2019 Annual Financial Report

GRUPPO 24 ORE

INDEX

Report of the Board of Directors at 31 December 2019

Composition of Corporate Bodies

The Board of Directors and the Board of Statutory Auditors were elected by the Ordinary Shareholders' Meeting on 30 April 2019.

The Board of Directors and the Board of Statutory Auditors shall remain in office until the Shareholders' Meeting called to approve the financial statements for the year 2021.

Board of Directors

Chairperson	Edoardo GARRONE
Deputy Chairperson	Carlo ROBIGLIO
Chief Executive Officer	Giuseppe CERBONE
Directors	Marco GAY
	Patrizia Elvira MICUCCI
	Elena NEMBRINI
	Salvatore Maria NOLASCO
	Marcella PANUCCI
	Vanja ROMANO
	Maurizio STIRPE
	Fabio Domenico VACCARONO

Control and Risk Committee

Chairperson	Salvatore Maria NOLASCO
Members	Carlo ROBIGLIO
	Patrizia Elvira MICUCCI

Committee for Transactions with Related Parties

Chairperson	Patrizia Elvira MICUCCI
Members	Elena NEMBRINI
	Salvatore Maria NOLASCO

Appointments and Remuneration Committee

Chairperson	Elena NEMBRINI
Members	Marco GAY
	Patrizia Elvira MICUCCI

Committee on Compliance with the Group's Editorial Mission[1]

Chairperson	Carlo ROBIGLIO
Members	Marco GAY
	Fabio Domenico VACCARONO

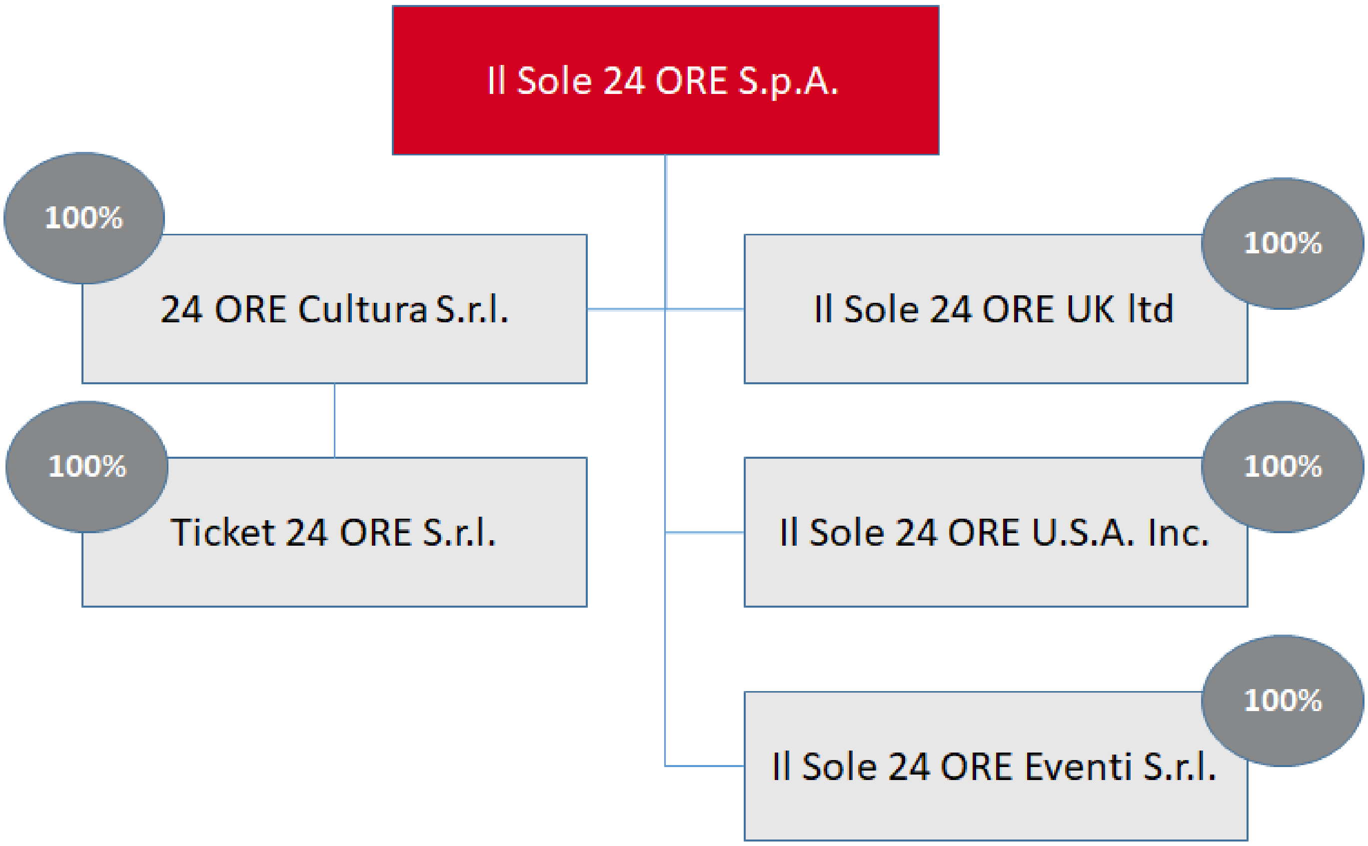
Board of Statutory Auditors

Chairperson	Pellegrino LIBROIA
Standing Auditors	Paola COPPOLA
	Francesco PELLONE
Alternate Auditors	Alessandro PEDRETTI
	Cecilia ANDREOLI

Common representative of special category shareholders	Marco PEDRETTI
Manager in charge of financial reporting	Paolo FIETTA
Internal Audit Manager	Claudio VITACCA
Independent Auditors	EY S.p.A.

[1] Appointed by the Board of Directors on 8 July 2019

STRUCTURE OF THE 24 ORE GROUP AT 31 DECEMBER 2019



On 29 February 2020, the merger by incorporation of Ticket 24 ORE S.r.l. into the parent company 24 ORE Cultura S.r.l. was completed.

24 ORE GROUP IN 2019 - SUMMARY FIGURES AND INFORMATION

Group Profile

The 24 ORE Group is the main multimedia publishing group active in Italy in the economic-financial, professional and cultural information market, offering its services to the public, professional categories, businesses and financial institutions.

The information offered by Il Sole 24 ORE, the leading daily newspaper in economic, financial and regulatory news, is integrated with the press agency Radiocor Plus (Italian leader in financial information), the portal www.ilsole24ore.com and the news & talk radio station Radio 24.

The Group's reference market for advertising consists of the press (excluding local advertising), radio and digital media.

The Group has a leadership position in services for professionals and businesses, entirely owned in Italy, with an integrated range of publishing products and services aimed at meeting the needs of professionals, businesses and the public administration for updates and in-depth analysis on tax, legal, regulatory and economic-financial issues.

The 24 ORE Group also boasts an important presence in the organization of exhibitions and cultural events through the company 24 ORE Cultura S.r.l., one of the main players in the market which, with twenty years of experience and over 50 major exhibitions produced, can boast a consolidated network of relationships with leading institutions in Italy and around the world.

Key summary figures of the 24 ORE Group

The 24 ORE Group closed 2019 with a net loss of Euro 1.2 million and equity of Euro 36.6 million, an increase of Euro 0.7 million compared to the equity of the consolidated financial statements at 31 December 2018, which amounted to Euro 35.8 million.

The following are the Group's key financial figures at 31 December 2019 derived from the consolidated financial statements:

KEY CONSOLIDATED FIGURES OF THE 24 ORE GROUP		
Euro thousands	FY 2019	FY 2018
Revenues	198,737	211,324
Gross operating margin (EBITDA)	21,042	7,012
Operating profit (loss) (EBIT)	(2,761)	(3,239)
Profit (loss) before taxes	(398)	(4,913)
Net profit (loss) from continuing operations	(1,202)	(6,020)
Net profit (loss) for the period	(1,202)	(6,020)
	31.12.2019	31.12.2018
Non-current assets	129,478	118,186
Current assets	84,111	99,961
Total assets	**213,589**	**218,147**
Group equity	36,572	35,847
Minority interests	-	-
Total equity	**36,572**	**35,847**
Non-current liabilities	49,325	45,666
Current liabilities	127,693	136,635
Total liabilities	**177,018**	**182,300**
Total equity and liabilities	**213,589**	**218,147**

As from 1 January 2019, compared to the financial statements at 31 December 2018, IFRS 16 - Leases applied for the first time, which substantially changed the accounting treatment of leases in a lessee's financial statements, requiring lessees to account for them following a single accounting model in the financial statements similar to the accounting for finance leases that were regulated by IAS 17.

The standard includes two exemptions, of which the Group has taken advantage, to the recognition for lessees: leases of low-value assets (assets with a value of less than USD 5,000) and short-term leases (i.e. leases with a lease period of 12 months or less).

At the commencement date of a lease, a lessee recognizes a liability relating to lease payments (i.e., the lease liability) and an asset representing the right of use of the underlying asset during the lease term (i.e., the right of use). Lessees are therefore required to recognize interest expense on the lease liability and depreciation on the right of use separately.

Lessees are also required to reassess the amount of the lease liability on the occurrence of specified events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or in the rate used to determine those payments). The lessee generally recognizes the difference from re-measuring the amount of the lease liability as a right-of-use adjustment.

As permitted by the standard, the Group has decided to apply the modified retrospective approach in the transition to the new standard and therefore, the figures for periods prior to the date of first application (1

January 2019) have not been restated compared to those historically prepared by applying the previous accounting standard.

Application of new accounting standards

Effects of first-time application of IFRS 16 on the income statement

With the application of IFRS 16, gross operating margin (EBITDA) in 2019 increased by Euro 8.5 million, compared to the recognition method in accordance with IAS 17, due to:

- lower operating income of Euro 1.9 million. This is income from the sublease of properties in Milan and Rome, which following the application of IFRS 16 have been recognized as financial leases, while under IAS 17 they were recognized as operating leases;
- lower costs for rents and leases amounting to Euro 10.4 million were recorded, deriving from lease fees for the Group's offices, car rental fees and lease fees for the space for radio broadcasting equipment. The application of IFRS 16 results in the Group's income statement recognizing the depreciation of rights of use and interest on financial liabilities, instead of the lease payments previously recognized in accordance with IAS 17.

As a result of the application of IFRS 16, operating profit (loss) decreased by Euro 0.6 million, due to the above and the recognition of depreciation on rights of use, which amounted to Euro 8.7 million in 2019. On 27 September 2019, an agreement was executed with Education Acquisitions Limited for the sale of the investment held by Il Sole 24 ORE S.p.A. in Business School24 S.p.A. As a result of this agreement, a number of existing contracts between the aforementioned companies were amended, including those relating to the subleases of properties in Milan and Rome, the overall economic effect of which, on the basis of the application of IFRS 16, led to the recognition of higher expenses of Euro 0.9 million. In December, the Company signed the lease agreement for the new Milan office in Viale Sarca, which is expected to be delivered (and therefore recognized) by the end of 2020. This decision entailed a change in the existing contractual terms of the Via Monte Rosa office in Milan, the early repayment of which at 31 December 2020 resulted in the recognition of income of Euro 0.4 million and an expense of Euro 6.7 million, as reported below in the section Impact of non-recurring income and expenses.

In addition, the recognition of the right of use of the asset has resulted in the recognition in the financial statements of:

(i) a financial liability, on which financial expenses are recognized, amounting to Euro 1.3 million in 2019;
(ii) financial receivables, which resulted in the recognition of financial income of Euro 0.3 million.

Lastly, as a result of the effects detailed above, a positive tax effect of Euro 0.7 million was recognized during the year.

Below are the effects on the 2019 summary income statement:

SUMMARY CONSOLIDATED INCOME STATEMENT - IFRS 16 EFFECTS			
Euro thousands	FY 2019	Effect of applying IFRS 16	FY2019 net of application of IFRS16
Revenues	198,737	-	198,737
Other operating income	11,717	(1,884)	13,601
Direct and operating costs	(187,341)	10,364	(197,705)
Provisions and bad debts	(2,071)	-	(2,071)
Gross operating margin	**21,042**	**8,481**	**12,562**
Amortization, depreciation, write-downs, gains and losses	(23,803)	(9,059)	(14,744)
Operating profit (loss)	**(2,761)**	**(578)**	**(2,182)**
Financial income (expenses)	(2,332)	(976)	(1,356)
Gains (losses) on investments	4,694	-	4,694
Profit (loss) before taxes	**(398)**	**(1,554)**	**1,156**
Income taxes	(804)	732	(1,536)
Net profit (loss)	**(1,202)**	**(823)**	**(380)**

Effects of first-time application of IFRS 16 on the statement of financial position

The application of IFRS 16 resulted in the following effects on the opening financial position at 1 January 2019 compared to the consolidated financial statements for the year ended 31 December 2018.

- Recognition among non-current assets of the right of use of the assets covered by the contract. They consist in particular of property leases, hardware and car rentals and leases of space and areas held for the positioning of radio broadcasting equipment owned by the Group. The value as of 1 January 2019 of the rights of use determined in this manner is Euro 25.0 million.
- Recognition of non-current receivables of Euro 4.5 million and current financial receivables of Euro 2.0 million for the portion of receivables related to subleases of properties to third parties classified as finance leases.
- Recognition of short and medium/long-term financial liabilities arising from the present value of future lease payments. The value at 1 January 2019 of non-current financial liabilities was Euro 20.7 million, that of current financial liabilities was Euro 10.3 million.
- Recognition of deferred taxes to recognize the liability that arises from temporary differences between the new values recognized in accordance with IFRS 16 and the corresponding tax value, amounting to Euro 1.2 million.
- A decrease of Euro 3.1 million in deferred income, previously recognized as trade payables, related to the accounting treatment of Group office leases in accordance with IAS 17.
- Increase in equity, recognized in profits and losses carried forward, of Euro 2.5 million deriving from the recognition of property subleases to third parties totalling Euro 3.7 million, net of the related deferred taxes of Euro 1.2 million.

Below are the effects of first-time application of IFRS 16 on the summary statement of financial position at 1 January 2019:

SUMMARY STATEMENT OF FINANCIAL POSITION			
Euro thousands	Value 1.1.2019	Effect IFRS 16	31.12.2018
Non-current assets	147,774	29,588	118,186
Current assets	101,967	2,006	99,961
Total assets	**249,741**	**31,594**	**218,147**
Group equity	38,386	2,539	35,847
Minority interests	-	-	-
Total equity	**38,386**	**2,539**	**35,847**
Non-current liabilities	67,511	21,845	45,666
Current liabilities	143,845	7,210	136,635
Total liabilities	**211,355**	**29,055**	**182,300**
Total equity and liabilities	**249,741**	**31,594**	**218,147**

Effects of first-time application of IFRS 16 on the statement of cash flows

The application of IFRS 16 has resulted in significant changes to some items in the statement of cash flows. In particular, with the application of IFRS 16, cash flow from operating activities increased by Euro 8.9 million due to:

- increase in cash flow from investing activities of Euro 1.8 million, deriving from the collection of financial receivables recognized in connection with the subleases of the Milan and Rome properties, which following the application of IFRS 16 were recognized as finance leases, while under IAS 17, they were recognized as operating leases and recognized in operating cash flow;
- a decrease in cash flow from financing activities of Euro 10.7 million, related to the payment of financial payables and the related interest expense, recognized in accordance with IFRS 16, instead of the lease payments previously recognized in accordance with IAS 17 and recognized in operating cash flow.

Effects of first-time application of IFRS 16 on the net financial position

The application of IFRS 16 had an effect on the Group's net financial position at 1 January 2019 of Euro 29.0 million, broken down as follows:

- Euro 2.0 million in current financial receivables for the short-term portion relating to subleases of properties to third parties;
- Euro 31.0 million in financial payables, including Euro 10.3 million in current financial payables and Euro 20.7 million in non-current financial payables, deriving from lease contracts relating to the Group's offices, capital goods (hardware and vehicle rentals) and lease of space and areas held for the positioning of radio broadcasting equipment owned by the Group.

Below are the effects on the statement of Net Financial Position for the first-time application of IFRS 16 as of 1 January 2019:

NET FINANCIAL POSITION OF THE 24 ORE GROUP			
Euro thousands	01.01.2019	1st application IFRS 16	31.12.2018
A. Cash	269	-	269
B. Other cash and cash equivalents (bank and postal accounts)	22,361	-	22,361
C. Securities held for trading	-	-	-
D. Liquidity (A) + (B) + (C)	**22,630**	**-**	**22,630**
E. Current financial receivables	**2,006**	**2,006**	**-**
F. Current bank payables	(17,891)	-	(17,891)
G. Current portion of non-current debt	(576)	-	(576)
H. Other current financial payables	(15,373)	(10,296)	(5,077)
I. Current financial debt (F) + (G) + (H)	**(33,841)**	**(10,296)**	**(23,545)**
J. Current net financial position (I) + (E) + (D)	**(9,205)**	**(8,290)**	**(915)**
K. Non-current bank payables	(4,982)	-	(4,982)
L. Bonds issued	-	-	-
M. Other non-current payables	(20,683)	(20,683)	-
N. Non-current financial debt (K) + (L) + (M)	**(25,665)**	**(20,683)**	**(4,982)**
O. Net financial position (J) + (N)	**(34,870)**	**(28,973)**	**(5,897)**

Effect of non-recurring income and expenses

In order to describe the Group's performance, based on a comparison of the 2019 figures with the 2018 figures, it is necessary to take into account, in addition to the effects arising from the first-time application of IFRS 16 described in the previous paragraph, the effect of non-recurring income and expenses as set out in the following tables:

SUMMARY CONSOLIDATED INCOME STATEMENT - IFRS 16 EFFECTS				FY 2019	FY 2019
Euro thousands	FY 2019	Effect of applying IFRS 16	FY 2019 net IFRS 16	of which non-recurring expenses and income	net of IFRS 16 and non-recurring income and expenses
Revenues	198,737	-	198,737		198,737
Other operating income	11,717	(1,884)	13,601	5,960	7,641
Direct and operating costs	(187,341)	10,364	(197,705)	1,509	(199,214)
Provisions and bad debts	(2,071)	-	(2,071)	(90)	(1,981)
Gross operating margin	**21,042**	**8,481**	**12,562**	**7,379**	**5,183**
Amortization, depreciation, write-downs, gains and losses	(23,803)	(9,059)	(14,744)	(6,745)	(7,998)
of which non-recurring IFRS 16 expenses (IFRS 16 contractual variations)		*(338)*	-		
Operating profit (loss)	**(2,761)**	**(578)**	**(2,182)**	**634**	**(2,816)**
Financial income (expenses)	(2,332)	(976)	(1,356)	-	(1,356)
Gains (losses) on investments	4,694	-	4,694	3,831	863
Profit (loss) before taxes	**(398)**	**(1,554)**	**1,156**	**4,465**	**(3,308)**
Income taxes	(804)	732	(1,536)	-	(1,536)
of which non-recurring IFRS 16 deferred tax release (contractual variations BS24)		*732*			
Net profit (loss)	**(1,202)**	**(823)**	**(380)**	**4,465**	**(4,845)**

BREAKDOWN OF CONSOLIDATED NON-RECURRING INCOME AND EXPENSES		
Euro thousands	FY 2019	FY 2018
Gross operating margin (EBITDA)	**21,042**	**7,012**
IFRS 16 effects	8,481	-
EBITDA net of IFRS 16	**12,562**	**7,012**
Compensation for damages to former directors	400	
Expenses for contract termination of former Chief Executive Officer	-	(554)
Costs related to the termination of executive employment relationships	-	(911)
Releases (provisions) for contractual risks	3,925	(4,150)
Release of risk provision for contingent liabilities, including tax, connected with the outcome of criminal proceedings no. 5783/17 R.G.N.R.	1,095	
Release of provision for social security risks	400	
Releases (provisions) for legal risks	140	(140)
Expenses for disposal of production plants	(90)	
Administrative penalty related to the acceptance of the plea bargain on crim. proc. no. 5783/17 R.G.N.R	(50)	
Non-recurring operating income and expenses	-	3,219
Recalculation of payable for personnel restructuring expenses	1,559	
Total non-recurring income and expenses with impact on EBITDA	**7,379**	**(2,536)**
EBITDA net of non-recurring income and expenses and IFRS 16 effects	**5,183**	**9,548**
Operating profit (loss) (EBIT)	**(2,761)**	**(3,239)**
IFRS 16 effects	(578)	-
of which non-recurring IFRS 16 expenses (contractual variations)	*(338)*	
Net operating profit (loss) (EBIT) net of first-time application of IFRS 16	**(2,182)**	**(3,239)**
Total non-recurring income and expenses with impact on EBITDA	**7,379**	**(2,536)**
Write-down of rotary press Bologna	-	(735)
Write-down of goodwill		(513)
Effects of early termination of lease contract Milan - Via Monte Rosa office	(6,745)	
Total non-recurring income and expenses with impact on EBIT	**634**	**(3,784)**
EBIT net of non-recurring income and expenses and IFRS 16 effects	**(2,816)**	**545**
Profit (loss) before taxes	**(398)**	**(4,913)**
IFRS 16 effects	(1,554)	-
Profit (loss) before taxes net of IFRS 16	**1,156**	**(4,913)**
Financial expenses from discounting of payable for restructuring expenses		(889)
Gain on disposal of Business School24 S.p.A.	3,831	
Total non-recurring income and expenses on profit (loss) before taxes	**4,465**	**(4,673)**
Profit (loss) before taxes net of non-recurring income and expenses and IFRS 16 effects	**(3,308)**	**(240)**
Net profit (loss)	**(1,202)**	**(6,020)**
IFRS 16 effects	(823)	-
Net profit (loss) net of IFRS 16	**(380)**	**(6,020)**
Total non-recurring income and expenses	**4,465**	**(4,673)**
Net profit (loss) net of non-recurring income and expenses and IFRS 16 effects	**(4,845)**	**(1,347)**

Key summary figures of the 24 ORE Group net of the effects of newly applied standards and non-recurring income and expenses

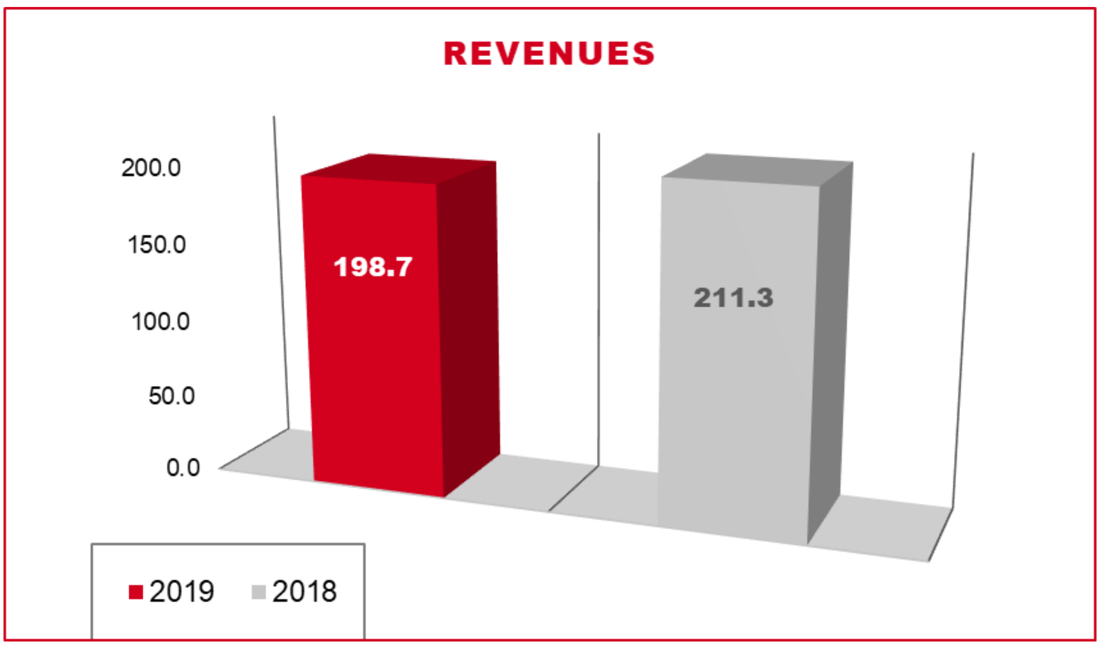
In order to better describe the Group's operating performance, based on the comparison of the 2019 figures with those of 2018, an analysis is carried out by referring to the effects resulting from the first application of IFRS 16 and the recognition of non-recurring income and expenses, described in the previous paragraphs.

Below are the Group's key financial figures at 31 December 2019, net of the IFRS 16 effects and non-recurring income and expenses:

KEY CONSOLIDATED FIGURES NET OF NON-RECURRING INCOME AND EXPENSES AND IFRS 16 EFFECTS		
Euro thousands	FY 2019	FY 2018
Revenues	198,737	211,324
EBITDA net of non-recurring income and expenses and IFRS 16 effects	5,183	9,548
EBIT net of non-recurring income and expenses and IFRS 16 effects	(2,816)	545
Profit (loss) before taxes net of non-recurring income and expenses and IFRS 16 effects	(3,308)	(240)
Net profit (loss) for the period net of non-recurring income and expenses and IFRS 16 effects	(4,845)	(1,347)
	31.12.2019	01.01.2019 (*)
Equity	36,572	38,386
Net financial position	(26,293)	(34,870)

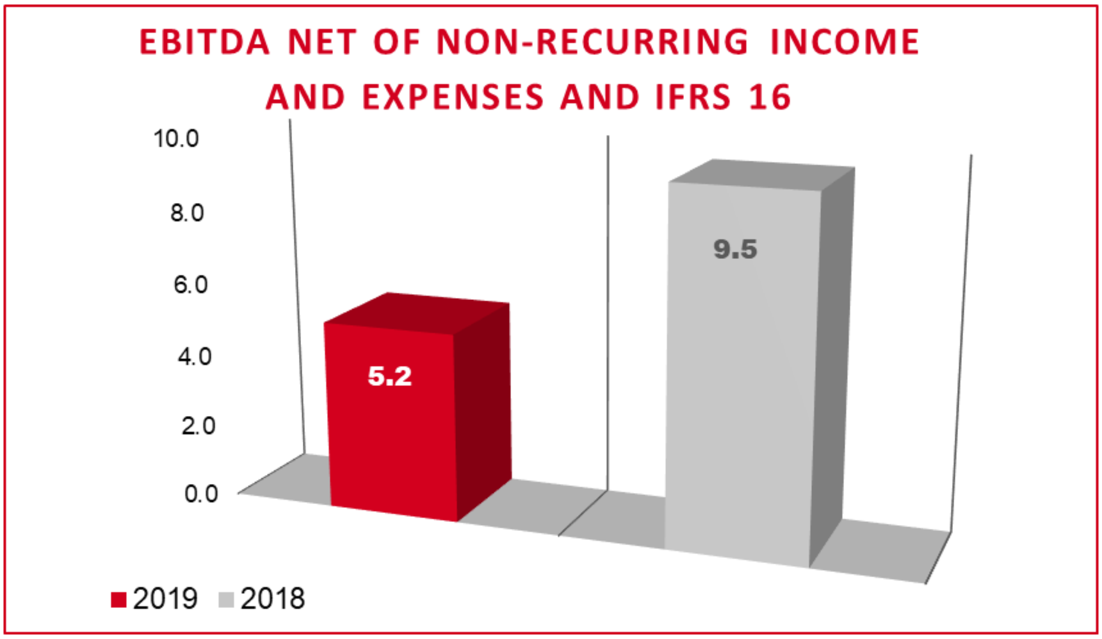
(*) amounts at 1 January 2019 include the effects of the first-time application of IFRS 16

The 24 ORE Group achieved **consolidated revenues** of Euro 198.7 million in 2019, which compares with a value of Euro 211.3 million in 2018 (Euro -12.6 million, or -6.0%).



The **Gross operating margin** (EBITDA), net of non-recurring income and expenses and IFRS 16 effects at 31 December 2019 was a positive Euro 5.2 million, compared to Euro 9.5 million in 2018. 2019 EBITDA benefited from non-recurring income and expenses of Euro 7.4 million from:

- release of Euro 3.2 million relating to the provision for risks allocated in the previous year against the possible price adjustment for the disposal of the investment in Business School24 S.p.A., as further described in the section "Significant events in 2019";
- release of Euro 0.7 million from the provision for risks for disputes related to 24 ORE Cultura, following the signing of a settlement agreement;
- release of the provision for risks of Euro 1.1 million for the restatement of contingent liabilities, also tax, related to the outcome of criminal proceedings no. 5783/17 R.G.N.R.;
- release of the provision for social security risks for Euro 0.4 million. At 31 December 2019, the provision has been restated on the basis of potential residual criticalities relating to the application and management of social shock absorbers;
- partial restatement of the liability recognized in the financial statements for restructuring expenses to personnel, which resulted in the recognition of a gain of Euro 1.6 million;
- sums received from former directors amounting to Euro 0.4 million;
- release of provisions for legal risks amounting to Euro 0.1 million;
- administrative penalty of Euro 50,310 relating to the acceptance of the plea bargain on crim. proceedings no. 5783/17 R.G.N.R;
- allocation of Euro 0.1 million for adjustment to the provision for charges related to the disposal of some production facilities.



The **net financial position** at 31 December 2019 was a negative Euro 26.3 million, compared with a negative Euro 34.9 million at 1 January 2019 (at 31 December 2018 the net financial position was a negative Euro 5.9 million), an improvement of Euro 8.6 million. The change in the net financial position mainly relates to the trend in cash flow from operating activities, which includes the payment of non-recurring expenses relating to the leaving incentives paid during the period, and the collection of the first tranche, amounting to Euro 5.0 million, of the consideration relating to the disposal of part of the investment held by Il Sole 24 ORE S.p.A. in Business School24 S.p.A. on 27 September 2019.

The Group's current net financial position is a negative Euro 10.3 million. The Group also has unused and fully available revolving lines of Euro 30.0 million.

Significant events in the year

On 2 January and 22 January 2019, the Company responded to Consob resolution no. 20770 received on 28 December 2018, whereby the Commission ascertained the "non-compliance of the consolidated financial statements at 31 December 2017 of the company Il Sole 24 ORE S.p.A. with the rules governing their preparation, pursuant to article 154-ter paragraph 7, of Legislative Decree no. 58/98". In particular, according to the resolution, the non-compliance of the Company's financial statements concerned, in particular, non-compliance profiles of the 2015 consolidated financial statements that were not identified in the 2016 financial statements and, consequently, in the 2016 comparative figures presented in the 2017 consolidated financial statements. Therefore, because of the non-compliance of the 2015 consolidated financial statements, this resulted in the incorrect application of IAS 1, paragraphs 27 and 28 and IAS 8, paragraphs 42 and 49 in relation to the 2016 financial statements and IAS 1, paragraphs 10, 38 and 38A in relation to the comparative information for the 2016 financial year presented in the 2017 consolidated financial statements.

Consob, therefore, pursuant to article 154-ter, paragraph 7, of Legislative Decree no. 58 of 1998, requested the Company to disclose the following information to the market:

(i) the shortcomings and critical aspects noted by Consob regarding the correctness of the accounting of the above financial statements;
(ii) the applicable international accounting standards and the violations found in this regard;
(iii) the illustration, in a special pro-forma statement of financial position - accompanied by comparative figures - of the effects that a true and fair view would have had on the balance sheet, income statement and equity for the year for which incorrect information was provided.

The Company, while reiterating its arguments already illustrated to Consob in the note of 22 October 2018, replied on 2 January 2019 to questions (i) and (ii) and on 22 January 2019 to question (iii) by means of a specific press release.

Two Key Executives left the Company on 25 January 2019.

On 7 February 2019, the Company's Board of Directors approved the 2019-2022 Multi-Year Plan, which represents an update and evolution of the previous 2018-2021 Plan.

On 22 February 2019, Il Sole 24 ORE S.p.A. received notice from its shareholder Confindustria of the signing of a shareholders' agreement between Confindustria itself and 53 associations and entities of the Confindustria system, concerning an investment consisting of 9,000,000 ordinary shares and 35,794,136 special category shares, equal in total to 68.549% of the Company's capital. Specifically, the shareholders' agreement provides for prior consultation with regard to the exercise of voting rights at meetings, an 18-month lock-up on the transfer of investments, a pre-emption right for the entire duration of the agreement and is valid for three years, without prejudice to the possibility of withdrawal under certain conditions.

On 22 February 2019, with reference to Consob sanctioning proceeding no. 84400/2018, the Consob Administrative Sanctions Office submitted the "Report for the Commission" with which it proposed the application of pecuniary administrative sanctions for the violation of article 187-ter, paragraph 1, of Legislative Decree 58/1998 against Donatella Treu, Roberto Napoletano, Anna Matteo, Alberto Biella and Massimo Arioli for a total of Euro 1,050 thousand. The Administrative Sanctions Office also proposed the application of a fine of Euro 140,000 against Il Sole 24 ORE S.p.A. pursuant to article 187-quinquies of Legislative Decree no. 58/1998. Pursuant to article 6, paragraph 3, of law no. 689/1991, Il Sole 24 ORE S.p.A. is also jointly liable with Donatella Treu, Roberto Napoletano, Anna Matteo, Alberto Biella and Massimo Arioli for the payment of the total pecuniary administrative sanction applied to the latter, without prejudice, in any case, to the right of recourse.

On 26 February 2019, Il Sole 24 ORE S.p.A. filed an appeal before the Lazio Regional Administrative Court (TAR) to challenge Consob resolution no. 20770 of 28 December 2018, by which the Authority ascertained the "*non-compliance of the consolidated financial statements at 31 December 2017 of the company Il Sole 24 ORE S.p.A. with the rules governing their preparation, pursuant to article 154-ter, paragraph 7, of Legislative Decree no. 58/98*". With the aforementioned appeal, the Company requested the annulment of the contested resolution, with all consequent rulings. The date of the hearing before the TAR is set for 20 April 2020.

On 28 February 2019, Luigi Abete resigned from his position as Non-Executive Director of the Board of Directors of Il Sole 24 ORE S.p.A.

On 12 March 2019, the Board of Directors resolved to submit to the Shareholders' Meeting called for 30 April 2019 a proposal for a corporate liability action pursuant to articles 2392 and 2393 of the Civil Code against Benito Benedini, Donatella Treu and Roberto Napoletano, under the terms specified in the illustrative report published pursuant to law.

On 22 March 2019, the Company submitted to the Commission's Secretary's Office its written counter-claims regarding the proposed sanction put forward by the Administrative Sanctions Office in connection with Consob sanctioning proceeding no. 84400/2018.

On 27 March 2019, the deed was signed for the merger by incorporation of the wholly-owned subsidiary Il Sole 24 ORE Trading Network S.p.A. into Il Sole 24 ORE S.p.A., the merger project of which had been approved on 14 November 2018 by the Board of Directors of the Parent Company. The related deed of merger was registered by Notary Public Filippo Zabban with file no. 72051 - folder no. 14066, registered on 28 March 2019 and effective as of 31 March 2019.

On 8 April 2019, the Company Il Sole 24 ORE S.p.A. received notice of the scheduling of the preliminary hearing for 12 September 2019 (with possible continuation on 24 September 2019). In said context, the Judge for the Preliminary Hearing at the Court of Milan is called upon to assess the request for committal for trial formulated by the Public Prosecutors against the Company pursuant to articles 25-*ter*, paragraph 1, letter b), and 25-*sexies* of Legislative Decree no. 231 of 2001 and certain former directors and executives for the crimes of market manipulation and false corporate communications in relation to the facts referred to in the previous notice on 16 November 2018.

On 30 April 2019, the Shareholders' Meeting of Il Sole 24 ORE S.p.A., approved the Company's Financial Statements for the year ended 31 December 2018 with a loss for the year of Euro 7,280,200. The same Meeting also resolved to fully cover this through the use of a corresponding amount of the share premium reserve.

On 30 April 2019, the Shareholders' Meeting acknowledged the 2018 Consolidated Non-Financial Statement, contained in the 2018 Annual Financial Report, published on 4 April 2019 and prepared in accordance with Legislative Decree 254 of 30 December 2016.

On 30 April 2019, the Shareholders' Meeting resolved in favour of the first section of the Remuneration Report, drawn up pursuant to article 123-ter, paragraph 3, of the Consolidated Law on Finance (TUF) and article 84-quater of the Issuers' Regulation, containing the illustration of the Remuneration Policy for the members of the Board of Directors, Directors holding particular offices and Key Executives, adopted by the Company as well as the procedures used for the adoption and implementation thereof.

On 30 April 2019, the Shareholders' Meeting of Il Sole 24 ORE S.p.A. approved the proposal, formulated by the Board of Directors, to proceed with a corporate liability action pursuant to articles 2392 and 2393 of the Civil Code against the former Chairperson of the Board of Directors of the Company Benito Benedini, the former Chief Executive Officer of the Company Donatella Treu and Roberto Napoletano, each within the limits and for the reasons specified in the Explanatory Report prepared by the Board of Directors and published on 29 March 2019.

On 30 April 2019, the Shareholders' Meeting appointed the Board of Directors that will remain in office until the Meeting that will be called to approve the Financial Statements for the year 2021. The following were appointed: Edoardo Garrone, Patrizia Elvira Micucci, Elena Nembrini, Vanja Romano, Marcella Panucci, Giuseppe Cerbone, Marco Gay, Carlo Robiglio, Maurizio Stirpe, Fabio Domenico Vaccarono (taken from List no. 1 submitted by the Shareholder CONFINDUSTRIA) and Salvatore Maria Nolasco (taken from List no. 2 submitted by the Shareholder BANOR SICAV). Edoardo Garrone was confirmed as Chairperson of the Board of Directors. The Directors Patrizia Elvira Micucci, Elena Nembrini, Vanja Romano and Salvatore Maria Nolasco certified that they meet the independence requirements set out in articles 147-ter, paragraph 4 and 148, paragraph 3 of Legislative Decree 24 February 1998, no. 58 (TUF), as well as in article 3 of the Corporate Governance Code of listed companies. The Shareholders' Meeting thus set the annual remuneration payable to the Board of Directors at Euro 20,000 for each member.

On 30 April 2019, the Shareholders' Meeting appointed the Board of Statutory Auditors that will remain in office until the Meeting that will be called to approve the Financial Statements for the year 2021. Pellegrino Libroia, Paola Coppola and Francesco Pellone were appointed as Standing Auditors, while Cecilia Andreoli and Alessandro Pedretti were appointed as Alternate Auditors. Pellegrino Libroia (confirmed as Chairperson of the Board of Statutory Auditors) and Alessandro Pedretti were taken from List no. 2 submitted by the Shareholder BANOR SICAV, while Paola Coppola, Francesco Pellone and Cecilia Andreoli were taken from List no. 1 submitted by the Shareholder CONFINDUSTRIA. The Meeting thus set the annual remuneration payable to the Chairperson of the Board of Statutory Auditors and each of the other Standing Auditors at Euro 80 thousand and Euro 55 thousand, respectively, gross per year.

On 30 April 2019, the Shareholders' Meeting resolved to terminate the appointment of the Secretary of the Board of Directors conferred on 28 June 2017 in order to leave full autonomy to the Board of Directors to appoint its own Secretary.

Finally, on 30 April 2019, the Meeting resolved - in an extraordinary session - in favour of amending article 18 of the Articles of Association in the part relating to the appointment, by the Meeting, of the Secretary of the Board of Directors.

On 30 April 2019, the Board of Directors of Il Sole 24 ORE S.p.A. granted the powers of representation of the Company to the Chairperson Edoardo Garrone, confirmed Carlo Robiglio as Deputy Chairperson of the Board of Directors and confirmed Giuseppe Cerbone as Chief Executive Officer of the Company, granting the related powers for the office with the exception of those reserved for the exclusive competence of the Board.

On 30 April 2019, the Board of Directors of Il Sole 24 ORE S.p.A. assessed, pursuant to article 148, paragraph 3, of the TUF and, respectively, criteria 3.C.1. and 8.C.1. respectively of the Corporate Governance Code for Listed Companies, the existence of the requirements of independence for the Directors Patrizia Elvira Micucci, Elena Nembrini, Vanja Romano and Salvatore Maria Nolasco as well as the standing members of the Board of Statutory Auditors Pellegrino Libroia (Chairperson), Paola Coppola and Francesco Pellone.

The Board of Directors has established Board committees and appointed their members and related Chairpersons. Salvatore Maria Nolasco was appointed Chairperson of the Control and Risk Committee and Patrizia Elvira Micucci and Carlo Robiglio were appointed members of the Committee; the majority of the Committee members, including its Chairperson, meet the independence requirements provided for by current legislation. For the Appointments and Remuneration Committee, Elena Nembrini was appointed Chairperson and Patrizia Elvira Micucci and Marco Gay as members; the majority of the members of the Committee, including its Chairperson, meet the independence requirements provided for by current legislation. Finally, Patrizia Elvira Micucci was appointed as Chairperson of the Committee for Transactions with Related Parties and Elena Nembrini and Salvatore Maria Nolasco were appointed as members of the Committee; all candidates meet the independence requirements as set forth in Consob resolution no. 17221 of 12 March 2010 as amended. In addition, as part of the decisions taken by the Board of Directors, the Appointments and Remuneration Committee has been assigned all matters relating to sustainability.

On 30 April 2019, the Board of Directors appointed the Supervisory Body (SB) in the persons of Raffaele Squitieri (Chairperson), Gianluca Ferrero and Lelio Fornabaio, determining their remuneration. The Supervisory Body will remain in office until the approval of the Financial Statements at 31 December 2021. The Board of Directors also acknowledged that the Editor-in-Chief of the newspaper Il Sole 24 ORE, Fabio Tamburini, has also taken on the role of Editorial Director of the 24 ORE Group.

On 31 May 2019, the Board of Directors resolved to sign a Memorandum of Understanding with Education Acquisitions Limited, a wholly-owned subsidiary of Palamon Capital Partners LP, for the possible sale of the remaining 49% investment held by Il Sole 24 ORE S.p.A. in Business School24 S.p.A. and the repurchase by the Company of the Events business unit. The Memorandum of Understanding provides for a consideration in favour of Il Sole 24 ORE S.p.A. of Euro 21.5 million.
On 17 June 2019, a Key Executive joined the 24 ORE Group.
On 17 June 2019, the new organizational structure was announced, aimed at focusing on the monitoring and development of specific reference markets through clear business responsibilities. Four Business Departments report to the CEO Giuseppe Cerbone: 24 ORE System General Management, Radio 24, Professional Area General Management, Publishing & Digital Deputy General Management; and four Central Structures: Corporate & CFO General Department, Personnel and Operations Central Department, IT, Communication and External Relations Department.

On 19 June 2019, the Group signed an agreement with the national and company trade union representatives of graphic and polygraph workers to extend the actions to contain and reduce labour costs, provided for in the July 2017 agreement, until 31 December 2019.

On 24 June 2019 the new website ilsole24ore.com was released. It was totally renewed with a view to innovation in technology and content with the logic of mobile first and full responsive, with premium content and innovative formats, both editorial and advertising. Browsing the new website is faster than the previous one, the user experience has improved and the contents are more up-to-date, also due to the organizational changes in the editorial area. The creation of the new website required the overhaul of obsolete infrastructures and technologies for both production and delivery, laying the foundations for the development of the Group's digital strategy.

On 1 July 2019, the 24 ORE Group re-entered the software market, seen as a natural extension and integration of its B2B digital publishing portfolio. The first product to be introduced on the market is *Valore 24 Sindaci e Revisori*, a platform which, in addition to the typical functions of management software, allows the user to be kept up to date and to have the operational translation of news always at hand, in a timely and functional way when using the applications.

On 8 July 2019, the Board of Directors established the Committee on Compliance with the Group's Editorial Mission and appointed its members: Chairperson Carlo Robiglio, members Marco Gay and Fabio Domenico Vaccarono.

On 17 July 2019, the Board of Directors resolved to incorporate the company Il Sole 24 ORE Eventi S.r.l., wholly owned by Il Sole 24 ORE S.p.A., which then took place on 24 July 2019.

In July 2019, the Group signed an agreement with the Editorial Committees of the newspaper Il Sole 24 ORE and Radiocor that provides for actions to contain and reduce labour costs until June 2020.

On 31 July 2019, with reference to the existing loan agreements: (i) revolving pool cash credit line for a total amount of Euro 28.5 million, (ii) bilateral cash credit line for a total amount of Euro 1.5 million; the relevant lending banks communicated the reduction of the interest margin from 5.0% to 4.2% on an annual basis, effective 1 August 2019.

On 2 August 2019, Il Sole 24 ORE S.p.A. and Education Acquisitions Limited, following the Memorandum of Understanding signed on 31 May 2019, defined the terms relating to the disposal of the remaining 49% of Business School24 S.p.A. and the repurchase of the Events business unit. The latter provide for a consideration in favour of Il Sole 24 ORE S.p.A. of Euro 21.5 million, including both the deferred price component on the disposal of the first tranche of 49% of the capital of Business School24 S.p.A. and the price adjustment component on 2017 Reference EBITDA.

On 11 September 2019 was the conclusion of Consob administrative sanctioning proceedings no. 84400/2018, initiated on 3 August 2018 against the Company pursuant to article 187-quinquies of Legislative Decree no. 58/1999 in relation to the case referred to in article 187-ter, paragraph 1 of Legislative Decree no. 58/1998 (market manipulation) by Donatella Treu, Roberto Napoletano, Anna Matteo, Alberto Biella and Massimo Arioli, concerning, among other things, the procedures for collecting circulation data in the period between 2012 and 2016. At the conclusion of the aforementioned proceedings, Consob, having assessed the results of the preliminary investigation, did not consider that the conditions existed for the adoption of any sanctioning measure against the Company and, therefore, ordered the closure of the proceedings by means of a communication notified on 11 September 2019. In particular, Consob did not find any orientation on the part of the Company aimed at achieving the unlawful purpose which, pursuant to current regulations, would make it administratively liable and, consequently, subject to sanctions against it. Moreover, Consob decided not to formulate any judgement of reprehensibility towards the Company itself, among other things since it had taken steps to prepare organizational models capable of preventing offences of the kind that occurred.

The Company is jointly and severally liable, pursuant to article 6, paragraph 3, of Law no. 689 of 1981, for payment of the penalties applied to the aforementioned persons (no longer present in the company) involved in the Consob proceedings, for violation of article 187-ter, paragraph 1, of Legislative Decree no. 58/1998, amounting to a total of Euro 1,050 thousand, without prejudice, in any event, to the right of recourse.

On 27 September 2019, the first phase of the agreement with Education Acquisitions Limited, referred to in the Memorandum of Understanding signed on 31 May 2019, was executed through the disposal of a portion of the investment held by Il Sole 24 ORE S.p.A. in Business School24 S.p.A.

In exchange for the disposal, Il Sole 24 ORE S.p.A. collected an amount of Euro 5 million, as the first tranche of the consideration, while the remaining amount of Euro 16.5 million will be collected by 31 December 2021 at the latest. This transfer is the premise for the realization of a partial, asymmetrical and non-proportional demerger with the transfer of the Events BU from Business School24 S.p.A., as the demerged company, to the beneficiary company Il Sole 24 ORE Eventi S.r.l., wholly owned by Il Sole 24 ORE S.p.A. On 27 September 2019, the Meetings of Business School24 S.p.A. and Il Sole 24 ORE Eventi S.r.l. were held, which approved, without amendments or additions, the partial, asymmetrical and non-proportional demerger project presented by the respective administrative bodies. Following the transfer, Il Sole 24 ORE S.p.A. remains the owner of the number of shares of Business School24 S.p.A. to be annulled on the effective date of the demerger.

At the beginning of October 2019, Editor-in-Chief Fabio Tamburini launched a process of overall reorganization of the Newspaper and the processes of operational integration between the Group's titles.

On 29 October 2019, the Court of Milan accepted the plea bargain submitted by Il Sole 24 ORE S.p.A. on 24 September 2019; for further details, please refer to the paragraph "Risks related to the outcome of the proceedings before the Milan Public Prosecutor's Office crim. proc. no. 5783/17 R.G.N.R.". The decision of the Court of Milan is in addition to the dismissal of Consob sanctioning proceedings no. 84400/18 against the Company.

On 30 October 2019, relating to the certification of copies of the Il Sole 24 ORE daily newspaper circulated through multi-year subscriptions affected by the change in the VAT regime in 2016, Il Sole 24 ORE S.p.A. received confirmation from ADS of its acceptance of the criterion for calculating the value of subscriptions, for their entire duration, based on the VAT rate in force at the time the subscription contracts were signed. The Company has informed the appointed Auditor that, based on the guidance received from ADS, it has updated its report for the year 2017.

On 12 December 2019, the last phase of the agreement with Education Acquisitions Limited was also concluded and, in particular: i) the demerger of the Events BU from Business School24 S.p.A. into Il Sole 24 ORE Eventi S.r.l. was executed and ii) the investment previously held by Il Sole 24 ORE S.p.A. in Business School24 S.p.A. was derecognized. Following the demerger, Business School24 S.p.A., as the demerged company, is wholly owned by Education Acquisitions Limited, while the beneficiary company, Il Sole 24 ORE Eventi S.r.l., is wholly owned by Il Sole 24 ORE S.p.A.

On 19 December 2019, without prejudice to the confirmation of the contents of the prerogatives and powers of the administrative bodies resolved on 30 April 2019 (Board of Directors, Chairperson, Deputy Chairperson and Chief Executive Officer), the Board of Directors, for the purposes of simplification and standardization, remodelled the same signature powers for better clarity and alignment with best practices, with a standard matrix that allows for uniform powers at the level of the Company and the other companies of the 24 ORE Group.

On 19 December 2019, Consob adopted an order notifying the Company that it is no longer required to provide the monthly supplemental periodic reporting established in an order adopted on 14 December 2016, replacing the above requirement with quarterly reporting requirements. Therefore, the Company informs that the yearly and half-yearly financial reports and the interim management reports for the first and third quarters of the financial year published by the Company on a voluntary basis, starting with the next Annual Financial Report at 31 December 2019, as well as, where relevant, press releases concerning the approval of the aforementioned accounting documents, will be supplemented with the additional information required by Consob.

On 19 December 2019, Il Sole 24 ORE S.p.A. signed agreements for the consensual early termination of the lease agreement for the Milan offices at Via Monte Rosa 91 and for the stipulation of the lease agreement for the new offices at Viale Sarca 223, Milan. The Company's expectation is that the change of location will be operational by the end of 2020. With this operation, the Company intends to adopt a technologically advanced structure, consistent with the new organizational requirements and with the digital evolution path undertaken, and in line with the policy for efficiency of management costs started some time ago.

On 31 December 2019, in order to complete the organizational structure of the Events area, the transfer by the Parent Company of the 24ORE live business unit to the company Il Sole 24 ORE Eventi S.r.l. was also completed. The "24ORE live" BU is the Group's structure that designs and organizes events to meet the needs of customers and disseminate the information assets of Il Sole 24 ORE.

Market context

ADS data for major national newspapers indicate a decline in total circulation of print copies added to digital copies of -6.9% for 2019 compared to 2018, with a decline in circulation of the print version of -8.3% and digital circulation of -1.1% *(Source: ADS data processing January - December 2019)*.

The most recent listening figures for radio, with reference to the year 2019, recorded a total of 34,849,000 listeners on the average day, stable compared to 2018 (+0.4% *Source RadioTER 2018-2019*).

The benchmark advertising market closed 2019 with a 4.5% year-on-year decline. The negative trend is confirmed for the press (-12.6%), with double-digit declines in both components: newspapers (net local) -

11.2% and magazines -13.9%. Growth in radio (+1.7%) and Internet (+3.5%). *(Source: Nielsen - January-December 2019).*

In 2019, there was a reversal of the trend for the professional publishing sector, which grew by 2.2% compared to 2018 (which had recorded a -1.8%).

This trend is closely related to the significant progress of the supply component related to management software, net of which the sector still shows a negative trend (-0.7%), confirming the continuing limited spending capacity of companies, public entities, professionals and firms.

The individual areas recorded different performance: the legal area slowed the negative trend (-0.7% compared to 2018, which had recorded -2%), which sees a preference for the migration of the market towards digital solutions (especially legal databases and online portals) to the detriment of the traditional sectors linked to paper; the tax area recorded a clear reversal of the trend, with a growth of 10.1% (compared to -3.4% in 2018). The area performance was driven by the significant development of management software related to electronic invoicing, which became mandatory on 1 January 2019. It is estimated that net of software, the growth was contained around +2-3%.

With regard to the type of medium used, there is a growing trend in electronic publishing, the composition of which confirms the clear shift of the market towards the online digital segment (consisting mainly of databases, internet services and thematic portals), with an increase in value of 2.4% compared to 2018.

All traditional media recorded a negative sign, in particular periodical magazines (-8.9%) and books (-2.6% compared to 2018 - *Source: "Rapporto Databank Editoria Professionale" - Cerved S.p.A, December 2019*).

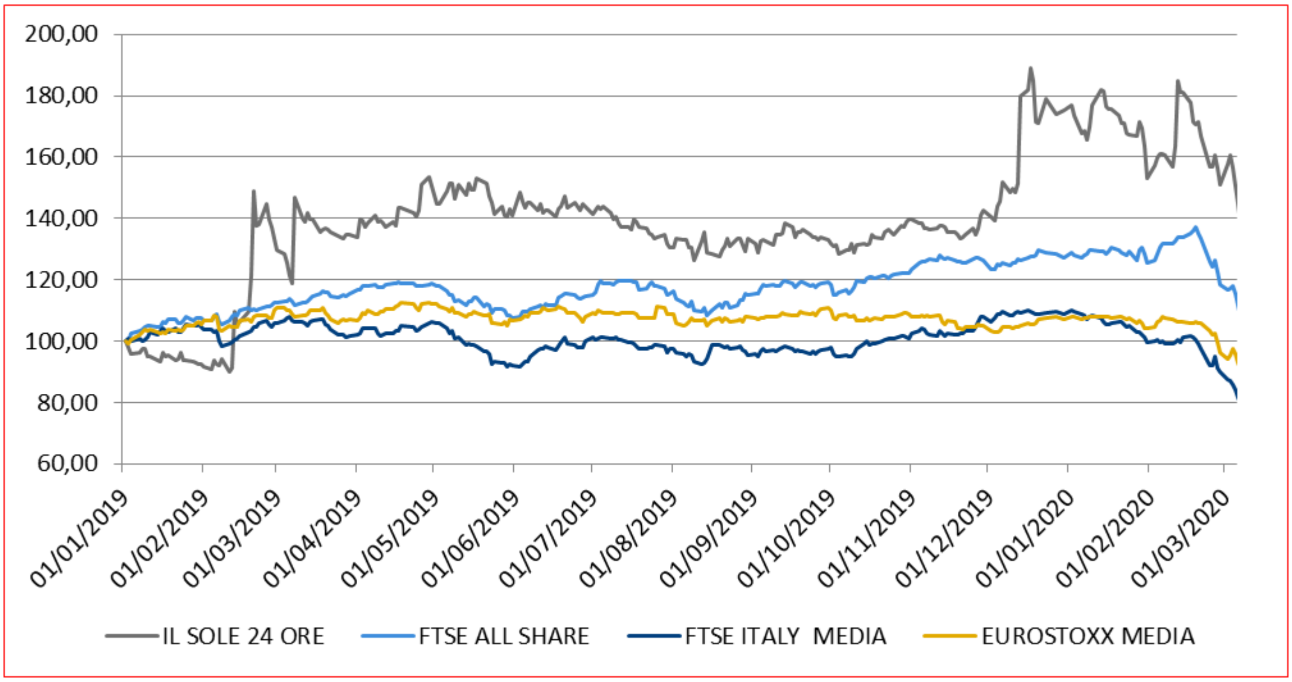
Shareholders

The Company, through its Investor Relations department, ensures to establish transparent and ongoing dialogue with its shareholders and investors, based on an understanding of their reciprocal roles.

In order to provide timely and easy access to information about the issuer that is relevant to its shareholders, the Investor section of its corporate website (www.gruppo24ore.com) provides information about the issuer's economic and financial obligations, price-sensitive press releases and documents prepared in support of events and presentations.

In addition, a special section of the Governance page of the Company's corporate website (www.gruppo24ore.com) is reserved for the Common Representative of Special category Shareholders, where the documents produced by the Representative and correspondence with Special category Shareholders can be consulted.

Performance of Il Sole 24 ORE share compared to the main indices (02/01/2019 = 100)



THE SOLE 24 ORE SHARE ON THE STOCK EXCHANGE

Indicator	Date	Value	
Max price	17/12/2019	Euro	0.72
Min price	11/02/2019	Euro	0.34
Opening price	02/01/2019	Euro	0.38
Closing price	30/12/2019	Euro	0.66
December average price		Euro	0.62
Annual average price		Euro	0.51
Max volumes ('000)		no.	3,409.8
Min volumes ('000)		no.	3.0
Annual average volumes ('000)		no.	250.2
One-off capitalization (*)	30/12/2019	Euro M	43.4
Current price	23/03/2020	Euro	0.50

(*) calculated including the 9 million unlisted ordinary shares held by Confindustria

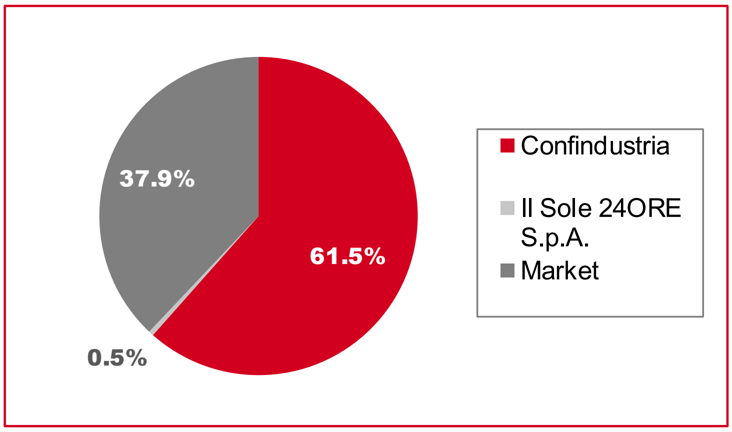
Source: Thomson Reuters-Datastream for prices and volumes

Shareholding structure at 31 December 2019

SHAREHOLDING STRUCTURE

Shareholders	no. ordinary shares	no. special shares	Total shares	%
Confindustria	9,000,000	31,217,484	40,217,484	61.5%
Il Sole 24 ORE S.p.A.	-	330,202	330,202	0.5%
Market	-	24,798,111	24,798,111	37.9%
Total shares	**9,000,000**	**56,345,797**	**65,345,797**	**100.0%**

SHAREHOLDING STRUCTURE



On 22 February 2019, Il Sole 24 ORE S.p.A. received notice from its shareholder Confindustria of the signing of a shareholders' agreement between Confindustria itself and 53 other associations and entities belonging to the Confindustria system, concerning an equity investment consisting of 9,000,000 ordinary shares and 35,794,136 special shares, equal in total to 68.549% of the share capital. Specifically, the shareholders' agreement provides for prior consultation with regard to the exercise of voting rights at meetings, an 18-month lock-up on the transfer of investments, a pre-emption right for the entire duration of the agreement and is valid for three years, without prejudice to the possibility of withdrawal under certain conditions.

REPORT ON PERFORMANCE OF BUSINESS AREAS

In order to provide a better understanding of the figures presented here, it is recalled that the first-time adoption of the new accounting standard IFRS 16 has a significant impact on the presentation of the income statement. In particular, the application of the new standard entails recognizing the present value of future lease payments as an asset (right of use); these assets are then depreciated over the duration of the contract or, if shorter, over the useful life of the asset.

As permitted by the standard, the Group has decided to apply the modified retrospective approach in the transition to the new standard and therefore, the figures for periods prior to the date of first application (1 January 2019) have not been restated compared to those historically prepared by applying the previous accounting standard.

The effects on the income statement show a worsening of the net result of Euro 0.8 million and are significant on the intermediate results, in particular on the gross operating margin (EBITDA), which improved by Euro 8.5 million in 2019, mainly on the Corporate and Centralized Services area for Euro 7.2 million, of Publishing & Digital for Euro 0.5 million, of the Radio area for Euro 0.8 million.

The table below shows the Group's key figures broken down by business area.

INCOME STATEMENT BY BUSINESS AREA								
SECTOR	Revenues from third parties	Intersegment revenues	Total Revenues	EBITDA	Amortization/ Depreciation	IFRS 16 contractual changes and other write-downs	Gains/losses	EBIT
PUBLISHING & DIGITAL								
FY 2019	62,232	45,579	107,811	3,209	(4,044)	-	(0)	(834)
FY 2018	64,507	47,762	112,269	2,817	(3,692)	(1,248)	(0)	(2,124)
TAX&LEGAL								
FY 2019	43,219	128	43,348	12,994	(798)	-	0	12,196
FY 2018	46,311	2,232	48,543	15,306	(835)	-	0	14,471
RADIO								
FY 2019	185	18,214	18,400	4,146	(1,200)	-	1	2,947
FY 2018	245	18,857	19,102	4,984	(429)	-	1	4,556
SYSTEM								
FY 2019	81,860	(749)	81,110	(141)	(26)	-	-	(167)
FY 2018	85,503	(650)	84,853	922	(5)	-	(0)	917
CULTURE								
FY 2019	11,241	906	12,146	1,097	(523)	(481)	-	93
FY 2018	14,751	857	15,608	1,900	(383)	-	-	1,517
CORPORATE AND CENTRALIZED SERVICES								
FY 2019	1	-	1	(264)	(10,128)	(6,602)	(1)	(16,995)
FY 2018	7	-	7	(18,917)	(3,659)	-	0	(22,577)
CONSOLIDATED								
FY 2019	**198,737**	**-**	**198,737**	**21,042**	**(16,719)**	**(7,083)**	**(1)**	**(2,761)**
FY 2018	**211,324**	**-**	**211,324**	**7,012**	**(9,004)**	**(1,248)**	**1**	**(3,239)**

The 2018 comparative figures have been appropriately reclassified to reflect the new organization. In particular, the results of vertical newspapers, in order to be able to capture new synergies, are included in the Tax & Legal area (in the 2018 financial statements, they were shown in the Publishing & Digital area).

