010	Reclassifications	Increases/ (Decreases) to the Income statement	Reval/ (Write-downs)	Other movement	31.12.2010
Editrice Telenuovo SpA	595	–	–	97	–	692
Rofin 2008 Srl	17	–	(2)	–	–	15
E-Care SpA	3,644	(2,745)	(340)	(1,950)	1,391	–
Total	**4,256**	**(2,745)**	**(342)**	**(1,853)**	**1,391**	**707**

In Euro thousands

In 2010, as Caltagirone Editore SpA did not subscribe to the Share capital increase of the associated company E-Care SpA, the investment reduced from 24.5% to 15%. The effect of this operation was a write-down in the implicit goodwill and the release to the Income statement of Euro 1.4 million of intercompany gains initially eliminated on the acquisition due to the valuation under the Net equity method. The investment is now recognised, at fair value, under Other investments and non-current securities.
The Income statement effect of valuation under the equity method is a loss of Euro 342 thousand, including the share of the investment in E-Care SpA up to the non subscription of the Share capital increase.
The key financial data relating to the last available Financial statements of the above investments is summarised below:

Investments in associated companies	Location	Share capital	% held	Net equity	Net profit/(loss)
Rofin 2008 Srl	Rome	10	30.00%	50	(8)
Editrice Telenuovo SpA	Verona	546	40.00%	1,729	280

In Euro thousands

5. Equity investments and non-current securities

	1.1.2010	Increases/ (Decreases)	31.12.2010
Investments in subsidiary companies	5	–	5
Equity investments in other companies	2,046	2,554	4,600
Investments in other companies available-for-sale	113,748	(10,625)	103,123
Total	**115,799**	**(8,071)**	**107,728**

In Euro thousands

The breakdown of the account Investments in subsidiaries is as follows:

Investments in subsidiary companies	Locations	%	1.1.2009	Increases/ (Decreases)	Write-downs	31.12.2009
Noisette Serviços de Consultoria Lda	Madeira (Portugal)	99.8%	5	–	–	5
Edi.Me. Sport Srl in liquidation	Naples	99.5%	1	–	(1)	–
Total			**6**	**–**	**(1)**	**5**

	Locations	%	1.1.2010	Increases/ (Decreases)	Write-downs	31.12.2010
Noisette Serviços de Consultoria Lda	Madeira (Portugal)	99.8%	5	9	(9)	5
Edi.Me. Sport Srl in liquidation	Naples	99.5%	–	–	–	–
Total			**5**	**9**	**(9)**	**5**

In Euro thousands

The breakdown of the account Investments in other companies is as follows:

Equity investments in other companies	%	1.1.2009	Increases/ (Decreases)	Reclassifications	Write-downs	31.12.2009
Euroqube SA in liquidation	14.82%	1,266	(180)	–	(253)	833
Ansa Scarl	6.71%	1,166	–	–	–	1,166
Other minor	–	49	(1)	–	(1)	47
Total		**2,481**	**(181)**	**–**	**(254)**	**2,046**

	%	1.1.2010	Increases/ (Decreases)	Reclassifications	Write-downs	31.12.2010
Euroqube SA in liquidation	14.82%	833	–	–	(186)	647
Ansa Scarl	6.71%	1,166	–	–	–	1,166
E-Care SpA	–	–	–	2,745	–	2,745
Other minor	–	47	–	–	(5)	42
Total		**2,046**	**–**	**2,745**	**(191)**	**4,600**

In Euro thousands

The investments in other companies are valued at fair value or, where the development plans are not available, at cost.
The breakdown of the account Investments in other companies available-for-sale is as follows:

Investments available-for-sale	1.1.2009	Increases/ (Decreases)	Share capital increase	Valuation at fair value	31.12.2009
Assicurazioni Generali SpA	35,082	42,134	2,075	14,809	94,100
Banca Monte dei Paschi di Siena SpA	48,832	(32,277)	–	3,093	19,648
Total	**83,914**	**9,857**	**2,075**	**17,902**	**113,748**

	1.1.2010	Increases/ (Decreases)	Share capital increase	Valuation at fair value	31.12.2010
Assicurazioni Generali SpA	94,100	11,399	–	(24,502)	80,997
Banca Monte dei Paschi di Siena SpA	19,648	8,492	–	(6,014)	22,126
Total	**113,748**	**19,891**	**–**	**(30,516)**	**103,123**

In Euro thousands

Number of shares

Investments in other companies available-for-sale	1.1.2010	Increases	(Decreases)	31.12.2010
Assicurazioni Generali SpA	5,000,000	700,000	–	5,700,000
Banca Monte dei Paschi di Siena SpA	16,000,000	10,000,000	–	26,000,000

The increase of Euro 19.9 million is due to the purchase of 700,000 Assicurazioni Generali SpA shares (Euro 11.4 million) and 10,000,000 Banca Monte dei Paschi di Siena SpA shares (Euro 8.5 million).
The valuation at fair value of these investments at December 31st 2010 was recorded to the Comprehensive income statement with a negative impact of Euro 24.9 million.
In relation to the disclosure required by *IFRS 7*, concerning the so-called “hierarchy of fair value”, the shares available for sale belong to Level 1, as defined by paragraph 27 A (*IFRS 7*) concerning financial instruments listed on an active market.

6. Non-current financial assets

The account, amounting to Euro 37 thousand, principally relates to receivables for deposits due within five years.

7. Other non-current assets

The account, amounting to Euro 632 thousand, relates to the advance tax paid on post-employment benefits for Euro 25 thousand and other receivables for Euro 607 thousand, principally relating to the receivable of Telefriuli SpA from the Ministry of Communications for the contributions to the local television broadcasters as per Ministerial Decree 378/1999.

8. Deferred and current income taxes

The deferred taxes 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:

	1.1.2009	Provisions	Utilisa-tions	Reclassifica-tions	Other changes	31.12.2009
Deferred tax assets						
Tax losses carried forward	9,033	6,646	(1,317)	–	165	14,527
Provision for risks and charges	2,589	891	(710)	–	–	2,770
Maintenance	143	–	(67)	(76)	–	–
Doubtful debt provision	2,780	856	(527)	606	–	3,715
Others	5,526	2,280	(671)	(530)	(2,695)	3,910
Total	**20,071**	**10,673**	**(3,292)**	**–**	**(2,530)**	**24,922**
Deferred tax liabilities						
Fair value intangible & tangible assets	29,625	–	(240)	(1,254)	–	28,131
Differences fiscal depreciation rates	8,715	48	(225)	(50)	–	8,488
Gains	142	–	(38)	(104)	–	–
Goodwill amortisation	25,262	2,193	(404)	–	–	27,051
Others	2,496	40	(17)	1,408	1,568	5,495
Total	**66,240**	**2,281**	**(924)**	**–**	**1,568**	**69,165**
Net deferred tax liabilities	**(46,169)**	**8,392**	**(2,368)**	**–**	**(4,098)**	**(44,243)**

	1.1.2010	Provisions	Utilisa-tions	Reclassifica-tions	Other changes	31.12.2010
Deferred tax assets						
Tax losses carried forward	14,527	728	(1,969)	–	–	13,286
Provision for risks and charges	2,770	348	(643)	–	–	2,475
Doubtful debt provision	3,715	498	(813)	–	–	3,400
Others	3,910	290	(1,064)	–	1,564	4,700
Total	**24,922**	**1,864**	**(4,489)**	**–**	**1,564**	**23,861**
Deferred tax liabilities						
Fair value intangible & tangible assets	28,131	–	(240)	1,011	–	28,902
Differences fiscal depreciation rates	8,488	64	(225)	–	–	8,327
Goodwill amortisation	27,051	2,197	(414)	–	–	28,834
Others	5,495	40	59	(1,011)	(4,318)	265
Total	**69,165**	**2,301**	**(820)**	**–**	**(4,318)**	**66,328**
Net deferred tax liabilities	**(44,243)**	**(437)**	**(3,669)**	**–**	**5,882**	**(42,467)**

In Euro thousands

The decrease of the deferred tax assets is principally due to the utilisation of tax losses realised in previous years.
The deferred tax provision relates to temporary timing differences on amortisation and depreciation.
The other changes in the deferred tax assets and liabilities include the estimates of the tax effects on the fair value of the investments and the actuarial losses recorded directly to the Comprehensive income statement.
The due date of the deferred tax assets is as follows:

	Tax losses	Deferred taxes	2011	2012	2013	2014	2015	Unlimited
Deferred tax assets								
Carried in the Balance sheet	48,312	13,286	844	2,730	99	6,222	629	2,762
Not carried in the Balance sheet	441	113	–	5	–	–	108	–
Total	**48,723**	**13,399**	**844**	**2,735**	**99**	**6,222**	**737**	**2,762**
Deferred tax assets								
Provision for risks and charges		2,475	1,831	312	309	–	–	23
Doubtful debt provision		3,400	3,400	–	–	–	–	–
Other		4,700	1,674	166	89	32	–	2,739
Total		**10,575**	**6,905**	**478**	**398**	**32**	**–**	**2,762**

In Euro thousands

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:

	31.12.2010	31.12.2009
Receivables for direct taxes	882	1,361
Reimbursement request of direct taxes	151	151
Other receivables	207	512
Payables for Ires/Irap/substitute taxes	(1,156)	(857)
Total	**84**	**1,167**

In Euro thousands

The income taxes for the year consist of:

	2010	2009
Current income tax	4,708	4,437
Current income tax	**4,708**	**4,437**
Provision for deferred tax liabilities	2,301	2,281
Utilisation of deferred tax liabilities	(879)	(924)
Change in tax rate	59	–
Deferred tax charge	**1,481**	**1,357**
Recording of deferred tax assets	(1,864)	(10,673)
Utilisation of deferred tax assets	4,489	3,292
Deferred tax income	**2,625**	**(7,381)**
Total income taxes	**8,814**	**(1,587)**

In Euro thousands

The analysis of the difference between the theoretical and actual tax rates are as follows:

	2010		
	Amount	Rate	Effective rate
Profit before taxes	**14,510**	**3,990**	**27.5%**
Permanent differences increase/(decrease):			
Dividends	(1,830)	(503)	
Goodwill write-down	2,151	592	
Gains exempt	(1,391)	(383)	
Non-deductible costs	1,819	500	
Share of income from equity investments	342	94	
Permanent differences	645	177	
Others	(394)	(108)	
Current & deferred Ires	**15,852**	**4,359**	**30.0%**
Current & deferred Irap		**4,455**	**30.7%**

In Euro thousands

9. Inventories

Inventories at December 31st 2010 amount to Euro 3.32 million (Euro 3.71 million at December 31st 2009) and consist exclusively of raw materials, ancillary and consumables. Raw materials consist prevalently of paper and ink and principally refer to Il Messaggero SpA (Euro 1.39 million), Il Mattino SpA (Euro 925 thousand) and Il Gazzettino SpA (Euro 416 thousand).
The cost of inventory recorded in the Income statement amounts to Euro 397 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 3.32 million.
There is no inventory provided as a guarantee on liabilities.

10. Trade receivable

This account can be broken down as follows:

	31.12.2010	31.12.2009
Trade receivables	86,355	91,289
Provisions for doubtful debts	(16,906)	(18,031)
Trade receivables	**69,449**	**73,258**
Receivables from other Group companies	1,798	2,006
Advances to suppliers	6	84
Trade receivables beyond 12 months	1,901	979
Total trade receivables	**73,154**	**76,387**

In Euro thousands

Trade receivables principally relate to Group advertising revenues from Piemme SpA (Euro 77.3 million).
The Doubtful debt provision was utilised in the year for Euro 3.37 million and increased by Euro 2.25 million for the provisions made in the year.
The table below shows the ageing of the Trade receivables at December 31st 2010 and at December 31st 2009.

	31.12.2010	31.12.2009
Due within	**46,273**	**47,270**
1-30 days	10,239	11,393
30-60 days	4,047	4,397
60-90 days	2,152	2,536
Over 90 days	23,644	25,693
Overdue	**40,082**	**44,019**
Total gross value	**86,355**	**91,289**
Provisions for doubtful debts	(16,906)	(18,031)
Trade receivables	**69,449**	**73,258**

In Euro thousands

The amount of receivables due beyond 90 days is not a result of payment problems, but relates to receivables of an advertising agency with historic average payment times of approx. 100 days.

11. Current financial assets

This account can be broken down as follows:

	31.12.2010	31.12.2009
Financial assets from subsidiaries	11	4
Financial assets from associated companies	3,891	5,431
Financial assets from related parties	269	–
Accrued interest	40	70
Total current financial assets	**4,211**	**5,505**
Of which related parties	4,171	5,435

In Euro thousands

Euro 3.9 million refers entirely to the non-interest bearing loan granted to the associated company Rofin 2008 Srl. The decrease on December 31st 2009 relates to the partial repayment of Euro 1.54 million.
The related party receivables and accrued interest refers to the interest income matured on long-term bank deposits.

12. Other current assets

This account can be broken down as follows:

	31.12.2010	31.12.2009
Employee receivables	135	154
VAT receivables	455	–
Receivables from related parties	129	–
Other receivables	441	1,735
Prepaid expenses	644	1,139
Total other current assets	**1,804**	**3,028**

In Euro thousands

Other receivables consist of deposits of Euro 85 thousand, social security receivables of Euro 94 thousand, various other receivables of Euro 260 thousand and withholding tax on interest of Euro 2 thousand.
The prepaid expenses relate to rental (Euro 99 thousand), insurance (Euro 145 thousand) and others (Euro 401 thousand).

13. Cash and cash equivalents

This account can be broken down as follows:

	31.12.2010	31.12.2009
Bank and postal deposits	2,162	140,003
Bank and postal deposits from related parties	254,686	144,279
Cash in hand and similar	139	178
Total	**256,987**	**284,460**

In Euro thousands

The reduction in bank deposits in 2010 is essentially due to the distribution of dividends for Euro 6.2 million and net investments in listed shares for Euro 19.9 million, net of Group operating activities. The average interest rate on the bank deposits in Euro was 0.8%.
Bank and postal deposits with related parties principally concerns Banca Monte dei Paschi di Siena SpA.

liabilities and shareholders' equity

14. Shareholders' equity

Share capital

The Share capital amounts to Euro 125 million, consisting of 125 million ordinary shares at a nominal value of Euro 1 each.

All of the ordinary shares issued are fully paid-in. There are no shares subject to guarantees or restrictions on the distribution of dividends.

Other reserves

Other reserves include the Share premium reserve of Euro 471.02 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 50 million) created in accordance with the Shareholders' Meeting resolution of April 26th 2010. Currently the reserve has not been utilised.

The consolidation reserve, consisting of the higher value of the Group's share of Net equity compared to the cost of some equity investments and retained earnings are also included in this account for a total amount of Euro 99.9 million.

The other reserves principally include:

- the Fair value reserve, negative for Euro 13.5 million, includes all the market value changes of the investments in other companies available-for-sale;
- the Actuarial losses reserve relating to the application of *IAS 19* for post-employment benefits, amounting to Euro 3.66 million, net of the relative tax effect. The increase in the year of Euro 624 thousand is essentially due to interest rate movements;
- Exchange gain reserve of Euro 3.8 million;
- Other reserves relating to the application of *IAS* standards of Euro 16.9 million.

Liabilities

15. Financial liabilities

	31.12.2010	31.12.2009
Non-current financial payables		
Payables for assets in leasing	221	405
Bank payables	33,535	38,392
Other lenders	–	2,590
Total	**33,756**	**41,387**
Current financial payables		
Bank payables	7,303	6,989
Payables to related parties	3,684	7,992
Short-term portion of non-current loans	4,782	4,631
Payables for assets in leasing	185	175
Other lenders	2,590	2,479
Total	**18,544**	**22,266**

In Euro thousands

The due dates of the financial liabilities are as follows:

	31.12.2010	31.12.2009
Within 3 months	9,008	10,351
Between 3 months & 1 year	9,536	11,915
Current financial payables	**18,544**	**22,266**
Between 1 and 2 years	4,862	6,131
Between 2 and 5 years	15,298	16,371
Over 5 years	13,596	18,885
Non-current financial payables	**33,756**	**41,387**
Total financial payables	**52,300**	**63,653**

In Euro thousands

The interest rates at the Balance sheet date on the financial liabilities are as follows:

	2010	2009
Non-current financial payables		
Bank payables	1.7	3.2
Other financial payables	1.7	1.9
Current financial payables		
Bank payables	2.0	2.8
Short-term portion of non-current loans	1.7	2.0
Other financial payables	1.7	2.0

Values in %

The Non-current financial liabilities to banks are represented by a loan to finance the construction in 2005 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 Intesa San Paolo SpA to the company S.E.M. SpA, incorporated in 2006 into Il Messaggero SpA. The first capital repayment was made in December 2005 while the final repayment is due in June 2018. In addition, a special privileged guarantee was given on the factory assets amounting to Euro 60 million, in addition to a bank surety for a similar amount.
The current payables to other lenders relates to two loans provided by Mediocredito Lombardo to the Parent Company Caltagirone Editore SpA and to Il Mattino SpA for Euro 11.62 million and Euro 9.81 million respectively.
For the loans to the Parent Company and Il Mattino SpA, the final repayment is due in 2011. The interest rate applied on these loans is a variable Euribor at 6 months + spread 0.70%.
As guarantee for these loans, mortgages were provided on the buildings of Il Mattino SpA at Caivano for a total amount of Euro 37.51 million.

16. Employees

Post-employment benefits and employee provisions
Post-employment benefits in the Group companies with less than 50 employees 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.
In the Group companies with over 50 employees, in accordance with the pension reform, the Employee leaving indemnity matured at December 31st 2006 represents the payable matured by the company to be paid at the end of the employment service. This payable is valued applying actuarial and financial techniques without however considering the future salaries of the employee.

