ed CALTAGIRONE EDITORE

ANNUAL REPORT

December 31st 2019

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SHAREHOLDERS' MEETING OF APRIL 21ST 2020

AGENDA

1. Presentation of the Separate and Consolidated Financial Statements for the year ended December 31st 2019, together with the Directors' Report, Board of Statutory Auditors' Report and the Independent Auditors' Report; resolutions thereon;
2. Supplementation of the Board of Statutory Auditors for the year 2020 as per Article 2401, paragraph 1 of the Civil Code;
3. Appointment of the Audit Firm for the 2021-2029 period; resolutions thereon;
4. Report on the remuneration policy and compensation paid; resolutions thereon.

DELEGATED POWERS

In accordance with Consob recommendation No. 97001574 of February 20th 1997 the nature of the powers delegated to the members of the Board of Directors are reported below

Chairman

The Chairman has the power to carry out, with sole signature, all acts of ordinary administration within the limits of the powers assigned by the Board of Directors.

Chief Executive Officer

The Chief Executive Officer has the power to carry out, with sole signature, all acts of ordinary administration within the limits of the powers assigned by the Board of Directors.

Corporate Boards

Board of Directors

Chairman	Francesco Gianni [1]
Vice Chairperson	Azzurra Caltagirone
Chief Executive Officer	Albino Majore
Directors	Alessandro Caltagirone Francesco Caltagirone Tatiana Caltagirone Antonio Catricalà [1] Massimo Confortini [1] Mario Delfini Annamaria Malato [1] Valeria Ninfadoro [1] Giacomo Scribani Rossi [1]

Board of Statutory Auditors

Chairman	Matteo Tiezzi
Statutory Auditors	Antonio Staffa Maria Assunta Coluccia

Executive Responsible	Fabrizio Caprara
Independent Audit Firm	PricewaterhouseCoopers SpA

[1] *Independent Directors*

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DIRECTOR'S REPORT ON THE GROUP RESULTS FOR THE YEAR ENDED DECEMBER 31st 2019

INTRODUCTION

The present Directors' Report refers to the Consolidated and Separate Financial Statements of Caltagirone Editore SpA (hereafter also "the Group") at December 31st 2019, prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and of the Standing Interpretations Committee (SIC), approved by the European Commission (hereinafter "IFRS").

The present Report should be read together with the Consolidated and Separate Financial Statements and the relative Notes, which constitute the Annual Accounts for 2019.

The consolidated financial statements at December 31st 2019 reflect the adoption of the new IFRS 16 - Leases, entering into force from January 1st 2019. For the adoption of the new standard, the Group followed the modified retrospective transition method (i.e. with cumulative effect of the adoption recognised as an adjustment to the opening balance of retained earnings at January 1st 2019, without restating the comparative disclosure). The 2019 income statement figures are therefore not immediately comparable with the corresponding amounts for the same period of the previous year. The application of the new standard resulted in at December 31st 2019:

- the recognition to property, plant and equipment of rights of use for a total of Euro 9.27 million;
- the recognition of a financial liability of Euro 9.31 million;
- an EBITDA improvement of Euro 3.46 million, from the reversal of leasing charges, offset by higher amortisation and depreciation of Euro 3.39 million and increased financial charges of Euro 108 thousand, with an overall negaitve income statement effect of Euro 42 thousand.

GROUP OPERATIONS

The table below illustrates the key financial results for the year 2019 compared to the previous year.

in thousands of Euro	*31.12.2019*	*31.12.2018*	*cge.*	*cge.%*
OPERATING REVENUES	**135,859**	**143,964**	**(8,105)**	**(5.6%)**
CIRCULATION REVENUES	60,777	65,825	(5,048)	(7.7%)
ADVERTISING REVENUES	69,322	72,639	(3,317)	(4.6%)
REVENUES FOR TRANSPORT SERVICES	1,211	1,155	56	4.9%
REVENUES FROM OTHER WEB SERVICES	154	169	(15)	(8.7%)
PROMOTION REVENUES	455	410	45	11.0%
OTHER REVENUES AND INCOME	3,939	3,766	173	4.6%
OPERATING COSTS	**(133,396)**	**(143,154)**	**9,758**	**6.8%**
RAW MATERIALS, SUPPLIES & CONSUMABLES	(11,714)	(12,368)	654	5.3%
LABOUR COSTS	(57,395)	(58,005)	610	1.1%
OTHER COSTS	(64,287)	(72,781)	8,494	11.7%
EBITDA	**2,463**	**810**	**1,653**	**204.0%**
AMORTISATION, DEPRECIATION, WRITE-DOWNS & PROVISIONS	(48,043)	(18,247)	(29,796)	(163.3%)
EBIT	**(45,580)**	**(17,437)**	**(28,143)**	**(161.4%)**
FINANCIAL INCOME	5,908	5,699	209	3.7%
FINANCIAL EXPENSES	(821)	(740)	(81)	(10.9%)
NET FINANCIAL INCOME	**5,087**	**4,959**	**128**	**2.6%**
LOSS BEFORE TAXES	**(40,493)**	**(12,478)**	**(28,015)**	**224.5%**
INCOME TAXES	9,844	4,180	5,664	(135.5%)
LOSS FOR THE YEAR	**(30,649)**	**(8,298)**	**(22,351)**	**269.4%**
MINORITY INTEREST	-	-	-	0.0%
GROUP NET LOSS	**(30,649)**	**(8,298)**	**(22,351)**	**269.4%**

In 2019, the Group reported Operating Revenues of Euro 135.9 million, reducing 5.6%, following a contraction in circulation revenues (-7.7%) and advertising revenues (-4.6%).

Raw material costs decreased 5.3% - principally due to the lower quantities utilised in the production process, which permitted the absorption of the increase in the international price of paper.

Labour costs, including non-recurring charges of Euro 3.2 million (Euro 1.7 million in 2018) principally due to the reorganisation plans put in place by a number of Group companies and an unexpected increase in legal disputes, decreased by 1.1%. On a like-for-like basis, excluding these non-recurring charges, labour costs decreased 3.7% on the previous year.

Other operating costs decreased overall by 11.7%, due to the ongoing cost-cutting by the subsidiaries, particularly regarding service costs and as a result of the adoption of the new standard IFRS 16, as outlined in the introduction.

EBITDA in 2019 reports a profit of Euro 2.5 million (Euro 810 thousand in 2018).

EBIT saw a loss of Euro 45.6 million (loss of Euro 17.4 million in 2018) and includes the write-down of indefinite life intangible assets for Euro 39.8 million (Euro 14.6 million in 2018), amortisation and depreciation for Euro 6.3 million (Euro 2.8 million in 2018) of which Euro 3.4 million relating to the amortisation of right-of-use assets based on IFRS 16, provisions for risks for Euro 1.3 million (Euro 361 thousand in 2018) and doubtful debts for Euro 691 thousand (Euro 479 thousand in 2018).

Net financial income of Euro 5.1 million (Net financial income of Euro 5 million in 2018), principally include dividends on listed shares in the period of approx. Euro 5.9 million (Euro 5.5 million in 2018), net of financial charges related to operating requirements.

The Group net result reports a loss of Euro 30.6 million (loss of Euro 8.3 million in 2018).

Net Cash Position

The Group Cash Financial Position at DDecember 31st 2019 is as follows:

Euro thousands	**31.12.2019**	**31.12.2018**
Cash and cash equivalents	112,368	109,656
Non-current financial lease liabilities	(5,700)	-
Current financial lease liabilities	(3,607)	-
Current financial liabilities to banks	(9,285)	(10,557)
Net Cash Position*	**93,776**	**99,099**

* The Net Cash Position in accordance with CESR recommendation of February 10th 2005 is illustrated at Note 11 of the Notes to Consolidated Financial Statements.

The net cash position was Euro 93.8 million, decreasing Euro 5.3 million on December 31st 2018 (Euro 99.1 million), mainly due to the recognition of non-current (Euro 5.7 million) and current (Euro 3.6 million) financial liabilities relating to the rights of use for leased assets recognised for a similar amount to the Property, plant and equipment category, in application of the new standard IFRS 16, and operational requirements, net of dividends received on listed shares of Euro 5.9 million.

Shareholders' Equity

Group shareholders' equity amounted to Euro 408.2 million (Euro 415.2 million at December 31st 2018); the decrease principally concerns the result for the period net of the fair value measurement of shares held by the Group.

The balance sheet and income statement ratios are provided below:

	2019	2018
ROE* *(Net Result/Net Equity)***	(7.51)	(2.0)
ROI* *(EBIT/total assets)***	(8.5)	(3.2)
ROS* *(EBIT/Operating Revenues)***	(33.6)	(12.1)
Equity Ratio *(Net equity/total assets)*	0.8	0.8
Liquidity Ratio *(Current assets/Current liabilities)*	2.7	2.7
Capital Invested Ratio *(Net equity/Non-current assets)*	1.1	1.1

*percentage values

** For definitions of "Net Result" and "EBIT", reference should be made to the income statement attached to the present report

The balance sheet indicators confirm the Group's financial equilibrium, with strong stability, the capacity to meet short-term commitments through liquid funds and finally equilibrium between own funds and fixed assets.

The earnings ratios declined on the same period of 2018.

Group operating performance

- *Publishing*

Revenues from Group title paper edition sales in 2019 contracted by 8.1% on 2018 and by 7.7% including digital subscription and sales.

The latest available circulation data indicates a reduction of approx. 8.26[1]% in paper and digital copies sold in the January-December 2019 period compared with 2018.

- *Advertising*

In 2019, Group advertising revenues decreased 4.6%.

Paper edition advertising revenues, including also third party advertising, contracted 8% on 2018.

Internet advertising, including also third party advertising, increased 12.9% on 2018. The contribution of this segment to overall advertising revenues was 19.9%.

The market in the January - December 2019 period contracted 9.7%[2] for print newspaper advertising, while internet advertising rose 3.5%[3].

In terms of web presence, the Caltagirone Editore network websites to December 2019 reported 3.97 million unique average daily users Total Audience (PC and mobile)[4], up 39.2% on the same period of 2018

Risk Management

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

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[1] ADS (Accertamento Diffusione Stampa) data: total paper+digital sales >=30% (January-December 2019 vs January-December 2018)
[2] *FCP newspaper research institute* figures – January – December 2019 compared with 2018
[3] *FCP Assointernet research institute* figures – January – December 2019 compared with 2018
[4] Audiweb figures Total Audience November 2019 (including TAL)

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

- *Market risk (price of raw materials – paper)*

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

- *Risks concerning the price of investments in equity instruments*

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

- *Credit risk*

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

- *Interest Rate Risk*

The interest rate risk principlally relates to an uncontrolled increase of the charges deriving from variable interest rates on medium/long-term loans. The Group currently does not have medium/long-term loans, while having an insignificant exposure to short-term debt interest rate risk.

- *Liquidity risk*

Liquidity risk is linked to the difficulty in obtaining funds to cover commitments at a given moment. The Caltagirone Editore Group possesses liquidity and this risk is therefore not considered significant for the Group.

- *Environment and security risk*

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

Principal uncertainties and going concern

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

Transactions with related parties

"Related" party transactions, as set out in IAS 24, including inter-company transactions, are not atypical or unusual and form part of the ordinary business activities of the companies of the Group. These operations are regulated at market conditions and take account of the characteristics of the goods and services provided and in the interest of the Group.

The Parent Company in the period did not carry out significant transactions nor significant levels of ordinary transactions requiring communication to the Supervisory Authority under the Consob Regulation concerning transactions with related parties adopted with Resolution No. 17221 of March 12th 2010.

The information on transactions with related parties, including those required by Consob communication of July 28th 2006, are shown in the Notes to the consolidated and separate financial statements.

Other information

During the year, the Companies of the Caltagiorne Group did not carry out any research and development activity.

At December 31st 2019, there were 611 employees (638 at December 31st 2018), with an average number in 2019 of 621 (656 in 2018).

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

The reconciliation of the shareholders' equity and net profit of the Group and of the Parent Company as per Consob Communication No. 6064293 of 28/07/2006 is attached to the present report.

Outlook

Circulation revenues and advertising revenues continue to decline both at market and company level and no signs of a turnaround are currently evident. In the absence of fresh developments, it is reasonable to expect that the decline will continue also in the present year.

The Group has maintained the initiatives targeting the growth of multi-media editions and an improved internet presence in order to expand new advertising streams and acquire new readers.

In addition, as noted, the Covid-19 coronavirus epidemic is seriously threatening public health. In order to deal with this emergency, the Italian Government has imposed strict isolation measures restricting the movement of an increasing number of people; many companies are taking preventive measures to limit the spread of the contagion, such as, for example, resorting as far as possible to remote working and, if necessary, suspending activities. In view of the ongoing and developing epidemic and the consequent uncertainty in predicting the duration and impact that this emergency will have on national and global economic activities, the Company did not consider it possible to make a reasonable estimate of its impact on the operations of the Caltagirone Editore Group and the related financial statement balances. As required by the applicable accounting standards, it should be noted that the valuation of listed equity securities in portfolio at March 9th 2020 was impacted by the above, resulting in a reduction in value of approx. 25% compared to the corresponding value at December 31st 2019. However, the Group has the capacity to keep these securities in portfolio as it has a strong capital base.

PARENT COMPANY OVERVIEW

For 2019 Caltagirone Editore SpA reports financial income of Euro 4.8 million and financial charges of Euro 44.1 million, with a net loss of Euro 40.6 million, as shown in the following table which compares the key financial results with the previous year, reclassified in accordance with Consob Communication No. 94001437 of February 23rd 1994:

Euro thousands	**31.12.2019**	**31.12.2018**
Dividends from subsidiaries	1,766	600
Dividends from other companies	3,015	2,848
Other financial income	-	8
Total financial income	**4,781**	**3,456**
Interest and financial charges from subsidiaries and asociates	(10)	(1)
Interest and financial charges from third parties	(11)	(43)
Write-down of investments in subsidiaries and associates	(44,109)	(17,575)
Total financial charges	**(44,130)**	**(17,619)**
NET FINANCIAL INCOME/(CHARGES)	**4,760**	**(14,163)**
Result from operating activities	(1,616)	(1,987)
LOSS BEFORE TAXES	**(40,965)**	**(16,150)**
Income taxes	335	439
NET LOSS	**(40,630)**	**(15,711)**

The dividends from other companies relate to those received on listed shares.

The write-downs of investments in subsidiaries concern the companies Il Mattino SpA, Il Gazzettino SpA, Quotidiano di Puglia Srl, Corriere Adriatco Sr, Piemme Spa, Stampa Napoli 2015 Srl and Leggo SpA and relates to the adjustment of the carrying amount of the investment to the Net Equity, adjusted for any write-backs emerging from the measurement of indefinite intangible assets.

The shareholders' equity of the Company at December 31st 2019 was Euro 374.4 million (Euro 402.5 million at December 31st 2018). The reduction is principally due to the loss for the year, net of the increase in the fair value of shares held by the company in listed companies.

Net Cash Position

The net cash position is as follows:

Euro thousands	**31.12.2019**	**31.12.2018**
Current financial assets	57,252	62,928
Cash and cash equivalents	3,134	1,682
Non-current financial liabilities	(639)	-
Current financial liabilities	(2,463)	(2,248)
Net Cash Position *	**57,284**	**62,362**

** The Net Cash Position in accordance with CESR recommendation of February 10th 2005 is illustrated at Note 8 of the Notes to Financial Statements.*

The net financial position at 31.12.2019 was a cash position of Euro 57.3 million (Euro 62.4 million at 31.12.2018); the decrease of Euro 5.1 million mainly concerns the partial waiver of the loans granted to the subsidiaries to cover the 2018 losses, in addition to operating requirements, net of dividends collected.

Principal equity investments

The key results of the subsidiary companies are reported below.

Il Messaggero SpA

The Company publishes the daily newspaper Il Messaggero, founded in 1878 and the historic daily newspaper of the Capital. Il Messaggero is the leading daily newspaper in the Central Italian Region.

The Company in 2019 reports a net loss of Euro 3.6 million (net loss of Euro 2 million in 2018), against Operating Revenues of Euro 52.3 million, up 3.2% on Euro 51.2 million in 2018. EBITDA was a loss of Euro 256 thousand (EBITDA loss of Euro 1.9 million in 2018).

Il Mattino SpA

The Company publishes Il Mattino, the daily newspaper of Naples and since 1892 the leading newspaper in Campania and the most popular newspaper in Southern Italy, thanks to its long tradition and extensive regional reach.

Il Mattino SpA in 2019 reported a Net Loss of Euro 2.4 million (Net Loss of Euro 2.4 million in 2018), against Operating Revenues of Euro 17.4 million compared to Euro 18.9 million in 2018 (-8.3%), following the contraction in paper and digital revenues (-7.6%) and advertising revenues (-8.7%). EBITDA reported a loss of Euro 1.5 million, unchanged compared to the previous year, impacted however by non-recurring charges of Euro 1.1 million.