Publishing & Digital

Publishing & Digital is the business area that includes the daily newspaper Il Sole 24 ORE, digital products linked to the newspaper, products attached to the newspaper, magazines, add-ons, the website and the press agency Radiocor Plus.

RESULTS OF THE PUBLISHING & DIGITAL AREA			
Euro thousands	FY 2019	FY 2018	change %
Circulation revenues/other	62,323	64,507	-3.4%
Advertising revenues	45,488	47,762	-4.8%
Revenues	**107,811**	**112,269**	**-4.0%**
Gross operating margin (EBITDA)	3,209	2,817	13.9%
EBITDA Margin %	3.0%	2.5%	0.5 p.p.
Operating profit (loss) (EBIT)	(834)	(2,124)	60.7%

Products, customers and operations

The editorial offices of the daily newspaper Il Sole 24 ORE are organized by thematic sections and are located in the two main offices of Milan and Rome and in five other Italian offices (Genoa, Turin, Naples, Venice and Palermo). The Newspaper, in particular, has international coverage through correspondents posted in three foreign offices (Brussels, Frankfurt and New York). Overall, the newspaper's editorial structure includes 204 employed journalists, who also contribute to the content of the *www.ilsole24ore.com* portal and the titles *IL*, *How To Spend It* and *24Hours*.

The news agency Il Sole 24 ORE Radiocor, through its editorial offices, offers real-time news on financial markets and the economy, on the activities of Parliament and the Government on political-economic, fiscal and financial issues. The schedule also offers information on the real economy, on issues of sustainability and European funds. The Agency employs 45 journalists. The main products produced by the Agency are: the economic-financial news bulletin Radiocor, the news bulletin Radiocor Plus, Breaking News, personalized editorial products (newsletters, articles, video interviews), and stock market data and tables.

The printing process of the newspaper in 2019 took place at two proprietary printing centres, Milan and Carsoli (AQ), and at the following three third-party plants: Rende, Sassari and Medicina (BO), the latter operating until 31 March 2019. Of a total of 36.75 million copies printed in 2019, 86.3% were printed at proprietary plants and 13.7% at third-party plants.

Market performance

ADS data for major national newspapers indicate a decline in total circulation of print copies added to digital copies of -6.9% for 2019 compared to 2018, with a decline in circulation of the print version of -8.3% and digital circulation of -1.1% *(Source*: *ADS data processing January - December 2019*).

Area performance

The **Publishing & Digital** area closed 2019 with **revenues** of Euro 107.8 million, down Euro 4.5 million (-4.0% compared to 2018).

Circulation and other revenues totalled 62.3 million, down Euro 2.2 million (-3.4% compared to 2018). Circulation figures and copies sold of Il Sole 24 ORE are reported in the section "Economic performance".

Advertising revenues amounted to Euro 45.5 million, down Euro 2.3 million (-4.8% compared to 2018).

Publishing & Digital **gross operating margin** (EBITDA) was positive by Euro 3.2 million, compared with positive EBITDA of Euro 2.8 million in 2018, which benefited from non-recurring income of Euro 3.2 million generated by the collection of compensation payments from Di Source and the derecognition of a trade payable to the same company.

The main changes from 2018 are:

- personnel costs decreased by Euro 3.3 million (-5.9%);
- direct costs were down by Euro 4.2 million (-10.0%), with a decrease in particular in production costs of Euro 1.9 million (-21.9%), distribution costs of Euro 1.3 million (-6.8%) and editing costs of Euro 0.4 million (-8.8%);
- operating costs increased by Euro 1.1 million (+5.0%).

The Publishing & Digital area is divided into two units: the **Newspaper and related products**, including magazines and the website www.ilsole24ore.com and **the news agency Radiocor Plus**.

Performance of the newspaper and related products

RESULTS OF THE NEWSPAPER AND RELATED PRODUCTS (*)			
Euro thousands	FY 2019	FY 2018	change %
Circulation revenues/other	55,379	57,905	-4.4%
Advertising revenues	45,448	47,709	-4.7%
Revenues	**100,827**	**105,614**	**-4.5%**
Gross operating margin (EBITDA)	3,886	3,858	0.7%
EBITDA Margin %	3.9%	3.7%	0.2 p.p.
Operating profit (loss) (EBIT)	(8)	(1,079)	99.3%

(*) Includes the website www.ilsole24ore.com and the magazines IL, How To Spend It and 24Hours

Total revenue for the newspaper and related products was Euro 100.8 million and was down 4.5% on 2018. Advertising revenues amounted to Euro 45.5 million, down Euro 2.3 million compared to 2018 (-4.7%). Circulation and other revenues amounted to Euro 55.4 million, down Euro 2.5 million compared to 2018 (-4.4%). The newspaper's circulation revenues (print + digital) were down by Euro 2.6 million (-5.0%) compared to 2018, when they were Euro 52.1 million. Circulation revenues of the print newspaper amounted to Euro 31.5 million (-7.5% vs. 2018). Circulation revenues of the digital newspaper amounted to Euro 18.0 million, down by Euro 0.1 million (-0.4% compared to 2018).

EBITDA was positive by Euro 3.9 million, compared with positive EBITDA of Euro 3.9 million the previous year, which benefited from non-recurring income of Euro 3.2 million generated by the collection of Euro 3.0 million in compensation payments from Di Source and the derecognition of a trade payable of Euro 0.2 million to the same company.

During 2019, there were many initiatives aimed at enriching the newspaper's editorial offer for readers:

- the Wednesday items, represented by the *focus of Norme e Tributi,* in-depth analysis of the most important and current regulatory news explained by the editorial staff of Norme&Tributi (among the most important *Financial Statements, VAT returns 2019, Income of Individuals and Companies, IMU & TASI*) and the *Guides*, one-shot booklets for dissemination of both regulatory issues of wide interest (e.g. *Electronic Invoicing, Pensions, Citizenship Income, Home Bonus, Self-Employed Flat Rates, Fiscal Amnesty, Guide to 730 tax form, Buy and Sell Home, Condominium*) and more general topics (*Bonus Auto, New High School Diploma, University Tests, Special European Elections, University Guide, Savings*);
- the *booklet series* and Thursday guides. During 2019, two series dedicated to economic and financial education for dissemination were published. The first series of 2019 is *Le Parole del Risparmio* edited by Il Sole 24 ORE and Radio 24 and produced in collaboration with the MEF (Ministry of Economy and Finance); the second series, released in May, entitled *L'Economia intorno a noi*, in 7 editions, created by the editorial staff of Il Sole 24 ORE, provides an overview of the consumption trends of some fast-growing sectors, each covered individually with in-depth analysis of the economic realities related to them;
- the line of *add-ons*, with a view to making profitable use of the authoritativeness of the brand and the credibility of its authors, a number of books were published on core subjects (financial education, economic non-fiction, current affairs, etc.), mostly written by journalists and contributors to Il Sole 24 ORE. In addition to the volume *L'Italia, molti capitali pochi capitalisti* by Beniamino Piccone, there are the books *Che ne ho fatto dei miei soldi* by Marco lo Conte, *Perché Tav* by Ennio Cascetta and *Gli Stangati* by Stefano Elli. Since June, a project of systematization and development of the line has been envisaged, starting with a richer and more varied editorial plan, with the continuation of the valorization of the authors of the newspaper for

economics and finance, but also the opening up to different areas with titles published by Il Sole 24 ORE, but also with proposals selected by third-party publishers with a view to broadening the reference target. In particular, during the summer months, four titles were offered by the publisher Dea (*due noir* by Pino Imperatore, *Segnali di Fumo* by Andrea Camilleri, *Il grande Gualino* by Giorgio Caponetti). Since September, the production of new volumes has been intensified with the titles *Draghi, falchi e colombe* by Donato Masciandaro and Alberto Orioli, *Risparmiare è facile* by Debora Rosciani and Mauro Meazza, *Ritratti italiani* by Paolo Bricco, *Raffaello pugnalato* by Marco Carminati, *Il lusso secondo me* by Nicoletta Polla Mattiot, *Viaggi d'arte* curated by Patrizia Re Rebaudengo, *Verdeggiando* by Pia Pera curated by Lara Ricci, *Indipendenza* by Dario Tosetti and Michele Renucci. Particular attention has also been paid to the new ways of using books, adding to the paper version the digital version, now available in formats suitable for all devices and platforms. From the point of view of communication, increasing importance has been given to integrated communication on all the group's media, in particular digital media, and to the creation of presentations in the presence of the author, carried out at the headquarters of Il Sole 24 ORE or in locations relevant to the title. The distribution of the volumes includes the news-stand and e-commerce channels and the book store channel.
The line of books also includes the production of custom titles, created to meet specific customer needs, such as *60 imprese di calcio italiano*, commissioned by LegaPro to celebrate the 60th anniversary of the League, or *Indipendenza*, an essay on the family office for the firm Tosetti Value;
- among the compulsory combined initiatives, the fortnightly publication of the *Enigmistica24* insert continues, attached to the Saturday edition, with the aim of intercepting different interests of readership and new readers. In the summer period, the insert was included on a weekly basis.

In addition, in November and December, the newspaper included a communication campaign aimed at promoting and supporting the importance of the value of information and creating engagement with its readers, especially the younger ones. In addition to the Group's media, various communication activities were planned, including OOH (out of home) media with posters in the centre of Milan, digital bus shelters, the bus circuit and the large stations circuit, which involved several Italian cities including Milan, Rome, Naples, Florence, Turin and Venice. In Milan, street advertising activities have also been carried out with graffiti placed at the most important news-stands and major university centres and areas of large companies. On the digital side, the communication campaign created considerable engagement thanks to the interaction of users with the posts made. Finally, special guided tours of the Milan presses were organized for a select and limited number of people. The initiative was very successful thanks to the high number of requests and the participation of many young people in the evenings.

During 2019, there were two customary historical appointments with Il Sole 24 ORE readers, the 28th edition of *Telefisco*, the event dedicated to all the regulatory news of the tax package, aimed at accountants and spread throughout the country, with an all-time record of 167 offices connected from all over Italy and, in March, the 21st edition of the *Premio Alto Rendimento*, an important event in the finance sector, which saw the awarding of prizes at the headquarters of Il Sole 24 ORE to the most important Management Companies and Mutual Funds, distinguished for their results in the previous year. This year's edition saw for the first time the awarding of 3 special prizes to the best managers in the SRI (Sustainable and Responsible Investment) group, as well as 3 special prizes for those in the PIR group. On 16 March 2019, Plus24 dedicated a four-page special to the award, with comments and analysis on the different winning entities.

On 16 December 2019, on the occasion of the thirtieth edition of the Il Sole 24 ORE survey on Quality of Life, a special day was held to explore, as well as to celebrate, the 30 years of the survey, with a hackathon that saw the students of Data Science at the University Bicocca engaged in a series of simulations on the database and an event to award the administrators of the winning provinces of the 2019 edition (sectoral ranking and six thematic indices) and the special thirty-year ranking with the participation of mayors, ministers and experts.

On 1 December 2019, the first "Il Sole 24 ORE experience" initiative was carried out. This is a new opportunity for contact with the reader, developed in collaboration with a tour operator expert in high-level services (Il Viaggio), based on the identification, proposal and sale to interested readers of specific tourist packages with a high experiential content with a strong correlation with the topics covered by Il Sole 24 ORE. The first destination involved those interested in a high-profile food and wine experience in the Langhe, constituting the first step in a calendar of events that will continue throughout 2020.

In 2019, numerous media partnership projects were concluded with external partners which, in addition to the definition of specific commercial agreements, made available exclusive content then managed by the Group's editorial staff. Highlights include *the 2nd EU-Japan EPA Forum* which led to an exclusive interview with *Cecilia Malmström, EU Commissioner for Trade*; at the *PF EXPO Gold Edition*, an exclusive interview with Richard Thaler, the 2017 Nobel Prize winner in Behavioural Finance. Il Sole 24 ORE is also media partner of an AIDI (Italian Lighting Association) competition involving students and start-ups on new lighting engineering projects; of two important Fiera Milano trade fairs dedicated to Security and Smart Building; of the Payments Exhibition organized by ABI Servizi and of the *Italy Pro Bono Days* event organized by the Association of lawyers, law firms and forensic associations that share the objective of promoting and spreading the culture of *pro bono* in Italy.

On 13 May 2019 was the conclusion of the project carried out with Statista on *The Law Firms of the Year 2019*. The first edition of the initiative, aimed at identifying the law firms most recommended by customers, competitors and corporate lawyers. A dedicated 16-page report and an online special have been produced, providing a detailed overview of the sector and above all highlighting its main players. The second edition of the "Leaders of Growth" project, also carried out with Statista, was completed on 26 November, leading to the publication of a 16-page final report and an online dossier containing all the proceedings of the research.

At the end of November, renewing the fruitful collaboration with Statista, the second edition of the project "Law Firms of the Year 2020" was launched.

Since the end of June, the range of information offered by Il Sole 24 ORE has been enriched by new Local Reports (North-west, North-east, Lombardy, Central and South) which, every Friday, report on the economy of the area through investigations, business stories and interviews with the protagonists. Each launch was supported by a series of geo-localized initiatives both on the territory (also through matching operations with local newspapers) and on the main social channels.

On the occasion of the release of the September Fashion Report, an English-language edition was also produced for the first time, which, together with extra copies of the Italian version, were distributed at all the main fashion shows of Milan Fashion Week and in all the four- and five-star hotels in Milan. Further projects of extra copies and targeted distribution in contexts of particular interest were also carried out on the occasion of the Beauty Report on 13 November and Jewellery on 3 December.

In 2019, four new issues of *Aspenia*, the magazine of *Aspen Institute Italia*, were published in conjunction with Il Sole 24 ORE. Each edition, in addition to being distributed at news-stands and book stores in the main urban centres, has also been made available in e-book format on the e-commerce channel of Il Sole 24 ORE and on the main online platforms.

A project to optimize the distribution of the printed newspaper at news-stands throughout the country was launched at the end of 2018, and continued throughout 2019, involving the efficiency of supplies to individual local distributors with the aim of reducing the number of unsold copies of the newspaper returned by points of sale and consequently reducing production and distribution costs.

Group magazines *(How to Spend It*, *IL* and *24 Hours*) closed 2019 with a 20.1% decline. This result was influenced, in particular, by the contraction of investments in monthly magazines by companies in the Clothing sector *(-25.5% - Nielsen monthly in pages - January-December 2019)*. This sector is of considerable importance in the Group's monthly magazines, with a 23% share of advertising space on IL and 27% on *How to Spend It*.

In 2019, the portal www.ilsole24ore.com recorded a daily average of over 984 thousand unique browsers, up 9.9% from the 2018 average. *(Omniture Sitecatalyst/Webtrekk*).

In 2019, video content exceeded 400 thousand page views on the average day (+110.8% compared to 2018) with peaks of over 1 million for content related to the government crisis.

During 2019, the main news was the release of the new website ilsole24ore.com on 24 June 2019. The website has been totally revamped, and is faster, clearer and more intuitive. The digital platform has been optimized not only for desktop use, but increasingly for mobile use, in order to meet the information consumption habits that now characterize the typical day of readers. It is a responsive site - the content adapts to different media (PC, tablet, smartphone) from which to use the information of Il Sole 24 ORE. The new horizontal browsing of the site allows to find in the upper part of the homepage more timely news and, at the same time, more in-depth information arranged in a clean and rational hierarchy. The possibility of displaying double titles in articles in the mobile version and of linking to opinions, documents, maps, rankings, data, videos, podcasts and other related elements makes it possible to enrich the editorial offer with the best authors. Three central elements that have been focused on are the user experience, visual content and the new area dedicated to real-time stock markets. Videos and podcasts are easier to watch and download, while the production of content such as infographics, cards, timelines and longforms has been implemented to renew the tradition of service journalism of Il Sole 24 ORE. The markets area, reorganized with the technology of Progressive Web Apps and the technical support of Google, becomes the subject of a first web only subscription offer dedicated to the target of private investors called M+ where readers will find in a single digital environment the real-time price list service, advanced charts, the virtual portfolio, personalized notifications, technical analysis and Finlabo Research. The focus of activities in the July-September quarter was the implementation of rules aimed at optimizing the performance of the new website launched in June.

The offer of paid content and services has been further enhanced from 18 November 2019 with the launch of 24+, the new premium section of the ilsole24ore.com website designed to guide readers through the daily information overload, addressing a wide audience that likes to enjoy in-depth digital content and take part in a conversation within a community.

Content initiatives included the development of a new service dedicated to elections and the Dossier Europa dedicated to the European elections. The digital offer was also enriched on the newsletter front with the creation of two new thematic products. The first, Infodata, analyses some key facts through numbers and views and also offers a look at the best investigations of foreign newspapers. The second, Effetto Mondo, on the other hand, proposes a fundamental compass service through a press review of the main topics covered by international newspapers.

At the end of June, in conjunction with the release of the new site, the production of podcasts was also launched, published both on the site and on all distribution platforms; the first experiments range from stories about jobs of the future to financial education. As of November, the offer was enriched with the new series included in the premium offer of 24+.

The presence of social platforms is gradually growing thanks to the proposal of specific content and formats for issues and targets, with the aim of increasing user engagement and direct interaction with journalists. In particular, the Facebook page of Il Sole 24 ORE counts, as of 31 December 2019, over 938 thousand fans, up 7.7% compared to December 2018. In order to achieve this objective, the production and publication of native videos, both recorded and live, has increased, favouring interaction with the fans of the page in the second mode. On the occasion of the European elections, the first Europa 24 Facebook group was also created in which the journalist of reference, through the publication of articles, posts and videos, interacted directly with readers interested in being better informed about their political choices.

A different social activity was designed and implemented on the Instagram page of Il Sole 24 ORE. Through Instagram stories, we started to let the more than 360 thousand followers inside the backstage of Il Sole 24 ORE, showing a younger target of readers the work behind the publication of an article. The stories, with a new graphic design and simplified language suitable for young people, are also used to engage users through questions, surveys and to refer followers to the various pages of ilsole24ore.com. In addition to the existing formats, a new carousel dedicated to the story of the newspaper's news-stand initiatives was added. Finally, at the end of March, the *Success Stories* column was launched, in which the journalist interviews several influencers who have managed to build their businesses through digital, live on Instagram (and crossposting on Facebook and YouTube). This activity proved to be strategic to intercept the audience of the influencer who is interviewed and begins to know Il Sole 24 ORE through the interview that is launched and shared on the related profile. The series, which is also available in podcast format for major streaming services, has been named to Apple's list of the 25 Most popular new podcasts of 2019.

During 2019, the position of Il Sole 24 ORE was consolidated, first among the media on LinkedIn with almost 530 thousand followers. An editorial plan profiled on professions was implemented and live feeds with editorial staff were also inaugurated on LinkedIn.

On 1 June 2019, a partnership was launched with the Sky Group, which will last for 5 years during which time they will work on the creation of a series of projects on the financial and stock market information front, the development of co-productions between Radio 24 and Sky and collaboration between Sky Sport and the 24 ORE Group platforms.

The Radiocor Plus agency shows revenues of Euro 6.9 million, an improvement of Euro 0.2 million (+3.4%) compared to 2018.

Tax & Legal

The Tax & Legal Area develops integrated product systems, with technical and regulatory content, aimed at the world of professionals, companies and public administration. The specific market segments covered are Tax, Labour, Law, Construction and Public Administration. For each of them, integrated specialized information tools are created, capable of satisfying all the information and operational needs of the reference targets: databases, magazines, books, Internet services, software solutions.

TAX & LEGAL RESULTS

Euro thousands	FY 2019	FY 2018	change %
Circulation revenues/other	43,219	48,370	-10.6%
Advertising revenues	128	174	-26.0%
Revenues	**43,348**	**48,543**	**-10.7%**
Gross operating margin (EBITDA)	12,994	15,306	-15.1%
EBITDA Margin %	30.0%	31.5%	-1.6 p.p.
Operating profit (loss)	12,196	14,471	-15.7%

Products, customers and operations

The professional publishing offering includes a predominantly business-to-business product portfolio consisting of: 28 databases and online services, 9 magazines/periodicals (specialized titles in print and digital versions), 6 vertical thematic daily newspapers (Tax; Labour; Law; Condominium; Local authorities & PA; Construction & Territory), 5 software packages and over 100 instant books and books sold at news-stands, book stores and through e-commerce. Periodicals are primarily sold by subscription through mail order and e-commerce. Active subscriptions in 2019 were approximately 50,700 (56,600 in 2018). The electronic publishing products, databases all accessible online, are sold by subscription mainly through the agent network. In 2019, the subscription portfolio amounted to approximately 41.2 thousand (43.5 thousand in 2018).

Market performance

In 2019, there was a reversal of the trend for the professional publishing sector, which, at Euro 552 million, grew by 2.2% compared to 2018 (which had recorded a -1.8%).

This trend is closely related to the significant progress of the supply component related to management software, net of which the sector still shows a negative trend (-0.7%), confirming the continuing limited spending capacity of companies, public entities, professionals and firms.

Different performance was recorded by the individual areas:

- legal area: this area (which includes the work, technical and PA areas), the largest in the sectoral panorama (48.6% of the market developed for 83.2% by the judicial-legal area), slowed the negative trend (-0.7% compared to 2018, which had recorded -2%), which sees a preference for the migration of the market towards digital solutions (especially legal databases and online portals) to the detriment of traditional paper-related sectors.
- tax area: this area (25.6% of sectoral turnover) recorded a clear reversal of the trend, with growth of 10.1% (compared to -3.4% in 2018). The area performance was driven by the significant

development of management software related to electronic invoicing, which became mandatory on 1 January 2019. It is estimated that net of software, the growth was contained around +2-3%.

With regard to the type of medium used, there is a growing trend in electronic publishing, the composition of which confirms the clear shift of the market towards the online digital segment (consisting mainly of databases, internet services and thematic portals), with an increase in value of 2.4% compared to 2018.

All traditional media recorded a negative sign, in particular periodical magazines (-8.9%) and books (-2.6% compared to 2018 - *Source: "Rapporto Databank Editoria Professionale" - Cerved S.p.A, December 2019*).

Area performance

Revenues from the Tax & Legal area in 2019 amounted to Euro 43.3 million, down by Euro 5.2 million (-10.7%) compared to 2018, due to a decrease in database and magazine subscription revenues.

Tax and Labour products achieved revenues of Euro 29.3 million, down 8.0% compared to 2018. Law products recorded revenues of 8.0 million, down (-10.8%) from 2018. Construction and PA products generated revenues of Euro 4.0 million, down (-2.6%) on the previous year.

Database revenues amounted to Euro 33.3 million, down 6.0% compared to 2018.

As regards the performance of the other product lines, it should be noted that revenues from printed products (among which magazines represent the main component) amounted to a total of Euro 7.8 million and showed a decline of 12.6% compared to 2018. In 2019, there was a positive figure for the Books line (+53% compared to 2018) due to a revitalization of the catalogue.

The Tax & Legal area re-entered the software market in July 2019, and generated revenues of Euro 0.3 million. This result, achieved mainly through the product Valore24Sindaci e Revisori, testifies to the ability of the 24 ORE Group to focus on the concrete and current needs of professional clients, qualifying as an all-round B2B operator, whose brand has a value that goes beyond the traditional boundaries of the publishing sector.

Finally, positive contribution to the area revenues was made by Partner24 (October 2019), the innovative network of accountants, which in just 3 months of sales recorded revenues of Euro 0.1 million.

Gross operating margin (EBITDA) amounted to Euro 13.0 million and compares to EBITDA of Euro 15.3 million in 2018. The Euro 2.4 million decrease in direct and operating costs (-8.6%) partly offset the decline in revenues.

The main cost items that decreased were: sale costs down Euro 2.8 million and editorial costs down Euro 0.3 million.

During 2019, the qualitative improvement of the database offer was accentuated in order to offer an increasingly better product and the work of developing and innovating the electronic publishing offer aimed at professionals, companies and PA continued.

In addition to launching entry level products that can be sold both on the e-commerce channel and through the agent network (E-fattura24, Condono24, Dichiarazioni24), the Smart database line was further developed with an offer dedicated to the world of Public Administration (Smart24PA - January 2019), strengthening of the competitive position in the tax market (Smart24Fisco - March 2019) and a new product system for condominium administrators (Smart24Condominio - September 2019).

As evidence of the continuous innovation and evolution of the Il Sole 24 ORE databases, we would like to highlight the release of the new version of Plusplus24Diritto - enriched with thematic indexes and new ways of searching for case law - and the new modular version of Plusplus24Fisco.

On 1 July, the 24 ORE Group re-entered the software market, seen as a natural extension and integration of its B2B digital publishing portfolio. The first product was Valore24 Sindaci e Revisori, the cloud-based software to deal with control and audit activities, which takes into account the new features of the business crisis reform (legislative decree 14/19).

September saw the launch of Valore24 Commercialisti, a platform which, in addition to the typical functions of management software, allows the user to be kept up to date and to have the operational translation of news always at hand, in a timely and functional way when using the applications.

In October it was the turn of Valore24 Condominio, the software for the management of every type of property, to optimize the activities of the firm and to better manage tax obligations, including electronic invoicing.

Towards the end of the year another 2 cloud solutions were presented to the market, Valore24 Bilancio and Valore24 Accertamento e Contenzioso.

In addition to its historical role as a supplier of specialized editorial content, the 24 ORE Group is also a leading player in offering services designed to strengthen the activities of its readers. For this reason, in October Partner 24 ORE, the innovative network of Il Sole 24 ORE, was launched, which aims to offer Chartered Accountants new business opportunities and greater visibility, with the quality and value of Il Sole 24 ORE.

Partner 24 ORE is a platform that was created with the aim of building a bridge of relationships between Chartered Accountants and other subjects, the Business Partners, i.e. specialized companies and certified professionals, who provide specific services in the field of non-taxation, so as to allow those who participate in the initiative to become more and more global advisor to their customers.

During 2019, a new commercial organization of the Professional Agents network was defined with the aim of reducing costs and having a leaner hierarchical line and greater control of the territory.

Radio

The Radio Area manages the national radio station Radio 24, News & Talk with an editorial format that alternates radio news with information and entertainment programmes.

RESULTS OF THE RADIO AREA

Euro thousands	FY 2019	FY 2018	change %
Circulation revenues/other	431	438	-1.4%
Advertising revenues	17,968	18,664	-3.7%
Revenues	**18,400**	**19,102**	**-3.7%**
Gross operating margin (EBITDA)	4,146	4,984	-16.8%
EBITDA Margin %	22.5%	26.1%	-3.6 p.p.
Operating profit (loss)	2,947	4,556	-35.3%

Market performance

The most recent listening figures for radio, with reference to the year 2019, recorded a total of 34,849,000 listeners on the average day, stable compared to 2018 (+0.4% *Source RadioTER 2018-2019*).

The benchmark advertising market closed 2019 with total revenue growth of 1.7% (*Source*: *Nielsen - January-December 2019*).

In terms of volume of advertising space, the radio market in 2019 remains stable compared to the previous year *(source Nielsen, analysis by seconds);* the analysis of the sectors on the total radio market sees in the first places cars (which however decreased by 12% compared to 2018), distribution (+7%), media/publishing (-20%) and food (+9%).

Area performance

The Radio area closed 2019 with revenues of Euro 18.4 million and compares to revenues of Euro 19.1 million in the previous year (-3.7%).

The gross operating margin (EBITDA) was a positive Euro 4.1 million and compares to a positive EBITDA of Euro 5.0 million at 31 December 2018.

Advertising revenues in the Radio area, including sales on radio stations and the website *www.radio24.it*, declined by 3.7% compared to 2018.

In 2019, in terms of advertising space **Radio 24** recorded a decline of 6.5% compared to 2018 *(source Nielsen, analysis by seconds)*. The result is negatively conditioned by the contraction of investments by companies in the automobiles sector (a sector which alone accounts for 24% of Radio 24 total space revenue), and in the finance and insurance sectors (-13%), IT/photography (-11%) and bodies/institutions (-33%). The finance and insurance sector in 2019 saw the exhaustion of communications related to electronic invoicing, which in 2018, had led several companies to choose the authority of Radio 24 to inform the public of the news.

The Radio 24 share in seconds of the total radio market is 8.4%. *(Nielsen- seconds - January/December 2019).*

Radio 24 confirms the constant growth in audience in recent years, with the highest number of listeners in its history in the second half of 2019 (2,384,000 listeners on the average day) and an annual figure of

2,345,000 listeners on the average day (+2.8% compared to 2018); a figure that compares with an almost stable market and confirms the positioning of Radio 24 as an authoritative broadcaster with original and quality content *(Source: RadioTER 2018-2019*).

On 4 October 2019, during the event celebrating the 20th birthday of Radio 24, the station's new logo and payoff were unveiled: *La passione si sente* (You can feel the passion). The change of image of Radio 24 has seen the direct participation of the public, through the activation of a contest that involved sending their proposals for logo and payoff. After the birthday, a multi-subject communication campaign was launched to spread the new image of Radio 24.

The **Radio 24 website** recorded an average of around 3.6 million page views per month in the period January-December 2019. The number of monthly single users of the site stands at 460 thousand (source: *Webtrekk January-December 2019*).

Also on the occasion of its twentieth birthday, a new version of the Radio 24 website was released, featuring a completely redesigned browsing structure to enhance the richness of programming and the variety of content.

System - Advertising revenues

System is the division that carries out the activity of advertising concessionaire for the Group's main media and some third-party media.

RESULTS OF THE 24ORE SYSTEM AREA

Euro thousands	FY 2019	FY 2018	change %
Group revenues	78,743	82,191	-4.2%
Revenues from third parties	2,367	2,662	-11.1%
Revenues	**81,110**	**84,853**	**-4.4%**
Gross operating margin (EBITDA)	(141)	922	-115.3%
EBITDA Margin %	-0.2%	1.1%	-1.3 p.p.
Operating profit (loss)	(167)	917	-118.2%

Products, customers and operations

In Italy, the concessionaire has a matrix organization: territorial and by product/type/means. The territorial offices are present in the territory with seven sales branches.

The overall sales structure in Italy at 31 December 2019 consists of 13 employees and 77 agents. Outside Italy, sales are entrusted to the Foreign Advertising Department, present with a network of local representatives in all major countries. The subsidiary, Il Sole 24 ORE UK Ltd., is responsible for the sale of advertising space in the United Kingdom. The range of specific communication projects carried out in collaboration with the marketing department was also consolidated.

Market performance

The benchmark advertising market closed 2019 with a 4.5% year-on-year decline. The negative trend is confirmed for the press (-12.6%), with double-digit declines in both components: newspapers (net local) -11.2% and magazines -13.9%. Growth in radio (+1.7%) and Internet (+3.5%). *(Source: Nielsen - January-December 2019).*

Area performance

24 ORE System closed 2019 with revenues of Euro 81.1 million and a decrease in line with the market trend (-4.4%). The concessionaire is active in the development of projects, events and special initiatives created *ad hoc* for customers, in order to offset some negative market contingencies:

- the continuing crisis in the press, a medium that represents 47% of the concessionaire's total revenues;
- the new regulations relating to financial and fund advertising in force from 1 January 2019, which eliminated the obligation to publish in a newspaper with national circulation the value of Unit and Index Linked insurance fund units and the notices relating to the periodic performance statements of separate management schemes.

Il Sole 24 ORE (daily newspaper + supplements) recorded a decline of 6.9% which compares with a market trend of -11.2% *(net local - Nielsen January-December 2019)*. This figure is better than the market trend despite the strong negative impact of the financial and fund types which, due to the entry into force of the new advertising regulations, recorded a strong contraction of advertisements, in particular in our newspaper, historically the preferred publication for this type of advertisement. However, Il Sole 24 ORE remains the market leader in the revenues of these types. Excluding financial and funds, and the other types that make up the service type (legal, recruitment, economic), the performance of the newspaper stands at -3.1% against a national commercial market with -12.4% *(Nielsen January-December 2019)*. It should be noted that in June 2018, following the launch of the new Il Sole 24 ORE, the newspaper had recorded +28.3% in sales compared to June 2017 with about 300 customers in the first week.

Group magazines *(How to Spend It*, *IL* and *24 Hours*) closed 2019 with a 21.0% decline. This result was influenced, in particular, by the contraction of investments in monthly magazines by companies in the clothing sector *(-25.5% - Nielsen monthly in pages - January-December 2019)*. This sector is of considerable importance in the Group's monthly magazines, with a 23% share of advertising space on *IL* and 27% on *How to Spend It*. It should also be noted that IL, in March 2018, following the redesign, had performed very well with over 100 pages of advertising, a performance not repeatable in 2019.

Radio 24 revenues were down 3.8% (market +1.7% - *source: Nielsen - January-December 2019)*, due mainly to the contraction of investments in the automotive sector (a sector that alone accounts for a quarter of Radio 24 total space sales) and in the high-paying sectors (which aim to reach a qualified high-spending target, perfectly in line with the Radio 24 audience) in favour of industries that target a more generalist market.

The finance/insurance sector deserves further consideration. In fact, in 2019, the increase in campaigns related to consumer products (insurance and consumer credit) compensated for the exhaustion of communication related to electronic invoicing, which in 2018, had led several companies to choose the authoritativeness of Radio 24 to inform the public of the introduction. For Radio 24, this translated into -13% of finance/insurance campaigns compared to a market that instead grew by 9% in this sector.

Advertising sales on behalf of **Radio Kiss Kiss**, which has a very different audience from Radio 24, is up 19.6%, in particular, the driving sectors are automobiles and distribution, which alone account for 51% of the total seconds of the year 2019 (vs. 54% in 2018. *Source: Nielsen- seconds)*. Of note is the significant growth in the beverages/alcohol (+81%), industry/construction/activities (+23%) and telecommunications (+55%) sectors, which together account for 15% of advertising sales in seconds.

Online revenues (net of fund type and revenues on foreign titles) were up 6.4% and compare to a market up 3.5% (*Nielsen January-December 2019)*. Net of perimeter discontinuities (in particular, the end of the Fox advertising concession as of July 2018), fund type and revenues on foreign titles, online revenues increased by 9.4%. The Group's sites (net of the funds type) reported an increase in revenues of 17.0%, driven by the performance of the site www.ilsole24ore.com (+19.6%).

Culture

The Culture Area operates in the management and enhancement of museums (Mudec), in the production and sale of exhibitions and related services (bookshop, ticketing, events) as well as in the design and publication of books and merchandising. These activities are carried out through 24 ORE Cultura S.r.l. and its subsidiary Ticket 24 ORE S.r.l.

RESULTS OF THE CULTURE AREA

Euro thousands	FY 2019	FY 2018	change %
Circulation revenues/other	12,146	15,608	-22.2%
Revenues	**12,146**	**15,608**	**-22.2%**
Gross operating margin (EBITDA)	1,097	1,900	-42.3%
EBITDA Margin %	9.0%	12.2%	-3.1 p.p.
Operating profit (loss)	93	1,517	-93.9%

Market performance

State museums and archaeological sites were visited by more than 55 million people in 2018, an increase of more than five million over 2017. The increase (+10.7%) concerns both paid admissions, 24,938,547 in 2018, 24,068,759 in 2017, and, to a greater extent, free admissions, which increased from 26,100,557 in 2017 to 30,565,825 in 2018 (Source: *Statistics Office - Ministry of Cultural Heritage and Activities and Tourism - Directorate General Budget February 2019)*. In 2019, the trends of 2018 are confirmed. It is worth noting that tourist presences are down by 205 million tourists (-1.1% of Italian tourists and -0.8% of foreign tourists (*source:* Italian Tourism Federation - Assoturismo - of 13 June 2019).

Area performance

The Culture area recorded revenues of Euro 12.1 million at 31 December 2019, down 22.2% compared to 2018, which recorded revenues of Euro 15.6 million.

In 2019, the EBITDA of the Culture area was positive by Euro 1.1 million and compares with a positive EBITDA of Euro 1.9 million in the previous year.

The main source of revenues comes from Mudec for a total of Euro 8.3 million thanks to the contribution of activities such as the organization of exhibitions, sponsorships, events and the management of on-site services, such as the Design Store, didactics, bookshops and parking.

In the first part of 2019, the exhibitions launched in the previous year continued: *Inside Magritte* at the Fabbrica del Vapore until 10 February, the exhibitions *Klee and Primitivism* until 3 March, *A visual protest. The Art of Banksy* until 14 April at Mudec and the exhibition *Animals. Steve McCurry* at Mudec Photo until 14 April, the new space dedicated to photography; the exhibition *I Macchiaioli. Italian art towards modernity* at the GAM in Turin until March 24.

The following exhibitions opened in 2019: *The Wonderful World of Nature* at the Palazzo Reale in Milan from 13 March to 14 July; *Roy Lichtenstein. Multiple Visions* at Mudec from 1 May to 8 September; *Liu Bolin. Visible Invisible* at Mudec Photo from 15 May to 15 September; *Pre-Raphaelites. Amore e Desiderio* at Palazzo Reale from 19 June to 6 October, *Impressions of the Orient. Art and Collecting* *between Europe and Japan,* 1 October 2019 - 2 February 2020; *Eliott Erwitt. Family*, at Mudec Photo, 16 October - 29 March 2020.

From 1 January to 31 December 2019, the exhibitions organized by 24 ORE Cultura in the various exhibition venues recorded a total of 655,034 visitors compared to 801,874 in 2018.

In 2019, Mudec recorded 471,664 visitors, including 353,231 paying visitors compared to a total of 624,096 including 500,186 paying visitors in 2018.

As far as foreign countries are concerned, the consultancy services for the Klee exhibition in Aix-en-Provence (France) and for the Frida exhibition in Assen (The Netherlands) and the *Banksy* project were completed. *A visual protest* (Finland).

Events

The Events Area operates in the management and organization, promotion and sale, both in Italy and abroad, of conferences, events, meetings, training and meetings also in collaboration with public and private entities. These activities are carried out through the company Il Sole 24 ORE Eventi S.r.l.

The Events Area was defined during 2019 through the incorporation in July 2019 of the company Il Sole 24 ORE Eventi S.r.l. wholly owned by Il Sole 24 ORE S.p.A.. In December, Il Sole 24 ORE Eventi S.r.l. completed the acquisition of the "Events BU" from Business School24 S.p.A. relating to the management of events through an asymmetric non-proportional demerger transaction. To complete the organizational structure of the Events Area in December, the operation for the contribution by the Parent Company of the "24ORE live" business unit was also completed. The "24ORE live" BU is the Group's structure that designs and organizes events to meet the needs of customers and disseminate the information assets of Il Sole 24 ORE. Tailor-made projects exploit different formats such as conventions, road shows and large events, whose contents range from finance to regulatory news, from culture to design, from sport to work, and are able to meet the needs of different targets, B2B and B2C.

COMMENTS ON THE ECONOMIC AND FINANCIAL RESULTS

24 ORE Group

Economic performance

The following table shows the Group's key figures.

In order to provide a better understanding of the figures presented here, it is recalled that the first-time adoption of the new accounting standard IFRS 16 has a significant impact on the presentation of the income statement. In particular, the application of the new standard entails recognizing the present value of future lease payments as an asset (right of use); these assets are then depreciated over the duration of the contract or, if shorter, over the useful life of the asset. The effects on the income statement are significant on interim results, in particular on the gross operating margin (EBITDA), which increased in 2019 by Euro 8.5 million.

As permitted by the standard, the Group has decided to apply the modified retrospective approach in the transition to the new standard and therefore, the figures for periods prior to the date of first application (1 January 2019) have not been restated compared to those historically prepared by applying the previous accounting standard.

SUMMARY CONSOLIDATED INCOME STATEMENT

Euro thousands	FY 2019	FY 2018
Revenues	198,737	211,324
Other operating income	11,717	10,067
Personnel costs	(80,825)	(85,616)
Change in inventories	782	(137)
Purchases of raw and consumable materials	(7,338)	(6,747)
Costs for services	(89,817)	(91,191)
Other operating costs	(10,143)	(22,812)
Provisions and bad debts	(2,071)	(7,875)
Gross operating margin	**21,042**	**7,012**
Amortization, depreciation and write-downs	(23,802)	(10,252)
Gains/losses on intangible and tangible assets	(1)	1
Operating profit (loss)	**(2,761)**	**(3,239)**
Financial income (expenses)	(2,332)	(2,698)
Gains (losses) on investments	4,694	1,024
Profit (loss) before taxes	**(398)**	**(4,913)**
Income taxes	(804)	(1,107)
Net profit (loss) from continuing operations	**(1,202)**	**(6,020)**
Profit (loss) from assets held for sale	-	-
Net profit (loss)	**(1,202)**	**(6,020)**
Profit (loss) attributable to minority shareholders	-	-
Net profit (loss) attributable to parent company shareholders	**(1,202)**	**(6,020)**

In 2019, the 24 ORE Group achieved **consolidated revenues** of Euro 198.7 million, which compares with a value of Euro 211.3 million in 2018 (Euro -12.6 million, or -6.0%). This change is due in particular to the decrease in advertising revenues of Euro 3.7 million (-4.3% from Euro 84.6 to Euro 81.0 million), publishing revenues of Euro 5.7 million (-5.3% from Euro 107.0 to Euro 101.3 million) and the decline in other revenues of Euro 3.3 million (-16.5% from Euro 19.7 to Euro 16.4 million).

The main dynamics that characterized consolidated revenues are:

- circulation revenues of the newspaper (print + digital) amounted to Euro 49.5 million, down by Euro 2.6 million (-5.0%) compared to 2018. Circulation revenues of the print newspaper amounted to Euro 31.5 million, down Euro 2.6 million (-7.5%) compared to 2018. Circulation revenues of the digital newspaper amounted to Euro 18.0 million, down by Euro 0.1 million (-0.4%) compared to 2018;
- advertising revenues of Euro 81.0 million were down Euro 3.7 million (-4.3%) on 2018. Advertising revenues on the Group's own media amounted to Euro 78.7 million (-4.1% compared with the previous year) and those on third-party media amounted to Euro 2.3 million (-10.5%). This result was affected by the continuing crisis in the press, which represents 47% of the concessionaire's total revenues, in addition to the termination of some third-party concessions and the reduction in financial advertising;
- database revenues of Euro 33.3 million are down 6.0% on the previous year. By product line, revenues from the Tax and Labour databases amounted to Euro 23.2 million, down 6.6%; revenues from Law amounted to Euro 6.4 million, down (-6.5%) compared to 2018; revenues from Construction and PA amounted to Euro 3.8 million, down 1.6% compared to 2018;
- revenues from the Culture Area, amounting to Euro 12.1 million, down Euro 3.5 million (-22.2%) on the previous year.

Circulation (paper + digital) of the daily newspaper Il Sole 24 ORE from January to December 2019 was 149,517 average copies per day (-10.6% vs. same period in 2018). Specifically, the average daily print circulation reported to ADS for the period January - December 2019 is 69,036 copies (-13.6% vs. 2018). Digital circulation reported to ADS was 80,481 average copies per day (-7.7% vs. 2018). The data refers to what the Publisher declared to ADS, considering that the new Additional Regulation for the execution of ADS assessments of digital editions, valid from the declaration of May 2017, provides for the possibility of declaration of multiple and promotional digital copies in the presence of adoption.

On 25 February 2019, the 24 ORE Group opened a discussion table with ADS to clarify some critical issues inherent in the requirements requested by ADS itself for the verification and certification of digital copies for the year 2017 with impacts also on the data declarations of subsequent periods. Based on these critical issues, on 5 March 2019, the auditor in charge of examining the 2017 annual figures declared by the Publisher sent ADS the outcome of the examination, issuing a qualified report with respect to the current requirements of the "Regulations for Digital Editions" and related "Technical Annex", in addition to the opinions of ADS itself, and correcting the data in the schedules.

The ADS Board discussed in depth in the ADS Technical Committee the issues on the critical issues in the Regulation raised in the 25 February 2019 letter. With regard to one of the issues raised by the 24 ORE Group relating to the certification of copies of the Il Sole 24 ORE daily newspaper circulated through multi-year subscriptions affected by the change in the VAT regime in 2016, Il Sole 24 ORE S.p.A. on 30 October 2019, received confirmation from ADS of its acceptance of the criterion for calculating the value of subscriptions, for their entire duration, based on the VAT rate in force at the time the subscription contracts were signed. The Company has informed the appointed auditor that it has updated its report and annual schedules for the year 2017 based on the guidance received from ADS.

As a result of these corrections, the ADS Board issued the certificate for the year 2017. However, the other critical issues on digital copies raised by the 24 ORE Group, although positively evaluated by the ADS Technical Committee for the purpose of drafting the new regulation for the certification of hard and digital copies under discussion at ADS, were not validated by the ADS Board for the year 2017. With reference to similar situations relating to 2018 data, if the ADS Board does not validate the findings on digital copies raised by the Publisher for that year either and the criteria applied for the year 2017 were therefore also applied for the following years, the total paper + digital circulation declared by ADS restated for the period January - December 2019 would be 140,642 copies (-5.9% compared to the figure declared by the Publisher) and the ADS figure processed for 2018 on the basis of the same criteria would be 158,762 copies (-5.0% compared to the figure declared by the Publisher).

In addition, as anticipated, most recently in the Interim Report of 30 September 2018, the Group asked an independent third-party company to express an opinion on the effective application of the appropriate procedures adopted for the calculation of the Total Paid For Circulation ("TPFC", i.e. the total number of daily paid sales of Il Sole 24 ORE in all markets through print and digital channels) at 31 December 2019; on conclusion of its checks, the independent third-party company issued an unqualified Assurance Report (ISAE 3000 - Limited assurance) on 10 March 2020.

Based on these procedures, the average Total Paid For Circulation for the period January-December 2019 was determined to be 186,542 thousand copies (-9.4% compared to 2018), including all multiple digital copies sold, but not reportable as circulated for ADS purposes and therefore not included in the relevant statement.

The 2019 **gross operating margin (EBITDA**) was a positive Euro 21.0 million and compares to a positive EBITDA of Euro 7.0 million in 2018. EBITDA benefited from non-recurring income and expenses, positive for Euro 7.4 million. In particular, income was recognized for a total of Euro 7.5 million, of which Euro 3.2 million related to the risk provision set aside in the previous year for the possible price adjustment for the disposal of the investment in Business School24 S.p.A, Euro 0.4 million for amounts received from former directors; Euro 2.3 million for releases of other provisions for risks; Euro 1.6 million for the partial restatement of the payable to personnel for restructuring expenses. Non-recurring expenses totalling Euro 0.1 million were recognized.

EBITDA for 2019 improved by Euro 14.0 million also due to the first-time adoption of IFRS 16. In fact, operating income from the sublease of properties was lower by Euro 1.9 million and lease and rental costs were lower by Euro 10.4 million, deriving from lease fees for the Group's offices, car rental fees and lease fees for the space for radio broadcasting equipment. Excluding the impact of the first-time application of IFRS 16 and net of non-recurring income and expenses, 2019 EBITDA was a positive Euro 5.2 million and compares with a positive EBITDA of Euro 9.5 million in 2018, down Euro 4.4 million. The change is mainly due to the decrease in revenues of Euro 12.6 million (-6.0%), partly offset by the reduction in costs.

Personnel costs of Euro 80.8 million were down by Euro 4.8 million (-5.6%) compared to 2018, when they amounted to Euro 85.6 million. The average number of employees, 905, decreased by 51 compared to the previous year when it was 956. In 2019, personnel costs of Euro 0.6 million were capitalized for internally developed software. Personnel costs net of non-recurring income and expenses amounted to Euro 82.4 million (-2.7% vs. 2018). In 2019, the liability to personnel for restructuring expenses was restated and a gain of Euro 1.6 million was recognized. On the basis of agreements signed with trade unions, the lower cost effect of the reduction in the average number of employees led to a redefinition, compared with the previous year, of the solidarity percentage applied to non-journalistic areas.

Net of non-recurring income and expenses and the first-time application of IFRS 16, **costs for services** of Euro 89.8 million were down Euro 1.2 million (1.2%) compared to 2018. The main changes are attributable to:

- printing costs down Euro 1.5 million (-39.9% from Euro 3.8 million to Euro 2.3 million);
- distribution costs down Euro 1.4 million (-6.9% from Euro 20.3 million to Euro 18.9 million);
- administrative services and IT services down Euro 1.2 million (-12.2% from Euro 9.8 million to Euro 8.6 million);
- insurance costs down by Euro 0.5 million (-33.2% from Euro 1.5 to 1.0 million);
- sundry production costs down Euro 0.5 million (-29.9% from Euro 1.7 million to Euro 1.2 million);
- editorial costs down Euro 0.3 million (-3.8% from Euro 6.9 million to Euro 6.6 million).

Other consulting costs increased by Euro 1.0 million (18.9% from Euro 5.0 to Euro 6.0 million), mainly for legal consultancy; sales costs of Euro 0.3 million (2.1% from Euro 16.0 to Euro 16.3 million) and commercial and promotional costs of Euro 1.8 million (26.2% from Euro 6.9 to Euro 8.7 million).

The 2019 **EBIT** was a loss of Euro 2.8 million and compares with a loss of Euro 3.2 million. Depreciation and amortization amounted to Euro 16.7 million compared to Euro 9.0 million in 2018. Impairment losses amounted to Euro 7.1 million (Euro 1.2 million in 2018) and included Euro 6.8 million relating to the recognition of the indemnity for the early termination of the lease agreement for the Milan office in Via Monte Rosa. The overall economic effect of the application of IFRS 16 led to the recognition of higher depreciation and amortization of Euro 8.7 million and higher expenses of Euro 0.3 million relating to changes in certain lease and sublease contracts for properties falling within the scope of IFRS 16. EBIT net of non-recurring income and expenses and of the first-time application of IFRS 16 was a negative Euro 2.8 million, compared with a positive Euro 0.5 million in the previous year.

The **loss before taxes** was Euro 0.4 million and compares with a loss of Euro 4.9 million in 2018. On 27 September 2019, an agreement was executed with Education Acquisitions Limited for the disposal of the investment held by Il Sole 24 ORE S.p.A. in Business School24 S.p.A. and the transfer of the Events business unit. As a result of this agreement, a gain of Euro 3.8 million was recognized, in addition to the income related to the valuation, until that date, of the investment in Business School24 S.p.A. in application of the equity method for Euro 0.8 million. Net financial expenses and income of Euro -2.3 million (Euro -3.2 million in 2018) had an impact. As a result of the first-time application of IFRS 16, the recognition of the financial liability arising from the present value of lease fees resulted in the recognition of net financial expenses, which amounted to Euro 1.0 million in 2019.

The loss before taxes net of non-recurring income and expenses and the first-time application of IFRS 16 was Euro 3.3 million, compared to a loss of Euro 0.2 million in 2018.

The **net loss attributable to shareholders of the parent company** was Euro 1.2 million and compares with a loss of Euro 6.0 million in 2018. The net loss attributable to shareholders of the parent company net of non-recurring income and expenses and the first-time application of IFRS 16 was Euro 4.8 million (Euro -1.3 million in 2018).

Alternative Performance Measures

In order to facilitate the understanding of the economic and financial performance of the 24 ORE Group, the directors have identified in the preceding paragraphs some Alternative Performance Measures (APM).

These indicators are also tools that help the directors themselves to identify operational trends and make decisions about investments, allocation of resources and other operational decisions. For a correct interpretation of these APMs, the following should be noted:

- these indicators are based exclusively on the Group's historical data and are not indicative of the Group's future performance;
- APMs are not required by international accounting standards (IFRS) and, although they are derived from the Group's consolidated financial statements, they are not subject to audit;
- APMs should not be considered as a substitute for the indicators provided for by the reference accounting standards (IFRS);
- the reading of said APMs must be carried out together with the Group's financial information taken from the consolidated financial statements of the 24 ORE Group;
- the definitions of the indicators used by the Group, insofar as they do not derive from the reference accounting standards, may not be consistent with those adopted by other groups/companies and therefore comparable with them;
- the APMs used by the Group are elaborated with continuity and uniformity of definition and representation for all the periods for which financial information is included in these financial statements.

The APMs shown below have been selected and represented in the Report on Operations as the Group believes that:

- the net financial position, together with other indicators such as net financial position/equity, allows for a better assessment of the overall level of debt, equity solidity and debt repayment capacity;
- the Gross Operating Margin (EBITDA), the EBITDA margin, and the Operating profit (loss) (EBIT) (also in the version net of non-recurring income and expenses), together with other indicators of relative profitability, illustrate changes in operating performance and provide useful information on the Group's ability to sustain its debt; these indicators are also commonly used by analysts and investors in the sector to which the Group belongs, in order to evaluate company performance.

Statement of financial position

For the sake of consistent comparison, the comments on the statement of financial position are made by comparing the figures at 31 December 2019 with those at 1 January 2019, which incorporate the effects of IFRS 16.

SUMMARY STATEMENT OF FINANCIAL POSITION

Euro thousands	31.12.2019	Value 1.1.2019	Effect IFRS 16	31.12.2018
Non-current assets	129,478	147,774	29,588	118,186
Current assets	84,111	101,967	2,006	99,961
Total assets	**213,589**	**249,741**	**31,594**	**218,147**
Group equity	36,572	38,386	2,539	35,847
Minority interests	-	-	-	-
Total equity	**36,572**	**38,386**	**2,539**	**35,847**
Non-current liabilities	49,325	67,511	21,845	45,666
Current liabilities	127,693	143,845	7,210	136,635
Total liabilities	**177,018**	**211,355**	**29,055**	**182,300**
Total equity and liabilities	**213,589**	**249,741**	**31,594**	**218,147**

Non-current assets amounted to Euro 129.5 million compared to Euro 147.8 million at 1 January 2019, a decrease of Euro 18.3 million. In particular:

- investments in associates and joint ventures decreased by Euro 18.4 million following the execution of the agreement for the disposal of the investment in Business School24 S.p.A. and the transfer of the Events BU;
- deferred tax assets amounted to Euro 23.8 million, a decrease of Euro 1.5 million compared to 31 December 2018, of which Euro 19.7 million related to tax assets recognized on tax loss that can be carried forward and Euro 4.1 million related to assets recognized on other temporary differences. It should be noted that no new deferred tax assets have been recognized on losses since 2013 and no tax assets have been recognized on new deductible temporary differences since 2019, pending the Group's return to positive taxable income. The additional theoretical tax asset on losses - determined on the basis of the last tax return filed – that the Group did not recognize, amounted to Euro 67.3 million;
- intangible assets amounted to Euro 40.6 million, of which Euro 27.9 million related to radio frequencies and Euro 12.7 million to licences and software, including projects in progress. Investments amounted to Euro 7.4 million and depreciation and amortization to Euro 4.8 million;
- goodwill amounted to Euro 22.0 million, up by Euro 6.5 million compared to 31 December 2018 following the disposal of the remaining 49% of Business School24 S.p.A. and the repurchase of the Events business unit;
- property, plant and equipment amounted to Euro 26.1 million, including Euro 11.5 million for rights of use under IFRS 16, the value of which was Euro 25.0 million at 1 January 2019. In 2019, rights of use increased by the present value of new contracts of Euro 1.9 million and by Euro 0.6 million for the adjustment of the duration of the broadcasting facilities to the plan duration. The depreciation of rights of use amounted to Euro 8.7 million. Other property, plant and equipment amounted to Euro 14.6 million, depreciated by Euro 3.2 million and investments for 2019 amounted to Euro 1.2 million;
- other non-current assets amounted to Euro 16.3 million (Euro 8.2 million at 1 January 2019) and included the receivable from Education Acquisitions Limited related to the disposal of the investment in Business School24 S.p.A.. The receivable of Euro 15.2 million is attributable to the present value at 31 December 2019 of the deferred component, maturing no later than 31 December 2021 of a nominal amount of Euro 16.5 million. This receivable has been discounted at a rate of 4.2%. In addition, Euro 0.9 million was recognized relating to medium-term financial receivables arising from the application of IFRS 16 equal to the present value of collections due under sublease agreements, the value of which was Euro 4.5 million at 1 January 2019. The contractual variations resulting from the disposal of the investment in Business School24 S.p.A. on the sublease agreements led to the write-down of the financial receivable by Euro 0.5 million and the reclassification of Euro 1.8 million from financial receivables to the item "rights of use" (subsequently written down by Euro 0.9 million).

Current assets amounted to Euro 84.1 million compared to Euro 102.0 million at the beginning of the year, a decrease of Euro 17.9 million compared to 1 January 2019. Trade receivables decreased by Euro 8.7 million and cash and cash equivalents decreased by Euro 6.9 million compared to the beginning of the year to Euro 15.7 million.

Equity amounted to Euro 36.6 million, a decrease of Euro 1.8 million compared to 1 January 2019, when it amounted to Euro 38.4 million, due to the result for 2019, which was negative by Euro 1.2 million, and the actuarial valuation of employee severance indemnity (TFR), which resulted in a negative effect of Euro 0.6 million.

Non-current liabilities amounted to Euro 49.3 million, of which Euro 4.8 million refer to the financial payable arising from lease contracts relating to the Group's offices, car rentals and leases of space held for the positioning of radio broadcasting equipment owned by the Group. In addition, the financial payable was recognized amounting to Euro 6.8 million attributable to the present value at 31 December 2019 of the deferred component, relating to the indemnity deriving from the settlement agreement for the early termination of the lease agreement for the Milan - Via Monte Rosa office. Deferred taxes amounted to Euro 6.0 million and include the liability that arises from temporary differences between the new values recognized in accordance with IFRS 16 and the corresponding tax values. The contractual variations resulting from the disposal of the investment in Business School24 S.p.A. on the sublease agreements resulted in the release of deferred taxes of Euro 0.7 million. Provisions for risks and charges amounted to Euro 9.7 million and decreased by Euro 7.4 million mainly due to the release of Euro 3.2 million allocated in the previous year for the possible price adjustment for the disposal of the investment in Business School24 S.p.A, for the release of the provision for risks of Euro 1.1 million for the restatement of contingent liabilities, including tax liabilities, connected with the outcome of criminal proceedings no. 5783/17 R.G.N.R., for the release of the provision for risks for disputes relating to the company 24 ORE Cultura of Euro 0.7 million following the signing of a settlement agreement and release of the provision for social security risks of Euro 0.4 million. At 31 December 2019, the provision has been restated on the basis of potential residual criticalities for the application and management of social shock absorbers.

Current liabilities amounted to Euro 127.7 million, down Euro 16.1 million from Euro 143.8 million at the beginning of the year. Current liabilities include the liability for restructuring expenses, which decreased by Euro 7.0 million in 2019, including Euro 5.4 million for disbursements made and Euro 1.6 million for the partial restatement of debt. Current financial liabilities related to contracts under IFRS 16 amounted to Euro 8.7 million.

Statement of Cash Flows

Total cash flow for the period was negative at Euro 6.9 million and compares with negative cash flow of Euro 10.4 million in 2018.

Below is a summary of the financial figures:

SUMMARY CONSOLIDATED FINANCIAL FIGURES	FY 2019	FY 2018
Profit (loss) before taxes from continuing operations attributable to the Group	(398)	(4,913)
Adjustments	13,810	18,562
Changes in net working capital	40	(22,252)
Total cash flow from operating activities	**13,452**	**(8,603)**
Investments	(8,614)	(4,216)
Proceeds from disposal of investments	5,000	2,228
Other changes	1,761	14
Cash flow from investing activities	**(1,853)**	**(1,973)**
Free cash flow	**11,600**	**(10,576)**
Cash flow from financing activities	**(18,531)**	**147**
Change in cash and cash equivalents	**(6,931)**	**(10,429)**
Cash and cash equivalents:		
At the beginning of the year	22,053	32,482
At the end of the year	15,122	22,053
Change in cash and cash equivalents	**(6,931)**	**(10,429)**

Cash flow from operating activities was a positive Euro 13.5 million, compared with a negative Euro 8.6 million in the previous year, and is attributable to operating performance, which includes the payment of non-recurring expenses relating to leaving incentives paid during the period. The application of IFRS 16 resulted in an increase in cash flow from operating activities of Euro 8.9 million due to:

- increase in cash flow from investing activities of Euro 1.8 million, deriving from the collection of financial receivables recognized in connection with the subleases of the Milan and Rome properties, which following the application of IFRS 16 were recognized as finance leases, while under IAS 17, they were recognized as operating leases and recognized in operating cash flow;
- a decrease in cash flow from financing activities of Euro 10.7 million, related to the payment of financial payables and the related interest expense, recognized in accordance with IFRS 16, instead of the lease payments previously recognized in accordance with IAS 17 and recognized in operating cash flow.

The change in cash flow from operating activities compared to the previous year was also affected by the following positive components: i) lower disbursements related to restructuring expenses of Euro 5.4 million in 2019 compared to Euro 9.7 million in 2018, ii) negative change in trade payables of Euro 1.8 million in 2019 lower than the negative change of Euro 22.0 million in 2018.

Cash flow from investing activities was negative by Euro 1.9 million and included Euro 8.6 million related to 2019 operating investments and partially offset by Euro 5.0 million related to the collection of the first tranche of the consideration related to the disposal of the investment held by Il Sole 24 ORE S.p.A. into Business School24 S.p.A. This flow compares with the negative value of the previous year of Euro 2.0 million, which included Euro 4.2 million referring to operating investments in the year 2018 partially offset by Euro 2.2 million referring to collections related to the disposal of 2% of the investment in Business School24 S.p.A. and the investment held in Newton Management Innovation S.p.A.