The assumptions relating to the determination of the plan are summarised in the table below:

	2010	2009
Annual technical discounting rate	1.20	1.91
Annual inflation rate	2.20	2.60
Annual increase in Employee leaving indemnity	2.80	3.07
Annual increase in salaries	3.83	3.83

Values in %

The discounting was made using the IRS curve corresponding to the duration of the period under examination (50 years).
The movements in the year are as follows:

	2010	2009
Net liability at January 1st	**41,060**	**45,245**
Current cost for the period	593	660
Interest charge/(income), net	1,049	1,239
Actuarial profits/(losses)	862	3,096
(Services paid)	(3,426)	(8,996)
Other changes	–	(184)
Net liability at December 31st	**40,138**	**41,060**

In Euro thousands

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

	1.1.2009	31.12.2009	31.12.2010
Nominal value of the provision	46,950	39,625	37,741
Actuarial adjustment	(1,705)	1,435	2,397
Total Employee leaving indemnity	**45,245**	**41,060**	**40,138**

In Euro thousands

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

Personnel costs	2010	2009
Salaries and wages	65,533	70,867
Social security expenses	22,087	23,725
Employee leaving indemnity prov.	593	660
Employee leaving indemnity to complementary fund	4,428	4,813
Other costs	3,764	11,618
Total	**96,405**	**111,683**

In Euro thousands

Other costs include charges concerning labour disputes and leaving incentives of Euro 2 million.
The following table shows the average number of employees by category:

	31.12.2010	31.12.2009	Average 2010	Average 2009
Executives	27	27	27	27
Managers & white collar	388	392	394	405
Journalists	510	539	515	606
Print workers	154	151	152	152
Total	**1,079**	**1,109**	**1,088**	**1,190**

17. Provisions for risks and charges

	Legal disputes	Agents' indemnity	Other risks	Total
Balance at January 1st 2009	**10,145**	**504**	**2,274**	**12,923**
Provisions	2,645	–	3,699	6,344
Utilisations	(1,413)	(45)	(331)	(1,789)
Reclassifications	462	–	(462)	–
Balance at December 31st 2009	**11,839**	**459**	**5,180**	**17,478**
Of which:				
current portion	4,796	–	5,041	9,837
non-current portion	7,043	459	139	7,641
Total	**11,839**	**459**	**5,180**	**17,478**

	Legal disputes	Agents' indemnity	Other risks	Total
Balance at January 1st 2010	**11,839**	**459**	**5,180**	**17,478**
Provisions	1,473	–	315	1,788
Utilisations	(2,215)	(13)	(3,740)	(5,968)
Balance at December 31st 2010	**11,097**	**446**	**1,755**	**13,298**
Of which:				
current portion	4,323	–	1,670	5,993
non-current portion	6,774	446	85	7,305
Total	**11,097**	**446**	**1,755**	**13,298**

In Euro thousands

The Provision for legal disputes refers principally to the provisions made by the companies Il Messaggero SpA, Il Mattino SpA, Il Gazzettino SpA and P.I.M. Pubblicità Italiana Multimedia Srl against liabilities deriving from damages requested for slander and from employees. The provision was estimated taking into consideration the nature of the business, based on experience in similar cases and of all the information available at the date of the preparation of the Consolidated financial statements, considering the difficulty in estimating charges and the timing connected to each single case.
The Agent's indemnity provision, which reflects the prudent increase in the risk connected to the termination of the mandate conferred to agents in accordance with law, refers to the company Piemme SpA, advertising agency.
The Other risk provisions, principally comprising provisions for charges concerning the restructuring plan of Il Messaggero SpA, Il Gazzettino SpA and Il Mattino SpA, reduced principally following the payment of sums provisioned in the previous year.

18. Trade payables

	31.12.2010	31.12.2009
Trade payables	30,758	35,486
Payables to Group companies	443	247
Total	**31,201**	**35,733**

In Euro thousands

Trade payables principally refer to operating subsidiaries in the publishing sector and relate to the purchase of raw materials, services and capital expenditures.
There are no payables due over 12 months.

19. Other liabilities

	31.12.2010	31.12.2009
Other non-current liabilities		
Other payables	84	80
Deferred income	2,662	3,020
Total	**2,746**	**3,100**
Other current liabilities		
Social security institutions	8,479	10,167
Employee payables	9,598	9,827
VAT payables	558	1,326
Payables for withholding taxes	3,898	4,515
Other payables	9,501	11,222
Payables to related parties	17	2
Accruals	1,030	1,382
Deferred income	208	104
Total	**33,289**	**38,545**

In Euro thousands

The reduction in Payables to social security institutions is due to the payment of personnel restructuring charges concerning the previous year.
Other payables include Euro 4.9 million as the amount available to the Board of Directors in accordance with article 25 of the By-Laws which establishes the allocation to this account of 2% of net profit.

income statement

20. Revenues from sales and services

	2010	2009
Circulation revenues	79,842	82,952
Promotions revenues	2,282	3,628
Advertising	155,981	160,654
Total	**238,105**	**247,234**
Of which related parties	2,930	3,025

In Euro thousands

Sales and advertising revenues of the principal newspaper titles were affected by the economic-financial crisis of recent years. The performances are commented upon in detail in the Directors' Report to which reference is made.

21. Other operating revenues

	2010	2009
Operating grants	274	502
Recovery of expenses from third parties	2,532	1,762
Capital grant contributions	359	386
Gains on disposal of assets	15	39
Reimbursements and claims	2,321	448
Subsidised tariffs	842	973
Other revenues	3,898	5,524
Total	**10,241**	**9,634**
Of which related parties	224	111

In Euro thousands

The increase in the account Recovery of expenses from third parties is principally due to the increase in sales price of returns and production waste.
The increase in Reimbursements and claims is due to the over accruals relating to the write back of payables for disputes.

22. Raw material costs

	2010	2009
Paper	20,510	25,846
Other publishing materials	4,668	5,517
Other	14	5
Change in inventory of raw materials and goods	397	1,070
Total	**25,589**	**32,438**

In Euro thousands

The decrease in paper costs is related to the significant decrease in the unitary prices in 2010 and the reduction in the print runs. For further information, reference should be made to the Directors' Report.

23. Other operating charges

	2010	2009
Editorial services	17,721	18,592
Transport and delivery	16,753	17,523
Outside contractors	10,088	11,829
Promotions	1,743	3,040
Advertising & promotions	4,294	3,891
Commissions and agent costs	9,224	9,485
Utilities and power	3,876	3,510
Maintenance and repair costs	3,882	3,771
Consulting	3,986	4,081
Purchase of advertising space third parties	50	130
Directors and Statutory Auditors fees	2,447	2,754
Insurance, postal and telephone	1,790	2,167
Cleaning and security	934	948
Subcontractors and other services	3,120	3,050
Independent Auditors fees	437	382
Other costs	5,894	6,391
Service costs	**86,239**	**91,544**
Rental	6,381	6,630
Hire	2,304	2,611
Other	110	114
Rent, lease and hire costs	**8,795**	**9,355**
Losses on asset disposals	–	102
Other operating charges	3,651	5,421
Other	248	219
Other costs	**3,899**	**5,742**
Total	**98,933**	**106,641**
Of which related parties	5,314	6,459

In Euro thousands

24. Amortisation, depreciation & provisions

	2010	2009
Amortisation of intangible assets	906	942
Depreciation of tangible assets	8,622	8,950
Provision for risks and charges	1,788	1,429
Goodwill write-down	–	16,056
Doubtful debts	2,246	3,517
Other write-downs	–	14
Total	**13,562**	**30,908**

In Euro thousands

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

25. Net financial income/(charges)

	2010	2009
Losses on investments at equity		
E-Care SpA	(41)	(321)
B2Win SpA	(299)	(103)
Rofin 2008 Srl	(2)	(6,682)
Total	**(342)**	**(7,106)**
Financial income		
Dividends	1,925	2,987
Interest on bank deposits (B2Win SpA)	1,391	–
Interest on bank deposits	2,243	3,789
Revaluations of investments	97	153
Other financial income	59	246
Total	**5,715**	**7,175**
Of which related parties	5,310	4,484
Financial charges		
Loss on sale of investments	(56)	(12,352)
Write-down of equity investments	(2,151)	(255)
Loan interest	(755)	(1,621)
Interest on bank current accounts	(315)	(513)
Interest on leaving indemnity	(1,049)	(1,239)
Banking commissions and charges	(243)	(168)
Other financial expenses	(151)	(259)
Total	**(4,720)**	**(16,407)**
Of which related parties	(2,032)	(99)
Net financial income/(charges)	**995**	**(9,232)**

In Euro thousands

The Dividends included in Financial income relates to the shareholding in Assicurazioni Generali SpA.
In 2010, as Caltagirone Editore SpA did not subscribe to the Share capital increase of E-Care SpA, the investment reduced from 24.5% to 15%, with a consequent reduction therefore in the fair value.

This operation had a negative impact of Euro 899 thousand on the Consolidated income statement, through:

- the write-down of Euro 1.95 million of the investment in E-Care SpA for the dilution of the relative share concerning the elimination of the implicit goodwill;
- the recognition of the result at equity of E-Care SpA and B2Win SpA, loss of Euro 340 thousand, until the date of the non-subscription to the Share capital increase of the holding in E-Care SpA;
- recognition of the intercompany gain of Euro 1.39 million in 2007 by Caltagirone Editore SpA from E-Care SpA, temporarily eliminated in the previous years due to the consolidation.

26. Earnings per share

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

		2010	2009
Net result	*thousands of Euros*	6,003	(39,206)
Number of ordinary shares outstanding	*thousands*	125,000	125,000
Net earnings per share	*Euro per share*	**0.048**	**(0.314)**

The diluted earning per share is identical to the basic earnings per share as Caltagirone Editore SpA has only issued ordinary shares.
In 2010, dividends were distributed of Euro 0.05 per share, totalling Euro 6.25 million.

27. Transactions with related parties

Transactions with companies under common control
The Board of Directors in December, according to the principles indicated in the Consob Regulation concerning transactions with related parties, with the consent of the Independent Directors, adopted the procedure which ensures the material and procedural transparency and correctness of transactions with related parties; the document was published on the Company internet site www.caltagironeeditore.com in the *Corporate Documents/2010* section.
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 250 thousand:

	Trade receivables	Other current assets	Financial receivables	Cash and cash equivalents	Trade payables	Financial payables	Other payables
Pubblieditor Srl in liquidation	840	–	–	–	–	–	–
Caltagirone SpA	–	–	–	–	288	–	–
Rofin 2008 Srl	–	–	3,891	–	–	–	–
Banca Monte dei Paschi di Siena SpA	640	–	269	254,004	–	3,684	–
Banca Finnat Euramerica SpA	–	–	–	682	–	–	–
Other minor	318	129	11	–	155	–	17
Total	**1,798**	**129**	**4,171**	**254,686**	**443**	**3,684**	**17**
% on total in accounts	**2.46%**	**7.15%**	**99.05%**	**99.11%**	**1.42%**	**19.87%**	**0.05%**

In Euro thousands

	Operating revenues	Operating costs	Financial income	Financial charges
Fabrica Immobiliare Sgr	–	1,179	–	–
Intermedia Srl	408	–	–	–
Ical SpA in liquidation	–	2,408	–	–
Unione Generale Immobiliare SpA	–	1,213	–	–
Assicurazioni Generali SpA	–	–	1,925	–
E-Care SpA	–	–	1,391	1,950
Banca Monte dei Paschi di Siena SpA	2,311	–	1,895	–
Other minor	435	514	99	82
Total	**3,154**	**5,314**	**5,310**	**2,032**
% on total in accounts	**1.27%**	**2.41%**	**92.91%**	**43.05%**

In Euro thousands

The company Il Gazzettino SpA undertakes commercial transactions with the associated company Pubblieditor Srl in liquidation.
Financial receivables includes principally the non-interest bearing Shareholder loan provided by the Parent Company to the associated company Rofin 2008 Srl and the accrued income on the interest on deposits with Banca Monte dei Paschi di Siena SpA.
Cash and cash equivalents and financial payables concern the operations in place at December 31st 2010 with the credit institutions Banca Monte dei Paschi di Siena SpA and Banca Finnat Euramerica SpA.
Operating revenues concern the advertising carried out with Group newspapers by Banca Monte dei Paschi di Siena SpA.
Operating costs also includes rental costs by the Parent Company and Il Messaggero SpA for their respective head offices from companies under common control.
The account Financial income concerns dividends received from Assicurazioni Generali SpA, the gain on the sale of B2Win SpA to E-Care SpA and interest on deposits with Banca Monte dei Paschi di Siena SpA.
Financial charges principally refer to the write-down of the investment in E-Care SpA.

Transactions with Directors, Statutory Auditors and the management of Group companies

The table below shows the payments made to the members of the Board of Directors and Board of Statutory Auditors relating to 2010 and in accordance with article 78 of Consob Resolution No. 11971/99.

Name and surname	Office held	Period in which office held	Expiry of office	Emoluments for office in the Group			Other		Total
				Board emoluments	*Commitee and emoluments*	*Attendance emoluments*	*Emoluments for office in subsidiaries*	*Other*	
Francesco Gaetano Caltagirone	Chairman	Full year	31.12.2011	–	–	–	–	–	–
Gaetano Caltagirone	Vice Chairman	Full year	31.12.2011	–	–	–	–	–	–
Azzurra Caltagirone	Vice Chairman	Full year	31.12.2011	200,000	–	–	110,000	300,000	610,000
Francesco Caltagirone	Director	Full year	31.12.2011	–	–	–	–	–	–
Alessandro Caltagirone	Director	Full year	31.12.2011	–	–	–	10,000	–	10,000
Mario Delfini	Director	Full year	31.12.2011	–	–	5,000	10,000	230,000	245,000
Albino Majore	Director	Full year	31.12.2011	–	–	5,000	866,667	500,000	1,371,667
Massimo Garzilli	Director	Full year	31.12.2011	–	–	4,000	55,000	326,000	385,000
Massimo Confortini	Director	Full year	31.12.2011	–	25,000	4,000	–	–	29,000
Giampietro Nattino	Director	Full year	31.12.2011	–	5,000	4,000	–	–	9,000
Franco Luciano Lenti	Director	Full year	31.12.2011	–	–	5,000	–	–	5,000
Raul Bardelli	Chairman Board Statutory Auditor	Full year	31.12.2011	10,500	–	5,000	–	–	15,500
Carlo Schiavone	Statutory Auditor	01.01.2010-24.05.2010	31.12.2011	2,800	–	2,000	–	10,000	14,800
Maria Assunta Coluccia	Statutory Auditor	24.05.2010-31.12.2010	31.12.2011	4,200	–	3,000	36,100	–	43,300
Federico Malorni	Statutory Auditor	Full year	31.12.2011	7,000	–	5,000	18,431	–	30,431
Total				**224,500**	**30,000**	**42,000**	**1,106,198**	**1,366,000**	**2,768,698**

In Euro

Emoluments for the office held includes the remuneration approved by the Shareholders' Meeting of Caltagirone Editore SpA and those relating to the Vice Chairman approved by the Board of Directors pursuant to article 2389, paragraph 3, of the Civil Code.
There are no stock option plans for the Directors of the Company.
No other transactions took place with Directors, Statutory Auditors and senior managers of the Group Companies.

28. Business segment information

The disclosures required in accordance with *IFRS 8* on the segment information are provided below. The Caltagirone Editore Group has adopted the sector of operating 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. This break-down is used by Management to carry out an analysis of operational performance and for the specific management of risks related to each sector. The Group operates exclusively in Italy and bases sector performance on turnover volumes and Ebitda from ordinary operations.

2009	**Newspapers**	**Advertising revenues**	**Other activities**	**Consol. Adjustments**	**Consolidated pre-segment eliminations**	**Segment eliminations**	**Consolidated**
Sector revenues	93,901	162,054	768	145	256,868	–	256,868
Inter-segment revenues	125,030	1,288	976	(145)	127,149	(127,149)	–
Segment revenues	**218,931**	**163,342**	**1,744**	**–**	**384,017**	**(127,149)**	**256,868**
Segment Ebitda	**1,828**	**6,100**	**(1,822)**	**–**	**6,106**	**–**	**6,106**
Amortisation, depreciation, write-downs and provisions	10,702	3,759	16,447	–	30,908	–	30,908
EBIT	**(8,874)**	**2,341**	**(18,269)**	**–**	**(24,802)**	**–**	**(24,802)**
Net financial income/(charges)	–	–	–	–	–	–	(9,232)
Net result of the share of associates	–	–	–	–	–	–	(7,106)
Loss before taxes	**–**	**–**	**–**	**–**	**–**	**–**	**(41,140)**
Income taxes	–	–	–	–	–	–	1,587
Net loss	**–**	**–**	**–**	**–**	**–**	**–**	**(39,553)**
Segment assets	558,326	89,872	380,949	28,208	1,057,355	–	1,057,355
Segment liabilities	237,414	18,273	14,084	(1,037)	268,734	–	268,734
Investments valued at Net equity	595	–	1,771	1,890	4,256	–	4,256
Investments in intangible and tangible fixed assets	1,161	235	27	–	1,423	–	1,423

2010	Newspapers	Advertising revenues	Other activities	Consol. Adjustments	Consolidated pre-segment eliminations	Segment eliminations	Consolidated
Sector revenues	90,224	157,363	749	10	248,346	–	248,346
Inter-segment revenues	120,651	1,294	1,469	(10)	123,404	(123,404)	–
Segment revenues	**210,875**	**158,657**	**2,218**	**–**	**371,750**	**(123,404)**	**248,346**
Segment Ebitda	**22,330**	**6,695**	**(1,606)**	**–**	**27,419**	**–**	**27,419**
Amortisation, depreciation, write-downs and provisions	10,498	2,637	427	–	13,562	–	13,562
EBIT	**11,832**	**4,058**	**(2,033)**	**–**	**13,857**	**–**	**13,857**
Net financial income/(charges)	–	–	–	–	–	–	995
Net result of the share of associates	–	–	–	–	–	–	(342)
Profit before taxes	**–**	**–**	**–**	**–**	**–**	**–**	**14,510**
Income taxes	–	–	–	–	–	–	(8,814)
Net profit	**–**	**–**	**–**	**–**	**–**	**–**	**5,696**
Segment assets	548,631	82,365	344,968	25,919	1,001,883	–	1,001,883
Segment liabilities	215,825	15,638	9,272	(1,435)	239,300	–	239,300
Investments valued at Net equity	692	–	15	–	707	–	707
Investments in intangible and tangible fixed assets	1,358	192	436	–	1,986	–	1,986

In Euro thousands

29. Net cash position

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

	31.12.2010	31.12.2009
A. Cash	139	178
B. Bank deposits	256,848	284,282
D. Liquidity (A+B)	**256,987**	**284,460**
E. Current financial receivables	**4,211**	**5,505**
F. Bank payables – current portion	10,987	14,981
G. Current portion of long-term loans	4,782	4,631
H. Current payables to other lenders	2,775	2,654
I. Current debt (F+G+H)	**18,544**	**22,266**
J. NET CURRENT CASH (I-E-D)	**(242,654)**	**(267,699)**
K. Non-current bank payables	33,535	38,392
M. Non-current payables to other lenders	221	2,995
N. NON-CURRENT FINANCIAL DEBT (K+M)	**33,756**	**41,387**
O. NET CASH POSITION (J+N)	**(208,898)**	**(226,312)**

In Euro thousands

30. Guarantees given and commitments

At December 31st 2010 the Group has given guarantees or commitments to third parties for a value of Euro 161 million.