Il Gazzettino SpA

The Company publishes the daily newspaper Il Gazzettino, founded in 1887 and the historic newspaper of Venice. Il Gazzettino is among the leading 10 daily newspapers in Italy in terms of circulation and the largest newspaper in the North-East. Entering the Caltagirone Editore group in 2006, as is the case for the other Group newspapers – it is available also in an online and digital edition.

Il Gazzettino SpA in 2019 reported a Net Loss of Euro 904 thousand (Net Loss of Euro 1.1 million in 2018), against Operating Revenues of Euro 24.8 million compared to Euro 25.9 million in 2018 (-4.3%). Circulation revenues of Euro 14 million decreased 4.6% due to general falling demand. Advertising revenues amounted to Euro 10 million, decreasing on 2018 (-3.3%).

EBITDA amounted to Euro 773 thousand, up 23.2% on Euro 585 thousand in 2018.

Leggo Srl

The Company publishes the free newspaper Leggo. Founded in March 2001, Leggo is the leading free newspaper in Italy.

A net loss of Euro 306 thousand is reported for 2019, improving on the loss of Euro 949 thousand in 2018, due to an increase (+13.5%) in advertising revenues (Euro 3.6 million compared to Euro 3.1 million in 2018). EBITDA reports a loss of Euro 343 thousand (loss of Euro 1.2 million in 2018).

Corriere Adriatico Srl

The Company publishes the newspaper Corriere Adriatico which, founded in 1860, occupies a dominant position in the Le Marche region. Il Corriere Adriatico joined the Group in 2004.

Corriere Adriatico Srl in 2019 reported a net loss of Euro 363 thousand, in line with the 2018 result (net loss of Euro 391 thousand). EBITDA reported a profit of Euro 25 thousand, significantly improving on the 2018 loss (Euro 408 thousand), as a result of a stringent cost control policy.

Quotidiano di Puglia Srl

The Company publishes Il Nuovo Quotidiano di Puglia, founded in 1979 and the most widely read newspaper in the Ionico Salentina region.

In 2019, Quotidiano di Puglia Srl, which publishes the newspaper of the same name in the provinces of Lecce, Brindisi and Taranto, reported a Net Loss of Euro 273 thousand (Loss of Euro 393 thousand in 2018), with Operating Revenues of Euro 4.7 million compared to Euro 5.1 million in 2018 (-7%).

Piemme SpA

Piemme, founded in 1988, is the Group advertising agency with a portfolio comprising: Daily newspapers, each of which the undisputed leader in their respective regions, the Social Press, a modern social platform which everyday involves readers and web users, and online news websites and from March 2015 Piemme has also undertaken the local advertising on behalf of the RCS Group newspapers. Piemme is the leader on the central-south market.

The Company in 2019 reported a net loss of Euro 2 million (net loss of Euro 1.7 million in 2018), impacted by non-recurring charges of Euro 326 thousand. In 2019, the company generated advertising revenues of Euro 71.5 million (Euro 74.6 million in 2018), decreasing 4.1% on 2018.The EBITDA loss was Euro 1.6 million (loss of Euro 754 thousand in 2018).

Other Investments

Finced Srl, a Group finance company, in 2019 reported a Net Profit of Euro 3.3 million (Net Profit of Euro 3.2 million in 2018), principally due to the receipt of dividends on listed shares.

For information relating to the market trends and performances of the principal subsidiaries and the business strategies, reference should be made to the Directors' Report accompanying the consolidated financial statements.

Transactions with related parties

For the transactions between the Companies of Caltagiorne Editore SpA and other related parties, reference should be made to the Notes to the Separate Financial Statements and the Directors' Report of the Consolidated Financial Statements.

Treasury Shares

At December 31st 2019 Caltagirone Editore SpA had 18,209,738 treasury shares in portfolio, comprising 14.57% of the share capital for a value of Euro 23,640,924.

Corporate Governance

The Board of Directors on March 8th 2019 confirmed the Executive Officer for Financial Reporting of the company as Fabrizio Caprara.

Other Information

Caltagirone Editore SpA ensures the protection of personal data in accordance with current legislative provisions.

Caltagirone Editore SpA, as permitted by the Consolidated Finance Act, takes part in a Group tax regime called the "Tax Consolidation" as the parent company.

The Remuneration Report was made available at the registered offices and on the internet site of the company *http://www.caltagironeeditore.com/governance/assemblea-azionisti/* as required by Article 123 ter of the CFA, which reports the information concerning the policy adopted by the company for the remuneration of members of the management and control boards, the remuneration paid to the members of these boards and the information on investments held by these parties.

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

At December 31st 2019, the Company had 2 employees (2 at December 31st 2018).

The parent company is not subject to management and co-ordination in accordance with the applicable regulation,as its management body has full decision-making autonomy.

In accordance with Article 6, paragraph 2 of Legislative Decree No. 254 of December 30th 2016, the Consolidated Non-Financial Report was not prepared, as drawn up by the parent company Caltagirone SpA (parent company subject to the same obligations) with registered office in Rome Via Barberini, 28."

Subsequent events

With reference to the effects of the "Covid-19" coronavirus epidemic, see the outlook section. No further significant events are highlighted.

PROPOSALS TO THE SHAREHOLDERS' MEETING

Dear Shareholders,

we propose to you the approval of the Financial Statements at December 31st 2019, consisting of the Balance Sheet, Income Statement, Comprehensive Income Statement, Statement of Changes in Shareholders' Equity and the Cash Flow Statement, as well as the relative attachments and the Directors' Report.

The Board of Directors proposes to carry forward the loss of the Parent Company Caltagirone Editore SpA of Euro 40,629,621.

ROME, MARCH 8TH 2020

FOR THE BOARD OF DIRECTORS

THE CHAIRMAN

MR. FRANCESCO GIANNI

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

31.12.2019	Net result	Net Equity
Net Result and Net Equity for the year as per financial statements of the parent company	**(40,630)**	**374,397**
Contribution of subsidiary and associated companies	3,325	(5,201)
Adjustment to the international accounting standards IFRS/IAS	8,422	83,520
Elimination of inter-company dividends	(1,766)	-
Elimination inter-company (profits) losses, net of the tax effect	-	(44,505)
Minority interest share of net equity	-	-
Net Result and Net Equity as per the consolidated financial statements	**(30,649)**	**408,210**

LIST OF INVESTMENTS AT 31.12.2019

COMPANY	REGISTERED OFFICE	SHARE CAPITAL	CURRENCY	HOLDING		
				DIRECT	INDIRECTLY THROUGH	
COMPANIES INCLUDED IN THE CONSOLIDATION UNDER THE LINE-BY-LINE METHOD						
CED DIGITAL & SERVIZI SRL	ROME	100,000.00	Euro	99.99%	FINCED Srl	0.01%
IL MESSAGGERO SpA	ROME	1,265,385.00	Euro	99.95%	FINCED Srl	0.05%
IL MATTINO SpA	ROME	500,000.00	Euro	99.95%	FINCED Srl	0.05%
PIEMME SpA	ROME	2,643,139.00	Euro	100.00%	FINCED Srl	0.00%
LEGGO Srl	ROME	1,000,000.00	Euro	99.95%	FINCED Srl	0.05%
FINCED Srl	ROME	10,000.00	Euro	99.99%	PIEMME SpA	0.01%
CORRIERE ADRIATICO Srl	ROME	200,000.00	Euro	99.95%	FINCED Srl	0.05%
QUOTIDIANO DI PUGLIA Srl	ROME	440,000.00	Euro	99.95%	FINCED Srl	0.05%
SERVIZI ITALIA 15 SRL	ROME	100,000.00	Euro	99.95%	FINCED Srl	0.05%
STAMPA NAPOLI 2015 SRL	ROME	10,000.00	Euro	99.95%	FINCED Srl	0.05%
STAMPA ROMA 2015 SRL	ROME	10,000.00	Euro	99.95%	FINCED Srl	0.05%
IL GAZZETTINO SpA	ROME	200,000.00	Euro	99.95%	FINCED Srl	0.05%
STAMPA VENEZIA Srl	ROME	567,000.00	Euro	-	IL GAZZETTINO SpA	100.00%
IMPRESE TIPOGRAFICHE VENETE Srl	ROME	936,000.00	Euro	-	IL GAZZETTINO SpA	100.00%
P.I.M. PUBBLICITA' ITALIANA MULTIMEDIA Srl	ROME	1,044,000.00	Euro	-	IL GAZZETTINO SpA	100.00%

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CONSOLIDATED FINANCIAL STATEMENTS

December 31st 2019

CONSOLIDATED BALANCE SHEET

Assets

(in Euro thousands)	note	*31.12.2019*	*31.12.2018*
Non-current assets			
Intangible assets with definite life	1	809	468
Intangible assets with indefinite life	2	160,403	200,203
Newspaper titles		*160,403*	*200,203*
Property, plant and equipment	3	44,808	37,352
Equity investments and non-current securities	4	120,777	96,118
Other non-current assets	5	89	105
Deferred tax assets	6	53,616	51,202
TOTAL NON-CURRENT ASSETS		**380,502**	**385,448**
Current assets			
Inventories	7	1,651	1,743
Trade receivables	8	42,849	46,194
of which related parties		*113*	*225*
Other current assets	9	804	952
Cash and cash equivalents	10	112,368	109,656
TOTAL CURRENT ASSETS		**157,672**	**158,545**
TOTAL ASSETS		**538,174**	**543,993**

CONSOLIDATED BALANCE SHEET

Shareholders’ Equity & Liabilities

(in Euro thousands)	note	*31.12.2019*	*31.12.2018*
Shareholders` Equity			
Share capital		125,000	125,000
Share capital issue costs		(18,865)	(18,865)
Reserves		332,724	317,338
Loss for the year		(30,649)	(8,298)
Group shareholders' equity		**408,210**	**415,175**
Minority interest shareholders' equity		-	-
TOTAL SHAREHOLDERS' EQUITY	11	**408,210**	**415,175**
Liabilities			
Non-current liabilities			
Employee benefits	12	15,405	15,590
Non-current provisions	13	7,105	5,481
Non-current financial liabilities	14	5,700	-
of which related parties		*4,915*	*-*
Other non-current liabilities	15	1,630	1,441
Deferred tax liabilities	6	40,986	48,232
TOTAL NON-CURRENT LIABILITIES		**70,826**	**70,744**
Current liabilities			
Current provisions	13	4,065	3,805
Trade payables	16	21,284	22,243
of which related parties		*1,698*	*1,615*
Current financial liabilities	14	12,892	10,557
of which related parties		*2,909*	*-*
Current income tax payables	6	28	205
Other current liabilities	15	20,869	21,264
of which related parties		*36*	*14*
TOTAL CURRENT LIABILITIES		**59,138**	**58,074**
TOTAL LIABILITIES		**129,964**	**128,818**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**538,174**	**543,993**

Income Statement

(in Euro thousands)	Note	*2019*	*2018*
Revenues	17	131,920	140,198
of which related parties		*249*	*332*
Other operating revenues	18	3,939	3,766
of which related parties		*54*	*120*
TOTAL REVENUES		**135,859**	**143,964**
Raw material costs	19	(11,714)	(12,368)
Labour costs	12	(57,395)	(57,251)
of which non-recurring charges		*(3,190)*	*(1,715)*
Other operating charges	20	(64,287)	(73,535)
of which related parties		*(1,890)*	*(5,324)*
TOTAL COSTS		**(133,396)**	**(143,154)**
EBITDA		**2,463**	**810**
Amort. & Deprec.		(2,903)	(2,807)
Amort. leased assets		(3,393)	-
Provisions		(1,256)	(361)
Write-down of intangible assets with indefinite life		(39,800)	(14,600)
Write-down of receivables and other fix assets		(691)	(479)
Amortisation, depreciation, provisions and write-downs	21	**(48,043)**	**(18,247)**
EBIT		**(45,580)**	**(17,437)**
Financial income		5,908	5,699
of which related parties		*5,850*	*5,525*
Financial expenses		(821)	(740)
of which related parties		*(83)*	-
Net financial income	22	**5,087**	**4,959**
LOSS BEFORE TAXES		**(40,493)**	**(12,478)**
Income taxes	6	9,844	4,180
LOSS FROM CONTINUING OPERATIONS		**(30,649)**	**(8,298)**
NET LOSS FOR THE YEAR		**(30,649)**	**(8,298)**
Group Net Loss		(30,649)	(8,298)
Minority interest share		-	-
Basic earnings/(loss) per share	23	(0.287)	(0.069)
Diluted earnings/(loss) per share	23	(0.287)	(0.069)

Consolidated Comprehensive Income Statement

(in Euro thousands)	2019	2018
Net loss for the year	**(30,649)**	**(8,298)**
Items which are not reclassified subsequently to profit/(loss) for the year		
Effect of actuarial gains/losses, net of tax effect	(515)	223
Profit/(loss) from the valuation of Investments in equity instruments net of the tax effect	24,089	(3,662)
Total other items of the Comprehensive Income Statement	**23,574**	**(3,439)**
Comprehensive loss for the year	**(7,075)**	**(11,737)**
Attributable to:		
Parent Company shareholders	(7,075)	(11,737)
Minority interest	-	-

Statement of Changes in Consolidated Shareholders' Equity

(in Euro thousands)	Share capital	Listing charges	Treasury shares	Fair Value reserve	Other reserves	Net result	Group net equity	Minority interest N.E.	Total net equity
31st December 2017	**125,000**	**(18,865)**	**(2,224)**	**660**	**373,830**	**(29,633)**	**448,768**	**-**	**448,768**
Effect from application of IFRS 9					(493)		**- 493**		**- 493**
December 31st 2017 adjusted	**125,000**	**(18,865)**	**(2,224)**	**660**	**373,337**	**(29,633)**	**448,275**	**-**	**448,275**
Prior year result carried forward					(29,633)	29,633	**-**		**-**
Acquisition of treasury shares			(21,417)		54		**(21,363)**		**(21,363)**
Other changes							**-**		**-**
Total operations with shareholders	**-**	**-**	**(21,417)**	**-**	**(29,579)**	**29,633**	**(21,363)**	**-**	**(21,363)**
Change in fair value reserve				(3,662)			**(3,662)**	-	**(3,662)**
Change employee reserve					223		**223**		**223**
Net Loss						(8,298)	**(8,298)**	-	**(8,298)**
Total comprehensive profit/(loss) for the year	**-**	**-**	**-**	**(3,662)**	**223**	**(8,298)**	**(11,737)**	**-**	**(11,737)**
December 31st 2018	**125,000**	**(18,865)**	**(23,641)**	**(3,002)**	**343,981**	**(8,298)**	**415,175**	**-**	**415,175**
Balance at January 1, 2019	**125,000**	**(18,865)**	**(23,641)**	**(3,002)**	**343,981**	**(8,298)**	**415,175**	**-**	**415,175**
Prior year result carried forward					(8,298)	8,298	**-**		**-**
Total operations with shareholders	**-**	**-**	**-**	**-**	**(8,298)**	**8,298**	**-**	**-**	-
Change in fair value reserve				24,089			**24,089**	-	**24,089**
Change employee reserve					(515)		**(515)**		**(515)**
Net Loss						(30,649)	**(30,649)**	-	**(30,649)**
Total comprehensive profit/(loss) for the year	**-**	**-**	**-**	**24,089**	**- 515**	**(30,649)**	**(7,075)**	**-**	**(7,075)**
Other changes					110		**110**		**110**
31st December 2019	**125,000**	**(18,865)**	**(23,641)**	**21,087**	**335,278**	**(30,649)**	**408,210**	**-**	**408,210**

Statement of Cash Flows

in thousands of Euro	Note	*2019*	*2018*
CASH & CASH EQUIVALENTS PREVIOUS YEAR	**11**	**109,656**	**136,498**
Net loss for the year		(30,649)	(8,298)
Amortisation & depreciation		6,296	2,807
(Revaluations) and write-downs		40,490	15,079
Net financial charges		(5,086)	(4,959)
Losses on disposals		(1)	(29)
Income taxes		(9,844)	(4,180)
Changes in employee provisions		(1,134)	(1,664)
Changes in current and non-current provisions		1,884	(1,300)
OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL		**1,956**	**(2,544)**
(Increase) Decrease in inventories		92	(419)
(Increase) Decrease in Trade receivables		2,654	3,613
Increase (Decrease) in Trade payables		(959)	771
Change in other current and non-current liabilities		100	(1,369)
Change in deferred and current income taxes		(158)	(11)
OPERATING CASH FLOW		**3,685**	**41**
Dividends received		5,850	5,525
Interest received		58	174
Interest paid		(476)	(526)
Income taxes paid		(208)	(233)
A) CASH FLOW FROM OPERATING ACTIVITIES		**8,909**	**4,981**
Investments in intangible fixed assets		(1,246)	(273)
Investments in tangible fixed assets		(660)	(538)
Non-current investments and securities		-	(12,299)
Sale of intangible and tangible assets		374	104
B) CASH FLOW FROM INVESTING ACTIVITIES		**(1,532)**	**(13,006)**
Change in current financial liabilities		(4,665)	2,546
Other changes		-	(21,363)
C) CASH FLOW FROM FINANCING ACTIVITIES		**(4,665)**	**(18,817)**
D) Effect exc. diffs. on cash & cash equivalents		-	-
Change in net liquidity		**2,712**	**(26,842)**
CASH & CASH EQUIVALENTS CURRENT YEAR	**11**	**112,368**	**109,656**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31st 2019

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Introduction

Caltagirone Editore SpA (Parent Company) is a limited liability company, listed on the Milan Stock Exchange, operating in the publishing sector with its registered office in Rome (Italy), Via Barberini, No, 28.