The **cash flow from financing activities** was negative by Euro 18.5 million compared with positive cash flow of Euro 0.1 million in the previous year. The change compared with the previous year is due mainly to changes in financial payables and receivables related to the adoption of IFRS 16 and the performance of the short-term financial payable related to the securitization transaction.

Net financial position

The net financial position at 31 December 2019 was a negative Euro 26.3 million, compared with a negative Euro 34.9 million at 1 January 2019 (at 31 December 2018 the net financial position was a negative Euro 5.9 million), an improvement of Euro 8.6 million. The change in the net financial position mainly relates to the collection of the first tranche, amounting to Euro 5.0 million, of the consideration for the disposal of a portion of the investment held by Il Sole 24 ORE S.p.A. in Business School24 S.p.A. on 27 September 2019, and to the performance in the flow of operating activities, which includes the payment of non-recurring expenses relating to leaving incentives paid during the year.

The Group's current net financial position is a negative Euro 10.3 million. The Group also has unused and fully available revolving lines of Euro 30.0 million.

NET FINANCIAL POSITION OF THE 24 ORE GROUP

Euro thousands	31.12.2019	01.01.2019	1st application IFRS 16	31.12.2018
A. Cash	87	269	-	269
B. Other cash and cash equivalents (bank and postal accounts)	15,644	22,361	-	22,361
C. Securities held for trading	-	-	-	-
D. Liquidity (A) + (B) + (C)	**15,731**	**22,630**	**-**	**22,630**
E. Current financial receivables	**1,384**	**2,006**	**2,006**	**-**
F. Current bank payables	(15,706)	(17,891)	-	(17,891)
G. Current portion of non-current debt	(609)	(576)	-	(576)
H. Other current financial payables	(11,150)	(15,373)	(10,296)	(5,077)
I. Current financial debt (F) + (G) + (H)	**(27,464)**	**(33,841)**	**(10,296)**	**(23,545)**
J. Current net financial position (I) + (E) + (D)	**(10,349)**	**(9,205)**	**(8,290)**	**(915)**
K. Non-current bank debt	(11,131)	(4,982)	-	(4,982)
L. Bonds issued	-	-	-	-
M. Other non-current payables	(4,813)	(20,683)	(20,683)	-
N. Non-current financial debt (K) + (L) + (M)	**(15,944)**	**(25,665)**	**(20,683)**	**(4,982)**
O. Net financial position (J) + (N)	**(26,293)**	**(34,870)**	**(28,973)**	**(5,897)**

Il Sole 24 ORE S.p.A.

Application of new accounting standards

Effects of first-time application of IFRS 16 on the income statement

With the application of IFRS 16, gross operating margin (EBITDA) in 2019 increased by Euro 8.5 million, compared to the recognition method in accordance with IAS 17, due to:

- lower operating income of Euro 1.6 million. This is income from the subleases of properties in Milan and Rome, which following the application of IFRS 16 have been recognized as financial leases, while under IAS 17 they were recognized as operating leases;
- lower costs for rents and leases amounting to Euro 10.1 million were recorded, deriving from lease fees for the Group's offices, car rental fees and lease fees for the space for radio broadcasting equipment. The application of IFRS 16 results in the Group's income statement recognizing the depreciation of rights of use and interest on financial liabilities, instead of the lease payments previously recognized in accordance with IAS 17.

As a result of the application of IFRS 16, operating profit (loss) decreased by Euro 0.2 million, due to the above and the recognition of depreciation on rights of use, which amounted to Euro 8.5 million in 2019. On 27 September 2019, an agreement was executed with Education Acquisitions Limited for the sale of the investment held by Il Sole 24 ORE S.p.A. in Business School24 S.p.A. As a result of this agreement, some existing contracts were amended, including those relating to the subleases of properties, the overall economic effect of which, on the basis of the application of IFRS 16, led to the recognition of higher expenses of Euro 0.9 million. In December, the Company signed the lease agreement for the new Milan office in Viale Sarca, which is expected to be delivered (and therefore recognized) by the end of 2020. This decision entailed a change in the existing contractual terms of the Via Monte Rosa office in Milan, the early repayment of which at 31 December 2020 resulted in the recognition of income of Euro 0.4 million and an expense of Euro 6.7 million, as reported below in the section Impact of non-recurring income and expenses.

In addition, the recognition of the right of use of the asset has resulted in the recognition in the financial statements of:

- a financial liability, on which financial expenses are recognized, amounting to Euro 1.2 million in 2019;
- financial receivables, which resulted in the recognition of financial income of Euro 0.2 million.

Lastly, as a result of the effects detailed above, a positive tax effect of Euro 0.5 million was recognized during the year.

Below are the effects on the 2019 summary income statement:

SUMMARY INCOME STATEMENT OF IL SOLE 24 ORE S.p.A. - IFRS 16 EFFECTS			
Euro thousands	FY 2019	Effect of applying IFRS 16	FY2019 net of application of IFRS16
Revenues	186,823	-	186,823
Other operating income	11,562	(1,630)	13,191
Direct and operating costs	(176,865)	10,107	(186,972)
Provisions and bad debts	(2,077)	-	(2,077)
Gross operating margin	**19,443**	**8,478**	**10,965**
Amortization, depreciation, write-downs, gains and losses	(22,754)	(8,378)	(14,376)
Operating profit (loss)	**(3,311)**	**99**	**(3,411)**
Financial income (expenses)	(2,325)	(974)	(1,351)
Gains (losses) on investments	6,520	-	6,520
Profit (loss) before taxes	**884**	**(875)**	**1,759**
Income taxes	(914)	497	(1,412)
Net profit (loss)	**(30)**	**(377)**	**347**

Effects of first-time application of IFRS 16 on the statement of financial position

The application of IFRS 16 resulted in the following effects on the opening financial position at 1 January 2019 compared to the annual financial statements for the year ended 31 December 2018.

- Recognition among non-current assets of the right of use of the assets covered by the contract. They consist in particular of property leases, hardware and car rentals and leases of space and areas held for the positioning of radio broadcasting equipment owned by the Group. The value as of 1 January 2019 of the rights of use determined in this manner is Euro 23.5 million.
- Recognition of other non-current assets amounting to Euro 4.1 million, of which Euro 1.1 million related to the alignment of the investment in the subsidiary 24 ORE Cultura S.r.l. to the equity recalculated following the first-time application of IFRS 16 and Euro 3.0 million of non-current financial receivables. Current financial receivables were recognized for Euro 1.8 million for the portion of receivables related to subleases of properties to third parties classified as finance leases.
- Recognition of short and medium/long-term financial liabilities arising from the present value of future lease payments. The value at 1 January 2019 of non-current financial liabilities was Euro 21.7 million, that of current financial liabilities was Euro 7.6 million.
- Recognition of deferred taxes to recognize the liability that arises from temporary differences between the new values recognized in accordance with IFRS 16 and the corresponding tax value, amounting to Euro 0.7 million.
- A decrease of Euro 3.1 million in deferred income, previously recognized as trade payables, related to the accounting treatment of Group office leases in accordance with IAS 17.
- Increase in equity, recognized in profits and losses carried forward, of Euro 2.5 million deriving from the recognition of property subleases to third parties totalling Euro 2.1 million, net of the related deferred taxes of Euro 0.7 million and for the recognition in equity of the valuation at 1 January 2019 of the income from the valuation of the investment in 24 ORE Cultura S.r.l.

Below are the effects of first-time application of IFRS 16 on the summary statement of financial position at 1 January 2019:

SUMMARY STATEMENT OF FINANCIAL POSITION - IL SOLE 24 ORE S.p.A.				
Euro thousands	31.12.2019	Value 1.1.2019	Effect IFRS 16	31.12.2018
Non-current assets	129,437	146,358	27,645	118,713
Current assets	78,099	90,736	1,752	88,984
Total assets	**207,536**	**237,094**	**29,397**	**207,697**
Equity	36,581	37,216	2,539	34,677
Total equity	**36,581**	**37,216**	**2,539**	**34,677**
Non-current liabilities	46,846	63,833	22,361	41,472
Current liabilities	124,110	136,045	4,497	131,548
Total liabilities	**170,956**	**199,878**	**26,858**	**173,020**
Total equity and liabilities	**207,536**	**237,094**	**29,397**	**207,697**

Effects of first-time application of IFRS 16 on the statement of cash flows

The application of IFRS 16 has resulted in significant changes to some items in the statement of cash flows. In particular, with the application of IFRS 16, cash flow from operating activities increased by Euro 8.7 million due to:

- increase in cash flow from investing activities of Euro 1.7 million, deriving from the collection of financial receivables recognized in connection with the subleases of the Milan and Rome properties, which following the application of IFRS 16 were recognized as finance leases, while under IAS 17, they were recognized as operating leases and recognized in operating cash flow;
- a decrease in cash flow from financing activities of Euro 10.4 million, related to the payment of financial payables and the related interest expense, recognized in accordance with IFRS 16, instead of the lease payments previously recognized in accordance with IAS 17 and recognized in operating cash flow.

Effects of first-time application of IFRS 16 on the net financial position

Adjustments to the Company's net financial position as of 1 January 2019, introduced as a result of the first-time application of IFRS 16, totalled Euro 27.5 million, broken down as follows:

- Euro 1.8 million in current financial receivables for the portion relating to subleases of properties to third parties;
- Euro 29.3 million in financial payables, including Euro 7.6 million in current financial payables and Euro 21.7 million in non-current financial payables, deriving from lease contracts relating to the Company's offices, capital goods (hardware and vehicle rentals) and lease of space and areas held for the positioning of radio broadcasting equipment owned by the Company.

Below are the effects on the statement of Net Financial Position for the first-time application of IFRS 16 as of 1 January 2019:

NET FINANCIAL POSITION OF IL SOLE 24 ORE S.p.A.			
Euro thousands	01.01.2019	1st application IFRS 16	31.12.2018
A. Cash	25	-	25
B. Other cash and cash equivalents (bank and postal accounts)	19,783	-	19,783
C. Securities held for trading	-	-	-
D. Liquidity (A) + (B) + (C)	**19,807**	**-**	**19,807**
E. Current financial receivables	**1,752**	**1,752**	**0**
F. Current bank payables	(17,891)	-	(17,891)
G. Current portion of non-current debt	(576)	-	(576)
H. Other current financial payables	(16,225)	(7,582)	(8,643)
I. Current financial debt (F) + (G) + (H)	**(34,692)**	**(7,582)**	**(27,110)**
J. Current net financial position (I) + (E) + (D)	**(13,133)**	**(5,830)**	**(7,303)**
K. Non-current bank debt	(4,982)	-	(4,982)
L. Bonds issued	-	-	-
M. Other non-current payables	(21,689)	(21,689)	-
N. Non-current financial debt (K) + (L) + (M)	**(26,671)**	**(21,689)**	**(4,982)**
O. Net financial position (J) + (N)	**(39,804)**	**(27,519)**	**(12,285)**

The nature of these effects is described in greater detail in the corresponding section of the Parent Company entitled "New accounting standards, interpretations and amendments adopted by the Company".

Economic performance

SUMMARY INCOME STATEMENT OF THE PARENT COMPANY		
Euro thousands	FY 2019	FY 2018
Revenues	186,823	195,980
Other operating income	11,562	10,699
Personnel costs	(79,226)	(83,940)
Change in inventories	885	(183)
Purchases of raw and consumable materials	(6,895)	(6,120)
Costs for services	(82,869)	(85,744)
Other operating costs	(8,759)	(20,505)
Provisions and bad debts	(2,077)	(6,497)
Gross operating margin	**19,443**	**3,691**
Amortization, depreciation and write-downs	(22,753)	(9,867)
Gains/losses on intangible and tangible assets	(1)	1
Operating profit (loss)	**(3,311)**	**(6,175)**
Financial income (expenses)	(2,325)	(2,643)
Gains (losses) on investments	6,520	1,583
Profit (loss) before taxes	**884**	**(7,236)**
Income taxes	(914)	(45)
Net profit (loss) from continuing operations	**(30)**	**(7,280)**
Profit (loss) from assets held for sale	-	-

Net profit (loss)	**(30)**	**(7,280)**

The Parent Company closed 2019 with revenues of Euro 186.8 million, which compares with a value of Euro 196.0 million (Euro -9.2 million; equal to -4.7%). This change is due in particular to the decrease in publishing revenues of Euro 5.5 million (-5.2%) and the decline in advertising revenues of Euro 3.7 million (-4.4%).

Costs for services amounted to Euro 82.9 million, down by Euro 2.9 million (-3.4%) compared to 2018. The main decreasing cost items are:

- distribution costs down Euro 1.3 million, printing costs down Euro 1.5 million;
- editorial costs down Euro 0.3 million;
- commissions and other sales expenses down Euro 1.8 million (-9.6%);
- administrative services and IT services down Euro 1.2 million (-12.3%).

Personnel costs of Euro 79.2 million were down by Euro 4.7 million (-5.6%) compared to 2018, when they amounted to Euro 83.9 million. The average number of employees, 876, decreased by 50 compared to the previous year when it was 926. In 2019, personnel costs of Euro 0.6 million were capitalized for internally developed software. Personnel costs net of non-recurring income and expenses amounted to Euro 80.8 million (-2.7% vs. 2018). In 2019, the liability to personnel for restructuring expenses was restated and a gain of Euro 1.6 million was recognized. On the basis of agreements signed with trade unions, the lower cost effect of the reduction in the average number of employees led to a redefinition, compared with the previous year, of the solidarity percentage applied to non-journalistic areas.

EBITDA was a positive Euro 19.4 million and compares with a positive Euro 3.7 million in 2018. EBITDA net of the effects of applying IFRS 16 was Euro 11.0 million.

EBIT was negative by Euro 3.3 million and compares with a negative EBIT of Euro 6.2 million in 2018. EBIT net of the effects of applying IFRS 16 was a negative Euro 3.4 million.

Amortization, depreciation and write-downs amounted to Euro 22.8 million compared to Euro 9.9 million in 2018. This item includes impairment losses for Euro 6.6 million (Euro 1.3 million in 2018) and related to Euro 6.8 million for the recognition of the indemnity for the early termination of the lease agreement for the Milan office in Via Monte Rosa. The overall economic effect of the application of IFRS 16 led to the recognition of higher depreciation and amortization of Euro 8.5 million and higher income of Euro 0.1 million relating to changes in certain lease and sublease contracts for properties falling within the scope of IFRS 16.

The **profit before taxes** was Euro 0.9 million and compares with a loss of Euro 7.2 million in 2018. The result includes the net gain of Euro 6.0 million realized on the disposal of the investment held by Il Sole 24 ORE S.p.A. in Business School24 S.p.A. and the transfer of the Events BU.

Net financial expenses and income of Euro -2.3 million (Euro -2.6 million in 2018) had an impact.

A **Net loss** of Euro 30 thousand was recorded, compared to a loss of Euro 7.3 million in 2018.

BREAKDOWN OF NON-RECURRING INCOME AND EXPENSES IL SOLE 24 ORE S.p.A.		
Euro thousands	FY 2019	FY 2018
Gross operating margin (EBITDA)	**19,443**	**3,691**
IFRS 16 effects	8,478	-
EBITDA net of IFRS 16	**10,965**	**3,691**
Compensation for damages to former directors	400	
Expenses for contract termination of former Chief Executive Officer	-	(554)
Costs related to the termination of executive employment relationships	-	(911)
Releases (provisions) for contractual risks	3,200	(3,200)
Release of risk provision for contingent liabilities, including tax, connected with the outcome of criminal proceedings no. 5783/17 R.G.N.R.	1,095	-
Release of provision for social security risks	400	
Releases (provisions) for legal risks	140	(140)
Recalculation of payable for personnel restructuring expenses	1,559	
Expenses for disposal of production plants	(90)	-
Non-recurring operating income and expenses	-	3,219
Administrative penalty related to the acceptance of the plea bargain on crim. proc. no. 5783/17 R.G.N.R	(50)	-
Total non-recurring income and expenses with impact on EBITDA	**6,654**	**(1,586)**
EBITDA net of non-recurring income and expenses and IFRS 16 effects	**4,311**	**5,277**
Operating profit (loss) (EBIT)	**(3,311)**	**(6,175)**
IFRS 16 effects	99	
of which non-recurring IFRS 16 expenses (contractual variations)	*(144)*	
Net operating profit (loss) (EBIT) net of first-time application of IFRS 16	**(3,411)**	**(6,175)**
Total non-recurring income and expenses with impact on EBITDA	**6,654**	**(1,586)**
Effects of early termination of lease contract Milan - Via Monte Rosa office	(6,745)	
Write-down of rotary press Bologna	-	(735)
Write-down from impairment test	-	(513)
Total non-recurring income and expenses with impact on EBIT	**(91)**	**(2,834)**
EBIT net of non-recurring income and expenses and IFRS 16 effects	**(3,319)**	**(3,341)**
Profit (loss) before taxes	**884**	**(7,236)**
IFRS 16 effects	(875)	-
Profit (loss) before taxes net of IFRS 16	**1,759**	**(7,236)**
Financial expenses from discounting of payable for restructuring expenses	-	(889)
Gain on disposal of Business School24 S.p.A.	6,037	
Total non-recurring income and expenses on profit (loss) before taxes	**5,946**	**(3,723)**
Profit (loss) before taxes net of non-recurring income and expenses and IFRS 16 effects	**(4,187)**	**(3,512)**
Net profit (loss)	**(30)**	**(7,280)**
IFRS 16 effects	(378)	-
Net profit (loss) net of IFRS 16	**348**	**(7,280)**
Total non-recurring income and expenses	**5,946**	**(3,723)**
Net profit (loss) net of non-recurring income and expenses and IFRS 16 effects	**(5,598)**	**(3,557)**

Statement of financial position

Il Sole 24 ORE S.p.A. closed 2019 with a loss of Euro 30 thousand and had **Equity of Euro 36.6 million**, up Euro 1.9 million from equity of Euro 34.7 million at 31 December 2018 due to the following effects:

- decrease of Euro 0.6 million due to the effect of the actuarial valuation of the employee severance indemnity (TFR);
- loss for the year of Euro 30 thousand;
- effect of the first-time application of the new IFRS 16 standard for Euro 2.5 million.

SUMMARY STATEMENT OF FINANCIAL POSITION - IL SOLE 24 ORE S.p.A.				
Euro thousands	31.12.2019	Value 1.1.2019	Effect IFRS 16	31.12.2018
Non-current assets	129,437	146,358	27,645	118,713
Current assets	78,099	90,736	1,752	88,984
Total assets	**207,536**	**237,094**	**29,397**	**207,697**
Equity	36,581	37,216	2,539	34,677
Total equity	**36,581**	**37,216**	**2,539**	**34,677**
Non-current liabilities	46,846	63,833	22,361	41,472
Current liabilities	124,110	136,045	4,497	131,548
Total liabilities	**170,956**	**199,878**	**26,858**	**173,020**
Total equity and liabilities	**207,536**	**237,094**	**29,397**	**207,697**

Statement of Cash Flows

SUMMARY FINANCIAL FIGURES - IL SOLE 24 ORE S.p.A.		
	FY 2019	FY 2018
Profit (loss) before taxes from continuing operations attributable to the Group	884	(7,236)
Adjustments	12,803	12,743
Changes in net working capital	(996)	(23,805)
Total cash flow from operating activities	**12,691**	**(18,298)**
Investments	(8,556)	(4,208)
Proceeds from disposal of investments	5,000	2,228
Other changes	1,490	906
Cash flow from investing activities	**(2,066)**	**(1,074)**
Free cash flow	**10,625**	**(19,372)**
Cash flow from financing activities	**(17,496)**	**11,487**
Change in cash and cash equivalents	**(6,871)**	**(7,886)**
Cash and cash equivalents:		
At the beginning of the year	19,231	27,116
At the end of the year	12,360	19,231
Change in cash and cash equivalents	**(6,871)**	**(7,886)**

Net financial position

The net financial position at 31 December 2019 was a negative Euro 30.7 million, compared with a negative Euro 39.8 million at 1 January 2019 (at 31 December 2018 the net financial position was a negative Euro 12.3 million), an improvement of Euro 9.1 million. The change in the net financial position mainly relates to the trend in cash flow from operating activities, which includes the payment of non-recurring expenses relating to the leaving incentives paid during the period, and the collection of the first tranche, amounting to Euro 5.0 million, of the consideration relating to the disposal of part of the investment held by Il Sole 24 ORE S.p.A. in Business School24 S.p.A. on 27 September 2019.

The Company's current net financial position is a negative Euro 16.0 million. The Group also has unused and fully available revolving lines of Euro 30.0 million.

NET FINANCIAL POSITION OF IL SOLE 24 ORE S.p.A.				
Euro thousands	31.12.2019	01.01.2019	1st application IFRS 16	31.12.2018
A. Cash	31	25	-	25
B. Other cash and cash equivalents (bank and postal accounts)	12,938	19,783	-	19,783
C. Securities held for trading	-	-	-	-
D. Liquidity (A) + (B) + (C)	**12,969**	**19,807**	**-**	**19,807**
E. Current financial receivables	**1,230**	**1,752**	**1,752**	**0**
F. Current bank payables	(15,706)	(17,891)	-	(17,891)
G. Current portion of non-current debt	(609)	(576)	-	(576)
H. Other current financial payables	(13,916)	(16,225)	(7,582)	(8,643)
I. Current financial debt (F) + (G) + (H)	**(30,230)**	**(34,692)**	**(7,582)**	**(27,110)**
J. Current net financial position (I) + (E) + (D)	**(16,031)**	**(13,133)**	**(5,830)**	**(7,303)**
K. Non-current bank payables	(11,131)	(4,982)	-	(4,982)
L. Bonds issued	-	-	-	-
M. Other non-current payables	(3,524)	(21,689)	(21,689)	-
N. Non-current financial debt (K) + (L) + (M)	**(14,655)**	**(26,671)**	**(21,689)**	**(4,982)**
O. Net financial position (J) + (N)	**(30,687)**	**(39,804)**	**(27,519)**	**(12,285)**

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE (ARTICLE 123-BIS OF LEGISLATIVE DECREE 58 OF 24 FEBRUARY 1998)

Il Sole 24 ORE S.p.A., with a resolution of the Shareholders' Meeting of 20 August 2007, adhered for the first time to the Corporate Governance Code for listed companies. Adherence was confirmed by subsequent resolutions of the Board of Directors in relation to the individual amendments approved from time to time to the Corporate Governance Code by the Corporate Governance Committee.

In accordance with the provisions of the Corporate Governance Code, the company communicates from time to time any exceptions to the individual principles of the Code.

The primary objective of the corporate governance system adopted by the Company is to create value for shareholders, in the awareness of the importance of transparency in the choices and formation of corporate decisions, as well as the need to set up an effective internal control system.

In order to illustrate the Company's corporate governance system, pursuant to articles 123-bis of the Consolidated Law on Finance, 89-bis of Consob Issuers' Regulation and article IA.2.6 of the Instructions to the Stock Exchange Regulation, the Corporate Governance Report was prepared which, in addition to providing a description of the corporate governance system adopted by the Group, contains information on the ownership structure, adherence to the Corporate Governance Code and compliance with the consequent commitments.

In compliance with applicable regulations, the Corporate Governance Report approved each year by the Company's Board of Directors illustrates the Corporate Governance system of Il Sole 24 ORE and indicates the concrete ways in which the Company has implemented the provisions of the Code, the text of which is available on the website of Borsa Italiana at http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm.

MAIN RISKS AND UNCERTAINTIES

In the context of the activity carried out, the 24 ORE Group is exposed to a series of risks that could limit or prevent the achievement of the objectives defined. The Chief Executive Officer, also in the capacity as Director in charge of overseeing the internal control and risk management system, is responsible for identifying the main corporate risks, taking into account the characteristics of the activities carried out by the Parent Company and its subsidiaries, and periodically submits them to the Board of Directors for examination.

Below is a representation of the main risks for the 24 ORE Group.

Strategic/market risks

Risks related to the non-implementation of the 2020-2023 Plan

The 2019 financial year was characterized by a particularly challenging market scenario marked by a general weakness that affected the performance of all operators in the sector, highlighting a worsening trend compared to initial expectations.

In particular, the advertising market of reference closed 2019 with a 4.5% decline compared to the previous year. The negative trend is confirmed for the press (-12.6%), with double-digit declines in both components: newspapers (net local) -11.2% and magazines -13.9%. Growth in radio (+1.7%) and Internet (+3.5%) *(Source: Nielsen - January-December 2019).*

In terms of circulation, ADS data for major national newspapers indicate a decline in total circulation of print copies added to digital copies of -6.9% for 2019 compared to 2018, with a decline in circulation of the print version of -8.3% and digital circulation of -1.1% *(Source: ADS data processing January - December 2019)*.

This lower-than-expected performance affected the overall performance of the Group, which closed 2019 with consolidated revenues lower than budget (-7.1%) although with EBITDA margin substantially in line with forecasts thanks to the cost rationalization and control actions implemented by management, in addition to the contribution of extraordinary and/or non-recurring transactions.

The negative variance in revenues with respect to expectations is affected by the aforementioned structural decline in the reference market in terms of both advertising revenues and circulation, which have shown a worsening trend compared to initial estimates, in addition to the delay, compared to budget forecasts, in the launch by the Company of some of the new initiatives envisaged in the Plan (including the entry into the software market and the launch of Partner24), also in view of the status of the products at the beginning of 2019, the sales networks and time required for the development of new products.

The estimates contained in the 2020-2023 Plan have therefore been revised to reflect updated forecasts of market trends as well as the different evolution of some of the initiatives planned for 2019 and to incorporate the contribution of newly conceived initiatives already launched and/or in the planning stage.

On 12 March 2020, the Company's Board of Directors approved the 2020-2023 Plan, which confirms the strategic direction of the previous 2019-2022 Plan approved on 15 May 2019, of which it represents an update and development.

In continuity with the previous plan, the following strategic guidelines were outlined:

- strengthen the value of content within the integrated 24 ORE system by focusing on products and services with a high margin and a high rate of innovation in both print and digital offerings;

- accelerate the multichannel commercial performance through a strong push on upselling and enhancement of the customer base;
- increase the territorial presence to involve more and more users of products and services of the 24 ORE system and enhance the relevance of the brand;
- transform the operating machine in order to make drafting, production and distribution costs more efficient.

The projections of the 2020-2023 Plan confirm, albeit with a time lag compared to the 2019-2022 Plan, the long-term profitability objectives and show a gradual improvement in operating margins, guaranteeing the Company the investments necessary to develop revenues and achieve greater efficiency, which benefits, among other things, from some measures already implemented in 2019.

In particular, investments are expected to accelerate in order to allow the Company to adopt a technologically advanced structure, consistent with the new organizational needs and with the digital evolution path undertaken and in line with the policy of greater efficiency of management costs started some time ago.

The 2020-2023 Plan confirms the growth of profitability over time in all business areas. In detail, over the plan period, consolidated revenues are expected to grow by 4.6% (CAGR 2019-2023) and margins are expected to gradually improve, showing a CAGR 2019-2023 at EBITDA level of +17.5%, also thanks to the containment of direct and operating costs.

The 2020-2023 Plan takes into account the impact of the measures implemented by management to revise the structure of operating costs, including the forthcoming relocation of the Company's headquarters and offices in Milan, and of the measures taken on labour costs, including early retirements of graphic and polygraph personnel for those who meet the requirements during the first quarter of 2020, in accordance with the provisions of Budget Law no. 160/2019.

The net financial position is expected to worsen in 2020 due to the acceleration of investments and disbursements related to the early exit of personnel, and then improve in the following years during the Plan period.

Also on 12 March 2020, the Company received the amendment from the lending banks, which redefines the value of the 12-month rolling EBITDA financial parameter used to calculate the covenant at 30 June 2020 (the date of the last interim valuation before loan maturity), reducing it from Euro 16.5 to 13.0 million. The approved 2020 budget meets the new EBITDA covenant.

It should be noted that the forward-looking figures represented in the 2020-2023 Plan are strategic objectives established as part of corporate planning.

The development of the 2020-2023 Plan was based on, among other things: (i) general and hypothetical assumptions, as well as discretionary assumptions, and (ii) a series of estimates and hypotheses relating to the implementation by the directors of specific actions to be undertaken in the Plan reference time period, or relating to future events that the directors can only partially influence and that may not occur or may vary during the Plan period.

In particular, the 2020-2023 Plan does not contain the possible negative impacts that could be reflected on the Company's economic, equity and financial results due to the health emergency related to the spread of the Covid-19 virus and the measures adopted to contain it, the extent of which is difficult to predict at this time in terms of both duration and impact on the business.

The realization of the objectives and the achievement of the results envisaged by the 2020-2023 Plan depend not only on the actual realization of the volume of revenues indicated, but also on the effectiveness of the actions identified and the timely implementation of these actions, in accordance with the time frame and economic impacts assumed.

If the Group's results were to differ significantly from those forecast in the 2020-2023 Plan, there could be adverse effects on the Group's financial position and prospects.

The Group continues to monitor very carefully both the evolution of the health emergency linked to the COVID-19 virus, and the performance of the reference markets with respect to the hypotheses of the Plan, evaluating the actual possibility of rescheduling the planned initiatives and maintaining proactive and constant attention to the containment of costs and the identification of initiatives that can mitigate the risk linked to the uncertainties related to the actual achievement of the volume of revenues estimated, in order to allow the achievement of the expected economic results.

In view of the possible repercussions of the health emergency linked to the COVID-19 virus and any extraordinary measures that may be adopted in favour of companies, at present, the Group believes that it does not yet have sufficient information to be able to determine any medium/long-term impacts on its economic and financial prospects.

Impact of general economic conditions on the Company's business sector

The Group's financial position, results of operations and cash flows are influenced by the overall performance of the economy in Italy, Europe and globally. In particular, there is a close correlation between the trend of the main economic indicators, on the one hand, and the trend of advertising investments and the purchase of editorial products on the other hand, which - in scenarios of economic crisis, political instability and/or financial weakness - undergo a contraction.

The economic and financial crisis that has hit western markets, which is felt more acutely in the publishing market because of its negative impact on consumption and investments in communication by companies, is currently undoubtedly an element of risk for the Group.

In the last part of the year, in an international context characterized by economic weakness and high uncertainty, the economy of the Euro Area recorded a marked slowdown in production rates. In Italy, in the fourth quarter of 2019, GDP marked a cyclical decline. Average growth for 2019 stands at 0.2 per cent (source: Istat press release no.1 of January 2020).

The most recent GDP growth forecast for 2019 points to a further decline in GDP growth. In light of the most recent cyclical information, the main institutional and private forecasters have confirmed their projections of roughly stationary economic activity for 2019 as a whole. Analysts surveyed by Consensus Economics in September foreshadow on average a zero change in GDP in Italy in 2019 (Source: Bank of Italy-Economic Bulletin no. 4 of 18 October 2019).

A continuation of the unfavourable macroeconomic scenario could lead to a contraction in turnover for the Company and the other companies in the Group, with possible negative effects, even significant, on their economic, equity and/or financial situation. In such cases, the Group's activities, strategies and prospects could also be negatively affected, especially with regard to advertising sales.

The Group constantly monitors the performance of the main macroeconomic indicators in order to anticipate any deviations from the forecasts underlying the Plan assumptions and promptly identify the appropriate corrective and/or mitigating actions.

Impact of current trends and competitiveness in the Italian publishing sector on corporate revenues

The publishing sector in Italy is characterized by a trend of progressive decline in sales through traditional channels (news-stands, book stores, subscriptions, etc.). This trend, accentuated by the economic crisis that has also hit Italy, is amplified by the gradual spread of digital media that are both a threat to the paper media, as they replace traditional reading, and an opportunity, as they add a new channel of circulation of the traditional product in a new digital form. Throughout Western societies, the younger generation has less and less of a habit of reading newspapers, as well as little inclination to pay for news online. However, there is no clear evidence, even in more developed markets, of the final impact of this trend on the traditional publishing sector.

The Group will therefore have to increasingly leverage on its specificities in the Italian publishing (and advertising) market. Should the level of direct and above all indirect competition in the sectors in which the Group operates intensify, it cannot be ruled out that this could have a negative impact on its competitive positioning, with consequent negative effects on the Group's economic and financial situation and prospects.

The Group constantly monitors the performance of the Italian publishing sector and the conduct of its main competitors with a view to anticipating possible divergences from the assumptions underlying the Plan and identifying in a timely manner appropriate corrective and/or mitigating action.

Impact of the general condition of the reference market on advertising revenues

The Group generates a considerable part of its revenues through advertising sales on its own media (the daily newspaper Il Sole 24 ORE, magazines, radio, websites and apps) and on the media of third-party publishers (and through sponsorship of events). System is the division that carries out the activity of advertising concessionaire for the Group's main media and some third-party media.

The advertising market, especially the national one, is characterized by a close relationship with the performance of the economy and the macroeconomic context in general and continues to be characterized by a situation of progressive contraction, already underway for several years, also as a direct consequence of the macroeconomic crisis that has been going on since 2008. In fact, the benchmark advertising market closed 2019 with a 4.5% year-on-year decline. There was a double-digit decline in the press (-12.6%) with contractions in both components: newspapers (net local) -11.2%, magazines -13.9%. Radio (+1.7%) and Internet (+3.5%) recorded growth. *(Source: Nielsen - January-December 2019).*

With reference to the trend of the next few years, the forecasts processed internally on the basis of estimates made by the main operators (main Media Centres, Una-Aziende della comunicazione unite and UPA-Utenti Pubblicità Associati) confirm the decreasing trend of the printed paper advertising market for the years 2019 and 2020. In particular, the performance of the newspaper advertising market is expected to decline by 10.1% in 2019 and 10.3% in 2020, while for that of magazines the expected decline for 2019 is 13.0% and 11.4% for 2020. The Internet market as a whole (including Over the Top) is expected to grow by 7.8% in 2019 and 7.3% in 2020, the radio market by 2.4% in 2019 and 0.9% in 2020.

The trend in revenues from the Company's advertising sales, like the market trend, has been declining in recent years.

The eventual continuation of the unfavourable macroeconomic scenario and the continuation (or worsening) of the negative performance of the advertising market could result in a contraction of advertising sales expected, with consequent negative effects on the Group's economic, equity and/or financial position.

The Group constantly monitors the performance of the main macroeconomic indicators in order to anticipate any deviations from the forecasts underlying the Plan assumptions and promptly identify the appropriate corrective and/or mitigating actions.

Risks related to the contraction of circulation revenues

The Group generates a significant part of its revenues from the sale of publishing products. Publishing & Digital is the business area that includes the daily newspaper Il Sole 24 ORE, digital products linked to the newspaper, vertical newspapers, products attached to the newspaper, magazines, add-ons, the website and the press agency Radiocor Plus.

The market in which the Group operates has been characterized in recent years by an ongoing crisis affecting the circulation of newspapers and other publishing initiatives. In fact, ADS data for major national newspapers indicate for the period January - December 2020 a decline in total circulation of print copies added to digital copies of -6.9% compared to 2018 attributable to both the decline in circulation of the print version of -8.3%, and digital circulation of -1.1%.

The trend in revenues from the circulation of the Company's publications, like the market trend, has been declining in recent years. This deterioration is associated with a radical change in consumption habits due to the rapid emergence of digital media, however, not yet sufficient to offset the negative trend of traditional media, also because strongly dominated by a few international operators also defined for this reason OTT (Over the Top).

The Company implemented a series of actions aimed at revitalizing the circulation of its newspaper: in the period, a number of products were included (focus of Norme e Tributi, monthly Instant Book, in-depth analysis of regulations on specific issues).

A possible continuation of the crisis scenario in the circulation of newspapers could lead to a contraction in revenues from the circulation of editorial products with consequent negative effects on the Group's economic, equity and/or financial position.

The Group has identified a series of commercial actions and the development of new segments deemed appropriate to ensure that circulation figures follow the sector trend. The implementation of these actions is continuously monitored by the work group set up for this purpose.

Risks related to the contraction of advertising revenues due to lower circulation figures

In general terms, in the publishing market, the reduction in advertising revenues can be associated not only with the trend of the reference market but also with the simultaneous contraction of circulation figures. In this respect, however, it is necessary to take into account that there is no immediate cause/effect correlation between the circulation trend and advertising revenues (in the sense that a decrease or an increase in the number of copies does not correspond to an immediate and equal change in advertising revenues). In fact, advertising investment decisions are influenced only in part by the "audience" (i.e. the number of readers) of a publication, being based above all on other factors including, in particular, the credibility of the publication (understood as its reputation and prestige) and the quality of its target audience (i.e. the socio-demographic profile of the reader, to which its spending power is normally correlated). These factors, with reference to the Group, are at high levels and prevail over those relating simply to the number of copies distributed.

Variations in the number of copies circulated could in theory produce effects on advertising sales only in the long term and in any case not in a proportional way, since the advertising market could be impacted, albeit slowly and late, by the variations in the number of copies sold.

The trend in circulation figures is expected to continue in the coming years. In this case, should the company not be able to achieve circulation results in contrast with the market, there could be a further decline in the circulation of the Group's publications. This circumstance could be taken into account by advertisers in the context of their investment choices, along with the other factors mentioned above. This could affect the Group's equity, economic result and financial position.

The Group has identified a series of commercial actions and the development of new segments deemed appropriate to ensure that circulation figures follow the sector trend. The implementation of these actions is continuously monitored by the work group set up for this purpose.

Risks related to the contraction of revenues from database sales

The Company sells databases to professionals (accountants, lawyers, labour consultants, of companies and the public administration) that can be used on PCs, tablets or smartphones. The databases consist of digital platforms that allow the search and consultation of regulatory and doctrinal content, articles and operational tools such as forms, browsing tools, e-learning courses, enriched with numerous features (such as alerts, notifications, personalized information, creation of dossiers, newsletters). Access to the databases is by means of an activation code that the user receives by e-mail after signing the subscription contract. The databases are sold primarily on an annual or multi-year subscription basis by the sales network of Il Sole 24 ORE S.p.A.

In 2019, there was a reversal of the trend for the professional publishing sector, which grew by 2.2% compared to 2018 (which had recorded a -1.8%).

This trend is closely related to the significant progress of the supply component related to management software, net of which the sector still shows a negative trend (-0.7%), confirming the continuing limited spending capacity of companies, public entities, professionals and firms.

Different performance was recorded by the individual areas:

- Legal area: the negative trend slowed down (-0.7% compared to 2018, which had recorded -2%), which sees the market migration towards digital solutions (especially legal databases and online portals) favouring the disadvantage of traditional paper-related sectors;
- tax area: recorded a clear reversal of the trend, with growth of 10.1% (compared to -3.4% in 2018). The area performance was driven by the significant development of management software related to electronic invoicing, which became mandatory on 1 January 2019. It is estimated that net of software, the growth was contained around +2-3%.

With regard to the type of medium used, there is a growing trend in electronic publishing, the composition of which confirms the clear shift of the market towards the online digital segment (consisting mainly of databases, internet services and thematic portals), with an increase in value of 2.4% compared to 2018.

All traditional media recorded a negative sign, in particular periodical magazines (-8.9%) and books (-2.6% compared to 2018 - *(Source Rapporto Databank Editoria Professionale - Cerved S.p.A, December 2019)*.

The market trend is undoubtedly conditioned by the progressive contraction of professionals' incomes, as well as by the ongoing trend of merging professional firms. In addition, the contraction of the reference market is also justified in view of the spending review actions undertaken by the public administration, technological/structural changes (the main publishing operators have continued to expand their digital offer through professional applications and online databases that offer and integrate services in addition to simple consultation: from the opportunity to access from multiple devices, in mobility from tablets and smartphones, to newsletters, e-learning, consulting).

If the downturn in the reference market continues, this could lead to a contraction in turnover with negative effects on the Company's economic and financial situation.

The Group has identified a series of commercial actions and the development of new products and market segments considered suitable to counter the market trend. The implementation of these actions is continuously monitored by the work group set up for this purpose.

Risk related to the improper use of reproduction rights of newspapers and magazines by press review companies

Il Sole 24 ORE S.p.A. ceased to adhere to the collective agreement with the company that manages the reproduction rights of daily newspapers and magazines, aimed at regulating the licence of reproduction rights by press review companies, due to its economic irrelevance for the Company and inadequacy to protect copyright.

The current phase of change in the content licence policy towards press review companies involves risks for the whole publishing sector and in particular for Il Sole 24 ORE for its business model. The risk shared with the entire publishing industry is the uncertainty surrounding the management of reproduction rights. In this context of uncertainty and transition, in the absence of contractual regulation, press review companies continue to reproduce newspaper content on the basis of past practice without considering themselves obliged to pay adequate royalties to publishers. For Il Sole 24 ORE, this risk is accentuated by the fact that its offer model significantly includes digital subscriptions for companies, which usually also use the press review services, and therefore might not subscribe to the newspaper and use only the press review. Should this phase of uncertainty continue, the Company may find it more difficult both to achieve its subscription growth targets and to obtain the rights to which it is entitled from the press review companies.

In order to mitigate this risk, the Company has prepared a new licence agreement - for which negotiations are already underway with several press review companies - that limits the use of articles by reviewers to a maximum of 5 articles for each of their end customers in a single day and, in any case, no more than 15 articles for each said end customer per week. The aforementioned limits will not apply if the final customer of the press review companies has activated a sufficient number of subscriptions to the newspaper to allow, according to the contractual conditions of subscription of Il Sole 24 ORE, full access to the newspaper to a number of users within that final customer equal to or greater than the number of those who receive the press review.

Legal/regulatory risks

Risks related to the outcome of the proceedings before the Milan Public Prosecutor's Office crim. proc. no. 5783/17 R.G.N.R.

On 16 November 2018, the Milan Public Prosecutor's Office issued against Benito Benedini, Roberto Napoletano, Donatella Treu - respectively former Chairperson of the Board of Directors, former Editorial Director and former Chief Executive Officer of Il Sole 24 ORE S.p.A. (the Company) - the notice of conclusion of the investigations pursuant to article 415 *bis* of the Code of Criminal Procedure (c.c.p.) with reference to criminal proceedings no. 5783/17 R.G.N.R. for the offences of *false corporate communications by listed companies* pursuant to article 2622 of the Civil Code and *market manipulation* pursuant to article 185 of the Consolidated Law on Finance (TUF). It should be noted that the aforementioned offences were contested by the Milan Public Prosecutor's Office against Roberto Napoletano as de facto director of Il Sole 24 ORE S.p.A.

In the same notice, Il Sole 24 ORE S.p.A. was also charged with the administrative offences referred to in articles 5, paragraph 1, letter a), 6, 25 *ter*, paragraph 1, letter b) of Legislative Decree no. 231/2001 and articles 5, paragraph 1, letter a), 6, 25 *sexies* of Legislative Decree no. 231/2001, which are presumed to depend on the predicate offences indicated above.

On 15 February 2019, the Milan Public Prosecutor's Office requested that the Company be committed for trial in relation to the administrative offences under articles 25 *ter* and 25 *sexies* of Legislative Decree no.

231 of 2001 articles 5 paragraph 1, letter a), 6, 25 *ter* paragraph 1, letter b) of Legislative Decree no. 231/2001 and articles 5 paragraph 1 letter a), 6, 25 *sexies* of Legislative Decree no. 231/2001.

In particular, the Company has been charged with the administrative offences of false corporate communications (article 2622 of the Civil Code) and information manipulation of the market (article 185 of the Consolidated Law on Finance) alleged against its former directors and executives mentioned above.

More specifically, the aforementioned former directors and executives have been charged with the crime of false corporate communications for having, "in order to ensure an unjust profit for themselves and third parties", disclosed material facts that were not true about the Company's economic, equity and financial situation in the Half-Yearly Financial Report at 30 June 2015, the Interim Report at 30 September 2015, as well as in the financial statements at 31 December 2015.

This false representation focused "on the performance of the newspaper Il Sole 24 ORE on the sales of digital and printed copies and related revenues"; this was achieved with a representation always tending to overstate the operating results of the most significant asset of the company - the newspaper Il Sole 24 ORE - in particular, the general revenues from the sale of copies and market penetration, also camouflaging the losses accrued through the aggregation of different business areas".

The aforementioned persons were also charged with information manipulation of the market for having, by means of press releases issued between 2014 and 2016, provided the market with false information concretely capable of causing a significant alteration in the share price and relating to the performance of the circulation figures of the newspaper Il Sole 24 ORE S.p.A. and the related revenues.

On 12 September 2019, the first preliminary hearing was held before the preliminary hearing judge (GUP) at the Court of Milan, Ms Mannoci. In this context, the defendants Benito Benedini, Roberto Napoletano and Donatella Treu were joined as plaintiffs seeking damages by Consob, Confindustria, the Common Representative of Holders of Special Category Shares, Marco Pedretti, and the shareholders Angelo Mincuzzi, Roberto Galullo, Alessandro Di Cagno, Leonardo Sergio Cosmai, Nicola Alessio Borzi and Vincenza Loddo. The latter also filed a motion requesting that Il Sole 24 ORE S.p.A. be joined as a plaintiff seeking damages. The judge, deciding on the objections raised by the parties, admitted the appearance of all the aforementioned civil parties except for that of Vincenza Loddo against Il Sole 24 ORE S.p.A.. The preliminary hearings judge also acknowledged that Benito Benedini and Donatella Treu had filed plea bargains and that the Public Prosecutor had given consent.

The hearing was then adjourned until 24 September 2019. On that date, Il Sole 24 ORE S.p.A. also filed a plea bargaining application with the preliminary hearing judge, indicating the consent already given by the Public Prosecutor in relation to a pecuniary administrative sanction of Euro 50,310.00. In this context, the defendants' counsel, Benito Benedini and Donatella Treu, also delivered to the counsel for Il Sole 24 ORE S.p.A. two checks for Euro 100,000 and Euro 300,000, respectively, which the Company's counsel received as a mere down payment for the greater damages suffered.

After the judge ordered the separation of the proceedings against Roberto Napoletano, the hearing continued with a discussion by the defence counsel for the Public Prosecutor and the civil plaintiffs, who requested that the defendant be indicted, and by the defence counsel for the defendant, who requested acquittal.

On 29 October 2019, the Court of Milan, in ruling no. 19/2880, accepted the plea bargain submitted by the Company on 24 September 2019.

With the aforementioned ruling no. 19/2880, the Court, accepting the plea bargaining, also ordered the infliction of a mere pecuniary sanction for a reduced amount of Euro 50,310.00, acknowledging, at the same time, the suitability of the remedial measures adopted by the Company to strengthen and optimize its integrity and reliability. In particular, the reduction of the pecuniary administrative fine was granted - as mentioned in the same ruling - in consideration of the preparation of an organizational model suitable to prevent the commission of similar crimes and of the tenor of the communication of the dismissal order issued by Consob against the entity.

At the same hearing, the former Chairperson Benito Benedini and the former Chief Executive Officer Donatella Treu made plea bargains and were sentenced to 1 year, 5 months and 20 days imprisonment and 1 year and 8 months imprisonment, respectively, and to pay the costs of the civil parties. The aforementioned defendants were also granted a suspended sentence.

On 16 January 2020, the trial of Roberto Napoletano, former editor-in-chief of Il Sole 24 ORE and other newspapers of the 24 ORE Group, opened before the judges of the second criminal section of the Court of Milan. Napoletano is charged with false corporate communications and market manipulation.

At the aforementioned hearing of 16 January 2020, Consob - which had already joined the proceedings as a plaintiff in the preliminary hearing - announced that it would file a motion requesting that Il Sole 24 ORE be held civilly liable; consequently, Il Sole 24 ORE would be held jointly and severally liable with the other defendants, as a civilly liable party pursuant to article 2049 of the Civil Code, for any damages caused to third parties by the alleged criminal acts.

Six employees and former employees of the 24 ORE Group, as well as Confindustria (Confederation of Italian Industry), have already joined the proceedings as plaintiffs in the preliminary hearing.

At the 30 January 2020 hearing, the Lombardy Order of Journalists also joined the ongoing trial as a plaintiff.

At the hearing of 13 February 2020, dedicated to the illustration of the exceptions relating to the plaintiffs in the proceedings, the Court reserved its position on their admission, adjourning the hearing to 16 April 2020.

Following the commencement of the proceedings before the Milan Public Prosecutor's Office with a view to full transparency and although it did not affect the Company's possession of the requirements under article 80 of Legislative Decree no. 50/2016 (Public Contracts Code), the Company had prudently taken steps to declare in the public evidence tender documents its status as a legal entity under investigation pursuant to Legislative Decree 231 of 2001, given that this information had also been the subject of official communications by the Company, as well as widely circulated in the press.

This being said, the fact that the Company has been subjected to the pecuniary sanction pursuant to Legislative Decree no. 231/2001 constitutes a circumstance that must be declared when participating in procedures for the award of public contracts. The sanction does not have any automatic exclusionary effect on the Company's participation in the awarding procedures, but it must in any case be submitted to the individual contracting stations for the purpose of assessing the possible consideration of "a serious professional misconduct", i.e. the cause of exclusion "of a discretionary nature" provided for by article 80 paragraph 5 letter c) of Legislative Decree no. 50/2016). In particular, in order to be able to order exclusion from the procedure, the contracting station should, following an adversarial procedure with the Company, identify the existence of a situation that is likely to undermine the integrity/reliability of the Company for the purposes of carrying out the specific contract. In this regard, it should however be considered that, in order to demonstrate its integrity and reliability in the performance of the services covered by the contract, in the declarations that are submitted as part of the awarding procedures, the Company is already providing evidence of the self-cleaning measures that have been adopted.

In relation to these measures, it should be noted - inter alia - that in 2019, the Board of Directors resolved to entrust external lawyers and technical consultants with the task of assessing the existence of the circumstances for proposing to the ordinary shareholders' meeting to resolve to initiate liability actions, based on the findings.

On 12 March 2019, the Board of Directors resolved to submit to the Shareholders' Meeting called for 30 April 2019 a proposal for a corporate liability action pursuant to articles 2392 and 2393 of the Civil Code against Benito Benedini, Donatella Treu and Roberto Napoletano, under the terms specified in the illustrative report published pursuant to law.

On 30 April 2019, the Shareholders' Meeting resolved to approve the proposal of the Board of Directors concerning the aforementioned corporate liability action pursuant to articles 2392 and 2393 of the Civil Code against Benito Benedini, Donatella Treu and Roberto Napoletano, under the terms specified in the illustrative report published pursuant to law.

Accordingly, on 18 June and 24 June 2019, the Company served summonses on the following persons:

a) Benito Benedini, against whom a claim has been made for compensation for all damages suffered and to be suffered by Il Sole 24 ORE S.p.A. in relation to the Business Media Transaction (as defined in the illustrative report pursuant to article 125-ter, Legislative Decree no. 58 of 24 February 1998 published on 29 March 2019), currently quantifiable in no less than Euro 4,328,280.00, jointly with Donatella Treu.

b) Donatella Treu, against whom a claim has been made for compensation for all damages suffered and to be suffered by Il Sole 24 ORE S.p.A. in relation to:

   (i) commercial and reporting practices aimed at artificially increasing the circulation figures of the Newspaper, currently quantifiable in no less than Euro 7,548,043.31, jointly with Roberto Napoletano and KPMG S.p.A., which is also a defendant in the action;

   (ii) the Business Media Transaction, currently quantifiable in no less than Euro 4,328,280.00, jointly with Benito Benedini;

   (iii) the Stampa Quotidiana Transaction (as defined in the illustrative report pursuant to article 125-ter, legislative decree no. 58 of 24 February 1998 published on 29 March 2019), currently quantifiable in no less than Euro 665,560.00, an order to be made jointly with KPMG S.p.A..

c) Roberto Napoletano, in his capacity (deemed to exist by both the Public Prosecutor and CONSOB) as de facto Director of the Company, against whom a claim has been made for compensation for all damages suffered and to be suffered by Il Sole 24 ORE S.p.A. in relation to commercial and reporting practices aimed at artificially increasing the circulation figures of the Newspaper, currently quantifiable in no less than Euro 7,548,043.31, jointly with Donatella Treu and KPMG S.p.A..

The lawsuit was entered in the register of the Civil Court of Milan with R.G. 30810/2019 on 20 June 2019, and was subsequently assigned to the Investigations Judge (G.I.) Guido Vannicelli.

By order of 2 March 2020, the Investigations Judge postponed the date of the first hearing to 17 November 2020, in order to allow the defendants to sue the insurance companies.

Risks associated with Consob inspections

The events described above are also the subject of the following inspections by Consob.

1) Audit initiated on 18 October 2016 by assignment letter prot. no. 0092429/16 and notified to the Company on 19 October 2016, pursuant to article 115 paragraph 1 letter c) of Legislative Decree no. 58 of 24 February 1998 and concerning: "*the procedures for collecting circulation data, the impact of such circulation data on the remuneration of personnel, on the sale of advertising space and on the process of defining forecast data, the relationships between the 24 ORE Group and the company Di Source, as well as the procedures regarding internal dealing*".

This audit was completed on 12 June 2017; its findings were described in two reports dated 19 April 2017 and 12 June 2017.

On 3 August 2018, the Company was notified by Consob of certain objections pursuant to article 187-septies of the Consolidated Law on Finance (prot. no. 0291113/18 and proceeding no. 84400/2018). In particular, the aforementioned objections concerned the case referred to in article 187-ter of the Consolidated Law on Finance (market manipulation), in the version applicable *ratione temporis,* and were directed both against five individuals no longer part of the Company (Donatella Treu, Roberto Napoletano, Anna Matteo, Alberto Biella and Massimo Arioli) and against the Company, as the party jointly liable, pursuant to article 6 of Law 689/1981.

The company was also charged with the offence envisaged by article 187-quinquies, paragraph 1, letter a), of the Consolidated Law on Finance (liability of the entity), for violation of article 187-ter, paragraph 1, of the Consolidated Law on Finance committed, in the opinion of Consob, in the interest of Il Sole 24 ORE S.p.A. by a former company representative no longer in office (Donatella Treu).

More specifically, the conduct alleged by Consob concerned the procedures for detecting and communicating to the company Accertamenti Diffusione Stampa S.r.l. (ADS) circulation data. Consob contested that the Company, in the period between 2012 and 2016, allegedly implemented unfair commercial and reporting practices aimed at artificially increasing the newspaper's circulation figures and providing an altered representation of the newspaper's circulation; all "*in a context of inadequate information systems and deficiencies in procedures and operational control mechanisms*".

On 8 November 2018, the Company submitted its written counter-claims to the Consob Administrative Sanctions office regarding the objections pursuant to article 187-septies of Legislative Decree no. 58/1998.

On 22 February 2019, the Consob Administrative Sanctions Office submitted the "Report for the Commission" with which it proposed the application of pecuniary administrative sanctions for the violation of article 187-ter, paragraph 1, of Legislative Decree 58/1998 against Donatella Treu, Roberto Napoletano, Anna Matteo, Alberto Biella and Massimo Arioli for a total of Euro 1,050 thousand. The Administrative Sanctions Office also proposed the application of a fine of Euro 140,000 against Il Sole 24 ORE S.p.A. pursuant to article 187-quinquies of Legislative Decree no. 58/1998. Pursuant to article 6, paragraph 3, of law no. 689/1991, Il Sole 24 ORE S.p.A. is also jointly liable with Donatella Treu, Roberto Napoletano, Anna Matteo, Alberto Biella and Massimo Arioli for the payment of the total pecuniary administrative sanction applied to the latter, without prejudice, in any case, to the right of recourse.

To cover this risk, a provision of Euro 140 thousand was recorded and allocated in the consolidated financial statements at 31 December 2018. With reference to the penalty proposed against Donatella Treu, Roberto Napoletano, Anna Matteo, Alberto Biella and Massimo Arioli for a total of Euro 1,050 thousand and for which Il Sole 24 ORE S.p.A. is obliged to pay, by way of joint liability, the level of risk has been assessed as possible, but not probable, and therefore no provision for risks has been set up.

The Company submitted its written counter-claims to the Office of the Secretary of the Commission on 22 March 2019.

The deadline for adopting the final measure was originally set for 1 May 2019. Subsequently, Consob suspended this deadline pursuant to article 8, paragraph 7, of the Regulation on sanctioning proceedings, having requested a supplementary report from the Administrative Sanctions Office. This supplementary report, together with the technical report of the Consob Markets Division, was received on 31 May 2019 and the Company was given a deadline to provide its counter-claims by 30 June 2019. The Company provided its written counter-claims on 28 June 2019.

On 11 September 2019, the aforementioned administrative sanctioning proceedings no. 84400/2018 were therefore concluded. In particular, Consob, having assessed the results of the preliminary investigation, did not consider that the conditions existed for the adoption of any sanctioning measure against the Company and, therefore, ordered the closure of the proceedings by means of a communication notified on 11 September 2019. In this regard, Consob did not find any orientation on the part of the Company aimed at achieving the unlawful purpose which, pursuant to current regulations, would make it administratively liable and, consequently, subject to sanctions against it. Moreover, Consob decided not to formulate any judgement of reprehensibility towards the Company itself, since it had taken steps to prepare organizational models capable of preventing offences of the kind that occurred.

However, the Company remains jointly liable, pursuant to article 6, paragraph 3 of Law 689 of 1981, for payment of the penalties applied to the individuals (no longer present in the company) Donatella Treu, Roberto Napoletano, Anna Matteo, Alberto Biella and Massimo Arioli, for violation of article 187-ter, paragraph 1, of Legislative Decree 58/1998, amounting to a total of Euro 1,050 thousand, without prejudice, in any event, to the right of recourse.

In view of the intervening closure of the proceedings before Consob, in the context of the procedures for the award of public contracts, the Company is not required to provide any statement in relation to the outcome of the proceedings themselves, since this is an irrelevant circumstance as it is not likely to affect the Company's possession of the requirements set out in article 80 of Legislative Decree no. 50/2016.

On 19 December 2019, Consob adopted an order notifying the Company that it was replacing the monthly supplemental periodic reporting requirements established in an order adopted on 14 December 2016 with quarterly reporting requirements.

Therefore, the yearly and half-yearly financial reports and the interim management reports for the first and third quarters of the financial year published by the Company on a voluntary basis, starting with the Annual Financial Report at 31 December 2019, as well as, where relevant, press releases concerning the approval of the aforementioned accounting documents, will be supplemented with the additional information required by Consob.

2) On 13 August 2018, Consob notified the Company of the notice of initiation of the proceeding aimed at adopting the measure pursuant to article 154-ter, paragraph 7 of the Consolidated Law on Finance (prot. no. 0305181/18 and proceeding no. 84944/2018 L3). In particular, the aforementioned proceeding relates to Consob detection of certain critical issues that emerged in relation to the valuations carried out at the time of the 2015 financial statements and, consequently, in the subsequent method of recognizing certain related write-downs in the 2016 consolidated financial statements as well as, as a result of the above, in the 2016 comparative figures presented in the consolidated financial statements at 31 December 2017.

On 22 October 2018, the Company submitted to Consob its written comments on the notification of 13 August 2018 regarding the initiation of the proceeding aimed at adopting the measure pursuant to article 154-ter, paragraph 7 of Legislative Decree no. 58/98.

On 28 December 2018, the Commission communicated to the Company its resolution no. 20770 (the "Resolution"), whereby it ascertained the "non-compliance of the consolidated financial statements at 31 December 2017 of the company Il Sole 24 ORE S.p.A. with the rules governing their preparation, pursuant to article 154-ter, paragraph 7, of Legislative Decree no. 58/98". Specifically, according to the Resolution, the non-compliance of the Company's financial statements concerned, in particular, non-compliance profiles of the 2015 consolidated financial statements that were not identified in the 2016 financial statements and, consequently, in the 2016 comparative figures presented in the 2017 consolidated financial statements. Therefore, because of the non-compliance of the 2015 consolidated financial statements, this resulted in the incorrect application of IAS 1, paragraphs 27 and 28 and IAS 8, paragraphs 42 and 49 in relation to the 2016 financial statements and IAS 1, paragraphs 10, 38 and 38A in relation to the comparative information for the 2016 financial year presented in the 2017 consolidated financial statements.

Consob, therefore, pursuant to article 154-ter, paragraph 7, of Legislative Decree no. 58 of 1998, requested the Company to disclose the following information to the market:

- the shortcomings and critical aspects noted by Consob regarding the correctness of the accounting of the above financial statements;
- the applicable international accounting standards and the violations found in this regard;
- the illustration, in a special pro-forma statement of financial position - accompanied by comparative figures - of the effects that a true and fair view would have had on the balance sheet, income statement and equity for the year for which incorrect information was provided.

The Company, while reiterating its arguments already illustrated to Consob in the note of 22 October 2018, replied on 2 January 2019 to questions (i) and (ii) and on 22 January 2019 to question (iii) by means of a specific press release.

On 8 February 2019, the Company filed an application with Consob for access to records to review documents in the office file relevant to its defence.

On 26 February 2019, Il Sole 24 ORE S.p.A. announced that it had filed an appeal before the Lazio Regional Administrative Court to challenge Consob resolution no. 20770 of 28 December 2018. With the aforementioned appeal, registered in the general register under no. 2436/19, the Company requested the annulment of the contested resolution, with all consequent rulings.

On 15 January 2020, having learned of the existence of further internal proceeding deeds in relation to Consob resolution no. 20770 of 28.12.2018, challenged before the Lazio Regional Administrative Court, the Company submitted a new request for access to the deeds.

The hearing on the merits of the appeal to the Lazio Regional Administrative Court (TAR) no. 2436/19, is set for the public hearing on 7 April 2020.

It cannot be excluded that in the event of a negative outcome of the aforementioned appeal proceeding before the Regional Administrative Court, there may be a further impact on the reputation of the Company, the brand and the Group's products, such as to potentially affect the Group's turnover.