	31.12.2010	31.12.2009
Bank and insurance sureties given	60,905	61,014
Bills at banks	2,158	2,208
Mortgage and priviledges	97,995	97,510
Total	**161,058**	**160,732**

In Euro thousands

31. Other information

Assignments conferred to the Audit Firm and related remuneration
The table below shows the payments made to the Audit Firm KPMG SpA in accordance with article 149 of Consob Resolution No. 11971/99 in 2010.

Company	Independent Auditors	Period	Audit service charges	Other activities	Annual fees
Caltagirone Editore SpA	KPMG SpA	2006-2011	44,279	1,000	45,279
Il Mattino SpA	KPMG SpA	2006-2011	41,576	7,300	48,876
Piemme SpA	KPMG SpA	2006-2011	40,115	1,060	41,175
Il Messaggero SpA	KPMG SpA	2006-2011	56,015	1,000	57,015
Leggo SpA	KPMG SpA	2006-2011	16,202	1,000	17,202
Finced Srl	KPMG SpA	2006-2011	5,844	1,000	6,844
Corriere Adriatico SpA	KPMG SpA	2009-2011	29,824	4,744	34,568
Quotidiano di Puglia SpA	KPMG SpA	2010-2012	32,358	1,000	33,358
Il Gazzettino SpA	KPMG SpA	2006-2011	51,900	5,300	57,200
Imprese Tipografiche Venete SpA	KPMG SpA	2010-2012	12,790	1,060	13,850
Centro Stampa Veneto SpA	KPMG SpA	2010-2012	21,200	1,060	22,260
Telefriuli SpA	KPMG SpA	2008-2010	17,090	1,060	18,150
Total			**369,193**	**26,584**	**395,777**
Caltagirone Editore SpA					45,279
Subsidiary companies					350,498
Total					**395,777**

In Euro

No atypical or unusual transactions were undertaken in the year.

CALTAGIRONE EDITORE
Società per Azioni - Share capital Euro 125,000,000

Declaration of the Consolidated Financial Statements as per Art. 81 - ter of Consob Regulation No. 11971 of May 14th 1999 and subsequent modifications and integrations

1. The undersigned Francesco Gaetano Caltagirone, as Chairman of the Board of Directors, and Roberto Di Muzio, executive responsible for the preparation of the corporate accounting documents of Caltagirone Editore S.p.A., affirm, and also in consideration of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24th 1998:

   - the accuracy of the information on company operations and
   - the effective application,

   of the administrative and accounting procedures for the compilation of the consolidated financial statements for 2010.

2. The activity was undertaken evaluating the organisational structure and the execution, control and monitoring processes of the business activities necessary for the preparation of the consolidated financial statements.
   In relation to this, no important matters arose.

3. It is also declared that:

3.1 the consolidated financial statements:

a) were prepared in accordance with international accounting standards, recognised in the European Union pursuant to EU regulation No. 1606/2002 of the European Parliament and Council, of July 19th 2002;

b) corresponds to the underlying accounting documents and records;

c) provide a true and correct representation of the economic, balance sheet and financial situation of the issuer and of the companies included in the consolidation.

3.2 The Directors' Report, prepared using a standard format for both the individual and consolidated financial statements, includes a reliable analysis on the performance and operating result as well as the situation of the issuer and of the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Rome, March 15th 2011

Chairman	**Manager Responsible for Financial Reports**
Francesco Gaetano Caltagirone	Roberto Di Muzio

CALTAGIRONE EDITORE

financial statements
at December 31st, 2010

balance sheet
assets

	Note	31.12.2010	31.12.2009
Intangible assets with definite life	1	2,721	5,443
Property, plant and equipment	2	12,680	8,800
Equity investments valued at cost:	3		
subsidiary companies		381,302,011	381,793,266
associated companies		17,356	6,553,356
other companies		2,745,000	–
Equity investments and non-current securities	4	69,729,499	78,931,000
Deferred tax assets	5	11,402,515	9,881,562
NON-CURRENT ASSETS		**465,211,782**	**477,173,427**
Trade receivables	6	847,495	35,187
of which related parties		846,556	24,607
Current financial assets	7	74,159,232	69,102,273
of which related parties		74,118,558	69,057,244
Tax receivables	5	107,880	218,621
Other current assets	8	958,741	286,951
of which related parties		770,985	277,613
Cash and cash equivalents	9	148,085,756	174,525,060
of which related parties		147,934,692	103,625,266
CURRENT ASSETS		**224,159,104**	**244,168,092**
TOTAL ASSETS		**689,370,886**	**721,341,519**

In Euro

balance sheet
shareholders' equity and liabilities

	Note	31.12.2010	31.12.2009
Share capital		125,000,000	125,000,000
Share capital issue costs		(18,864,965)	(18,864,965)
Other reserves		568,254,226	610,224,253
Loss for the year		(6,084,288)	(20,236,666)
SHAREHOLDERS' EQUITY	**10**	**668,304,973**	**696,122,622**
Employee provisions	12	53,366	41,648
Non-current financial liabilities	11	–	1,404,153
Deferred tax liabilities	5	37,195	4,353,976
NON-CURRENT LIABILITIES		**90,561**	**5,799,777**
Trade payables	13	471,210	228,049
of which related parties		324,980	97,442
Current financial liabilities	11	5,718,868	5,658,672
of which related parties		4,314,715	4,314,715
Current income tax payables	5	2,132	2,131
Other current liabilities	14	14,783,142	13,530,268
of which related parties		8,996,202	8,166,558
CURRENT LIABILITIES		**20,975,352**	**19,419,120**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**689,370,886**	**721,341,519**

In Euro

C A L T A G I R O N E   E D I T O R E   S P A

income statement

	Note	2010	2009
Other revenues	15	711,625	10,849
of which related parties		710,845	10,765
REVENUES		**711,625**	**10,849**
Labour costs	12	781,767	563,995
Other operating charges	16	1,549,147	1,422,851
of which related parties		662,414	516,404
COSTS		**2,330,914**	**1,986,846**
EBITDA		**(1,619,289)**	**(1,975,997)**
Amortisation, depreciation and provisions	17	5,343	5,163
EBIT		**(1,624,632)**	**(1,981,160)**
Financial income		2,594,339	13,044,799
of which related parties		2,510,096	11,813,565
Financial charges		7,081,511	30,921,296
of which related parties		6,947,200	30,710,217
Net financial income/(charges)	18	**(4,487,172)**	**(17,876,497)**
PROFIT/(LOSS) BEFORE TAX		**(6,111,804)**	**(19,857,657)**
Income taxes for the year	5	(27,516)	379,009
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**(6,084,288)**	**(20,236,666)**
NET PROFIT/(LOSS) FOR THE YEAR		**(6,084,288)**	**(20,236,666)**

In Euro

comprehensive income statement

	Note	2010	2009
NET PROFIT/(LOSS) RECORDED IN THE INCOME STATEMENT		**(6,084,288)**	**(20,236,666)**
Net profit/(loss) from recalculation of available-for-sale financial assets, net of fiscal effect	4	(15,481,405)	7,351,064
Effect of actuarial gain/(loss), net of fiscal effect		(1,956)	(4,060)
NET INCOME/(CHARGES) RECORDED IN EQUITY		**(15,483,361)**	**7,347,004**
NET PROFIT/(LOSS) FOR THE YEAR		**(21,567,649)**	**(12,889,662)**

In Euro thousands

STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY

	SHARE CAPITAL	QUOTATION CHARGES
Balance at January 1st 2009	**125,000,000**	**(18,864,965)**
Dividends distributed	–	–
Retained earnings	–	–
Total operations with Shareholders	**125,000,000**	**(18,864,965)**
Change in fair value reserve	–	–
Change in employee termination reserve	–	–
Net result	–	–
Net profit/(loss) recorded in period	**–**	**–**
BALANCE AT DECEMBER 31ST 2009	**125,000,000**	**(18,864,965)**
Balance at January 1st 2010	**125,000,000**	**(18,864,965)**
Dividends distributed	–	–
Retained earnings	–	–
Total operations with Shareholders	**125,000,000**	**(18,864,965)**
Change in fair value reserve	–	–
Change in employee termination reserve	–	–
Net result	–	–
Net profit/(loss) recorded in period	**–**	**–**
BALANCE AT DECEMBER 31ST 2010	**125,000,000**	**(18,864,965)**

In Euro

FAIR VALUE RESERVE	OTHER RESERVES	NET RESULT	TOTAL NET EQUITY
1,713,399	**620,753,887**	**(13,340,037)**	**715,262,284**
–	(6,250,000)	–	(6,250,000)
–	(13,340,037)	13,340,037	–
1,713,399	**601,163,850**	**–**	**709,012,284**
7,351,064	–	–	7,351,064
–	(4,060)	–	(4,060)
–	–	(20,236,666)	(20,236,666)
7,351,064	**(4,060)**	**(20,236,666)**	**(12,889,662)**
9,064,463	**601,159,790**	**(20,236,666)**	**696,122,622**
9,064,463	**601,159,790**	**(20,236,666)**	**696,122,622**
–	(6,250,000)	–	(6,250,000)
–	(20,236,666)	20,236,666	–
9,064,463	**574,673,124**	**–**	**689,872,622**
(15,481,405)	–	–	(15,481,405)
–	(1,956)	–	(1,956)
–	–	(6,084,288)	(6,084,288)
(15,481,405)	**(1,956)**	**(6,084,288)**	**(21,567,649)**
(6,416,942)	**574,671,168**	**(6,084,288)**	**668,304,973**

cash flow statement

	Note	2010	2009
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**9**	**174,525,060**	**182,553,791**
Profit/(Loss) for the year		(6,084,288)	(20,236,666)
Amortisation & depreciation		5,343	5,164
(Revaluations) and write-downs		6,900,099	30,646,705
of which related parties		6,900,099	30,646,705
Net financial income/(charges)		(2,412,927)	(12,770,209)
of which related parties		(2,462,992)	(11,750,053)
Income taxes		(27,516)	379,009
Changes in employee provisions		9,019	8,460
OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL		**(1,610,270)**	**(1,967,537)**
(Increase)/Decrease in trade receivables		(812,308)	36,211
Increase/(Decrease) in trade payables		230,569	26,477
Change in other current and non-current liabilities		581,241	6,736,611
Change in deferred and current income taxes		(491,715)	(7,333,252)
OPERATING CASH FLOW		**(2,102,483)**	**(2,501,490)**
Dividends received		1,102,500	9,433,000
of which related parties		1,102,500	9,433,000
Interest received		1,451,165	2,429,930
of which related parties		1,366,360	1,407,591
Interest paid		(78,328)	(170,169)
of which related parties		(34,329)	(55,175)
A. CASH FLOW FROM OPERATING ACTIVITIES		**372,854**	**9,191,271**

	Note	2010	2009
Investments in tangible fixed assets		(6,500)	(1,439)
Equity investments and non-current securities		(14,464,517)	(44,708,864)
Change in current financial assets		(4,656,693)	34,225,821
B. CASH FLOW FROM INVESTING ACTIVITIES		**(19,127,710)**	**(10,484,482)**
Change in non-current financial liabilities		(1,404,153)	(72,543)
Change in current financial liabilities		(30,295)	(412,977)
Dividends distributed		(6,250,000)	(6,250,000)
C. CASH FLOW FROM FINANCING ACTIVITIES		**(7,684,448)**	**(6,735,520)**
D. EFFECT EXCHANGE DIFFERENCES ON CASH & CASH EQUIVALENTS		**–**	**–**
Change in net liquidity (A+B+C+D)		**(26,439,304)**	**(8,028,731)**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**9**	**148,085,756**	**174,525,060**

In Euro

notes to the financial statements as at December 31st, 2010

Introduction

Caltagirone Editore SpA (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 24th 1998, and other information available are:

1. Francesco Gaetano Caltagirone: 75,955,300 shares (60.76%).
   This investment is held:
   - directly for 22,500,000 shares (18.0%),
   - indirectly through the Companies:
     - Parted 1982 SpA (35.56%),
     - Gamma Srl (7.2%);
2. Gaetano Caltagirone: 3,000,000 shares (2.40%);
3. Edizione Srl: 2,799,000 shares (2.24%).

The present Financial statements were authorised for publication by the Directors on March 15th 2011.

Compliance with international accounting standards approved by the European Commission

The Financial statements at December 31st 2010 were prepared in accordance with *International Financial Reporting Standards* (*IFRS*), *International Accounting Standards* (*IAS*) and the interpretations of the *International Financial Reporting Interpretations Committee* (*IFRIC*) and of the *Standing Interpretations Committee* (*SIC*), approved by the European Commission (hereinafter *IFRS*).
In the preparation of the present document, account was taken of article 9 of Legislative Decree No. 28 of February 28th 2005, of the provisions of the Civil Code, of Consob Resolution No. 15519 (*Regulations relating to Financial statements to be issued in accordance with article 9, paragraph 3 of Legs. Decree No. of February 28th 2005*) and No. 15520 (*Modifications and amendments to the implementation rules of Legs. Decree No. 58 of 1998*) both of July 27th 2006 as well as Consob Communication No. DEM/6064293 of July 28th 2006 (*Disclosure of issuers of shares and financial instruments in accordance with article 116 of the CFA*).

The Company did not opt for the advance adoption of the standards, interpretations and updates already approved, which are applicable after the date of the accounts.
The Company is evaluating the possible effects related to the application of the above-mentioned new standards/changes to accounting standards already in force; based on a preliminary evaluation, significant effects are not expected on the Financial statements.

Basis of presentation

The Financial statements consist of the Balance sheet, the Income statement, the Comprehensive income statement, the Cash flow statement, the Statement of changes in Shareholders' equity and the Notes to the Financial statements.
The Balance sheet is presented in a format which separates the current and non-current assets and liabilities, while the Income statement is classified on the basis of the nature of the costs and the Cash flow statement is presented utilising the indirect method.
The *IFRS* were applied in accordance with the *Framework for the preparation and presentation of Financial statements* and no matters arose which required recourse to the exceptions permitted by *IAS 1*, paragraph 17.
It is recalled that Consob Resolution No. 15519 of July 27th 2006 requires that the above Financial statements report, where the amounts are significant, additional sub-accounts to those already specifically required by *IAS 1* and other international accounting standards in order to show the balances and transactions with related parties as well as the relative Income statement accounts relating to non-recurring or unusual operations. These accounts are not reported separately in the present Financial statements as the amounts are not significant.
The assets and liabilities are shown separately and without any offsetting.
The Financial statements are presented in Euro and all the amounts refer to units of the currency, except where indicated otherwise.

Foreign currency transactions

All transactions in currencies other than the Euro are recognised 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 translated at the period end exchange rate and the original exchange rate are recognised in the income statement. The non-monetary assets and liabilities denominated in foreign currencies and recorded at historical cost are translated utilising the exchange rate at the initial date of recording of the operation.

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.
Intangible assets with definite useful lives are recognised net of the relative accumulated amortisation and any impairment in accordance with the procedures described below. Amortisation is calculated on a straight line basis over the estimated useful life of the asset and 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.

Property, plant and equipment

Property, plant and equipment is recorded at cost, including directly allocated accessory costs and those necessary for the asset being in the condition 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 provision in the Balance sheet under provisions for risks and charges.
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 principal depreciation rates applied are as follows:

	Useful life	Economic/ technical rate
Equipment	4 years	25.00%
Office furniture and equipment	8 years	12.50%

At the moment of sale or when there are no expected future economic benefits from the use of the 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 SpA 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.
Investments in associated companies refer to those in which Caltagirone Editore SpA 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 any 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.
The exercise price of purchase options signed by the Parent Company with minority Shareholders at the same time as the acquisition of the control is considered an integral part of the total purchase cost of the investment in a subsidiary. In fact, the subscription by the Parent Company of the purchase options, subsequent to the acquisition of control constitutes a right for the minority Shareholders of the Company to sell their shares at a fixed and determinable price. The Parent Company (potential acquirer) does not have the power of the effective exercise of the options subscribed, which rests with the minority Shareholders and, therefore, has a commitment (obligation) to make a payment in the event of the exercise of the purchase option.
The value of this obligation is recorded in accordance with *IAS 32*, paragraph 23 as the current value of the future amounts to be paid for the exercise price of the option.