At December 31st 2019, the shareholders with holdings above 3% of the share capital, as per the shareholders' register, the communications received in accordance with Article 120 of Legislative Decree No. 58 of February 24th 1998, and other information available are:

- Francesco Gaetano Caltagirone 75,955,300 shares (60.76%).

  The above investment is held indirectly through the companies:

  Parted 1982 SpA 44,454,550 shares (35.56%)

  Gamma Srl 9,000,750 shares (7.20%)

  FGC Finanziaria Srl 22,500,000 shares (18.00%)

The company in addition holds 18,209,739 treasury shares, equal to 14.57% of the share capital.

At the date of the preparation of the present accounts, the ultimate holding company was FGC SpA, due to the shares held through subsidiary companies.

The consolidated financial statements at December 31st 2019 include the financial statements of the Parent Company and its subsidiaries (together the "Group"). The financial statements prepared by the Directors of the individual companies for approval by the respective shareholders' meetings were utilised for the consolidation, amended in view of the accounting standards utilised by the parent company to prepare the Consolidated Financial Statements (IFRS).

The present consolidated financial statements were authorised for publication by the Directors on March 10th 2020.

Compliance with international accounting standards approved by the European Commission

The consolidated financial statements at December 31st 2019 are prepared on the going concern basis of the Parent Company and the subsidiaries and in accordance with Articles 2 and 3 of Legislative Decree 38/2005 and International Financial Reporting Standards (IFRS), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), approved by the European Commission and in force at the balance sheet date, in addition to the preceding International Accounting Standards (IAS). For simplicity, all the standards and interpretations are hereafter stated simply as “IFRS”.

All of the financial statements of the companies consolidated fully are prepared at the same date as the consolidated financial statements and, with the exception of those of the Parent Company which are prepared according to IFRS, were prepared according to Italian GAAP, to which the necessary adjustments were made in order to render them uniform with the Parent Company principles.

The Group did not opt for the advance adoption of the standards, interpretations and updates already approved, which are applicable after the date of the accounts.

The Group evaluated the possible effects related to the application of the new standards/changes to accounting standards already in force listed below in the present notes; based on an evaluation undertaken significant effects did not emerge in the consolidated and separate financial statements.

Basis of presentation

The Consolidated Financial Statements consist of the Balance Sheet, the Consolidated Income Statement, the Comprehensive Consolidated Income Statement, the Consolidated Cash Flow Statement, and the Statement of changes in Shareholders’ Equity, an outline of the accounting principles adopted and the present Notes to the financial statements.

The Balance Sheet is presented in a format which separates the current and non-current assets and liabilities, while the Consolidated Income Statement is classified on the basis of the nature of the costs and the Cash Flow statement is presented utilising the indirect method. The IFRS were applied in accordance with the “Framework for the preparation and presentation of financial statements” and no matters arose which required recourse to the exceptions permitted by IAS 1, paragraph 19.

It is recalled that CONSOB. resolution No. 15519 of July 27th 2006 requires that the above financial statements report, where the amounts are significant, additional sub-accounts to those already specifically required by IAS 1 and other international accounting standards in order to show the balances and transactions with related parties as well as the relative income statement accounts relating to non-recurring or unusual operations.

The assets and liabilities are shown separately and without any offsetting.

The Consolidated Financial Statements are presented in Euro, the functional currency of the Parent Company, and the amounts shown in the notes to the financial statements are shown in thousands, except where indicated otherwise.
The operational and presentation currency of the Group is the Euro, which is also the operational currency of all of the companies included in the present financial statements.
The 2019 financial statements of the Parent Company Caltagirone Editore SpA are also prepared in accordance with IFRS as defined above.

New accounting standards and interpretations

Accounting standards and amendments to standards adopted by the Group

From January 1st 2019, the Group adopted the following new accounting standards:

- "IFRS 16 - "*Leases*", endorsed by the EU on October 31st 2017 with Regulation No. 1986. IFRS 16 replaces IAS 17 Leases, in addition to the interpretations IFRIC 4-Determining whether an arrangement contains a lease, SIC 15-Operating leases - Incentives and SIC 27-Evaluating the substance of transactions in the legal form of a lease. The standard provides a new definition of leases and introduces a criterion based on control to distinguish leasing contracts from service supply contracts. In particular, in order to determine whether a contract represents a lease, IFRS 16 requires to verify whether the lessee has the right to control the use of a determined asset for a determined period of time. The standard is applied to financial statements for years beginning January 1st 2019 or subsequently, and with regards to accounting recognition sets out a single lease recognition model for the lessee, requiring generally the recognition of a right-of-use asset and of a lease liability, which represents the obligation to pay the capital portion of leasing charges. The amendments introduced by the new standard with regards to the lessor are however not particularly significant. For a more detailed outline of the standard, reference should be made to the relevant accounting standards applied paragraph. With regards to the impacts from initial application, reference should be made to note 3 below of these Explanatory Notes.

IFRS 16

Initial application of IFRS 16

The Caltagirone Editore Group applied IFRS 16 from January 1st 2019; in this regard, a detailed analysis was carried out to ascertain the impacts from the introduction of this new standard. The "Modified Retrospective" transition approach has been adopted, involving the recognition of the right-of-use at the initial application date at an amount equal to the lease liabilities.

<u>Definition of leasing</u>

The Group previously established at the commencement of the contract whether it was, or contained, a lease according to IFRIC 4. As per IFRS 16, the Group assesses whether the contract is a lease according to the definition of leasing contained in the standard.

At the date of initial application of IFRS 16, the Group decided to adopt the practical expedient of not examining contracts with a maturity of no more than twelve months and those of insignificant amount, such as transactions constituting a lease.

<u>Accounting model for the lessee</u>

As lessee, previously the Group classified leases as operating or finance leases, assessing whether the lease transfers substantially all risks and benefits related to ownership of the underlying asset. According to IFRS 16, the Group recognises to the balance sheet the right-of-use assets and the lease liabilities for the majority of leases.

The Group has decided to apply the exemptions to the recognition of short-term leases (less than one year - short term lease) and to leases of low value assets (low value lease), i.e. those where the asset, when new, or the total value of the contract, is equal to or less than USD 5,000. For these types of contracts, the company recognises the payments due as costs on a straight-like basis, or with a differing systematic criterion, where more representative. In the case of short leases, such are considered as new leases where contractual amendments or changes to the duration are made.

At the initial application date, in the case of leases classified as operating leases as per IAS 17, the lease liabilities are calculated at the present value of the residual payments due for the lease charges, discounted according to the marginal interest rate of the Group at January 1st 2019. The usage right assets are valued at an amount equal to the lease liability, adjusted for any advance or cumulative payments due for the leases. In addition, the Group utilised the following practical expedients to apply IFRS 16 to leases classified previously as operating leases as per IAS 17:

-it applied a single discount rate to a portfolio of leases with similar characteristics;

-it applied the exemption from recognising right-of-use assets and lease liabilities for contracts whose duration is less than 12 months;

-it excluded the initial direct costs in the measurement of right-of-use assets at the initial application date;

-it is based on experience acquired at the initial application date of the standard in determining the duration of leases containing renewal or termination options.

The group did not hold leases classified as finance leases under IAS 17.

Relating to the impacts deriving from the first-time application of IFRS 16, we report an increase in the right-of-use asset of Euro 11 million and a corresponding negative effect on the net financial debt.

On the valuation of lease liabilities, the Group discounted the payments due for leases utilising the marginal loan rate at January 1st 2019. The weighted average rate applied is 1%.

- "Annual Improvements to IFRS Standards 2015-2017 Cycle", endorsed by the EU on March 14th 2019 with Regulation No. 412. The amendments introduced, applied to financial statements for years beginning January 1st 2019, or subsequently and within the normal rationalisation and clarification process of the international accounting standards, concern the following standards: (i) IFRS 3 - Business Combinations and IFRS 11 - Joint Arrangements: the IASB clarified how to account for the increase of an interest in a joint operation which complies with the definition of business; (ii) IAS 12 - Income Taxes: the IASB clarified that the tax effects related to the payment of dividends (including the payments related to financial instruments classified under equity) are recorded in line with the underlying transactions or events which generated the amounts subject to distribution (ex. recognition in P&L, OCI or equity); (iii) IAS 23 - Borrowing Costs: the IASB clarified that general borrowing for the calculation of financial charges to be capitalised on qualifying assets does not include borrowings which relate specifically to qualifying assets under construction or development. When these qualifying assets are available for use, the relative borrowings are considered general borrowings for the purposes of IAS 23.
- Amendments to IAS 19 – *Employee benefits.* The document "Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)", endorsed by the EU on March 13th

2019 with Regulation No. 402, clarifies some accounting aspects relating to amendments, curtailments or settlements of a defined benefit plan. The amendments are applied for plan amendments, curtailments or settlements which occur from January 1st 2019 or the date in which they are applied for the first time.

- Amendments to IAS 28 – *Investments in associates and joint ventures.* The document "Long-term interests in Associates and Joint Ventures (Amendments to IAS 28)" endorsed by the EU on February 8th 2019 with Regulation No. 237, has the objective to clarify some aspects where the company finances associates and joint ventures with preference shares or through loans which are not expected to be repaid in the near term ("Long-Term Interests" or "LTI"). In particular, the amendment clarifies that these type of receivables, although representing an extension of the net investment in these investees to which IAS 28 is applied, are however subject to the impairment provisions of IFRS 9. The amendments are applied to financial statements concerning periods beginning on January 1st 2019 or subsequently.
- *IFRIC 23 Uncertainty over Income Tax Treatments,* endorsed by the EU on October 23rd 2018 with Regulation No. 1595, which provides indications on how to reflect in the accounting of income taxes uncertainties on the tax treatment of certain matters. IFRIC 23 applies to financial statements for periods beginning January 1st 2019 or subsequently.
- Amendments to IFRS 9 – *Financial Instruments.* The document "Prepayment features with Negative Compensation (Amendments to IFRS 9)", endorsed by the EU on March 22nd 2018 with regulation No. 498, has the objective to amend the requirements of IFRS 9 with reference to the following: (i) financial assets which contain advance payment options through negative compensation may now be measured at amortised cost or at fair value cost through other comprehensive income (FVOCI) where they satisfy the other requirements of IFRS 9; (ii) new accounting criteria introduced in the case of non-substantial changes which result in the derecognition in the case of modifications or exchanges of financial liabilities at fixed rates. The amendments are applied to financial statements concerning periods beginning on January 1st 2019 or subsequently.

With the exception of that previously commented upon with regards to IFRS 16, the adoption of the new standards applicable from January 1st 2019 did not have significant effects.

Accounting Standards and interpretations on Standards effective from the periods subsequent to 2019 and not adopted in advance by the Group:

- On March 29th 2018, the IASB published the reviewed version of the Conceptual Framework for Financial Reporting. The main changes on the 2010 version concern a new chapter regarding measurement, improved definitions and guidance, in particular with regards to defining liabilities, and the clarification of important concepts such as stewardship, prudence and upon measurement uncertainties. The amendments are applied to financial statements concerning periods beginning on January 1st 2020. They were endorsed by the EU on December 6th 2019 with Regulation No. 2075.
- On October 31st 2018, the IASB published the document "*Amendments to IAS 1 and IAS 8: Definition of Material*" with the objective to refine and align the definition of "Material" present in some IFRS, so that such is also consistent with the new Conceptual Framework for Financial Reporting approved in March 2018 and endorsed by the EU on December 6th 2019. The amendments are applied to financial statements concerning periods beginning on January 1st 2020. They were endorsed by the EU on December 10th 2019 with Regulation No. 2014.
- The IASB, on September 26th 2019, published the amendment entitled "*Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform".* The objective of the document is to enable reporting entities not to interrupt hedging transactions until the reform of the financial reference indices for the calculation of interest rates, which is still ongoing worldwide, has been completed. This reform, in particular, has created uncertainties about the timing and amount of future cash flows associated with certain financial instruments, with the consequent risk of having to terminate hedging relationships designated in accordance with IAS 39 or IFRS 9. According to the IASB, discontinuing hedging relationships because of these uncertainties does not provide useful information to users of financial statements; therefore, the document under review has made specific amendments to IAS 39, IFRS 9 and IFRS 7, introducing temporary derogations from the application of the specific hedge accounting provisions of IFRS 9 and IAS 39, to be applied obligatorily to all hedging transactions directly impacted by the reform of the reference indices for the determination of interest rates. The amendments are applied to financial statements concerning periods beginning on January 1st 2020. They were endorsed by the EU on January 16th 2020 with Regulation No. 34.

At the approval date of these consolidated financial statements, the Group is undertaking analysis to ascertain any impacts from application of these new accounting standards and interpretations.

New accounting standards and interpretations:

At the date of the approval of the present Consolidated Financial Statements, the IASB had issued (however not yet approved by the European Union) a number of accounting standards, interpretations and amendments - some still in the consultation phase - among which we highlight:

- On May 18th 2017, the IASB published the new standard IFRS 17 Insurance Contracts, which replaces the current IFRS 4. The new standard on insurance contracts improves transparency on profit sources and on the quality of profits realised and ensures a high level of results comparability, introducing a single standard for the recognition of revenues which reflects the services provided. In June 2019, the IASB published an exposure draft that includes amendments to IFRS 17 and the deferral of the entry into force of the new accounting standard to January 1st 2022. At the reporting date, the amendments to IFRS 17 have not yet been definitively approved by the IASB.
- On October 22nd 2018, the IASB published amendments to IFRS 3. The "Amendment to FRS 3 Business Combinations" document introduced a much more restrictive definition of business than that contained in the present version of IFRS 3, in addition to a process to be followed to verify whether a transaction qualifies as a "business combination" or simply as the acquisition of an asset. The amendment should be applied to acquisitions occurring from January 1st 2020. Endorsement by the EU is expected in 2020.
- On January 23rd 2020, the IASB published some amendments to IFRS 1. The document "Classification of Liabilities as Current or Non-current (Amendments to IAS 1)" provides that a liability is classified as current or non-current according to the rights existing at the date of the financial statements. In addition, it states that the classification is not affected by the entity's expectation to exercise its rights to defer settlement of the liability. Finally, it is clarified that this regulation refers to the transfer of cash, equity instruments, other assets or services to the counterparty. The amendments are applied to financial statements concerning periods beginning on

January 1st 2022. Early application is permitted. The endoresement process is still in progress.

Any effects that the newly applied accounting standards, amendments and interpretations may have on the Group financial disclosure are currently being evaluated.

Basis of Consolidation

Consolidation scope

The consolidation scope includes the parent company and all of its subsidiaries, directly or indirectly held (hereinafter the “Group”).

The list of subsidiaries included in the consolidation scope is as follows:

	Registered office	31.12.2019	31.12.2018	Activities
Caltagirone Editore SpA	Rome	Parent	Parent	finance
Il Messaggero SpA	Rome	100%	100%	publishing
Il Mattino SpA	Rome	100%	100%	publishing
Piemme SpA	Rome	100%	100%	advertising
Leggo Srl	Rome	100%	100%	publishing
Finced Srl	Rome	100%	100%	finance
Ced Digital & Servizi Srl	Rome	100%	100%	publishing
Corriere Adriatico Srl	Rome	100%	100%	publishing
Quotidiano di Puglia Srl	Rome	100%	100%	publishing
Il Gazzettino SpA	Rome	100%	100%	publishing
Stampa Venezia Srl *(1)*	Rome	100%	100%	printing
Imprese Tipografiche Venete Srl *(1)*	Rome	100%	100%	printing
P.I.M. Srl *(1)*	Rome	100%	100%	advertising
Servizi Italia 15 Srl	Rome	100%	100%	services
Stampa Roma 2015 Srl	Rome	100%	100%	printing
Stampa Napoli 2015 Srl	Rome	100%	100%	printing

(1) Held by Il Gazzettino SpA.