Risks related to relations with ADS

The Company, like other operators in the publishing sector, adheres to the ADS (Accertamenti Diffusione Stampa) system of certification and disclosure of circulation data. ADS is the company that certifies and disseminates nationwide data on the print and circulation and/or distribution of daily newspapers and magazines of any kind published in Italy. This activity also includes the collection of data on the circulation of digital editions, both in single form and through multiple sales (i.e. commercial offers that provide, against a contract, for the purchase of several copies or several subscriptions in order to make them available to final recipients). ADS establishes the rules and conditions to carry out the checks necessary for the certification of data by issuing special regulations that are binding on publishers applying for certification. The Company has a contractual relationship with ADS, pursuant to which it pays the fee for taking part in the certifications and for providing data to the market. ADS, for its part, provides these services on the basis of the terms and conditions set out in the ADS regulations.

On 7 April 2017, the ADS Board of Directors had resolved to suspend any determination regarding the assessment and possible application of sanctions to the Company in relation to the facts subject to investigation by the Milan Public Prosecutor's Office (referred to in the preceding paragraph *Risks related to the outcome of the proceedings before the Milan Public Prosecutor's Office crim. proc. no. 5783/17*

R.G.N.R) and therefore the possible violations by the Company of articles 7.1 and 10 of the ADS regulations, establishing to postpone such determinations to the outcome of the investigations made and possible responsibilities by the Milan Public Prosecutor's Office.

In relation to the matters under investigation by the competent judicial authorities, concerning the alteration of circulation figures, the Company was exposed to the risk of sanctions by ADS, the maximum amount of which provided for by the regulations consists of exclusion for three years from the procedures for recording circulation figures, starting from when the violation was ascertained. The exclusion from the procedures for the recording of circulation figures could have had a penalizing effect on advertising sales with consequent negative repercussions on the equity, economic and financial position of the Company. However, on 22 November 2019, ADS announced that its Board of Directors had resolved to grant the motion to dismiss the aforementioned sanctioning procedure. The risk of sanctions previously considered can therefore be considered definitively overcome.

The following is a brief summary of the course of events in relation to dealings with ADS that occurred in connection with the 2015 circulation figures.

On 10 June 2016, the Board of Directors of ADS confirmed the decision - previously taken on 18 May 2016 - to suspend publication of the estimated monthly statements relating to multiple digital copies for April 2016, for all daily newspapers and weeklies, and for March 2016, for all monthlies, pending verification of the technical means of ascertaining them. This resolution was taken following a complaint to the Communications Regulator and the Antitrust Authority by a third-party publisher, who reported the anomalous use of multiple digital copies and a system of publication by ADS of data relating to the distribution of digital copies that is distorting because it is likely to generate distorted and altered overall sales figures, to the detriment of fair competition.

On 30 September 2016, the Board of Directors of Il Sole 24 ORE S.p.A. resolved to assign the task of verifying the process of collecting, processing and communicating monthly data relating to the print and circulation of printed and digital copies of the daily newspaper of the 24 ORE Group. The assignment brought out:

- with regard to the printed editions of the newspaper, differences relating to copies associated with promotional activities (co-marketing) carried out through intermediaries for an average daily value of 17,979 copies;
- with regard to the digital edition, the appointed consultant Protiviti S.r.l. noted differences for an average daily value of 109,587 copies.

As a result of the intervention, the above copies were excluded from the ADS statement as it was not possible to obtain evidence of the actual delivery of the copies to the end user.

On 22 December 2016, the Shareholders' Meeting of Il Sole 24 ORE S.p.A. was notified of the criteria used to determine the newspaper's circulation levels in 2015; this was in compliance with a request pursuant to article 114, paragraph 5 of Legislative Decree no. 58/1998 with which Consob had invited the company to disclose to the market, among other things, the information currently available about the audits in progress on the subject, entrusted to the consulting firm.

On 3 February 2017, the new supplemental ADS regulations for conducting ADS assessments for digital editions were approved and became effective as of the May 2017 statement. The new ADS regulations require that, for multiple digital copies, the Company's customers adopt procedures to certify their activation and their effective adoption, in the absence of which the digital copies cannot be included in circulation figures.

On 7 April 2017, the ADS Board of Directors issued certificates for the 2015 release, as restated and disclosed by the Company, and resolved, consistent with its prior actions in 2016, to temporarily suspend the certification of multiple 2016 digital copies. Moreover, whilst noting the *prima facie* existence of possible violations by the Company of articles 7.1 and 10 of the ADS regulations, the ADS Board of Directors resolved to suspend any decision regarding the assessment and possible application of sanctions to the Company, establishing that such decisions would be postponed until the outcome of the investigations carried out and any responsibilities within the scope of the events under investigation by the Milan Public Prosecutor's Office.

Following the issuance of the report with remarks sent to ADS by the auditor appointed to certify the 2017 annual data declared by the Company, the 24 ORE Group, in a letter dated 25 February 2019, opened a discussion table with ADS to resolve the critical issues that emerged in the report of the appointed auditor, requesting the formalization of specific clarifications concerning the "Regulation for Digital Editions" and related "Technical Annex" and proposing possible amendments to these documents. If the comparison table does not yield results of amendments to the regulations as set out in the above letter, the Group would be exposed to the risk of adjustments to the 2018 data, in addition to the possible application of penalties decided by the ADS Board.

Regarding the certification of copies of the Il Sole 24 ORE daily newspaper circulated through multi-year subscriptions affected by the change in the VAT regime in 2016, Il Sole 24 ORE S.p.A. received confirmation on 30 October 2019 from ADS of its acceptance of the criterion for calculating the value of subscriptions, for their entire duration, based on the VAT rate in force at the time the subscription contracts were signed. The Company has informed the appointed Auditor to arrange, based on the guidance received from ADS, to update its report for the year 2017 and the year 2018. Furthermore, as mentioned, with regard to the sanctioning procedure initiated against the Company in relation to the declarations of circulation data for the year 2015, on 22 November 2019, ADS announced that its Board of Directors had resolved to grant the request to dismiss the aforementioned sanctioning procedure. The risk of sanctions previously considered is therefore definitively overcome.

Risks related to the use of social shock absorbers

It should be noted that, as part of the verification activity launched by the new management after taking office, in the second quarter of 2017 Il Sole 24 ORE S.p.A. commissioned a leading consulting firm to carry out an assessment regarding the management and application of social shock absorbers. The findings of this assignment showed that, in the period from May 2013 to April 2016, at the maintenance area of the Milan plant, additional work was provided for by union agreement during the period of application of the defensive solidarity contract, to the extent of 12 hours/month per person, for which an indemnity was paid that was not offset against the wage supplement.

This constitutes an irregularity that exposes the Company to the obligation of repaying to the Paying Institution an amount corresponding to the wage integration allowance recognized and not due, in relation to the working hours actually not reduced with respect to the solidarity contract, in addition to the increases provided for administrative sanctions and interest on arrears that will be determined, within the limits of the law, by the same Institute and subsequently communicated to the Company.

The request for spontaneous regularization to INPS was activated and was granted. On 21 October 2019, the company paid the regularization expense.

Although the assessment carried out did not reveal any further critical issues, the Company cannot rule out the possibility that the anomalies found have also occurred in other areas of the Group.

In view of the residual criticalities illustrated above, the Company has maintained a provision for contingent liabilities at 31 December 2019 with a residual value of Euro 1,379 thousand.

Risks related to pending litigation

The Group is a party in civil, criminal, administrative, tax and labour law proceedings.

The Company monitors the development of these disputes, also with the help of external consultants, and proceeds to set aside the sums necessary to deal with existing disputes in relation to the varying degree of probability of losing the case, proceeding - in compliance with accounting principles - to allocate provisions for risks in cases where the occurrence of a liability is considered probable and, vice versa, highlighting exclusively in the notes to the financial statements the potential liabilities the occurrence of which is, on the other hand, considered possible and which must, in any case, be taken into consideration and highlighted as not being remote.

In particular, to cover the risk deriving from proceedings underway, a provision for risks was recognized in the financial statements, which at 31 December 2019 amounted to Euro 7,505 thousand (provision for litigation and provision for sundry risks). The provision includes accruals for risks relating primarily to libel suits against the newspaper and radio station, labour litigation, expected legal fees and contingent liabilities, including tax liabilities.

The Company believes that the amounts allocated to the risk provision are adequate in light of the circumstances existing at 31 December 2019, in accordance with IFRS accounting standards.

In particular, the Company is exposed, as are other operators in the sector, to the risk of legal action, with particular reference to disputes concerning claims for damages based on hypotheses of defamation in the press.

At 31 December 2019, the number of lawsuits related to claims against the 24 ORE Group was 69.

With reference to such disputes involving press defamation, it should be noted that, on the basis of the Group's experience, in those cases in which the Company is found not to have lost the case, the outcome is usually an award of damages amounting to a minimal sum compared with the original claim.

Moreover, for litigation initiated before 2010, the Company has insurance policies in place to cover financial losses caused involuntarily and directly to third parties as a result of unintentional breaches of obligations deriving from the law in the publishing of its publications, including libel suits, up to a maximum coverage of Euro 516,000 per claim.

Risks related to the protection of intellectual property

The protection of copyright and intellectual property rights, is fundamental to the traditional business model of a publishing company. In addition to copyright on editorial content, the Group owns numerous Internet domains and national, international and EU trademarks related to products and services in the product categories of interest of the Group. The Company therefore relies on the legal protection of copyrights, its intellectual property rights arising from the registration thereof, as well as the intellectual property rights of third parties granted to the Company under licence for use.

The Company regularly protects its intellectual property rights through the filing of applications for the registration of trademarks relating to its printed and online publications, as well as the titles of radio programmes broadcast by Radio 24. However, even if trademark registrations are obtained, the related rights, given also the limited distinctiveness resulting from the use of the numeral 24, could: (i) not prevent competitors from developing substantially equivalent products, and in any case, (ii) prove ineffective in preventing acts of unfair competition by third parties. Moreover, the granting of regular registrations does not prevent the intellectual property rights granted from being challenged by third parties.

Although the Company is currently not a party to any litigation regarding intellectual property rights owned by it or used by it, and despite the fact that the Company has devised and launched an articulated enforcement strategy to protect its copyright on its own editorial content, it cannot exclude the occurrence of phenomena of unlawful exploitation of such rights by third parties, with consequent negative effects on the Group's operations and its economic and financial situation and prospects.

Risks related to the failure to adopt EU Regulation 2016/679 on network access and personal data protection (GDPR)

On 25 May 2018, the new Privacy General Data Protection Regulation (GDPR) came into force throughout the European Community, repealing Directive 95/46/EC, so-called Mother Directive, and in Italy replacing the Privacy Code. The intent of the regulation is to combine the needs of security (management and protection) of data with that of privacy, to regulate the interactions between organizations and customers/citizens, so as to protect the rights of people on the Net.

The Directive is directly applicable in all Member States without the need for local transposition and all companies are required to comply with the new provisions. In particular, companies are required to adopt a system of data processing according to the privacy by design and by default system. In other words, the Data Controller is called upon to implement appropriate technical and organizational measures to ensure that only the personal data necessary for each specific purpose of processing is processed by default. Said obligation applies to the amount of personal data collected, the extent of their processing, the period of their storage and their accessibility. The GDPR therefore requires action on a number of levels: from governance (i.e. how personal data is collected, processed, managed, protected and made available) to processes (how changes to personal data are tracked), from security (how to keep data safe) to communication (how to inform employees about relevant company policies).

Under the new law, companies that manage personal data will have to: notify personal data breaches; guarantee the data subject's right of access to their personal data; guarantee the right to be forgotten; guarantee data portability; guarantee the privacy of processed data; and appoint a Data Protection Officer.

Any breach of the rules set out in the GDPR could expose the Company to the payment of administrative fines.

In fact, article 83 of the GDPR introduces specific administrative pecuniary sanctions against the Data Controller or the external Data Processor that does not comply with its provisions. Penalties for violations of the new rule consist of fines of up to 4% of turnover and up to a maximum of Euro 20.0 million. In addition to administrative pecuniary sanctions, each Member State shall, in accordance with article 84, lay down the rules on other sanctions for infringements of the Regulation, in particular for infringements not subject to administrative pecuniary sanctions under article 83, and shall take all measures necessary to ensure that they are implemented. Such penalties shall be effective, proportionate and dissuasive. In addition to the direct damage resulting from the penalties introduced by the Legislator, it is necessary not to overlook the damage to image and reputation that could result from non-compliance with the rules introduced by the GDPR.

Il Sole 24 ORE S.p.A. in order to ensure that the processing of personal data is carried out in accordance with the GDPR has set up a working group (consisting of personnel experienced in legal matters, IT, organization and marketing and assisted by a leading consulting firm) that has conducted a project of compliance with the GDPR. As a result of this project, the Company appointed a Data Protection Officer, adopted an organizational model for the respect of privacy and the processing of personal data, and drew up a detailed action plan that defines the logical, technical and organizational measures for the security of processing in accordance with the provisions of the new Regulation.

Risks related to the regulatory framework in the Group's business sectors

In the context of the Group's business, it is subject to detailed regulations at both national and EU level regarding publishing, printing and broadcasting. Amendments in the current regulatory framework could have negative effects on the Group's activities and economic, equity and financial situation.

Moreover, the Group companies, like any other operators in these sectors, are subject to controls, including periodic controls, by the competent regulatory authority (AGCOM), aimed at ascertaining that they comply with sector regulations and that they continue to meet the conditions necessary to maintain the authorizations provided for by the applicable legislation.

More specifically, the Group's activities are regulated:

a. as far as the publishing and press sector is concerned, inter alia, by (i) Law no. 47 of 8 February 1948 ("Provisions on the press"); (ii) Law no. 416 of 5 August 1981 ("Discipline of publishing companies and benefits for the publishing industry"); (iii) Law no. 67 of 25 February 1987 ("Renewal of Law no. 416 of 5 August 1981, regulating publishing companies and benefits for the publishing industry"); (iv) Law no. 62 of 7 March 2001 ("New rules on publishing and publishing products and amendments to Law no. 416 of 5 August 1981"); (v) Legislative Decree no. 170 of 24 April 2001 ("Reorganization of the system for circulation of newspapers and magazines, pursuant to article 3 of Law no. 108 of 13 April 1999"); (vi) Legislative Decree no. 177 of 31 July 2005 ("Consolidated law on audiovisual and radio media services"), as amended by Legislative Decree no. 44 of 15 March 2010 ("Romani Decree"); (vii) Law no. 198 of 26 October 2016: "Establishment of the Fund for pluralism and innovation of information and delegation to the Government for the redefinition of the discipline of public support for the publishing sector and local radio and television broadcasting, the discipline of pension profiles of journalists and the composition and powers of the National Council of the Order of Journalists. Procedure for the concession of the public radio, television and multimedia service (OG no.255 of 31 October 2016)"; and
b. with regard to the radio sector, inter alia, by Legislative Decree no. 177 of 31 July 2005 ("Consolidated law on audiovisual and radio media services") (amended inter alia by Legislative Decree no. 44 of 15 March 2010).

On 30 December 2019, Finance Law no. 160/2019 was published with provisions of interest to the publishing industry:

a. refinancing of the Culture Card for 18-year-olds for the year 2020 and the addition of newspaper subscriptions among the goods that can be purchased;
b. subsidies for the purchase of subscriptions to newspapers and magazines by state and private schools and by certain categories of students;
c. extension of the tax credit for news-stands to non-exclusive re-sales;
d. postponement of the deadlines for the progressive reduction and abolition of direct subsidies in favour of certain categories of companies publishing newspapers and magazines;
e. rules on early retirement for journalists and printers;
f. changes regarding the tax on digital services (web tax);
g. changes to the local advertising tax.

On 5 February 2020, the Senate Assembly gave final approval to Bill S 1421 on "Provisions for the promotion and support of reading," which had already been approved by the Chamber.

The law is aimed, through different kinds of interventions, at promoting and supporting reading, an objective to which the State, the regions and the other territorial bodies contribute, according to the principle of loyal cooperation (article 1).

In particular, the approved text provides for:

- a National Action Plan for the promotion of reading, adopted by interministerial decree within 12 months of the date of entry into force of the law and every 3 years thereafter. The Plan guarantees a balanced territorial distribution of the interventions it provides for. In identifying the priorities of the Plan, account is taken, among other things, of: the spread of the reading habit, also through planned activities of common reading and sharing of texts; the promotion of presence at libraries and book stores; the enhancement of good practices for the promotion of reading; the provision of targeted interventions for specific groups of readers and for territories with higher rates of educational and cultural poverty. Furthermore, the Plan contains indications of actions aimed, among others, at: promoting reading in early childhood; promoting reading in social welfare facilities for the elderly and in hospitals, as well as in penitentiary institutions, with particular reference to penitentiary institutions for minors; promoting equal access to publishing production by people with reading difficulties, or physical or sensory disabilities; promoting the establishment of an integrated cultural circuit for the promotion of reading, called "Ad alta voce". For the implementation of the Plan, a special Fund is established in the MIBAC budget, with an endowment of Euro 4,350,000 per year starting from 2020. The Fund, which is managed by the Centro per il libro e la lettura (Centre for Books and Reading), is distributed each year according to the procedures established by interministerial decree. The coordination and implementation of the activities of the Plan, as well as the monitoring of the planned activities and the evaluation of the results are entrusted to the Centre for Books and Reading, which every two years, prepares a document with the results of the monitoring and evaluation of the results, to be sent to the Chambers (article 2). At the same time, as from 2020 repeal is envisaged of the Fund for the promotion of books and reading, with an annual endowment of 4 million (of which 1 million allocated to school libraries), established by the 2018 Budget Law (Law 205/2017: article 1, paragraph 318), effective 2018 (article 11);
- at local level, the conclusion by regions and municipalities, in the exercise of their autonomy and compatible with the balance of their budgets, of local pacts for reading, in which other public entities - in particular, libraries and schools - and private entities operating in the territory also participate. More specifically, the local pacts envisage, on the basis of the general objectives identified by the National Action Plan and of the specific territorial features, interventions aimed at increasing the number of regular readers. For the implementation of the interventions, the authorities and other public entities, compatibly with the balance of their budgets, can provide specific financing (article 3);
- the annual awarding, from 2020, of the title of Italian Book Capital to an Italian city at the end of a selection process. The projects of the city awarded the title are financed within the spending limit of Euro 500,000 per year (article 4);
- the establishment, in order to combat educational and cultural poverty, of a "Culture Card", with a nominal value of Euro 100, intended, in particular, for the purchase of books, including digital ones, by Italian and foreign citizens residing in Italy and belonging to economically disadvantaged families. For the purposes of the allocation of the Card, a special Fund is established in the MIBAC budget, with an endowment of Euro 1 million per year from 2020, which can be supplemented with proceeds from private individuals or companies (article 6);
- the establishment, at the MIBAC, of the Register of quality book stores. In particular, book stores that mainly sell books in retail outlets accessible to the public and that provide an innovative service, characterized by continuity, diversification of the offer of books and the

realization of cultural promotion initiatives in the area can be registered in the Register (article 9);

- the increase by Euro 3.25 million per year, starting from 2020, of the spending limit related to the tax credit that can be used by business owners operating in the retail sector of books in specialized stores, or in the retail sector of second-hand books (article 1, paragraph 319, L. 205/2017) (article 10);
- the amendment of the regulations on book prices introduced by Law 128/2011. In particular, the maximum percentage of discount on the sale of books (including books sold by mail order or through the Internet) is reduced to 5%, raised to 15% for books adopted by educational institutions as textbooks. The above limits do not apply to sales of books to libraries, provided that the books are for the use of the institution. In addition, it is foreseen that publishers, for one month only per year, may offer discounts of up to 20% on the sale price of their books, excluding titles published in the 6 months preceding the month in which the promotion takes place. Stores may also, once a year, apply discounts on books up to a maximum of 15%. After 12 months from the date of entry into force of the law, a governmental report to Parliament on the effects of the application of the new provisions is envisaged (article 8);
- the exclusion from the scope of application of VAT of free supplies of books and related supplementary supports no longer marketed or unsuitable for marketing due to imperfections or damage, which do not change their suitability for use, made in favour of public or private entities established for the pursuit, without profit, of civic and solidarity purposes (article 7).

On 26 February 2020, the DDL converting Decree-Law no. 162 of 30 December 2019 (Milleproroghe Decree) was definitely approved.

During the conversion into law, the Parliament introduced further provisions of interest to the sector. In particular:

1. a provision that establishes a further postponement, from the current 12 months - provided for by the 2020 Budget Law - to 24 months, of the terms of the progressive reduction and abolition of direct subsidies in favour of certain categories of companies publishing newspapers and magazines. In particular, the deadlines regarding the abolition and progressive reduction to abolition of direct subsidies in favour of certain categories of companies publishing newspapers and magazines are postponed for 24 months. Therefore, both the gradual reduction of direct contributions (established starting from the contributions relating to the 2021 annual instalment, paid in 2022) and the date of their total abolition (delayed from 1 January 2023 to 1 January 2024) are postponed. The categories of newspaper and magazine publishing companies affected are as follows: a) publishing companies established as journalistic cooperatives; b) non-profit entities, i.e. publishing companies whose capital is wholly owned by them; c) publishing companies whose capital is majority-owned by cooperatives, foundations or non-profit moral entities, limited to a period of five years from the date of entry into force of Law no.198/2016;
2. an interpretative clarification on subjects not eligible for direct contributions in the publishing sector. In particular, it is clarified that direct subsidies to publishers are not available to "companies publishing daily newspapers and magazines in which publishing groups listed on regulated markets hold a majority share";
3. authorization for the Presidency of the Council to extend the duration of existing contracts for the purchase of journalistic and information services with press agencies until 31 December 2020;
4. extension for twelve months, and in any case no later than 31 December 2020, within the limit of Euro 2 million for the year 2020, of the maximum duration of extraordinary Wages Guarantee

Fund treatments for journalists of news agencies with national distribution who were already recipients, as of 31 December 2019, of extraordinary Wage Guarantee Fund treatments;

5. provision that establishes that for 2020 municipal taxes relating to advertising, public billposting and occupation of public spaces and areas will continue to apply and that the new single fee provided for by the recent 2020 Budget Law will apply from 2021.

In view of the health emergency situation arising from the Coronavirus epidemic, in accordance with the order of 23 February 2020 by the Ministry of Health and the President of the Lombardy Region, some 24 ORE Group events and others will be rescheduled during 2020. Following the same order, the MUDEC – Museo delle Culture in Milan, managed by the subsidiary 24 ORE Cultura S.r.l., was closed until further notice, with the consequent postponement of some exhibitions.

Regulatory amendments could require particular and additional burdens on Group companies not foreseen to date or cause slowdowns and interruptions to the Group's business, with possible negative repercussions on the Group's business and economic, equity and financial situation.

Financial risks

Financial risks related to the securitization transaction

The Company has a securitization program in place, created by the vehicle company Monterosa SPV S.r.l. and structured by Banca IMI S.p.A. as arranger, whose maximum total amount that can be financed is Euro 50.0 million.

The program provides for the ongoing monthly transfer of portfolios of the Company's trade receivables to Monterosa SPV, either on a definitive non-recourse (i.e., without a guarantee of the transferred debtors' solvency) or on a recourse basis (i.e., with a guarantee of the transferred debtors' solvency) and matures in December 2020.

At 31 December 2019, the line of credit for the securitization of trade receivables with recourse (for a total amount of Euro 20.0 million) had been used for Euro 15.7 million.

The securitization contract does not provide for financial covenants but does provide for causes of impediment to the acquisition of the Company's portfolios of receivables, which, if not remedied, could result in the termination of the contract. It should also be noted that the contract provides for the possibility for both parties to conclude transactions at the end of each calendar quarter.

Any termination of the securitization program would impact the Group's financial operations if the Company were unable to fund itself through commercial net working capital leverage, or unable to raise additional capital and credit resources.

The new revolving and cash lines of credit, for a total amount of Euro 30.0 million subscribed on 30 November 2017, could also be terminated early if the securitization programme is interrupted or terminated before its contractual expiration and the Company is unable, within the following 120 days, to obtain new lines of credit with the same characteristics as the revoked one (the above provisions do not apply if the securitization vehicle exercises its right to withdraw *ad nutum* from the securitization programme, which is provided on a quarterly basis).

The Company ensures continuous monitoring of the performance indicators which could, if not met, trigger the causes of impediment envisaged in the securitization contract, also for the purpose of taking all appropriate action in a timely manner to avoid such eventuality.

Tax risks

Tax risks related to the ability to recover deferred tax assets

At 31 December 2019, the Group recorded deferred tax assets of Euro 23.8 million, including Euro 19.7 million related to prior-year losses.

The recovery of this asset is subject to the availability over the next few years of a flow of taxable income sufficient to generate a theoretical tax expense sufficient to absorb past losses.

In this regard, article 23, paragraph 9 of Decree Law no. 98 of 6 July 2011 allows the recovery of tax losses without a time limit and a ceiling for their use in each year equal to 80% of taxable income. No indication of the length of the recovery period can be found in the relevant Accounting Standard.

The valuation of deferred tax assets on past losses was carried out using recovery forecasts consistent with the Business Plan, appropriately reduced by 30% for the period 2024-2026, 55% for the period 2027-2029 and 100% beyond 2029.

If there are negative differences between the forecasts contained in the Plan and the actual figures available, the relevant accounting item will have to be written down. Under no circumstances will the Group recognize new deferred tax assets on prior losses before it has returned to positive taxable income. Similarly, the Group waives the recognition of deferred tax assets on new deductible temporary differences arising from the 2019 financial year.

Tax risk related to the Di Source Ltd affair

With reference to commercial relationships with Di Source Ltd, and in part Edifreepress S.r.l., Johnsons Holding S.r.l., Johnsons Inflight News Italia S.r.l., and P Publishing S.r.l., a risk profile of a fiscal nature is reported. In particular, invoices received by the Companies could be considered irregular, with consequent recovery of taxes and related penalties.

In order to address the tax risk profile, a specific provision for risks was recorded in the separate and consolidated financial statements at 31 December 2016, and then partially utilized for voluntary disbursements and adjustments, to cover the risk related to taxes and related penalties, the residual amount of which is Euro 1,123 thousand.

Risk resulting from the transfer of the IRES credit

On 28 September 2018, the Parent Company transferred without recourse to Banca IFIS the IRES credit for non-deduction of IRAP relating to employee and assimilated personnel expenses of Euro 2,400,978 plus related accrued and accruing interest, requested for the 2007 and 2008 tax periods.

In the event that future tax liabilities emerge due to disputes currently in litigation or any other future disputes, the Revenue Agency may suspend payment of the refund pending the final outcome of the litigation or a suitable surety guarantee. In such case, Banca IFIS requests to be held harmless and indemnified.

If the Revenue Agency requested a surety to guarantee disputes, including those not concerning the credit transferred, and the Company was unable to obtain such a guarantee, a breach of contract would occur. However, this possibility is remote, both because there are no disputes underway with a significant risk of losing and because there are no elements that, at present, suggest that the Company is unable to obtain this surety. In this regard, it should be noted that the Parent Company referred to the provisions of articles 6 and 7 of Decree Law no. 119 of 23 October 2018 for the facilitated settlement of two disputes that contained certain findings whose risk of losing the case was considered probable. In 2019, the related disbursement was Euro 15 thousand.

Operational risks

Risks related to the valuation of goodwill, intangible assets and tangible assets (impairment test)

The Group is characterized by a high incidence of goodwill, other intangible assets and tangible assets compared to total assets and equity, and is exposed to the risk of impairment of these assets.

At 31 December 2019, goodwill recognized in the consolidated financial statements amounted to Euro 22,019 thousand, intangible assets amounted to Euro 40,559 thousand and tangible assets, including rights of use recognized in accordance with IFRS 16, amounted to Euro 26,083 thousand, representing 10.2%, 18.8% and 12.1% of total consolidated assets, respectively. In total, at 31 December 2019, goodwill, intangible assets and tangible assets totalled Euro 88,661 thousand, or 41.1% of total consolidated assets, compared to consolidated equity of Euro 38,141 thousand.

The results of the impairment test were determined on the basis of the impairment test procedure adopted by the Group, which for 2019 was approved by the Board of Directors of Il Sole 24 ORE S.p.A. on 12 March 2020.

The assumptions made for the purpose of determining the value in use of the individual cash-generating units, which support these asset values, by their very nature incorporate an element of uncertainty connected with all forecasts; therefore, they could lead to future adjustments to the book values depending on the actual realization of the assumptions underlying the estimates made by the directors.

Any future impairment of goodwill, intangible assets and tangible assets tested for impairment could result in a reduction in the Company's and the Group's assets and equity under IFRS, which would have a material adverse effect on the Company's and the Group's business and economic, equity and financial situation and going concern.

Risks related to the internal control and risk management system

Between November 2016 and January 2017, the need emerged to review and analyse the operational processes adopted by the Company deemed most significant in order to identify any critical issues and possible solutions.

The need to do so arose from specific circumstances, namely: the start of inspections by the Supervisory Authority; news that investigations were pending (at the time against unknown persons) by the Judicial Authorities; the results of the audit entrusted to an external consultant on the circulation and sale of copies of the newspaper; and the remarks made by the newly established Supervisory Body and the independent auditors. Following a resolution of the Board of Directors of Il Sole 24 ORE S.p.A., on 16 March 2017, the Company awarded a series of assignments to a leading consulting firm, all aimed at: (i) the identification of any shortcomings and/or significant areas for improvement in the design of the internal control and risk management system (hereinafter also "SCIGR") and of the control processes with respect to the existing Guidelines and Procedures, to the best reference practices and to the requirements of current legislation; (ii) the assessment of the operation and effectiveness of the controls in place. In particular, the audits focused on the following company areas: (i) purchasing area, (ii) commercial area, (iii) expense reimbursement, (iv) circulation and distribution of the newspaper, (v) environment, (vi) health and safety. Other audits were carried out in the following months by the Internal Audit Function and other specialized companies.

The recommendations issued by the control functions (Internal Audit Function and other internal or external structures that have carried out assurance activities on the internal control and risk management systems) and aimed at reinforcing the SCIGR are monitored by the Internal Audit Function and the Corporate General Management, which verifies their effective implementation.

In particular, during 2019, the Company implemented some important activities aimed at further strengthening the internal control and risk management system. These projects included revising the administrative and accounting model in accordance with Law no. 262/2005; updating the internal regulatory system by issuing new policies, guidelines and operating procedures; and updating the assessment of the main risks to which the Company is exposed (ERM).

Should the SCIGR be inadequate for the nature and size of the company, inefficiencies or dysfunctions could arise with consequent economic, equity and financial losses for the Company and the Group.

Risk of interruption of printing activity at plants

The printing of the Group's editorial products and the daily newspaper "Il Sole 24 ORE" is carried out in part at the Group's two production sites located in Milan and Carsoli (L'Aquila), and in part under contract at third-party sites located in Sassari and Rende.

With specific reference to proprietary plants, it should be noted that these plants are subject to operational risks, including, by way of example, equipment breakdowns, work stoppages, revocation of permits and licences, as well as events of an exceptional nature, including unlawful acts of third parties and natural disasters. Furthermore, the Group's activities rely on the efficient and uninterrupted operation of its IT, energy supply and communication systems, any damage to or interruption of which - for whatever reason (including, by way of example, computer viruses) - could lead to the compromise and/or loss of data with a consequent negative impact on the Group's activities.

With part of its printing activities contracted out to third parties, the Group is exposed, in particular with regard to its newspapers, to the possibility that the contracting companies may not abide by the terms agreed upon. In particular, at the date of this Annual Report, third-party printers supplied about 6.0% of the copies produced. It should be noted that, with reference to printing activities in Calabria and Sardinia, the Company uses third-party printers for all its volumes. For this reason, the Company believes there is dependence on third-party printers. However, these volumes are smaller and, overall, marginal compared to the total, as they are destined to more limited geographical areas.

Any interruptions or delays in the delivery of products could have an adverse effect on the Group's economic, equity and financial position.

In order to minimize the operational risks associated with its own plants, the Group follows strict operating and control procedures; similarly, audits are carried out on a quarterly basis to check product quality and the efficiency, functionality and maintenance of the machinery present at external printers. Insurance policies have also been taken out, which are considered adequate and sufficient to guarantee coverage of direct damage to plants and equipment and coverage of indirect damage due to interruption of activities.

Risk related to the availability of the raw material "coloured paper" in the supply market

The European paper market is characterized by an increasingly small number of reliable and stable suppliers. The last two years have seen the closure of a number of paper mills and the concentration of production in a smaller number of production sites, due to the decrease in overall volumes and the reduction in profit margins for paper suppliers.

The production of the coloured paper used by the Company is guaranteed for Europe by four different suppliers. For paper procurement, the Group has signed two Framework Agreements for the year 2020, with two major players in the supply of coloured paper in Europe, reducing the risk of non-supply following any critical scenarios due to unpredictable phenomena.

Risk related to dependence on a single supplier for the distribution of publishing products in Italy and abroad

On 29 June 2006, the Company signed with M-Dis Distribuzione Media S.p.A. (hereinafter, "M-DIS") an agreement for the exclusive distribution and marketing in Italy and abroad (France, Slovenia and Switzerland) of newspapers, add-ons and magazines published by the Group (hereinafter, the "Contract"). M-DIS is a joint venture between RCS (which holds 45%), Istituto Geografico DeAgostini S.p.A. (which holds 45%) and Hearst Magazines Italia S.p.A. (which holds 10%).

In particular, following the latest contractual amendments of 4 August 2017, the contracts for the physical distribution and marketing in the news-stand channel of the newspaper Il Sole 24 ORE (and any future magazines that the Company decides to sell compulsorily in conjunction with the aforementioned newspaper) in Italy and abroad will expire on 31 December 2020; the contract regarding the distribution and marketing of magazines in Italy will expire on 31 December 2020, as will the contract regarding the distribution and marketing of add-ons in Italy, which will also expire on 31 December 2020.

The Company has the right to terminate the Contract in advance, pursuant to article 1456 of the Civil Code, in case of breach - by M-DIS - of obligations provided for by specific contractual provisions (including failure to pay, for at least 4 times during the year, sums due to the Company as advance payment and/or balance), as well as in case of unilateral and voluntary suspension and/or interruption of the distribution activity by M-DIS (even where such suspension and/or interruption is justified by the Company's non-fulfilment).

The decision to turn to M-DIS as the main supplier is consistent with the search for and selection of a better condition for the Group, in terms of reliability and proven ability of the counterparty to manage this activity. Despite the situation of dependence on the contractual relationship with M-DIS, the Company believes that the contents and conditions of the same are currently in line with market practice.

Since M-DIS is the exclusive distributor of the Group's entire distribution service, any suspension and/or interruption of the relationship between the parties could entail the need to identify new operators that can satisfy the Group's needs in a similar manner, both domestically and abroad. During this possible transition phase, the Group may incur higher costs.

It is not possible to exclude that the gradual concentration of distributors of publishing products could generate monopolies and/or territorial oligopolies for certain operators, resulting in a significant increase in the distribution costs borne by the Group, with a consequent negative impact on the Group's business and on its economic, equity and/or financial situation.

The Group constantly monitors developments in the distribution of editorial products in Italy, also with a view to identifying possible alternative solutions in the event of potential interruptions to activities (even for limited periods) by the current sole supplier and in view of future contractual expiry.

Risks related to possible escalation of conflict with workers

In the implementation of the Plan, which provides for a series of actions and initiatives aimed at ensuring business continuity, safeguarding the future economic and financial sustainability of the 24 ORE Group as a whole, the company is pursuing the action of reducing the overall cost of labour, through a structural reduction of the workforce (of all categories of journalists, managers, graphic and polygraph personnel and radio operators) with significant benefits on the cost structure of the Group.

The Group signed agreements with trade union representatives in the journalistic area for the use of solidarity contracts and in January 2020, presented a reorganization plan in the presence of a crisis, pursuant to article 25-bis, paragraph 3, letter A) of Legislative Decree 148/2015, for the graphic and polygraph area that will end on 10 May 2020. This plan envisages the use of the Cassa Integrazione Straordinaria (Extraordinary Wage Guarantee Fund), aimed at early retirement in the sector, to manage the redundancies resulting from the reorganization. The company also plans to intervene on the printed product with a restyling of the newspaper and its attachments.

In this context, it is not possible to exclude the possibility of an escalation of conflict with workers.

Given that the Group's activities mainly include publishing, journalism and printing activities, work stoppages or other forms of conflict by certain categories of workers (in particular journalists and printers, given the rapidity of the economic cycle of the product) could lead to interruptions and, if prolonged, to inefficiencies that could affect the Group's economic results.

The Group ensures that any actions it intends to take that may have an impact on workers and the general corporate climate are discussed as a matter of priority with related trade union representatives and communicated in compliance with applicable regulations.

OWNERSHIP STRUCTURE AND TREASURY SHARES

At 31 December 2019, the share capital of Il Sole 24 ORE S.p.A., fully subscribed and paid in, amounted to Euro 570,124.76, divided into 9,000,000 ordinary shares (representing 13.77% of the share capital) and 56,345,797 special category shares listed on the Mercato Telematico Azionario - MTA organized and managed by Borsa Italiana S.p.A. (representing 86.23% of the share capital), including 330,202 treasury shares, without indication of nominal value.

Confindustria holds all of the ordinary shares of Il Sole 24 ORE S.p.A. and 31,217,484 special category shares having the rights referred to in article 7 of the Articles of Association, including the right to vote at ordinary and extraordinary shareholders' meetings, both general and category, and representing a total of 61.546% of the share capital.

All the shares issued by Il Sole 24 ORE S.p.A., currently owned by Confindustria, are held in trust for Vincenzo Boccia as Chairperson. All further shares that may be acquired in the future by Confindustria will be registered in the name of the *pro tempore* Chairperson.

By a resolution of the Shareholders' Meeting on 28 June 2017, the limits on share ownership of special category shares already in the Articles of Association were abolished.

Pursuant to article 7 of the Articles of Association, the distribution of interim dividends may be resolved in favour of special category shares within the limits and according to the procedures provided for by law and they are attributed a preferential dividend of 5% equal to Euro 2.60 or, if higher, the implicit accounting parity of the share, which may not be accumulated from one financial year to the next. In the event of dissolution of the Company, they shall have a right of preference in the distribution of the Company's assets up to the share implicit par value.

At the date of the Board of Directors' meeting to approve this Annual Financial Report, based on the results of the Shareholders' Register and taking into account the communications received pursuant to article 120 of the Consolidated Law on Finance, the following parties held, directly or indirectly, shares in the Company equal to or greater than 3% of the share capital:

PARTIES THAT DIRECTLY OR INDIRECTLY OWN 5% OR MORE OF THE COMPANY'S SHARE CAPITAL

Declaring Party	Direct Shareholder	% of share capital	% of voting capital
Ordinary shares			
Confindustria - Confederazione Generale dell'Industria Italiana (General Confederation of Italian Industry)	Confindustria - Confederazione Generale dell'Industria Italiana (General Confederation of Italian Industry)	13.773%	13.843%
Special category shares			
Confindustria - Confederazione Generale dell'Industria Italiana (General Confederation of Italian Industry)	Confindustria - Confederazione Generale dell'Industria Italiana (General Confederation of Italian Industry)	47.773%	48.015%

It should be noted that pursuant to paragraph 7 of article 119-bis of the Issuers' Regulation, added by Consob resolution no. 16850 of 1 April 2009 and subsequent amendments and additions, management companies and qualified entities that have acquired, as part of the management activities referred to in article 116-terdecies, paragraph 1, letters e) and f) respectively, of the Issuers' Regulation, managed investments of more than 3% and less than 5%, are not required to comply with the disclosure obligations provided for in article 117 of the aforementioned Regulation.

There are no authorizations by the Shareholders' Meeting to purchase treasury shares pursuant to article 2357 and following of the Civil Code. However, the Board of Directors was authorized by the Shareholders' Meeting of 28 April 2009 to dispose of the treasury shares held in portfolio, pursuant to article 2357-ter of the Civil Code, without time limits, in accordance with the terms and conditions set out in the share incentive plans approved by the Company from time to time. At the date of this document, Il Sole 24 ORE holds 330,202 special category treasury shares.

At the date of this 2019 Annual Financial Report, the Shareholders' Meeting had not granted any powers to the Board of Directors to increase share capital pursuant to article 2443 of the Civil Code or to issue equity instruments.

ORGANIZATION AND CONTROL MODEL PURSUANT TO LEGISLATIVE DECREE 231, 8 JUNE 2001

Legislative Decree no. 231 of 8 June 2001 introduced into Italian law the administrative liability of entities arising from the commission of crimes in the interest or to the advantage of the entity itself.

Also for the purpose of preventing conduct that could result in the perpetration of the offences listed in the Decree, Il Sole 24 ORE S.p.A. adopted specific internal rules and regulations formalized in the Organization, Management and Control Model pursuant to Legislative Decree 231/01 (hereinafter the Model) in compliance with the requirements of the Decree and the guidelines issued by Confindustria.

The Company's Board of Directors therefore approved the Model and appointed the Supervisory Body, which is responsible for overseeing the functioning of and compliance with the Model, as well as for periodically checking its effectiveness and updating it.

The Supervisory Body currently in office was appointed on 30 April 2019 and is composed of Raffaele Squitieri (Chairperson), Gianluca Ferrero and Lelio Fornabaio.

The Model was drafted following an in-depth analysis of company operations aimed at identifying activities potentially at risk, as a result of which the rules of conduct were defined, as well as the control principles aimed at the prevention of: (i) offences committed to the detriment of the Public Administration, (ii) corporate offences, (iii) offences of corruption between private individuals, (iv) financial offences or market abuse, (v) offences of manslaughter and grievous and very grievous bodily harm committed in breach of accident-prevention laws and laws on the protection of hygiene and health at work (vi) offences of receiving stolen goods, money laundering and use of money, goods or benefits of unlawful origin, as well as self-laundering, (vii) computer crimes, (viii) offences of copyright infringement (ix) environmental crimes, (x) crimes against the person and (xi) other crimes. On the basis of the analysis carried out, the commission of the other types of offence provided for by the Decree was considered remote or only abstractly and not concretely possible.

The Model also defines the internal disciplinary system aimed at sanctioning any failure to comply with its provisions.

The Model is supplemented by the Code of Ethics, which was approved on 6 March 2017 and contains the set of ethical-conduct principles that must inspire all employees and business partners of the 24 ORE Group.

The Model and the Code of Ethics are available on the website of the Company at *www.gruppo24ore.com* in the Governance section.

During 2019, the Board constantly carried out a detailed check of the state of updating of the 231 Model in force, with reference to both the organizational and legislative framework of reference, and notified the Company of the need to proceed with an overall update of the 231 Model, focusing on a complete review of the mapping of risks related to the framework of sensitive activities and the types of predicate offences referred to in the Decree (which in the meantime have expanded as a result of the inclusion, the latest precisely in the first and second half of 2019) in the body of the Decree of new offences-231 compared with those contemplated in the 231 Model in force). The report was promptly acknowledged by the Company, which quickly launched a comprehensive review of its risk assessment that also included the risks entailed by the existing 231 Model. The work is ongoing and is expected to be completed by the first half of 2020.

In order to ensure greater effectiveness in the application of the rules adopted, the Company has promoted the dissemination of the Model and the Code of Ethics by envisaging specific communication and training initiatives on their content.

TRANSACTIONS WITH RELATED PARTIES

With reference to transactions with related parties, it should be noted that all transactions carried out with related parties are limited in substance to transactions related to commercial, administrative and financial services with subsidiaries and associates. These transactions are part of normal business operations, within the scope of the typical activity of each party involved, and are regulated at market conditions.

The Company observes its own internal procedure "Regulation of Transactions with Related Parties", adopted on 11 November 2010 by resolution of the Board of Directors, in implementation of the Regulation approved by CONSOB resolution no. 17221 of 12 March 2010, and subsequently amended by resolution no. 17389 of 23 June 2010. The aforementioned procedure was subsequently updated by resolution of the Board of Directors on 19 December 2018 and lastly revised, in order to update certain references contained therein, by resolution of the Board of Directors on 19 December 2019. Information on transactions with related parties is provided in paragraph 13.1 Transactions with related parties in the notes to the financial statements.

Related parties consist of parties entered in the Register of Related Parties established by the Company. The Regulation is available on the website *www.gruppo24ore.com*, Governance section.

RECONCILIATION OF CONSOLIDATED AND PARENT COMPANY PROFIT (LOSS) AND EQUITY

The reconciliation schedules between consolidated and parent company profit (loss) and equity are shown in the consolidated financial statements in paragraph 11 - note 21 relating to the Notes to the financial statements.

OUTLOOK

The first few months of 2020 confirm the persistence of the weak market conditions and general uncertainty in the Italian economy which affect, in particular, the performance of advertising sales. The ongoing health emergency linked to the spread of the Coronavirus and the extraordinary measures introduced by the competent authorities to contain it, have led to a sudden sign of a possible worsening of the general conditions of the global economy, the extent and duration of which is currently difficult to predict.

Q1 2020 GDP is expected to decline and substantial stagnation persists, following the decline already recorded at the end of 2019 (-0.3% Q4 estimate - Source: *Economic Situation Flash February 2020 - Centro Studi Confindustria*).

In view of the health emergency situation resulting from the COVID-19 virus outbreak, in accordance with the order of 23 February 2020 issued by the Ministry of Health and the President of the Lombardy Region and subsequent legal measures, some 24 ORE Group events have been cancelled and others will be rescheduled during 2020. Following the same order, the MUDEC – Museo delle Culture in Milan, managed by the subsidiary 24 ORE Cultura S.r.l., was closed until further notice, with the consequent postponement of some exhibitions.

The Group continues to monitor very carefully both the evolution of the health emergency linked to the COVID-19 virus, and the performance of the reference markets with respect to the hypotheses of the Plan, evaluating the actual possibility of rescheduling the planned initiatives and maintaining proactive and constant attention to the containment of costs and the identification of initiatives that can mitigate the risk linked to the uncertainties related to the actual achievement of the volume of revenues estimated, in order to allow the achievement of the expected economic results. In view of the possible repercussions of the health emergency linked to the COVID-19 virus and any extraordinary measures that may be adopted in favour of companies, at present, the Group believes that it does not yet have sufficient information to be able to determine any medium/long-term impacts on its economic and financial prospects compared with the current contingent situation.

SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE YEAR

Following the approval of DDL no. 2305 of 23 December 2019, in January 2020, the Group presented a reorganization plan in the presence of a crisis, pursuant to article 25-bis, paragraph 3, letter A) of Legislative Decree 148/2015, for the graphic and polygraph area ratified at the Ministerial meeting on 6 February 2020. The plan will end on 10 May 2020 and provides for the use of the Cassa Integrazione Straordinaria (Extraordinary Wage Guarantee Fund), aimed at the aforementioned early retirement in the sector, to manage the redundancies resulting from the reorganization.

In view of the health emergency situation arising from the Coronavirus epidemic, in accordance with the order of 23 February 2020 by the Ministry of Health and the President of the Lombardy Region, some 24 ORE Group events and others will be rescheduled during 2020. Following the same order, the MUDEC – Museo delle Culture in Milan, managed by the subsidiary 24 ORE Cultura S.r.l., was closed until further notice, with the consequent postponement of some exhibitions.

On 29 February 2020, the merger by incorporation of Ticket 24 ORE S.r.l. into the parent company 24 ORE Cultura S.r.l. was completed.

On 12 March 2020, the Company's Board of Directors approved the 2020-2023 Plan, which confirms the strategic direction of the previous 2019-2022 Plan approved on 15 May 2019, of which it represents an update and development.

In continuity with the previous plan, the following strategic guidelines were outlined:

- strengthen the value of content within the integrated 24 ORE system by focusing on products and services with a high margin and a high rate of innovation in both print and digital offerings;
- accelerate the multichannel commercial performance through a strong push on upselling and enhancement of the customer base;
- increase the territorial presence to involve more and more users of products and services of the 24 ORE system and enhance the relevance of the brand;
- transform the operating machine in order to make drafting, production and distribution costs more efficient.

The 2020-2023 Plan takes into account the impact of the measures implemented by management to revise the structure of operating costs, including the forthcoming relocation of the Company's headquarters and offices in Milan, and of the measures taken on labour costs, including early retirements of graphic and polygraph personnel for those who meet the requirements during the first quarter of 2020, in accordance with the provisions of Budget Law no. 160/2019.

The 2020-2023 Plan does not reflect the possible impacts of the health emergency related to the spread of the COVID-19 virus and the extraordinary measures introduced by the competent authorities to contain it, the extent of which is difficult to predict at this time in terms of both duration and impact on business.

On 12 March 2020, an amendment was received from the lending banks, which redefines the value of the 12-month rolling EBITDA financial parameter used to calculate the covenant at 30 June 2020 (the date of the last interim valuation before loan maturity), reducing it from Euro 16.5 to 13.0 million. The 2020 budget approved on the same date meets the new EBITDA covenant.

On 12 March 2020, the Company's Chief Executive Officer extended the designation of Key Executives (DIRS) to Eraldo Minella - General Manager Professional Area, and Romeo Marrocchio - Central Director Personnel and Operations. At the date of this Report, the following Executives are identified as DIRS of the Company: Federico Silvestri - General Manager System 24 and Business Unit Director

Radio 24; Paolo Fietta - General Manager Corporate & CFO; Karen Nahum - Deputy General Manager Publishing & Digital Area; Eraldo Minella - General Manager Professional Area and Romeo Marrocchio - Central Director Personnel and Operations.

PROPOSED ALLOCATION OF THE PROFIT (LOSS) OF FY 2019

Shareholders,

We submit for your approval the financial statements of Il Sole 24 ORE S.p.A. for the year ended 31 December 2019, which show a loss of Euro 30,351 that we propose to cover through the use of the Share premium reserve.

Milan, 26 March 2020

The Chairperson of the Board of Directors
Edoardo GARRONE

2019 Consolidated Non-Financial Statement

[Omitted]

Consolidated
Financial Statements
As At 31 December 2019

CONSOLIDATED FINANCIAL STATEMENTS

Statement of Financial Position

CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Euro thousands	Notes (*)	31.12.2019	31.12.2018
ASSETS			
Non-current assets			
Property, plant and equipment	(1)	26,083	16,749
Goodwill	(2)	22,019	15,469
Intangible assets	(3)	40,559	37,962
Investments in associates and joint ventures	(4)	-	18,383
Non-current financial assets	(5)	716	691
Other non-current assets	(6)	16,254	3,598
Deferred tax assets	(7)	23,847	25,335
Total		**129,478**	**118,186**
Current assets			
Inventories	(8)	2,897	2,114
Trade receivables	(9)	55,147	63,798
Other receivables	(10)	3,866	5,564
Other current financial assets	(11)	1,384	0
Other current assets	(12)	5,086	5,854
Cash and cash equivalents	(13)	15,731	22,630
Total		**84,111**	**99,961**
Assets available for sale		-	-
TOTAL ASSETS		**213,589**	**218,147**

(*) Section 11 of the Notes to the Financial Statements.

Pursuant to Consob Resolution no. 15519 of 27 July 2006, the effects of transactions or positions with related parties on the statement of financial position, statement of comprehensive income and statement of cash flows of the 24 ORE Group are reported in point 13.5 and detailed in point 13.1.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

Euro thousands	Notes (*)	31.12.2019	31.12.2018
EQUITY AND LIABILITIES			
Equity	(14)		
Equity attributable to shareholders of the parent company			
Share capital	(15)	570	570
Capital reserves	(16)	19,482	26,763
Employee severance indemnity (TFR) reserve - IAS adjustment	(17)	(4,553)	(3,941)
Profits (losses) carried forward	(18)	22,274	18,475
Profit (loss) attributable to shareholders of the parent company	(19)	(1,202)	(6,020)
Total		**36,572**	**35,847**
Equity attributable to minority shareholders	(14)		
Capital and reserves attributable to minority shareholders		-	-
Profit (loss) attributable to minority shareholders		-	-
Total		**-**	**-**
Total equity		**36,572**	**35,847**
Non-current liabilities			
Non-current financial liabilities	(20)	15,944	4,982
Employee benefits	(21)	17,614	18,016
Deferred tax liabilities	(7)	5,996	5,570
Provisions for risks and charges	(22)	9,668	17,099
Other non-current liabilities	(23)	103	-
Total		**49,325**	**45,666**
Current liabilities			
Current bank overdrafts and loans	(24)	16,315	18,468
Other current financial liabilities	(25)	11,150	5,077
Trade payables	(26)	78,403	83,287
Other current liabilities	(27)	10	65
Other payables	(28)	21,816	29,739
Total		**127,693**	**136,635**
Liabilities available for sale		-	-
Total liabilities		**177,018**	**182,300**
TOTAL EQUITY AND LIABILITIES		**213,589**	**218,147**

(*) Section 11 of the Notes to the Financial Statements.

Pursuant to Consob Resolution no. 15519 of 27 July 2006, the effects of transactions or positions with related parties on the statement of financial position, statement of comprehensive income and statement of cash flows of the 24 ORE Group are reported in point 13.5 and detailed in point 13.1.

Statement of profit (loss) for the year

CONSOLIDATED STATEMENT OF PROFIT (LOSS)			
Euro thousands	Notes (*)	FY 2019	FY 2018
1) Continuing operations			
Revenues	**(29)**	**198,737**	**211,324**
Other operating income	(30)	11,717	10,067
Personnel costs	(31)	(80,825)	(85,616)
Change in inventories	(8)	782	(137)
Purchases of raw and consumable materials	(32)	(7,338)	(6,747)
Costs for services	(33)	(89,817)	(91,191)
Costs for rents and leases	(34)	(7,036)	(17,378)
Other operating expenses	(35)	(3,107)	(5,435)
Provisions	(22)	(1,230)	(6,542)
Bad debt	(9)	(841)	(1,333)
Gross operating margin		**21,042**	**7,012**
Amortization of intangible assets	(3)	(4,848)	(5,253)
Depreciation of tangible assets	(1)	(11,871)	(3,752)
Impairment of tangible and intangible assets	(36)	(7,083)	(1,248)
Gains/losses on disposal of non-current assets	(37)	(1)	1
Operating profit (loss)		**(2,761)**	**(3,239)**
Financial income	(38)	626	352
Financial expenses	(38)	(2,958)	(3,049)
Total financial income (expenses)		**(2,332)**	**(2,698)**
Other income from investment assets and liabilities	(39)	3,856	(159)
Valuation of investments at equity	(4)	838	1,183
Profit (loss) before taxes		**(398)**	**(4,913)**
Income taxes	(38)	(804)	(1,107)
Profit (loss) from continuing operations		**(1,202)**	**(6,020)**
2) Assets held for sale			
Profit (loss) from assets held for sale		**-**	**-**
Net profit (loss)	**(19)**	**(1,202)**	**(6,020)**
Profit (loss) attributable to minority shareholders	**-**	**-**	**-**
Profit (loss) attributable to the shareholders of the parent company	**(19)**	**(1,202)**	**(6,020)**
Basic earnings (loss) per share in Euro	**(19)**	**(0.02)**	**(0.09)**
Diluted earnings (loss) per share in Euro	**(19)**	**(0.02)**	**(0.09)**

(*) Section 11 of the Notes to the Financial Statements.

Statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
Euro thousands	FY 2019	FY 2018
Net profit (loss)	**(1,202)**	**(6,020)**
Other components of comprehensive income		
Other reclassifiable components of comprehensive income	**-**	**-**
Other non-reclassifiable components of comprehensive income	**(612)**	**143**
Actuarial gains (losses) on defined-benefit plans	(612)	143
Other components of comprehensive income, net of tax effects	**(612)**	**143**
Total comprehensive income (expense)	**(1,814)**	**(5,877)**
Attributable to:		
Minority shareholders	**-**	**-**
Shareholders of the parent company	**(1,814)**	**(5,877)**
TOTAL COMPREHENSIVE INCOME (EXPENSE)	**(1,814)**	**(5,877)**

(*) Section 11 of the Notes to the Financial Statements.

Pursuant to Consob Resolution no. 15519 of 27 July 2006, the effects of transactions or positions with related parties on the statement of financial position, statement of comprehensive income and statement of cash flows of the 24 ORE Group are reported in point 13.5 and detailed in point 13.1.

Income components arising from non-recurring events or transactions, i.e. transactions or events that do not recur frequently, are also reported in point 13.5.

Statement of cash flows

CONSOLIDATED STATEMENT OF CASH FLOWS			
Euro thousands	Notes (*)	FY 2019	FY 2018
Statement items			
Profit (loss) before taxes from continuing operations attributable to the Group [a]		(398)	(4,913)
Adjustments [b]		**13,810**	**18,562**
Amortization/Depreciation	(1.3)	16,719	9,005
(Gains) losses	(1)	1	(1)
Effect of valuation of investments	(4.5)	(864)	(1,025)
Gain on disposal of Business School24 S.p.A.	(39)	(3,831)	
Allocation and (release) of provisions for risks and charges	(22)	(6,397)	5,444
Restatement of debt for restructuring expenses	(28)	(1,559)	
Provision for employee benefits	(21)	328	303
Impairment of tangible and intangible assets	(36)	7,082	1,248
Change in current taxes and deferred tax assets/liabilities			891
Financial income and expenses	(38)	2,332	2,698
Changes in operating net working capital [c]		**40**	**(22,252)**
Change in inventories	(8)	(782)	137
Change in trade receivables	(9)	8,651	10,425
Change in trade payables	(26)	(1,798)	(22,047)
Income tax payments		-	
Other changes in net working capital		(6,030)	(10,766)
Total cash flow from operating activities [d=a+b+c]		**13,452**	**(8,603)**
Cash flow from investing activities [e]		**(1,853)**	**(1,974)**
Investments in intangible and tangible assets	(1.3)	(8,614)	(4,216)
Proceeds from disposal of investments		5,000	2,228
Other changes in investing activities		1,761	14
Cash flow from financing activities [f]		**(18,531)**	**147**
Net financial interest paid	(38)	(2,332)	(1,961)
Change in medium/long-term bank loans	(20)	(609)	(629)
Change in short-term bank loans		(2,185)	288
Changes in other financial payables and receivables		(2,661)	1,841
Other changes in financial assets and liabilities		(31)	558
Change in payables IFRS 16		(10,713)	-
Other changes in reserves		-	50
Financial resources absorbed in the year [g=d+e+f]		**(6,931)**	**(10,430)**
Cash and cash equivalents at the beginning of the year		**22,053**	**32,482**
Cash and cash equivalents at the end of the year		**15,122**	**22,053**
Increase (decrease) for the year		**(6,931)**	**(10,430)**

(*) Section 11 of the Notes to the Financial Statements.

Pursuant to Consob Resolution no. 15519 of 27 July 2006, the effects of transactions or positions with related parties on the statement of financial position, statement of comprehensive income and statement of cash flows of the 24 ORE Group are reported in point 13.5 and detailed in point 13.1.

Statement of changes in Equity

24 ORE GROUP - STATEMENT OF CHANGES IN EQUITY								
Euro thousands	Share capital	Capital reserves - share premium reserves	Employee severance indemnity (TFR) reserve - IAS adjustment	Profits (losses) carried forward	Profit (loss) for the year	Equity of parent company shareholders	Equity of minority shareholders	Total equity
	(15)	(16)	(17)	(18)	(19)	(14)		(14)
Balance at 31 December 2017	**570**	**38,280**	**(4,084)**	**(739)**	**7,531**	**41,558**	**-**	**41,558**
Effects of first-time application of IFRS 9	-	-	-	116	-	116	-	116
Balance at 1 January 2018	**570**	**38,280**	**(4,084)**	**(623)**	**7,531**	**41,674**	**-**	**41,674**
Actuarial adjustment TFR			143			143		143
Net profit (loss) for the period	-	-	-	-	(6,020)	(6,020)		(6,020)
Total income/expenses for the year	**-**	**-**	**143**	**-**	**(6,020)**	**(5,877)**	**-**	**(5,877)**
Change in profit (loss) 2017		(11,517)		19,048	(7,531)	-		-
Other changes				50	-	50	-	50
Balance at 31 December 2018	**570**	**26,763**	**(3,941)**	**18,475**	**(6,020)**	**35,846**	**-**	**35,846**
Balance at 31 December 2018	**570**	**26,763**	**(3,941)**	**18,475**	**(6,020)**	**35,846**	**-**	**35,846**
Effects of first-time application of IFRS 16	-	-	-	2,539	-	2,539	-	2,539
Balance at 1 January 2019	**570**	**26,763**	**(3,941)**	**21,014**	**(6,020)**	**38,385**	**-**	**38,385**
Actuarial adjustment TFR			(612)			(612)		(612)
Net profit (loss) of 2019	-	-			(1,202)	(1,202)		(1,202)
Total income/expenses for the year	**-**	**-**	**(612)**	**-**	**(1,202)**	**(1,814)**	**-**	**(1,814)**
Change in profit (loss) 2018		(7,280)		1,260	6,020	-		-
Balance at 31 December 2019	**570**	**19,483**	**(4,553)**	**22,274**	**(1,202)**	**36,571**	**-**	**36,571**

(*) Section 11 of the Notes to the Financial Statements.

Milan, 26 March 2020

The Chairperson of the Board of Directors
Edoardo GARRONE

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The 24 ORE Group operates in a leadership position in the economic-financial information market, offering its services to the public, professional categories, businesses and financial institutions.

The composition of the Group and the scope of consolidation at 31 December 2019, with changes compared to 31 December 2018, is provided in paragraph 9, Scope of consolidation.