Assets and liabilities held for sale and extraordinary 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.

Investments in other companies and debt instruments
The Investments in other companies considered as available for sale are measured at fair value with the recording of any gain or loss directly to Shareholders' equity through the Comprehensive income statement until the financial asset is sold or written down; at that moment the accumulated gains and losses are recorded in the Income statement of the period.
Indicators of a possible reduction in value are for example significant difficulties of the issuer, non fulfilment or lack of payments of interest or of capital, the possibility that the issuer will become bankrupt, undergo examination procedures and the disappearance of an active market. A long-term or significant reduction in the market value of a capital instrument below its cost is considered as evidence of impairment; the analysis of impairment is therefore carried out annually on all of the capital instruments of the Company.
In relation to the identification of losses in value of listed shares classified in the available-for-sale financial assets category (AFS), consideration is made of the interpretive clarifications contained in the joint document issued by Bank of Italy, Consob and Isvap No. 4 of March 3rd 2010 in relation to the weight to be given to the concepts of "significant" or "prolonged" of the fair value under cost in order to declare an impairment.
Following the above stated clarifications, the Company carried out a valuation with different parameters from those previously considered and the quantitative limits utilised to identify the necessity for an impairment procedure, taking account of the types of shares held, as well as the high levels of instability within the stock market from the second half of 2008, are for a decrease in the fair value at the Balance sheet date of above 30% compared to the original book value or a decrease in the fair value below the initial recording for 30 consecutive months.
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 reliably determined, these investments are valued at cost adjusted for reductions in value and the effects are recognised in the Income statement. Any write-downs may not be subsequently re-stated.

Trade receivables
Trade receivables are recorded at fair value and subsequently 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
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

Financial liabilities and trade payables are initially recognised 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.

Commitments deriving from contracts which contain an obligation for a company to acquire shares for cash or other financial assets are considered as financial liabilities. The value of this financial liability is equal to the fair value of the sums to be paid determined at the subscription date; the financial liability is discounted when the maturity dates of the obligation can be determined. The increase in the value of the payable due to the passing of time is recorded as a financial expense.

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, 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 employment period and relating to defined benefit plans (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 recognised on an accruals basis over the maturity period of the right.

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 when 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 recognised under other liabilities and credited to the Income statement in the period in 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.
Operating grants are fully recognised to the Income statement at the moment in which they satisfy the conditions for their recognition.

Revenues

Revenues are recognised net of returns, discounts and allowances.
In particular, the revenues from the sale of goods are recognised when the significant risks and benefits of the ownership of the assets are transferred to the purchaser.
Revenues for services are recognised when the services are provided, with reference to the progress of completion of the activities.

Interest

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

Dividends

The 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 approve them respectively.

Income taxes

Current income taxes for the period are determined on the basis of the taxable assessable income and in accordance with current legislation; consideration is also taken of the effects deriving from the national fiscal consolidation, in which the Group is the consolidating company of the following subsidiaries: Il Messaggero SpA, Il Mattino SpA, Finced Srl, Piemme SpA, Corriere Adriatico SpA, Quotidiano di Puglia SpA, Il Gazzettino SpA, Imprese Tipografiche Venete SpA and Leggo SpA.
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 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 recognition 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 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 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 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 Financial statements of the Company are as follows:
- Write-down of fixed assets;
- Depreciation of tangible fixed assets;
- Deferred tax assets and liabilities;
- 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 Company is exposed to different market risks and in particular to risk of changes in interest rates, liquidity risk, risk of change in the prices of quoted financial investments and foreign exchange risk.

Price risk of the equity shareholdings
In relation to the risk of changes in the fair value of the equity shareholdings held as available for sale, the Company monitors the changes of share prices and for this reason constantly records the movements in the listed shares in portfolio. Based on this data, the investment and divestment policies of the Group are defined with the objective to optimise medium and long-term cash flows, also considering the distribution of

dividends from the shares in portfolio. The investment and divestment strategies of the equity investments are also considered in relation to the diversification of risk.

Currency risk
The Company operates exclusively in the Euro area and therefore is not exposed to exchange rate risks.

Interest rate risk
The interest rate risk relates to an uncontrolled increase of the charges deriving from variable interest rates on medium/long-term loans. The interest rate risk to which the Company is exposed is considered limited in that the loans undertaken are contracted in Euro, which currently presents low interest rates following the monetary policies adopted by the central banks to counter the recession.

Liquidity risk
Liquidity risk is linked to the difficulty in obtaining funds to cover commitments at a given moment. Caltagirone Editore SpA has access to its own liquidity which is in the form of short-term deposits and therefore easily accessible and highly liquid. It is therefore considered that this risk does not exist.

New accounting standards and interpretations

New standards and amendments to standards adopted by the Company

The effects of the new standards or the modifications which are applicable from the period beginning January 1st 2010 are listed and summarised below.

- *IFRS 3 revised - Business combinations* and the consequent amendments to *IAS 27 - Consolidated financial statements*, *IAS 28 - Investments in associated companies* and *IAS 31 - Interests in joint venture*: are applicable prospectively to the business combinations whose date of acquisition coincides to or is subsequent to the periods beginning July 1st 2009. Based on the revised standards, the so-called "acquisition method" continues to be applied, but with some significant changes to the methodology with particular reference to measurement and representation of acquisition costs, minority interest costs and potential payments and others. All of the accessory costs to the business acquisitions are recorded to the Income statement in accordance with *IAS 27 revised* and all of the effects of the transactions with minority interests which do not result in a change of control are recorded to Net equity.

Standards, amendments and new interpretations on standards effective from 2010 but not significant for the Company

- *IFRIC 12 - Service concession arrangements*: this interpretation is presently not applicable to the Company as no service concession arrangements are in place.
- *IFRIC 17 - Distribution of non cash assets to Shareholders*: effective from periods commencing from July 1st 2009. This interpretation is presently not applicable to the Company as no such distributions have been made to Shareholders.
- *IFRIC 18 - Transfer of assets from customers*: effective for transfers subsequent to July

1st 2009. This interpretation is not applicable to the Company as it has not received any assets from clients.

- *IFRS 1 - Further exemptions for First Time Adopters* and amendments to *IFRS 2 - Share based payments in favour of Group employees*: both these standards are not applicable to the Company.

Standards, amendments and new interpretations on standards effective from the periods subsequent to 2010 and not adopted in advance by the Company

- *IFRS 9 - Financial instruments*: issued in December 2009, not yet approved which deals with the classification and measurement of financial assets. This standard which will not enter into force before the periods beginning from 2013 may have impacts on the valuation of Company financial assets. The Company has decided not to adopt this standard in advance and is evaluating possible accounting impacts.
- *IAS 24 revised - Related party disclosures*: issued in November 2009 and published in the Official Gazette. The standard will be effective from the periods beginning January 1st 2011 and allows advanced application. It is not expected that there will be significant impacts for the Company.
- *Prepayments on a minimum funding requirement*: issued in November 2009 and published in the Official Gazette clarifies *IFRIC 14* through *IAS 19* with reference to the possibility – now applicable – to recognise under assets advanced payments made voluntarily to these funds. It is effective from 2011 with retrospective effects and with the disclosure to be modified. It is not expected that there will be significant impacts for the Company.
- *IFRIC 19 - Extinguishing financial liabilities with equity instruments*: this interpretation is concerned with better defining the characteristics required to classify under equity those equity instruments issued in favour of creditors which accept in exchange the settlement of debts. The interpretation is effective from periods beginning July 1st 2010 and may be adopted in advance. It is not expected that there will be significant impacts for the Company.
- Amendment to *IAS 32 - Classification of "right issues"*: published in the Official Gazette, this standard governs the classification of fixed amounts of rights issues in foreign currencies under liabilities. The standard is effective from 2011. It is not expected that there will be significant impacts for the Company.
- Improvements to the international accounting standards issued in May 2010 and published in the Official Gazette. This relates to various modifications and improvements, whose effects are principally applicable from periods beginning January 1st 2011. It is not expected that there will be significant impacts for the Company.
- Improvement 2008 to *IFRS 5 - Non-current assets held for sale and discontinued operations.*
- Minor amendments to *IFRIC 14 - Minimum funding requirements*: callowing companies which pay in advance the minimum contribution due to recognise it as an asset. The amendment must be applied from January 1st 2011. However, it is considered that the adoption of this amendment will not result in significant effects on the Income statement of the Company.

assets

1. Intangible assets with definite life

	Others	Total
Historical cost 1.1.2009	**19,051**	**19,051**
Increases	–	–
Decreases	–	–
31.12.2009	**19,051**	**19,051**

Historical cost 1.1.2010	**19.051**	**19.051**
Increases	–	–
Decreases	–	–
31.12.2010	**19.051**	**19.051**

In Euro

	Others	Total
Amortisation and loss in value 1.1.2009	**10,886**	**10,886**
Increases	2,722	2,722
Decreases	–	–
31.12.2009	**13,608**	**13,608**

Amortisation and loss in value 1.1.2010	**13,608**	**13,608**
Increases	2,722	2,722
Decreases	–	–
31.12.2010	**16,330**	**16,330**

Net value 1.1.2009	**8,165**	**8,165**
31.12.2009	**5,443**	**5,443**
31.12.2010	**2,721**	**2,721**

In Euro

2. Property, plant and equipment

	Equipment	Other assets	Total
Historical cost 1.1.2009	**19,828**	**213,333**	**233,161**
Increases	1,438	–	1,438
Decreases	–	–	–
31.12.2009	**21,266**	**213,333**	**234,599**

	Equipment	Other assets	Total
Historical cost 1.1.2010	**21,266**	**213,333**	**234,599**
Increases	6,500	–	6,500
Decreases	–	–	–
31.12.2010	**27,766**	**213,333**	**241,099**

	Equipment	Other assets	Total
Amortisation and loss in value 1.1.2009	**10,025**	**213,333**	**223,358**
Increases	2,441	–	2,441
Decreases	–	–	–
31.12.2009	**12,466**	**213,333**	**225,799**

	Equipment	Other assets	Total
Amortisation and loss in value 1.1.2010	**12,466**	**213,333**	**225,799**
Increases	2,620	–	2,620
Decreases	–	–	–
31.12.2010	**15,086**	**213,333**	**228,419**

	Equipment	Other assets	Total
Net value 1.1.2009	**9,803**	**–**	**9,803**
31.12.2009	**8,800**	**–**	**8,800**
31.12.2010	**12,680**	**–**	**12,680**

In Euro

3. Equity investments valued at cost

The movements in the account are as follows:

Investments in subsidiary companies	Location	%	1.1.2009	Increases/ (Decreases)	Write-downs	31.12.2009
Il Mattino SpA	Rome	99.99%	23,590,822	–	–	23,590,822
Leggo SpA	Rome	90.00%	662,869	–	–	662,869
Finced Srl	Rome	99.99%	9,999	6,402,208	(6,402,208)	9,999
Corriere Adriatico SpA	Ancona	100.00%	23,530,543	942,910	(1,506,150)	22,967,303
Quotidiano di Puglia SpA	Rome	85.00%	27,200,000	1,245,915	–	28,445,915
Il Gazzettino SpA	Rome	98.64%	154,657,205	(1,274,413)	(16,056,000)	137,326,792
Il Messaggero SpA	Rome	94.61%	168,789,566	–	–	168,789,566
Total			**398,441,004**	**7,316,620**	**(23,964,358)**	**381,793,266**

	Location	%	1.1.2010	Increases/ (Decreases)	Write-downs	31.12.2010
Il Mattino SpA	Rome	99.99%	23,590,822	–	–	23,590,822
Leggo SpA	Rome	90.00%	662,869	–	–	662,869
Finced Srl	Rome	99.99%	9,999	–	–	9,999
Corriere Adriatico SpA	Ancona	100.00%	22,967,303	1,146,551	(1,250,463)	22,863,391
Quotidiano di Puglia SpA	Rome	99.95%	28,445,915	–	–	28,445,915
Il Gazzettino SpA	Rome	99.99%	137,326,792	1,471,282	(1,858,635)	136,939,449
Il Messaggero SpA	Rome	94.61%	168,789,566	–	–	168,789,566
Total			**381,793,266**	**2,617,833**	**(3,109,098)**	**381,302,011**

In Euro

The movements in the value of the investment in Corriere Adriatico SpA were as follows: increasing following the Share capital payment made to cover losses of the subsidiary in 2009 for Euro 1,506,142 and decreasing following the repayment of Euro 359,592 by the previous owner of liabilities subsequent to the acquisition of the investment.
The write-down concerns the covering of losses for 2010 of Euro 1,250,463.
The investment in Il Gazzettino SpA principally recorded the following changes:

- increase of Euro 1,451,250 for the reincorporated Share capital subscription following the Extraordinary Shareholders' Meeting resolution of Il Gazzettino SpA of April 16th, 2010 and following the cancelation of the Share capital to cover the losses to February 28th, 2010;
- increase of Euro 14,700 for the Share capital subscription not undertaken by other Shareholders;
- decrease of Euro 14 for the sale of a Share to the subsidiary Finced Srl.

The write-down of Euro 1,858,635 follows the covering of the 2010 loss.
The other subsidiaries indirectly held are as follows:

Equity investments in indirect subsidiaries	Location	Share capital	% of control of the Group	Net equity	Result for the year
Piemme SpA	Rome	2,646,540	100.00%	43,532,323	1,479,946
Centro Stampa Veneto SpA	Rome	567,000	100.00%	842,853	(42,872)
Imprese Tipografiche Venete SpA	Rome	936,000	100.00%	4,761,348	667,197
P.I.M. Pubblicità Italiana Multimedia Srl	Rome	1,044,000	100.00%	6,129,402	470,480
Telefriuli SpA	Tavagnacco (Udine)	1,655,300	86.02%	1,250,145	(381,510)

In Euro

The associated companies directly and indirectly held by Caltagirone Editore SpA are as follows:

Investments in associated companies	Location	%	1.1.2010	Increases/ (Decreases)	Write-downs	Reclassification	31.12.2010
E-Care SpA	Rome	24.50%	6,536,000	–	(3,791,000)	(2,745,000)	–
Rofin 2008 Srl	Rome	30.00%	17,356	–	–	–	17,356
Total			**6,553,356**	–	**(3,791,000)**	**(2,745,000)**	**17,356**

In Euro

In 2010 following the non-subscription of the Share capital increase of the associated company E-Care SpA by Caltagirone Editore SpA, the investment reduced from 24.5% to 15%, with a consequent write-down of Euro 3,791,000 and reclassification under investments in other companies at cost. This write-down was substantially due to the partial reversal of the implicit goodwill recorded in the cost of the investment at the acquisition date.

Equity investments in other companies	Location	%	1.1.2010	Increases/ (Decreases)	Reclassification	31.12.2010
E-Care SpA	Rome	15.00%	–	–	2,745,000	2,745,000

In Euro

4. Equity investments and non-current securities

The breakdown is as follows:

Investments available-for-sale	1.1.2009	Increases/ (Decreases)	Valuation at fair value	31.12.2009
Banca Monte dei Paschi di Siena SpA	24,416,000	–	(4,768,000)	19,648,000
Assicurazioni Generali SpA	–	43,463,477	15,819,523	59,283,000
Total	**24,416,000**	**43,463,477**	**11,051,523**	**78,931,000**

Investments available-for-sale	1.1.2010	Increases/ (Decreases)	Valuation at fair value	31.12.2010
Banca Monte dei Paschi di Siena SpA	19,648,000	8,491,582	(6,013,583)	22,125,999
Assicurazioni Generali SpA	59,283,000	2,995,497	(14,674,997)	47,603,500
Total	**78,931,000**	**11,487,079**	**(20,688,580)**	**69,729,499**

In Euro

The investment in Banca Monte dei Paschi di Siena SpA comprises 26,000,000 shares, of which 10,000,000 acquired in the year on the market, for a value of Euro 8,491,582.
In 2010, 200,000 Assicurazioni Generali SpA shares were acquired on the market for a value of Euro 2,995,497. The investment at year-end comprised 3,350,000 shares.
The valuation at fair value of these investments at December 31st 2010 was recorded to the Comprehensive income statement with a negative impact of Euro 15.5 million.
These effects will remain recorded to Net equity until the sale of the shares or the recognition of a significant or prolonged impairment.
In relation to the disclosure required by *IFRS 7*, concerning the so-called "hierarchy of fair value", the shares available for sale belong to Level 1, as defined by paragraph 27 A (*IFRS 7*) concerning financial instruments listed on an active market.