Subsidiaries

Subsidiary companies are all companies in which the Group directly or indirectly exercises control. Control is exercised either due to directly or indirectly holding a majority of the voting rights, or through the exercise of a dominant influence which is expressed by the power to determine, including indirectly based on contractual or legal agreements, the financial and operating choices of the company and thus obtaining the relative benefits, without reference to the actual holding in the company.

In particular, according to IFRS 10 control over an entity exists when an investor has the ability to utilise their power to influence the results of the entity, and when having the right to variable returns from their connection with the entity invested in.

Subsidiaries are consolidated from the date in which control occurs until the moment in which this control terminates.

The financial statements used for the consolidation were prepared at December 31st and are normally those prepared and approved by the Board of Directors of the individual companies, appropriately adjusted, where necessary, in accordance with the accounting principles of the Parent Company.

For the list of companies included in the consolidation scope, reference should be made to the table as per Article 38 of Legislative Decree No. 127/1991 attached to the present report.

Consolidation procedures

The subsidiary companies are consolidated using the line-by-line method. The criteria adopted for line-by-line consolidation were as follows:

- the assets and liabilities and the charges and income of the companies fully consolidated are recorded line-by-line, attributing to the minority shareholders, where applicable, the share of net equity and net result for the period pertaining to them; this share is recorded separately in the net equity and in the consolidated income statement;
- the business combinations, in which the control of an entity is acquired, are recorded applying the “Acquisition method”. The acquisition cost is represented by the fair value, at the purchase date, of assets sold, of liabilities incurred and of capital instruments issued. The assets, liabilities and contingent liabilities are recognised at their fair value at the purchase date. The difference between the purchase cost and the fair value of the assets and liabilities transferred, if positive, is recorded under intangible assets as goodwill, and if negative is recorded directly in the income statement, as income;
- the inter-group balances and transactions, including any unrealised gains with third parties, are eliminated net of the fiscal effect, if significant. The unrealised losses are not eliminated, where the transaction indicates a reduction in value of the activity transferred;
- the gains and losses deriving from the sale of an investment in a consolidated company are recorded to group net equity as a transaction with shareholders for the amount

corresponding to the difference between the sales price and the corresponding share of the consolidated net equity sold. In the case in which the sale results in the loss of control and therefore the deconsolidation of the investment, the difference between the sales price and the corresponding share of consolidated net equity sold must be recorded as a profit or loss to the income statement.

Foreign currency transactions

All transactions in currencies other than the Euro are recognised at the exchange rate at the date of the transaction. The assets and liabilities denominated in foreign currencies other than the operational currencies are subsequently adjusted to the exchange rate at the end of the reporting period. The positive or negative differences between the values translated at the period end exchange rate and the original exchange rate are recognised in the income statement.

The non-monetary assets and liabilities denominated in foreign currencies and recorded at historical cost are translated utilising the exchange rate at the initial date of recording of the operation.

The non-monetary assets and liabilities recognised at fair value are translated using the exchange rate at the transaction date.

Business combinations

Business combinations are recognised according to the acquisition method. According to this method:

i. the amount transferred to a business combination is valued at fair value, calculated as the sum of the fair value of the assets transferred and the liabilities assumed by the Group at the acquisition date and of the equity instruments issued in exchange for control of the company acquired. Accessory charges to the transaction are recorded to the income statement when they are incurred;

ii. at the acquisition date, the identifiable assets acquired and the liabilities assumed are recorded at fair value at the acquisition date; exceptions to this are the deferred tax assets and liabilities, employee benefit assets and liabilities, liabilities or equity instruments relating to share-based payments of the entity acquired or share-based payments relating to the Group issued in replacement of the contracts of the entity acquired, and the assets (or group of assets and liabilities) held-for-sale, which are instead valued according to the applicable standard;

iii. goodwill is calculated as the excess of the amounts transferred to the business combination, of the value of minority interests' net equity and the fair value of any holding previously held in the acquired company compared to the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets acquired and the liabilities assumed at the acquisition date exceeds the sum of amounts transferred, of any minority interest and the fair value of any holding previously held in the acquired company, this excess is immediately recorded to the income statement as income deriving from the transaction concluded;

iv. any amount subject to conditions established by the business combination contract are valued at fair value at the acquisition date and included in the value of the amounts transferred to the business combination for the determination of goodwill.

In the case of business combinations undertaken in a series of phases, the holding previously held in the acquired entity is revalued at fair value at the acquisition of control date and any profit or loss is recorded to the income statement. If the initial values of a business combination are incomplete at the period-end in which the business combination took place, the Group reports in its consolidated financial statements the provisional values of the items for which the final calculations could not be made. These provisional values are adjusted in the measurement period to take account of the new information obtained on the facts and circumstances existing at the acquisition date which, if known, would have had effects on the value of assets and liabilities recognised at this date.

On passage to IFRS, the Group decided to restate only the business combinations taking place after January 1st 2004. For the acquisitions before this date, goodwill is the amount recorded in accordance with Italian GAAP.

Accounting policies

Intangible assets with definite life

An intangible asset is a non-monetary asset, clearly identifiable and without physical substance, controllable and capable of generating future economic benefits.

The Intangible assets with a definite life, which include patents, concessions, licences, trademarks and similar rights and software, are recorded at cost, including direct accessory costs necessary in order to render the asset available for use. For each intangible asset, on initial recognition the useful life is determined and re-examined annually and any changes are made in accordance with future estimates.

Intangible assets with definite useful lives are recognised net of the relative accumulated amortisation and any impairment in accordance with the procedures described below. Amortisation begins when the asset is available for use and is recognised on a systematic basis in relation to the residual use and thus over the useful life of the asset. In the first year of use the amortisation takes into account the period of its use in the year. Considering the uniformity of the assets contained in the individual categories, it is considered, with the exception of specific cases, that the useful life of these assets is approximately 3-5 years. At the moment of sale or when no expected future economic benefits exist from the use of an intangible asset, it is eliminated from the financial statements and any loss or gain (calculated as the difference between the sales value and the net book value) is recorded in the income statement in the year of the above mentioned elimination.

Intangible assets with indefinite life

Publishing titles

Intangible assets with indefinite useful lives are those assets for which, on the basis of an analysis of all of the relevant factors, there is no foreseeable limit to the period in which the cash flow generated is limited for the Group. The newspaper titles are considered assets with indefinite useful lives.

The intangible assets with an indefinite life are initially recorded at purchase cost, determined in accordance with the same procedures indicated for intangible assets with a definite life, but are not amortised subsequently. The recoverability of their value was verified as reported below (see note 2). Any write-downs are reinstated if the reasons for their write down no longer exist.

Property, plant and equipment

Property, plant and equipment is recorded at cost, including directly allocated accessory costs and those necessary for the asset being in the condition for which it was acquired, and increased, in the presence of current obligations, by the current value of the estimated cost for the disposal of the asset.

The financial charges directly attributable to the acquisition, construction or production of an asset are capitalised as part of the cost of the asset itself until the moment in which the asset is ready for expected use or sale.

The expenses incurred for the maintenance and repairs of an ordinary and/or cyclical nature are directly charged to the income statement in the year in which they are incurred. The capitalisation of the costs relating to the expansion, modernisation or improvement of owned tangible assets or of those held in leasing, is made only when they satisfy the requirements to be separately classified as an asset or part of an asset in accordance with the component approach.

Property, plant and equipment is recorded net of the relative accumulated depreciation and any loss in value determined in accordance with the procedures described below. Depreciation is calculated on a straight-line basis according to the estimated useful life of the asset; useful life is reviewed annually and any changes, where necessary, are made on the basis of the new estimate.

The property, plant and equipment acquired through finance lease contracts, where the majority of the risks and rewards relating to the ownership of an asset have been transferred to the Group, are recognised as assets of the Group at their fair value or, if lower, at the current value of the minimum lease payments, including any redemption amounts to be paid. The corresponding liability due to the lessor is recorded under financial payables. The leased assets are amortised based on the useful life of the asset. When there is no reasonable certainty that the Group will acquire ownership at the end of the lease, the asset is amortised over the shorter period of the duration of the lease and the useful life of the asset. The leased assets where the lessor bears the majority of the risks and rewards relating to an asset are recorded as operating leases. The costs relating to operating leases are recorded on a straight-line basis in the income statement over the duration of the lease contract.

The principal depreciation rates applied are as follows:

	Useful life	Economic/technical rate
Industrial buildings	30 years	3.33%
Light constructions	10 years	10%
Non automated machines and general plant	10 years	10%
Rotating press for paper in rolls	15 years	6.67%

Minor equipment	4 years	25%
Office furniture and equipment	8 years	12.5%
Transport vehicles	5 years	20%
Motor vehicles and similar	4 years	25%

Land, both constructible and relating to civil and industrial buildings, is not depreciated as it has an unlimited useful life.

When the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is made separately for each part of the asset, with the application of the component approach principle.

At the moment of sale or when there are no expected future economic benefits from the use of property, plant and equipment, they are eliminated from the financial statements and any loss or gain (calculated as the difference between the sales value and the book value) is recorded in the Income Statement in the year of the above-mentioned elimination.

Impairment losses

Periodically, property, plant and machinery and intangible assets with definite useful life are examined for the existence of events or changes which would indicate that the book value may not be recovered. If an indication of this type exists, the recoverable amount must be determined and, in the case in which the book value exceeds the recoverable amount, these assets are written down to reflect their recoverable amount.

The recoverable amount of the intangible and tangible assets is the higher value between the present value, net of the disposal costs and their value of use. The value in use refers to the present value of estimated future cash flows of the asset or, for assets that do not independently generate sufficient cash flows, of the group of assets that comprise the cash generating unit to which the asset belongs.

In defining use value, expected future financial flows are discounted back by using a pre-tax discount rate that reflects current estimated market value referred to the cost of money compared to the time and specific risks of the asset.

A reduction in value is recognised in the income statement when the carrying value of the asset, or of the relative cash-generating unit to which it is allocated, is higher than the recoverable amount: the losses in value of cash generating units are firstly recognised as a reduction of the carrying amount of any goodwill allocated and, thereafter, as a reduction of

other assets, in proportion to the relative carrying amount. When the reasons for a write-down no longer exist on tangible and intangible assets other than goodwill, the book value of the asset is restated through the income statement, up to the value at which the asset would be recognised if no write-down had taken place and amortisation had been recognised.
When the reduction in value deriving from the test is higher than the value of the asset subject to the test allocated to the cash generating unit to which it belongs, the residual amount is allocated to the assets included in the cash-generating unit in proportion to their carrying value. This allocation has as its minimum limit, the highest value between:

- the relative fair value of the asset less disposal costs;
- the relative value in use, as defined above;
- zero.

Losses are recognised in the Income Statement under the account amortisation, depreciation and write-downs.

Leasing

Lessee

Identification of leasing

At the inception date of the contract (the initial between that for the signing of the contract and that on which the parties commit to comply with the contractual terms), and subsequently on any change to the contractual terms and conditions, the company verifies whether such contains or represents a lease. In particular, a contract contains or represents a lease where the right to control the use of the identified asset is transferred for an established period of time in exchange for consideration. In order to assess whether a contract contains or represents a lease, the company:

• assesses whether, with regards to the identified asset, it holds the right to substantially obtain all of the economic benefits related with its usage throughout the entire usage period;

• verifies whether the contract refers to the use of a specific asset, explicitly or implicitly, which is physically separate or substantially represents the entire capacity of a physically separate asset. Where the supplier has a substantial right to replacement, the asset is not identified;

• verifies whether it has the right to manage the use of the asset. The company is considered to enjoy this right where it has the right to take the main decisions with regards to changing the usage means and purposes of the asset.

For the contracts containing a number of leasing and non-leasing components and therefore within the scope of other accounting standards, the individual components to which the respective accounting standards are applied are separated.

The leasing duration begins when the lessor makes the asset available to the lessee (commencement date) and is established in view of the non-cancellation period of the contract, i.e. the period during which the parties have legally enforceable rights and obligations and including also the rent-free period. To this duration, the following is added:

• the period covered by a renewal option, where the company is reasonably certain of exercising this option;

• the periods subsequent to the resolution date ("termination option"), where the company is reasonably certain of not exercising this option.

The termination options held only by the lessor are not considered.

The reasonable certainty of exercising or otherwise a renewal or termination option as per the contract is verified by the company at the commencement date, considering all the facts and circumstances generating an economic incentive to exercise or otherwise the option, and is subsequently reverified where significant events or changes to circumstances which may impact its establishment, and which are under the control of the company, occur.

Recognition of leasing

At the commencement date of the leasing, the company records the Right of Use (ROU) to assets and the leasing liability.

The asset consisting of the right of use is initially valued at cost, including the amount of the initial valuation of the leased liability, adjusted for payments due for leases undertaken at the commencement date or before, plus initial direct costs incurred and an estimate of the costs which the lessee is expected to incur for the dismantling or removal of the underlying asset or for the refurbishment of the underlying asset or of the site at which it is located, net of the leasing incentives received.

The leasing liabilities are valued at the present value of the payments due for leasing not paid at the commencement date. For discounting purposes, the company utilises, where possible and where stated in the contract, an implied leasing interest rate or alternatively the incremental borrowing rate (IBR). The leasing payments due included in the valuation of the liability include the fixed payments, the variable payments which depend on an index or a rate, the amount expected to be paid as a guarantee on the residual value, the exercise price of a purchase option (that the company has a reasonable certainty of exercising), the payments due in a renewal period (where the company has a reasonable certainty of exercising the option) and the early termination penalty (unless the company is reasonably certain of not terminating the lease early).

Subsequently, right of use assets are amortised on a straight-line basis for the entire contractual duration, unless the contract itself stipulates the transfer of ownership on conclusion of the lease or where the leasing cost reflects the fact that the lessee shall exercise the purchase option. In this latter case, amortisation should take place over the lessor between the useful life of the asset and the duration of contract. The estimated useful lives of assets for the usage right are calculated according to the same criterion applied to the relative fixed asset accounts. In addition, the right of use assets are reduced by any impairments and adjusted to reflect the remeasurement of the lease liabilities.

The leased liabilities, subsequent to the initial valuation at the commencement date, are valued at amortised cost according to the effective interest criterion and remeasured in the case of changes to future payments due for the leases deriving from a change in the index or rate, in the case of a change to the amount which the company expects to pay as guarantee on the residual value or where the company changes its assessment with regards to the exercise or otherwise of a purchase, renewal or termination option. Where the lease liabilities are remeasured, the lessee correspondingly alters the right of use asset. Where the book value of the asset for the right of use is reduced to zero, the change is recognised to the net profit/(loss) for the year.

In the balance sheet, the company presents the assets for the right of use under fixed assets, in the same account in which these assets would be presented if owned, with the lease liabilities among financial liabilities. The interest charges on the lease liabilities constituting a component of the financial charges are recognised to the income statement and the accumulated amortisation of the right of use assets is presented separately.

Lessor

Identification of leasing

At the initial date of the contract and, subsequently upon a change to the contractual terms and conditions, the company classifies each of its “asset” leases as financial leases or operating leases. For these purposes, the company generally assesses whether the leasing substantially transfers all the risks and benefits related to ownership of the underlying asset. In this case, the leasing is classified as a finance lease, rather than an operating lease. Within the scope of this assessment, the company considers among the various indicators whether the leasing duration covers a majority of the economic life of the underlying asset and/or the presence or otherwise of reasonably exercisable purchase options.
For contracts containing a leasing component and one or more leasing and non-leasing components, the company breaks down the contractual consideration by applying IFRS 15.

Recognition of leasing

In the case of finance leases, the company recognises to the balance sheet the asset as a receivable of a value equal to the net investment of the leasing. To assess the net investment of the leasing, the company applies the implied leasing interest rate, established to include the direct initial costs. The company applies IFRS 9 regarding eliminations and impairment provisions to the net investment of the leasing.
The financial income is recorded over the leasing duration on a straight-line basis.

For operating leases, the company recognises the payments received as income on a straight-line basis throughout the duration of the lease to the account “other revenues from sales and services”.

Sub-leasing

With regards to sub-leasing, the company, as an interim lessee, classifies its share of the main lease separately from the sub-leasing. For these purposes, it classifies the sub-leasing with regards to the right of use asset deriving from the main lease, rather than referring to the underlying asset. Where the main lease is a short-term lease which the company has recognised applying the exemption established by the standard and outlined below, the sub-leasing is classified as an operating lease. In the presence of sub-leasing, the main lease is never considered of insignificant value.

Investments valued at cost

These concern investments for which the fair value cannot be reliably determined, these investments are valued at cost adjusted for reductions in value and the effects are recognised in the income statement.