The companies included in the Group's scope of consolidation at 31 December 2019 are:

- **Il Sole 24 ORE S.p.A.**, the Parent Company, which acts both as a holding company, holding the controlling investments in the Group companies, and as an operating company, through the exercise of the core businesses (general, financial and professional information, news agency, etc.);
- **Il Sole 24 ORE UK Ltd.**, a wholly-owned subsidiary, which is responsible for the intermediation in the sale of advertising space in the United Kingdom;
- **24 ORE Cultura S.r.l.**, a wholly-owned subsidiary specialized in products dedicated to art and photography, and the organization of exhibitions and events;
- **Ticket 24 ORE S.r.l.**, a company operating in the e-commerce and online marketing sector, in the ticketing and reception sector for exhibitions and events. The company is 100% controlled through 24 ORE Cultura S.r.l. On 28 February 2020, the merger process with the parent company 24 ORE Cultura S.r.l. was completed;
- **Il Sole 24 ORE U.S.A. Inc.**, wholly-owned subsidiary operating in the sector of political-economic and financial information in the United States;
- **Il Sole 24 ORE Eventi S.r.l.**, wholly-owned subsidiary operating, both in Italy and abroad, in the sector of organization, management, promotion and sale of conferences, events, meetings and forums, which can also be attended remotely and aimed at students, professionals, companies, public and private entities with the purpose of training and professional updating.

Il Sole 24 ORE S.p.A. has its registered office and administrative headquarters at Via Monte Rosa 91, Milan. Confindustria holds control of the Parent Company.

The share capital of the Parent Company amounts to Euro 570,124.76, represented by 65,345,797 shares. The total shares are broken down as follows:

- 9,000,000 ordinary shares held by Confindustria, equal to 13.77% of the total number of shares;
- 56,345,797 special category shares listed on the MTA Standard Segment (Class 1) of Borsa Italiana S.p.A., equal to 86.23% of the total number of shares, of which 31,217,484 held by Confindustria, 24,798,111 held by other shareholders and 330,202 treasury shares.

The special category shares of Il Sole 24 ORE S.p.A. are currently listed on the MTA in the Standard Segment (Class 1) of Borsa Italiana S.p.A..

SHARE IDENTIFICATION CODES	
Name	Il Sole 24 ORE S.p.A.
ISIN Code	IT0005283111
Reuters Code	S24.MI
Bloomberg Code	S24: IM

The annual financial report, including the Group's consolidated financial statements for the year ended 31 December 2019, the draft financial statements, the report on operations and the certification required by article 154-bis, paragraph 5 of Legislative Decree 58/1998, Consolidated Law on Finance (T.U.F.), in accordance with the provisions of article 154-ter, paragraph 1 of Legislative Decree 58/1998 (T.U.F.), was authorized for publication by the Board of Directors on 26 March 2020.

2. Form, content and international accounting standards

These consolidated financial statements have been prepared on a going concern basis and in accordance with the recognition and measurement criteria established by the International Accounting Standards (IAS and International Financial Reporting Standards - IFRS), as integrated by the relevant interpretations (Standing Interpretations Committee - SIC and IFRS Interpretations Committee - IFRIC), approved and published by the International Accounting Standards Board - IASB, and endorsed by Regulation (EC) no. 1126/2008 of the European Commission and subsequent amendments and additions.

Regulation (EC) no. 1126/2008 of the European Commission and subsequent amendments and additions adopts international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, implemented by Legislative Decree no. 38 of 28 February 2005 "Exercise of the options provided for by article 5 of Regulation (EC) no. 1606/2002 on international accounting standards" (Legislative Decree 38/2005).

The international accounting standards applied to the financial statements for the year ended 31 December 2019 and comparative figures for the year ended 31 December 2018 are those endorsed by the European Commission at the reporting date.

The presentation currency of the consolidated financial statements is the Euro and the amounts are expressed in thousands of Euro, except where expressly indicated.

3. Financial Statements

The Group has prepared a *Statement of financial position* that classifies current and non-current assets and current and non-current liabilities separately.

For each asset and liability item that includes both amounts due within twelve months of the reporting date and amounts due beyond twelve months, the amount expected to be recovered or settled beyond twelve months has been indicated.

All revenue and expense items recognized in the period, including financial expenses, share of profit or loss of associates and joint ventures accounted for using the equity method, tax expense, and a single amount relating to total discontinued operations, are presented in the Statement of Profit (Loss) for the year, which immediately precedes the Statement of Comprehensive Income.

The Statement of Comprehensive Income begins with profit or loss for the period, presents the Other Comprehensive Income section, the total other comprehensive income, and the total comprehensive income (expense), which is the total of profit or loss for the period and other comprehensive income.

The Statement of Profit (Loss) for the year presents the allocation of profit (loss) for the year attributable to the shareholders of the parent entity and profit (loss) for the year attributable to minority interests.

The Statement of Comprehensive Income presents a breakdown of comprehensive income for the year attributable to the shareholders of the parent entity and comprehensive income for the year attributable to minority interests.

Items that are recognized outside profit (loss) for the current year on specific provision of certain IAS/IFRS are presented in the Other Comprehensive Income section of the Statement of Comprehensive Income.

The Other Comprehensive Income section of the Statement of Comprehensive Income presents the items relating to the amounts of Other Comprehensive Income for the year, classified by nature (including the portion of Other Comprehensive Income attributable to associates and joint ventures accounted for using the equity method) and grouped into those which, in accordance with the provisions of other IAS/IFRS:

- will not be reclassified subsequently to profit (loss) for the year;
- will subsequently be reclassified to profit (loss) when certain conditions are met.

Other comprehensive income components that may be reclassified to profit (loss) for the year are:

- gains and losses arising from the translation of the financial statements of a foreign operation;
- the effective portion of gains and losses on hedging instruments in a cash flow hedge;
- gains and losses on the restatement of financial assets available for sale.

Other comprehensive income components that cannot be reclassified to profit or loss are actuarial gains and losses from defined benefit plans.

Items in the Other Comprehensive Income section of the Statement of Comprehensive Income are presented gross of the related tax effects, with a single figure relating to the aggregate amount of tax relating to those items. The tax is allocated between items that could be subsequently reclassified to profit or loss and those that will not be subsequently reclassified to profit or loss.

The classification used for the Statement of Profit (Loss) for the year is by nature.

It should be noted that in these consolidated financial statements, unless otherwise specified, the term Income Statement refers to the Statement of Profit (Loss) for the year.

Information on cash flows is provided in the Statement of Cash Flows, which is an integral part of these consolidated financial statements.

The method used to present cash flows is the indirect method, whereby the result for the year is adjusted for effects of:

- changes in inventories, receivables and payables generated by operating activities;
- non-monetary transactions;
- all other items the monetary effects of which are cash flows from investing or financing activities.

A reconciliation between the amounts relating to the components of cash and cash equivalents in the Statement of Cash Flows and the equivalent items shown in the Statement of Financial Position is provided in the notes.

The statement showing the net financial position has been prepared on the basis of the "*ESMA update of the CESR recommendations. The consistent implementation of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive*" of 20 March 2013 (formerly CESR Recommendation 05-054b of 10 February 2005). The table shows a breakdown of its main components and an indication of payables to and receivables from related parties.

The statement of changes in equity shows:

- income and expenses recognized directly in equity and included in the Statement of Comprehensive Income for the year, with separate indication of the total amounts attributable to the shareholders of the parent company and those attributable to minority investments;
- for each Equity item, any effects of retrospective application or retrospective restatement recognized in accordance with *IAS 8 Accounting Standards, Changes in Accounting Estimates and Errors*;
- for each Equity item, a reconciliation between the book value at the beginning and end of the year, showing separately the changes resulting from:

- profit or loss;
- other components of comprehensive income;
- any transactions with shareholders, with separate indication of contributions from shareholders, distributions of equity to shareholders and changes in interests in subsidiaries without loss of control.

For each component of equity, the statement of changes in equity also presented an analysis of Other comprehensive income by element.

The Group has also prepared a reconciliation between the consolidated equity and the profit (loss) for the year in the consolidated financial statements and the corresponding figures in the financial statements of the Parent Company.

At the end of the Statement of Financial Position, the Statement of Profit (Loss) for the year, the Statement of Comprehensive Income and the Statement of Cash Flows, reference is made to a specific paragraph where, in a table, the sub-items relating to the amounts of positions or transactions with related parties are presented, indicating the effects on the Group's financial position, profit or loss for the year and cash flows.

The sub-items relating to any income components deriving from events or transactions the occurrence of which is not recurring are indicated separately in the cost or revenue items to which they refer, with an indication of the effects on the Group's financial position, income statement and cash flows, and are reported in the format drafted pursuant to Consob Resolution 15519 of 27 July 2006.

A specific table, which is an integral part of these consolidated financial statements, lists the Group companies, indicating their name, registered office, capital, shares held directly or indirectly, by the parent company and by each of the subsidiaries, the method of consolidation, as well as the list of investments accounted for using the equity method.

The Notes are presented in a systematic manner. In the Statement of Financial Position, the Statement of Profit (Loss) for the year, the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity, reference is made to the detailed disclosures in the Notes to the Consolidated Financial Statements.

Comparative information from the prior year is provided for all amounts shown in these consolidated financial statements for the current year. Comparative information is also provided in the notes, if this is relevant to an understanding of the consolidated financial statements for the current year.

The presentation and classification of items in the consolidated financial statements are maintained from one year to the next except as noted in paragraph 6, Changes in accounting standards, errors and changes in estimates.

Where the presentation or classification of items in the consolidated financial statements has changed, the comparative amounts have been restated accordingly, indicating the nature, amount and reasons for the reclassification.

4. Principles of consolidation

The consolidated financial statements include the financial statements of Il Sole 24 ORE S.p.A. and its subsidiaries at 31 December 2019.

Control is obtained when the Group is exposed or entitled to variable returns, deriving from its relationship with the investee and, at the same time, has the ability to impact these returns by exercising its power over such entity.

Specifically, in accordance with IFRS 10, the Group controls an investee if, and only if, the Group has:

- power over the investee (or holds valid rights that give it the current ability to manage the relevant activities of the investee);
- exposure or rights to variable returns arising from the relation with the entity of the investment;
- ability to exercise its power on the entity of the investment to affect the amount of its returns.

Generally, there is a presumption that the majority of voting rights entails control. In support of this presumption and when the Group holds less than the majority of voting rights (or similar rights), the Group considers all the relevant facts and circumstances to determine whether it controls the investee, including:

- contractual agreements with other holders of voting rights;
- rights deriving from contractual agreements;
- voting rights and potential voting rights of the Group.

In preparing these consolidated financial statements, the Parent Company has fully consolidated its own financial statements and the financial statements of its subsidiaries as if they were the financial statements of a single economic entity.

The Parent Company's financial statements and those of its subsidiaries, used in the preparation of the consolidated financial statements, have all been prepared at 31 December 2019.

The financial statements of foreign subsidiaries expressed in currencies other than the presentation currency are translated into Euro using the following procedures:

- the assets and liabilities in each reported statement of financial position (including comparative figures) shall be translated at the closing rate at the date of the statement of financial position;
- the income and expenses of each Statement of Comprehensive Income and each Statement of Profit (Loss) for the year presented (including comparative figures) shall be translated at the exchange rates at the dates of the transactions;
- all resulting exchange rate differences shall be recognized in the Other Comprehensive Income section of the Statement of Comprehensive Income.

Exchange rate differences at the reporting date of the consolidated financial statements are recorded in a separate component of equity called the Hedging and Translation Reserve.

The Group reconsiders whether or not it has control of an investee if the facts and circumstances indicate that there have been changes in one or more of the three elements relevant to the definition of control. The consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses control. The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the Consolidated Financial Statements from the date on which the Group obtains control until the date on which the Group no longer exercises control over the company.

The book value of the investments held by the Parent Company and other Group companies in each subsidiary included in the scope of consolidation is derecognized against the related equity.

For a detailed discussion of the measurement criteria applied to goodwill, refer to Goodwill and Business Combinations in paragraph 5, Measurement Criteria.

The profit (loss) for the year and each of the other components of the Comprehensive Income Statement are attributed to the shareholders of the parent company and minority investments, even if this implies that the minority investments have a negative balance. When necessary, appropriate adjustments are made to the Financial Statements of the subsidiaries, in order to ensure compliance with the Group's accounting standards.

All assets and liabilities, equity, revenues, costs and intra-group financial flows relating to transactions between Group entities are derecognized completely during the consolidation phase. Unrealized gains and losses arising from transactions between consolidated Group companies, if any, are also derecognized. Dividends distributed by consolidated companies are also derecognized from the income statement and added to the profits of previous years, if and to the extent that they have been withdrawn from them.

Changes in the investment in a subsidiary that do not involve the loss of control are recognized in equity.

If the Group loses control of a subsidiary, it must derecognize the related assets (including goodwill), liabilities, minority interests and other components of equity, while any profit or loss is recognized in the Income Statement. Any retained portion of investment must be recognized at fair value.

5. Measurement criteria

The consolidated financial statements of the 24 ORE Group were prepared in accordance with international accounting standards and in application of the provisions of Legislative Decree 38/2005.

This section provides a summary of significant international accounting standards applied, indicating the basic recognition and measurement criteria adopted in the preparation of the consolidated financial statements and other international accounting standards used that are significant for understanding the consolidated financial statements.

Non-current assets

Property, plant and equipment

Tangible assets relate to property, plant and equipment held for use in production, for the supply of goods and services and for administrative purposes, which are expected to be used for more than one financial year. Only items that are likely to generate future economic benefits and the cost of which can be reliably determined are recognized as such. Spare parts that meet the definition of property, plant and equipment are also recognized as such.

Tangible assets are initially recognized at cost, which is the amount of cash or cash equivalents paid or the fair value of other consideration given at the time of purchase.

The cost includes the purchase or manufacturing price, ancillary expenses and any directly attributable costs to bring the asset to the location and condition necessary for operation.

After initial recognition, the cost method was adopted, under which tangible assets are recognized in the financial statements at cost less accumulated depreciation and impairment losses.

The cost of each item of property, plant and equipment, having a residual value of zero, is depreciated on a systematic basis over its useful life. Depreciation begins when the asset is available for use.

Land has an unlimited useful life and therefore is not depreciated.

Tangible assets not yet available for use are not depreciated.

Depreciation ends on the later of the date on which the tangible asset is classified as held for sale (see Non-current assets classified as held for sale) and the date on which the asset is derecognized.

Depreciation does not cease when the tangible asset remains unused.

A tangible asset is derecognized on disposal or when no future economic benefit is expected from its use or disposal.

The period and method of depreciation of each item of property, plant and equipment are reviewed at the end of each reporting year.

At each reporting date, it is verified whether there is an indicator that tangible assets may have been impaired. If there is any such indication, the recoverable amount of the tangible asset is estimated.

The impairment test is carried out by comparing the book value of the tangible asset with its recoverable amount.

The recoverable amount is the higher of the fair value of the tangible asset, less costs to sell, and its value in use.

Fair value is the price that would be received to sell the asset in a regular transaction between market participants at the measurement date.

The value in use is calculated by discounting to present value the expected cash flows to be derived from the tangible asset subject to impairment test.

Impairment losses are recognized immediately in the income statement.

For impairment losses already recognized, at each reporting date, it is verified whether there is an indication that such losses no longer exist or should be reduced. If there is such an indication, the recoverable amount of the asset is estimated.

The reversal of an impairment loss on a tangible asset that was impaired in previous years is made only if there is a change in the valuations used to determine the recoverable amount of the asset. In this case, the book value is increased to the recoverable amount. This recoverable amount may not exceed the net book value that would have been determined had no impairment loss been recognized in prior years.

Reversals of impairment losses of tangible assets are recognized in the income statement.

Rights of use are not shown separately in the statement of financial position, but in the same line item in which the corresponding underlying assets would be shown if they were owned; therefore, they are included in the item Property, plant and equipment. In particular, rights of use were recognized relating to the rental of hardware and cars, the lease of space and areas for the positioning of radio broadcasting equipment owned by the Group.
The Group assesses when entering into a contract whether it is, or contains, a lease. In other words, if the contract confers the right to control the use of an identified asset for a period of time in exchange for consideration. For each contract, it is necessary to verify the existence or otherwise of a lease through the following steps:

- identification of the asset;
- verification of the economic benefits from the use of the asset;
- control - use of the asset.

The Group will also make use of the exceptions proposed by the standard on lease contracts for which the terms of the lease contract expire within 12 months from the date of initial application and on lease contracts for which the underlying asset has a value less than as required by the new standard (USD 5 thousand).

The Group recognizes right-of-use assets on the start date of the lease (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred and lease payments made on or before the start of the lease, net of any incentives received. Following initial recognition, the right of use is depreciated over the duration of the contract or, if shorter, over the useful life of the asset.

The cost of the right-of-use asset also includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset and restoring the site on which it is located or restoring the underlying asset under the terms and conditions of the lease, unless such costs are incurred in producing inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a given period. The Group's leases do not contain an obligation to dismantle, remove the underlying asset or an obligation to restore the site where the asset is located or restore it to a specified condition.

Right-of-use assets are subject to impairment testing.

Government contributions

Government contributions, including non-monetary contributions at fair value, are not recognized until there is reasonable assurance that the conditions for obtaining them will be met and that they will actually be received.

Government contributions obtained in relation to tangible assets are recognized as deferred revenues (deferred income) and recorded in the income statement under other operating income on a systematic and rational basis that allocates them appropriately over the useful life of the asset.

Government contributions to compensate for costs or losses already incurred or collectible to provide immediate financial support, without related future costs, are recognized in the income statement as income in the period in which they become receivable.

The benefits from a government loan with a below-market interest rate have been recognized as government contributions, in accordance with the principles specified above. These benefits were determined by measuring the difference between the initial book value of the loan, calculated using the amortized cost method, and the consideration received.

Business Combinations and Goodwill

Business combinations

All business combinations, included in the scope of application of IFRS 3 Business Combinations, are accounted for by applying the acquisition method.

The excess of the fair value of the consideration transferred, including the fair value of any contingent consideration and the proportionate share of any minority interest in the acquiree to which the existing equity instruments entitle, over the acquisition-date fair value of the identifiable assets acquired and liabilities assumed, is recognized as goodwill.

Costs incurred to effect the business combination are recognized as expenses in the periods in which they are incurred, except for costs related to the issuance of debt securities, which are recognized as an increase in the fair value of those debt securities, and costs related to the issuance of equity securities, which are recognized as a decrease in equity.

The contingent consideration, if any, is an obligation for the acquirer to transfer additional assets or interests to the former owners of the acquiree as part of the business combination agreement if specified future events occur or specified conditions are met. If the contingent consideration is classified as equity, it shall not be recalculated and its subsequent settlement shall be accounted for in equity. If, on the other hand, it is classified as a liability, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss for the year.

For business combinations with an acquisition date up to 31 December 2009, the excess of the cost of the business combination over the interest acquired in the net fair value of identifiable and recognizable assets, liabilities and contingent liabilities is recognized as goodwill.

Costs incurred for the business combination are included in the cost of the business combination itself, except for costs related to the issuance of debt securities, which are recognized as an increase in the fair value of those debt securities, and costs related to the issuance of equity securities, which are recognized as a decrease in equity.

Contingent consideration arising from business combinations with an acquisition date up to 31 December 2009 has not been subsequently adjusted. For such combinations, any expected adjustments to the cost of the combination contingent on future events were included in the cost of the combination at the acquisition date only if the adjustments were probable and could be measured reliably.

Goodwill

Goodwill recognized in a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the individual cash-generating units or groups of units that are expected to benefit from the synergies of the combination.

The cash-generating units to which goodwill is allocated represent the lowest level within the company at which goodwill is monitored on a management basis, and is never greater than an operating segment, as identified in paragraph 12 Segment Reporting, prior to aggregation.

The cash-generating units to which goodwill has been allocated are tested annually for impairment and, if there is an indication of impairment, their book value is compared with their recoverable amount.

If specific events or changed circumstances indicate that goodwill may be impaired, tests are performed more frequently. If goodwill is initially recognized in the current year, the impairment test is performed before the end of the current year.

The recoverable amount is the greater of fair value less costs to sell and value in use, calculated by discounting to present value the expected cash flows to be generated by the cash-generating unit subject to impairment testing.

If the recoverable amount of the cash-generating unit is less than its book value, an impairment loss is recognized.

An impairment loss recognized for goodwill cannot be reversed in subsequent years.

If the amount relating to the net fair value of the identifiable assets acquired and liabilities assumed at the acquisition date exceeds the amount of the consideration transferred, as defined under *Business Combinations*, the gain resulting from the purchase at advantageous prices is recognized in the Statement of Profit (Loss) for the year at the acquisition date. This profit is attributed to the parent company.

Temporary differences arising from the difference between the net fair value of the identifiable assets acquired and the identifiable liabilities assumed at the date of acquisition and their value recognized for tax purposes give rise to the recognition of the relevant deferred tax assets and/or liabilities, if the conditions are met.

Intangible assets

Recognized intangible assets are non-monetary assets without physical substance:

- identifiable, i.e. separable or arising from contractual or other legal rights;
- controlled as a result of past events;
- from which future economic benefits are expected for the company;
- the cost of which can be reliably measured.

The initial measurement criterion is cost.

The cost includes the purchase price and any direct costs to prepare the activity for use.

For internally generated intangible assets, the formation process distinguishes between the research and development phases. No intangible assets arising from the research phase are recognized. Intangible assets arising from the development phase are recognized if they meet the criteria for recognition as specified above.

Internally generated trademarks, newspapers and publishing rights are not recognized under intangible assets.

The cost of internally-generated intangible assets is represented by the sum of expenses incurred since the date on which the intangible asset first meets the criteria for recognition.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in accordance with management's intentions. The directly attributable costs attributed to internally-generated intangible assets are essentially the costs of materials and services used or consumed in generating the intangible asset and the personnel costs arising from the generation of the intangible asset.

After initial recognition, the cost method is adopted.

Intangible assets with finite useful life are recognized at cost less accumulated amortization and impairment losses.

The cost of intangible assets with finite useful life, assuming their residual value to be zero, is amortized on a systematic basis over their useful life. Amortization begins when the asset is available for use.

Intangible assets with finite useful life that are not yet available for use are not amortized.

The period and method of amortization of intangible assets with finite useful life are reviewed at the end of each reporting year.

Amortization ends on the later of the date on which the intangible asset is classified as held for sale (see Non-current assets classified as held for sale) and the date on which the asset is derecognized.

An intangible asset is derecognized on disposal or when no future economic benefit is expected from its use or disposal.

Intangible assets with indefinite useful life are not amortized.

An intangible asset has an indefinite useful life when, based on certain determinants, there is no foreseeable limit to the year until which the asset is expected to generate net cash inflows.

Relevant factors that played a significant role in determining the indefinite useful life included:

- the expected use of the asset;
- the typical product life cycles of the asset, also referring to public domain information on estimated useful lives of similarly used asset types;
- technical, technological or any other kind of obsolescence;
- the stability of the economic sector in which the asset operates and changes in demand for the products or services generated by the asset;
- the actions allegedly carried out by competitors;
- the level of maintenance costs necessary to obtain the expected future economic benefits of the asset;
- the period of control over the activity and the legal limits on its use;
- the dependence of the useful life of the asset on the useful life of other assets.

The useful lives of unamortized intangible assets are reviewed at each financial year-end to ascertain whether the above determinants continue to support an indefinite useful life determination.

At each reporting date, it is verified whether there is an indicator that intangible assets may have been impaired.

For intangible assets with indefinite useful life and for those not yet available for use, regardless of whether there are any indications of impairment, there is an annual impairment test.

The impairment test is carried out by comparing the book value of the intangible asset with its recoverable amount.

The recoverable amount is determined with reference to the higher of fair value less costs to sell and value in use, calculated by discounting to present value the expected cash flows to be generated by the intangible asset subject to impairment testing.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. This recoverable amount is then compared with the book value of the same.

If the recoverable amount of an individual intangible asset or cash-generating unit is lower than its book value, an impairment loss is recognized.

Impairment losses are recognized immediately in the income statement.

For impairment losses already recognized, at each reporting date, it is verified whether there is an indication that such losses no longer exist or should be reduced. If there is such an indication, the recoverable amount of the asset is estimated.

The reversal of an impairment loss on an intangible asset that was impaired in previous years is made only if there is a change in the valuations used to determine the recoverable amount of the asset. In this case, the book value is increased to the recoverable amount. This recoverable amount may not exceed the book value that would have been determined had no impairment loss been recognized in prior years.

Reversals of impairment losses of intangible assets are recognized in the income statement.

Investments in associates and joint ventures

Associated companies are those over which a significant influence is exercised, although without having control.

A joint venture is a jointly controlled arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint control is the sharing, on a contractual basis, of control of an arrangement, whereby decisions about significant activities require the unanimous consent of all parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method, with the exception of those classified as held for sale, for which reference is made to Non-current assets classified as held for sale.

With the equity method, the investment is initially recognized at cost. Subsequently, the book value is increased or decreased to recognize the investor's share of the investee's profits or losses realized after the acquisition date. The share of the profit (loss) for the year of the investee of the investor is recognized in the Income Statement of the latter.

Dividends received from the investee reduce the book value of the investment.

The investor's share of the profits and losses of the associate arising from transactions between the two companies is derecognized.

If the share of losses exceeds the book value of the investment, the investor recognizes the additional losses in a provision as a liability only to the extent that it has incurred legal or constructive obligations on behalf of the associate or joint venture.

Subsequent to the application of the equity method, it is determined at each reporting date whether there is any objective evidence that each related investment is impaired.

If there is an indication of possible impairment, the entire value of the investment is subjected to an impairment test, by comparing its recoverable amount with its book value. The recoverable amount, i.e. the higher of value in use and fair value less costs to sell, is determined for each investment in an associate.

Fair value is the price that would be received to sell the investment in a regular transaction between market participants at the measurement date.

Value in use is calculated by estimating the investor's share of the discounted cash flows expected to be generated by the associate or joint venture, including cash flows from its operating activities and the consideration from the ultimate disposal of the investment.

If the recoverable amount of the associate or joint venture is less than its book value, an impairment loss is recognized.

Impairment losses are recognized immediately in the income statement.

For impairment losses already recognized, at each reporting date, it is verified whether there is an indication that such losses no longer exist or should be reduced. If there is such an indication, the recoverable amount of the investment is estimated.

A reversal of an impairment loss on an investment in an associate or joint venture that was impaired in prior years is made only if there is a change in the valuations used to determine the recoverable amount of the investment. In this case, the book value is increased to the recoverable amount. This recoverable amount may not exceed the book value that would have been determined had no impairment loss been recognized in prior years.

Reversals of impairment losses on investments in associates are recognized in the income statement.

Financial assets

Initial recognition and measurement

Upon initial recognition, financial assets are classified according to the subsequent measurement method, as appropriate, i.e. amortized cost, fair value through OCI and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the business model that the Group uses to manage them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied a practical expedient, the Group initially measures a financial asset at its fair value plus transaction costs, in the case of a financial asset not at fair value through profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied a practical expedient are measured at the transaction price determined in accordance with IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or at fair value through OCI, it must generate cash flows that depend solely on principal and interest on the amount of principal to be repaid (solely payments of principal and interest - SPPI). This measurement is referred to as the SPPI test and is performed at the instrument level.

The Group's business model for the management of financial assets refers to the way in which it manages its financial assets in order to generate financial flows. The business model determines whether the cash flows will arise from the collection of contractual cash flows, the sale of financial assets or both.

The purchase or sale of a financial asset that requires delivery within a period of time generally established by regulations or market conventions (standardized sale or regular way trade) is recognized on the trade date, i.e. the date on which the Group undertakes to purchase or sell the asset.

Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through other comprehensive income with reclassification of accumulated gains and losses (debt instruments);
- Financial assets at fair value through other comprehensive income without reversal of accumulated gains and losses on derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

1. Financial assets at amortized cost (debt instruments)

This category is the most significant for the Group. The Group measures financial assets at amortized cost if both of the following requirements are met:

- the financial asset is held as part of a business model whose objective is to hold financial assets for the purpose of collecting contractual cash flows, and
- the contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest on the amount of principal to be repaid.

Financial assets at amortized cost are subsequently measured using the effective interest criterion and are subject to impairment. Gains and losses are recognized in the income statement when the asset is derecognized, modified or revalued.

The Group's financial assets at amortized cost include trade receivables, other non-current assets and security deposits.

2. Financial assets at fair value through OCI (Debt instruments)

The Group measures assets from debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held as part of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of financial assets; and
- the contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest determined on the amount of principal to be repaid.

For assets from debt instruments at fair value through OCI, interest income, changes in exchange rates and impairment losses, together with reversals, are recognized in the income statement and are calculated in the same way as for financial assets at amortized cost. The remaining changes in fair value are recognized in OCI. Upon derecognition, the cumulative change in fair value recognized in OCI is reclassified to the income statement.

At 31 December 2019, the Group did not hold any instruments classified in this category.

3. Investments in equity instruments

On initial recognition, the Group may irrevocably choose to classify its equity investments as equity instruments recognized at fair value through profit or loss when they meet the definition of equity instruments pursuant to IAS 32 "Financial instruments: Presentation" and are not held for trading. The classification is determined for each individual instrument.

Gains and losses on these financial assets are never reclassified to the income statement. Dividends are recognized as other income in the income statement when the right to payment has been approved, except when the Group benefits from such income as a recovery of part of the cost of the financial asset, in which case such profits are recognized in OCI. Equity instruments recognized at fair value through OCI are not subject to impairment testing.

At 31 December 2019, the Group did not hold any instruments classified in this category.

4. Financial assets at fair value through profit or loss

This category includes assets held for trading, assets designated at the time of initial recognition as financial assets at fair value with changes recognized in the Income Statement, or financial assets that must be measured at fair value. Assets held for trading are all those assets acquired for sale or repurchase in the short term. Derivatives, including those separated, are classified as financial instruments held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not represented solely by principal and interest payments are classified and measured at fair value in the Income Statement, regardless of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be recognized at fair value in the Income Statement upon initial recognition if this results in the derecognition or significant reduction of an accounting mismatch.

Financial instruments at fair value with changes recognized in the income statement are recognized in the statement of financial position at fair value and net changes in fair value are recognized in profit or loss.

This category includes derivative instruments and listed equity investments that the Group has not irrevocably chosen to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit/(loss) for the year when the right to payment is established.

Non-current financial assets

This category includes investments in other companies over which neither control nor significant influence is exercised.

These investments are initially measured at fair value at the trade date (identifiable with the acquisition cost) net of transaction costs that are directly attributable to the acquisition.

After initial recognition, minority investments are recognized at fair value through profit/(loss) for the year (FVTPL). Therefore, they are measured at fair value, approximated by the value of the Group's share of the investee's equity. The effects of subsequent measurements at fair value are recognized in the income statement.

Dividends from investments in other companies are recognized in *Other income (expenses) from investment assets and liabilities* when the shareholders' right to receive payment is established.

Other non-current assets

The following are classified in this category:

- security deposits;
- tax credits awaiting refund.

The initial measurement of tax receivables awaiting refund and security deposits is carried out at fair value on the date of trading, net of directly attributable transaction costs.

After initial recognition, both tax receivables awaiting refund and security deposits are measured at amortized cost, using the effective interest method, calculated as indicated in the item *Other non-current financial assets*.

It is determined at each reporting date whether there is any objective evidence that each of the other non-current assets is impaired.

If there is objective evidence of an impairment loss, the amount of the loss is determined.

The amount of the impairment loss is measured as the difference between the book value and the present value of estimated future cash flows discounted at the original effective interest rate of the non-current asset in question.

The amount of the loss is recognized in the income statement.

If, in a subsequent year, the amount of the impairment loss decreases and this decrease is related to an event occurring after the impairment was recognized, the impairment loss is reversed and the related reversal is recognized in the income statement.

Deferred tax assets

Deferred tax assets, or deferred tax liabilities, are portions of income taxes recoverable in future periods relating to:

- deductible temporary differences;
- carry-forward of unused tax losses;
- carry-forward of unused tax credits.

Deductible temporary differences are differences between the book value of an asset or liability recognized in the statement of financial position and its tax base which, in determining taxable profit for future years, will result in deductible amounts when the book value of the asset or liability is realized or settled.

Deferred tax assets are recognized for all deductible temporary differences, tax losses and unused tax credits carried forward, if it is probable that in future years, taxable income will be generated against which such deductible temporary differences can be used.

Deferred tax assets are measured at the tax rates that are expected to apply in the year in which the tax asset is expected to be realized, with reference to the measures in force at the reporting date.

Deferred tax assets are not discounted.

Taxes for deferred tax assets are recognized in the Income Statement, unless the tax arises from a transaction or event recognized in the Other Comprehensive Income section of the Statement of Comprehensive Income or directly in equity, or from a business combination.

Deferred tax assets relating to items recognized in the Other Comprehensive Income section of the Statement of Comprehensive Income are also recognized in the Other Comprehensive Income section of the Statement of Comprehensive Income. Taxes for deferred tax assets relating to items credited or debited directly to equity are also credited or debited directly to equity.

Current assets

Inventories

They include goods for sale, such as goods purchased for resale and company products, and goods produced in the ordinary course of business, such as semi-finished or finished products, raw and consumable materials.

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories includes all acquisition costs, the transformation costs and other costs incurred to take inventories to their current location and state.

The purchase cost is determined on the basis of the price actually incurred, including directly attributable ancillary expenses such as transport and customs duties, net of any trade discounts.

For products already obtained or in the process of being obtained from the manufacturing process, the cost adopted is the manufacturing cost. In determining the manufacturing cost, account is taken of the purchase cost, as stated above, plus production or processing costs, i.e. direct and indirect costs, for the portion reasonably attributable to the product relating to the manufacturing period.

Raw materials and ancillary or consumable materials are measured using the weighted average cost method for the period, which takes into account the value of opening inventories.

If it is no longer possible to measure at cost, determined using the above criteria, due to lower sale prices, deteriorated, obsolete or slow-moving assets, the net realizable value inferred from market trends is used for goods, finished products, semi-finished products and work in progress, and replacement cost for raw, consumable and ancillary materials and semi-finished products.

Net realizable value represents the sale price in the normal course of business, less the costs of completion and direct selling expenses that can reasonably be expected.

Replacement cost represents the cost at which, under normal operating conditions, a particular inventory item can be repurchased or reproduced.

Raw materials are adjusted directly to replacement cost, while finished goods are adjusted to net realizable value through a specific provision for inventory write-downs, which is deducted directly from the nominal value recognized under assets.

Trade receivables

Trade receivables include receivables from customers and advances to suppliers.

Trade receivables are initially measured at fair value on the trade date, i.e. at the value of the consideration due, net of directly attributable transaction costs.

After initial recognition, trade receivables are shown at their estimated realizable value. The adjustment of the initial value to the presumed realizable value is obtained by means of a specific bad debt provision, directly deducted from trade receivables.

The adjustment to the estimated realizable value is obtained by adjusting the nominal value of the receivables, taking into account losses due to uncollectability, returns and invoicing adjustments, discounts and allowances not accrued and other causes of reduced realization. Invoicing adjustments also include estimated provisions for books and newspaper copies that will be returned in future years.

If receivables are disposed of definitively (without recourse), they are removed from the financial statements and the gain (or loss) is recognized for the difference between the value received and the value at which they were recognized in the financial statements.

Advances to suppliers refer to advance payments for tangible assets that have not yet been accessed and for services not yet received. The right of access to tangible assets arises when becoming the owner or when the supplier makes them available according to the agreed terms. Services shall be deemed to have been received when they have been performed by the supplier in accordance with a service contract.

Other receivables

Other receivables include the following types:

- Italian and EU VAT credits for which reimbursement has been requested, as well as tax credits for publishing and advance tax payments on employee severance indemnity (TFR);
- prepayments and advances to personnel;
- receivables from others, arising from other transactions that do not generate revenues. This group also includes advances to suppliers for the purchase of tangible and intangible assets.

Other receivables are measured at fair value on the trade date, i.e. at the value of the consideration due, net of directly attributable transaction costs.

Current tax assets are also shown in this category if the amount already paid for the current and prior years exceeds the amount due.

Other current assets

Other current assets include accrued income and prepaid expenses.

Accrued income and prepaid expenses relate to portions of income or costs common to two or more years. These measure income and expenses that are recognized in advance or in arrears with respect to the monetary event that gave rise to their recognition. A prerequisite for their recognition is that the amount of such portions of costs or income common to several periods varies over time.

Cash and cash equivalents

They include bank and postal deposits, and cash and cash equivalents.

Bank and postal deposits, cash and cash equivalents in national currency are measured at their nominal value.

The accounts opened for cash and cash equivalents include all changes in figures before the reporting date. Interest and ancillary expenses accrued and due at the reporting date are included even if received after that date.

Remittances of cash received after the end of the year are not taken into account, even if their value date is before that date.

Remittances of cash paid out or arranged after the reporting date are not taken into account.

Non-current assets classified as held for sale and discontinued operations

All non-current assets and disposal groups classified as held for sale are classified separately from other assets in the Statement of Financial Position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Statement of Financial Position.

The book value of non-current assets and disposal groups classified as held for sale will be recovered primarily through a sale transaction rather than through continuing use.

The book value is considered to be recovered primarily through a sale transaction when management has committed to a programme to dispose of the asset.

Non-current assets classified as held for sale are measured at the lower of book value and fair value less costs to sell. These assets are not depreciated.

Non-current assets classified as held for sale that represent an autonomous branch or geographical area of activity or that are investments in subsidiaries acquired exclusively for the purpose of being sold are defined as discontinued operations.

A section identified as relating to discontinued operations is presented in the Statement of Profit (Loss) for the year. Gains or losses from discontinued operations and gains and losses, recognized as a result of measuring discontinued operations at fair value, net of costs to sell, are presented as a single, separate amount in that section of the Statement of Profit (Loss) for the year.

All gains and losses arising from non-current assets classified as held for sale, other than discontinued operations, are included in profit or loss from continuing operations.

Equity

This represents the difference between all asset and liability items, determined in accordance with the recognition and measurement criteria applied.

Equity is divided between the portion attributable to shareholders of the parent company and the portion attributable to minority shareholders.

Equity includes the items listed below.

Capital, i.e., the nominal value of the contributions provided by shareholders upon the Company's incorporation or during subsequent capital increases and the value of reserves allocated to share capital over time, net of the nominal value of receivables from shareholders for subscribed and uncalled capital and for called-up and unpaid capital.

Capital Reserves, which include:

- *capital contributions*, i.e., capital reserves that receive the value of new contributions by shareholders;
- the *share premium reserve*, i.e. the excess of the issue price of the shares over their nominal value;
- *costs relating to capital transactions*, i.e. all costs relating to the acquisition or issue of new shares, including costs arising from listing procedures on regulated markets, incurred by the Parent Company during the current year.

Hedging and Translation Reserves, which include:

- the Translation reserve, which holds the exchange rate differences that arise from the translation into the presentation currency of the financial statements of foreign subsidiaries included in the consolidated financial statements that prepare their financial statements in a currency other than the Euro;
- the Cash flow hedge reserve, relating to the portion of the gain or loss on cash flow hedging instruments that is determined to be an effective hedge.

The Hedging reserve, set up following changes in the fair value of cash flow hedging instruments, is unavailable pursuant to article 6, paragraphs 1 and 4 of Legislative Decree 38/2005.

Other Reserves, which include:

- the Legal reserve, i.e., the reserve required by article 2430 of the Civil Code, which states that at least one-twentieth of annual net profits must be set aside until reaching one-fifth of the share capital. Up to this limit, the Reserve is unavailable;
- the Merger surplus reserve. This is an adjustment to equity due to the incorporation of companies in previous years;
- Employee severance indemnity (TFR) reserve - IAS adjustment refers to the recognition of actuarial gains and losses relating to employee severance indemnities in the Other Comprehensive Income section of the statement of comprehensive income. This item represents the changes that the present value of the obligation undergoes as a result of an actual evolution of the programme, different from as foreseen in the actuarial valuations carried out;
- the IAS opening reserve, consisting of adjustments deriving from the transition to IAS/IFRS, relating to the value of treasury shares. This reserve is offset by an equal amount in the *Unavailable reserve for the purchase of treasury shares*. Other adjustments relating to the transition to IAS/IFRS have been reclassified under *Profits carried forward;*
- the Statutory reserve and Other optional reserves include any reserves provided for in the Articles of Association or approved by the Ordinary Shareholders' Meeting;

- the Unavailable reserve consisting of the profits for the year recognized in the income statement to the extent of the gains, net of the related tax expense, resulting from the application of the equity method, pursuant to article 6, paragraphs 1 and 2, of Legislative Decree 38/2005.

Profits (Losses) carried forward, i.e., income from prior years that has not been distributed or allocated to other reserves and losses from prior years that have not been otherwise offset. All amounts relating to the transition to IAS/IFRS have also been reclassified under this item, with the exception of amounts relating to treasury shares.

The Profit (Loss) for the year as shown in the corresponding item in the Statement of Profit (Loss) for the year.

Equity is presented showing separately the portion attributable to the shareholders of the parent company, divided into the items indicated above, and the portion attributable to minority investments, divided between:

- the portion attributable to minority investments of the value of the profit or loss for the year of consolidated subsidiaries, separately identified;
- the portion of capital and reserves attributable to minority investments in consolidated subsidiaries, consisting of the value of minority interests at the date of acquisition of the investment and the portion attributable to minority interests of changes in equity since the date of acquisition.

Non-current liabilities

Financial liabilities

Financial liabilities are classified upon initial recognition as financial liabilities at fair value through profit or loss, as mortgages and loans, or as derivatives designated as hedging instruments.

All financial liabilities are initially recognized at fair value plus, in the case of mortgages, loans and payables, the directly attributable transaction costs. The Group's financial liabilities include trade and other payables, mortgages and loans, including current account overdrafts and derivative financial instruments. At 31 December 2019, the Group did not recognize financial liabilities at fair value through profit or loss.

Non-current financial liabilities

This category essentially includes payables to banks for medium/long-term loans and liabilities deriving from lease contracts at the present value of future lease payments, in application of IFRS 16. In particular, lease contracts relating to Group offices, capital goods (rental of hardware and cars) and lease of space and areas held for the positioning of radio broadcasting equipment owned by the Group.

The liability is gradually repaid with the payment of the lease fees and interest will be recognized on the same. In determining the liability, only the fixed component of the lease payments under the contract and any inflation-linked component are taken into account, but not any variable components. Future payments, thus determined, will be discounted using the contractual rate or the lessee's incremental borrowing rate, over the period that the contract is deemed non-cancellable.

Non-current financial liabilities are initially measured at fair value at the trade date, net of transaction costs that are directly attributable to the acquisition.

After initial recognition, non-current financial liabilities are measured at amortized cost, using the effective interest method.

Employee benefits

This item of the financial statements includes the liability for employee severance indemnities of all contractual categories of employees accrued at the reporting date, taking into account what is specified below.

Following the changes made to the rules for employee severance indemnities by the Supplementary Pension Scheme Reform introduced by Legislative Decree no. 252 of 5 December 2005 - Regulations for supplementary pension schemes, and subsequent amendments and additions, the Group has adopted the following accounting treatment:

- the employee severance indemnity (TFR) accrued at 31 December 2006 is considered a defined benefit plan, consistently with the recognition and classification made in previous years. Guaranteed employee benefits, in the form of employee severance indemnity, paid out on termination of employment, are recognized in the period in which the right accrues;
- the relative net defined benefit liability is determined by reliably estimating, through the use of the actuarial technique of the projected unit credit method, the final cost for the amount of benefits accrued by employees in exchange for their service in the current and previous years;
- the application of the actuarial technique of the projected unit credit method, entrusted to professional actuaries, allows the determination of the present value of the defined benefit obligation and of the cost relating to employment services, considering demographic variables, such as employee turnover and mortality, and financial variables, such as medical care costs and the discount rate. In particular, the discount rate used to discount the defined benefit obligations, calculated with reference to market yields at the end of the reporting period, determines the net interest on the net defined benefit liability. In view of the provisions introduced by the Supplementary pensions reform, the variable linked to expected future salary increases has been excluded from the discounting calculation as from 1 January 2007;
- current service cost, past service cost, gains and losses determined on settlement and net interest on the net defined benefit liability are recognized in profit or loss for the year;
- actuarial gains and losses are recognized in the Employee severance indemnity reserve - IAS adjustment classified in *Other reserves*, as indicated in the equity items, and recognized in the Other Comprehensive Income section of the Statement of Comprehensive Income.

For the Employee severance indemnity accruing from 1 January 2007, reference is made to the item Other Payables.

Deferred tax liabilities

Deferred tax liabilities are portions of income taxes due in future years relating to taxable temporary differences.

Taxable temporary differences are differences between the book value of an asset or liability recognized in the statement of financial position and its tax base which, in determining taxable profit for future periods, will result in taxable amounts when the book value of the asset or liability is realized or settled.

Deferred tax liabilities are recognized for all taxable temporary differences, except where this liability arises:

- from the initial recognition of goodwill; or

- from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting profit nor tax profit, at the date of the transaction.

Deferred tax liabilities are also recognized for taxable temporary differences arising from investments in associates, except where the Parent Company is able to control the timing of the reversal of the taxable temporary difference and it is probable that the temporary difference will reverse in the foreseeable future.

Deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the tax liability is expected to be settled, based on tax rates established by regulations in force at the reporting date.

Deferred tax liabilities are not discounted.

Taxes for deferred tax liabilities are recognized in the Income Statement, unless the tax arises from a transaction or event recognized in the Other Comprehensive Income section of the Statement of Comprehensive Income or directly in equity, or from a business combination.

Deferred tax liabilities relating to items recognized in the Other Comprehensive Income section of the Statement of Comprehensive Income are also recognized in the Other Comprehensive Income section of the Statement of Comprehensive Income. Taxes for deferred tax liabilities relating to items credited or debited directly to equity are also credited or debited directly to equity.

Deferred tax liabilities are offset against deferred tax assets only if the two items refer to the same tax.

Provisions for risks and charges

This category includes provisions for risks and charges.

These provisions are made to cover liabilities with uncertain maturity or amount, originating from legal or implicit obligations, existing at the reporting date as a result of a past event.

Such obligations, whether arising from contractual, regulatory or legal provisions, established patterns of business practice or public assumptions of responsibility, mean that the company has no realistic alternative to settlement.

Obligations arising from a past event the settlement of which is likely to require the use of economic and financial resources and the amount of which can be reliably estimated are recognized.

Provisions are measured at the value representing the best estimate of the amount required to settle the obligation or to transfer it to third parties at the reporting date.

Where the effect of discounting money is a material issue as a result of the timing of settlement of the obligation, the amount of the provision is equal to the present value of the expenditure expected to be required to settle the obligation.

The financial component of discounted provisions is recognized in the income statement under financial expenses.

The current portions of provisions for risks and charges are reclassified under the item *Short-term portion of provisions for risks and charges*.

Contingent liabilities

Contingent liabilities are obligations that arise from past events and the existence of which will be confirmed by future events that are not wholly within the Group's control, or obligations for the settlement of which it is not probable that economic or financial resources will be required, or the amount of which cannot be estimated with sufficient reliability.

Contingent liabilities are not recognized, but are described in detail in the notes to the financial statements.

Other non-current liabilities

This category includes security deposits payable and payables due beyond twelve months after the reporting date.

The initial measurement of security deposits and payables due beyond twelve months is carried out at fair value on the trade date, net of directly attributable transaction costs.

After initial recognition, other non-current liabilities are measured at amortized cost, using the effective interest method.

Current liabilities

Bank overdrafts and loans

Bank current accounts with a debit balance are classified here, as are the current portions of payables to banks for medium/long-term loans, the expected settlement date of which is within twelve months of the reporting date.

Other current financial liabilities

This category includes:

- short-term financial payables;
- short-term payables in application of IFRS 16;
- accrued liabilities for financial expenses.

Short-term payables are measured at fair value on the trade date, i.e. at the value of the consideration due, net of directly attributable transaction costs.

Accrued liabilities for financial expenses are recognized by applying the method illustrated for other accruals under the item *Other current liabilities*.

This item also includes hedging instruments for which designated hedging has been established with the hedged item.

Hedging instruments are designated derivatives the cash flows of which are expected to offset changes in the cash flows of a designated hedged item. The designated hedges established are cash flow hedges, i.e. hedges against exposure to cash flow variability that is attributable to a particular risk associated with a recognized asset or liability and that could impact the income statement. A designated hedge qualifies as such when there is formal documentation to support the risk management and strategy in undertaking the hedge and when the effectiveness of the hedge, which is reliably assessed, is highly effective.

Derivatives designated as hedging instruments are initially measured at fair value on the date of initial recognition, i.e. at the transaction price of the consideration given or received.

After initial recognition, hedge accounting entails the symmetrical and opposite recognition of the effects on the income statement deriving from changes in the fair value of the hedging instrument and the hedged item.

In designated cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity and disclosed in the Other Comprehensive Income section of the Statement of Comprehensive Income. The ineffective portion of the gain or loss on the hedging instrument is recognized in the Statement of Profit (Loss) for the year.

Trade payables

The category of trade payables includes payables to suppliers, liabilities to be paid for goods and services received and invoiced, advances received from customers for goods or services not yet delivered and deferred income relating to revenues from products sold under subscription.

Trade payables and customer advances are recognized at fair value at the trade date, i.e. at the value of the consideration formally agreed with the counterparty, net of trade discounts and adjusted for returns or other changes in invoicing.

Deferred income relating to revenues from products sold under subscription are recognized by applying the method illustrated for other deferred income in the item *Other current liabilities*.

When payment of trade payables is deferred and the transaction in fact is a financial transaction, after initial recognition, measurement is carried out at amortized cost, using the effective interest method.

Other current liabilities

Other current liabilities include accrued liabilities, other than those relating to financial expenses, classified under *Other current financial liabilities*, and deferred income, other than those relating to revenues from products sold under subscription, classified under *Trade payables*.

As already explained for accrued income and prepaid expenses, accrued liabilities and deferred income relate to portions of expenses or income common to two or more years.

This category also includes current and prior year direct taxes, to the extent that they have not already been paid.

The amount shown in the financial statements is net of advances for taxes already paid, withholding taxes and tax credits, unless a refund has been requested.

Current direct taxes are measured at the amount expected to be paid to the tax authorities, applying tax rates and tax regulations that have been enacted or substantively enacted at the reporting date.

Current taxes are recognized as an expense in the Income Statement, except for taxes that arise from transactions or events recognized in the Other Comprehensive Income section of the Statement of Comprehensive Income, or that are credited or charged directly to equity.

Current tax liabilities that relate to items recognized in the Other Comprehensive Income section of the Statement of Comprehensive Income are also recognized in the Other Comprehensive Income section of the Statement of Comprehensive Income. Current tax liabilities that refer to items credited or debited directly to equity are also credited or debited directly to equity.

Other payables

The category of other payables includes:

- payables to social security institutions, relating to social security and pension contributions;
- tax payables other than direct taxes classified under *Other current liabilities*, such as payables for taxes due on the basis of assessments or disputes that have been settled, for withholdings made as withholding agent and for taxes of any kind that have become payable. The amount shown in the financial statements is net of tax advances already paid, withholding taxes and tax credits, unless a refund has been requested;
- payables to employees for wages and salaries, expenses to be paid, accrued holidays and additional monthly payments;
- dividends payable to shareholders;

- other payables not classifiable under other items of current liabilities.

Other payables are initially measured at fair value on the trade date, i.e. at the value of the consideration agreed with the counterparty, net of directly attributable transaction costs.

Other payables, precisely because of their nature and duration, do not have a pre-established discount rate. After initial recognition, these payables are measured at their original value, given the immateriality of the effect of discounting.

This item also includes benefits due to employees on termination of employment.

Termination benefits arise from the Group's decision to terminate the employment relationship or from an employee's decision to accept an offer of benefits from the Group in exchange for termination of employment. Termination benefits do not include employee benefits resulting from termination of employment at the employee's request, without an offer of benefits by the Group, or as a result of mandatory retirement requirements.

The liability and cost relating to termination benefits are recognized on the most immediate of the following dates:

- the moment in which the Group can no longer withdraw the offer of such benefits; and
- the moment in which the Group recognizes the costs of a restructuring that falls within the scope of *IAS 37 Provisions, contingent liabilities and contingent assets* and involves the payment of termination benefits.

When termination benefits are an enhancement to post-employment benefits, the provisions for post-employment benefits are applied for measurement, using the actuarial valuation method outlined in the item Employee benefits. Otherwise:

- if it is expected that the benefits due on termination of employment will be paid in full within twelve months of the end of the period in which these benefits are recognized, the non-discounted cost is recognized;
- if it is not expected that the benefits due on termination of employment will be fully settled within twelve months of the end of the year, the discounted cost is recognized with actuarial gains (losses) recognized in the Statement of Profit (Loss) for the year.

Starting with the financial statements for the year beginning 1 January 2007, this category also includes:

- payables to supplementary pension funds, relating to employee severance indemnities accrued but not yet paid;
- payables to the Treasury Fund set up at the INPS (National Social Security Institute), relating to employee severance indemnities accrued but not yet paid.

Pursuant to the social security reform mentioned above under *Employee benefits*, the portions of employee severance indemnities accrued from 1 January 2007onwards have been, at the employee's discretion:

- allocated to supplementary pension schemes;
- retained in the company, which transferred the portions of the employee severance indemnity to the Treasury Fund set up at the INPS.

Both the portions of employee severance indemnities allocated from 1 January 2007 to supplementary retirement plans and those allocated from the same date to the Treasury Fund set up by the INPS are recognized as post-employment benefits and accounted for in the same way as defined contribution plans.

Contributions to be paid to a defined-contribution plan are recorded on an accruals basis as payables to supplementary pension funds and/or the Treasury Fund set up at the INPS, in relation to work performed by employees. In particular, the liability for the amounts to be paid to the Treasury Fund set up at the INPS does not include the revaluation expense, incurred by INPS.

Effects of changes in foreign currency exchange rates

At each reporting date, all monetary foreign currency items, i.e. all assets and liabilities that will be received or paid in a fixed or determinable number of currency units, are translated at the spot rate at the reporting date.

Exchange rate differences arising from the translation of monetary items at a rate different from that used at the time of initial recognition during the year or in previous financial statements are recognized in the income statement for the year in which they arise, except for exchange rate differences arising on a monetary item that forms part of an investment in a foreign associate.

Exchange rate differences arising on a monetary item that forms part of an investment in a foreign associate are, in fact, recognized in an Equity Reserve, until the investment is disposed of, and shown in the Other Comprehensive Income section of the Statement of Comprehensive Income. The total amount of exchange rate differences suspended in the appropriate Equity Reserve is recognized in the Statement of Profit (Loss) for the year when the gain or loss relating to the disposal is recognized.

At each reporting date, all non-monetary items measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. All non-monetary items expressed in a foreign currency and measured at fair value are translated at the exchange rate at the date the fair value was determined.

When the book value of a non-monetary item denominated in a foreign currency is determined, in accordance with GAAP, by comparing two or more amounts, the exchange rate applied to the amounts used for comparison with the original book value is that at the time the comparison is made, which is the closing rate at the reporting date.

This implies that if the book value to be recognized is that of one of the compared amounts, any emerging exchange rate differences are recognized in the Income Statement, when the item to which they relate is recognized in the Income Statement, or in the Other Comprehensive Income section of the Statement of Comprehensive Income, when the item to which they relate is recognized in the Other Comprehensive Income section of the Statement of Comprehensive Income.

If a designated fair value hedge has been established between a hedging instrument and a hedged item in foreign currency, the treatment for hedging instruments indicated in the item *Other current financial assets* applies.

Revenues

The recognition of revenues in the income statement follows the following five steps:

- identification of the contract with the customer;
- identification of contractual obligations;
- determination of the transaction price;
- allocation of the transaction price to the individual contractual obligations;
- recognition of revenue upon fulfilment of contractual obligations.

Revenues from contracts with customers are recognised when control of the goods and services is transferred to the customer for an amount that reflects the consideration the Group expects to receive in exchange for those goods or services.

The Group has generally concluded that it acts as Principal for most of the agreements from which revenues arise, with the exception of the following services in which it acts as Agent, as it usually controls the goods and services before transferring them to the customer.

In particular:

- revenues from the sale of goods are considered to have been earned when the company transfers control of the goods to the purchaser, which conventionally coincides with the dispatch of both daily newspapers and magazines sold individually, as well as book publications sold on an outright basis. Revenue is measured according to the amount of consideration received or receivable, net of reasonably estimated returns, allowances, trade discounts and volume reductions;
- revenues from the sale of subscription newspapers and magazines are recognized over the term of the subscription. It is industry practice to continue to provide the service for a certain period of time following the expiry of the subscription until the customer renews the subscription (gracing period). Revenues relating to gracing subscriptions at the end of the year are recorded on the basis of a historical estimate of the renewal rate for such subscriptions;
- publishing revenues from the sale of newspapers, magazines and books at news-stands and book stores are recognized on the basis of the price paid by the final purchaser gross of all premiums paid, including the share paid to newsagents. Distribution activities are in fact carried out by companies outside the Group's perimeter, acting as agents, whose premiums are recognized in the costs for services;
- revenues from the sale of advertising space are recorded on the basis of the date of publication of the insert or advertising message. The recognition of such revenues on an accrual basis presents elements of complexity due to the need to monitor punctually the publication of press releases in the various media of the Group (newspapers, magazines, Internet, radio, events, etc.) or of third parties for which the Group operates as concessionaire. To this end, the Group uses IT systems that link advertising contracts entered into with customers with the actual publication of the relevant press releases;
- advertising revenues deriving from the sale of advertising space on the media of third-party publishers are reported differently depending on whether the Group operates as principal or agent. The principal versus agent valuation is carried out on a contract-by-contract basis, taking into account certain indicators such as: the party with primary responsibility for meeting performance obligations, business risk and discretion in setting the sale price. Where the Group operates as an agent, revenues are recognized in the financial statements net of advertising revenues due to third-party publishers. If the Group operates as a principal, revenues are recorded gross of advertising fees due to third-party publishers, which are in this case recorded under costs for services. Based on the valuations performed for the contracts currently in place, the Group always operates as an agent;
- revenues from the provision of services with a contractual duration, such as IT services and subscriptions to databases, are recognized over the duration of the contract as the customer simultaneously receives and consumes the benefits provided by the Group. In particular, database subscriptions often include free periods at the end of the contract period. In these cases, revenue is recognized over the actual duration of the service period, including the complimentary period;
- revenues from software sales are recognized over the life of the contract as the customer simultaneously receives and consumes the benefits provided by the Group. Despite the fact that the contracts in question are legally configured as sub-licences of third-party software and do not expose the Group to inventory risk, the Group has analysed the contracts included in the above stream from the customer's point of view and has decided to act as principal, having considered, in this specific case, that the customizations made, the exclusive right on the marketing of these products and the direct management by the Group of relations with customers (including the independent setting of the sale price), represent indicators of the Group's control over these goods and services before they are transferred to the customer.

Costs

Costs are recognized in the income statement when there is a decrease in future economic benefits resulting in a decrease in assets or an increase in liabilities that can be reliably measured.

Specifically, an expense is recognized immediately in the income statement when and to the extent that:

- an expense produces no future economic benefit;
- the future economic benefits do not qualify, or cease to qualify, for recognition as an asset in the statement of financial position;
- a liability is incurred without the recognition of an asset.

When cost components are material, their nature and amount are disclosed separately.

Earnings per share

Basic earnings per share, shown in the Statement of Profit (Loss) for the year for each period presented, have been calculated by dividing the profit or loss attributable to holders of ordinary and special shares of the Parent Company by the weighted average number of shares outstanding during the year. Basic earnings per share from discontinued operations are also presented in the Statement of Profit (Loss) for the year.

Diluted earnings per share, also shown in the Statement of Profit (Loss) for the year for each period presented, have been calculated by adjusting, so as to take into account the effects of all potential dilutive actions, both the profit or loss attributable to holders of ordinary and special shares of the Parent and the weighted average number of ordinary and special shares outstanding during the year. Diluted earnings per share from discontinued operations are also presented in the Statement of Profit (Loss) for the year.

The dilutive effects of potential ordinary and special shares are those that produce a reduction in earnings or an increase in loss per share as a result:

- conversion into ordinary and special shares of convertible instruments;
- the exercise of options or warrants on ordinary shares;
- the issuance of new ordinary shares upon the satisfaction of certain conditions.

Guarantees

The book value of financial assets pledged as collateral for liabilities or contingent liabilities and the related terms and conditions of use are disclosed separately in the Notes to the Financial Statements. If financial assets pledged as collateral can, by contract or custom, be sold or recommitted, their book value has been reclassified in the statement of financial position, separately from other assets.

For guarantees received for which it is permitted to sell or re-commit, as well as for guarantees received and re-committed, the fair value and the clauses and conditions associated with their use have been indicated separately.

Hedging transactions

For each type of hedge, the Notes to the Financial Statements have indicated separately:

- description of the transaction;
- description of the financial instruments designated as hedging instruments and their fair values at the reporting date;
- nature of the risks covered.

For cash flow hedges and fair value hedges, detailed information is also provided in the Notes to the Financial Statements.

Fair value

Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in a regular transaction between market participants at the measurement date.

The price considered is the price quoted in the main market, or the most advantageous price, unadjusted for transaction costs, at current market conditions (exit price), regardless of whether that price is directly observable or estimated using another valuation technique.

In particular, when fair value is applied to a non-financial asset, it considers the ability of a market participant to generate economic benefits by employing the asset to its highest and best use, or by selling it to another market participant that would employ it to its highest and best use.

According to the fair value measurement approach, the following were determined:

- the particular asset or liability being measured, in a manner consistent with its basis of measurement (unit of account);
- in the case of a non-financial asset, the appropriate valuation assumption for the measurement, consistent with its highest and best use;
- the principal (or most advantageous, if there is no principal) market for the asset or liability;
- the appropriate valuation techniques for measuring fair value, considering the availability of data with which to process the inputs representing the assumptions that market participants would use to determine the price of the asset or liability.