5. Deferred and current income taxes

The Deferred tax assets refer to losses carried forward and 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:

	1.1.2009	Provisions	Utilisations	Others charges	31.12.2009
Deferred tax assets					
Tax losses carried forward	2,047,698	–	–	6,578,634	8,626,332
Write-down of equity investments	503	–	–	–	503
Other	1,313,643	25,209	(84,126)	1	1,254,727
Total	**3,361,844**	**25,209**	**(84,126)**	**6,578,635**	**9,881,562**
Deferred tax liabilities					
Other	653,517	4,350,369	(649,910)	–	4,353,976
Total	**653,517**	**4,350,369**	**(649,910)**	**–**	**4,353,976**
Net deferred tax asset	**2,708,327**	**4,325,160**	**565,784**	**–**	**5,527,586**

	1.1.2010	Provisions	Utilisations	Others charges	31.12.2010
Deferred tax assets					
Tax losses carried forward	8,626,332	–	–	560,165	9,186,497
Write-down of equity investments	503	–	–	–	503
Other	1,254,727	95,977	(26,324)	891,135	2,215,515
Total	**9,881,562**	**95,977**	**(26,324)**	**1,451,300**	**11,402,515**
Deferred tax liabilities					
Other	4,353,976	–	–	(4,316,781)	37,195
Total	**4,353,976**	**–**	**–**	**(4,316,781)**	**37,195**
Net deferred tax asset	**5,527,586**	**95,977**	**(26,324)**	**5,768,081**	**11,365,320**

In Euro

The Other changes in deferred tax assets and liabilities include the effects of the tax on the fair value of investments and of actuarial losses recorded directly to the Comprehensive income statement as well as deferred tax assets recorded due to the losses incurred by the subsidiaries. In particular the decrease in the other deferred tax liabilities refers to the amendment of the tax effect from the change of the fair value reserve on available-for-sale investments.

The Balance sheet includes receivables for current taxes of Euro 107,880, consisting of the receivable from the fiscal consolidation of Euro 25,895, tax credits of Euro 13,739 and the Irap receivable of Euro 66,876.
The income taxes for the year consist of:

	2010	2009
Ires current income taxes	–	205,357
Irap current income taxes	42,378	59,261
Current income tax	**42,378**	**264,618**
Income taxes of prior years	(241)	55,474
Income taxes of prior years	**(241)**	**55,474**
Provision for deferred tax liabilities	–	–
Utilisation of deferred tax liabilities	–	–
Deferred tax charge	**–**	**–**
Recording of deferred tax assets	(95,977)	(25,209)
Utilisation of deferred tax assets	26,324	84,126
Deferred tax assets	**(69,653)**	**58,917**
Total income taxes	**(27,516)**	**379,009**

In Euro

The breakdown of income taxes is as follows:

	2010
Current and deferred Ires tax	69,871
Current and deferred Irap tax	(42,355)
Total	**27,516**

In Euro

The analysis of the difference between the theoretical and actual tax rates are as follows:

Ires income taxes	2010	
	Amount	Rate
Profit/(Loss) before taxes	**(6,111,804)**	**27.50%**
Theoretical tax charge		**(1,673,179)**
Permanent differences increase/(decrease):		
Dividends	(1,047,375)	
Write-down of equity investments	6,900,099	
Others	5,004	
Total	**(254,076)**	
Actual tax charge	**69,871**	

In Euro

6. Trade receivables

This account can be broken down as follows:

	31.12.2010	31.12.2009
Receivables from third parties	940	10,580
Receivables from related parties	6,555	–
Receivables from subsidiaries	840,000	24,607
Total	**847,495**	**35,187**

In Euro

Receivables from subsidiaries concern invoices issued for administrative, financial and tax assistance services respectively of Euro 552,000 from Il Messaggero SpA, Euro 144,000 from Il Mattino SpA and Euro 72,000 from Piemme SpA and Il Gazzettino SpA.
There are no receivables due over 12 months.

7. Current financial assets

This account can be broken down as follows:

	31.12.2010	31.12.2009
Financial assets from subsidiaries	70,227,557	63,626,595
Financial assets from associated companies	3,891,001	5,430,649
Financial assets from third parties	40,674	45,029
Total	**74,159,232**	**69,102,273**

In Euro

The balance of Euro 70,277,557 represents non-interest bearing loans due within one year renewable on request, granted respectively to Finced Srl (Euro 43,707,964) and Il Mattino SpA (Euro 18,660,000). Euro 7,500,000 concerns an interest bearing loan at current market rates until September 30th, 2010 granted to Il Gazzettino SpA.
Euro 3,891,001 refers entirely to the non-interest bearing loan granted to the associated company Rofin 2008 Srl.
The amount of Euro 40,674 relates to accrued interest on time deposits.

8. Other current assets

This account can be broken down as follows:

	31.12.2010	31.12.2009
Receivables from subsidiaries	770,985	277,613
Receivables – third parties	187,756	9,338
Total	**958,741**	**286,951**

In Euro

The Receivables from subsidiaries due within one year relate to the companies within the national tax consolidation, of which Euro 359,320 from il Mattino SpA, Euro 111,862 from il Quotidiano di Puglia SpA and Euro 299,802 from Tipografiche Venete SpA.
The Receivables from third parties include receivables from social security institutions and VAT.

9. Cash and cash equivalents

This account can be broken down as follows:

	31.12.2010	31.12.2009
Bank and postal deposits	148,085,146	174,522,385
Cash in hand and similar	610	2,675
Total	**148,085,756**	**174,525,060**
Of which related parties	147,934,692	103,625,266

In Euro

Euro 147,934,692 concerns bank deposits with related companies – for Euro 605,046 from Banca Finnat Euramerica SpA and for Euro 147,329,646 from Banca Monte dei Paschi di Siena SpA, of which Euro 147,250,661 for short-term time deposits. The decrease in cash and cash equivalents of Euro 26.4 million is substantially due to the investment in shares for Euro 11.5 million, the loan granted to Finced Srl for Euro 8.3 million and the payment of dividends for Euro 6.2 million.
The average rate for funds in the year was 0.80%.

liabilities and shareholders' equity

10. Shareholders' equity

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 year.
All of the ordinary shares issued are fully paid-in. There are no shares subject to guarantees or restrictions on the distribution of dividends.

Other reserves
The Other reserves consist of:

	31.12.2010	31.12.2009
Legal reserve	25,000,000	25,000,000
Share premium reserve	471,021,681	471,021,681
Reserve for treasury shares	50,000,000	50,000,000
Reserve for exchange gains	3,770,408	3,770,408
Merger reserve Cedfin	423,291	423,291
Fair value reserve	(6,416,942)	9,062,818
IAS leaving indemnity reserve	(5,052)	(1,451)
Treasury shares sales gains reserves	33,704	33,704
IAS non recognised asset reversal reserve	16,876,107	16,876,107
Retained earnings	7,551,029	34,037,695
Total other reserves	**568,254,226**	**610,224,253**

In Euro

The Treasury share acquisition reserve of Euro 50 million was created following Shareholders' Meeting resolution of April 26th 2010. Currently the reserve has not been utilised.
The Shareholders' equity disclosure document with breakdown by individual accounts concerning the availability and usage in previous years is reported below.

Schedule of equity accounts at 31.12.2010	**Amount 31.12.09**	**Amount 31.12.10**	**Possibility of utilisation**	**Quota available**	**Summary of utilisations made in the three previous years**	
					for coverage	***for other***
Share capital	125,000	125,000	–	–	–	–
Share capital issue costs	(18,865)	(18,865)	–	–	–	–
Share premium reserve	471,022	471,022	A B C	471,022	–	50,000[1]
Legal reserve	25,000	25,000	B	–	–	–
Reserve for exchange gains (Other reserves)	3,770	3,770	A B C	3,770	–	–
IAS reserve	25,971	10,487	–	–	–	–
Merger reserve (Other reserves)	423	423	A B C	423	–	–
Retained earnings	34,038	7,551	A B C	7,551	33,577	12,500[2]
Treasury share reserve	50,000	50,000	–	–	–	–
Total available	**716,359**	**674,389**	**–**	**482,766**	**–**	**62,500**
Non-distributable quota:						
– taking account of the 2010		–	–	(6,084)	–	–
– art. 2433 of the Civil Code		–	–	(18,865)		
Residual distributable		**–**	**–**	**457,817**	**–**	**–**

In Euro thousands

A For Share capital increase

B To cover losses

C For distribution to Shareholders

[1] *Utilisation for Treasury share reserve (Euro 50,000,000 in 2009)*

[2] *Utilisation for dividend distribution in 2009 and 2010 (Euro 12,500,000) and coverage of losses in 2008 and 2009 (Euro 33,576,703)*

Liabilities

11. Financial liabilities

	31.12.2010	31.12.2009
Non-current financial payables		
Other lenders for loans	–	1,404,153
Total	**–**	**1,404,153**
Current financial payables		
Payable to subsidiaries	4,314,715	4,314,715
Other lenders	1,404,153	1,343,957
Total	**5,718,868**	**5,658,672**

In Euro

The interest rates at the Balance sheet date on the current liabilities are as follows:

	2010
Current financial liabilities	
Payables to subsidiaries	0.99
Other financial payables	1.74

Values in %

The Current financial payables to subsidiaries refer entirely to a loan received from Quotidiano di Puglia SpA at market rates.
The Current financial payables to other lenders relates entirely to a loan provided in 2000 by Mediocredito Lombardo of Euro 11.62 million. The final repayment is due in 2011. The interest rate applied on these loans is a variable Euribor at 6 months + spread 0.70%.
As guarantee for this loan, a mortgage was provided on the buildings of the subsidiary Il Mattino SpA at Caivano for a total amount of Euro 20.34 million.

12. Employees

Post-employment benefits and employee provisions

Post-employment benefits represent 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 assumptions relating to the determination of the plan are summarised in the table below:

	31.12.2010	31.12.2009
Annual technical discounting rate	1.20	1.91
Annual inflation rate	2.20	2.60
Annual increase in Employee leaving indemnity	2.80	3.07
Annual increase in salaries	3.83	3.83

Values in %

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

The movements in the year are as follows:

	2010	2009
Net liability at January 1st	**41,648**	**29,128**
Current cost for the year	7,686	7,374
Interest charge/(income), net	1,332	1,086
Actuarial profits/(losses)	2,700	4,060
Net liability at December 31st	**53,366**	**41,648**

In Euro

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

	1.1.2009	31.12.2009	31.12.2010
Nominal value of the provision	36,845	44,843	53,582
Actuarial adjustment	(7,717)	(3,195)	(216)
Total Employee leaving indemnity	**29,128**	**41,648**	**53,366**

In Euro

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

	2010	2009
Salaries and wages	123,230	122,572
Social security expenses	36,944	42,775
Employee leaving indemnity prov.	7,686	7,374
Other costs	613,907	391,274
Total	**781,767**	**563,995**

In Euro

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

	31.12.2010	31.12.2009	Average 2010	Average 2009
Managers & white collar	3	3	3	3
Journalists	6	6	6	6
Total	**9**	**9**	**9**	**9**

13. Trade payables

	31.12.2010	31.12.2009
Trade payables	146,230	130,607
Payables to subsidiaries	15,232	10,976
Payables to holding companies	288,000	63,282
Payables to other Group companies	21,748	23,184
Total	**471,210**	**228,049**

In Euro

At December 31st 2010, Trade payables amounted to Euro 146,230 (Euro 130,607 at December 31st 2009) fully payable within one year, of which Euro 71,062 are for invoices to be received.
The Payables to subsidiaries relate to invoices received from Piemme SpA (Euro 2,640) for services provided and from Quotidiano di Puglia SpA (Euro 12,592) for interest on loans received at normal market conditions.
Euro 288,000 relates to the payable to the Parent Company Caltagirone SpA for services provided.
Payables to other Group companies concern the companies under common control for rental invoices.
There are no payables due over 12 months.

14. Other current liabilities

Other current liabilities	31.12.2010	31.12.2009
Social security institutions	13,355	10,299
Employee payables	12,099	11,622
Payables to subsidiaries	8,996,202	8,166,558
Other payables	5,761,486	5,341,789
Total	**14,783,142**	**13,530,268**

In Euro

The Other payables to subsidiaries refer to transactions with the companies in the fiscal consolidation. For further details see note 19 (Transactions with related parties).
The account Other payables of Euro 5,761,486 includes Euro 4,873,606 as amounts available to the Board of Directors in accordance with article 25 of the Company By-Laws, which provides for the allocation of 2% of the net profits to this account.
The other amounts concern emoluments due to Directors and Statutory Auditors and personnel withholding tax payables.

income statement

15. Other operating revenues

	2010	2009
Other operating revenues	780	84
Other revenues and income from related parties	710,845	10,765
Total	**711,625**	**10,849**

In Euro

Sales and service revenues relate to services provided to Group companies.

16. Other operating charges

	2010	2009
Rent, leases and similar costs	343,900	372,354
Services	1,141,552	807,098
Other operating charges	63,695	243,399
Total	**1,549,147**	**1,422,851**
Of which related parties	662,414	516,404

In Euro

The costs Rent, leases and similar refer entirely to the headquarters of the Company, provided by a company under common control at market rents.
The account Services includes the remuneration of the Board of Statutory Auditors for Euro 40,434, the Board of Directors for Euro 258,600 and the Audit Firm for Euro 52,278.

17. Amortisation, depreciation & provisions

	2010	2009
Depreciation of tangible assets	2,621	2,441
Amortisation of intangible assets	2,722	2,722
Total	**5,343**	**5,163**

In Euro

18. Net financial income/(charges)

Financial income	**2010**	**2009**
Dividends from subsidiaries	–	9,000,000
Dividends from other companies	1,102,500	1,376,440
Other income	–	168,794
Interest income from bank deposits	1,429,111	2,322,881
Interest income from subsidiaries and associated companies	62,728	176,684
Total	**2,594,339**	**13,044,799**
Of which related parties	2,510,096	11,636,881

In Euro

The account Dividends from other companies relate entirely to dividends concerning the shares in portfolio of Assicurazioni Generali SpA.
Interest income on bank deposits of Euro 1,429,111 concerns the return on invested liquidity, of which Euro 1,344,867 from the related companies Banca Monte dei Paschi di Siena SpA (Euro 1,342,980) and Banca Finnat Euramerica SpA (Euro 1,887).

Financial charges	2010	2009
Write-down of equity inv. and securities	6,900,099	30,646,706
Loan interest	42,018	111,297
Interest on bank current accounts	2,163	2,770
Banking commissions and charges	3,040	4,534
Interest expense from subsidiaries	43,695	59,906
Financial charges from discounting	1,332	1,086
Other	89,164	95,000
Total	**7,081,511**	**30,921,299**

In Euro

Interest expense from subsidiaries refers entirely to Quotidiano di Puglia SpA for interest bearing loans.
The account Write-downs on equity investments of Euro 6,900,099 refers for Euro 3,791,000 to the negative effect from the change in classification of the investment in E-Care SpA, as a result of the reduction in the percentage held by Caltagirone Editore SpA following the non-subscription to the Share capital increase of the company E-Care SpA in 2010 and the losses of the subsidiaries Corriere Adriatico SpA (Euro 1,250,463) and Il Gazzettino SpA (Euro 1,858,636).

19. Transactions with related parties

Transactions with companies under common control
The transactions of the Company with related parties, including inter-group operations, generally relate to normal operations and are regulated at market conditions and principally relate to the exchange of goods, the provision of services, the provision and use of financial resources of associated companies and subsidiaries 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.

	Trade receivables	Financial receivables	Other receivables	Cash and cash equivalents	Trade payables	Financial payables	Other payables
Caltagirone SpA	–	–	–	–	288,000	–	–
Il Messaggero SpA	552,000	–	–	–	–	–	349,198
Leggo SpA	–	359,592	–	–	–	–	2,105,378
Finced Srl	–	43,707,966	–	–	–	–	3,532,283
Il Mattino SpA	144,000	18,660,000	359,320	–	–	–	–
Piemme SpA	72,000	–	–	–	2,640	–	2,586
Mantegna '87 Srl	–	–	–	–	15,148	–	–
Vianini Lavori SpA	–	–	–	–	6,600	–	–
Corriere Adriatico SpA	–	–	–	–	–	–	1,099,768
Quotidiano di Puglia SpA	–	–	111,862	–	12,592	4,314,715	–
Imprese Tipografiche Venete SpA	–	–	299,803	–	–	–	–
Il Gazzettino SpA	72,000	7,500,000	–	–	–	–	1,893,863
P.I.M. Pubblicità Italiana Multimediale Srl	–	–	–	–	–	–	3,223
Centro Stampa Veneto SpA	–	–	–	–	–	–	9,903
Rofin 2008 Srl	–	3,891,000	–	–	–	–	–
A.D.Fid. Srl	6,556	–	–	–	–	–	–
Banca Monte dei Paschi di Siena SpA	–	–	–	147,329,646	–	–	–
Banca Finnat Euramerica SpA	–	–	–	605,046	–	–	–
Assicurazioni Generali SpA	–	–	–	–	–	–	–
Total	**846,556**	**74,118,558**	**770,985**	**147,934,692**	**324,980**	**4,314,715**	**8,996,202**
% on total in accounts	**99.89%**	**99.95%**	**80.42%**	**99.90%**	**68.97%**	**75.45%**	**60.85%**

In Euro

	Operating revenues	Operating costs	Financial income	Financial charges
Caltagirone SpA	–	240,000	–	–
Vianini Lavori SpA	–	20,400	–	–
Mantegna '87 Srl	–	45,763	–	–
Quotidiano di Puglia SpA	–	–	–	43,695
Piemme SpA	60,000	14,300	–	–
Ical SpA	–	341,951	–	–
Leggo SpA	–	–	–	–
Finced Srl	–	–	–	–
Il Messaggero SpA	460,000	–	–	–
Corriere Adriatico SpA	–	–	–	1,250,463
Il Gazzettino SpA	60,000	–	62,728	1,858,636
Il Mattino SpA	120,000	–	–	–
A.D.Fid. Srl	10,845	–	–	–
E-Care SpA	–	–	–	3,791,000
Banca Monte dei Paschi di Siena SpA	–	–	1,342,981	695
Banca Finnat Euramerica SpA	–	–	1,887	2,531
Assicurazioni Generali SpA	–	–	1,102,500	–
Total	**710,845**	**662,414**	**2,510,096**	**6,947,020**
% on total in accounts	**99.89%**	**42.76%**	**96.75%**	**98.10%**

In Euro

Financial receivables from subsidiaries relate to non-interest bearing loans granted.