Inventories

Raw materials, semi-finished and finished products are recognised at cost and measured at the lower of cost and the market value. The cost is calculated on the basis of the weighted average cost method, which includes related accessory costs.

In order to establish the net realisable value, the value of any obsolete or slow-moving inventory is written-down based on the expected future utilisation/realisable value through the creation of a relative fund for the reduction in value of the inventory.

Financial instruments

Classification and measurement

The classification and measurement of financial assets reflects the business model according to which such assets are managed and the characteristics of their financial flows.

IFRS 9 classifies financial assets into three principal categories: at amortised cost', at fair value recorded in other comprehensive income statement items'(FVOCI) and at fair value to the profit/(loss) for the year (FVTPL). The categories under IAS 39, that is, held-to-maturity, loans and receivables and available-for-sale, are eliminated.

Financial assets comprising capital instrument securities are always recognised at fair value. Where the security is held for trading, the fair value changes are recorded in profit or loss. For all other investments, it was decided to subsequently recognise all fair value changes to other comprehensive income statement items (OCI), exercising the FVTOCI option. The amounts accumulated to OCI shall never be reversed to the profit/(loss) for the year, even in the case of elimination for accounting purposes of the investment. The application of the "FVTOCI" option is irrevocable and reclassifications to other categories are not permitted.

With regards however to the classification of financial assets comprising Receivables and debt securities the following two elements are considered:

1. the business model adopted by the company. Specifically:
    - — Held to Collect (HTC), model whose objective is to hold financial assets for the collection of the contractual cash flows;
    - — Held To Collect and Sale (HTC&S), model whose objective is to collect the cash flows from the financial asset and also to sell the financial asset;
    - — other business models than the two preceding.
2. the characteristics of the contractual cash flows from the financial instrument and whether such contractual cash flows only concern the payment of the capital and interest or otherwise including also other components. This check is called the SPPI Test (Solely Payment of Principal and Interest Test).

IFRS 9 provides the definitions of capital and interest:

- the capital is the fair value of the financial asset on initial recognition and this amount may change over the life of the financial instrument (for example, through repayments);
- the interest however represents the compensation for the time value of money and the credit risk on the residual capital.

A financial asset consisting therefore of debt securities may be classified as follows:

1) Amortised cost, when:
    a. the contractual cash flows of the instrument consist only of the payment of capital and interest (SPPI Test satisfied); and
    b. the business model adopted by the company establishes that the entity holds the financial asset only to collect the contractual cash flows (HTC business model).

In this category, the financial instruments are initially recognised at fair value, including the transaction costs, and subsequently measured at amortised cost. The interest (calculated using the effective interest criterion, as in the preceding IAS 39), the impairments (and the write-backs of losses), the exchange gains/(losses) and the profits/(losses) from the elimination for accounting purposes are recognised to the profit/(loss) for the year.

2) Fair Value Through Other Comprehensive Income (FVTOCI), when:
    a. the contractual cash flows of the instrument consist only of the payment of capital and interest (SPPI Test satisfied); and

b. the business model adopted by the company establishes that the entity holds the financial asset to collect the contractual cash flows and the cash flows generated from sale (HTC&S business model).

In this category, the financial instruments are initially recognised at fair value, including transaction costs.

The interest (calculated using the effective interest criterion, as in the preceding IAS 39), the impairments and the exchange gains/(losses) are recognised to the profit/(loss) for the year. The other fair value changes of the instrument are recognised to other comprehensive income items (OCI). On elimination for accounting purposes of the instrument, all profits/(losses) accumulated to OIC shall be reclassified to the profit/(loss) for the year.

3) Fair Value Through Profit Or Loss residually, i.e. where:

a. the criteria outlined above are not satisfied or;

b. where the fair value option is exercised.

The financial assets classified to this category are initially and subsequently recognised at fair value. The costs of the transaction and the fair value changes are recognised to the profit/(loss) for the year.

Impairment losses

IFRS 9 replaces the 'incurred loss' model under IAS 39 with an 'expected credit loss' forecast model ("ECL"). The model assumes a significant valuation level regarding the impact of the changes to the economic factors on the ECL which are weighted on the basis of probabilities.

The new expected credit loss model is applied to financial assets measured at amortised cost or at FVOCI, with the exception of capital securities and assets from contracts with customers.

The standard establishes that the doubtful debt provisions are valued utilising the following methodologies: the "General deterioration method" and the "Simplified approach"; in particular:

- The "General deterioration method" requires classification in three stages of financial instruments included in the scope of application of IFRS 9 . The three stages reflect the level of deterioration of the quality of the receivable from the point at which the financial instrument is acquired and requires a differing method to calculate the ECL;

- The “Simplified approach” establishes that, for trade receivables, contract assets and leasing contract receivables, some simplifications are adopted in order to prevent entities from being forced to monitor changes in credit risk as required by the general model. The recognition of the loss according to the simplified approach is on a lifetime basis and therefore stage allocation is not required. For these types, therefore, receivables are broken down by cluster, for which the reference parameters (PD, LGD, and EAD) are established to calculate the lifetime expected credit losses on the basis of available information.

Where the General Deterioration Method is applied, as expected, financial instruments are classified into three stages according to the level of deterioration of the credit quality between the date of initial recognition and the measurement date:

- Stage 1: includes all financial assets considered on initial recognition (Date of initial recognition) regardless of qualitative parameters (e.g. rating) and except for situations presenting objective evidence of impairment. During the subsequent measurement phase, all financial instruments which have not demonstrated a significant increase in the credit risk compared to the date of initial recognition or which have a low credit risk at the date of analysis remain in stage 1. For these assets, the losses on expected receivables over the coming 12 months (12-month ECL) representing the expected losses in consideration of the possibility that default events will occur over the coming 12 months are recognised. The interest on financial instruments included in stage 1 are calculated on the carrying amount gross of any write-downs on the asset;
- Stage 2: includes the financial instruments presenting a significant increase in credit risk compared to the Date of initial recognition, although without presenting objective evidence of impairment. For these assets, only the expected losses on receivables deriving from all possible default events over the entire expected life of the financial instrument are recognised (Lifetime ECL). The interest on financial instruments classified to stage 2 is calculated on the carrying amount, gross of any write-downs on the asset;
- Stage 3: includes the financial assets presenting objective evidence of impairment at the Measurement date. For these assets, only the expected losses on receivables deriving from all possible default events over the entire expected life of the instrument are recognised.

Fair value hierarchy levels

In relation to the financial assets and liabilities recorded in the balance sheet at Fair Value, IFRS 13 requires that these values are classified based on a hierarchy of levels which reflects the degree of input utilised in the determination of the Fair Value. The following levels are used:

- Level 1: determination of fair value based on prices listed on active markets for identical assets or liabilities which the entity can access at the valuation date;
- Level 2: determination of fair value based on other inputs than the listed prices included in "Level 1" but which are directly (prices) or indirectly (derivatives of prices) observable for the assets or liabilities;
- Level 3: determination of the fair value based on valuation models whose input is not observable for the assets or liabilities.

For information on the Fair Value hierarchy level, reference should be made to Note 29.

Cash and cash equivalents

Cash and cash equivalents are accounted at fair value and include bank deposits and cash in hand, or rather those values that are available on demand at short notice, certain in nature and with no payment expenses.

Cash and cash equivalents in foreign currencies are valued at the year-end exchange rate.

Equity

Treasury shares

The costs incurred for the purchase of treasury shares are recorded as a reduction of shareholders' equity. The gains or losses deriving from a subsequent sale are recorded as net equity movements.

Costs for share capital increases

The costs incurred for the stock exchange listing of the Parent Company Caltagirone Editore SpA, net of the relative tax effect, are recorded as a reduction of the shareholders' equity in a separate negative reserve.

Employee benefits

The liabilities relating to the benefits recognised to employees and paid on or after the employment period and relating to defined benefit plans (Employee Leaving Indemnity), net of any assets serving the plan, are determined on the basis of actuarial assumptions estimating the amount of the future benefits that the employees have matured at the balance sheet date. The liability is recognised on an accruals basis over the maturity period of the right.

In relation to the Employee leaving indemnity, following the amendments to Law No.296 of December 27th 2006 and subsequent Decrees and Regulations ("Pension Reform") issued in the first months of 2007, it is noted that:

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

The determination of the current value of the Group commitments is made by an independent expert using the projected unit credit method. Under this method, a future projection is made of the liability to determine the probable amount to be paid on the termination of employment and then discounted, to take into account the period of time which will pass before the actual payment. The calculation takes into account the employee leaving indemnity matured and is based on actuarial assumptions which principally relate to the interest rate, which reflects the market return of primary securities with maturities similar to those for bonds and the turnover of employees.

For the quota of the employee leaving indemnity allocated to the integrated pension or rather the INPS fund from the date of the option exercised by the employee, the Group is not a debtor of the employee indemnity provision matured after December 31st 2006, and therefore the actuarial calculation of the employee leaving indemnity excludes the component relating to future salary changes.

The actuarial gains and losses, defined as the differences between the carrying value of the liabilities and the current value of the Group commitments at the end of the period, due to changes in the actuarial parameters described above, are directly recorded to the Comprehensive Income Statement. The financial component is however recorded in the Income Statement, in the account financial charges.

Provisions for risks & charges

Provisions for risks and charges are recognised in respect of certain or probable losses or liabilities, the amount or due date of which could not be determined at year-end.

The Provisions for risks and charges are recorded when a legal or implicit obligation exists towards a third party that derives from a past event, and a payment of resources is probable

in order to satisfy the obligation and this amount can be reliably estimated. When the financial effect of the time value of money is significant and the payment dates of the obligations can be estimated reliably, the provision is discounted using the estimated future cash flows at a pre-tax rate that reflects the current market assessment of the cost of money and, if appropriate, the specific risks of the obligation; the increase of the liability due to the passing of time is recorded as a financial charge.
In particular, the provisions for risks and charges relating to employee restructuring plans are recognised when at the balance sheet date the event which gives rise to the obligation is ‘binding' as the Company, through the drawing up of a formal restructuring programme, has generated within interested third parties the valid expectations that the entity will implement the afore-mentioned programme.

Grants

The grants and contributions, from public entities and private third parties, are recognised at fair value when there is reasonable certainty that they will be received and that they will satisfy the conditions for their attainment. The grants received against specific expenses are recognised under other liabilities and credited to the Income Statement in the period in which the related costs mature.
The grants received against specific assets whose value is recorded under fixed assets are recorded under other liabilities and credited to the Income Statement in relation to the depreciation period to which the asset refers.
Operating grants are fully recognised to the Income Statement at the moment in which they satisfy the conditions for their recognition.

Revenue from contracts with customers

The introduction of the new IFRS 15 amended the method for recognising revenues. Recognition is undertaken according to the “five step model framework”, based on 5 crucial phases for calculating revenues:

1) identification of the contract;
2) identification of the assets and services covered by the contract;
3) establishment of the transaction price;
4) allocation of the contractual obligations of the variable price component;
5) transfer of control.

With IFRS 15, revenues are measured taking account of the contractual terms and practices generally applied in relations with customers. The price of this transaction is the amount of payment (which may include fixed or variable amounts, or both) considered to arise in exchange for the transfer of control of the promised goods/services. Control is generally considered to be the capacity to decide upon the use of the asset (good/service) and to substantially obtain all the remaining benefits. The total payment from contracts for the provision of services is broken down among all services on the basis of the sales price of the relative services as if they had been sold individually.

For IFRS 15, within each contract, the base element for the recognition of revenues is the individual performance obligation. For each obligation to be satisfied, individually identified, the entity recognises the revenues where (or over time) the obligation is satisfied, transferring to the customer the promised good/service (or asset). The asset is transferred when (or over time) the client acquires control.

For obligations involving satisfaction over a period of time, the revenues are recognised "over the time", measuring at the end of each period the progress made towards complete satisfaction of the obligation. For the measurement of progress, both input based and output based models may be used. The Group utilises the Input based method (cost-to-cost method). According to the latter method, the revenues are recognised on the basis of the inputs used to fulfill the obligation up to the date, with regards to the total inputs assumed to fulfill the entire obligation. Where the inputs are distributed evenly over time, the company recognises the corresponding revenues on a straight-line basis. In certain circumstances, where it is not possible to reasonably measure the result of the obligation to be fulfilled, the revenues are recognised only up to the amount of costs incurred.

Variable payments

Where the contractual payment includes a variable amount (for example following reductions, discounts, reimbursements, credits, price concessions, incentives, performance bonuses, penalties or where the payment depends on the occurrence or otherwise of a future uncertain events), the amount of the payment considered to arise should be estimated. The Group estimates variable payments in a manner consistent with similar circumstances, using the expected value method or the value of the amount considered most probable; thereafter, the estimated amount of the variable payment of the transition price is included only to the extent that this amount is considered highly probable.

Presence of a significant financial component

Group revenues are adjusted amid significant financial components, both where funded by the client (early collection) or where funded by it (deferred collection). The presence of a significant financial component is identified on the signing of the contracts, comparing the expected revenues with the payments to be received. This is not recorded where between the time of transfer of the assets/service and the time of payment less than 12 months has passed.

Costs for obtaining and fulfilling the contract

- The Group capitalises the costs incurred to obtain the contract and which would not have been incurred where such had not been obtained (e.g. sales commissions), where it is expected that they may be recovered. The Group capitalises the costs incurred to fulfill the contract only where these are directly related to the contract, permitting the obtainment of new and increased resources for future obligations and where these costs shall be recoverable.

Recognition of costs

Costs are recognised when relating to assets or services acquired or consumed in the year or by systematic allocation.

Financial income and expense

Financial income and charges are recognised in accordance with the accruals concept on the basis of the interest matured on the net value of the relative financial assets and liabilities utilising the effective interest rate, therefore utilising the rate which is financially equivalent to all the cash inflows and outflows which comprise an operation.

Dividends

The dividends are recorded when the right of the shareholders to receive the payment arises. The dividends and dividend payments on account payable to third parties are recorded as changes in shareholders' equity at the date in which the Shareholders' Meetings approves them.

Income taxes

Current Income taxes for the period are determined on the basis of the taxable assessable income and in accordance with current fiscal law; in addition, the effects deriving from the implementation of the Group's national fiscal consolidation is applied.

Deferred tax assets and liabilities are calculated on temporary differences between the balance sheet values and the corresponding values recognised for tax purposes, applying the

expected tax when the differences are reversed, determined on the basis of the current tax rates in force and in consideration of any expected changes relating to future years.
The recognition of deferred tax assets is made when their recovery is probable - that is when it is expected that there will be future assessable fiscal income sufficient to recover the asset, while deferred tax liabilities are recorded in every case.
The recovery of the deferred tax asset is reviewed at each balance sheet date.

Earnings/(loss) per share

Basic

The basic earnings/(loss) per share is calculated by dividing the result of the Group by the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares.

Diluted

The diluted earnings per share is calculated by dividing the result of the Group by the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares. In order to calculate the diluted earnings per share, the average weighted number of shares outstanding is adjusted assuming the conversion of all shares with potential dilution effect. The diluted earnings per share is not calculated in the case of losses, as the dilution effect would result in an improvement in the earnings per share.

Risk Management

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

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

- *Market risk (price of raw materials – paper)*

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

- *Risks concerning the price of investments in equity instruments*

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

- *Credit risk*

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

- *Interest Rate Risk*

The interest rate risk principlally relates to an uncontrolled increase of the charges deriving from variable interest rates on medium/long-term loans. The Group currently does not have medium/long-term loans, while having an insignificant exposure to short-term debt interest rate risk.

- *Liquidity risk*

Liquidity risk is linked to the difficulty in obtaining funds to cover commitments at a given moment. The Caltagirone Editore Group possesses liquidity and this risk is therefore not considered significant for the Group.

- *Environment and security risk*

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

Use of estimates

The preparation of the consolidated financial statements requires the Directors to apply accounting principles and methods that, in some circumstances, are based on difficulties and subjective valuations and estimates based on the historical experience and assumptions which are from time to time considered reasonable and realistic based on the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, such as the balance sheet, the consolidated income statement and the consolidated cash flow statement, and on the disclosures in the notes to the accounts. The final outcome of the accounts in the financial statements, which use the above-mentioned estimates and assumptions, may differ from those reported in the financial statements due to the uncertainty which characterises the assumptions and conditions upon which the estimates are based.

The accounting principles and accounts in the financial statements which require greater subjectivity in the preparation of the estimates and for which a change in the underlying conditions of the assumptions used may have a significant impact on the consolidated financial statements of the Group are as follows:

- Indefinite intangible assets
- Write-down of fixed assets
- Depreciation of tangible fixed assets
- Deferred taxes
- Provisions for risks and charges
- Allowance for doubtful accounts
- Other write-down provisions
- Employee benefits

The estimates and assumptions are reviewed periodically and the effects of all variations recorded in the Income Statement or the Comprehensive Income Statement, when they relate only to that year. When the revision relates to both current and future periods (for example the revision of the useful life of fixed assets), the changes are recorded in the period in which the revision is made and in the relative future periods.