Valuation techniques were used that were appropriate in the circumstances and for which sufficient data was available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

In particular, the three main valuation techniques were used, namely:

- the market approach;
- the cost approach;
- the income approach.

IFRS 13 Fair Value Measurement establishes a fair value hierarchy that ranks the inputs to the valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to quoted (unadjusted) prices in active markets for identical assets and liabilities (Level 1 data) and the lowest priority to unobservable inputs (Level 3 data).

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are directly or indirectly observable inputs for the asset or liability.

Level 3 inputs are unobservable inputs for the asset or liability.

The fair value hierarchy prioritizes the inputs to valuation techniques and not the valuation techniques used to measure fair value. In some cases, the data used to measure the fair value of an asset or liability could be classified in different levels of the fair value hierarchy. In such cases, the fair value measurement was classified entirely in the same level of the fair value hierarchy in which the lowest level of the hierarchy input used for the measurement is classified.

6. Changes in Accounting standards, errors and changes in estimates

The accounting standards adopted are amended from one year to the next only if the change is required by a new standard or if it contributes to providing more reliable and relevant information on the effects of transactions on the entity's financial position, economic result or cash flows.

Changes in accounting standards are accounted for:

– in accordance with the specific transitional provisions, if any, of that standard;
– retrospectively, if the standard does not contain transitional provisions, or if the standard is amended voluntarily, with the effect in opening equity for the earliest of the years presented. Other comparative amounts indicated for each prior year are also adjusted as if the new standard had been applied from inception.

The prospective approach is adopted only when it is impracticable to determine the period-specific effects or the cumulative effect of the amendment for all prior periods.

In the case of material errors, the same treatment applies as for amendments in accounting standards as outlined above. In the case of immaterial errors, they are accounted for in the statement of profit (loss) for the period in which the error is detected.

In periods when an accounting standard is applied retrospectively, is retrospectively restated, or is reclassified and the retrospective application, retrospective restatement, or reclassification has a material impact on the information reported in the statement of financial position at the beginning of the prior year, three statements of financial position are presented:

– at the end of the current year;
– at the end of the previous year;
– at the beginning of the previous year.

Changes in estimates are accounted for prospectively in the statement of profit (loss) for the year in which the change takes place if it impacts only the latter, or in the year in which the change takes place and in subsequent years, if the change also impacts the latter.

New accounting standards, interpretations and amendments adopted by the Group

At 1 January 2019, compared to the financial statements for the year ended 31 December 2018, *IFRS 16 Leases* applied for the first time, which substantially changed the accounting treatment of lease arrangements in the lessee's financial statements, as follows:

- recognize liabilities arising from lease contracts at the present value of future lease payments;
- recognize the right of use of the asset covered by the contract under assets at the same value attributed to the relative liabilities. Following initial recognition, the right of use is depreciated over the duration of the contract or, if shorter, over the useful life of the asset;
- the liability is gradually repaid with the payment of the lease fees and interest will be recognized on the same. In determining the liability, only the fixed component of the lease fees under the contract and any inflation-linked component are taken into account, but not any variable components;
- future payments, thus determined, will be discounted using the contractual rate or the lessee's incremental borrowing rate, over the period that the contract is deemed non-cancellable.

As permitted by the standard, the Group has decided to apply the modified retrospective approach in the transition to the new standard.

The Group will also make use of the exceptions proposed by the standard on lease contracts for which the terms of the lease contract expire within 12 months from the date of initial application and on lease contracts for which the underlying asset has a value less than as required by the new standard (USD 5 thousand).

The application of IFRS 16, using the modified retrospective approach, had the following effects on the opening balance sheet at 1 January 2019:

- recognition among non-current assets of the right of use of the asset covered by the contract. They consist in particular of hardware and car rentals and leases of space and areas held for the positioning of radio broadcasting equipment owned by the Group. The value as of 1 January 2019 of the rights of use determined in this manner was Euro 25,045 thousand;
- recognition of non-current receivables of Euro 4,543 thousand and current financial receivables of Euro 2,006 thousand for the portion of receivables relating to the sublease of properties to third parties, which following the application of IFRS 16 have been recognized as finance leases, while in accordance with IAS 17, they were recognized as operating leases;
- recognition of short and medium/long-term financial liabilities deriving from the present value of future lease fees. The value at 1 January 2019 of non-current financial liabilities was Euro 20,683 thousand, that of current financial liabilities was Euro 10,296 thousand;
- recognition of deferred taxes to recognize the liability that arises from temporary tax differences between the new values recognized in accordance with IFRS 16 and the corresponding tax value, amounting to Euro 1,162 thousand;
- decrease of Euro 3,086 thousand in deferred income, recognized as trade payables, related to the accounting treatment of Group office leases in accordance with IAS 17;
- increase in equity, recognized in profits and losses carried forward, of Euro 2,539 thousand deriving from the recognition of property subleases to third parties totalling Euro 3,701 thousand, net of deferred taxes of Euro 1,162 thousand, described above.

Below are the effects of the first-time application of IFRS 16 on the statement of financial position at 1 January 2019:

24 ORE GROUP - STATEMENT OF FINANCIAL POSITION				
Euro thousands	31.12.2019	Value 1.1.2019	Effect IFRS 16	31.12.2018
ASSETS				
Non-current assets				
Property, plant and equipment	26,083	41,794	25,045	16,749
Goodwill	22,019	15,469		15,469
Intangible assets	40,559	37,962		37,962
Investments in associates and joint ventures	-	18,383		18,383
Financial assets available for sale	716	691		691
Other non-current assets	16,254	8,141	4,543	3,598
Deferred tax assets	23,847	25,335		25,335
Total	**129,478**	**147,774**	**29,588**	**118,186**
Current assets				
Inventories	2,897	2,114		2,114
Trade receivables	55,147	63,798		63,798
Other receivables	3,866	5,564		5,564
Other current financial assets	1,384	2,006	2,006	0
Other current assets	5,086	5,854		5,854
Cash and cash equivalents	15,731	22,630		22,630
Total	**84,111**	**101,967**	**2,006**	**99,961**
Assets held for sale	-	-	-	-
TOTAL ASSETS	**213,589**	**249,741**	**31,594**	**218,147**

24 ORE GROUP - STATEMENT OF FINANCIAL POSITION (CONTINUED)				
Euro thousands	31.12.2019	Value 1.1.2019	Effect IFRS 16	31.12.2018
EQUITY AND LIABILITIES				
Equity				
Equity attributable to shareholders of the parent company				
Share capital	570	570		570
Capital reserves	19,482	26,763		26,763
Employee severance indemnity (TFR) reserve - IAS adjustment	(4,553)	(3,941)		(3,941)
Profits (losses) carried forward	22,274	21,014	2,539	18,475
Profit (loss) attributable to shareholders of the parent company	(1,202)	(6,020)		(6,020)
Total	**36,572**	**38,386**	**2,539**	**35,847**
Equity attributable to minority shareholders				
Total	**-**	**-**	**-**	**-**
Total equity	**36,572**	**38,386**	**2,539**	**35,847**
Non-current liabilities				
Non-current financial liabilities	15,944	25,665	20,683	4,982
Employee benefits	17,614	18,016		18,016
Deferred tax liabilities	5,996	6,732	1,162	5,570
Provisions for risks and charges	9,668	17,099		17,099
Total	**49,325**	**67,511**	**21,845**	**45,666**
Current liabilities				
Bank overdrafts and loans - due within one year	16,315	18,468		18,468
Other current financial liabilities	11,150	15,373	10,296	5,077
Trade payables	78,403	80,201	(3,086)	83,287
Other current liabilities	10	65		65
Other payables	21,816	29,739		29,739
Total	**127,693**	**143,845**	**7,210**	**136,635**
Liabilities held for sale	-	-	-	-
Total liabilities	**177,018**	**211,355**	**29,055**	**182,300**
TOTAL EQUITY AND LIABILITIES	**213,589**	**249,741**	**31,594**	**218,147**

Other amendments to accounting standards on or after 1 January 2019, but which did not impact the Group's financial statements, are detailed below.

IFRIC 23 – Uncertainty over Income Tax Treatments

The interpretation defines the accounting treatment of income taxes when the tax treatment involves uncertainties affecting the application of IAS 12 and does not apply to taxes or fees that do not fall within the scope of IAS 12, nor does it specifically include requirements relating to interests or penalties due to uncertain tax treatments.

The interpretation specifically deals with the following points:

- if an entity considers uncertain tax treatment separately;
- the assumptions of the entity on the examination of tax treatments by the tax authorities;
- how an entity determines the taxable profit (or the tax loss), the tax base, unused tax losses, unused tax credits and tax rates;
- how an entity treats changes in facts and circumstances.

An entity must define whether to consider each uncertain tax treatment separately or together with others (one or more) uncertain tax treatments. The approach that allows the best prediction of the uncertainty solution should be followed. The interpretation shall be in force for years beginning on or after 1 January 2019 but some transitional facilitations are available.

Improvements to IFRS: 2015-2017 Cycle

In December 2017, the IASB issued a series of amendments to the following current standards, which will become effective on 1 January 2019 and have not yet been endorsed by the European Union, in particular they concern, the following aspects:

- **IFRS 3 – Business Combinations**: obtaining control of a business that is classified as a joint operation must be accounted for as a business combination in stages and the investment previously held must be remeasured at fair value on the date of acquisition;
- **IFRS 11 – Joint Arrangements**: in the case of obtaining joint control over a business that is classified as a joint operation, the investment previously held does not have to be remeasured at fair value;
- **IAS 12 – Income Taxes**: the accounting treatment of the tax effects of dividends on financial instruments classified as equity must follow that of the transactions or events that generated the distributable dividend;
- **IAS 23 – Borrowing Costs**: if a specific loan relating to a qualifying asset is still outstanding at the time the asset is ready for use or sale, it becomes part of the generic loans.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments specify that an entity applies IFRS 9 for long-term investments in an associate or joint venture, for which the equity method is not applied but which, in substance, form part of the net investment in the associate or joint venture (long-term interest). This clarification is relevant because it implies that the expected credit loss model of IFRS 9 applies to such long-term investments.

The amendments also clarify that, in applying IFRS 9, an entity shall not take into account any losses of the associate or joint venture or any impairment of the investment recognized as an adjustment to the net investment in the associate or joint venture resulting from the application of IAS 28 *Investments in Associates and Joint Ventures.*

The amendments shall be applied retrospectively and shall be effective from 1 January 2019, and early application shall be permitted. Since the Group does not hold long-term interests in its associate and joint venture, the amendments did not have an impact on the consolidated financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 set out the accounting rules in the event that, during the reporting period, there is a plan amendment, curtailment or settlement. The amendments specify that when there is a plan amendment, curtailment or settlement during the period, an entity is required to:

- determine the cost of service for the remainder of the period following the plan amendment, curtailment or settlement, using the reference actuarial assumptions to remeasure the net defined benefit liability (asset) so that it reflects the benefits offered by the plan and the assets of the plan after that event;
- determine the net interest for the period remaining after the plan amendment, curtailment or settlement: the net defined benefit liability (asset) that reflects the benefits offered by the plan and the plan assets after that event; and the discount rate used to settle the net defined benefit liability (asset).

The amendments also clarify that an entity should first quantify all the costs related to previous work, rather than the profit or loss that occurred at the time of the settlement, without taking into account the effect of the activity ceiling. This amount is recognized in the annual statement of profit (loss). Subsequently, after the plan amendment, curtailment or settlement, the entity quantifies the effect of the asset ceiling. Any change in this respect, except for what is already included in net interest, shall be recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments or settlements from the first year beginning on or after 1 January 2019, and early application is permitted.

These amendments have had no impact on the consolidated financial statements as the Group did not recognize any plan amendments, reductions or settlements in 2019.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument may be measured at amortized cost or fair value through other comprehensive income, provided that the contractual cash flows are "solely payments of principal and interest on the reference amount" (the SPPI criterion) and the instrument is classified in the appropriate business model. The amendments to IFRS 9 clarify that a financial asset exceeds the SPPI criterion regardless of the event or circumstance that causes early termination of the contract and regardless of which party pays or receives reasonable compensation for early termination. These amendments had no impact on the Group's consolidated financial statements.

Accounting standards, amendments and interpretations approved by the European Union but not yet in force and not adopted in advance by the Group

The IASB and IFRIC have approved some amendments to the IAS/IFRS already in force and issued new IAS/IFRS and new IFRIC interpretations. As these new documents have a deferred effective date, they have not been adopted for the preparation of these consolidated financial statements, but will be applied from the effective date established as mandatory. The main amendments are outlined below.

Amendment to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures

The amendments are intended to resolve the conflict between IFRS 10 and IAS 28 with reference to the loss of control of a subsidiary that is sold or transferred to an associate or a joint venture. The amendments clarify that the gain or loss resulting from the sale or the transfer of assets that constitute a business, as defined by IFRS 3, between an investor and its own associate or joint venture, must be fully recognized. Any gain or loss resulting from the sale or transfer of assets that do not constitute a business is recognized only within the limits of the portion held by third-party investors in the associate or joint venture. The IASB has postponed indefinitely the date of application of these amendments. However, earlier application is permitted. The Group will apply these amendments when they will enter into force.

Moreover, the IASB has issued the following amendments, endorsed or not yet endorsed by the European Union: IFRS 17 Insurance Contracts (issued 18 May 2017), Amendments to References to the Conceptual Framework in IFRS Standards (issued 29 March 2018), Amendment to IFRS 3 Business Combinations (issued 22 October 2018) and Amendments to IAS 1 and IAS 8: Definition of Material (issued 31 October 2018) and Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (issued 26 September 2019) and Amendments to IAS 1 Presentation of Financial Statements classification of liabilities as current or non-current (issued 23 January 2020).

7. Financial instruments and risk management

With reference to the Group's financial position, economic result and cash flows, additional information is provided to facilitate the assessment of the extent and nature of the related risks.

The risks related to the financial instruments used are:

- market risk, which is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. This risk can be further broken down into:
  - currency risk, i.e. the risk that the value of a financial instrument will fluctuate as a result of changes in exchange rates;
  - interest rate risk on fair value, i.e. the risk that the value of a financial instrument or its future cash flows will fluctuate due to changes in market interest rates;
  - price risk, i.e. the risk that the fair value of a financial instrument or its future cash flows fluctuate due to changes in market prices;
- credit risk, i.e. the risk that one party to a financial instrument will fail to discharge an obligation and cause a financial loss to the other party;
- liquidity risk, i.e. the risk of encountering difficulties in meeting obligations relating to financial liabilities settled with cash or another financial asset.

Group financial situation

Available credit lines

In order to cover its short-term financial requirements, the Group currently has available usable credit lines for a total of Euro 50.0 million; in particular:

- Euro 28.5 million relating to a revolving line of credit granted by a pool of banks in which Banca Intesa Sanpaolo, Banca Popolare di Milano, Banca Popolare di Sondrio, Banca Monte Paschi di Siena and Credito Valtellinese participate; Banca IMI acts as coordinator and agent bank; the line of credit expires on 31 December 2020 and bears an interest rate of Euribor +4.20%;
- Euro 1.5 million relating to a bilateral cash credit line granted by Banca Centropadana, expiring on 31 December 2020 and bearing interest at Euribor +4.20%;
- Euro 20.0 million for advances on trade receivables in connection with the securitization transaction.

At 31 December 2019, the above credit lines were used for a total amount of Euro 15.7 million; the remaining part of these lines and available liquidity amounted to a total of Euro 47.6 million and are able to cover the overall financial requirements forecast for 2020.

The securitization transaction, which currently makes a significant contribution to the optimization of net working capital, matures in December 2020.

Revolving pool cash credit line

On 30 November 2017, the Group signed a medium-term loan with the main reference banks to cover any financial requirements related to ordinary current operations.

The loan consists of a revolving cash credit line, for a total amount of Euro 28.5 million, granted by a pool of banks in which Banca Intesa Sanpaolo, Banca Popolare di Milano, Banca Popolare di Sondrio, Banca Monte Paschi di Siena and Credito Valtellinese participate; Banca IMI acts as coordinator and agent bank.

The loan matures on 31 December 2020 and repayment must take place at the maturity date of each draw-down, with a duration of 1, 3, 6 months, and in any case at the final maturity date of the loan for the total exposure. The interest margin applied to the loan initially equal to Euribor +5.00%, was reduced to Euribor +4.20% on 31 July 2019.

The loan does not contain any collateral or compulsory guarantees, but rather financial covenants recognized at consolidated level and without including any adjustments for non-recurring items. The structure of the covenants is described in the following table:

FINANCIAL COVENANTS						
Euro millions	31/12/2017	30/06/2018	31/12/2018	30/06/2019	31/12/2019	30/06/2020
EBITDA (*) greater than	n.r.	2.0	5.0	8.0	12.5	13.0
Equity greater than	27.0	25.0	23.0	24.0	26.0	30.0
NFP / EBITDA lower than	n.r.	n.r.	1.75	n.r.	1.50	n.r.

(*) values to be calculated on a 12-month rolling basis

Failure to comply with even just one covenant will only result in the banks' right to terminate the loan early. However, the lending banks may be asked to make amendments to the loan agreement, or to waive their rights to early termination, in the event of non-compliance with a covenant.

On 13 May 2019, the lending banks confirmed that, starting in 2019, the recognition of the covenants will be carried out by adjusting the figures deducible from the Group's half-yearly and annual financial reports by the effects related to the introduction of the new accounting standard IFRS 16 on the basis of the elements outlined in the financial reports.

Adjustments related to the introduction of the new accounting standard IFRS 16 relating to EBITDA and equity at 31 December 2019 are outlined in the previous section "Application of new accounting standards - Effects on the income statement of the first-time application of IFRS 16 and Effects on the statement of financial position of the first-time application of IFRS 16", while adjustments relating to the Net financial position at 31 December 2019 were negative by Euro 12.2 million.

At 31 December 2019, although no use was made of the aforementioned credit line, compliance with the aforementioned covenants was confirmed, which amounted to:

- EBITDA (rolling 12 months): Euro 12.6 million (covenant: Euro 12.5 million);
- Equity: Euro 34.9 million (covenant: Euro 26.0 million);
- NFP/EBITDA: 1.12 (covenant: 1.50).

On 12 March 2020, the lending banks communicated the change in the value of the 12-month rolling EBITDA financial parameter used to measure the covenant at 30 June 2020 (the date of the last interim valuation before the loan expiry), reducing it from Euro 16.5 to 13.0 million. The approved 2020 budget meets the new EBITDA covenant. On the same date, the lending banks also communicated an increase in permitted financial debt, totalling at consolidated level, from Euro 10.0 million to Euro 20.0 million.

There is also a clean-down clause under which, starting in 2018, the total draw-down of the line of credit must be reduced at least twice a year to an amount equal to 100% of the total credit facility for at least three consecutive business days, it being understood that at least six months must elapse between clean-down events.

The clean down for 2019 was conducted on 4 January 2019 and 9 July 2019; the clean down for 2020 was conducted on 7 January 2020.

Bilateral cash credit line

On 30 November 2017, the Group also entered into a medium-term bilateral cash line of credit with Banca Centropadana for a total amount of Euro 1.5 million to cover any financial requirements related to ordinary current operations.

The loan, in the form of an overdraft facility, matures on 31 December 2020; repayment must in any case be made at the final maturity of the loan for the total exposure. The interest margin applied to the loan initially equal to Euribor +5.00%, was reduced to Euribor +4.20% on 31 July 2019.

The loan does not contain any collateral or compulsory guarantees, but rather financial covenants recognized at consolidated level and without including any adjustments for non-recurring items. The structure of the covenants is described in the following table:

FINANCIAL COVENANTS

Euro millions	31/12/2017	30/06/2018	31/12/2018	30/06/2019	31/12/2019	30/06/2020
EBITDA (*) greater than	n.r.	2.0	5.0	8.0	12.5	13.0
Equity greater than	27.0	25.0	23.0	24.0	26.0	30.0
NFP / EBITDA lower than	n.r.	n.r.	1.75	n.r.	1.50	n.r.

(*) values to be calculated on a 12-month rolling basis

Failure to comply with even just one covenant will only result in the bank's right to terminate the loan early. However, the lending bank may be asked to make amendments to the loan agreement, or to waive the right to early termination, in the event of non-compliance with a covenant.

On 14 May 2019, Banca Centropadana confirmed that, starting in 2019, the recognition of the covenants will be carried out by adjusting the figures deducible from the Group's half-yearly and annual financial reports by the effects related to the introduction of the new accounting standard IFRS 16 on the basis of the elements outlined in the financial reports.

Adjustments related to the introduction of the new accounting standard IFRS 16 relating to EBITDA and equity at 31 December 2019 are outlined in the previous section "Application of new accounting standards - Effects on the income statement of the first-time application of IFRS 16 and Effects on the statement of financial position of the first-time application of IFRS 16", while adjustments relating to the Net financial position at 31 December 2019 were negative by Euro 12.2 million.

At 31 December 2019, although no use was made of the aforementioned credit line, compliance with the aforementioned covenants was confirmed, which amounted to:

- EBITDA (rolling 12 months): Euro 12.6 million (covenant: Euro 12.5 million);
- Equity: Euro 34.9 million (covenant: Euro 26.0 million);
- NFP/EBITDA: 1.12 (covenant: 1.50).

On 12 March 2020, the lending banks communicated the change in the value of the 12-month rolling EBITDA financial parameter used to measure the covenant at 30 June 2020 (the date of the last interim valuation before the loan expiry), reducing it from Euro 16.5 to 13.0 million. The approved 2020 budget meets the new EBITDA covenant. On the same date, the lending banks also communicated an increase in permitted financial debt, totalling at consolidated level, from Euro 10.0 million to Euro 20.0 million.

There is also a clean-down clause under which, starting in 2018, the total draw-down of the line of credit must be reduced at least once a year to an amount equal to 40% of the total credit facility for at least three consecutive business days, it being understood that at least six months must elapse between clean-down events.

The clean down for 2019 was conducted on 4 January 2019; the clean down for 2020 was conducted on 7 January 2020.

Securitization of trade receivables

In 2013, the Company took part in a securitization transaction, carried out by Monterosa SPV S.r.l. (a special purpose vehicle established pursuant to Law 130 of 30 April 1999 and subsequent amendments and additions) and structured by Banca IMI S.p.A. as arranger, through the issue of asset-backed securities to finance the purchase of trade receivables of Il Sole 24 ORE. This company is not controlled by the Group and is therefore not included in the scope of consolidation. The 24 ORE Group does not hold any investment in the financial instruments issued by the vehicle.

The transaction provides for the ongoing monthly transfer of portfolios of the Company's trade receivables to Monterosa SPV, either on a definitive non-recourse (i.e., without a guarantee of the transferred debtors' solvency) or on a recourse basis (i.e., with a guarantee of the transferred debtors' solvency).

On 13 November 2017, the Company entered into an agreement with Monterosa SPV to extend the maturity of the transaction until December 2020; however, it should be noted that the agreement provides for the option to terminate operations by either party at the end of each calendar quarter.

The maximum total amount that can be financed is Euro 50.0 million; at 31 December 2019, the line of credit for the securitization of trade receivables with recourse (for a total amount of Euro 20.0 million) had been used for Euro 15.7 million.

The securitization contract does not provide for financial covenants but does provide for causes of impediment to the acquisition of the Company's portfolios of receivables, which, if not remedied, could result in the termination of the contract.

At 31 December 2019, there were no causes of impediment to purchase and/or material events that would result in contract termination.

Financial risk

Financial risks are managed in accordance with the principle of prudence and the minimization of risks associated with financial assets and liabilities; transactions involving the investment of liquidity or the raising of the necessary financial resources are carried out with the primary objective of neutralizing, on the one hand, the risk of loss of capital, avoiding speculative transactions, and, on the other, the risk of fluctuations in interest rates, avoiding exposing the result for the period to any unexpected increases in financial expenses.

The Group constantly monitors the financial risks to which it is exposed, in order to assess any negative impact and take appropriate action to mitigate them. The Board of Directors of the Parent Company has overall responsibility for the creation and supervision of the Group's risk management system, as well as for the development and control of risk management policies.

The Group's risk management policies aim to identify and analyse the risks to which the Group is exposed, defining the appropriate limits and systems for monitoring these risks. The policies and related systems are reviewed periodically in consideration of changes in market conditions and the Group's business.

The financial management of subsidiaries is carried out through specific intercompany current accounts into which any surplus liquidity is deposited or into which the Parent Company transfers the financial resources necessary for the operating management of the same companies, with the aim of optimizing also the impact on the income statement in terms of financial income and expenses accrued on said current accounts.

The terms and conditions applied to intercompany current account agreements are as follows:

- Lending rate on stocks of subsidiaries: 1-month Euribor flat;
- Borrowing rate on the debt of subsidiaries: 1-month Euribor +4.20%;
- Repayment terms within 48 hours of any request by the Parent Company.

Centralized management of Group finance also makes it possible to efficiently control and coordinate the operations of the individual subsidiaries, including through more effective financial planning and control, which can also provide useful indications for optimizing the management of relations with banks and credit institutions of reference, and to systematically monitor the Group's financial risk and treasury performance.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, due to changes in interest rates, foreign exchange rates, or the prices of equity instruments. The objective of market risk management is to manage and control the Group's exposure to this risk within appropriate levels, while at the same time optimizing the return on the investments to which this risk is linked.

The Group uses derivative instruments in the normal course of its financial activities and also assumes financial liabilities to manage market risk, carrying out these activities in accordance with the guidelines established by the Board of Directors of the Parent Company. The Group engages in hedging transactions in order to manage the volatility of results linked to financial instruments.

Exchange rate risk

The Group is marginally exposed to exchange rate risk on purchases denominated in currencies other than the functional currency of the various Group entities.

These transactions mainly refer to the EUR/USD, EUR/GBP and EUR/CHF exchange rates.

It is the Group's policy to fully hedge, where possible, significant exposures arising from receivables and payables denominated in currencies other than the Euro.

Interest rate risk

The Group's results are not exposed to fluctuations in market interest rates.

The return on financial investments, represented by short-term financial investments with maturities not exceeding three months, is not affected by changes in interest rates.

The cost of financial funding relating to current account overdrafts and short-term hot money and revolving lines, which do not have maturities exceeding six months, is therefore not affected by changes in interest rates.

Price risk

The main raw material used by the Group, which could show significant price risks, is paper.

Paper procurement is managed centrally for all the Group's business units through careful planning of purchases and stock management. In line with best market practice, supply agreements are stipulated with leading Italian and foreign counterparts at defined quantity and price conditions for the maximum duration that the market currently allows, i.e. approximately one year.

The Group is not using hedging derivatives such as paper swaps, as these instruments are characterized by limited liquidity in terms of both counterparties and maturities.

Credit risk

Credit risk is the risk that a customer or one of the counterparties to a financial instrument will generate a financial loss by failing to meet an obligation.

Within the Group, credit risk mainly relates to trade receivables generated by the sale of products and services by the various business units.

In relation to the type of customers to which the Group's products and services are aimed, it is not considered that there is a high risk in terms of trade receivables, against which, given that there is no evidence of an excessive concentration of risk, it is nevertheless considered appropriate to follow operating procedures that limit sales to customers considered not solvent or unable to provide adequate guarantees.

Credit risk control activities for customers are carried out by grouping them by type and business area, considering whether they are advertising agencies, companies and financial institutions, public entities, professionals and individuals, distributors and book stores, or other customers, also examining their geographical location, sector, age of credit, due date of invoices issued and previous payment behaviour.

A specific bad debt provision has been set up to cover any losses due to non-collectible receivables.

As far as financial receivables are concerned, it is considered that there are no significant risks since the Group currently invests its liquidity only with banks of primary standing, using mainly short-term investment instruments with maturities of no more than 3 or 6 months, represented by demand deposits or time deposits.

Liquidity risk

Liquidity risk is represented by the risk that the Group may have difficulty in fulfilling the obligations associated with its financial liabilities and, therefore, have difficulty in obtaining, on economic terms, the financial resources necessary for its operations.

The Group's approach to managing liquidity risk is to ensure, as far as possible, that there are always sufficient financial reserves to meet its obligations as they fall due, both in normal conditions and in the event of financial stress.

The main factors that determine the Group's liquidity are represented by the flows generated or absorbed by operating and investment activities, and by the flows linked to the repayment of financial liabilities and the collection of income from financial investments, as well as the trend in market rates.

The Group has launched a series of actions to optimize the management of financial resources and mitigate liquidity risk:

- centralized management of the Group's liquidity through constant withdrawal of the financial surpluses of the subsidiaries and by covering the needs of the same subsidiaries with resources provided by the Parent Company;
- maintaining an adequate reserve of available liquidity;
- availability of adequate short and medium-term credit lines;

- planning of the prospective financial situation also with reference to the incidence of medium/long-term debt on the overall net financial position;
- use of an adequate internal control system to assess available liquidity in relation to the company's operational planning.

Financial income and expenses

FINANCIAL INCOME AND EXPENSES		
Euro thousands	FY 2019	FY 2018
Recognized in the income statement		
Interest income from financial assets held to maturity not written down	595	306
Interest income from financial assets available for sale	-	-
Interest income from bank deposits	2	3
Net exchange rate gains	29	43
Financial income	**626**	**352**
Interest expense from financial liabilities and other financial expenses	(2,919)	(2,990)
Net exchange rate losses	(39)	(60)
Financial expenses	**(2,958)**	**(3,049)**
The financial income and expenses shown above include the following amounts relating to assets (liabilities) not designated at fair value through profit or loss:		
Total interest income on financial assets	**626**	**352**
Total interest expense on financial liabilities	**(2,958)**	**(3,049)**
Recognized directly in equity		
Effective portion of changes in fair value of cash flow hedges	-	-

Financial assets

FINANCIAL ASSETS		
Euro thousands	FY 2019	FY 2018
Non-current financial assets		
Minority investments	716	691
M/L financial receivables and security deposits	131	148
M/L financial receivables IFRS16	899	
Current financial assets		
Cash and cash equivalents	15,731	22,630
Current financial receivables	31	0
S/T financial receivables IFRS16	1,353	-
Total financial assets	**18,861**	**23,470**

Financial liabilities

FINANCIAL LIABILITIES		
Euro thousands	FY 2019	FY 2018
Non-current liabilities		
Other financial payables to third parties	6,758	-
M/L financial payables IFRS16	4,813	-
Unsecured loans from banks	4,373	4,982
Total non-current liabilities	**15,944**	**4,982**
Current liabilities		
Current portion of unsecured loans from banks	609	576
Other financial payables to third parties	2,416	5,077
S/T financial payables IFRS16	8,734	-
Unsecured current account advances	15,706	17,891
Total current liabilities	**27,464**	**23,545**
Total financial liabilities	**43,408**	**28,527**

Exposure to credit risk

The book value of financial assets, referring mainly to cash and cash equivalents at banks and receivables from customers, represents the Group's maximum exposure to credit risk. At the end of the year, this exposure was as follows:

EXPOSURE TO CREDIT RISK		
Euro thousands	FY 2019	FY 2018
Minority investments	716	691
M/L financial receivables and security deposits	131	148
M/L financial receivables IFRS16	899	-
Current financial receivables	31	-
Financial investments held for trading	-	-
Receivables from customers (*)	60,723	73,284
Cash and cash equivalents	15,731	22,630
S/T financial receivables IFRS16	1,353	-
Total	**79,584**	**96,754**

(*) Not included: Bad debt provision, Supplier advances, Agents and Copyrights

The Group's exposure at the end of the year to credit risk associated with receivables from customers, broken down by geographical region, is as follows:

BREAKDOWN BY GEOGRAPHICAL REGION

Euro thousands	FY 2019	FY 2018
Italy	59,122	68,447
Eurozone countries	789	3,616
United Kingdom	600	637
Other European countries	80	242
United States	58	47
Other	74	296
Total	**60,723**	**73,284**

The Group's exposure at the end of the year to credit risk associated with receivables from customers, broken down by type of customer, is as follows:

BREAKDOWN BY CUSTOMER TYPE

Euro thousands	FY 2019	FY 2018
Advertising agencies	7,588	8,797
Companies and Financial Institutions	24,177	29,518
Public entities	1,981	2,178
Professionals and individuals	20,499	23,174
Other customers	6,478	9,617
Total	**60,723**	**73,284**

Impairment losses on trade receivables

The following table represents the seniority of receivables from customers at the end of the year:

SENIORITY OF RECEIVABLES FROM CUSTOMERS

Euro thousands		FY 2019		FY 2018
	Gross	Bad debt provision	Gross	Bad debt provision
Due	49,360	563	54,054	775
Past due 1 - 30 days	1,705	59	1,850	52
Past due 31 - 120 days	2,430	222	3,057	212
Past due 121 days - 1 year	1,846	493	2,503	628
Over 1 year	5,382	3,957	11,820	8,351
Total	**60,723**	**5,294**	**73,284**	**10,018**

Changes in the bad debt provision for trade receivables in the year were as follows:

CHANGES IN BAD DEBT PROVISION

Euro thousands	FY 2019	FY 2018
Balance 1 January	10,018	12,198
Losses for the year	(5,566)	(3,372)
Allocations	841	1,193
Total	**5,294**	**10,018**

Liquidity risk

The contractual maturities of financial liabilities and trade payables are shown in the table below:

LIQUIDITY RISK

Euro thousands			FY 2019				
	Book value	Expected cash flows	up to 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Over 5 years
Non-derivative financial liabilities							
Unsecured loan from banks	4,982	(6,017)	(435)	(437)	(870)	(2,606)	(1,669)
Other M/L payables to third parties	6,758	(7,600)	-	-	(2,171)	(5,429)	-
Unsecured current account advances	15,706	(15,706)	(15,706)	-	-	-	-
Other financial payables to third parties	2,416	(2,416)	(2,416)	-	-	-	-
Trade and other payables	49,521	(49,521)	(49,521)	-	-	-	-
Financial payables IFRS16	13,547	(14,350)	(4,586)	(4,527)	(1,634)	(3,045)	(558)
Total	**92,930**	**(95,610)**	**(72,665)**	**(4,963)**	**(4,676)**	**(11,080)**	**(2,227)**

Euro thousands			FY 2018				
	Book value	Expected cash flows	up to 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Over 5 years
Non-derivative financial liabilities							
Unsecured loan from banks	5,558	(6,889)	(435)	(437)	(872)	(2,609)	(2,537)
Syndicated Loan	-	-	-	-	-	-	-
Unsecured current account advances	17,891	(17,891)	(17,891)	-	-	-	-
Other financial payables to third parties	5,077	(5,077)	(5,077)	-	-	-	-
Trade and other payables	47,959	(47,959)	(47,959)	-	-	-	-
	-	-	-	-	-	-	-
Derivative financial liabilities	-	-	-	-	-	-	-
Hedging interest rate swaps	-	-	-	-	-	-	-
Total	**76,485**	**(77,816)**	**(71,362)**	**- 437.17**	**(872)**	**(2,609)**	**(2,537)**

Interest rate risk - Profile

The interest rate profile applied to the Group's interest-bearing financial instruments at the reporting date was as follows:

INTEREST RATE RISK

	Book value	
Euro thousands	Balances at 31.12.2019	Balances at 31.12.2018
Fixed-rate financial instruments		
Financial assets	847	839
Total	**847**	**839**
Floating-rate financial instruments		
Financial assets	16,661	22,630
Financial liabilities	(43,408)	(28,527)
Total	**(26,748)**	**(5,897)**

Sensitivity analysis - fair market value of fixed-rate instruments

The Group did not account for any financial assets or financial liabilities at fair value through profit or loss at 31 December 2019.

Sensitivity analysis - fair market value of floating-rate instruments

If interest rates had increased or decreased by 100 bps, at the reporting date, net profit (loss) would have improved or deteriorated by Euro 291 thousand, respectively, as shown in the following table:

SENSITIVITY ANALYSIS

	Profit / Loss		Equity	
Euro thousands	Increase 100 bps	Decrease 100 bps	Increase 100 bps	Decrease 100 bps
FY 2019				
Floating-rate financial instruments	(291)	291	-	-
Interest rate swap	-	-	-	-
Cash flow sensitivity (net)	**(291)**	**291**	**-**	**-**
FY 2018				
Floating-rate financial instruments	(84)	84	-	-
Interest rate swap	-	-	-	-
Cash flow sensitivity (net)	**(84)**	**84**	**-**	**-**

TAB28

Criteria for determining fair value

The methods and main assumptions used to determine the fair values of financial instruments are set out below.

Non-derivative financial liabilities

Fair value is calculated on the basis of the present value of estimated future cash flows of principal and interest, discounted using the market interest rate at the reporting date.

Interest rates used to calculate fair value

The interest rates used to discount expected cash flows, where applicable, are based on the yield curve of government securities at the reporting date plus an appropriate credit spread.

Fair value and book value

The following table shows, for each financial asset and liability and for trade receivables and payables, the book value recorded in the balance sheet and the relative fair value:

FAIR VALUE				
Euro thousands	31.12.2019		31.12.2018	
	Book value	Fair Value	Book value	Fair Value
Minority investments	716	716	691	691
M/L financial receivables and security deposits	15,326	15,326	148	148
M/L financial receivables IFRS16	899	899	0	0
Receivables from customers	60,723	60,723	73,284	73,284
Cash and cash equivalents	15,731	15,731	22,630	22,630
S/T financial receivables IFRS16	1,353	1,353	0	0
S/T financial receivables	31	31	-	-
Unsecured loans from banks	(4,982)	(6,052)	(5,558)	(6,832)
M/L financial payables IFRS16	(4,813)	(4,813)	0	0
Other M/L financial payables to third parties	(6,758)	(6,758)	0	0
Unsecured current account advances	(15,706)	(15,706)	(17,891)	(17,891)
Other financial payables to third parties	(2,416)	(2,416)	(5,077)	(5,077)
S/T financial payables IFRS16	(8,734)	(8,734)	0	0
Trade and other payables	(49,521)	(49,521)	(47,959)	(47,959)
Total	**1,849**	**779**	**20,268**	**18,994**
(Loss) / Profit not recognized		(1,070)		(1,274)

Guarantees and commitments

At 31 December 2019, the Group has bank and insurance sureties outstanding for a total of Euro 21,626 thousand.

These sureties are summarized below:

- sureties issued by the Parent Company to guarantee lease contracts for Euro 11,516 thousand. In particular, we note the sureties in favour of Selectiv Core Italy SICAF for the property located at Via Monte Rosa in Milan for Euro 7,600 thousand, in favour of Finamo for the property located at Piazza Indipendenza in Rome for Euro 908 thousand and in favour of Sarca 223, as a deposit to guarantee the signing of the lease agreement and the taking over by 1 September 2020 of the property located at Viale Sarca 223 in Milan, for Euro 3,000 thousand;
- guarantee in favour of Selective Core Italy SICAF to guarantee the payment of the instalments relating to the indemnity for the early termination of the lease contract for the property located at Via Monte Rosa 91 for Euro 7,600 thousand;
- sureties issued by the Parent Company and its subsidiaries mainly in favour of ministries, public entities or municipalities to guarantee calls for tenders, competitions for prizes, contracts for the supply of services, etc., totalling Euro 1,862 thousand;
- sureties issued by the Parent Company to guarantee the commitments of its subsidiaries to private third parties or public entities in relation to tenders, commercial transactions, supply contracts, etc., totalling Euro 648 thousand, granted on the Parent Company's bank lines of credit.

It should be noted that, in order to guarantee the issuance of the surety in favour of Selective Core Italy SICAF connected to the payment of the instalments relating to the indemnity for the early termination of the lease of the property located at Via Monte Rosa 91 for Euro 7,600 thousand, on 19 December 2019, the Parent Company signed with Banca Intesa Sanpaolo a deed of pledge on the balance of a dedicated current account and a contract for the transfer of receivables as collateral, having as its object the receivable connected to the deferred price portion, amounting to Euro 16,500 thousand, deriving from the disposal of the shares of the company Business School24 S.p.A., the payment of which is set for 31 December 2021. The pledge is effective for a maximum guaranteed amount of Euro 7,600 thousand until the obligations connected with the guarantee are fulfilled and in particular, the payment of the instalments of the indemnity indicated above.

8. Key sources of estimation uncertainties

Estimates are made primarily in the context of the going concern assumption, the recognition of impairment losses on assets, the calculation of returns to be received for distributed publishing products, the calculation of renewal rates for gracing subscriptions, the valuation of receivables and inventories, the quantification of amounts to be set aside against probable risks and the assessment of the recoverability of deferred tax assets.

They are also used in actuarial calculations to determine employee severance indemnities and agents' termination indemnities, to measure taxes, to determine fair value, the useful life of assets and the recoverability of deferred tax assets.

Estimates and assumptions are reviewed at least annually and the effects of any changes are immediately reflected in the income statement.

In particular, estimates relating to the measurement of the recoverable amount of goodwill and other intangible assets with indefinite useful life are made on the basis of fair value less costs to sell or value in use using the discounted cash flow technique. The valuation techniques and assumptions used are explained in section 11 Notes to the financial statements of the relevant items.

Estimates of returns of publications are carried out using statistical techniques and updated monthly on the basis of final figures received.

The estimate of legal risks takes into account the nature of the dispute and the probability of losing the case.

9. Scope of consolidation

SUBSIDIARIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS ON A LINE-BY-LINE BASIS						
Company Name	Business	HQ	Currency	Share Capital fully paid-in	% of consolidation	Held by
24 ORE Cultura S.r.l.	Products dedicated to art	Milan	Euro	120,000	100.0%	Il Sole 24 ORE S.p.A.
Il Sole 24 ORE Eventi S.r.l.	Organization, management and sale of events	Milan	Euro	24,000	100.0%	Il Sole 24 ORE S.p.A.
Il Sole 24 ORE UK Ltd.	Sale of advertising space	London	Euro	50,000	100.0%	Il Sole 24 ORE S.p.A.
Il Sole 24 ORE U.S.A. INC.	American News Agency	New York	Dollar	2,000	100.0%	Il Sole 24 ORE S.p.A.
Ticket 24 ORE S.r.l.	Products dedicated to art	Milan	Euro	10,000	100.0%	24 ORE Cultura S.r.l.

SUBSIDIARIES: BREAKDOWN OF SHARES					
Company Name	Consolidation: group share	Consolidation: minority share	Voting right: Group share	Voting right: Minority share	Held by
24 ORE Cultura S.r.l.	100.0%	0.0%	100.0%	0.0%	Il Sole 24 ORE S.p.A.
Il Sole 24 ORE UK Ltd	100.0%	0.0%	100.0%	0.0%	Il Sole 24 ORE S.p.A.
Il Sole 24 ORE Eventi S.r.l.	100.0%	0.0%	100.0%	0.0%	Il Sole 24 ORE S.p.A.
Il Sole 24 ORE U.S.A. INC.	100.0%	0.0%	100.0%	0.0%	Il Sole 24 ORE S.p.A.
Ticket 24 ORE S.r.l.	100.0%	0.0%	100.0%	0.0%	24 ORE Cultura S.r.l.

Investments in subsidiaries

The merger by incorporation of the wholly-owned subsidiary Il Sole 24 ORE Trading Network S.p.A. into Il Sole 24 ORE S.p.A., the merger project of which had been approved on 14 November 2018 by the Board of Directors of the Parent Company, was completed with the signing of the merger deed registered by Notary Filippo Zabban on 27 March 2019, file no. 72051 - folder no. 14066, registered on 28 March 2019 and effective as of 31 March 2019. The merger was effective for accounting and tax purposes as of 1 January 2019.

On 17 July 2019, the Board of Directors resolved to incorporate the company Il Sole 24 ORE Eventi S.r.l., which then took place on 24 July 2019. The company is wholly owned by Il Sole 24 ORE S.p.A. The disposal of 49% of the investment in Business School24 S.p.A. on 27 September 2019 was completed with the execution of a partial, asymmetrical and non-proportional demerger of a compendium of the company Business School24 S.p.A. relating to the management of the "Events" BU in favour of Il Sole 24 ORE Eventi S.r.l.

Investments in associates and joint ventures

At the date of these consolidated financial statements, there were no investments in associated companies. Compared to the previous approved financial statements, the 49% investment in Business School24 S.p.A. was disposed of, following the disposal agreement on 27 September 2019.

Minority investments

At 31 December 2019, there were no changes in investments in minority companies. Details are shown in the notes to the statement of financial position under the corresponding item.

10. Key reclassified figures of the financial statements of subsidiaries, associates and joint ventures

BALANCE SHEET									
Company	Notes	Non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities	Total equity	Total liabilities and equity
24 ORE Cultura S.r.l.	(1)	5,013	6,983	11,996	2,208	6,498	8,706	3,290	11,996
IL Sole 24 ORE Eventi S.r.l.	(1)	10	344	354	74	273	347	7	354
Il Sole 24 ORE UK Ltd.	(1)	-	854	854	-	60	60	794	854
Il Sole 24 ORE USA Inc.	(1)	195	372	566	158	51	209	357	566
Ticket 24 ORE S.r.l.	(*)	5	1,169	1,174	32	411	443	731	1,174
Total subsidiaries		**5,223**	**9,722**	**14,946**	**2,472**	**7,295**	**9,766**	**5,179**	**14,946**

(1) Statutory data with IAS/IFRS adjustments
(*) On 29 February 2020, the merger by incorporation of Ticket 24 ORE S.r.l. into the parent company 24 ORE Cultura S.r.l. was completed.

INCOME STATEMENT							
Company	Notes	Revenues	Gross operating margin	Operating profit (loss)	Profit (loss) before taxes	Net profit (loss)	Share allocated to minority shareholders
24 ORE Cultura S.r.l.	(1)	12,037	1,133	135	150	364	-
Il Sole 24 ORE Eventi S.r.l.	(1)	-	(33)	(33)	(96)	(96)	-
Il Sole 24 ORE UK Ltd.	(1)	392	215	215	213	171	-
Il Sole 24 ORE USA Inc.	(1)	569	96	52	34	25	-
Ticket 24 ORE S.r.l.	(*)	679	188	182	183	131	-
Total subsidiaries		**13,677**	**1,599**	**551**	**485**	**595**	**-**

(1) Statutory data with IAS/IFRS adjustments
(*) On 29 February 2020, the merger by incorporation of Ticket 24 ORE S.r.l. into the parent company 24 ORE Cultura S.r.l. was completed.

FINANCIAL FIGURES						
Euro thousands	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Increase (decrease) for the year	Group dividends	Third-party dividends
Il Sole 24 ORE Eventi S.r.l. (1)	-	-	-	-	-	-
Il Sole 24 ORE UK Ltd	310	-	(2)	308	-	-
24 ORE Cultura S.r.l.	507	(71)	(209)	227	-	-
Il Sole 24ORE USA Inc.	273	-	(55)	218	-	-
Ticket 24 ORE S.r.l.	(557)	-	(362)	(919)	-	-

(1) Incorporated on 17 July 2019

11. Notes to the financial statements

Impairment test

Introduction

The results of the impairment test were determined on the basis of the impairment test procedure adopted by the Group. The procedure for 2019 was approved by the Board of Directors on 12 March 2020, which confirmed the approach of the impairment test procedure of the previous year. The changes introduced for 2019 are as follows:

- introduction of the CGU Events;
- the introduction of changes relating to the application of the new accounting standard IFRS 16.

The impairment test is performed at each reporting date and consists of verifying whether there are any indications that an asset may be impaired. The impairment test is passed if the recoverable amount is equal to or greater than the book value of the asset being measured. In this case, the book values are confirmed.

The recoverable amount of an asset is defined by IAS 36 as the greater of the value that can be obtained through its use (i.e. value in use) and the value that can be obtained from its sale (i.e. fair value net of costs to sell).

In the case of goodwill and intangible assets with indefinite useful life, it shall be verified annually that their recoverable amount is at least equal to their book value.

With reference to assets with finite life, the test is carried out only when necessary, i.e. in the presence of a trigger event (IAS 36 paragraph 9). To this end, the Company, having examined the external and internal sources of information indicated in paragraphs 12-14 of IAS 36, considered that taking into account the income results (net of non-recurring income and expenses) recorded in 2019, there were indications of any potential impairment losses and therefore carried out an impairment test also with reference to assets with finite useful life.

Assets subject to impairment test

Below are the assets subject to impairment testing for the purpose of preparing these financial statements.

Intangible assets with indefinite useful life (concessions and radio frequencies)

The impairment test is carried out through an estimate of fair value made by an external expert appointed for this purpose, in continuity with previous years. This determination of fair value is Level 3.

Value in use of CGUs

The CGUs subject to valuation were defined with reference to the segments identified on the basis of the company's operating activities that generate revenues and costs, the results of which are periodically reviewed at the highest operational decision-making level for the purpose of making decisions on resource allocation and performance assessment, and for which separate financial information is available.

Below is a list of the CGUs subject to impairment testing:

- Publishing & Digital;
- Tax & Legal;
- System;
- Radio;
- Events;

– Culture.

If the difference between the recoverable amount and the respective book value is negative, this would result in an impairment loss attributable proportionally to the assets of the CGU.

Goodwill

The recoverability of goodwill is tested by estimating the value in use of the Tax & Legal and Events CGUs.

Determination of the fair value of assets with finite useful life

The Group carried out the valuation of the following assets, with independent and qualified experts:

– Properties owned;
– Rotary printing presses.

Determination of the fair value of owned properties

The Group owns two property complexes, used as offices and production facilities. These properties are located in Milan and Carsoli.

For the purposes of determining the fair value, the Group engaged an external, qualified and independent expert. The valuation covered land, buildings, internal fixed installations and external building works.

The value of the properties was determined on the assumption that the properties were vacant (not leased), for sale as a whole (not in portions) and in their current use, and on the assumption of the highest and best use of the property, i.e. considering, among all the technically possible, legally permissible and financially possible uses, only those that could potentially give the property the highest value.

The fair value was determined using the market method, based on a comparison between the assets being analysed and other comparable assets that were recently bought and sold or are currently offered on the same market or in competitive markets.

Below is a summary of the valuations carried out:

LAND AND BUILDINGS MILAN AND CARSOLI (AQ)

Values in Euro thousands	Milan	Carsoli	Total
Land	2,053	817	2,870
Buildings	1,787	2,762	4,549
Fixed installations of buildings	1,035	240	1,275
Total	**4,874**	**3,819**	**8,693**
Fair value	5,620	4,750	10,370

Rotary presses

The Group currently has in use - at its Milan and Carsoli (AQ) plants - 2 *Regioman* model rotary presses from MANROLAND WEB SYSTEMS, purchased at the end of 2004, installed in 2005 and expanded in 2008. The machines can print a 56-page full-colour newspaper. These facilities are attributed to the Publishing & Digital CGU. The Group has a third production plant at its plant in Medicina (BO), equipped with a rotary press with the same production features as the Milan and Carsoli plants. With a view to the reorganization and optimization of production assets in 2019, production at the production site in Medicina (BO), at which the Group has the same rotary press model as the previous ones, was reallocated to the printing centres in Milan and Carsoli.

For the purposes of determining the fair value, the Group engaged an external, qualified and independent expert. The valuation covered the printing equipment, the packaging and shipping machines and the CTP (Computer To Plate), which form an integral part of the production cycle. The fair value was determined using the market method, based on a comparison between the assets being analysed and other comparable assets.

Analyses and evaluations carried out take into account the situation of the publishing market in Italy and in particular the daily newspaper market, which has seen a steady decline in circulation and the number of printed newspapers for several years. With the free press now with a marginal role, it is estimated that the production capacity of production plants in Italy is exploited to 25% of their potential.

The main elements for determining fair value are:

1. Market survey carried out among resellers of offset rotary presses - used and new - comparable with the assets under appraisal;
2. Estimation of the probable cost of a format reduction, in order to obtain a more compact newspaper in line with the currently most popular formats;
3. Estimation of removal, dismantling, transport and reassembly costs.

The fair value of individual rotary presses is shown below.

ROTARY PRESSES

Values in Euro thousands	Value at 31/12/2019	Fair value	Difference
Production site Milan	857	796	61
Production site Carsoli	663	599	64
Production site Medicina (BO)	406	559	(153)
Total	**1,926**	**1,954**	**(28)**

The book values of the plants in Milan and Carsoli (AQ) were confirmed, since the value in use of the Publishing & Digital CGU, to which these plants belong, is higher than the carrying value. In this regard, reference should be made to the paragraph Value in use of the CGUs.

Concessions and radio frequencies

Estimates for the measurement of the recoverable amount of radio frequencies and concessions were made with reference to the fair value, net of costs to sell, determined on the basis of inputs compared with a sample of radio frequency purchases and sales.

An impairment test was carried out to determine whether the asset was impaired. The impairment test consists of comparing the book value of an intangible asset with indefinite useful life with its recoverable amount determined with reference to the fair value of the asset, less costs to sell, which in this case were considered to be zero.

In order to estimate the fair value, the company has used, since previous years, an external expert who prepared an appraisal report, the results of which fully confirmed the book values.

The main assumptions used to estimate fair value, in the absence of an active market for trading frequencies, are as follows:

- the population covered, i.e. the number of people reached by the radio signal radiated by the individual broadcasting facilities. This index was determined taking into account ISTAT demographic data and the quality of the signal perceived by the listener, objectively determined through a system of technical measurements of the audio signal received by a common radio receiver;
- the per capita value of the single frequency. This value was determined for each individual frequency and depends on the population density of the area, the average household

expenditure of the population covered, the Effective Radiated Power of the plant, the motorway networks and the provincial capitals covered.

Analyses of assumptions showed that:

- the regulatory framework has not changed. Broadcasting in analogue frequency modulation continues to be the *sine qua non* for entering the new digital area. At the same time, there is still no date for the switch-off of analogue broadcasting in frequency modulation, as has been done for television;
- the assets of Radio 24 consist of 208 stations throughout Italy and did not show any cause for impairment;
- the number of national commercial radio stations continues to be 10, plus 2 Community radio stations and 5 national radio stations operated by the public operator;
- from the point of view of revenues for radio publications, the substantial reduction in subsidies for radio publishing has mainly penalized local entities, while the reduction in advertising revenues has penalized the entire sector in proportion to and in parallel with the negative trend in the national economy.

In light of the above, the calculation of the market value of radio frequencies has been updated, showing an overall value in line with that determined in the previous year, which therefore leads to confirmation of the book values.

Value in use of CGUs

The estimate of the value in use of the CGUs is determined by discounting the operating cash flows generated by the CGU itself, net of the tax effect, at a discount rate (post-tax) representing the weighted average cost of capital (WACC). The impairment tests were carried out with the support of an external expert.

The discount rate (WACC, weighted average cost of capital) used to calculate the value in use of the CGUs is determined as follows:

- Risk Free Rate equal to 1.42% (yield on ten-year Italian government bonds at 31 December 2019);
- Market Risk Premium of 6.3%;
- Beta Unlevered adj between 0.595 and 0.649;
- Firm Specific Risk Premium additional premium, aimed at reflecting in the assessment the risk of execution of the objectives inherent in the forecasts, with reference also to the way in which the forecasts are formulated within the explicit forecasting period for the CGU of reference, set at 3% for Radio and 4% for the other CGUs;
- Target financial structure (debt/equity) fully equity funded.

On the basis of these parameters, the following discount rates (WACC) were arrived at:

CGU SUBJECT TO IMPAIRMENT TEST AND DISCOUNT RATE					
CGU	Impairment test approach	Plan time horizon	Discount rate (pre-tax)	Discount rate (post-tax)	Growth rate in the terminal value
Publishing & Digital	Value in use	2020-2023	9.55%	10.57%	0.00%
Tax & Legal	Value in use	2020-2023	12.79%	9.68%	0.00%
Radio	Value in use	2020-2023	12.11%	9.13%	0.00%
System	Value in use	2020-2023	36.70%	9.64%	0.00%
Culture	Value in use	2020-2023	13.20%	10.57%	0.00%
Events	Value in use	2020-2023	12.85%	9.64%	0.00%

The growth rate beyond the explicit plan period is 0.0%.

The value in use of each CGU is estimated on the projections in the 2020-2023 business plan approved by the Board of Directors on 12 March 2020. The results of the impairment test and sensitivity analysis are summarized below:

Publishing & Digital

The book value of net assets allocated to the CGU is Euro 13,940 thousand. The analyses carried out confirm the book values.

Tax & Legal

The book value of net assets allocated to the CGU is Euro 15,581 thousand. Goodwill of Euro 15,469 thousand is allocated to the Tax & Legal CGU. The analyses carried out largely confirm the book values.

System

The book value of net assets allocated to the CGU is a negative Euro 1,487 thousand. The analyses carried out confirm the book values.

Radio

The net book value of the assets allocated to the CGU is Euro 23,291 thousand. The analyses carried out confirm the book values.

Culture

The net book value of the assets allocated to the CGU is Euro 925 thousand. The analyses carried out confirm the book values.

Events

The book value of the net assets allocated to the CGU is Euro 6,560 thousand and refers to the goodwill allocated to the CGU recognized as part of the non-proportional asymmetrical demerger of the Events BU.

Sensitivity analysis

The sensitivity analysis did not provide any significant indicators that would lead to a value in use lower than the book values. The following parameters were used in making this assessment:

- discount rate (WACC, weighted average cost of capital): increase of one percentage point;
- growth rate beyond the explicit period (g): negative by one percentage point;

– plan free cash flow: deterioration of up to 10%.

For the Publishing & Digital and Radio CGUs, independent experts have provided estimates of the fair value less costs of disposal of the fixed assets, which in any case confirm the recoverability of the values recorded.

A WACC value was also calculated, which would make the recoverable amount of the CGUs equal to their book value:

- Publishing & Digital: 10.68%;
- Tax & Legal: 50.50%;
- Radio: 11.12%;
- System: 14.54%;
- Culture: 63.08%;
- Events: 9.87%.

Non-current assets

(1) Property, plant and equipment

Property, plant and equipment at the end of the year amounted to Euro 26,083 thousand and the breakdown is as follows:

PROPERTY, PLANT AND EQUIPMENT		
Euro thousands	Net value at 31.12.2019	Of which investments
Land	2,870	-
Buildings	4,698	-
Plant and equipment	5,010	623
Industrial and commercial equipment	1,804	379
Rights of use	11,533	2,468
Other assets	167	167
Total	**26,083**	**3,636**

Investments in 2019 amounted to Euro 3,636 thousand and mainly relate to:

- plant and equipment amounting to Euro 623 thousand and relating for Euro 231 thousand to broadcasting systems for Radio 24, production systems for Euro 42 thousand and for Euro 350 thousand to generic systems;
- industrial and commercial equipment, amounting to Euro 379 thousand, relating to purchases of hardware (Euro 355 thousand) and air-conditioning systems and sundry equipment (Euro 24 thousand);
- rights of use amounting to Euro 2,468 thousand and referring to the recognition of the present value of future lease payments as an asset (right of use) in relation to new car rental contracts for Euro 1,682 thousand and the present value of the lease of a guest house for Euro 32 thousand. Rights of use relating to broadcasting towers increased by Euro 604 thousand. With regard to contracts for the lease of space and areas held for the positioning of radio broadcasting equipment owned by the Group, the useful life of the asset was determined considering that their duration is aligned with the plan period, therefore the right of use at 31 December 2019 has been increased by one year until 2023.

The changes are as follows:

PROPERTY, PLANT AND EQUIPMENT										
Euro thousands	Opening Balance	1st application IFRS 16	Purchases	Disposals	Depreciation	Contractual variations	Transfer of Events BU	Disposal of assets - Write off	Other changes	Closing Balance
Historical Cost:										
Land	2,870	-	-	-	-	-		-	-	2,870
Buildings	29,062	-	-	-	-	-		(0)	-	29,062
Plant and equipment	82,590	-	623	(49)	-		5	(201)	-	82,968
Industrial and commercial equipment	40,490	-	379	(5)	-	-	47	(660)	-	40,251
Rights of use	-	25,045	2,468	-	-	(9,327)		-	274	18,460
Other assets	1	-	167	-	-	-		-	-	168
Total historical cost	**155,012**	**25,045**	**3,636**	**(54)**	**-**	**(9,327)**		**(860)**	**274**	**173,778**
Accumulated depreciation:										
Buildings	(23,737)	-	-	-	(626)	-		-	-	(24,363)
Plant and equipment	(76,318)	-	-	49	(1,685)	-	(5)	1	-	(77,957)
Industrial and commercial equipment	(38,207)	-	-	0	(838)	-	(36)	635	-	(38,447)
Rights of use	-	-	-	-	(8,721)	1,794		-	-	(6,927)
Other assets	(1)	-	-	-	-	-		-	-	(1)
Total accumulated depreciation	**(138,263)**	**-**	**-**	**50**	**(11,871)**	**1,794**		**636**	**-**	**(147,695)**
Tangible assets:										
Land	2,870	-	-	-	-	-	-	-	-	2,870
Buildings	5,325	-	-	-	(626)	-	-	(0)	-	4,698
Plant and equipment	6,272	-	623	-	(1,685)	-	-	(199)	-	5,010
Industrial and commercial equipment	2,283	-	379	(4)	(838)	-	10	(25)	-	1,804
Rights of use	-	25,045	2,468	-	(8,721)	(7,532)	-	-	274	11,533
Other assets	-	-	167	-	-	-	-	-	-	167
Total	**16,749**	**25,045**	**3,636**	**(4)**	**(11,871)**	**(7,532)**	**10**	**(224)**	**274**	**26,083**

Depreciation of tangible assets amounted to Euro 11,871 thousand and was determined in relation to the expected useful life. Assets purchased during the year are depreciated from the time they enter operation. The criteria used to determine them did not change from the previous year.