Transactions with Directors, Statutory Auditors and the management of Group companies

The table below shows the payments made to the members of the Board of Directors and Board of Statutory Auditors relating to 2010 and in accordance with article 78 of Consob Resolution No. 11971/99.

Name and surname	Office held	Period in which office held	Expiry of office	Emoluments for office in the Group			Other		Total
				Board emoluments	*Commitee and emoluments*	*Attendance emoluments*	*Emoluments for office in subsidiaries*	*Other*	
Francesco Gaetano Caltagirone	Chairman	Full year	31.12.2011	–	–	–	–	–	–
Gaetano Caltagirone	Vice Chairman	Full year	31.12.2011	–	–	–	–	–	–
Azzurra Caltagirone	Vice Chairman	Full year	31.12.2011	200,000	–	–	110,000	300,000	610,000
Francesco Caltagirone	Director	Full year	31.12.2011	–	–	–	–	–	–
Alessandro Caltagirone	Director	Full year	31.12.2011	–	–	–	10,000	–	10,000
Mario Delfini	Director	Full year	31.12.2011	–	–	5,000	10,000	230,000	245,000
Albino Majore	Director	Full year	31.12.2011	–	–	5,000	866,667	500,000	1,371,667
Massimo Garzilli	Director	Full year	31.12.2011	–	–	4,000	55,000	326,000	385,000
Massimo Confortini	Director	Full year	31.12.2011	–	25,000	4,000	–	–	29,000
Giampietro Nattino	Director	Full year	31.12.2011	–	5,000	4,000	–	–	9,000
Franco Luciano Lenti	Director	Full year	31.12.2011	–	–	5,000	–	–	5,000
Raul Bardelli	Chairman Board Statutory Auditor	Full year	31.12.2011	10,500	–	5,000	–	–	15,500
Carlo Schiavone	Statutory Auditor	01.01.2010-24.05.2010	31.12.2011	2,800	–	2,000	–	10,000	14,800
Maria Assunta Coluccia	Statutory Auditor	24.05.2010-31.12.2010	31.12.2011	4,200	–	3,000	36,100	–	43,300
Federico Malorni	Statutory Auditor	Full year	31.12.2011	7,000	–	5,000	18,431	–	30,431
Total				**224,500**	**30,000**	**42,000**	**1,106,198**	**1,366,000**	**2,768,698**

In Euro

Emoluments for the office held includes the remuneration approved by the Shareholders' Meeting of Caltagirone Editore SpA and those relating to the Vice Chairman approved by the Board of Directors pursuant to article 2389, paragraph 3, of the Civil Code.

Included in other remuneration are the emoluments for offices held in subsidiary companies and remuneration for salaries and similar.
There are no stock option plans for the Directors of the Company.
No other transactions with Directors, Statutory Auditors or senior managers of the Group companies took place.

20. Business segment information

In accordance with *IFRS 8* Caltagirone Editore SpA, as the Holding Company, operates in the finance sector and carries out its activities exclusively in Italy; therefore no separate operating segments or geographic areas are identified.

21. Net cash position

	31.12.2010	31.12.2009
A. Bank deposits	148,085,756	174,525,060
B. Current financial receivables	74,159,232	69,102,273
C. Current payables to other lenders	5,718,868	5,568,672
D. NET CURRENT CASH POSITION (C-B-A)	**(216,526,120)**	**(238,058,661)**
E. Non-current payables to other lenders	–	1,404,153
I. NET CASH POSITION (D+E)	**(216,526,120)**	**(236,654,508)**

In Euro

22. Other information

Assignments conferred to the Audit Firm and related remuneration
The table below shows the payments made to the Audit Firm KPMG SpA in accordance with article 149 of Consob Resolution No. 11971/99 in 2010.

Company	Independent Auditors	Period	Audit service charges	Other activities	Remuneration
Caltagirone Editore SpA	KPMG SpA	2006-2011	44,280	1,000	45,280

In Euro

No atypical or unusual transactions were undertaken in the year.

LIST OF SIGNIFICANT INVESTMENTS AT 31.12.2010 AS PER ART. 120 OF
Publication in accordance with article 126 of the Consob Resolution 11971 of May 14th, 1999

COMPANY	REGISTERED OFFICE	SHARE CAPITAL	CURRENCY
Centro Stampa Veneto SpA	Rome	567,000	Euro
Corriere Adriatico SpA	Ancona	102,000	Euro
E-Care SpA	Rome	562,727	Euro
Edi.Me. Sport Srl in liquidation	Naples	10,200	Euro
Editrice Telenuovo SpA	Verona	546,000	Euro
Euroqube SA in liquidation	Belgium	84,861,115	Euro
Finced Srl	Rome	10,000	Euro
Ideco Holding SA in liquidation	Lugano (Switzerland)	100,000	Chf
Il Gazzettino SpA	Rome	1,078,950	Euro
Il Mattino SpA	Rome	500,000	Euro
Il Messaggero SpA	Rome	42,179,500	Euro
Imprese Tipografiche Venete SpA	Rome	936,000	Euro
Leggo SpA	Rome	1,000,000	Euro
Noisette Serviços de Consultoria Lda	Madeira (Portugal)	5,000	Euro
Piemme SpA	Rome	2,646,540	Euro
P.I.M. Pubblicità Italiana Multimedia Srl	Rome	1,044,000	Euro
Pubblieditor Srl in liquidation	Verona	40,800	Euro
Quotidiano di Puglia SpA	Rome	1,020,000	Euro
Rofin 2008 Srl	Rome	10,000	Euro
Telefriuli SpA	Tavagnacco (Udine)	1,655,300	Euro

LEGS. DECREE NO. 58 OF 24.2.1998

HOLDING		
Direct	Indirect through	
–	Il Gazzettino SpA	100.000%
99.999%	Finced Srl	0.001%
14.998%	–	–
–	Il Mattino SpA	99.500%
–	Il Gazzettino SpA	40.000%
–	Il Messaggero SpA	14.820%
99.990%	Piemme SpA	0.010%
–	Il Gazzettino SpA	100.000%
99.999%	Finced Srl	0.001%
99.999%	Finced Srl	0.001%
94.613%	Piemme SpA	5.387%
–	Il Gazzettino SpA	100.000%
90.000%	–	–
–	Finced Srl Leggo SpA	98.000% 2.000%
–	Il Messaggero SpA	100.000%
–	Il Gazzettino SpA	100.000%
–	Il Gazzettino SpA	40.000%
99.951%	Finced Srl	0.049%
30.000%	–	–
–	Il Gazzettino SpA	86.020%

Declaration of the Financial Statements as per Art. 81 - ter of Consob Regulation No. 11971 of May 14th 1999 and subsequent modifications and integrations

1. The undersigned Francesco Gaetano Caltagirone, as Chairman of the Board of Directors, and Roberto Di Muzio, executive responsible for the preparation of the corporate accounting documents of Caltagirone Editore S.p.A., affirm, and also in consideration of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24th 1998:

   - the accuracy of the information on company operations and
   - the effective application,

   of the administrative and accounting procedures for the compilation of the financial statements for 2010.

2. The activity was undertaken evaluating the organisational structure and the execution, control and monitoring processes of the business activities necessary for the preparation of the financial statements.

In relation to this, no important matters arose.

3. It is also declared that:

3.1 the financial statements:

a) were prepared in accordance with international accounting standards, recognised in the European Union pursuant to EU regulation No. 1606/2002 of the European Parliament and Council, of July 19th 2002;

b) corresponds to the underlying accounting documents and records;

c) provide a true and correct representation of the balance sheet, financial situation and result for the year of the issuer.

3.2 The Directors' Report, prepared using a standard format for both the individual and consolidated financial statements, includes a reliable analysis on the performance and operating result as well as the situation of the issuer, together with a description of the principal risks and uncertainties to which they are exposed.

Rome, March 15th 2011

Chairman	**Manager Responsible for Financial Reports**
Francesco Gaetano Caltagirone	Roberto Di Muzio

report of the board of statutory auditors

PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/1998 OF FEBRUARY 24TH, 1998

Dear Shareholders,

The present Report, prepared in accordance with article 153 of Legislative Decree No. 58/1998 (hereafter the Consolidated Finance Act - CFA), in compliance with Consob provisions relates to the activities of the Board of Statutory Auditors of Caltagirone Editore SpA for the year ended December 31st, 2010.

1. In carrying out its activities of supervision and control, the Board of Statutory Auditors:
   a. verified compliance with law and the By-Laws of the Company;
   b. periodically obtained from the Directors information on the activities carried out and on the operations of greatest economic, financial and Balance sheet significance resolved upon and implemented in the year. Based on the information available, the Board can reasonably state that these operations were in compliance with law and the corporate objectives and were not imprudent, reckless or such as to compromise the integrity of the Company's assets;
   c. confirmed the inexistence of atypical and unusual transactions with Group companies, with third parties or with related parties. The Board of Directors provided sufficient information on the effects of the ordinary operations of greatest economic, financial and Balance sheet significance with subsidiaries and with related parties. In relation to the regulations issued by Consob concerning transactions with related parties the Board of Directors approved, in the Meeting of November 29th, 2010, the regulation of a new procedure concerning these transactions, in accordance with Consob provisions. The Board noted the inexistence of inter-group transactions or with related parties which conflicted with the interests of the Company;
   d. obtained information in relation to and supervised the effectiveness of the Company's organisational structure, adherence to principles of best practice and the adequacy of directives issued by the Company to the subsidiary companies in accordance with article 114, paragraph 2, of the CFA;

e. examined the adequacy of the internal control and administrative-accounting systems, as well as the reliability of this latter to correctly represent the operating events through:
   i. examination of the declarations of the Chairman and the Executive Responsible for the preparation of the corporate accounting documents, pursuant to article 154 bis of the CFA;
   ii. reports of the members of the Board who hold office in the corporate boards of the subsidiary companies in accordance with paragraphs 1 and 2 of article 151 of the CFA;
   iii. further inquiries on the activities carried out and analysis of the work carried out by the Audit Firm;
   iv. interaction with the Internal Control Manager and attendance at the Internal Control Committee meetings.

   In the course of the activities carried out, no irregularities which may be considered as indicators of significant inadequacies in the internal control system emerged;
f. held periodic meetings with the managers of the Auditing Firm in accordance with article 150, paragraph 3, of the CFA and no significant information or facts arose that requires inclusion in the present report;
g. examined the implementation of the corporate governance system adopted by Caltagirone Editore SpA which partially implements the Self-Governance Code promoted by Borsa Italiana SpA. The Board, among other matters, verified the independence of three members of the Board of Directors. The Board of Statutory Auditors also verified the independence of its members. The Statutory Auditor Mr. Carlo Schiavone resigned with effect from May 24th, 2010.

   Ms. Maria Assunta Coluccia assumed his position as reported in the Directors' Report;
h. in relation to the provisions of Legislative Decree No. 231/2001 concerning the administrative responsibility of Entities, the Company, considering its nature as a holding company and its essential structure, considers that the risks deriving from actions of parties which undertake representation, administration and management functions are greatly reduced.

   The Board of Statutory Auditors did not issue any opinions required by law.

   The Board of Statutory Auditors met 5 times, attended one Shareholders' Meeting, 5 Board of Directors' Meetings and one meeting of the Internal Control Committee.

2. In relation to meetings with the Audit Firm, the Board of Statutory Auditors reports that:
   a. the Shareholders' AGM of April 27th, 2006 appointed, in accordance with article 155 of the CFA, KPMG SpA for 6 fiscal years as the independent audit and accounting company for the tax declarations of the Group. No other offices are held which affect the independence of the Audit Firm;

b. on April 5th, 2011, KPMG SpA, in accordance with articles 14 and 16 of Legs. Decree 39/2010, released the reports which confirmed that:
   i. the Individual and Consolidated financial statements for the year ended December 31st, 2010 were prepared with clarity and represent in a true and fair manner the Balance sheet, Financial position, the Results and the Cash flows of Caltagirone Editore SpA and the Group;
   ii. the correspondence of the Directors' Reports and the information at paragraph 1) of letters c), d), f), l) m) and at paragraph 2 of letter b) of article 123-bis of the CFA, presented in the Corporate Governance and Shareholder Ownership Report, with the Individual and Consolidated financial statements;
   iii. no opinions were issued by the Audit Firm in accordance with law without the relative requirements for their issuance.

3. No treasury shares were purchased during the year following the resolution of the Shareholders' AGM of April 26th, 2010 which authorised their purchase.

4. During the year no notifications in accordance with article 2408 were received and the Board is not aware of facts or petitions which would merit reporting to the Shareholders' Meeting. In the course of the activities carried out and based on the information obtained, no significant omissions, matters, irregularities or circumstances that would require reporting to the Supervisory Authority or mention in the present report were noted.
   It was not necessary to call the Shareholders' Meeting and/or the corporate boards.

5. The Board of Statutory Auditors does not have any further observations to report and expresses its favourable opinion with regard to the approval of the Financial statements at December 31st, 2010, accompanied by the Directors' Report and the proposal to distribute a dividend by the Board of Directors; finally, we invite the Shareholders' Meeting to proceed with the necessary vote to complete the Board of Statutory Auditors.

Rome, April 5th 2011

The Board of Statutory Auditors

Mr. Raul Bardelli
Ms. Maria Assunta Coluccia
Mr. Federico Malorni

CALTAGIRONE EDITORE

subsidiaries
financial statements

assets

	31.12.2010	31.12.2009
A. RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	**–**	**–**
B. FIXED ASSETS		
I. Intangible assets		
5) Goodwill	65,381,823	69,014,147
7) Other	312,512	168,375
Total intangible assets	**65,694,335**	**69,182,522**
II. Tangible assets		
1) Land and buildings	18,873,102	19,628,229
2) Plant and machinery	27,849,403	31,903,780
3) Industrial and commercial equipment	26,913	56,794
4) Other fixed assets	616,249	700,105
5) Assets in progress and advances	145,116	242,156
Total tangible assets	**47,510,783**	**52,531,064**
III. Financial assets		
1) Equity investments:		
a) subsidiaries	71,972,862	71,972,862
d) other companies	1,090,982	1,276,536
Total equity investments	73,063,844	73,249,398
2) Receivables:		
– due within one year		
d) others	53,135	52,740
Total receivables	53,135	52,740
Total financial assets	**73,116,979**	**73,302,138**
TOTAL B. FIXED ASSETS	**186,322,097**	**195,015,724**

	31.12.2010	31.12.2009
C. CURRENT ASSETS		
I. Inventories		
1) Raw materials, ancillary and consumables	1,390,813	1,752,968
Total inventories	**1,390,813**	**1,752,968**
II. Receivables		
1) Trade receivables:		
– due within one year	1,620,054	1,802,975
2) Subsidiaries:		
– due within one year	19,791,047	23,100,350
3) Group companies:		
– due within one year	2,153,268	1,685,529
4) Holding companies:		
– due within one year	597,847	639,953
4 bis) Taxes receivable	116,121	160,101
4 ter) Deferred tax	1,729,176	3,387,536
5) Others:		
– due within one year	323,353	1,358,028
Total receivables	**26,330,866**	**32,134,472**
IV. Cash and cash equivalents		
1) Banking and postal deposits	102,079,398	98,590,330
3) Cash and cash equivalents	1,502	3,218
Total cash and cash equivalents	**102,080,900**	**98,593,548**
TOTAL C. CURRENT ASSETS	**129,802,579**	**132,480,988**
D. PREPAYEMENTS AND ACCRUED INCOME		
1) Accrued income	257,249	24,236
2) Prepayments	103,921	216,147
TOTAL D. PREPAYMENTS AND ACCRUED INCOME	**361,170**	**240,383**
TOTAL ASSETS	**316,485,846**	**327,737,095**

In Euro

liabilities

	31.12.2010	31.12.2009
A. SHAREHOLDERS' EQUITY		
I. Share capital	**42,179,500**	**42,179,500**
IV. Legal reserve	**8,435,900**	**8,435,900**
VII. Other reserves		
– Merger with S.E.M. surplus	209,600	209,600
– Shareholders' equity reduction reserve	62,112	62,112
– Reserve Law 266/05	11,000,328	11,000,328
– Other reserves ex Caltanet	42,406,963	42,406,963
Total other reserves	**53,679,003**	**53,679,003**
VIII. Retained earnings	**102,181,821**	**107,104,770**
IX. Profit/(Loss) for the year	**2,480,090**	**(4,922,949)**
TOTAL A. SHAREHOLDERS' EQUITY	**208,956,314**	**206,476,224**
B. PROVISIONS FOR RISKS AND CHARGES		
2) Tax provisions, includ. deferred tax liability	20,187,072	20,548,476
3) Other	4,683,427	7,023,427
TOTAL B. PROVISIONS FOR RISKS AND CHARGES	**24,870,499**	**27,571,903**
C. EMPLOYEE LEAVING INDEMNITY	**16,052,546**	**16,812,431**
D. PAYABLES		
4) Bank borrowings:		
– due within one year	9,420,104	11,413,891
– due over one year	33,535,335	38,391,678
Total bank borrowings	42,955,439	49,805,569
7) Trade payables:		
– due within one year	10,960,778	12,865,645
9) Subsidiaries:		
– due within one year	61,614	100,891
10) Group companies:		
– due within one year	677,221	403,757