Change of accounting principles, errors and change of estimates

The accounting principles adopted are amended from one period to another only if the change is required by a standard and if this contributes to providing more reliable information on the effects of the operations on the balance sheet, income statement and cash flows of the enterprise.

The changes to the accounting standards are recorded retrospectively with the recording of the effect to net equity for the more remote periods reported. The other comparative amounts indicated for each period are adjusted as if the new standard had always been applied. The prospective approach is made only when it is impractical to reconstruct the comparative information.

The application of a new or amended accounting standard is accounted for in accordance with the requirements of the standard. If the standard does not permit a transition period, the change is accounted in accordance with the retrospective method, or if impractical, with the prospective method.

In the case of significant errors, the same method that is used for changes in accounting standards illustrated previously is applied. In the case of non-significant errors, these are accounted for in the income statement in the period in which they are noted.

Changes in estimates are accounted in accordance with the prospective method in the Income Statement in the period in which the change occurs only if impacting upon this latter or in the period in which the change occurs, and subsequent periods if the change also impacts upon future periods.

Value of the Group

The Stock Market capitalisation of Caltagirone Editore is currently lower than the net equity of the Group (Stock Market capitalisation at December 31st 2019 of Euro 138 million compared to a Group net equity of Euro 408.2 million), significantly lower than the valuations based on the fundamentals of the Group expressed by its value in use.

The capacity to generate cash flows or the establishment of specific fair values (cash and cash equivalents, equity instruments and Publishing Titles) may justify this difference;

stock market prices in fact also reflect circumstances not strictly related to the Group, with expectations focused on the short-term.

ASSETS

1. Intangible assets with definite life

Historical cost	Patents	Trademarks and Concessions	Others	Total
01.01.2018	**1,570**	**2,032**	**6,267**	**9,869**
Increases		39	234	**273**
Decreases		(1,445)	(759)	**(2,204)**
Reclassifications				**0**
31.12.2018	**1,570**	**626**	**5,742**	**7,938**
01.01.2019	**1,570**	**626**	**5,742**	**7,938**
Increases		47	1,038	**1,085**
Decreases			(354)	**(354)**
Reclassifications				0
31.12.2019	**1,570**	**673**	**6,426**	**8,669**

Amortisation & loss in value	Patents	Trademarks and Concessions	Others	Total
01.01.2018	**1,548**	**1,802**	**6,062**	**9,412**
Increases	7	130	122	**259**
Decreases		(1,445)	(756)	**(2,201)**
31.12.2018	**1,555**	**487**	**5,428**	**7,470**
01.01.2019	**1,555**	**487**	**5,428**	**7,470**
Increases	8	139	243	390
Decreases				0
Reclassifications				0
31.12.2019	**1,563**	**626**	**5,671**	**7,860**
Net value				
01.01.2018	**22**	**230**	**205**	**457**
31.12.2018	**15**	**139**	**314**	**468**
31.12.2019	**7**	**47**	**755**	**809**

At December 31st 2019, no Companies of the Group recorded the existence of inactive intangible assets or completely amortised still in use of significant value.

The amortisation rates used are shown below:

Category	**Average rate**
Development Costs	20.0%
Industrial patents and intel. property rights	26.5%
Trademarks, concessions and licenses	10.0%
Other	28.0%

2. *Intangible assets with indefinite life*

The indefinite intangible assets, comprising entirely of the newspaper titles, are not amortised, but annually subject to verifications to determine the existence of any loss in value.

The table below shows the movements in the intangible assets with indefinite life:

Historical cost	Goodwill	Newspaper titles	Total
01.01.2018	**189,596**	**286,794**	**476,390**
Increases			**-**
Decreases			**-**
31.12.2018	**189,596**	**286,794**	**476,390**
01.01.2019	**189,596**	**286,794**	**476,390**
Increases			-
Decreases			-
31.12.2019	**189,596**	**286,794**	**476,390**

Write-downs	Goodwill	Newspaper titles	Total
01.01.2018	**189,596**	**71,991**	**261,587**
Increases		14,600	**14,600**
Decreases			**-**
31.12.2018	**189,596**	**86,591**	**276,187**
01.01.2019	**189,596**	**86,591**	**276,187**
Increases		39,800	39,800
Decreases			-
31.12.2019	**189,596**	**126,391**	**315,987**

Net value			
01.01.2018	**-**	**214,803**	**214,803**
31.12.2018	**-**	**200,203**	**200,203**
31.12.2019	**-**	**160,403**	**160,403**

The breakdown of the balance relating to the newspaper titles, with the relative movements, is shown below:

	01.01.2018	Increases/ (Decreases)	Write-downs	31.12.2018
Il Messaggero S.p.A.	90,808			90,808
Il Mattino SpA	42,296		(6,800)	35,496
Quotidiano di Puglia SpA	10,331		(1,400)	8,931
Corriere Adriatico SpA	11,578			11,578
Il Gazzettino S.p.A.	59,787		(6,400)	53,387
Other minor newspaper titles	3			3
Total	**214,803**	**-**	**(14,600)**	**200,203**

	01.01.2019	Increases/ (Decreases)	Write-downs	31.12.2019
Il Messaggero S.p.A.	90,808			90,808
Il Mattino SpA	35,496		(12,700)	22,796
Quotidiano di Puglia SpA	8,931		(4,400)	4,531
Corriere Adriatico SpA	11,578		(5,500)	6,078
Il Gazzettino S.p.A.	53,387		(17,200)	36,187
Other minor newspaper titles	3			3
Total	**200,203**	**-**	**(39,800)**	**160,403**

In relation to the valuation model utilised to establish the recoverability of the newspaper titles, in line with in 2018, a verification was carried out of the recoverability of the value of the individual Newspaper Titles in accordance with the combined provisions of IAS 36 par. 10(b) and IAS 38 par. 108.

The impairment test on the individual Newspaper Titles was carried out on the basis of the recoverable value on the individual Newspapers calculated using a model in line with that used to calculate the third level fair value of IFRS 13 “Fair Value Measurement” (“IFRS 13”).

The recoverable value of the Newspaper Titles was established through application of a method based on empirical multipliers. This method is one of the most widely used comparative methods in common practice for the calculation of the value of specific categories of intangible assets.

The model applied refers to, for the estimated recoverable value of the Newspaper Titles, revenue multipliers (separate for circulation and advertising revenue) and a corrective factor based on a multiple of the negative EBITDA values which may be generated by the Newspaper Title. The multiplier ratios of the revenue variables are calibrated on the basis of a “balance scorecard” which allocates a score for a series of qualitative factors contributing to the value of the newspaper titles (age, competition, circulation, price, editing, advertising attractiveness, future potential, advertising catchment area and profitability), based on an analysis of the general publishing sector performance and the competitive position of each newspaper title on its market, in addition to historical experience and managerial assessments of the qualitative profiles of each of the publishing titles. The determination of the revenue ratios based on the overall score from the balance scorecard, for each Newspaper Title, is based on an objective criteria on the basis of which, for all ratios, the allocation of a minimum score for all qualitative factors corresponds to the extreme low-end of the parametric range and the maximum score to the extreme upper range. For the purposes of the analyses at December 31st 2019, lower scores were recorded compared to those utilised with reference to December 31st 2018. In particular, taking account of the historic and present results of each Title, among others, revenue level for the sales of the paper, advertising revenues and earnings, in addition to medium/long-term publishing business development expectations, the changes made concerned the scores attributed to price and competition factors (with regards to the competitivity profiles), advertising attractiveness and advertising potential (with regards to advertising revenue development), circulation and future potential.

The underlying table reports the book values of the Newspaper Titles following the impairment tests on the Newspaper Titles. The results, confirmed also by valuations made by an independent expert, resulted in a write-down of Euro 39.8 million.

Description	Newspaper titles		
(€/000)	2019	2018	Write-downs
Il Gazzettino	36,187	53,387	-17,200
Il Messaggero	90,808	90,808	
Il Mattino	22,796	35,496	-12,700
Quotidiano di Puglia	4,531	8,931	-4,400
Corriere Adriatico	6,078	11,578	-5,500

In addition to impairment tests on the value of the Newspaper Titles at December 31st 2019 through application of the model outlined previously, taking account of the close interdependence between the various Group legal entities and in line with that carried out for the impairment test regarding financial year 2018, an analysis was also carried out on the future cash flows of the CGU, utilising a single aggregate financial statement which, among other issues, enables a single “reading” of the figures according to the effective operating manner of the newspaper titles and the dedicated advertising agency.

The verification of the recoverability of the CGU’s is based on the economic and financial plan of the Caltagirone Editore Group using the financial statement accounts of the CGU of the Group comprising the publishing (including the Newspaper titles) and advertising activities.

The analysis was carried out according to IAS 36. The value in use in 2019 was determined through the Discounted Cash Flow method, which is the discounting of the future operating cash flows generated by the CGU.

In particular, the cash flows were estimated for a period of 5 years and then discounted based on the cost of capital of the CGU (WACC). A terminal value representing the projections of the CGU’s revenue capacity, calculated under the perpetual return model, was added to this value. A growth rate of zero was applied for the calculation of the terminal value.

In carrying out the impairment test, based on future cash flow projections calculated as per management estimates approved by the Board of Directors, the forecast performances for 2020 were taken into consideration. In addition, for subsequent years, specific performance estimates were drawn up, taking account of the general and market environment as impacted by the current crisis, in addition to the resultant changed operating conditions. In this regard, the forecasts made in the previous year by the Company were reviewed also on the basis of the 2019 figures.

In particular, the restructuring and cost cutting actions approved and undertaken over time by management have always had a greater impact than expected. On the other hand, the advertising and print circulation markets, due to the extended crisis and together with the extraordinary digital revolution, has meant more extensive and long lasting difficulties than predicted by all the leading operators. Therefore, the expected cash flows utilised in the model were calculated based on the 2020 budget and the 2021-2024 planning data and represent the best estimate of the amounts and timing for which the future cash flows are expected to occur based on the long-term plan which was reviewed and updated in 2020 to take account of that outlined above and of differences between the previous plan and the 2019 results. The operating costs considered in the expected cash flows were also determined based on management estimates for the coming five years and take account of the positive effects of the restructuring plan already in place. A further impairment test did not indicate additional write-downs to the CGU involved in publishing and advertising operations.

The underlying table reports the principal parameters used in the impairment test.

Description	*Tax rate*		WACC*		*g-rate***		Explicit period cash flows
	2019	2018	2019	2018	2019	2018	
Value	32.38%	32.38%	6.10%	6.50%	0	0	5 years

** The WACC represents the average weighted cost of capital of the entity taking into account the specific risks relating to the operating sectors considered. This parameter is considered net of fiscal effect and takes account of interest rate movements.*

*** The g-rate concerns the expected growth rate in order to calculate the "Terminal Value"*

The sensitivity analysis carried out indicated that - although a not insignificant sensitivity was observed for the estimates on changes to the g and WACC parameters considered and that, in certain valuation scenarios, the difference between the estimated Enterprise Value and the carrying amount of the Net Capital Employed of the CGU would be negative (however only in scenarios with a growth rate of zero) - in the majority of scenarios examined, the results of the tests substantially confirmed the conclusions obtained for the base scenario.

Further to the impairment models utilised in valuing indefinite intangible assets, for the estimate of the effective value of the newspapers` intangible assets, elements which lie outside the typical economic considerations are also considered and which relate to the number of readers and the circulation on the market, issues which determine the effective value of the newspaper and the price.

3. *Property, plant and equipment*

Historical cost	**Land & Buildings**	**Plant and Machinery**	**Commercial and industrial equipment**	**Right of use assets**	**Other assets**	**Total**
01.01.2018	60,721	102,408	818	-	22,501	**186,448**
Increases		24			514	**538**
Decreases					(2,092)	**(2,092)**
Reclassifications	(508)	(4,273)	(12)	-		**(4,793)**
31.12.2018	**60,213**	**98,159**	**806**	**-**	**20,923**	**180,101**
01.01.2019	60,213	98,159	806	-	20,923	**180,101**
Increases	206	95		12,658	541	**13,500**
Decreases					(201)	**(201)**
Reclassifications	(127)				(226)	**(353)**
31.12.2019	**60,292**	**98,254**	**806**	**12,658**	**21,037**	**193,047**

Depreciation & loss in value	**Land & Buildings**	**Plant and Machinery**	**Commercial and industrial equipment**	**Right of use assets**	**Other assets**	**Total**
01.01.2018	27,181	97,566	815	-	21,453	**147,015**
Increases	1,561	568	1		418	**2,548**
Decreases					(2,021)	**(2,021)**
Reclassifications	(508)	(4,273)	(12)	-		**(4,793)**
31.12.2018	**28,234**	**93,861**	**804**	**-**	**19,850**	**142,749**
01.01.2019	28,234	93,861	804	-	19,850	**142,749**
Increases	1,561	563	1	3,393	388	**5,906**
Decreases					(182)	**(182)**
Reclassifications	(242)				8	**(234)**
31.12.2019	**29,553**	**94,424**	**805**	**3,393**	**20,064**	**148,239**

Net value						
01.01.2018	**33,540**	**4,842**	**3**	**-**	**1,048**	**39,433**
31.12.2018	**31,979**	**4,298**	**2**	**-**	**1,073**	**37,352**
31.12.2019	**30,739**	**3,830**	**1**	**9,265**	**973**	**44,808**

"Land and Buildings" include operating offices and facilities for the printing of newspapers.

The account "Plant and machinery" is mainly composed of the presses belonging to Group publishing companies.

"Right of use assets" almost exclusively comprise the lease contracts for offices and press rooms, whose total discounted value is recognised to property, plant and equipment as per IFRS 16.

“Other assets” includes, in addition to computers, servers and network appliances, leasehold improvements and restructuring relating to rented offices. Depreciation is calculated based on the duration of the contract, which is lower than the useful life of the asset.

No financial charges were capitalised.

With reference to the impact of the application of IFRS 16 for the Group at December 31st 2019, the following additional information is provided below:

	Land & buildings	Other assets	Total right-of-use assets
Gross value at January 1st 2019	**10,809**	**237**	**11,046**
Increases	1,612	-	1,612.00
Decreases	-	-	-
Reclassifications	-	-	-
Gross value at December 31st 2019	**12421**	**237**	**12,658**
Accumulated depreciation at January 1st 2019	-	-	-
Amortisation & depreciation	3,273	120	3,393
Decreases	-		-
Reclassifications	-		-
Accumulated depreciation at December 31st 2019	**3,273**	**120**	**3,393**
Net value at December 31st 2019	**9,148**	**117**	**9,265**

At December 31st 2019, the right-of-use asset amounted to Euro 9,265 thousand, and mainly included property contracts.

The Group exposure, with indication of the maturity dates of leased liabilities concerning the non-discounted contractual cash flows, is as follows:

Within 3 months	941
Between 3 months & 1 year	2,745
Between 1 and 2 years	3,258
Between 2 and 5 years	2,506
Over 5 years	-
Total undiscounted lease liabilities as at December 31st 2019	**9,450**

Non-current and current lease liabilities are shown below:

Non-current lease liabilities	785
Non-current lease liabilities - related parties	4,915
Non-current lease liabilities	**5,700**
Current lease liabilities	698

Current lease liabilities - related parties	2,909
Current lease liabilities	**3,607**
Total lease liabilities	**9,307**

Amount recognised in income statement	
Amortisation & depreciation	3,393
Interest charges on lease liabilities	108
Short-term leasing costs	1,653
Low-value item leasing costs	26

Amounts recognised in the statement of cash flows	
Total cash outflows for leases	3,459

4. Equity investments and non-current securities

Equity investments and non-current securities	**01.01.2018**	**Increases/ (Decreases)**	**Write-downs**	**Fair value change**	**31.12.2018**
Investments in other companies valued at cost	1,218				1,218
Investments in equity instruments	86,640	12,299		(4,039)	94,900
Total	**87,858**	**12,299**	**-**	**(4,039)**	**96,118**

Equity investments and non-current securities	**01.01.2019**	**Increases/ (Decreases)**	**Write-downs**	**Fair value change**	**31.31.2019**
Investments in other companies valued at cost	1,218		(8)		1,210
Investments in equity instruments	94,900			24,667	119,567
Total	**96,118**	**-**	**(8)**	**24,667**	**120,777**

The breakdown of the account investments in other companies valued at cost is as follows:

Investments in other companies	**%**	**01.01.2018**	**Increases/ (Decreases)**	**Write-downs**	**31.12.2018**
Ansa	6.71	1,198			1,198
Other minor		20			20
Total		**1,218**	**-**	**-**	**1,218**

Investments in other companies		**01.01.2019**	**Increases/ (Decreases)**	**Write-downs**	**31.12.2019**
Ansa	6.71	1,198			1,198
Other minor		20		(8)	12
Total		**1,218**	**-**	**(8)**	**1,210**

The company ANSA is the leading news agency in Italy and a leader worldwide; ANSA is a cooperative of 34 members, including the leading publishers of national newspapers, created with a mission to publish and circulate news.