The first-time application of IFRS 16, using the modified retrospective approach, resulted in the recognition of the right of use of the asset covered by the contract under non-current assets on 1 January 2019. They consist in particular of hardware and car rentals and leases of space and areas held for the positioning of radio broadcasting equipment owned by the Group. The value at 1 January 2019 of the rights of use determined in this manner is Euro 25,045 thousand.

Below is the breakdown of the rights of use:

RIGHTS OF USE								
Euro thousands	Opening Balance	1st application IFRS 16	Purchases	Disposals	Depreciation	Other changes	contractual variations	Closing Balance
Historical Cost:								
Right of use properties	-	21,940	32	-	-	40	(9,327)	12,686
Right of use broadcasting towers	-	2,572	604	-	-	234	-	3,410
Right of use car	-	533	1,682	-	-	-	-	2,215
Properties in progress IFRS 16	-	-	150	-	-	-	-	150
Total historical cost	**-**	**25,045**	**2,468**	**-**	**-**	**274**	**(9,327)**	**18,460**
Accumulated depreciation:								
Right of use properties	-	-	-	-	(7,387)	-	1,794	(5,593)
Right of use broadcasting towers	-	-	-	-	(686)	-	-	(686)
Right of use car	-	-	-	-	(648)	-	-	(648)
Total accumulated depreciation	**-**	**-**	**-**	**-**	**(8,721)**	**-**	**1,794**	**(6,927)**
Rights of use								
Right of use properties	-	21,940	32	-	(7,387)	40	(7,532)	7,093
Right of use broadcasting towers	-	2,572	604	-	(686)	234	-	2,724
Right of use car	-	533	1,682	-	(648)	-	-	1,567
Properties in progress IFRS 16	-	-	150	-	-	-	-	150
Total	**-**	**25,045**	**2,468**	**-**	**(8,721)**	**274**	**(7,532)**	**11,533**

Contractual variations amounting to Euro 7,532 thousand, refer to changes in the lease and sublease agreements for the offices, in particular:

- for the Via Monte Rosa office in Milan, the right of use was decreased by Euro 5,851 thousand as a result of the change in the contractual expiry date to 31 December 2020; therefore, this change also entailed a change in the sublease agreements with the consequent reclassification of the related residual financial receivable to increase the rights of use by Euro 1,116 thousand and the subsequent write-down of the same by Euro 516 thousand;
- due to the termination of the lease agreement for the Rome office, the right of use was decreased by Euro 2,613 thousand. The contractual variations resulting from the disposal of the Business School24 S.p.A. investment in the sublease agreements led to a change from a financial lease to an operating lease for one of the amended contracts. This change led to the reclassification of the related financial receivable increasing rights of use for Euro 675 thousand and the subsequent write-down for Euro 344 thousand.

The following table shows the useful life of the assets included in the categories reported in the financial statements:

USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT		
Asset category	Useful Life	Rate
Land	Indefinite	-
Buildings		-
Industrial buildings	30-33 years	3%-3.33%
Lightweight construction	12 years	8.33%
Plant and equipment		-
General plants	10-20 years	5%-10%
Plants (leasehold improvements)	10-12 years	8.33%-10%
Rotary presses	8-15 years	6.5%-12.5%
Finishing machines	5-15 years	6.5%-20%
Electronic photocomposition and photoreproduction systems	5 years	20.00%
Radio broadcasting systems	3-9 years	11.1%-33.33%
Industrial and commercial equipment		
Hardware	5 years	20.00%
Furniture and fittings	5-20 years	5%-20%
Electronic office equipment	5 years	20%
Acclimatization plants	20 years	5.00%
Internal means of transport	10 years	10.00%
Miscellaneous and small equipment	10 years	10%

The right of use is depreciated over the duration of the contract or, if shorter, over the useful life of the asset.

(2) Goodwill

Goodwill recorded in the financial statements amounted to Euro 22,019 thousand and increased by Euro 6,549 thousand compared to 31 December 2018.

The amounts recorded in the financial statements and the changes in goodwill attributed to the CGUs (Cash Generating Units) are as follows:

GOODWILL			
values in Euro thousands	Opening balances	Increases	Closing balances
Tax & Legal	15,469	-	15,469
Events	-	6,549	6,549
Total	**15,469**	**6,549**	**22,019**

Goodwill and intangible assets with indefinite useful life are not subject to amortization but to an impairment test of their book value. This test concerns the value of the individual asset or of the related cash-generating unit. For the results of the impairment test, refer to the specific paragraph.

Following the disposal of the remaining 49% of the associated company Business School24 S.p.A., the partial, asymmetrical and non-proportional demerger was completed with the transfer of the Events BU from Business School24 S.p.A. to the beneficiary company Il Sole 24 ORE Eventi S.r.l. This transaction entailed the recognition of goodwill of Euro 6,549 thousand for the allocation of the repurchase price of the Events BU.

(3) Intangible assets

Intangible assets amounted to Euro 40,559 thousand and the breakdown is as follows:

INTANGIBLE ASSETS Euro thousands	Net value at 31.12.2019	Of which investments
Radio frequencies	27,929	-
Licences and software	11,130	5,946
Assets in progress and advances	1,499	1,499
Total	**40,559**	**7,445**

Changes in intangible assets during the year were as follows:

INTANGIBLE ASSETS Euro thousands	Opening Balance	Purchases	Disposals	Amortization	Other changes	Closing Balance
Historical cost:						
Newspapers	9,245	-	-	-	-	9,245
Trademarks	724	-	-	-	-	724
Radio frequencies	105,254	-	-	-	-	105,254
Licences and software	107,965	5,946	-	-	89	114,000
Assets in progress and advances	89	1,499	-	-	(89)	1,499
Total historical cost	**223,277**	**7,445**	**-**	**-**	**-**	**230,722**
Accumulated amortization:						
Newspapers	(9,245)	-	-	-	-	(9,245)
Trademarks	(724)	-	-	-	-	(724)
Radio frequencies	(77,325)	-	-	-	-	(77,325)
Licences and software	(98,021)	-	-	(4,848)	-	(102,870)
Total accumulated amortization	**(185,315)**	**-**	**-**	**(4,848)**	**-**	**(190,163)**
Intangible assets:						
Newspapers	-	-	-	-	-	-
Trademarks	-	-	-	-	-	-
Radio frequencies	27,929	-	-	-	-	27,929
Licences and software	9,944	5,946	-	(4,848)	89	11,130
Assets in progress and advances	89	1,499	-	-	(89)	1,499
Total	**37,962**	**7,445**	**-**	**(4,848)**	**-**	**40,559**

Investments in intangible assets amounted to Euro 7,445 thousand and included Euro 644 thousand for the capitalization of internally developed software.

Investments in assets in progress relate to software projects in progress and refer to the development of new products and development of systems for processes.

Investments in licences and software amounting to Euro 5,946 thousand refer to activities related to the development of systems for processes for Euro 2,892 thousand and the development and implementation of products, in particular digital products, for Euro 3,054 thousand.

The following table shows the nature of investments for the year.

INVESTMENTS IN LICENCES AND SOFTWARE	Investments 2019
Intangible assets for processes	**2,892**
Business processes	1,097
Publishing and editorial processes	650
Accounting and management control system	396
Advertising sales cycle	422
HR System	156
Publishing sales cycle	166
Technological infrastructure	5
Intangible assets for product development	**3,054**
Online product system development	3,054
Total	**5,946**

Amortization of intangible assets amounted to Euro 4,848 thousand. The criteria for determining amortization did not change compared to the previous year.

The following table shows the useful life of the assets included in the categories reported in the financial statements:

USEFUL LIFE OF INTANGIBLE ASSETS

Asset category	Useful life	Rate
Radio frequencies	Indefinite	-
Licences and software	3 - 8 years	12.5%-33%

The value of intangible assets with indefinite useful life attributable to the value of radio frequencies was subjected to an impairment test and reference should be made to the specific paragraph.

(4) Investments in associates and joint ventures

At the date of these consolidated financial statements, there were no investments in associated companies.

INVESTMENTS IN ASSOCIATED COMPANIES

Euro thousands	Opening balances	Disposal	Valuation of investment using the equity method	Closing balances
Business School24 S.p.A.	18,383	(19,221)	838	0

Compared to the previous approved financial statements, the residual 49% of the investment in the company Business School24 S.p.A. was disposed of. The value of the residual investment has been adjusted by applying the equity method and increased by Euro 838 thousand up to the date of disposal.

(5) Non-current financial assets

This item relates to minority investments totalling Euro 716 thousand (Euro 691 thousand at 31 December 2018).

Minority investments are measured at fair value (with changes recognized in the income statement), which is considered to be close to the value of the Group's portion of equity of the investee company.

MINORITY INVESTMENTS			
Euro thousands	31.12.2019	fair value measurement	31.12.2018
Ansa Soc. Coop a r.l.	517	33	483
Editoriale Ecoprensa S.A.	53	(42)	94
Dab Italia Società consortile per azioni	57	15	42
C.S.I.E.D.	61	13	47
Immobiliare Editoriale Giornali S.r.l.	21	(1)	21
S.F.C. Società Consortile per azioni	1	0	1
Tavolo Editori Radio S.r.l.	7	6	1
Total minority investments	**716**	**25**	**691**

(6) Other non-current assets

Other non-current assets amounted to Euro 3,598 thousand and the breakdown is as follows:

OTHER NON-CURRENT ASSETS			
Euro thousands	31.12.2019	31.12.2018	Changes
Medium/long-term financial receivables IFRS 16	899	-	899
Receivables from Education Acquisitions Limited deferred price	15,195	3,195	12,000
Security deposits	131	149	(18)
Tax receivables	30	255	(225)
Total	**16,254**	**3,598**	**12,656**

As a result of the application of the new IFRS 16 standard, from 1 January 2019, IFRS 16 medium/long-term financial receivables of Euro 899 thousand were recorded, equal to the present value of the collections due under the sublease agreements, the value of which was Euro 4,543 thousand at 1 January 2019. The decrease from the first-time adoption of IFRS 16 is attributable to collections during the year and contractual variations in subleases, specifically:

- decrease in the financial receivable of Euro 1,116 as a result of the change in the contractual expiry date of the lease agreement for the Via Monte Rosa office in Milan, which entailed a change in the sublease agreements with the consequent reclassification of the related residual financial receivable as an increase in the rights of use (subsequently written down by Euro 516 thousand);
- contractual variations resulting from the disposal of the investment in Business School24 S.p.A. on the sublease agreements led to the write-down of the financial receivable by Euro 481 thousand (of which Euro 415 thousand medium/long-term) and the reclassification of Euro 675 thousand (of which Euro 135 thousand medium/long-term) from financial receivables to the item rights of use (subsequently written down by Euro 344 thousand).

The receivable from Education Acquisitions Limited of Euro 15,195 thousand is attributable to the present value at 31 December 2019 of the deferred component, maturing no later than 31 December 2021 of a nominal amount of Euro 16,500 thousand. This receivable has been discounted at a rate of 4.2%.

(7) Deferred tax assets and deferred tax liabilities

The items express the effect of deferred tax assets and liabilities calculated, respectively, on deductible and taxable differences temporarily arising between the book values and tax values.

The amounts at 31 December 2019 and 31 December 2018 of deferred tax assets and deferred tax liabilities are shown below:

DEFERRED TAX ASSETS AND LIABILITIES

	31.12.2019	31.12.2018	Changes
Deferred tax assets	23,847	25,335	(1,488)
Deferred tax liabilities	5,996	5,570	426

Deferred tax assets decreased by Euro 1,488 thousand.

Deferred tax assets relate to tax assets recognized on tax loss that can be carried forward of Euro 19,747 thousand and Euro 4,101 thousand relating to assets recognized on other temporary differences.

In this regard, it should be noted that article 23, paragraph 9, of Decree Law 98 of 6 July 2011 allows the recovery of tax losses without maturity. However, taking into account the difficulty of estimating taxable profits, the Group has not recognized deferred tax assets since 2013. Moreover, the valuation of deferred tax assets on past losses was carried out using recovery forecasts consistent with the Business Plan, appropriately reduced by 30% for the period 2024-2026, 55% for the period 2027-2029 and 100% beyond 2029.

The Group will continue to monitor on an ongoing basis any differences between the forecasts contained in the Business Plan and the actual figures available. These differences, if any, will provide supporting considerations for a possible further manoeuvre on the residual value of deferred tax assets, limiting, however, the recognition of new deferred tax assets on previous tax losses only from the tax period in which positive taxable income will be recognized. Similarly, the Company waives the recognition of deferred tax assets on new temporary differences arising from the 2019 financial year.

The total theoretical tax asset on losses, which the Group waived (determined on the basis of the last tax return filed) amounted to Euro 67.3 million.

Deferred tax assets on other timing differences arise from taxed changes that will be reversed in future years, mainly in relation to taxed provisions and asset impairment. During 2019, these temporary differences were reduced, resulting in the use of deferred tax assets of Euro 1,488 thousand.

Deferred tax liabilities are recognized on the value of radio frequencies originally recognized following reorganization operations and following the tax-only amortization of frequencies with indefinite useful life.

During the year, deferred tax liabilities increased by Euro 1,162 thousand in order to reflect the effect of taxable temporary differences recognized on the first-time adoption of the new IFRS 16, and decreased by Euro 732 thousand due to the derecognition of such differences during the period following contractual variations in subleases.

Details at 31 December 2019 and 2018 of deferred tax assets and deferred tax liabilities are shown in the following table:

DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Euro thousands	Assets		Liabilities		Net	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Property, plant and equipment	1,081	1,639	(430)	-	651	1,639
Intangible assets	464	471	(5,571)	(5,571)	(5,107)	(5,099)
Receivables and provisions	2,543	3,477	(7)	(7)	2,536	3,470
Other	13	1	12	9	25	10
Losses that can be carried forward	19,747	19,747	-	-	19,747	19,747
Deferred tax assets (liabilities)	**23,848**	**25,335**	**(5,996)**	**(5,569)**	**17,852**	**19,766**
Reclassification of taxes	-	-	-	-	-	-
Net deferred tax assets (liabilities)	**23,848**	**25,335**	**(5,996)**	**(5,569)**	**17,852**	**19,766**

CHANGES IN DEFERRED TAX ASSETS/LIABILITIES OF THE GROUP

Euro thousands	31.12.2019	31.12.2018	Recognized in the separate income statement	FTA IFRS 16
Property, plant and equipment	651	1,639	175	(1,162)
Intangible assets	(5,107)	(5,099)	(8)	-
Receivables and provisions	2,536	3,470	(934)	-
Other	25	10	16	-
Losses that can be carried forward	19,747	19,747	-	-
Deferred tax assets (liabilities)	**17,852**	**19,766**	**(751)**	**(1,162)**

Current assets

(8) Inventories

INVENTORIES			
Euro thousands	31.12.2019	31.12.2018	Changes
Paper	2,395	1,446	949
Inks	60	122	(62)
Photographic material	20	79	(59)
Raw, ancillary and consumable materials	**2,475**	**1,647**	**828**
Work in progress and semi-finished products	**17**	**6**	**11**
Books	429	440	(11)
Other products	348	356	(8)
Provision for write-down of finished products	(373)	(334)	(39)
Finished products	**405**	**462**	**(57)**
Total	**2,897**	**2,114**	**782**

Inventories are presented net of provisions for inventory write-downs, which have changed as follows:

PROVISION FOR WRITE-DOWNS				
Euro thousands	Opening Balance	Allocations	Use of provisions	Closing Balance
Provision for write-down of finished products	(334)	(4)	(34)	(373)

(9) Trade receivables

Trade receivables derive from normal operations and the breakdown is as follows:

TRADE RECEIVABLES			
Euro thousands	31.12.2019	31.12.2018	Changes
Receivables from customers	60,723	74,140	(13,417)
Provision for returns to be received	(282)	(324)	42
Bad debt provision	(5,294)	(10,018)	4,724
Total	**55,147**	**63,798**	**(8,651)**

The Group's trade receivables amounted to Euro 55,147 thousand at 31 December 2019 and are recorded net of securitized receivables sold without recourse for Euro 17,788 thousand.

The Group's trade receivables include securitized receivables assigned with recourse for Euro 15,706 thousand. When the proceeds from the disposal of the receivable are recognized, a balancing entry is recognized in current financial liabilities.

It should also be noted that the balance of trade receivables includes receivables, totalling Euro 11,273 thousand, belonging to customers in the securitization portfolio but not yet sold at 31 December 2019. These receivables, which will soon be sold, amounted to Euro 7,074 thousand, referring to the portfolio of customers transferred without recourse, and Euro 4,198 thousand, referring to the portfolio of customers transferred with recourse.

SECURITIZED LOANS		
Euro thousands	Nominal value receivables assigned at 31 December 2019	Nominal value receivables to be assigned at 31 December 2019
Receivables securitized without recourse	17,788	7,074
Receivables securitized with recourse	15,706	4,198
Total	**33,494**	**11,273**

The value of trade receivables is shown net of the provision for returns to be received, amounting to Euro 282 thousand, which will occur in the following year and net of the bad debt provision of Euro 5,294 thousand.

Changes in these provisions were as follows:

PROVISION FOR RETURNS TO BE RECEIVED AND BAD DEBT PROVISION				
Euro thousands	Opening Balance	Allocations	Use of provisions and other changes	Closing Balance
Provision for returns to be received	(324)	(261)	303	(282)
Bad debt provision	(10,018)	(841)	5,566	(5,294)
Total	**(10,342)**	**(1,102)**	**5,869**	**(5,576)**

(10) Other receivables

The item amounted to Euro 3,866 thousand and the breakdown is as follows:

OTHER RECEIVABLES			
Euro thousands	31.12.2019	31.12.2018	Change
Ordinary supplier advances	3,054	1,941	1,113
Tax receivables	307	2,396	(2,088)
Current taxes	173	570	(397)
Receivables relating to personnel	148	139	9
Other receivables	182	658	(476)
Bad debt provision - other receivables	-	(140)	140
Total	**3,866**	**5,564**	**(1,698)**

Other receivables are shown net of the bad debt provision which, at the date of these consolidated financial statements, is zero as the receivable due 31 May 2018 from AB Holding S.r.l. (formerly BacktoWork S.r.l.) was used.

BAD DEBT PROVISION - OTHER RECEIVABLES				
Euro thousands	Opening Balance	Release	Use of provisions and other changes	Closing Balance
Bad debt provision - other receivables	(140)	54	86	-
Total	**(140)**	**54**	**86**	**-**

Ordinary supplier advances include advances to agents of Euro 877 thousand.

Tax receivables are broken down as follows:

TAX RECEIVABLES			
Euro thousands	31.12.2019	31.12.2018	Changes
VAT Receivable	260	2,315	(2,055)
VAT refund pending	26	51	(26)
Other tax receivables	-	2	(2)
Receivables from foreign tax authorities	21	27	(6)
Total	**307**	**2,396**	**(2,088)**

Receivables from personnel amounting to Euro 148 thousand refer to provisions for employee expenses and loans.

Other receivables, which amounted to Euro 182 thousand, are broken down as follows:

OTHER RECEIVABLES			
Euro thousands	31.12.2019	31.12.2018	Changes
Receivables from Poste Italiane	117	312	(195)
Receivables from social security institutions	8	41	(33)
Receivables from AB Holding S.r.l.	-	175	(175)
Other	57	130	(73)
Total	**182**	**658**	**(476)**

(11) Other current financial assets

Other current financial assets amounted to Euro 1,384 thousand. As a result of the application of the new IFRS 16 standard, from 1 January 2019, short-term IFRS 16 financial receivables of Euro 2,006 thousand have been recognized and relate to receivables relating to the sublease of properties to third parties. With regard to contractual variations on sublease agreements, reference should be made to note (6).

(12) Other current assets

Other current assets consist of prepaid expenses and refer to:

PREPAID EXPENSES			
Euro thousands	31.12.2019	31.12.2018	Changes
Agents' commissions	3,331	2,844	487
User licence fees	439	470	(31)
Hardware and software maintenance fees	171	230	(59)
Provision of IT and administrative services	43	57	(14)
Insurance premiums	60	90	(30)
Bank fees	179	358	(179)
Expenses for the organization of conferences, exhibitions and fairs	387	695	(308)
Refinancing costs	159	317	(158)
Lease expenses	-	278	(278)
Other	318	515	(197)
Total	**5,086**	**5,854**	**(768)**

(13) Cash and cash equivalents

Cash and cash equivalents amounted to Euro 15,731 thousand, down Euro 6,931 thousand compared to the beginning of the year. Cash and cash equivalents consist of cash on hand, equivalents and demand or short-term deposits with banks that are actually available and readily realizable.

In the statement of cash flows, cash and cash equivalents are shown at Euro 15,122 thousand, net of current account overdrafts and portions of bank loans falling due within one year, as shown below:

CASH AND CASH EQUIVALENTS			
Euro thousands	31.12.2019	31.12.2018	Change
Cash and cash equivalents	15,731	22,630	(6,899)
Short-term portion of medium/long-term loans	(609)	(576)	(32)
Cash and cash equivalents at the end of the year	**15,122**	**22,053**	**(6,931)**

The short-term portion of medium/long-term loans amounting to Euro 609 thousand refers to the residual portion of the payable relating to the sale and lease back of the Bologna rotary press.

Equity

(14) Equity

Consolidated equity at 31 December 2019 amounted to Euro 36,572 thousand and compared to a figure of Euro 35,847 thousand at 31 December 2018, increased Euro 725 thousand from the previous year due to the following effects:

- first-time adoption of IFRS 16 for Euro +2,539 thousand.
- loss for the year of Euro 1,202 thousand;
- actuarial adjustments to employee severance indemnities and income and expenses recognized in equity for Euro -612 thousand.

(15) Share capital

The share capital, fully subscribed and paid in, amounts to Euro 570,125, divided into 65,345,797 shares, of which 9,000,000 ordinary shares (13.77% share capital) and 56,345,797 special category shares (86.23% share capital), of which 330,202 treasury shares. The book value of treasury shares, amounting to Euro 22,447 thousand, is reduced to zero by an equity item of the same amount.

Special category shares are assigned a preferential dividend of 5%, equal to Euro 2.60 or, if higher, to the share implicit par value, which may not be accumulated from one financial year to the next.

(16) Capital reserves

Capital reserves refer to the share premium reserve and amounted to Euro 19,482 thousand changed by Euro 7,280 thousand compared to 31 December 2018 due to the allocation of the Parent Company's profit (loss) of the previous year.

(17) Employee severance indemnity (TFR) reserve - IAS adjustment

The item Employee severance indemnity (TFR) reserve - IAS adjustment went from a negative value of Euro 3,941 thousand to a negative value of Euro 4,553 thousand for the actuarial adjustment of the TFR.

(18) Profits (losses) carried forward

Profits (losses) carried forward were positive at Euro 22,274 thousand (positive at Euro 18,475 thousand at the end of 2018). The change in the year is attributable to the change in the 2018 profit of Euro 1,260 thousand and the first-time application of IFRS 16 of Euro 2,539 thousand. The effect of applying IFRS 16 resulted in an increase in opening equity, including Euro 2,539 thousand in profits carried forward, deriving from the recognition of property subleases to third parties totalling Euro 3,701 thousand, net of deferred taxes of Euro 1,162 thousand.

(19) Profit (loss) for the year

At 31 December 2019, a loss of Euro 1,202 thousand was recorded. Earnings per share are equal to Euro -0.02 and are determined by the ratio between the result attributable to the shareholders of the parent company, equal to Euro -1,202 thousand, and the weighted average number of shares outstanding during the year, equal to 65,015,595.

The following tables show the reconciliation with the financial statements of the Parent Company:

RECONCILIATION OF NET PROFIT (LOSS) OF THE PARENT COMPANY WITH NET PROFIT (LOSS) OF THE CONSOLIDATED FINANCIAL STATEMENTS

Euro thousands	FY 2019	FY 2018
Net profit (loss) from annual financial statements - Parent Company Il Sole 24 ORE S.p.A.	**(30)**	**(7,280)**
Profit (loss) for the year of subsidiaries	595	2,051
Valuation at equity of subsidiaries on the Parent Company financial statements	(458)	(1,785)
Investments valued at equity on subsidiaries	(4)	(232)
Deconsolidation of associated companies	-	43
Delta consolidated gain on sale of investment Business School24 S.p.A.	(2,143)	-
Valuation at equity of Business School24 S.p.A.	838	1,183
Net profit (loss) from consolidated financial statements - 24 ORE Group	**(1,202)**	**(6,020)**

RECONCILIATION OF PARENT COMPANY AND CONSOLIDATED EQUITY

Euro thousands	FY 2019	FY 2018
Equity from annual financial statements - Parent Company Il Sole 24 ORE S.p.A.	**36,581**	**34,677**
Investments in subsidiaries	(11,731)	(5,515)
Equity and profit (loss) of consolidated companies	5,179	5,386
Goodwill Events	6,550	
Associated companies valued at equity	-	1,305
Other intragroup changes	(7)	(7)
Equity from consolidated financial statements - 24 ORE Group	**36,572**	**35,847**

STATEMENT OF OTHER COMPREHENSIVE INCOME WITH RELATED TAX EFFECTS

Euro thousands	FY 2018		FY 2018	
	Gross value	Tax effect	Gross value	Tax effect
Other components of comprehensive income				
Actuarial gains (losses) on defined-benefit plans	(612)		143	
Effective portion of changes in fair value of cash flow hedges	-		-	
Total	**(612)**	**-**	**143**	**-**

Non-current liabilities

(20) Non-current financial liabilities

Non-current financial liabilities amounted to Euro 15,944 thousand and comprise:

NON-CURRENT FINANCIAL LIABILITIES			
Euro thousands	31.12.2019	31.12.2018	Changes
Financial payables sale & lease back rotary press Bologna	4,373	4,982	(609)
Financial payables IFRS 16	4,813	-	4,813
Other financial payables	6,758	-	6,758
Total	**15,944**	**4,982**	**10,962**

As a result of the application of IFRS 16, non-current financial payables of Euro 4,813 thousand were recorded at 31 December 2019, deriving from lease agreements relating to the Group's offices, capital goods (rental of hardware and cars) and lease of space and areas held for the positioning of radio broadcasting equipment owned by the Group.

The item other financial payables amounting to Euro 6,758 thousand is attributable to the present value at 31 December 2019 of the deferred component, relating to the indemnity deriving from the settlement agreement for the early termination of the lease agreement for the Milan - Via Monte Rosa office. The financial payable provides for quarterly payments from January 2021 to April 2024 of a total nominal amount of Euro 7,600 thousand. This payable is discounted at a rate of 4.2%.

Non-current financial liabilities include Euro 4,373 thousand relating to the medium/long-term portion of payables on the sale and lease back of the Bologna rotary press.

(21) Employee benefits

Employee benefits amounted to Euro 17,614 thousand and have changed since the beginning of the year as follows:

EMPLOYEE BENEFITS							
Euro thousands	Opening Balance	Labour cost	Financial income and expenses	Actuarial gains and losses	Change in scope	Uses and other changes	Closing Balance
Employee severance indemnity (TFR)	18,016	53	259	612	16	(1,341)	17,614
Total	**18,016**	**53**	**259**	**612**	**16**	**(1,341)**	**17,614**

The main actuarial assumptions used to estimate the benefits to be recognized on termination of employment are as follows:

Demographic assumptions:

- for mortality, the IPS55 tables were used;
- the annual probability of a request for advance payment of employee severance indemnities was set at 2%, based on the historical data of the Companies included in the valuation.

Economic financial assumptions:

- the discount rate was determined to be 0.8% based on Euro area High Quality Corporate Bonds;
- the inflation rate used is 1.0%;
- the average percentage of accrued severance indemnity requested in advance was set at 7.46%, based on historical data;
- salary/wage growth rate 2%.

(22) Provisions for risks and charges

Provisions for risks and charges at 31 December 2019 amounted to Euro 9,668 thousand and changed as follows:

PROVISION FOR RISKS AND CHARGES						
Euro thousands	Opening Balance	Allocations	Use of provisions	Releases	Other changes	Closing Balance
Provision for litigation	1,627	674	(516)	(313)	-	1,472
Provision for other risks	13,332	148	(1,556)	(5,969)	78	6,032
Provision for agents' indemnities	2,140	408	(270)	(115)		2,163
Total	**17,099**	**1,230**	**(2,342)**	**(6,396)**	**78**	**9,668**

The provision for litigation (Euro 1,472 thousand) covers risks known at the date of preparation of these consolidated financial statements. These risks relate primarily to personnel litigation (Euro 902 thousand), lawsuits filed against the newspaper (Euro 399 thousand) and Radio (Euro 104 thousand), coverage of expected legal fees (Euro 14 thousand) and other litigation (Euro 52 thousand).

Uses of the provision for litigation amounted to Euro 516 thousand and consisted primarily of litigation involving the newspaper (Euro 145 thousand), litigation involving personnel (Euro 287 thousand), Radio (Euro 48 thousand) and other litigation (Euro 36 thousand). Releases totalled Euro 313 thousand, of which Euro 153 thousand related to personnel disputes, Euro 90 thousand to disputes brought against the newspaper and Euro 69 thousand to other litigation.

Allocations to the provision for litigation of Euro 674 thousand relate to litigation involving personnel for Euro 355 thousand, litigation against the newspaper for Euro 238 thousand, against the radio station for Euro 61 thousand and other litigation for Euro 20 thousand.

The provision for other risks amounted to Euro 6,032 thousand and covers the following risks:

- contingent liabilities, also of a fiscal nature, amounting to Euro 1,123 thousand, which could arise on conclusion of the penal proceedings pending before the Court of Milan under no. 5783/17 R.G.N.R. In 2019, the provision was released in the amount of Euro 1,095 thousand for the restatement of contingent liabilities related to the outcomes of the proceedings;
- liabilities for expenses that the Group may incur for the disposal of production plants amounting to Euro 690 thousand. In 2019, an additional Euro 90 thousand was allocated;
- risks relating to potential critical issues in the application and management of social shock absorbers amounting to Euro 1,379 thousand. The provision was used for Euro 70 thousand during the year. At 31 December 2019, the provision was recalculated on the basis of the residual potential criticalities, the effect of this assessment led to the recognition of a gain of Euro 400 thousand;
- risks related to potential claims for registration tax on the disposal of the investment in Business School24 S.p.A. for Euro 1,500 thousand. Although the disposal of shares is not included in the list of transactions subject to the tax, according to a certain interpretation of case law, the tax authorities could tax the transaction as if it were a disposal of a business. It should be noted that the 2018 and 2019 budget laws then placed restrictions on such assessments, however without providing clarity in relation to the temporal effectiveness of the rule. In the absence of an unambiguous guideline, the company allocated the risk in the previous year. The provision is unchanged from the previous year;
- risks for disputes relating to the company 24 ORE Cultura for a total of Euro 450 thousand (Euro 2,527 thousand in 2018). Following the signing of a settlement agreement, the provision changed by Euro 2,107 thousand, of which Euro 1,382 thousand for uses and Euro 725 thousand for releases;

- risks for terminated agents amounting to Euro 875 thousand. In 2019, there were uses of Euro 88 thousand, releases of Euro 154 thousand and provisions for contingent liabilities of Euro 54 thousand;
- risks for other disputes for a total of Euro 15 thousand.

During 2019, releases of Euro 3,200 thousand were made and refer to the allocation made in the previous year against the possible price adjustment for the disposal of the investment in Business School24 S.p.A. and are consequent to the definition of the position with the purchaser, as further described in the note Significant events in 2019.

The provision of Euro 140 thousand allocated in the previous year in relation to administrative sanctioning proceeding no. 84400/2018 was also released. In fact, on 11 September 2019, the proceedings were concluded and Consob, having assessed the results of the preliminary investigation, did not consider that the conditions existed for the adoption of any sanctioning measure against the Company and, therefore, ordered the closure of the proceedings. In this regard, Consob did not find any orientation on the part of the Company aimed at achieving the unlawful purpose which, pursuant to current regulations, would make it administratively liable and, consequently, subject to sanctions against it. Moreover, the Commission decided not to formulate any judgement of reprehensibility towards the Company itself, since it had taken steps to prepare organizational models capable of preventing offences of the kind that occurred. With reference to the sanction proposed, pursuant to article 6, paragraph 3, of Law no. 689 of 1981 for the violation of article 187-ter, paragraph 1, of Legislative Decree no. 58/1998, against Donatella Treu, Roberto Napoletano, Anna Matteo, Alberto Biella and Massimo Arioli for a total of Euro 1,050 thousand, Il Sole 24 ORE S.p.A. is required to pay, by way of joint liability, without prejudice to the right of recourse. The level of risk has been assessed as possible, but not probable (consequently, no provision for risks has been made in these consolidated financial statements).

The agents' termination indemnity includes provisions to cover risks arising from early termination of contracts and those relating to the termination of the agency relationship pursuant to article 1751 of the Civil Code. The actuarial valuation of the agents' termination indemnity is based on the following actuarial assumptions:

- the discount rate 0.80%
- IPS55 mortality tables
- INPS disability tables
- voluntary turnover rate 6%
- corporate turnover rate 5%
- retirement current compulsory general insurance requirements.

(23) Other non-current liabilities

Other non-current liabilities amounted to Euro 103 thousand and refer to security deposits received for the subleases of the properties in Rome and Milan.

Current liabilities

(24) Bank overdrafts and loans due within one year

These amounted to Euro 16,315 thousand (Euro 18,468 thousand in the previous year) and refer for Euro 15,706 thousand to the financial payable relating to the securitization transaction of trade receivables with recourse and for Euro 609 thousand to the residual payable relating to the Bologna rotary press lease expiring in the short term:

CURRENT BANK OVERDRAFTS AND LOANS			
Euro thousands	31.12.2019	31.12.2018	Changes
Short-term bank loans	15,706	17,891	(2,185)
Short-term portion of medium/long-term loans	609	577	32
Total	**16,315**	**18,468**	**(2,153)**

(25) Other current financial liabilities

Other current financial liabilities amounted to Euro 11,150 thousand (Euro 5,077 thousand at 31 December 2018) and mainly relate to short-term financial payables arising from the application of IFRS 16, relating to short and medium-term financial liabilities arising from the present value of future lease payments of Euro 8,734 thousand and the financial payable of Euro 2,416 thousand to Monterosa SPV S.r.l. for the management of collections of receivables securitized without recourse.

OTHER CURRENT FINANCIAL LIABILITIES			
Euro thousands	31.12.2019	31.12.2018	Changes
Financial payables IFRS 16	8,734	-	8,734
Financial payables for non-recourse management	2,416	4,961	(2,545)
Other financial payables	-	116	(116)
Total	**11,150**	**5,077**	**6,073**

(26) Trade payables

TRADE PAYABLES			
Euro thousands	31.12.2019	31.12.2018	Changes
Suppliers	43,483	41,668	1,815
Deferred income	29,806	35,328	(5,522)
Trade payables to associated companies and minorities	12	558	(546)
Other trade payables	5,102	5,733	(631)
Total	**78,403**	**83,287**	**(4,884)**

Trade payables, amounting to Euro 78,403 thousand, decreased by Euro 4,884 thousand compared to the previous year.

Deferred income is broken down as follows:

DEFERRED INCOME			
Euro thousands	31.12.2019	31.12.2018	Changes
Electronic publishing by subscription	23,431	23,972	(541)
Subscriptions Il Sole 24 ORE Newspaper	3,691	4,288	(597)
Sale of magazines	1,676	2,552	(876)
Condominium expenses	220	3,766	(3,546)
Services	760	740	20
Lease income	3	1	2
Other deferred income	26	9	17
Total	**29,806**	**35,328**	**(5,522)**

Other trade payables amounted to Euro 5,102 thousand, of which Euro 3,707 thousand relate to payables to agents.

(27) Other current liabilities

Other current liabilities amounted to Euro 10 thousand (Euro 65 thousand at 31 December 2018) and consisted of:

OTHER CURRENT LIABILITIES			
Euro thousands	31.12.2019	31.12.2018	Changes
Accrued liabilities	10	10	-
Current tax liabilities	-	55	(55)
Total	**10**	**65**	**(55)**

(28) Other payables

OTHER PAYABLES			
Euro thousands	31.12.2019	31.12.2018	Changes
Payables to personnel for restructuring	6,424	13,375	(6,951)
13th and 14th monthly salaries accrued but not paid	1,696	1,668	28
Payables for holidays accrued and not taken	2,514	2,702	(188)
Social security institutions	5,755	6,348	(593)
Tax payables	4,103	4,277	(174)
Other personnel expenses	559	332	227
Other payables	766	1,037	(272)
Total	**21,816**	**29,739**	**(7,922)**

Payables to personnel for restructuring, amounting to Euro 6,424 thousand, relate to the liability recorded for restructuring expenses. Disbursements for restructuring expenses made in 2019, in accordance with the plans, amounted to Euro 5,391 thousand (Euro 9,650 thousand in 2018). In 2019, the liability recorded in the financial statements for restructuring expenses to personnel was partially restated. This assessment resulted in the recognition of a gain of Euro 1,559 thousand.

Tax payables amounted to Euro 4,103 thousand and regard payables to the tax authorities for withholding tax on income from self-employment and employment and VAT payable.

TAX PAYABLES			
Euro thousands	31.12.2019	31.12.2018	Changes
Withholding taxes on employee income	2,988	3,248	(259)
Withholding taxes on self-employment income	231	296	(65)
VAT payable and pro rata	817	648	169
Payables to foreign tax authorities	42	38	4
Other tax payables	24	47	(23)
Total	**4,103**	**4,277**	**(175)**

Statement of profit (loss)

(29) Revenues

REVENUES				
Euro thousands	FY 2019	FY 2018	Change	% change
Publishing revenues	101,326	106,999	(5,673)	-5.3%
Advertising revenues	80,971	84,628	(3,657)	-4.3%
Other revenues	16,441	19,697	(3,256)	-16.5%
Total	**198,737**	**211,324**	**(12,586)**	**-6.0%**

In 2019, the 24 ORE Group reported **consolidated revenues** of Euro 198,737 thousand, down Euro 12,586 thousand (-6.0%) compared to 2018.

Publishing revenues amounted to Euro 101,326 thousand, a decrease of Euro 5,673 thousand (-5.3%) on the previous year.

Advertising revenues of Euro 80,971 thousand were down Euro 3,657 thousand (-4.3%) compared to 2018.

Other revenues, amounting to Euro 16,441 thousand, decreased by Euro 3,256 thousand (-16.5%) compared to the previous year, mainly due to lower revenues from exhibitions.

(30) Other operating income

OTHER OPERATING INCOME				
Euro thousands	FY 2019	FY 2018	Change	% change
Recovery of sundry expenses	2,867	3,145	(278)	-8.9%
Contingent assets	585	3,050	(2,465)	-80.8%
Contributions	1,321	643	678	>100%
Lease income	328	2,246	(1,917)	-85.4%
Releases of provisions	6,396	686	5,710	>100%
Other	219	296	(77)	-26.1%
Total	**11,717**	**10,067**	**1,650**	**16.4%**

Releases of provisions amounted to Euro 6,396 thousand and refer to the release of provisions for risks and charges, to which reference should be made (note 22 of the Notes to the financial statements).

Lease income of Euro 328 thousand decreased by Euro 1,917 thousand compared to 2018. The application of IFRS 16 has resulted in the recognition of lower operating income from the sublease of the Milan and Rome properties.

Contingent assets amounted to Euro 585 thousand. In 2018, it amounted to Euro 3,050 thousand, as the amount paid by way of compensation for equity damage by the company Di Source Ltd amounting to Euro

2,961,079.90 had been recognized. In particular, this amount corresponded to the pecuniary damage quantified at 22 February 2018, based on the data that emerged as part of the criminal proceedings pending at the Court of Milan, under no. 5783/17 R.G.N.R..

(31) Personnel costs

PERSONNEL COSTS				
Euro thousands	FY 2019	FY 2018	Change	% change
Wages, salaries and remuneration	57,688	59,148	(1,460)	-2.5%
Contributions and pension fund	20,028	20,555	(527)	-2.6%
Employee severance indemnity (TFR)	4,426	4,542	(116)	-2.6%
Overtime, holidays and other costs and income	(1,318)	1,372	(2,690)	-196.1%
Total personnel costs	**80,825**	**85,616**	**(4,791)**	**-5.6%**
of which non-recurring expenses and income	1,559	(911)	2,470	271.1%
Total personnel costs net of non-recurring expenses and income	**82,384**	**84,705**	**(2,321)**	**-2.7%**

Personnel costs of Euro 80,825 thousand decreased by Euro 4,791 thousand compared to 2018, when they amounted to Euro 85,616 thousand. The average number of employees, 905, decreased by 51 compared to the previous year when it was 956.

Personnel costs net of non-recurring income and expenses amounted to Euro 82,384 thousand, down Euro 2,321 thousand (Euro 84,705 thousand in 2018; -2.7% vs. 2018). In 2019, the liability to personnel for restructuring expenses was restated and a gain of Euro 1,559 thousand was recognized.

In 2019, personnel costs of Euro 644 thousand were capitalized for internally developed software. On the basis of agreements signed with trade unions, the lower cost effect of the reduction in the average number of employees led to a redefinition, compared with the previous year, of the solidarity percentage applied to non-journalistic areas.

(32) Purchases of raw and consumable materials

PURCHASES OF RAW AND CONSUMABLE MATERIALS				
Euro thousands	FY 2019	FY 2018	Change	% change
Purchase of paper	5,825	4,728	1,097	23.2%
Purchase of goods for resale	447	778	(331)	-42.6%
Purchase of photographic material and ink	339	618	(279)	-45.1%
Purchase of material for plant maintenance	326	353	(27)	-7.7%
Purchase of fuel	281	206	75	36.5%
Other sundry costs	169	201	(32)	-15.9%
Adjustments previous years	(49)	(136)	87	64.1%
Total	**7,338**	**6,747**	**590**	**8.7%**

Purchases of raw and consumable materials amounted to Euro 7,338 thousand, up by Euro 590 thousand (+8.7%) compared to 2018 (amounting to Euro 6,747 thousand) and are mainly represented by the purchase of paper.

(33) Costs for services

COSTS FOR SERVICES				
Euro thousands	FY 2019	FY 2018	Change	% change
Commissions and other sales expenses	16,312	15,974	338	2.1%
Distribution costs	18,934	20,329	(1,395)	-6.9%
IT and Software services	6,734	7,118	(384)	-5.4%
Editorial costs	6,590	6,851	(261)	-3.8%
Promotional and commercial expenses	8,661	6,864	1,797	26.2%
Costs for conferences and exhibitions	4,597	4,291	306	7.1%
Other consultancy costs	5,983	5,033	950	18.9%
Printing costs	2,290	3,810	(1,520)	-39.9%
Utilities (telephone, energy, water, etc.)	3,349	2,741	608	22.2%
Administrative services	1,894	2,713	(819)	-30.2%
Fees for Corporate Bodies and Independent Auditors	1,556	2,212	(656)	-29.7%
Sundry production costs	1,218	1,738	(520)	-29.9%
General services expenses	1,763	1,905	(142)	-7.5%
Maintenance and repair expenses	2,008	1,692	316	18.7%
News agency costs	1,510	1,614	(104)	-6.4%
Insurance expenses	992	1,486	(494)	-33.2%
Employee services	1,391	1,380	11	0.8%
News purchase costs	1,364	1,290	74	5.7%
Preparation costs	1,420	1,436	(16)	-1.1%
Reimbursement of personnel expenses	872	860	12	1.4%
Bank fees	752	822	(70)	-8.5%
Product storage costs	453	514	(61)	-11.9%
Packaging costs	125	134	(9)	-6.7%
Advertising fees to third-party publishers	(0)	53	(53)	-99.4%
Adjustments previous years	(948)	(1,669)	721	43.2%
Total	**89,817**	**91,191**	**(1,374)**	**-1.5%**

Costs for services amounted to Euro 89,817 thousand and were down overall by Euro 1,374 thousand (-1.5%) compared to 2018, when they amounted to Euro 91,191 thousand.

In particular, it should be noted that:

- distribution costs and printing costs declined by Euro 1,395 thousand and Euro 1,520 thousand, respectively. These cost reductions are due to new agreements with suppliers and to a decrease in volumes produced, lower number of pages and a reduction in the number of copies printed;
- editorial costs of Euro 6,590 thousand are down Euro 320 thousand (-3.8%);
- administrative services and IT services decreased by Euro 1,204 thousand (down 12.2% from Euro 9,831 thousand to Euro 8,628 thousand);
- insurance costs of Euro 992 thousand decreased by Euro 494 thousand (-33.2%), primarily due to the Culture area;
- sundry production costs of Euro 1,218 thousand, down Euro 520 thousand (-29.9%).

On the other hand, there was an increase in: other consultancy costs of Euro 950 thousand (18.4% from Euro 5,033 thousand to Euro 5,983 thousand), mainly for legal consultancy; sales costs of Euro 338 thousand (2.1% from Euro 15,974 thousand to Euro 16,312 thousand) and commercial and promotional costs of Euro 1,797 thousand (26.2% from Euro 6,864 thousand to Euro 8,662 thousand).

(34) Costs for rents and leases

COSTS FOR RENTS AND LEASES				
Euro thousands	FY 2019	FY 2018	Change	% change
Lease expenses and other condominium expenses	1,324	10,041	(8,717)	-86.8%
Rental fees and ancillary costs for mixed use cars	1,356	2,161	(804)	-37.2%
Hardware rental-lease fees	407	814	(407)	-50.0%
Rental fees and ancillary costs for radio broadcasting systems	424	1,167	(743)	-63.7%
Royalties	1,221	763	458	60.0%
Copyrights	540	595	(55)	-9.2%
Other fees	1,622	1,990	(368)	-18.5%
Other sundry costs	261	226	34	15.1%
Adjustments previous years	(119)	(380)	261	68.8%
Total	**7,036**	**17,378**	**(10,341)**	**-59.5%**

Costs for rents and leases amounted to Euro 7,036 thousand and decreased by Euro 10,341 thousand compared to 2018. Following the application of IFRS 16, a reduction in costs for rents and leases amounting to Euro 10,364 thousand was recorded, deriving from lease fees for the Group's offices, car rental fees and lease fees for the space for radio broadcasting equipment. This item continues to include the costs of rental contracts which, partly as a result of the accounting approach applied, did not require the recognition of rights of use in accordance with IFRS 16.

(35) Other operating expenses

OTHER OPERATING EXPENSES				
Euro thousands	FY 2019	FY 2018	Change	% change
Other taxes and duties	1,776	2,342	(565)	-24.1%
VAT to be paid by the Publisher	738	835	(97)	-11.6%
Entertainment expenses	228	270	(42)	-15.5%
Purchase of newspapers and magazines	258	319	(61)	-19.2%
Expenses for membership fees	259	248	11	4.4%
Expenses for prize contests	7	52	(45)	-86.7%
Other sundry expenses	916	2,429	(1,514)	-62.3%
Adjustments previous years	(1,075)	(1,061)	(14)	-1.3%
Total	**3,107**	**5,435**	**(2,328)**	**-42.8%**

Other expenses decreased by Euro 1,514 thousand. The previous year included Euro 1,815 thousand of expenses in application of an advertising concession contract.

(36) Impairment of tangible and intangible assets

Impairment of tangible and intangible assets amounted to Euro 7,083 thousand and is mainly attributable to changes in lease and sublease contracts for the Milan and Rome offices. The breakdown of the item is as follows:

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS		
Euro thousands	FY 2019	FY 2018
Indemnity for early termination of Milan - Monte Rosa office	(6,758)	-
Write-down of assets of Milan - Monte Rosa office due to early termination	(226)	-
Cancellation of free rent deferral on condominium expenses of Milan - Monte Rosa office	239	-
Impact of IFRS 16 - early termination of Milan - Monte Rosa office	417	-
Impact of IFRS 16 - early termination of Rome office	(273)	-
Impact of IFRS 16 - contractual change of sub-lease Business School24 - Mudec	(481)	-
Write-down of rotary press Bologna	-	(735)
Write-down of goodwill		(513)
Total impairment losses on assets	**(7,083)**	**(1,248)**

The contractual variations on lease and sublease agreements led, on the basis of the provisions of IFRS 16, to the recognition of expenses amounting to Euro 338 thousand due to:

- the change from a finance lease to an operating lease for the Rome office. This change led to the reclassification of the related financial receivable under rights of use for Euro 675 thousand and the subsequent write-down for Euro 344 thousand. In addition, following the termination of the lease agreement for the Rome office, a gain of Euro 71 thousand was recorded deriving from the difference between the derecognition of the greater payable and the value of the corresponding right of use;
- the partial write-down of the financial receivable for Euro 481 thousand, to reflect the present value of the modified lease fees relating to the sub-lease of the Mudec;
- the change from a financial lease to an operating lease for the lease contract of the Milan office. This change led to the reclassification of the related financial receivable under rights of use for Euro 1,116 thousand and the subsequent write-down for Euro 515 thousand. In addition, following the termination of the lease agreement for the Milan office, a gain of Euro 932 thousand was recorded deriving from the difference between the derecognition of the greater payable and the value of the corresponding right of use.

(37) Gains/losses on disposal non-current assets

Losses of Euro one thousand were recognized in 2019.

(38) Financial income (expenses)

FINANCIAL INCOME (EXPENSES)				
Euro thousands	FY 2019	FY 2018	Change	% change
Financial income from cash uses	2	3	(0)	-19.1%
Other financial income	595	306	289	94.4%
Exchange rate gains	29	43	(14)	-32.4%
Total income	**626**	**352**	**274**	**78.0%**
Exchange rate losses	(39)	(60)	21	34.5%
Financial expenses on short-term payables	(621)	(919)	298	32.4%
Other financial expenses	(2,298)	(2,071)	(227)	-11.0%
Total expenses	**(2,958)**	**(3,049)**	**92**	**3.0%**
Total	**(2,332)**	**(2,698)**	**366**	**13.6%**

Net financial income and expenses were a negative Euro 2,332 thousand and decreased by Euro 366 thousand compared to 2018.

The application of IFRS 16 resulted in the recognition of negative financial income and expenses of Euro 976 thousand.

(39) Other income from investment assets and liabilities

Other income from investment assets and liabilities amounted to Euro 3,856 thousand and refers to:

- Euro 3,831 thousand relating to the gain realized as part of the disposal transaction on 27 September 2019 of the associated investment in Business School24 S.p.A., determined as the difference between the book value of the investment and the net disposal value;
- Euro 25 thousand deriving from the fair value measurement of minority investments.

(40) Income taxes

The main components of income taxes for the periods ended 31 December 2019 and 31 December 2018 are as follows:

TAXES			
Euro thousands	FY 2019	FY 2018	Change
IRAP	(13)	(178)	165
Taxes of previous years	12	(2)	14
Foreign taxes	(52)	(37)	(15)
Total current taxes	**(53)**	**(216)**	**163**
Use of provision for deferred taxes	732	-	732
Deferred tax assets/liabilities	(1,483)	(891)	(2,374)
Deferred tax assets/liabilities	**(751)**	**(891)**	**139**
Total	**(804)**	**(1,107)**	**302**

In 2019, the tax result of most group companies was negative in particular due to the contribution made by gains benefiting from the participation exemption regime.

Therefore, current taxes recognized in 2019 relate solely to IRAP on certain subsidiaries.

In the 2019 period, deferred tax liabilities of Euro 732 thousand were derecognized, recognized on the adoption of IFRS 16. In addition, deferred tax assets on the use of taxed provisions amounting to Euro 1,483 were derecognized while neither deferred tax assets on operating losses nor deferred tax assets on newly taxed temporary differences were recognized.

The table below shows the reconciliation between the theoretical IRES rate and the effective IRES rate.

RECONCILIATION BETWEEN CURRENT TAX EXPENSE AND THEORETICAL TAX EXPENSE (IRES)				
Euro thousands	31/12/2019	%	31/12/2018	%
Profit (loss) before taxes from continuing operations	(398)		(4,913)	
Theoretical IRES	**96**	**24.0%**	**1,179**	**24.0%**
PEX effect	(1,497)		-	
Tax effect increases	1,342		(1,034)	
Effect on foreign result	59	-	56	
Effect on consolidation adjustments	-	%	(201)	%
IRES recorded in the financial statements	**-**	**0.0%**	**-**	**0.0%**

The table below shows the reconciliation between the theoretical IRAP rate and the effective IRAP rate.

RECONCILIATION BETWEEN CURRENT TAX EXPENSE AND THEORETICAL TAX EXPENSE (IRAP)				
Euro thousands	31/12/2019	%	31/12/2018	%
Difference between production value and costs (operating result) aggregate Italian companies	(2,993)		(3,438)	
Theoretical IRAP	**117**	**3.9%**	**134**	**3.9%**
Non-deductible personnel cost	-	0.0%	(50)	-1.5%
Bad debt	-	0.0%	(54)	-1.6%
Provisions	-	0.0%	(249)	-7.2%
Other changes	(104)	-3.4%	44	1.3%
Adjustments for increased rates	-	0.0%	(2)	-0.1%
IRAP recorded in the financial statements	**13**	**0.5%**	**(178)**	**-5.2%**

12. Segment reporting

Segment reporting has been prepared in such a way as to provide the information necessary to allow an evaluation of the nature and effects on the financial statements of the activities carried out and the economic context of reference.

Operating segments have been identified on the basis of the company's operating activities that generate revenues and costs, the results of which are periodically reviewed at the highest operational decision-making level for the purpose of making decisions on resource allocation and performance assessment, and for which separate financial information is available.

An operating segment identified in accordance with the qualitative requirements set out above is separately disclosed when the following quantitative limits have been exceeded:

- reported revenues, including both sales to external customers and intersegment sales, represent at least 10% of the total revenues of all operating segments;
- the segment profit or loss represents at least 10% of the greater, in absolute value, between the total profit of all operating segments in profit and the total loss of all operating segments in loss;
- the activities of one segment account for at least 10% of the total activities of all operating segments.

If the quantitative thresholds indicated above are not exceeded, but management has deemed it useful to provide separate disclosure for the purposes of assessing the nature and effects on the financial statements of the related operating activities, the operating segments identified for this purpose have been reported in detail.

It should be noted that, in 2019, the 2018 comparative figures have been appropriately reclassified to reflect the new organization. In particular, the results of vertical newspapers, in order to be able to capture new synergies, are included in the Tax & Legal area (in the 2018 financial statements, they were shown in the Publishing & Digital area).

The Group's operating segments, which are indicated separately, are as follows:

- **Publishing & Digital** is the division responsible for the daily newspaper Il Sole 24 ORE, digital products linked to the newspaper, products attached to the newspaper, magazines, add-ons; the website; the press agency Radiocor Plus;
- **Tax & Legal** develops integrated product systems, with technical and regulatory content, aimed at the world of professionals, companies and public administration. The specific market segments covered are Tax, Labour, Law, Construction and Public Administration. For each of them, integrated specialized information tools are created, capable of satisfying all the information and operational needs of the reference targets: databases, vertical newspapers, magazines, books, internet services, software solutions;
- **Radio** manages the national radio station Radio 24, News & Talk with an editorial format that alternates radio news with information and entertainment programmes;
- **System** is the division that carries out the activity of advertising concessionaire for the Group's main media and some third-party media;
- **Culture** operates in the management and enhancement of museums (Mudec), in the production and sale of exhibitions and related services (bookshop, ticketing, events) as well as in the design and publication of books and merchandising. These activities are carried out through the company 24 ORE Cultura S.r.l. and its subsidiary Ticket 24 ORE S.r.l. It should be noted that on 29 February 2020, the subsidiary Ticket 24 ORE S.r.l was merged by incorporation into the Company 24 ORE Cultura S.r.l.;
- **Events** operates in the management and organization, promotion and sale, both in Italy and abroad, of conferences, events, meetings and training also in collaboration with public and private entities. These activities are carried out through the company Il Sole 24 ORE Eventi S.r.l.;
- **Corporate and centralized services** includes the Group's coordination departments and services related to support processes.

For these areas, the following information is provided as it is periodically presented to the highest level of operational decision-making:

- revenues from external customers, for the assessment of the segment profit or loss;
- intersegment revenues for the measurement of segment profit or loss;
- depreciation and amortization for the valuation of segment profit or loss;
- an evaluation of the segment profits and losses, represented by EBITDA (gross operating margin) and EBIT (operating profit/loss);
- the assets for each segment are shown for the purposes of assessing the performance of the segment and relate in particular to property, plant and equipment, intangible assets, goodwill and trade receivables;
- a reconciliation of the total of the reportable segments' measures of profit or loss to the profit or loss reported in the statement of profit or loss for the period before tax expense and gains or losses from discontinued operations.

The Group carries out its activities mainly in Italy and the activities carried out in other countries are not relevant. With regard to information on its customers, it should be noted that there are no external customers with which transactions exceeding 10% of the Group's revenues have been carried out.

INCOME STATEMENT BY BUSINESS AREA

SECTOR	Revenues from third parties	Intersegment revenues	Total Revenues	EBITDA	Amortization/Depreciation	IFRS 16 contractual changes and other write-downs	Gains/losses	EBIT
PUBLISHING & DIGITAL								
FY 2019	62,232	45,579	107,811	3,209	(4,044)	-	(0)	(834)
FY 2018	64,507	47,762	112,269	2,817	(3,692)	(1,248)	(0)	(2,124)
TAX&LEGAL								
FY 2019	43,219	128	43,348	12,994	(798)	-	0	12,196
FY 2018	46,311	2,232	48,543	15,306	(835)	-	0	14,471
RADIO								
FY 2019	185	18,214	18,400	4,146	(1,200)	-	1	2,947
FY 2018	245	18,857	19,102	4,984	(429)	-	1	4,556
SYSTEM								
FY 2019	81,860	(749)	81,110	(141)	(26)	-	-	(167)
FY 2018	85,503	(650)	84,853	922	(5)	-	(0)	917
CULTURE								
FY 2019	11,241	906	12,146	1,097	(523)	(481)	-	93
FY 2018	14,751	857	15,608	1,900	(383)	-	-	1,517
CORPORATE AND CENTRALIZED SERVICES								
FY 2019	1	-	1	(264)	(10,128)	(6,602)	(1)	(16,995)
FY 2018	7	-	7	(18,917)	(3,659)	-	0	(22,577)
CONSOLIDATED								
FY 2019	**198,737**	**-**	**198,737**	**21,042**	**(16,719)**	**(7,083)**	**(1)**	**(2,761)**
FY 2018	**211,324**	**-**	**211,324**	**7,012**	**(9,004)**	**(1,248)**	**1**	**(3,239)**

BUSINESS BY SECTOR

SECTOR	Property, plant and equipment	Goodwill	Intangible assets	Trade receivables
PUBLISHING & DIGITAL				
FY 2019	12,895	-	4,291	5,244
FY 2018	12,731	-	2,409	6,111
TAX&LEGAL				
FY 2019	43	15,469	1,914	21,998
FY 2018	1	15,469	1,702	24,405
RADIO				
FY 2019	4,035		28,137	59
FY 2018	1,180		27,987	3
SYSTEM				
FY 2019	75		3	26,292
FY 2018	6		6	29,058
CULTURE				
FY 2019	2,686		83	1,498
FY 2018	1,864		73	3,215
EVENTS				
FY 2019	10	6,550		15
FY 2018				
CORPORATE AND CENTRALIZED SERVICES				
FY 2019	6,339		6,131	41
FY 2018	967		5,785	1,006
CONSOLIDATED				
FY 2019	**26,083**	**22,019**	**40,559**	**55,147**
FY 2018	**16,749**	**15,469**	**37,962**	**63,798**

13. Further information

13.1. Transactions with related parties

A related party is a person or entity related to the Parent Company, identified in accordance with the provisions of *IAS 24 Related Party Disclosures*. The definition of a related party always includes companies controlled by associates and joint ventures of the Parent Company.

For transactions entered into with related parties during the period covered by these Consolidated Financial Statements, the nature of the existing transaction with the related party, the amount of transactions, the amount of outstanding balances, including commitments, contractual terms and conditions, any guarantees received or given have been disclosed. If it had been necessary to make provisions for bad debts or recognize losses on non-collectible receivables, it would have been disclosed.

Transactions between the Parent Company and its subsidiaries are always indicated, regardless of whether transactions have taken place between them.

The information concerning related parties and transactions with them is summarized in the summary table on the following page, with specific evidence of transactions, positions or balances that have an impact on the Group's equity-financial position, economic result and cash flows. Transactions and outstanding balances with intercompany related parties have been derecognized in the preparation of these Consolidated Financial Statements.

Transactions carried out with related parties are essentially limited to commercial, administrative and financial services with subsidiaries and associates. These transactions are part of normal business operations, within the scope of the typical activity of each party involved, and are regulated at market conditions.

The company follows the procedure for Transactions with Related Parties, as resolved by the Board of Directors on 15 November 2010, in implementation of the CONSOB Regulation approved by resolution no. 17221 of 12 March 2010, subsequently amended by resolution no. 17389 of 23 June 2010. The above procedure was updated by resolution of the Board of Directors on 19 December 2018.

Related parties are entities registered in the Register of Related Parties, established by the procedure adopted on 12 November 2010. The procedure is available on the website *www.gruppo24ore.com*, Governance section.