	31.12.2010	31.12.2009
11) Holding companies:		
– due within one year	800,648	–
12) Tax payables:		
– due within one year	1,371,997	1,733,033
13) Payables to social security institutions:		
– due within one year	3,985,824	4,361,827
14) Other payables:		
– due within one year	5,751,311	7,591,138
– due over one year	5,549	5,549
Total other payables	5,756,860	7,596,687
TOTAL D. PAYABLES	**66,570,381**	**76,867,409**
E. ACCRUALS AND DEFERRED INCOME		
2) Deferred income	36,106	9,128
TOTAL E. ACCRUALS AND DEFERRED INCOME	**36,106**	**9,128**
TOTAL LIABILITIES	**316,485,846**	**327,737,095**
MEMORANDUM ACCOUNT		
Guarantees given directly or indirectly in favour of third parties:		
– sureties given to third parties	19,678	17,323
– bank collateral and pledges	60,000,000	60,000,000
Goods held by third parties:		
– paper held in warehouses and printers	1	1
– equipment at printers	1	1
Third-party owned assets:		
– leased printing machinery	405,489	580,398
TOTAL MEMORANDUM ACCOUNT	**60,425,169**	**60,597,723**

In Euro

income statement

	2010	2009
A. VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	95,033,934	99,812,843
5) Other revenues and income:		
a) other revenues and income	5,210,725	3,715,369
b) operating grants	262,910	342,917
TOTAL A. VALUE OF PRODUCTION	**100,507,569**	**103,871,129**
B. COSTS OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods	(11,432,538)	(13,801,065)
7) Services	(31,986,202)	(33,572,305)
8) Rents, lease and similar costs	(2,649,895)	(2,725,170)
9) Personnel costs:		
a) salaries and wages	(25,229,469)	(28,087,409)
b) social security charges	(8,523,412)	(9,501,633)
c) employee leaving indemnity	(2,412,423)	(2,552,738)
e) other costs	(1,937,650)	(3,630,843)
Total personnel costs	(38,102,954)	(43,772,623)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	(3,770,710)	(3,788,531)
b) depreciation of tangible assets	(5,088,499)	(5,189,054)
Total amortisation, depreciation and write-downs	(8,859,209)	(8,977,585)
11) Change in inventory of raw materials ancillary, consumables and goods	(362,155)	(928,899)
12) Provisions for risks	–	–
14) Other operating costs	(1,287,596)	(2,572,024)
TOTAL B. COSTS OF PRODUCTION	**(94,680,549)**	**(106,349,671)**
DIFFERENCE (A-B) BETWEEN VALUE AND COST OF PRODUCTION	**5,827,020**	**(2,478,542)**

	2010	2009
C. FINANCIAL INCOME AND CHARGES		
16) Other financial income:		
d) income other than above:		
2) Group companies	4,054	–
4) others	754,605	828,193
Total other financial income	**758,659**	**828,193**
17) Interest and other financial charges:		
4) others	(785,439)	(1,614,866)
17 bis) Exchange losses	(987)	(547)
TOTAL C. FINANCIAL INCOME AND CHARGES	**(27,767)**	**(787,220)**
D. ADJUSTMENT OF FINANCIAL ASSETS		
19 a) Write-downs of equity investments	(185,554)	(253,302)
TOTAL D. ADJUSTMENT OF FINANCIAL ASSETS	**(185,554)**	**(253,302)**
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
a) gains on disposals	1,625	24,651
b) other extraordinary income	589,847	1,876,797
Total income	**591,472**	**1,901,448**
21) Charges:		
b) prior years taxes	(14,661)	(9,878)
c) other extraordinary charges	(5,528)	(3,150,000)
Total charges	**(20,189)**	**(3,159,878)**
TOTAL E. EXTRAORDINARY INCOME AND CHARGES	**571,283**	**(1,258,430)**
PROFIT BEFORE TAXES	**6,184,982**	**(4,777,494)**
22) Income taxes		
a) Ires	(248,648)	639,819
b) Irap	(2,159,289)	(1,986,941)
– deferred tax charge	361,404	447,740
– deferred tax assets	(1,658,359)	753,927
Total income taxes	**(3,704,892)**	**(145,455)**
23) NET PROFIT FOR THE YEAR	**2,480,090**	**(4,922,949)**

In Euro

P I E M M E   S P A

assets

	31.12.2010	31.12.2009
A. RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	**–**	**–**
B. FIXED ASSETS		
I. Intangible assets		
7) Other	175,603	289,349
Total intangible assets	**175,603**	**289,349**
II. Tangible assets		
4) Other fixed assets	329,369	491,722
Total tangible assets	**329,369**	**491,722**
III. Financial assets		
1) Equity investments:		
b) associated companies	40	40
c) holding companies	22,334,693	22,334,693
Total financial assets	**22,334,733**	**22,334,733**
TOTAL B. FIXED ASSETS	**22,839,705**	**23,115,804**

	31.12.2010	31.12.2009
C. CURRENT ASSETS		
II. Receivables		
1) Trade receivables:		
– due within one year	65,977,971	69,115,662
3) Group companies:		
– due within one year	335,422	283,526
4) Holding companies:		
– due within one year	92,627	211,864
4 bis) Taxes receivable	482,470	224,192
4 ter) Deferred tax	5,962,531	6,989,358
5) Others:		
– due within one year	140,036	299,511
– due over one year	104,387	116,313
Total others	244,423	415,824
Total receivables	**73,095,444**	**77,240,426**
IV. Cash and cash equivalents		
1) Banking and postal deposits	733,501	3,652,886
3) Cash and cash equivalents	96,946	159,708
Total cash and cash equivalents	**830,447**	**3,812,594**
TOTAL C. CURRENT ASSETS	**73,925,891**	**81,053,020**
D. PREPAYEMENTS AND ACCRUED INCOME	**67,411**	**82,924**
TOTAL ASSETS	**96,833,007**	**104,251,748**

In Euro

P I E M M E S P A

liabilities

	31.12.2010	31.12.2009
A. SHAREHOLDERS' EQUITY		
I. Share capital	**2,646,540**	**2,646,540**
IV. Legal reserve	**529,308**	**529,308**
VII. Other reserves	**26,830,923**	**26,830,923**
VIII. Retained earnings	**12,045,605**	**10,396,529**
IX. Profit/(Loss) for the year	**1,479,946**	**1,649,077**
TOTAL A. SHAREHOLDERS' EQUITY	**43,532,322**	**42,052,377**
B. PROVISIONS FOR RISKS AND CHARGES		
3) Other	530,505	598,342
TOTAL B. PROVISIONS FOR RISKS AND CHARGES	**530,505**	**598,342**
C. EMPLOYEE LEAVING INDEMNITY	**3,061,022**	**3,225,165**

	31.12.2010	31.12.2009
D. PAYABLES		
4) Bank borrowings:		
– due within one year	160,944	366,641
7) Trade payables:		
– due within one year	6,249,029	6,966,133
10) Group companies:		
– due within one year	18,758,522	21,687,860
11) Holding companies:		
– due within one year	19,888,824	23,189,110
12) Tax payables:		
– due within one year	965,799	1,830,429
13) Payables to social security institutions:		
– due within one year	741,393	835,074
14) Others:		
– due within one year	1,919,315	2,124,846
TOTAL D. PAYABLES	**48,683,826**	**57,000,093**
E. PREPAYEMENTS AND ACCRUED INCOME	**1,025,332**	**1,375,771**
TOTAL LIABILITIES	**96,833,007**	**104,251,748**
MEMORANDUM ACCOUNT		
3) Commitments, risks and other memorandum accounts:		
c) secured guarantees given to third parties for obligations of the company	411,986	402,042
f) other		
– bills discounted	2,157,757	2,208,073
TOTAL MEMORANDUM ACCOUNT	**2,569,743**	**2,610,115**

In Euro

PIEMME SPA

income statement

	2010	2009
A. VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	155,188,990	159,773,556
5) Other revenues and income	1,602,493	1,484,946
TOTAL A. VALUE OF PRODUCTION	**156,791,483**	**161,258,502**
B. COSTS OF PRODUCTION		
6) Purchase of advertising space	(120,522,953)	(124,203,560)
7) Services	(17,932,520)	(18,525,531)
8) Rents, lease and similar costs	(2,557,713)	(2,661,585)
9) Personnel costs:		
a) salaries and wages	(7,232,931)	(7,132,791)
b) social security charges	(2,264,557)	(2,191,804)
c) employee leaving indemnity	(89,255)	(74,046)
d) pension and similar rights	(552,566)	(588,038)
e) other costs	–	(368,496)
Total personnel costs	(10,139,309)	(10,355,175)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	(240,919)	(296,939)
b) depreciation of tangible assets	(227,102)	(258,254)
d) pension and similar rights	(2,153,481)	(3,109,950)
Total amortisation, depreciation and write-downs	(2,621,502)	(3,665,143)
12) Provisions for risks	(15,605)	(94,000)
14) Other operating costs	(195,723)	(202,262)
TOTAL B. COSTS OF PRODUCTION	**(153,985,325)**	**(159,707,256)**
DIFFERENCE (A-B) BETWEEN VALUE AND COST OF PRODUCTION	**2,806,158**	**1,551,246**

	2010	2009
C. FINANCIAL INCOME AND CHARGES		
16) Other financial income		
d) Other income from:		
– other	61,585	510,515
17) Interest and other financial charges:		
c) Group companies	(3,038)	(6,745)
e) other	(270,223)	(354,578)
Total interest and other financial charges	(273,261)	(361,323)
TOTAL C. FINANCIAL INCOME AND CHARGES	**(211,676)**	**149,192**
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
a) gains on disposals	8	583
b) other extraordinary income	623,671	853,600
Total income	623,679	854,183
21) Charges:		
a) losses on disposals	–	(946)
b) prior years taxes	(28,043)	(12,655)
c) other extraordinary charges	(90,243)	(107,565)
Total charges	(118,286)	(121,166)
TOTAL E. EXTRAORDINARY INCOME AND CHARGES	**505,393**	**733,017**
PROFIT BEFORE TAXES	**3,099,875**	**2,433,455**
22) Income taxes:		
a) current taxes	(593,758)	(593,045)
c) deferred tax	(1,026,171)	(191,333)
Total income taxes	(1,619,929)	(784,378)
23) NET PROFIT FOR THE YEAR	**1,479,946**	**1,649,077**

In Euro

IL MATTINO SPA

assets

	31.12.2010	31.12.2009
A. RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	**–**	**–**
B. FIXED ASSETS		
I. Intangible assets		
2) Research, development and advertising costs	36,000	49,000
3) Concessions, licenses, trademarks and similar costs	80,834	10,937
4) Newspapers titles	35,608,900	37,090,750
6) Assets in progress and advances	–	–
Total intangible assets	**35,725,734**	**37,150,687**
II. Tangible assets		
1) Land and buildings	6,715,273	6,972,880
2) Plant and machinery	4,419,921	5,612,814
3) Industrial and commercial equipment	863	1,438
4) Other fixed assets	212,073	277,863
5) Assets in progress and advances	–	7,250
Total tangible assets	**11,348,129**	**12,872,245**
III. Financial assets		
1) Equity investments:		
d) other companies	364,796	364,796
Total equity investments	364,796	364,796
2) Receivables:		
– due within one year		
a) subsidiaries	4,609	4,430
Total receivables	4,609	4,430
Total financial assets	**369,404**	**369,225**
TOTAL B. FIXED ASSETS	**47,443,267**	**50,392,158**

	31.12.2010	31.12.2009
C. CURRENT ASSETS		
I. Inventories		
1) Raw materials, ancillary and consumables	925,303	972,662
Total inventories	**925,303**	**972,662**
II. Receivables		
1) Trade receivables:		
– due within one year	464,800	384,545
– due over one year	1,901,160	1,922,932
Total trade receivables	2,365,960	2,307,477
3) Group companies:		
– due within one year	6,480,267	7,161,090
4) Holding companies:		
– due within one year	346,094	364,950
4 bis) Taxes receivable:		
– due within one year	–	225,527
– due over one year	151,256	151,256
Total taxes receivable	151,256	376,783
4 ter) Deferred tax	911,379	1,033,150
5) Others:		
– due within one year	23,423	47,256
– due over one year	47,895	38,697
Total others	71,318	85,953
Total receivables	**10,326,274**	**11,329,403**
IV. Cash and cash equivalents		
1) Banking and postal deposits and cash	546,387	554,505
Total cash and cash equivalents	**546,387**	**554,505**
TOTAL C. CURRENT ASSETS	**11,797,965**	**12,856,570**
D. PREPAYEMENTS AND ACCRUED INCOME	**209,568**	**218,294**
TOTAL ASSETS	**59,450,799**	**63,467,022**

In Euro

liabilities

	31.12.2010	31.12.2009
A. SHAREHOLDERS' EQUITY		
I. Share capital	**500,000**	**500,000**
III. Revaluation reserve	**297,473**	**2,711,834**
IV. Legal reserve	**107,681**	**107,681**
VII. Other reserves		
– capital grants as per Law 488/92	740,238	740,238
– capital grants as per Law 67/87	6,251,358	6,251,358
– share capital paid-in	4,350,000	4,350,000
– profit reserve reinvested	739	739
Total other reserves	**11,342,334**	**11,342,334**
VIII. Retained earnings	**271,876**	**271,876**
IX. Profit/(Loss) for the year	**1,238,974**	**(2,414,361)**
TOTAL A. SHAREHOLDERS' EQUITY	**13,758,338**	**12,519,364**
B. PROVISIONS FOR RISKS AND CHARGES		
1) Provision for risks	2,145,930	2,427,100
2) Tax provisions, includ. deferred tax liability	3,738,713	3,773,635
TOTAL B. PROVISIONS FOR RISKS AND CHARGES	**5,884,643**	**6,200,735**
C. EMPLOYEE LEAVING INDEMNITY	**7,059,734**	**7,380,316**

	31.12.2010	31.12.2009
D. PAYABLES		
4) Bank borrowings:		
– due within one year	2,209,672	4,264,034
5) Other lenders:		
– due within one year	1,185,729	1,134,896
– due over one year	–	1,185,616
Total other lenders	1,185,729	2,320,512
7) Trade payables:		
– due within one year	3,473,993	4,484,739
10) Group companies:		
– due within one year	200,240	612,886
11) Holding companies:		
– due within one year	849,414	–
– due over one year	18,660,000	17,660,000
Total holding companies	19,509,414	17,660,000
12) Tax payables:		
– due within one year	1,036,732	921,197
13) Payables to social security institutions:		
– due within one year	1,040,672	2,198,447
14) Other payables:		
– due within one year	1,400,693	1,850,479
TOTAL D. PAYABLES	**30,057,146**	**34,312,295**
E. PREPAYEMENTS AND ACCRUED INCOME	**2,690,937**	**3,054,311**
TOTAL LIABILITIES	**59,450,799**	**63,467,022**
MEMORANDUM ACCOUNT		
Guarantees given directly or indirectly in favour of third parties:		
– mortgage on new factory	17,172,190	17,172,190
– sureties given to third parties	–	587,561
Sureties or mortgages received:		
– third parties	1,020,959	939,070
TOTAL MEMORANDUM ACCOUNT	**18,193,149**	**18,698,821**

In Euro

income statement

	2010	2009
A. VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	38,263,903	38,649,828
5) Other revenues and income:		
a) other revenues and income	1,022,794	1,103,095
b) operating grants	506,241	610,128
Totale other revenues and income	1,529,035	1,713,223
TOTAL A. VALUE OF PRODUCTION	**39,792,938**	**40,363,051**
B. COSTS OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods	(4,565,750)	(5,614,882)
7) Services	(11,151,069)	(11,653,732)
8) Rents, lease and similar costs	(903,704)	(946,233)
9) Personnel costs:		
a) salaries and wages	(11,178,848)	(12,515,019)
b) social security charges	(3,936,689)	(4,360,597)
c) employee leaving indemnity	(973,444)	(1,028,049)
e) other costs	(272,437)	(698,567)
Total personnel costs	(16,361,418)	(18,602,232)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	(1,586,621)	(1,506,745)
b) depreciation of tangible assets	(1,639,045)	(1,767,252)
d) writedowns current receivables	–	(400,000)
Total amortisation, depreciation and write-downs	(3,225,666)	(3,273,997)
11) Change in inventory of raw materials ancillary, consumables and goods	(47,359)	2,677
12) Provisions for risks	(79,500)	(65,000)
14) Other operating costs	(714,263)	(804,163)
TOTAL B. COSTS OF PRODUCTION	**(37,048,730)**	**(41,357,562)**
DIFFERENCE (A-B) BETWEEN VALUE AND COST OF PRODUCTION	**2,744,208**	**(994,511)**

	2010	2009
C. FINANCIAL INCOME AND CHARGES		
16) Other financial income:		
d) income other than above:		
4) others	4,506	1,646
17) Interest and other financial charges:		
4) others	(111,826)	(200,464)
TOTAL C. FINANCIAL INCOME AND CHARGES	**(107,320)**	**(198,818)**
D. ADJUSTMENT OF FINANCIAL ASSETS		
19) Write-downs of equity investments	–	(1,267)
TOTAL D. ADJUSTMENT OF FINANCIAL ASSETS	**–**	**(1,267)**
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
a) gains on disposals	7,083	10,000
b) other extraordinary income	254,996	277,718
Total income	262,080	287,718
21) Charges:		
a) losses on disposals	–	–
b) other extraordinary charges	(55,951)	(1,422,388)
Total charges	(55,951)	(1,422,388)
TOTAL E. EXTRAORDINARY INCOME AND CHARGES	**206,129**	**(1,134,669)**
PROFIT BEFORE TAXES	**2,843,018**	**(2,329,265)**
22) Income taxes:		
a) current taxes		
Ires	(706,055)	–
Irap	(811,140)	(706,062)
b) deferred tax charge	34,922	54,996
c) deferred tax income	(121,771)	216,149
e) income tax receivable on losses from tax consolidation	–	349,821
Total income taxes	(1,604,044)	(85,096)
23) NET PROFIT FOR THE YEAR	**1,238,974**	**(2,414,361)**