The investments in other companies are valued at fair value or, where the development plans are not available, at cost, adjusting for impairments where present.

During the year, no impairment indicators were identified and therefore no impairment test was carried out.

According to the information held by the Group therefore, no indications exist that the cost differs significantly from the fair value.

The breakdown of the account "Investments in equity instruments" is as follows:

Investments in equity instruments	**01.01.2018**	**Increases**	**Decreases**	**Fair value change**	**31.12.2018**
Assicurazioni Generali SpA	86,640	12,299		(4,039)	94,900
Total	**86,640**	**12,299**	**-**	**(4,039)**	**94,900**
	01.01.2019	**Increases**	**Decreases**	**Fair value change**	**31.12.2019**
Assicurazioni Generali SpA	94,900			24,667	119,567
Total	**94,900**	**-**	**-**	**24,667**	**119,567**

Number

	01.01.2018	**Increases**	**Decreases**	**31.12.2018**
Assicurazioni Generali SpA	5,700,000	800,000		6,500,000
	01.01.2019	**Increases**	**Decreases**	**31.12.2019**
Assicurazioni Generali SpA	6,500,000			6,500,000

The valuation at fair value of these investments at December 31st 2019 was recorded to the Comprehensive Income Statement in the Shareholders' Equity reserve for Euro 24.7 million, excluding the tax effect of Euro 578 thousand.

The changes in the fair value reserve are reported below:

Fair Value reserve

	01.01.2018	**Increases**	**Decreases**	**31.12.2018**
Fair Value reserve	714		(4,039)	(3,325)
Tax effect	(54)		377	323
Fair value reserve, net of tax effect	**660**	**-**	**(3,662)**	**(3,002)**
Changes in the year				**(3,662)**

	01.01.2019	Increases	Decreases	31.12.2019
Fair Value reserve	(3,325)	24,667		21,342
Tax effect	323		(578)	(255)
Fair value reserve, net of tax effect	**(3,002)**	**24,667**	**578**	**21,087**
Changes in the year				**24,089**

In relation to the disclosure required by IFRS 13, concerning the so-called "hierarchy of fair value", these equty instruments belong to level one, as concerning financial instruments listed on an active market.

5. Other non-current assets

The account, amounting to Euro 89 thousand, relates to receivables for deposits due within five years.

6. Deferred and current income taxes

The deferred taxes refer to temporary differences between the values recorded in the financial statements and the corresponding values recognised for tax purposes.

The movements are shown below of the deferred tax assets and liabilities:

	01.01.2018	Provisions	Utilisations	Other changes	31.12.2018
Deferred tax assets					
Tax losses carried forward	41,537	2,632	(354)		43,815
Provision for risks and charges	1,977	70	(554)		1,493
Doubtful debt provision	2,152	159	(624)		1,687
Other	3,348	662	(65)	262	4,207
Total	**49,014**	**3,523**	**(1,597)**	**262**	**51,202**
Deferred tax liabilities					
Fair value intangible & tangible assets	12,809		(1,912)		10,897
Differences accounting amortisation and depreciation	38,125	2,059	(2,884)	-	37,300
Other	59	1	(1)	(24)	35
Total	**50,993**	**2,060**	**(4,797)**	**(24)**	**48,232**
Net deferred tax assets	**(1,979)**	**1,463**	**3,200**	**286**	**2,970**

	01.01.2019	Provisions	Utilisations	Other changes	31.12.2019
Deferred tax assets					
Tax losses carried forward	43,815	2,036	(95)		45,756
Provision for risks and charges	1,493	640	(566)		1,567
Doubtful debt provision	1,687	103	(229)		1,561
Other	4,207	885	(219)	(141)	4,732
Total	**51,202**	**3,664**	**(1,109)**	**(141)**	**53,616**
Deferred tax liabilities					

Fair value intangible & tangible assets	10,897		(4,934)		5,963
Differences accounting amortisation and depreciation	37,300	1,895	(4,432)	-	34,763
Other	35	165	(167)	227	260
Total	**48,232**	**2,060**	**(9,533)**	**227**	**40,986**
Net deferred tax assets	**2,970**	**1,604**	**8,424**	**(368)**	**12,630**

The increase of the deferred tax assets is principally due to the tax losses in the year.

Taking account of the timing differences and based on forecasts, it is considered that the Group will have, in the coming years, sufficient assessable income to recover the deferred tax assets recorded in the financial statements at December 31st 2019.

The deferred tax liabilities refers to temporary differences concerning amortisation and depreciation, while utilisations principally concern the write-downs made on the newspaper titles.

The other changes in the deferred tax assets and liabilities include the tax effects on the fair value of the investments and the actuarial losses recorded to the Comprehensive Income Statement.

The net position is calculated as follows:

	31.12.2019	31.12.2018
Receivables for direct taxes	180	333
Payables for IRES/IRAP/substitute taxes	(208)	(538)
Total	**(28)**	**(205)**

The income taxes for the year are as follows:

	31.12.2019	31.12.2018
IRAP current taxes	190	237
Prior year taxes	(6)	246
Current taxes	**184**	**483**
Provision for deferred tax liabilities	2,060	2,060
Utilisation of deferred tax liabilities	(9,533)	(4,797)
Deferred tax charges	**(7,473)**	**(2,737)**
Recording of deferred tax assets	(3,664)	(3,523)
Utilisation of deferred tax assets	1,109	1,597
Deferred tax income	**(2,555)**	**(1,926)**
Total income taxes	**(9,844)**	**(4,180)**
Current and deferred IRES tax	(9,125)	(4,487)
Current and deferred IRAP tax	(713)	61
Prior year taxes	(6)	246
Total income taxes	**(9,844)**	**(4,180)**

The current taxes comprise only IRAP taxes.

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

	2019			2018		
	Taxable	Amount	Effective rate	Taxable	Amount	Effective rate
Loss before taxes	**(40,493)**	**(9,718)**	**24.0%**	**(12,478)**	**(2,995)**	**24.0%**
Permanent differences increase (decrease):						
Dividends		(1,334)			(1,260)	
Write-down of intangible assets with indefinite life		2,376			336	
Other permanent differences		(449)			(568)	
Current and deferred IRES tax		**(9,125)**	**22.5%**		**(4,487)**	**36.0%**

7. Inventories

Inventories at December 31st 2019 amount to Euro 1.65 million (Euro 1.74 million at December 31st 2018) and consist exclusively of raw materials (principally paper and ink), ancillary and consumables.

The change of inventory recorded in the income statement amounts to a decrease of Euro 92 thousand and is included in the account Raw material costs (see Note 19).

Inventories are measured at the lower of the purchase price, calculated using the weighed average cost method, and the realisable value. The net realisable value of inventories is in line with that recognised in the financial statements.

There is no inventory provided as a guarantee on liabilities.

8. Trade receivables

The breakdown is as follows:

	31.12.2019	31.12.2018
Trade receivables	50,342	54,166
Doubtful debt provision	(7,637)	(8,204)
Trade receivables	**42,705**	**45,962**
Trade receivables - related parties	122	225
Advances to suppliers	22	7
Total trade receivables	**42,849**	**46,194**

Trade receivables principally relate to Group advertising revenues from the advertising agency Piemme SpA (Euro 37.2 million).

The doubtful debt provision was utilised in the year for Euro 1.3 million and increased by Euro 691 thousand for the provisions made in the period.

The general valuation criteria of receivables, considered financial assets within the scope of IFRS 9, are illustrated in the accounting policies.

In particular, receivables, as considered financial assets, are measured at amortised cost, on the basis of the effective interest rate (identified as their nominal value).

When there is an indication of a reduction in value, the asset is reduced to the value of the discounted future cash flows obtainable. Impairments are recognised to the income statement.

When, in subsequent periods, the reasons for the write-down no longer exist, the value of the assets is restated up to the value deriving from the application of the amortised cost where no write-down had been applied.

The value of trade receivables, adjusted by the relative doubtful debt provision, approximates their fair value.

The estimate of the Doubtful debt provision is made, in consideration of the highly fragmented nature of the debt positions, through an assessment of the maturity of receivables by similar type, referring to historical-statistical analysis on the probability of recovery. The write-down process requires however that individual commercial positions of significant amounts and for which an objective solvency condition is apparent are subject to individual write-downs.

The table below shows the ageing of the trade receivables at December 31st 2018 and at December 31st 2019.

	31.12.2019	31.12.2018
Not yet due	**27,433**	**26,825**
1-30 days	2,910	3,807
30-60 days	1,961	2,445
60-90 days	1,127	1,143
Over 90 days	16,911	19,946
Overdue	**22,909**	**27,341**
Total Gross Value	**50,342**	**54,166**
Doubtful debt provision	(7,637)	(8,204)
Trade receivables	**42,705**	**45,962**

9. Other current assets

The breakdown is as follows:

	31.12.2019	31.12.2018
Employee receivables	29	65
VAT receivables	61	75
Other receivables	272	451
Prepaid expenses	442	361
Other current assets	**804**	**952**

10. Cash and cash equivalents and Net financial position

Cash and cash equivalents are broken down as follows:

	31.12.2019	31.12.2018
Bank and postal deposits	112,329	109,609
Cash in hand and similar	39	47
Total cash and cash equivalents	**112,368**	**109,656**

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

	31.12.2019	31.12.2018
A. Cash	39	47
B. Bank deposits	112,329	109,609
D. Liquidity (A)+(B)	**112,368**	**109,656**
E. Current financial receivables	**-**	**-**
F. Current bank payables	9,285	10,557
G. Current portion of non-current debt	3,607	0
H. Current payables to other lenders	-	-
I. Current debt (F)+(G)+(H)	**12,892**	**10,557**
J. Net current cash position (I)-(E)-(D)	**(99,476)**	**(99,099)**
K. Non-current bank payables		
L. Non-current payables to other lenders	5,700	-
M. Non-current financial debt (K)+(L)	**5,700**	**-**
N. Net Cash Position (J)+(M)	**(93,776)**	**(99,099)**

The net cash position was Euro 93.8 million, decreasing Euro 5.3 million on December 31st 2018 (Euro 99.1 million), mainly due to the recognition of non-current (Euro 5.7 million) and current (Euro 3.6 million) financial liabilities relating to the right-of-use leased assets recognised for a similar amount to the Property, plant and equipment category, in application of the new standard IFRS 16, and operational requirements, net of dividends received on listed shares of Euro 5.9 million.

The average interest rate on the bank deposits in Euro was 0.01% (0.01% in 2018).

In relation to the variable rate of liquidity, an annual interest rate increase of 1%, at like-for-like terms, would have a positive impact on the net profit of approx. Euro 1.1 million. A decrease in interest rates of the same level would have a corresponding negative impact.

SHAREHOLDERS’ EQUITY AND LIABILITIES

11. Shareholders’ Equity

	31.12.2019	31.12.2018
Share capital	125,000	125,000
Listing charges	(18,865)	(18,865)
Share premium reserve	459,126	459,126
Legal reserve	25,000	25,000
FTA Reserve	16,927	16,927
Treasury shares	(23,641)	(23,641)
Reserve for treasury shares	23,641	23,641
Fair Value reserve	21,087	(3,002)
IAS 19 post-employment benefit reserve	(2,254)	(1,739)
Other Reserves	1,393	1,283
Prior year results	(188,555)	(180,257)
Net Loss	(30,649)	(8,298)
Group net equity	**408,210**	**415,175**
Minority interest N.E.	-	-
Total net equity	**408,210**	**415,175**

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

All of the ordinary shares issued are fully paid-in. There are no shares subject to guarantees or restrictions on the distribution of dividends. At December 31st 2019, the Company had 18,209,738 treasury shares, comprising 14.57% of the share capital.

The fair value reserve (for greater details reference should be made to Note 4) of positive Euro 21.1 million, includes the net increase in the year of Euro 24.1 million, to adjust equity instruments to market value.

LIABILITIES

12. Personnel

Post-employment benefits and employee provisions

Post-employment benefits in the Group companies with less than 50 employees represents a liability relating to the benefits recognised to employees and paid either on termination or after employment service. This liability, together with the senior management indemnity provision, is a defined benefit plan and therefore is determined applying the actuarial method.

In the Group companies with over 50 employees, in accordance with the pension reform, the employee leaving indemnity matured at December 31st 2006 represents the payable matured by the company to be paid at the end of the employment service. This payable is valued applying actuarial and financial techniques without however considering the future salaries of the employee. The assumptions relating to the determination of the plan are summarised in the table below:

Values in %	31.12.2019	31.12.2018
Annual technical discounting rate	0.70%	1.55%
Annual inflation rate	1.50%	1.50%
Annual increase in leaving indemnity	2.62%	2.62%
Annual increase in salaries	3.00%	3.00%

The movements in the year are as follows:

	31.12.2019	31.12.2018
Net liability at beginning of year	15,590	17,353
Current cost in the period (service costs)	194	181
Interest charge (interest cost)	228	214
Actuarial profits/(losses)	702	(323)
(Services paid)	(1,309)	(1,835)
Net liability at end of year	**15,405**	**15,590**

In relation to the sensitivity analyses, an increase of 0.5% to the discount rate utilised may prompt a reduction in the net liabilities of the provision of Euro 487 thousand; a similar decrease in the rate may result in an increased net liability of Euro 517 thousand.

The comparison between the employee benefit provision and the liability in accordance with Italian regulations is as follows:

	31.12.2019	31.12.2018
Nominal value of the provision	14,008	14,899
Actuarial adjustment	1,397	691
Total DBO	**15,405**	**15,590**

Employee numbers and cost

	2019	2018
Wages and salaries	39,078	39,847
Social security charges	12,253	12,703
Post-employment benefit provision	194	181
Post-employment benefit to Complementary Fund	2,396	2,461
Other costs	3,474	2,059
Total personnel expense	**57,395**	**57,251**

The account wages and salaries and social charges, reducing on the previous year reflects the benefits of the restructuring and reorganisation plans undertaken in previous years, under which the workforce was re-sized (see also the average workforce reported below).

Other costs include charges concerning labour disputes, leaving incentives and the social security institution contributions from the restructuring in the year of approx. Euro 3.2 million (Euro 1.7 million at December 31st 2018).

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

	31.12.2019	31.12.2018	Average 2019	Average 2018
Executives	17	19	18	20
Managers & white collar	164	178	169	186
Journalists	345	349	348	358
Print workers	85	92	86	92
Total	**611**	**638**	**621**	**656**

13. Provisions for risks and charges

	Legal disputes	Agents' indemnity	Other risks	Total
Balance at January 1st 2018	7,245	135	3,206	**10,586**
Provisions	196		500	**696**
Utilisations	(117)	(64)	(1,815)	**(1,996)**
Balance at December 31st 2018	**7,324**	**71**	**1,891**	**9,286**
of which:				
Current portion	1,964		1,841	**3,805**
Non-current portion	5,360	71	50	**5,481**
Total	**7,324**	**71**	**1,891**	**9,286**
Balance at January 1st 2019	7,324	71	1,891	**9,286**
Provisions	2,228	24	137	**2,388**
Utilisations	(225)		(280)	**(505)**
December 31st 2019	**9,327**	**95**	**1,748**	**11,170**
of which:				
Current portion	2,319		1,746	**4,065**
Non-current portion	7,008	95	2	**7,105**
Total	**9,327**	**95**	**1,748**	**11,170**

The provision for legal disputes refers principally to the provisions made by the Newspaper titles against liabilities prevalently deriving from damages requested for slander and from employees. The provision was estimated taking into consideration the nature of the business, based on experience in similar cases and on all the information available at the date of preparation of these consolidated financial statements, considering the difficulty in estimating charges and the timing connected to each single case.

The agent's indemnity provision, which reflects the prudent increase in the risk connected to the termination of the mandate conferred to agents in accordance with law.

The provisions for other risks principally include residual charges relating to the restructuring plans by some companies of the Group; the relative provisions are included in labour costs.

14. Financial liabilities

	31.12.2019	31.12.2018
Payables for leasing assets	5,700	-
Non-current financial liabilities	**5,700**	**-**
Bank payables	9,285	10,557
Payables for leasing assets	3,607	-
Current financial liabilities	**12,892**	**10,557**

The due dates of the financial liabilities are as follows:

	31.12.2019	31.12.2018
Within 3 months	10,202	10,557
Between 3 months & 1 year	2,690	-
Current financial liabilities	**12,892**	**10,557**
Between 1 and 2 years	-	-
Between 2 and 5 years	5,700	-
Beyond 5 years	-	-
Non-current financial liabilities	**5,700**	-
Total financial payables	**18,592**	**10,557**

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

Values in %	2019	2018
Current financial liabilities		
Bank payables	2.6	2.7

In relation to the variable rate of financial liabilities, an annual interest rate increase of 1%, at like-for-like terms, would have a negative impact on the net profit of approx. Euro 186 thousand. A decrease in interest rates of the same level would have a corresponding positive impact.