TRANSACTIONS WITH RELATED PARTIES - CONSOLIDATED AT 31 DECEMBER 2019

Company	Receivables and other assets	Financial receivables	Payables and other liabilities	Financial payables	Operating revenues and income	Costs	Financial income	Financial expenses
Confederazione Generale dell'Industria Italiana (General Confederation of Italian Industry)	-	-	-	-	42	-	-	-
Total Parent Company	**-**	**-**	**-**	**-**	**42**	**-**	**-**	**-**
Business School24 S.p.A.	-	-	-	-	1,707	(278)	225	
Total associated companies	**-**	**-**	**-**	**-**	**1,707**	**(278)**	**225**	**-**
Key Executives	-	-	(262)	-	-	(1,355)	-	-
Other Executives	-	-	(160)	-	-	(3,633)	-	-
Board of Directors	-	-	(214)	-	-	(1,235)	-	-
Board of Statutory Auditors	-	-	(55)	-	-	(231)	-	-
Other related parties	53	-	(132)	-	592	(1,859)	-	-
Total other related parties	**53**	**-**	**(823)**	**-**	**592**	**(8,314)**	**-**	**-**
Total related parties	**53**	**-**	**(823)**	**-**	**2,341**	**(8,592)**	**225**	**-**

Trade receivables and other assets from other related parties mainly refer to:

- sale of newspapers, books and magazines;
- sale of subscription electronic products;
- sale of advertising space.

Revenues mainly refer to the sale of advertising space in proprietary publications, subscriptions to the newspaper and debit for services provided to Business School24 S.p.A.

On 27 September 2019, an agreement was executed with Education Acquisitions Limited for the disposal of the investment held by Il Sole 24 ORE S.p.A. in Business School24 S.p.A. and the transfer of the Events business unit. As a result of this agreement, certain existing contracts between the parties were revised. At 30 November 2019, the remaining investment held in Business School24 S.p.A. no longer qualifies as an associate and is therefore no longer included as a related party of the Group. The table summarizing transactions with related parties shows the economic effects up to the date of disposal.

The cost item related to other related parties refers mainly to a sponsorship and visibility contract with Confindustria Servizi S.p.A. and to a Senior Advisor contract in the professional area.

At 31 December 2019, the Key Executives are two business heads and the Corporate General Manager & CFO. It should also be noted that two Key Executives left the Group on 25 January 2019.

On 12 March 2020, the Company's Chief Executive Officer extended the designation of Key Executives (DIRS) to Eraldo Minella - General Manager Professional Area, and Romeo Marrocchio - Central Director Personnel and Operations.

13.2. Breakdown of the Group's past due positions by type

PAST DUE DEBT POSITIONS OF THE 24 ORE GROUP									
values in Euro thousands	Breakdown of payables by days past due								total past due
	0-30	31-60	61-90	91-120	121-150	151-180	181-210	Over 210	
Financial payables	-	-	-	-	-	-	-	-	-
Trade payables	1,627	136	89	51	7	62	32	1,146	3,150
Social security payables	-	-	-	-	-	-	-	-	-
Payables to employees	-	-	-	-	-	-	-	-	-
Tax payables	-	-	-	-	-	-	-	-	-
	1,627	**136**	**89**	**51**	**7**	**62**	**32**	**1,146**	**3,150**

The past due debt positions of the 24 ORE Group and the parent company Il Sole 24 ORE S.p.A. refer solely to trade payables.

With regard to past due amounts exceeding 210 days, it is noted that this past due amount includes suppliers blocked for disputed claims that amount to a total of Euro 358 thousand for the Parent Company. With regard to the amounts in dispute, the Parent Company has received two injunctions for Euro 347 thousand, which it has opposed.

As far as creditor initiatives are concerned, it is noted that the reminders received are part of normal administrative operations. At the date of Consolidated Financial Statements, there is no evidence of any further injunctions received in relation to the above debt positions and no suspensions in supply have been implemented that would compromise normal business operations.

13.3. Government contributions

The Parent Company also benefited from a State subsidy of Euro 51,460 on the cost of some dedicated telephone lines, granted pursuant to article 28 of Law no. 416 of 5 August 1981, Regulations governing publishing companies and subsidies for the publishing industry.

Pursuant to article 1, paragraphs 125 to 129 of Law no. 124 of 4 August 2017, on the transparency of public disbursements, and article 3-quater, paragraph 2, of Decree-Law no. 135/2018 (simplification decree), it is noted that Entities are required to publish the contributions disbursed on the National Register of Aid, accessible at the following address: https://www.rna.gov.it/sites/PortaleRNA/it_IT/trasparenza.

13.4. Events subsequent to the end of the year

Following the approval of DDL no. 2305 of 23 December 2019, in January 2020, the Group presented a reorganization plan in the presence of a crisis, pursuant to article 25-bis, paragraph 3, letter A) of Legislative Decree 148/2015, for the graphic and polygraph area ratified at the Ministerial meeting on 6 February 2020. The plan will end on 10 May 2020 and provides for the use of the Cassa Integrazione Straordinaria (Extraordinary Wage Guarantee Fund), aimed at the aforementioned early retirement in the sector, to manage the redundancies resulting from the reorganization.

In view of the health emergency situation arising from the Coronavirus epidemic, in accordance with the order of 23 February 2020 by the Ministry of Health and the President of the Lombardy Region, some 24 ORE Group events and others will be rescheduled during 2020. Following the same order, the MUDEC – Museo delle Culture in Milan, managed by the subsidiary 24 ORE Cultura S.r.l., was closed until further notice, with the consequent postponement of some exhibitions.

On 29 February 2020, the merger by incorporation of Ticket 24 ORE S.r.l. into the parent company 24 ORE Cultura S.r.l. was completed.

On 12 March, the Company's Board of Directors approved the 2020-2023 Plan, which confirms the strategic direction of the previous 2019-2022 Plan approved on 15 May 2019, of which it represents an update and development.

In continuity with the previous plan, the following strategic guidelines were outlined:

- strengthen the value of content within the integrated 24 ORE system by focusing on products and services with a high margin and a high rate of innovation in both print and digital offerings;
- accelerate the multichannel commercial performance through a strong push on upselling and enhancement of the customer base;
- increase the territorial presence to involve more and more users of products and services of the 24 ORE system and enhance the relevance of the brand;
- transform the operating machine in order to make drafting, production and distribution costs more efficient.

The 2020-2023 Plan takes into account the impact of the measures implemented by management to revise the structure of operating costs, including the forthcoming relocation of the Company's headquarters and offices in Milan, and of the measures taken on labour costs, including early retirements of graphic and polygraph personnel for those who meet the requirements during the first quarter of 2020, in accordance with the provisions of Budget Law no. 160/2019.

The 2020-2023 Plan does not reflect the possible impacts of the health emergency related to the spread of the COVID-19 virus and the extraordinary measures introduced by the competent authorities to contain it, the extent of which is difficult to predict at this time in terms of both duration and impact on business.

On 12 March 2020, an amendment was received from the lending banks, which redefines the value of the 12-month rolling EBITDA financial parameter used to calculate the covenant at 30 June 2020 (the date of the last interim valuation before the loan expiry), reducing it from Euro 16.5 to 13.0 million. The 2020 budget approved on the same date meets the new EBITDA covenant.

On 12 March 2020, the Company's Chief Executive Officer extended the designation of Key Executives (DIRS) to Eraldo Minella - General Manager Professional Area, and Romeo Marrocchio - Central Director Personnel and Operations. At the date of this Report, the following Executives are identified as DIRS of the Company: Federico Silvestri - General Manager System 24 and Business Unit Director Radio 24; Paolo Fietta - General Manager Corporate & CFO; Karen Nahum - Deputy General Manager Publishing & Digital Area; Eraldo Minella - General Manager Professional Area and Romeo Marrocchio - Central Director Personnel and Operations.

Fees for services rendered by the independent auditors and entities belonging to their network

The following table, prepared in accordance with article 149-duodecies of Consob Regulation no. 11971 and subsequent amendments and additions, shows the fees for the year 2019 for audit and non-audit services rendered by the same independent auditors and entities belonging to its network.

INDEPENDENT AUDITORS' FEES

Service provided	Service provider	Recipient	2019 fees
Statutory audit	EY S.p.A.	Il Sole 24 ORE S.p.A.	466
Certifications	EY S.p.A.	Il Sole 24 ORE S.p.A.	115
Other services	EY S.p.A.	Il Sole 24 ORE S.p.A.	28
Statutory audit	EY S.p.A.	Subsidiaries	54
Certifications	EY S.p.A.	Subsidiaries	
Total			**663**

13.5. Disclosure pursuant to Consob Resolution no. 15519 of 27 July 2006

CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
Euro thousands	31.12.2019	of which related parties	31.12.2018	of which related parties
ASSETS				
Non-current assets				
Property, plant and equipment	26,083	-	16,749	-
Goodwill	22,019	-	15,469	-
Intangible assets	40,559	-	37,962	-
Investments in associates and joint ventures	-	-	18,383	-
Non-current financial assets	716	-	691	-
Other non-current assets	16,254	-	3,598	-
Deferred tax assets	23,847	-	25,335	-
Total	**129,478**	**-**	**118,186**	**-**
Current assets				
Inventories	2,897	-	2,114	-
Trade receivables	55,147	53	63,798	1,424
Other receivables	3,866		5,564	
Other current financial assets	1,384	-	0	-
Other current assets	5,086	-	5,854	-
Cash and cash equivalents	15,731	-	22,630	-
Total	**84,111**	**53**	**99,961**	**1,424**
Assets available for sale	-	-	-	-
TOTAL ASSETS	**213,589**	**53**	**218,147**	**1,424**

(*) Section 11 of the Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)				
Euro thousands	31.12.2019	of which related parties	31.12.2018	of which related parties
EQUITY AND LIABILITIES				
Equity				
Equity attributable to shareholders of the parent company				
Share capital	570	-	570	-
Capital reserves	19,482	-	26,763	-
Employee severance indemnity (TFR) reserve - IAS adjustment	(4,553)	-	(3,941)	-
Profits (losses) carried forward	22,274	-	18,475	-
Profit (loss) attributable to shareholders of the parent company	(1,202)	-	(6,020)	-
Total	**36,572**	**-**	**35,847**	**-**
Equity attributable to minority shareholders				
Capital and reserves attributable to minority shareholders	-	-	-	-
Profit (loss) attributable to minority shareholders	-	-	-	-
Total	**(0)**	**-**	**(0)**	**-**
Total equity	**36,572**	**-**	**35,846**	**-**
Non-current liabilities				
Non-current financial liabilities	15,944	-	4,982	-
Employee benefits	17,614	93	18,016	291
Deferred tax liabilities	5,996	-	5,570	-
Provisions for risks and charges	9,668	-	17,099	-
Other non-current liabilities	103	-	-	-
Total	**49,325**	**93**	**45,666**	**291**
Current liabilities				
Current bank overdrafts and loans	16,315	-	18,468	-
Other current financial liabilities	11,150	-	5,077	7
Trade payables	78,403	132	83,287	1,081
Other current liabilities	10	-	65	-
Other payables	21,816	598	29,739	174
Total	**127,693**	**730**	**136,635**	**1,262**
Liabilities available for sale	-	-	-	-
Total liabilities	**177,018**	**823**	**182,300**	**1,553**
TOTAL EQUITY AND LIABILITIES	**213,589**	**823**	**218,147**	**1,553**

(*) Section 11 of the Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF PROFIT (LOSS)						
Euro thousands	FY 2019	of which related parties	of which non-recurring	FY 2018	of which related parties	of which non-recurring
1) Continuing operations						
Revenues	**198,737**	**634**		**211,324**	**1,812**	
Other operating income	11,717	1,707	5,960	10,067	3,897	2,961
Personnel costs	(80,825)	(4,988)	1,559	(85,616)	(5,154)	(911)
Change in inventories	782			(137)		
Purchases of raw and consumable materials	(7,338)			(6,747)		-
Costs for services	(89,817)	(3,604)		(91,191)	(2,709)	(554)
Costs for rents and leases	(7,036)			(17,378)		-
Other operating expenses	(3,107)		(50)	(5,435)	(135)	258
Provisions	(1,230)		(90)	(6,542)	-	(4,290)
Bad debt	(841)			(1,333)		
Gross operating margin	**21,042**	**(6,251)**	**7,379**	**7,012**	**(2,289)**	**(2,536)**
Amortization of intangible assets	(4,848)			(5,253)		
Depreciation of tangible assets	(11,871)			(3,752)		(1,248)
Impairment of tangible and intangible assets	(7,083)		(6,745)	(1,248)		
Gains/losses on disposal of non-current assets	(1)			1		
Operating profit (loss)	**(2,761)**	**(6,251)**	**634**	**(3,239)**	**(2,289)**	**(3,784)**
Financial income	626	225		352	-	
Financial expenses	(2,958)	-		(3,049)	-	(889)
Total financial income (expenses)	**(2,332)**	**225**	**-**	**(2,698)**	**-**	**(889)**
Other income from investment assets and liabilities	3,856	-	3,831	(159)	-	-
Gains (losses) on valuation of investments	838	-	-	1,183	-	-
Profit (loss) before taxes	**(398)**	**(6,026)**	**4,465**	**(4,913)**	**(2,289)**	**(4,673)**
Income taxes	(804)	-	-	(1,107)	-	-
Profit (loss) from continuing operations	**(1,202)**	**(6,026)**	**4,465**	**(6,020)**	**(2,289)**	**(4,673)**
2) Assets held for sale						
Profit (loss) from assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss)	**(1,202)**	**(6,026)**	**4,465**	**(6,020)**	**(2,289)**	**(4,673)**
Profit (loss) attributable to minority shareholders	**-**	**-**	**-**	**-**	**-**	**-**
Profit (loss) attributable to the shareholders of the parent company	**(1,202)**	**(6,026)**	**4,465**	**(6,020)**	**(2,289)**	**(4,673)**

(*) Section 11 of the Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS				
Euro thousands	FY 2019	of which related parties	FY 2018	of which related parties
Statement items				
Profit (loss) before taxes from continuing operations attributable to the Group [a]	(398)		(4,913)	
Adjustments [b]	**13,810**	**(198)**	**18,562**	**(24)**
Amortization/Depreciation	16,719		9,005	
(Gains) losses	1		(1)	
Effect of valuation of investments	(864)		(1,025)	
Gain on disposal of Business School24 S.p.A.	(3,831)			
Allocation and (release) of provisions for risks and charges	(6,397)		5,444	
Restatement of debt for restructuring expenses	(1,559)			
Provision for employee benefits	328	(198)	303	(24)
Impairment of tangible and intangible assets	7,082		1,248	
Change in current taxes and deferred tax assets/liabilities			891	
Financial income and expenses	2,332		2,698	
Changes in operating net working capital [c]	**40**	**869**	**(22,252)**	**(97)**
Change in inventories	(782)		137	
Change in trade receivables	8,651	1,371	10,425	711
Change in trade payables	(1,798)	(949)	(22,047)	(909)
Income tax payments	-			
Other changes in net working capital	(6,030)	447	(10,766)	101
Total cash flow from operating activities [d=a+b+c]	**13,452**	**671**	**(8,603)**	**(121)**
Cash flow from investing activities [e]	**(1,853)**	**-**	**(1,974)**	**-**
Investments in intangible and tangible assets	(8,614)		(4,216)	
Proceeds from disposal of investments	5,000		2,228	
Other changes in investing activities	1,761		14	
Cash flow from financing activities [f]	**(18,531)**	**(7)**	**147**	**7**
Net financial interest paid	(2,332)		(1,961)	
Change in medium/long-term bank loans	(609)		(629)	
Change in short-term bank loans	(2,185)	(7)	288	7
Changes in other financial payables and receivables	(2,661)		1,841	
Other changes in financial assets and liabilities	(31)		558	
Change in payables IFRS 16	(10,713)		-	
Other changes in reserves	-		50	
Financial resources absorbed in the year [g=d+e+f]	**(6,931)**	**664**	**(10,430)**	**(114)**
Cash and cash equivalents at the beginning of the year	**22,053**		**32,482**	
Cash and cash equivalents at the end of the year	**15,122**		**22,053**	
Increase (decrease) for the year	**(6,931)**		**(10,429)**	

(*) Section 11 of the Notes to the Financial Statements.

It should be noted that no atypical and/or unusual transactions were carried out with third parties, related parties or Group companies.

13.6. Net financial position

The net financial position at 31 December 2019 was a negative Euro 26.3 million, compared with a negative Euro 34.9 million at 1 January 2019 (at 31 December 2018 the net financial position was a negative Euro 5.9 million), an improvement of Euro 8.6 million. The change in the net financial position mainly relates to the collection of the first tranche, amounting to Euro 5.0 million, of the consideration for the disposal of a portion of the investment held by Il Sole 24 ORE S.p.A. in Business School24 S.p.A. on 27 September 2019, and to the performance in the flow of operating activities, which includes the payment of non-recurring expenses relating to leaving incentives paid during the year.

The Group's current net financial position is a negative Euro 10.3 million. The Group also has unused and fully available revolving lines of Euro 30.0 million.

NET FINANCIAL POSITION OF THE 24 ORE GROUP

Euro thousands	31.12.2019	01.01.2019	1st application IFRS 16	31.12.2018
A. Cash	87	269	-	269
B. Other cash and cash equivalents (bank and postal accounts)	15,644	22,361	-	22,361
C. Securities held for trading	-	-	-	-
D. Liquidity (A) + (B) + (C)	**15,731**	**22,630**	**-**	**22,630**
E. Current financial receivables	**1,384**	**2,006**	**2,006**	**-**
F. Current bank payables	(15,706)	(17,891)	-	(17,891)
G. Current portion of non-current debt	(609)	(576)	-	(576)
H. Other current financial payables	(11,150)	(15,373)	(10,296)	(5,077)
I. Current financial debt (F) + (G) + (H)	**(27,464)**	**(33,841)**	**(10,296)**	**(23,545)**
J. Current net financial position (I) + (E) + (D)	**(10,349)**	**(9,205)**	**(8,290)**	**(915)**
K. Non-current bank payables	(11,131)	(4,982)	-	(4,982)
L. Bonds issued	-	-	-	-
M. Other non-current payables	(4,813)	(20,683)	(20,683)	-
N. Non-current financial debt (K) + (L) + (M)	**(15,944)**	**(25,665)**	**(20,683)**	**(4,982)**
O. Net financial position (J) + (N)	**(26,293)**	**(34,870)**	**(28,973)**	**(5,897)**

13.7. Employees

The average number of employees by category is as follows:

EMPLOYEES						
AVERAGE WORKFORCE	FY 2019		FY 2018		Change	
	Number	%	Number	%	Number	%
Executives	28.4	3.1%	33.6	3.5%	(5.3)	-15.6%
Journalists	283.1	31.3%	285.9	29.9%	(2.9)	-1.0%
White-collar workers	547.7	60.5%	583.2	61.0%	(35.5)	-6.1%
Blue-collar workers	46.1	5.1%	52.9	5.5%	(6.8)	-12.9%
Total	**905.2**	**100.0%**	**955.7**	**100.0%**	**(50.4)**	**-5.3%**

DIRECTORS' ASSESSMENT OF THE GOING CONCERN ASSUMPTION

At 31 December 2019, the Group had equity of Euro 36.6 million.

The Group also has revolving credit lines totalling Euro 30 million that are currently not drawn down and a trade receivables securitization line totalling Euro 50 million, of which Euro 15.7 million had been drawn down at 31 December 2019.

The lines described above expire on 31 December 2020. The Group has already initiated preliminary contacts to obtain the renewal of the lines.

Despite the uncertainties deriving from the possible effects of the health emergency linked to the COVID-19 virus and the inevitable uncertainties typical of the sector and of any forecasting activity that could affect the results that will actually be achieved, as well as the related methods and timing of manifestation, the Group believes that it has the financial and equity resources to enable the Directors to prepare the 2019 Annual Financial Report on a going concern basis.

OUTLOOK

The first few months of 2020 confirm the persistence of the weak market conditions and general uncertainty in the Italian economy which affect, in particular, the performance of advertising sales. The ongoing health emergency linked to the spread of the Coronavirus and the extraordinary measures introduced by the competent authorities to contain it, have led to a sudden sign of a possible worsening of the general conditions of the global economy, the extent and duration of which is currently difficult to predict.

Q1 2020 GDP is expected to decline and substantial stagnation persists, following the decline already recorded at the end of 2019 (-0.3% Q4 estimate - Source: *Economic Situation Flash February 2020 - Centro Studi Confindustria*).

In view of the health emergency situation resulting from the COVID-19 virus outbreak, in accordance with the order of 23 February 2020 issued by the Ministry of Health and the President of the Lombardy Region and subsequent legal measures, some 24 ORE Group events have been cancelled and others will be rescheduled during 2020. Following the same order, the MUDEC – Museo delle Culture in Milan, managed by the subsidiary 24 ORE Cultura S.r.l., was closed until further notice, with the consequent postponement of some exhibitions.

The Group continues to monitor very carefully both the evolution of the health emergency linked to the COVID-19 virus, and the performance of the reference markets with respect to the hypotheses of the Plan, evaluating the actual possibility of rescheduling the planned initiatives and maintaining proactive and constant attention to the containment of costs and the identification of initiatives that can mitigate the risk linked to the uncertainties related to the actual achievement of the volume of revenues estimated, in order to allow the achievement of the expected economic results. In view of the possible repercussions of the health emergency linked to the COVID-19 virus and any extraordinary measures that may be adopted in favour of companies, at present, the Group believes that it does not yet have sufficient information to be able to determine any medium/long-term impacts on its economic and financial prospects compared with the current contingent situation.

Milan, 26 March 2020

Chairperson of the Board of Directors
Edoardo GARRONE

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999, AS AMENDED

1. The undersigned Giuseppe Cerbone, in his capacity as Chief Executive Officer, and Paolo Fietta, in his capacity as Manager in charge of financial reporting of Il Sole 24 ORE S.p.A., taking into account the provisions of article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998, certify

- the adequacy in relation to the characteristics of the company and
- the effective application of the administrative and accounting procedures for the preparation of the 2019 consolidated financial statements.

2. In this respect, the following significant issues have emerged:

- the verification of the adequacy and effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements and the analysis of the results achieved were carried out in a complex context characterized, among other things, by the continuation of the organizational review of corporate processes;
- the adequacy of the administrative and accounting procedures for the preparation of the consolidated financial statements at 31 December 2019 was assessed on the basis of the methodological standards of Il Sole 24 ORE S.p.A. defined taking into account the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents the main reference framework for the creation, analysis and evaluation of the internal control system used at international level. The analysis that was carried out with reference to the 2016 financial year and the subsequent in-depth analyses developed during 2017 have revealed margins for improvement in the controls, mainly relating to documentary and authorization aspects or concerning the need to update/adjust certain company procedures/processes. With reference to these aspects of improvement, an action plan providing for the necessary corrective actions has been prepared and was approved by the Company's Audit and Risk Committee and the Board of Directors at the beginning of 2018;
- the significant renewal of top management and the partial organizational redesign in 2018 meant that only a portion of the corrective actions envisaged in the action plan were actually implemented and had a desired impact as early as 2018. In particular, during the fourth quarter of 2018, an in-depth revision of the Administrative - Accounting Model was initiated pursuant to Law no. 262/2005. Further actions were carried out in 2019 and will continue during 2020. Pending the full implementation of the above plan, compensating control procedures have also been put in place, as a result of which there has been no economic or financial impact on the amounts shown in the consolidated financial statements at 31 December 2019.

3. It is further certified that:

- the Consolidated Financial Statements:
  - have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
  - correspond to the information contained in the accounting ledgers and records;
  - provide a true and fair representation of the equity, economic and financial situation of the Company in question.

The report on operations includes a reliable analysis of the operating performance and results for 2019, as well as the situation of the issuer, together with a description of the principal risks and uncertainties.

Milan, 26 March 2020

CEO	Manager in charge of financial reporting
Giuseppe CERBONE	Paolo FIETTA

ADDITIONS AT THE REQUEST OF CONSOB PURSUANT TO ARTICLE 114 OF LEGISLATIVE DECREE 58/1998

The net financial position of Il Sole 24 ORE S.p.A. and the 24 ORE Group, showing the short-term components separately from the medium/long-term components

In order to provide a better understanding of the performance of the net financial position, it should be noted preliminarily that as of 1 January 2019, the new accounting standard IFRS 16 was introduced, which changes the accounting treatment of lease agreements in the financial statements of the lessee, recognizing the assets and liabilities arising from the agreements in the balance sheet, without distinguishing between operating and finance leases. Financial liabilities arising from lease contracts are recorded at the present value of future lease payments.

Net financial position of the Group

As permitted by the standard, the Group has applied the modified retrospective approach in the transition to the new standard.

Adjustments to the Group's net financial position as of 1 January 2019, introduced as a result of the first-time application of IFRS 16, totalled Euro 29.0 million, broken down as follows:

- Euro 2.0 million in current financial receivables for the portion relating to subleases of properties to third parties;
- Euro 31.0 million in financial payables, including Euro 10.3 million in current financial payables and Euro 20.7 million in non-current financial payables, deriving from lease contracts relating to the Group's offices, capital goods (hardware and vehicle rentals) and lease of space and areas held for the positioning of radio broadcasting equipment owned by the Group.

NET FINANCIAL POSITION OF THE 24 ORE GROUP

Euro thousands	31.12.2019	01.01.2019	1st application IFRS 16	31.12.2018
A. Cash	87	269	-	269
B. Other cash and cash equivalents (bank and postal accounts)	15,644	22,361	-	22,361
C. Securities held for trading	-	-	-	-
D. Liquidity (A) + (B) + (C)	**15,731**	**22,630**	**-**	**22,630**
E. Current financial receivables	**1,384**	**2,006**	**2,006**	**-**
F. Current bank payables	(15,706)	(17,891)	-	(17,891)
G. Current portion of non-current debt	(609)	(576)	-	(576)
H. Other current financial payables	(11,150)	(15,373)	(10,296)	(5,077)
I. Current financial debt (F) + (G) + (H)	**(27,464)**	**(33,841)**	**(10,296)**	**(23,545)**
J. Current net financial position (I) + (E) + (D)	**(10,349)**	**(9,205)**	**(8,290)**	**(915)**
K. Non-current bank payables	(11,131)	(4,982)	-	(4,982)
L. Bonds issued	-	-	-	-
M. Other non-current payables	(4,813)	(20,683)	(20,683)	-
N. Non-current financial debt (K) + (L) + (M)	**(15,944)**	**(25,665)**	**(20,683)**	**(4,982)**
O. Net financial position (J) + (N)	**(26,293)**	**(34,870)**	**(28,973)**	**(5,897)**

The net financial position at 31 December 2019 was a negative Euro 26.3 million, compared with a negative Euro 34.9 million at 1 January 2019 (at 31 December 2018 the net financial position was a negative Euro 5.9 million), an improvement of Euro 8.6 million. The change in the net financial position mainly relates to the collection of the first tranche, amounting to Euro 5.0 million, of the consideration for the disposal of a portion of the investment held by Il Sole 24 ORE S.p.A. in Business School24 S.p.A. on 27 September 2019, and to the performance in the flow of operating activities, which includes the payment of non-recurring expenses relating to leaving incentives paid during the year.

The Group's current net financial position is a negative Euro 10.3 million. The Group also has unused and fully available revolving lines of Euro 30.0 million.

Net financial position of the Parent Company

Adjustments to the Company's net financial position as of 1 January 2019, introduced as a result of the first-time application of IFRS 16, totalled Euro 27.5 million, broken down as follows:

- Euro 1.8 million in current financial receivables for the portion relating to subleases of properties to third parties;
- Euro 29.3 million in financial payables, including Euro 7.6 million in current financial payables and Euro 21.7 million in non-current financial payables, deriving from lease contracts relating to the Company's offices, capital goods (hardware and vehicle rentals) and lease of space and areas held for the positioning of radio broadcasting equipment owned by the Company.

NET FINANCIAL POSITION OF IL SOLE 24 ORE S.p.A.

Euro thousands	31.12.2019	01.01.2019	1st application IFRS 16	31.12.2018
A. Cash	31	25	-	25
B. Other cash and cash equivalents (bank and postal accounts)	12,938	19,783	-	19,783
C. Securities held for trading	-	-	-	-
D. Liquidity (A) + (B) + (C)	**12,969**	**19,807**	**-**	**19,807**
E. Current financial receivables	**1,230**	**1,752**	**1,752**	**0**
F. Current bank payables	(15,706)	(17,891)	-	(17,891)
G. Current portion of non-current debt	(609)	(576)	-	(576)
H. Other current financial payables	(13,916)	(16,225)	(7,582)	(8,643)
I. Current financial debt (F) + (G) + (H)	**(30,230)**	**(34,692)**	**(7,582)**	**(27,110)**
J. Current net financial position (I) + (E) + (D)	**(16,031)**	**(13,133)**	**(5,830)**	**(7,303)**
K. Non-current bank payables	(11,131)	(4,982)	-	(4,982)
L. Bonds issued	-	-	-	-
M. Other non-current payables	(3,524)	(21,689)	(21,689)	-
N. Non-current financial debt (K) + (L) + (M)	**(14,655)**	**(26,671)**	**(21,689)**	**(4,982)**
O. Net financial position (J) + (N)	**(30,687)**	**(39,804)**	**(27,519)**	**(12,285)**

The net financial position at 31 December 2019 was a negative Euro 30.7 million, compared with a negative Euro 39.8 million at 1 January 2019 (at 31 December 2018 the net financial position was a negative Euro 12.3 million), an improvement of Euro 9.1 million. The change in the net financial position mainly relates to the trend in cash flow from operating activities, which includes the payment of non-recurring expenses relating to the leaving incentives paid during the period, and the collection of the first tranche, amounting to Euro 5.0 million, of the consideration relating to the disposal of part of the investment held by Il Sole 24 ORE S.p.A. in Business School24 S.p.A. on 27 September 2019.

The Company's current net financial position is a negative Euro 16.0 million. The Company also has unused and fully available revolving lines of Euro 30.0 million.

The past due debt positions of the Company and the Group, broken down by type (financial, commercial, tax, social security and employee) and any related creditor reaction initiatives (reminders, injunctions, suspension of supplies, etc.)

Past due debt positions of the 24 ORE Group broken down by type at 31 December 2019

PAST DUE DEBT POSITIONS OF THE 24 ORE GROUP									
values in Euro thousands	Breakdown of payables by days past due								total past due
	0-30	31-60	61-90	91-120	121-150	151-180	181-210	Over 210	
Financial payables	-	-	-	-	-	-	-	-	-
Trade payables	1,627	136	89	51	7	62	32	1,146	3,150
Social security payables	-	-	-	-	-	-	-	-	-
Payables to employees	-	-	-	-	-	-	-	-	-
Tax payables	-	-	-	-	-	-	-	-	-
	1,627	**136**	**89**	**51**	**7**	**62**	**32**	**1,146**	**3,150**

Past due debt positions of Il Sole 24 ORE S.p.A. broken down by type at 31 December 2019

PAST DUE DEBT POSITIONS OF IL SOLE 24 ORE S.p.A.									
values in Euro thousands	Breakdown of payables by days past due								total past due
	0-30	31-60	61-90	91-120	121-150	151-180	181-210	Over 210	
Financial payables	-	-	-	-	-	-	-	-	-
Trade payables	1,167	99	81	44	7	38	31	627	2,095
Social security payables	-	-	-	-	-	-	-	-	-
Payables to employees	-	-	-	-	-	-	-	-	-
Tax payables	-	-	-	-	-	-	-	-	-
	1,167	**99**	**81**	**44**	**7**	**38**	**31**	**627**	**2,095**

The past due debt positions of the 24 ORE Group and the parent company Il Sole 24 ORE S.p.A. refer solely to trade payables.

With regard to past due amounts exceeding 210 days, it is noted that this past due amount includes suppliers blocked for disputed claims that amount to a total of Euro 358 thousand for the Parent Company. With regard to the amounts in dispute, the Parent Company has received two injunctions for Euro 347 thousand, which it has opposed.

As far as creditor initiatives are concerned, it is noted that the reminders received are part of normal administrative operations. At the date of this disclosure, there is no evidence of any further injunctions received in relation to the above debt positions and no suspensions in supply have been implemented that would compromise normal business operations.

The main changes in the related party transactions of this Company and Group since the last annual or half-yearly financial report approved in accordance with article 154-ter of the Consolidated Law on Finance (TUF) are as follows

TRANSACTIONS WITH RELATED PARTIES - CONSOLIDATED AT 31 DECEMBER 2019								
Company	Receivables and other assets	Financial receivables	Payables and other liabilities	Financial payables	Operating revenues and income	Costs	Financial income	Financial expenses
Confederazione Generale dell'Industria Italiana (General Confederation of Italian Industry)	-	-	-	-	42	-	-	-
Total Parent Company	**-**	**-**	**-**	**-**	**42**	**-**	**-**	**-**
Business School24 S.p.A.	-	-	-	-	1,707	(278)	225	
Total associated companies	**-**	**-**	**-**	**-**	**1,707**	**(278)**	**225**	**-**
Key Executives	-	-	(262)	-	-	(1,355)	-	-
Other Executives	-	-	(160)	-	-	(3,633)	-	-
Board of Directors	-	-	(214)	-	-	(1,235)	-	-
Board of Statutory Auditors	-	-	(55)	-	-	(231)	-	-
Other related parties	53	-	(132)	-	592	(1,859)	-	-
Total other related parties	**53**	**-**	**(823)**	**-**	**592**	**(8,314)**	**-**	**-**
Total related parties	**53**	**-**	**(823)**	**-**	**2,341**	**(8,592)**	**225**	**-**

Trade receivables and other assets from other related parties mainly refer to:

- sale of newspapers, books and magazines;
- sale of subscription electronic products;
- sale of advertising space.

Revenues mainly refer to the sale of advertising space in proprietary publications, subscriptions to the newspaper and debit for services provided to Business School24 S.p.A.

On 27 September 2019, an agreement was executed with Education Acquisitions Limited for the disposal of the investment held by Il Sole 24 ORE S.p.A. in Business School24 S.p.A. and the transfer of the Events business unit. As a result of this agreement, certain existing contracts between the parties were revised. At 30 November 2019, the remaining investment held in Business School24 S.p.A. no longer qualifies as an associate and is therefore no longer included as a related party of the Group. The table summarizing transactions with related parties shows the economic effects up to the date of disposal.

The cost item related to other related parties refers mainly to a sponsorship and visibility contract with Confindustria Servizi S.p.A. and to a Senior Advisor contract in the professional area.

At 31 December 2019, the Key Executives are two business heads and the Corporate General Manager & CFO. It should also be noted that two Key Executives left the Group on 25 January 2019.

There have been no further changes in existing contractual relationships since the situation relating to the last approved half-yearly financial report.

TRANSACTIONS WITH RELATED PARTIES - PARENT COMPANY AT 31 December 2019

Company	Receivables and other assets	Financial receivables	Payables and other liabilities	Financial payables	Operating revenues and income	Costs	Financial income	Financial expenses
Confederazione Generale dell'Industria Italiana (General Confederation of Italian Industry)	-	-	-	-	42	-	-	-
Total Parent Company	**-**	**-**	**-**	**-**	**42**	**-**	**-**	**-**
24 ORE Cultura S.r.l.	-	-	(296)	(2,206)	615	(906)	-	-
Ticket 24 ORE S.r.l.	45	-	-	(624)	50	-	-	-
Il Sole 24 ORE UK Ltd	-	-	(144)	-	-	(463)	-	-
Il Sole 24 ORE U.S.A. Inc	-	-	(58)	-	-	(569)	-	-
Il Sole 24 ORE Eventi S.r.l.	2	-	-	(121)	-	-	-	-
Total Subsidiaries	**46**	**-**	**(498)**	**(2,951)**	**665**	**(1,938)**	**-**	**-**
Business School24 S.p.A.	-	-	-	-	1,703	(278)	167	
Total associated companies	**-**	**-**	**-**	**-**	**1,703**	**(278)**	**167**	**-**
Key Executives	-	-	(262)	-	-	(1,355)	-	-
Other Executives	-	-	(160)	-	-	(3,576)		-
Board of Directors	-	-	(214)	-	-	(1,235)		
Board of Statutory Auditors	-	-	(33)	-	-	(203)	-	-
Other related parties	53	-	(132)	-	592	(1,859)	-	-
Total other related parties	**53**	**-**	**(801)**	**-**	**592**	**(8,228)**	**-**	**-**
Total related parties	**100**	**-**	**(1,299)**	**(2,951)**	**3,002**	**(10,445)**	**167**	**-**

Trade receivables and other assets from other related parties mainly refer to:

- sale of newspapers, books and magazines;
- sale of subscription electronic products;
- sale of advertising space in its proprietary publications;
- receivables from tax consolidation and VAT.

Trade payables/other payables refer mainly to:

- payables to the subsidiary Il Sole 24 ORE UK Ltd., for commercial brokerage activities relating to the sale of advertising space in the United Kingdom;
- trade payables for services to Il Sole 24 ORE U.S.A. Inc;
- payables for services and editorial services;
- payables for the purchase of information;
- payables from tax consolidation and VAT consolidation.

Financial payables relate to current account relations with the subsidiaries Ticket 24 ORE S.r.l., 24 ORE Cultura S.r.l. and financial payables to Il Sole 24 ORE Eventi S.r.l.

Operating revenues and income mainly refer to:

- sale of newspapers, books and magazines;
- sale of subscription electronic products;
- sale of advertising space in its proprietary publications;
- debit of centralized services to Group companies;
- debit for services to Business School24 S.p.A.

Costs mainly refer to:

- contractual agreement with the subsidiary Il Sole 24 ORE UK Ltd., for commercial brokerage activities relating to the sale of advertising space in the United Kingdom;
- contractual agreement with the subsidiary Il Sole 24 ORE U.S.A Inc. for the provision of services;
- contractual agreement with Business School24 S.p.A. for its portion of the sponsorship of events.

The cost item related to other related parties refers mainly to a sponsorship and visibility contract with Confindustria Servizi S.p.A. and to a Senior Advisor contract in the professional area.

The planned merger by incorporation of the wholly-owned subsidiary Il Sole 24 ORE Trading Network S.p.A. into Il Sole 24 ORE S.p.A., the merger project of which had been approved on 14 November 2018 by the Board of Directors of the Parent Company, was completed with the signing of the merger deed registered by Notary Filippo Zabban on 27 March 2019, file no. 72051 - folder no. 14066, registered on 28 March 2019 and effective as of 31 March 2019. The merger was effective for accounting and tax purposes as of 1 January 2019.

On 24 July 2019 the incorporation of the company Il Sole 24 ORE Eventi S.r.l. took place, a wholly-owned subsidiary of Il Sole 24 ORE S.p.A.

On 27 September 2019, an agreement was executed with Education Acquisitions Limited for the disposal of the investment held by Il Sole 24 ORE S.p.A. in Business School24 S.p.A. and the transfer of the Events business unit. As a result of this agreement, certain existing contracts between the parties were revised. At 30 November 2019, the remaining investment held in Business School24 S.p.A. no longer qualifies as an associate and is therefore no longer included as a related party of the Group. The table summarizing transactions with related parties shows the economic effects up to the date of disposal.

At 31 December 2019, the Key Executives are two business heads and the Corporate General Manager & CFO. It should also be noted that two Key Executives left the Company on 25 January 2019.

On 29 February 2020, the merger by incorporation of Ticket 24 ORE S.r.l. into the parent company 24 ORE Cultura S.r.l. was completed.

There have been no further changes in existing contractual relationships since the situation relating to the last approved half-yearly financial report.

Non-compliance with covenants, negative pledges and any other clause of the Group's debt that imposes restrictions on the use of financial resources, with an indication of the degree of compliance with these clauses at the date of the financial statements

On 30 November 2017, the Company completed the execution of the recapitalization and capital strengthening transaction and signed contracts with its lending banks for the granting of new revolving and cash lines for a total amount of Euro 30.0 million maturing on 31 December 2020, intended to support any future financial needs of the Company. The new revolving and cash lines do not provide for any collateral or compulsory guarantees, but financial covenants recorded at consolidated level and without including any adjustments for non-recurring items. The structure of the covenants is described in the following table:

FINANCIAL COVENANTS						
Euro millions	31/12/2017	30/06/2018	31/12/2018	30/06/2019	31/12/2019	30/06/2020
EBITDA (*) greater than	n.r.	2.0	5.0	8.0	12.5	13.0
Equity greater than	27.0	25.0	23.0	24.0	26.0	30.0
NFP / EBITDA lower than	n.r.	n.r.	1.75	n.r.	1.50	n.r.

(*) values to be calculated on a 12-month rolling basis

Failure to comply with even just one covenant will only result in the banks' right to terminate the loan early. However, the lending banks may be asked to make amendments to the loan agreement, or to waive their rights to early termination, in the event of non-compliance with a covenant.

On 13 May 2019, the lending banks confirmed that, starting in 2019, the recognition of the covenants will be carried out by adjusting the figures deducible from the Group's half-yearly and annual financial reports by the effects related to the introduction of the new accounting standard IFRS 16 on the basis of the elements outlined in the financial reports.

Adjustments related to the introduction of the new accounting standard IFRS 16 relating to EBITDA and equity at 31 December 2019 are outlined in the previous section "Application of new accounting standards - Effects on the income statement of the first-time application of IFRS 16 and Effects on the statement of financial position of the first-time application of IFRS 16", while adjustments relating to the Net financial position at 31 December 2019 were negative by Euro 12.2 million.

At 31 December 2019, although no use was made of the aforementioned credit line, compliance with the aforementioned covenants was confirmed, which amounted to:

- EBITDA (rolling 12 months): Euro 12.6 million (covenant: Euro 12.5 million);
- Equity: Euro 34.9 million (covenant: Euro 26.0 million);
- NFP/EBITDA: 1.12 (covenant: 1.50).

On 12 March 2020, the lending banks communicated the change in the value of the 12-month rolling EBITDA financial parameter used to measure the covenant at 30 June 2020 (the date of the last interim valuation before the loan expiry), reducing it from Euro 16.5 to 13.0 million. The approved 2020 budget meets the new EBITDA covenant. On the same date, the lending banks also communicated an increase in permitted financial debt, totalling at consolidated level, from Euro 10.0 million to Euro 20.0 million.

On 13 November 2017, the Company also entered into an agreement with Monterosa SPV to extend the maturity of the trade receivables securitization transaction outstanding at the time until December 2020; however, it should be noted that the agreement provides for the option to terminate operations by either party at the end of each calendar quarter. The maximum total amount that can be financed is Euro 50.0 million; at 31 December 2019, the credit line for the securitization of trade receivables had been used in recourse mode for Euro 15.7 million (total amount of the line equal to Euro 20.0 million) and in non-recourse mode for Euro 17.8 million. The securitization contract does not provide for financial covenants but does provide for causes of impediment to the acquisition of the Company's portfolios of receivables, which, if not remedied, could result in the termination of the contract. At 31 December 2019, there were no causes of impediment to purchase and/or material events that would result in contract termination.

The status of implementation of the business plan, highlighting any deviations from the actual figures compared to those forecast.

The 2019 financial year was characterized by a particularly challenging market scenario marked by a general weakness that affected the performance of all operators in the sector, highlighting a worsening trend compared to initial expectations, particularly on the advertising sales front. The evolution of the reference context both external and internal to the Company has led to a revision of some initiatives included in the 2019-2022 Plan and, in some cases, to a rescheduling of the timing of their launch, as well as the development of new projects in some areas of the Group.

In particular, the advertising market of reference closed 2019 with a 4.5% decline compared to the previous year. The negative trend is confirmed for the press (-12.6%), with double-digit declines in both components: newspapers (net local) -11.2% and magazines -13.9%. Growth in radio (+1.7%) and Internet (+3.5%) *(Source: Nielsen - January-December 2019).* The performance of the Group's advertising revenues was particularly affected, albeit to a lesser extent than the reference market, by the contraction in investments that has characterized the press for years now and that became even more pronounced during 2019. Newspapers were particularly hard hit by the contraction in the Finance/Insurance sector, which was impacted by the new regulations in force relating to IVASS communications that are no longer compulsory. The Travel and Automotive sectors (traditionally high-spending sectors) also contracted, while the fashion-luxury sector is focusing its digital strategies on the social channel, investing above all in the world of bloggers/influencers. The contraction of advertising investments in the Automotive sector also negatively affected the performance of Radio 24, which has historically ranked first in this sector in terms of space purchased (24% of the total). In the overall radio market, the decline in the Automotive sector is offset by the growth in investments in the FMCG sectors, first and foremost the Distribution sector, which is the second sector in the market in terms of spaces sold and records a growth of 7.4% (Nielsen radio in seconds - January-December 2019). Although the FMCG sectors are also growing on Radio 24 (Distribution +16.0% - Nielsen radio in seconds - January-December 2019), they represent a minimal share of revenues on the broadcaster, are low-spending sectors and are unable to compensate for the gap generated by the contraction of the Automotive sector and the other main sectors (Finance/Insurance and IT/Photography represent 19% of Radio 24 revenues in seconds and are down 12.2% - *Source: Nielsen radio in seconds - January-December 2019*).

In terms of circulation, ADS data for major national newspapers indicate a decline in total circulation of print copies added to digital copies of -6.9% for 2019 compared to 2018, with a decline in circulation of the print version of -8.3% and digital circulation of -1.1% *(Source: ADS data processing January - December 2019*).

This lower-than-expected performance affected the overall performance of the Group, which closed 2019 with consolidated revenues lower than budget (-7.1%) although with a reported EBITDA margin substantially in line with budget forecasts thanks to the cost rationalization and control actions implemented by management, in addition to the contribution of extraordinary and/or non-recurring transactions.

The following is a comparison of the 2019 consolidated economic results with the 2019 forecast figures disclosed to the market when the 2019-2022 Plan was approved by the new BoD on 15 May 2019.

FINAL 2019 VS BUDGET 2019

Euro millions	FY 2019	budget 2019
Revenues	198.7	214.0
EBITDA	21.0	22.0
EBIT	(2.8)	4.7

The negative variance in revenues with respect to expectations is affected by the aforementioned structural decline in the reference market in terms of both advertising revenues and circulation, which have shown a worsening trend compared to initial estimates, in addition to the delay, compared to budget forecasts, in the launch by the Company of some of the new initiatives envisaged in the Plan (including the entry into the software market and the launch of Partner24), also in view of the time required for the development of new products.

The revenues of the concessionaire System show lower advertising revenues than expected on all of the group's media, with particular reference to the press and radio, while the lower circulation revenues of the Publishing & Digital area are affected in particular by the cancellation and delay of some budgeted initiatives.

The performance of revenues in the Tax & Legal area was significantly determined by the contraction of the customer base that characterizes subscription products, both with regard to databases and printed magazines. This performance was mainly affected by delays in adding new agents to the existing sales network and in innovating the range of products offered.

With reference to EBITDA, the comparison of the reported figure with the budget is affected by some non-recurring items that characterized the 2019 financial year, including income for a total of Euro 7.5 million, of which Euro 3.2 million related to the risk provision set aside in the previous year for the possible price adjustment for the disposal of the investment in Business School24 S.p.A, Euro 0.4 million for amounts received from former directors, Euro 2.3 million for releases of other provisions for risks and Euro 1.6 million for the partial restatement of the payable to personnel for restructuring expenses. Non-recurring expenses of Euro 0.1 million were also recognized to adjust the provision for charges related to the disposal of some production facilities and an administrative fine of Euro 0.1 million related to the acceptance of an out-of-court settlement.

In addition to a similar comparison made between reported EBITDA and the corresponding budget value, the difference in reported EBIT compared to the corresponding budget value includes the effects of Euro 6.7 million relating to the early termination of the lease agreement for the Milan office in Via Monte Rosa finalized in December 2019 and other non-recurring IFRS 16 expenses of Euro 0.4 million (for contractual variations relating to Business School24 S.p.A.). The results of these transactions will allow the Company to achieve a significant reduction in its overhead costs beginning in 2021.

Net of non-recurring income and expenses, EBITDA amounted to Euro 13.7 million and EBIT was a negative Euro 3.1 million.

On 12 March 2020, the Company's Board of Directors approved the 2020-2023 Plan, which confirms the strategic direction of the previous 2019-2022 Plan approved on 15 May 2019, of which it represents an update and development.

In continuity with the previous plan, the following strategic guidelines were outlined:

- strengthen the value of content within the integrated 24 ORE system by focusing on products and services with a high margin and a high rate of innovation in both print and digital offerings;
- accelerate the multichannel commercial performance through a strong push on upselling and enhancement of the customer base;
- increase the territorial presence to involve more and more users of products and services of the 24 ORE system and enhance the relevance of the brand;
- transform the operating machine in order to make drafting, production and distribution costs more efficient.

The 2020-2023 Plan takes into account the impact of the measures implemented by management to revise the structure of operating costs, including the forthcoming relocation of the Company's headquarters and offices in Milan, and of the measures taken on labour costs, including early retirements of graphic and polygraph personnel for those who meet the requirements during the first quarter of 2020, in accordance with the provisions of Budget Law no. 160/2019.

The 2020-2023 Plan does not reflect the possible impacts of the health emergency related to the spread of the COVID-19 virus and the extraordinary measures introduced by the competent authorities to contain it, the extent of which is difficult to predict at this time in terms of both duration and impact on business.

The projections of the 2020-2023 Plan confirm, albeit with a time lag compared to the 2019-2022 Plan, given as already indicated at the beginning of this section, the long-term profitability objectives and show a gradual improvement in operating margins, guaranteeing the Company the investments necessary to develop revenues and achieve greater operating efficiency, which benefits, among other things, from the measures already implemented in 2019.

In particular, investments are expected to accelerate in order to allow the Company to adopt a technologically advanced structure, consistent with the new organizational needs and with the digital evolution path undertaken and in line with the policy of greater efficiency of management costs started some time ago.

The 2020-2023 Plan confirms the growth of profitability over time in all business areas. In detail, over the plan period, consolidated revenues are expected to grow by 4.6% (CAGR 2019-2023) and margins are expected to gradually improve, showing a CAGR 2019-2023 at EBITDA level of +17.5%, also thanks to the containment of direct and operating costs.

The net financial position is expected to worsen in 2020 due to the acceleration of investments and disbursements related to the early exit of personnel, and then improve in the following years during the Plan period.

The main forecast economic indicators expected in the 2020-2023 Plan are shown below:

2020-2023 PLAN		
Euro millions	Plan 2020	Plan 2023
Revenues	210	238
EBITDA	23	41
EBIT	4	25

Below are the main forecast economic indicators expected in the previous 2019-2022 Plan:

2019-2022 PLAN		
Euro millions	Plan 2019	Plan 2022
Revenues	214	232
EBITDA	22	38
EBIT	5	26

It should be noted that the forward-looking figures represented in the 2020-2023 Plan are strategic objectives established as part of corporate planning.

The development of the 2020-2023 Plan was based on, among other things: (i) general and hypothetical assumptions, as well as discretionary assumptions, and (ii) a series of estimates and hypotheses relating to the implementation by the directors of specific actions to be undertaken in the Plan reference time period, or relating to future events that the directors can only partially influence and that may not occur or may vary during the Plan period.

The realization of the objectives and the achievement of the results envisaged by the 2020-2023 Plan depend not only on the actual realization of the volume of revenues indicated, but also on the effectiveness of the actions identified and the timely implementation of these actions, in accordance with the time frame and economic impacts assumed.

If the Group's results were to differ significantly from those forecast in the 2020-2023 Plan, there could be adverse effects on the Group's financial position and prospects.

The Group continues to monitor very carefully both the evolution of the health emergency linked to the COVID-19 virus, and the performance of the reference markets with respect to the hypotheses of the Plan, evaluating the actual possibility of rescheduling the planned initiatives and maintaining proactive and constant attention to the containment of costs and the identification of initiatives that can mitigate the risk linked to the uncertainties related to the actual achievement of the volume of revenues estimated, in order to allow the achievement of the expected economic results. In view of the possible repercussions of the health emergency linked to the COVID-19 virus and any extraordinary measures that may be adopted in favour of companies, at present, the Group believes that it does not yet have sufficient information to be able to determine any medium/long-term impacts on its economic and financial prospects compared with the current contingent situation.

Milan, 26 March 2020

Chairperson of the Board of Directors
Edoardo GARRONE

Il Sole 24 Ore S.p.A.

Consolidated financial statements at December 31, 2019

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010, and article 10 of EU Regulation n. 537/2014

EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Il Sole 24 Ore S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of 24 Ore Group (the Group), which comprise the consolidated statement of financial position as of December 31, 2019, and the consolidated statement of profit (loss) for the year, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Il Sole 24 Ore S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to paragraphs "Risks related to the outcome of the proceedings before the Milan Public Prosecutor's Office crim. proc. no. 5783/17 R.G.N.R." and "Risks associated with Consob inspections" of the Directors' Report, which describe the relevant updates, the assessment and the actions taken by the Directors regarding the outcome of the ongoing proceedings before the Public Prosecutor's Office and the Consob inspections. Our opinion is not modified in respect of these matters.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit Response
Assessment of the going concern basis	
At December 31, 2019 the consolidated equity, including Euro 1.2 million of the net consolidated loss for the year then ended, amounts to Euro 36.6 million, and the consolidated net financial position is negative for Euro 26.3 million. On March 12, 2020 the Board of Directors of Il Sole 24 Ore S.p.A. approved the Group's Business Plan 2020-2023 (the "Plan"), that updated the previous Plan 2019-2022, approved on May 15, 2019. The assumptions underlying the updated Plan and the related assessment on the going concern basis are complex by nature, and require Directors' judgement, in particular for the revenues' projections and the outcome of the cost rationalization and efficiency programs. These projections are subject to the possible impacts from the health emergency due to Covid-19, and the uncertainties of this industry and of any projections generally, which could affect the results that will be actually achieved, as well as their related outcome and timing. Considering the judgment required from the Directors in developing the assumptions and the projections to support the going concern basis as stated in the Plan, we deemed this area to represent a key audit matter. The financial statements disclosure is provided in the paragraph "Directors' assessment of the going concern assumption", while the comparison between the main prospective financial information of the Plan and those included in the previous Plan 2019-2022 is reported in the paragraph "The status of implementation of the business plan,	Our audit responses to this key audit matter included, among others: • understanding the rationale underlying the directors' assessment of the going concern assumption and assessing the key assumptions of the Plan approved by the Board of Directors on March 12, 2020; • assessing the differences between the prospective financial information for the year 2019 included in the previous Plan 2019-2022 and those actually achieved for the same year; • assessing the differences between the prospective financial information of the Plan and those included in the previous 2019-2022 Plan; • obtaining written representations from Management relating to its future actions. Finally, we verified the adequacy of the disclosure provided in the notes to the financial statements, including those related to the events subsequent to year-end, and the agreement of the disclosure reported in the directors' report regarding this matter.

highlighting any deviations from the actual figures compared to those forecast" of the notes to the consolidated financial statements.

Valuation of goodwill and other non-current assets with an indefinite and definite useful life

At 31 December 2019, goodwill and other non-current assets with an indefinite and definite useful life amount to Euro 88.7 million.
The Group tested for impairment the Cash Generating Units (CGUs) to which goodwill and other non-current assets with an indefinite useful life are allocated, as well as the other CGUs where impairment indicators were noted based on the 2019 results (net of non-recurring income and expenses).

The methodologies for evaluating and determining the recoverable amount of each CGU, in terms of value in use, are based on complex assumptions which, by nature, require Directors' judgement, regarding the forecasting of cash flows included in the Plan, the determination of the normalized cash flows for the development of the terminal value, and the determination of the long-term growth and of the discounting rates applied to the forecasted cash flows. In this regard, the impacts from the extension of the health emergency due to Covid-19 and the assessments of the uncertainties of this industry and of any projections generally, in particular for revenues over the period of the Plan, are significant.

Considering the judgments required and the complexity of assumptions underlying the estimation of the recoverable amount of goodwill and other non-current assets with an indefinite and definite useful life, and the sensitivity of value in use to changes in key assumption, we deemed this area to represent a key audit matter.

The financial statements disclosure on goodwill and other non-current assets with an indefinite and definite useful life, on the assumptions underlying the impairment analysis and on the sensitivity analysis regarding the impacts on recoverable amounts from changes in key assumptions, is provided in the explanatory note 11 "Notes to financial statements - Impairment

Our audit responses to this key audit matter included, among others:

- understanding the impairment process and the key controls put in place by the Management, considering the impairment test procedure approved by the Board of Directors on March 12, 2020;
- testing the adequacy of the perimeter of the CGUs and the allocation of the book values of assets and liabilities to each CGU;
- assessing the report of the management's specialist, who assisted the Company in the impairment test, as well as the evaluation of its competence and objectivity;
- assessing key assumptions and methodologies used in the impairment process, including projections of revenues, operating results and cash flows for the CGUs included in the Plan;
- assessing the determination of long-term growth rates and discount rates;
- assessing the sensitivity tests performed.

In our audit, we also involved our specialists in valuation techniques, who performed independent recalculation and sensitivity analyses on key assumptions in order to determine changes in assumptions that could significantly impact the valuation of recoverable value.

Lastly, we verified the adequacy of the disclosure provided in the notes to the consolidated financial statements, in particular those related to assumptions which determine the most relevant effects on the recoverable amounts of the goodwill and other non-current assets with an indefinite and definite useful life.

test" and in the explanatory note 5 "Measurement criteria – Non-current assets" to the consolidated financial statements.

Recoverability of deferred tax assets

At 31 December 2019, deferred tax assets amount to Euro 23.8 million.

The recoverability of these assets is subject to assessment by the Group Management on the basis of the projections of future taxable incomes, consistently with the results included in the Plan, as well as the projections of taxable incomes for periods beyond the Plan, with recoverability rates decreasing over time to account for the higher uncertainties of such forecasted results.

Considering the judgment required and the complexity of the assumptions applied in forecasting future taxable incomes, which are the basis to estimate the recoverable value of deferred tax assets, we deemed this area to represent a key audit matter.

The financial statements disclosure related to deferred tax assets is provided in the explanatory note 7 "Deferred tax assets and deferred tax liabilities" and in the explanatory note 5 "Measurement criteria - Deferred tax assets" to the consolidated financial statements.

Our audit responses to this key audit matter included, among others:

- understanding the process for determining income taxes and the key controls put in place by the Management on the recoverability of deferred tax assets;
- assessing the assumptions underlying the Plan, as described in the previous key audit matter;
- assessing the projections of future taxable incomes and their reconciliation with the correspondent pre-tax results included in the Plan, as well as the analysis of the projections of taxable income for periods beyond the Plan.

Lastly, we verified the adequacy of the disclosure provided in the notes to the consolidated financial statements in relation to the recoverability of deferred tax assets.

Revenue recognition from sales of advertising, databases, and multiple digital newspapers

For the year ended December 31, 2019, revenues amount to Euro 198.7 million. The Group considers revenue as a key indicator of its performance.

Certain streams of revenue present complexities with reference to specific assertions, such as the existence of publishing revenues from sales of multiple digital newspapers and the occurrence of advertising revenues, as well as revenues from sales of databases. Therefore, we assessed that this matter represents a key audit matter.

The financial statement disclosure related to the revenue recognition criteria adopted by the

Our audit responses to this key audit matter included, among others:

- understanding the procedure and key controls put in place by the Management regarding the revenue recognition;
- performing test on the controls over the revenue recognition process;
- testing contracts with major clients and assessing the renewal rate of subscriptions in relation to revenues from sales of multiple digital newspapers;
- testing the advertising revenue accruals at year-end and performing analytical procedures on the correlation between advertising revenues and actual publication

Group is provided in the explanatory note 5 "Measurement criteria - Revenues" to the consolidated financial statements.	dates; • performing analytical procedures on revenues related to sales of database, considering the subscription period, including any free periods. Lastly, we verified the adequacy of the disclosure provided in the notes to the consolidated financial statements in relation to this matter.
Internal control system – purchasing process	
Between the end of 2016 and the beginning of 2017, the Group, also with the support of an external consultant, started an assessment of its business processes and internal control system, which identified material weaknesses in the internal control system with particular emphasis on controls surrounding the purchasing area. As a result of this activity, the Group planned actions to remediate the weaknesses identified. The change in top management and the partial organizational redesign that took place in 2018 led to only a part of the corrective actions included in the action plan being implemented and had effect in 2018. During the year 2019, the upgrade of the administrative-accounting model according to Law no. 262/2005 continued and further actions will continue in 2020. Pending the complete implementation of the aforementioned actions, for the purposes of preparing the consolidated financial statements at 31 December 2019 the Management put in place compensating controls. The effectiveness of the internal control system is a significant matter for the audit, as it determines the possibility of planning the audit to rely on key internal controls and, consequently, an efficient design of the nature, extension and timing of the audit procedures. In consideration of the fact that the remedial actions implemented in relation to the material weaknesses identified in the internal controls surrounding the purchasing process had a progressive implementation during 2019 and that further actions will be implemented in 2020, with a related impact on the audit procedures performed on the financial	Our audit responses to this key audit matter included, among others: • additional tests of details on the completeness assertion of trade payables, including the analysis of unrecorded invoices received after year-end, having decided to not rely on the internal control system in planning and perform the audit procedures related to that assertion; • testing the main consulting contracts to ensure the correct cut-off of the related costs; • external confirmation procedures over the most significant vendors; • extending the size of sample selected to test authorizations on purchases. Lastly, we verified the adequacy of the disclosure provided in the notes to the consolidated financial statements in relation to the updating process of the internal control system.

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statements as of December 31, 2019, we assessed that this matter represents a key audit matter.

The disclosure related to the process of upgrading internal control system is provided in the paragraph "Main risks and uncertainties - Risks related to the internal control and risk management system" of the Directors' report.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Il Sole 24 Ore S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Il Sole 24 Ore S.p.A., in the general meeting held on April 29, 2016, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31, 2016 to December 31, 2024.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Il Sole 24 Ore S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group 24 Ore at December 31, 2019, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Group 24 Ore at December 31, 2019 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Group 24 Ore at December 31, 2019 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Il Sole 24 Ore S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated December 30, 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated December 30, 2016, such non-financial information are subject to a separate compliance report signed by us.

Milano, April 3, 2020

EY S.p.A.
Signed by: Massimo Meloni, Auditor

This report has been translated into the English language solely for the convenience of international readers.