In Euro

LEGGO SPA

assets

	31.12.2010	31.12.2009
A. RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	**–**	**–**
B. FIXED ASSETS		
I. Intangible assets		
5) Goodwill	–	1,169
7) Other	3,784	1,144
Total intangible assets	**3,784**	**2,313**
II. Tangible assets		
2) Plant and machinery	7,130	10,475
3) Industrial and commercial equipment	591	4,787
4) Other fixed assets	32,410	11,866
Total tangible assets	**40,131**	**27,128**
III. Financial assets		
1) Equity investments:		
c) other companies	89	180
Total equity investments	89	180
2) Receivables:		
d) others	4,399	4,383
Total receivables	4,399	4,383
Total financial assets	**4,488**	**4,563**
TOTAL B. FIXED ASSETS	**48,403**	**34,004**

	31.12.2010	31.12.2009
C. CURRENT ASSETS		
II. Receivables		
1) Trade receivables:		
– due within one year	16,108	20,000
3) Group companies:		
– due within one year	3,254,225	3,711,451
4) Holding companies:		
– due within one year	2,105,378	1,337,262
4 bis) Taxes receivable:		
– due within one year	92,338	85,272
4 ter) Deferred tax	42,046	48,646
5) Others		
– due within one year	5,219	4,583
Total receivables	**5,515,314**	**5,207,214**
IV. Cash and cash equivalents		
1) Banking and postal deposits	4,592,106	5,554,199
3) Cash and cash equivalents	1,030	849
Total cash and cash equivalents	**4,593,136**	**5,555,048**
TOTAL C. CURRENT ASSETS	**10,108,450**	**10,762,262**
D. PREPAYEMENTS AND ACCRUED INCOME		
1) Accrued income	11,526	–
2) Prepayments	101,786	378,116
TOTAL D. PREPAYEMENTS AND ACCRUED INCOME	**113,312**	**378,116**
TOTAL ASSETS	**10,270,165**	**11,174,382**

In Euro

L E G G O   S P A

liabilities

	31.12.2010	31.12.2009
A. SHAREHOLDERS' EQUITY		
I. Share capital	1,000,000	1,000,000
IV. Legal reserve	200,000	200,000
VIII. Retained earnings	3,762,746	6,441,776
IX. Profit/(Loss) for the year	(2,240,783)	(2,679,030)
TOTAL A. SHAREHOLDERS' EQUITY	2,721,963	4,962,746
B. PROVISIONS FOR RISKS AND CHARGES	–	–
C. EMPLOYEE LEAVING INDEMNITY	478,673	554,339

	31.12.2010	31.12.2009
D. PAYABLES		
4) Bank borrowings:		
– due within one year	1,263,157	697,435
7) Trade payables:		
– due within one year	2,740,808	3,309,066
10) Group companies:		
– due within one year	2,301,691	1,300,982
11) Holding companies:		
– due within one year	359,592	–
12) Tax payables:		
– due within one year	88,603	79,491
13) Payables to social security institutions:		
– due within one year	222,939	191,601
14) Others:		
– due within one year	85,890	74,291
TOTAL D. PAYABLES	**7,062,680**	**5,652,866**
E. PREPAYEMENTS AND ACCRUED INCOME		
2) Prepayments	6,849	4,431
TOTAL E. PREPAYEMENTS AND ACCRUED INCOME	**6,849**	**4,431**
TOTAL LIABILITIES	**10,270,165**	**11,174,382**
MEMORANDUM ACCOUNT		
Commitments, risks and other memorandum accounts	7,424	7,424
TOTAL MEMORANDUM ACCOUNT	**7,424**	**7,424**

In Euro

L E G G O   S P A

income statement

	2010	2009
A. VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	16,184,734	17,503,273
5) Other revenues and income	138,628	182,292
TOTAL A. VALUE OF PRODUCTION	**16,323,362**	**17,685,565**
B. COSTS OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods	(2,875,767)	(4,131,008)
7) Services	(11,845,181)	(13,029,457)
8) Rents, lease and similar costs	(1,685,513)	(1,751,712)
9) Personnel costs:		
a) salaries and wages	(1,789,290)	(1,734,032)
b) social security charges	(481,531)	(466,709)
c) employee leaving indemnity	(147,638)	(140,600)
e) other costs	(442,092)	(40,282)
Total personnel costs	(2,860,551)	(2,381,623)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	(3,530)	(21,716)
b) depreciation of tangible assets	(19,943)	(36,776)
Total amortisation, depreciation and write-downs	(23,473)	(58,492)
14) Other operating costs	(123,066)	(161,714)
TOTAL B. COSTS OF PRODUCTION	**(19,413,551)**	**(21,514,006)**
DIFFERENCE (A-B) BETWEEN VALUE AND COST OF PRODUCTION	**(3,090,189)**	**(3,828,441)**

	2010	2009
C. FINANCIAL INCOME AND CHARGES		
16) Other financial income:		
d) income other than above:		
4) others	50,088	192,867
Total other financial income	50,088	192,867
17) Interest and other financial charges:		
b) Group companies	(4,054)	–
d) others	(29,180)	(22,704)
Total interest and other financial charges	(33,234)	(22,704)
TOTAL C. FINANCIAL INCOME AND CHARGES	**16,854**	**170,163**
D. ADJUSTMENT OF FINANCIAL ASSETS	**(180)**	**–**
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
a) gains on disposals	50	–
b) other extraordinary income	–	4
21) Charges:		
c) other extraordinary charges	(89)	–
TOTAL E. EXTRAORDINARY INCOME AND CHARGES	**(39)**	**4**
PROFIT BEFORE TAXES	**(3,073,554)**	**(3,658,274)**
22) Income taxes:		
a) Ires	839,371	985,844
c) Deferred tax assets	(6,600)	(6,600)
Total income taxes	832,771	979,244
23) NET PROFIT FOR THE YEAR	**(2,240,783)**	**(2,679,030)**

In Euro

assets

	31.12.2010	31.12.2009
A. RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	**–**	**–**
B. FIXED ASSETS		
I. Intangible assets		
3) Industrial patents and intellectual property rights	8,501	4,015
5) Goodwill	16,536,804	18,040,150
7) Other	518	19,446
Total intangible assets	**16,545,823**	**18,063,611**
II. Tangible assets		
1) Land and buildings	760,093	802,120
2) Plant and machinery	28,875	29,993
4) Other fixed assets	299,760	368,430
Total tangible assets	**1,088,728**	**1,200,543**
III. Financial assets		
1) Equity investments:		
a) subsidiaries	7,374,292	7,374,292
b) associated companies	691,712	594,948
d) other companies	398,717	404,717
Total equity investments	8,464,721	8,373,957
Total financial assets	**8,464,721**	**8,373,957**
TOTAL B. FIXED ASSETS	**26,099,272**	**27,638,111**

	31.12.2010	31.12.2009
C. CURRENT ASSETS		
I. Inventories		
1) Raw materials, ancillary and consumables	415,634	430,582
Total inventories	**415,634**	**430,582**
II. Receivables		
1) Trade receivables:		
– due within one year	1,213,953	1,388,747
2) Subsidiaries:		
– due within one year	633,973	778,803
3) Associated companies:		
– due within one year	840,207	840,207
4) Holding companies:		
– due within one year	1,893,863	1,208,035
4 bis) Taxes receivable:		
– due within one year	–	263,804
– due over one year	24,795	24,795
Total taxes receivable	24,975	288,599
4 ter) Deferred tax		
– due within one year	678,552	779,669
– due over one year	614,302	784,372
Total deferred tax	1,292,854	1,564,041
5) Others:		
– due within one year	84,189	98,415
– due over one year	131,850	139,110
Total others	216,039	237,525
6) Group companies:		
– due within one year	6,038,911	7,442,381
Total receivables	**12,154,595**	**13,748,338**
IV. Cash and cash equivalents		
1) Banking and postal deposits	79,559	66,123
3) Cash and cash equivalents	31,129	7,954
Total cash and cash equivalents	**110,688**	**74,077**
TOTAL C. CURRENT ASSETS	**12,680,917**	**14,252,997**
D. PREPAYEMENTS AND ACCRUED INCOME	**97,049**	**132,971**
TOTAL ASSETS	**38,877,238**	**42,024,079**

In Euro

liabilities

	31.12.2010	31.12.2009
A. SHAREHOLDERS' EQUITY		
I. Share capital	**1,078,950**	**5,100,492**
II. Share premium reserve	**–**	**7,284**
IV. Legal reserve	**–**	**1,020,098**
VIII. Retained earnings	**–**	**(239,520)**
IX. Profit/(Loss) for the year	**–**	**(5,275,180)**
– Loss for the year	2,471,797	–
– Loss coverage	1,005,520	–
Retained loss	**(1,466,277)**	**–**
TOTAL A. SHAREHOLDERS' EQUITY	**(387,327)**	**613,174**
B. PROVISIONS FOR RISKS AND CHARGES		
1) Pensions and similar obligations	503,863	486,002
3) Others	4,092,590	4,446,000
TOTAL B. PROVISIONS FOR RISKS AND CHARGES	**4,596,453**	**4,932,002**
C. EMPLOYEE LEAVING INDEMNITY	**5,513,089**	**6,052,065**

	31.12.2010	31.12.2009
D. PAYABLES		
4) Bank borrowings:		
– due within one year	1,242,608	1,616,879
7) Trade payables:		
– due within one year	4,145,534	4,723,750
9) Subsidiaries:		
– due within one year	10,666,546	9,013,154
10) Associated companies:		
– due within one year	–	–
11) Holding companies:		
– due within one year	7,572,000	9,624,607
12) Tax payables:		
– due within one year	981,737	1,013,642
13) Payables to social security institutions:		
– due within one year	1,429,944	1,469,267
14) Other payables:		
– due within one year	2,990,650	2,913,701
TOTAL D. PAYABLES	**29,029,019**	**30,375,000**
E. PREPAYEMENTS AND ACCRUED INCOME	**126,004**	**51,838**
TOTAL LIABILITIES	**38,877,238**	**42,024,079**
MEMORANDUM ACCOUNT		
Purchase commitments	78,805	156,820
TOTAL MEMORANDUM ACCOUNT	**78,805**	**156,820**

In Euro

income statement

	2010	2009
A. VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	39,701,196	41,650,867
5) Other revenues and income:		
a) other revenues and income	1,302,739	1,142,823
TOTAL A.VALUE OF PRODUCTION	**41,003,935**	**42,793,690**
B. COSTS OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods	(3,148,905)	(4,435,767)
7) Services	(20,500,401)	(22,002,640)
8) Rents, lease and similar costs	(1,062,809)	(1,119,248)
9) Personnel costs:		
a) salaries and wages	(10,829,827)	(12,086,464)
b) social security charges	(3,187,836)	(3,539,074)
c) employee leaving indemnity	(982,434)	(1,037,012)
e) other costs	(80,247)	(7,037)
Total personnel costs	(15,080,344)	(16,669,587)
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	(1,527,988)	(1,579,935)
b) depreciation of tangible assets	(195,625)	(215,755)
d) writedowns current receivables	(42,000)	–
Total amortisation, depreciation and write-downs	(1,765,613)	(1,795,690)
11) Change in inventory of raw materials ancillary, consumables and goods	(14,948)	5,214
12) Provisions for risks	(1,180,350)	(910,028)
14) Other operating costs	(574,646)	(675,680)
TOTAL B. COSTS OF PRODUCTION	**(43,328,016)**	**(47,603,426)**
DIFFERENCE (A-B) BETWEEN VALUE AND COST OF PRODUCTION	**(2,324,081)**	**(4,809,736)**

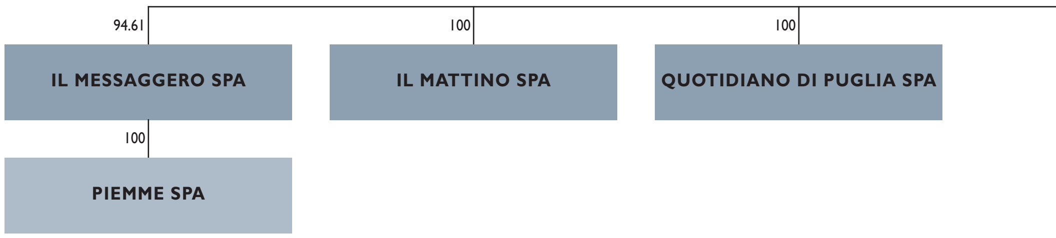
	2010	2009
C. FINANCIAL INCOME AND CHARGES		
16) Other financial income:		
d) income other than above:		
1) subsidiaries	–	3,206
4) others	527	2,118
Total other financial income	**527**	**5,324**
17) Interest and other financial charges:		
1) subsidiaries	(72,139)	(78,785)
2) holding companies	(62,728)	(176,684)
4) others	(44,168)	(38,202)
Total interest and other financial charges	**(179,035)**	**(293,671)**
TOTAL C. FINANCIAL INCOME AND CHARGES	**(178,508)**	**(288,347)**
D. ADJUSTMENT OF FINANCIAL ASSETS		
18) Revaluation:		
a) of equity investments	96,764	152,737
19) Write-down:		
a) of equity investments	(6,001)	–
TOTAL D. ADJUSTMENT OF FINANCIAL ASSETS	**90,763**	**152,737**
E. EXTRAORDINARY INCOME AND CHARGES		
20) Income:		
a) income	3,771	4,850
b) gains on asset sales	1,750	2,500
Total income	**5,521**	**7,350**
21) Charges	(58,527)	(1,660,000)
TOTAL E. EXTRAORDINARY INCOME AND CHARGES	**(53,006)**	**(1,652,650)**
PROFIT BEFORE TAXES	**(2,464,832)**	**(6,597,996)**
22) Income taxes:		
a) current taxes	264,222	746,390
b) deferred tax charge	(271,187)	576,426
Total income taxes	**(6,965)**	**1,322,816**
23) NET PROFIT FOR THE YEAR	**(2,471,797)**	**(5,275,180)**

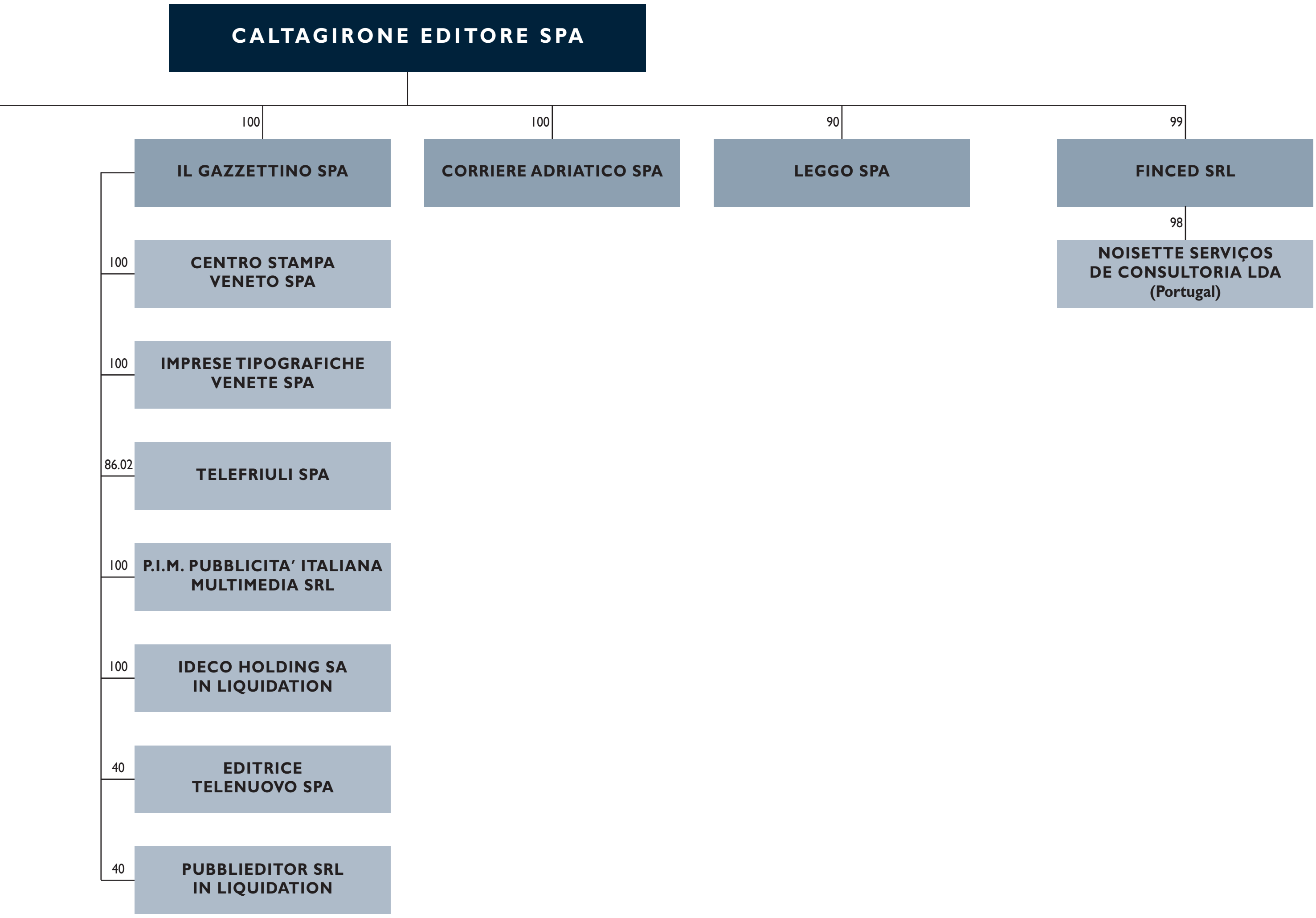
In Euro

Caltagirone Editore Group

CONTROLLED COMPANIES AND MAIN INVESTMENTS

AT DECEMBER 31ST, 2010

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