The value of the financial liabilities approximates their fair value.

15. Other Liabilities

	31.12.2019	31.12.2018
Other non-current liabilities		
Other payables	192	86
Deferred income	1,438	1,355
Total	**1,630**	**1,441**
Other current liabilities		
Social security institutions	4,397	4,480
Employee payables	4,991	5,059
VAT payables	236	924
Withholding taxes	2,032	2,196
Other payables	8,149	8,163
Payables to related companies	36	14
Deferred income	478	428
Total	**20,319**	**21,264**

Other payables include Euro 4.9 million as the amount available to the Board of Directors in accordance with Article 25 of the by-laws which establishes the allocation to this account of 2% of net profit.

16. Trade payables

	31.12.2019	31.12.2018
Supplier payables	19,586	20,628
Payables to related companies	1,698	1,615
Total	**21,284**	**22,243**

Trade payables principally refer to operating subsidiaries in the publishing sector and relate to the purchase of raw materials, services and capital expenditures. The book value of the trade payables reported above approximates their fair value.

There are no payables due over 12 months.

INCOME STATEMENT

17. Revenues from sales and services

	2019	2018
Advertising	69,322	72,639
Circulation revenues	60,777	65,825
Promotions	455	410
Revenues transport services	1,211	1,155
Other services web	154	169
Total revenues from sales and services	**131,919**	**140,198**
of which related parties	*249*	*332*

18. Other operating revenues

	2019	2018
Grants related to income	228	70
Royalties and sponsorship	346	155
Telephone subsidised	290	216
Prior year income	249	481
Recovery of expenses from third parties	140	275
Rent, leases and hire charges	137	129
Gains on disposal of assets	-	39
Other revenues	2,549	2,401
Total other operating revenues	**3,939**	**3,766**
of which related parties	*54*	*120*

In accordance with Law 124/2017, the account "Subsidised tariffs" include the telephone subsidies under Article 28 of Law 416/81.

19. Raw material costs

	2019	2018
Paper	9,224	10,154
Other publishing materials	2,398	2,633
Change in inventory of raw materials and goods	92	(419)
Total raw materials costs	**11,714**	**12,368**

20. Other operating costs

	2019	2018
Distribution fees	13,261	14,508
Editorial services	9,988	11,500
Transport and delivery	6,060	6,857
Commissions and agent costs	5,336	5,612
Misc. services	5,038	5,216
Maintenance and repair costs	3,289	3,368
Consultancy	3,389	3,221
Outside contractors	1,431	2,022
Directors and statutory auditors fees	1,808	1,926
Utilities and power	1,614	1,706
Advertising & promotions	1,465	1,798
Cleaning and security	1,328	1,501
Other costs	4,839	5,121
Total service costs	**58,846**	**64,356**
Rental	1,127	5,149
Hire	677	797
Other	-	1
Total rent, lease and similar costs	**1,804**	**5,947**
Other operating charges	3,637	3,232
Total other costs	**3,637**	**3,232**
Total other operating costs	**64,287**	**73,535**
of which related parties	*1,890*	*5,324*

21. Amortisation, depreciation, provisions & write-downs

	2019	2018
Amortisation of intangible assets	390	259
Depreciation of property, plant & equipment	2,513	2,548
Amort. leased assets	3,393	-
Provision for risks and charges	1,256	361
Write-down of intangible assets with indefinite life	39,800	14,600
Doubtful debt provision	691	479
Total amortisation, depreciation, provisions & write-downs	**48,043**	**18,247**

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

In relation to the write-down of intangible assets with indefinite life and the doubtful debt provision, reference should be made respectively to Notes 2 and 8.

22. Net financial income/(charges)

Financial income	**31.12.2019**	**31.12.2018**
Dividends	5,850	5,525
Bank deposit interest	4	28
Other financial income	54	146
Total financial income	**5,908**	**5,699**
of which related parties	*5,850*	*5,525*
Financial charges		
Interest on mortgage loans	-	(7)
Interest on bank accounts	(249)	(240)
Financial charges on post-em. bens.	(228)	(214)
Banking commissions and charges	(177)	(217)
Int. on leased assets IFRS 16	(108)	-
Write-down of investments	(8)	-
Other financial charges	(51)	(62)
Total financial charges	**(821)**	**(740)**
of which related parties	*83*	*19*
Financial result	**5,087**	**4,959**

The dividends included in financial income relates to the shareholding in Assicurazioni Generali SpA.

23. Earnings per share

The basic earnings/(loss) per share is calculated by dividing the Group net result for the year by the weighted average number of ordinary shares outstanding in the year.

	2019	**2018**
Net Result	(30,649)	(8,298)
Number of ordinary shares outstanding (thousands)	106,790	120,777
Net earnings per share	**(0.287)**	**(0.069)**

The diluted earning per share is identical to the basic earnings per share as Caltagirone Editore SpA has only issued ordinary shares.

In 2019 no dividends were distributed.

24. Other Consolidated Comprehensive Income Statement items

The breakdown of the other comprehensive income statement items, excluding the tax effects, is reported below:

	31.12.2019			31.12.2018		
	Gross value	**Tax effect**	**Net value**	**Gross value**	**Tax effect**	**Net value**
Actuarial gains/(losses) on post-employment benefits	(721)	206	(515)	314	(91)	223
Gain/(loss) from recalculation of AFS financial assets, net of fiscal effect	24,668	(579)	24,089	(4,039)	377	(3,662)

25. Transactions with related parties

The transactions of Group companies with related parties generally relate to normal operations and are regulated at market conditions. They principally relate to the exchange of goods, the provision of services, and the provision and use of financial resources by associated companies and subsidiaries excluded from the consolidation scope, as well as with other companies belonging to the Caltagirone Group or under common control.

There are no atypical or unusual transactions which are not within the normal business operations. The following tables report the values.

31.12.2018	**Parent Company**	**Companies under common control**	**Other related parties**	**Total related parties**	**Total book value**	**% on total account items**
Balance sheet transactions						
Trade receivables		201	24	**225**	**46,194**	0.5%
Trade payables	1,545	70		**1,615**	**22,243**	7.3%
Other current liabilities		14		**14**	**21,264**	0.1%
Income statement transactions						
Revenues		259	73	**332**	**140,198**	0.2%
Other operating income		120		**120**	**3,766**	3.2%
Other operating charges	600	4,646	78	**5,324**	**73,535**	7.2%
Financial income			5,525	**5,525**	**5,699**	96.9%

31.12.2019	**Parent Company**	**Companies under common control**	**Other related parties**	**Total related parties**	**Total book value**	**% on total account items**
Balance sheet						

transactions						
Trade receivables		113		**113**	**42,849**	0.3%
Non-current financial liabilities		4,915		**4,915**	**5,700**	86.2%
Trade payables	1,678	20		**1,698**	**21,284**	8.0%
Current financial liabilities		2,909		**2,909**	**12,892**	22.6%
Other current liabilities		36		**36**	**20,869**	0.2%
Income statement transactions						
Revenues		228	21	**249**	**131,920**	0.2%
Other operating income		54		**54**	**3,939**	1.4%
Other operating charges	400	1,490		**1,890**	**64,287**	2.9%
Financial income			5,850	**5,850**	**5,908**	99.0%
Financial expenses		83		**83**	**821**	10.1%

Trade receivables principally concern commercial transactions for the sale of advertising space.

Trade payables to Parent Companies refer to the invoices received from Caltagirone SpA for services performed during the year.

Current and non-current financial liabilities to companies subject to the common control of the Parent Company refer to liabilities recognised in application of IFRS 16 in relation to existing lease contracts.

Operating revenues principally concern the advertising carried out with Group newspapers by companies under common control.

Operating costs principally include rental costs by the Parent Company and Other group companies for their respective head offices from companies under common control.

The account financial income relates to dividends received from Assicurazioni Generali SpA.

26. Business segment information

The disclosures required in accordance with IFRS 8 on the segment information are provided below. The Caltagirone Editore Group, in consideration of the economic and financial relations between the various Group companies and the interdependence between the publishing activities of the various Group newspapers and the advertising activity carried out by the Group agency, described in note 2, operates within a single sector, defined as a distinctly identifiable part of the Group, which provides a set of related products and services and is subject to differing risks and benefits from the other sectors of Group activity. This vision is used by Management to carry out an analysis of operational performance and for the specific management of related risks. The Group operates exclusively in Italy and bases sector performance on turnover volumes and EBITDA from ordinary operations.

2018	Publishing and Advertising activities	Other activities	Unallocated items and eliminations	Consolidated
Segment revenues	**143,924**	**586**	(546)	**143,964**
Inter-segment revenues	(46)	(500)	546	-
Operating grants	143,878	86		143,964
Segment EBITDA	**2,812**	**(2,002)**		**810**
Depreciation, amortisation, provisions & write-downs	(18,247)	(1)		(18,248)
EBIT	**(15,435)**	**(2,003)**	**1**	**(17,437)**
Net financial result				4,959
Loss before taxes				**(12,478)**
Income taxes				4,180
Net Loss				**(8,298)**
Segment assets	298,793	245,200		543,993
Segment liabilities	120,823	7,995		128,818
Investments in intangible and tangible fixed assets	811			811

2019	Publishing and Advertising activities	Other activities	Unallocated items and eliminations	Consolidated
Segment revenues	**135,903**	**571**	**(615)**	**135,859**
Inter-segment revenues	(44)	(571)	615	-
Operating grants	135,859	-		135,859
Segment EBITDA	**3,896**	**(1,433)**		**2,463**
Depreciation, amortisation, provisions & write-downs	(47,826)	(217)		(48,043)
EBIT	**(43,930)**	**(1,650)**	**-**	**(45,580)**
Net financial result				5,087
Loss before taxes				**(40,493)**
Income taxes				9,844
Net Loss				**(30,649)**
Segment assets	263,094	275,080		538,174
Segment liabilities	122,611	7,354		129,965
Investments in intangible and tangible fixed assets	13,499	1,066		14,565

The application of IFRS 16 led to an increase in investments in tangible and intangible assets compared to December 31st 2018. For further information, reference should be made to Note 3.

The comparative information has not been modified in line with the transition approach adopted for the application of the new accounting standard.

27. Other information

Information in accordance with article 149 of Consob Resolution 11971/99

The fees paid to the independent audit firm PricewaterhouseCoopers SpA for financial year 2016, without including the Consob contribution or expenses invoiced, amount to Euro 297 thousand, and entirely refer to audit and limited audit activities.

28. Hierarchy of Fair Value according to IFRS 13

In relation to financial instruments recorded at Fair Value, IFRS 13 requires that these values are classified based on a hierarchy of levels which reflects the sources of the input utilised in the determination of the Fair Value. Therefore the following hierarchy levels are established:

- Level 1: determination of fair value based on prices listed in active markets by class of asset or liability subject to valuation;

- Level 2: determination of Fair Value based on input other than the listed prices included at Level 1 but which are directly observable (prices) and indirectly (derivatives from prices) on the market; instruments not characterised by sufficient level of liquidity or which do not express in a continuous manner a "binding" market listing are included in this category;

- Level 3: determination of fair value based on valuation models whose input is not based on observable market data.

The following table shows the hierarchy level for the assets and liabilities which are valued at Fair Value:

Dec 31, 2018	Note	Level 1	Level 2	Level 3	Total
Capital instruments	4	94,900			**94,900**
Total assets		**94,900**	**-**	**-**	**94,900**

Dec 31, 2019	Note	Level 1	Level 2	Level 3	Total
Capital instruments	4	119,567			**119,567**
Total assets		**119,567**	**-**	**-**	**119,567**

In 2019 there were no transfers between the various levels.

29. Subsequent events

As noted, the Covid-19 coronavirus epidemic is seriously threatening public health. In order to deal with this emergency, the Italian Government has imposed strict isolation measures restricting the movement of an increasing number of people; many companies are taking preventive measures to limit the spread of the contagion, such as, for example, resorting as far as possible to remote working and, if necessary, suspending activities. In view of the ongoing and developing epidemic and the consequent uncertainty in predicting the duration and impact that this emergency will have on national and global economic activities, the Company did not consider it possible to make a reasonable estimate of its impact on the operations of the Caltagirone Editore Group and the related financial statement balances. As required by the applicable accounting standards, it should be noted that the valuation of listed equity securities in portfolio at March 9th 2020 was impacted by the above, resulting in a reduction in value of approx. 25% compared to the corresponding value at December 31st 2019. However, the Group has the capacity to keep these securities in portfolio as it has a strong capital base.

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PARENT COMPANY FINANCIAL STATEMENTS

December 31st 2019

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FINANCIAL STATEMENTS

December 31st 2019

Balance Sheet

Assets

(in Euro)	note	31.12.2019	31.12.2018
Non-current assets			
Property, plant and equipment	1	849,406	-
Equity investments valued at cost	2		
subsidiary companies		*254,419,741*	*290,712,246*
associated companies		*-*	*-*
other companies		*10*	*10*
Equity investments and non-current securities	3	61,623,250	48,910,000
Deferred tax assets	4	42,715,651	40,561,880
TOTAL NON-CURRENT ASSETS		**359,608,058**	**380,184,136**
Current assets			
Trade receivables	5	501,218	512,981
of which related parties		*501,218*	*504,542*
Current financial assets	6	57,252,158	62,928,093
of which related parties		*57,252,158*	*62,928,093*
Tax receivables	4	35,766	175,531
Other current assets	7	4,224,120	3,755,659
of which related parties		*4,169,421*	*3,702,956*
Cash and cash equivalents	8	3,134,015	1,681,854
TOTAL CURRENT ASSETS		**65,147,277**	**69,054,118**
TOTAL ASSETS		**424,755,335**	**449,238,254**

Balance Sheet

Shareholders' Equity & Liabilities

(in Euro)	note	*31.12.2019*	*31.12.2018*
Shareholders` Equity			
Share capital		125,000,000	125,000,000
Share capital issue costs		(18,864,965)	(18,864,965)
Other reserves		308,891,573	312,044,613
Loss for the year		(40,629,621)	(15,711,415)
TOTAL SHAREHOLDERS' EQUITY	9	**374,396,987**	**402,468,233**
Liabilities			
Non-current liabilities			
Employee provisions	10	92,739	97,424
Non-current financial payables	11	638,821	-
of which related parties		*638,821*	
Deferred tax liabilities	4	182,181	29,944
TOTAL NON-CURRENT LIABILITIES		**913,741**	**127,368**
Current liabilities			
Current provisions	12	872,084	70,493
Trade payables	13	2,072,307	1,712,920
of which related parties		*1,724,870*	*1,583,332*
Current financial liabilities	11	2,463,186	2,248,395
of which related parties		*2,463,186*	*2,248,395*
Current income tax payables	4	2,132	2,132
Other current liabilities	14	44,034,898	42,608,713
of which related parties		*38,241,758*	*36,096,277*
TOTAL CURRENT LIABILITIES		**49,444,607**	**46,642,653**
TOTAL LIABILITIES		**50,358,348**	**46,770,021**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**424,755,335**	**449,238,254**

Income Statement

(in Euro)	note	2019	2018
Other operating revenues	15	579,218	515,758
of which related parties		*508,000*	*508,000*
TOTAL OPERATING REVENUES		**579,218**	**515,758**
Labour costs	10	(201,075)	(223,437)
Other operating charges	16	(1,777,593)	(2,279,287)
of which related parties		*(548,364)*	*(1,032,178)*
TOTAL OPERATING COSTS		**(1,978,668)**	**(2,502,724)**
EBITDA		**(1,399,450)**	**(1,986,966)**
Amm., deprec., provisions & write-downs	17	-	(650)
Amort. leased assets		(216,870)	-
EBIT		**(1,616,320)**	**(1,987,616)**
Financial income		4,780,707	3,456,289
of which related parties		*4,780,695*	*3,449,741*
Financial charges		(44,129,553)	(17,619,277)
of which related parties		*(10,096)*	*(490)*
Net financial charges	18	**(39,348,846)**	**(14,162,988)**
LOSS BEFORE TAXES		**(40,965,166)**	**(16,150,604)**
Income taxes	4	335,545	439,189
LOSS FROM CONTINUING OPERATIONS		**(40,629,621)**	**(15,711,415)**
NET LOSS FOR THE YEAR		**(40,629,621)**	**(15,711,415)**

Comprehensive Income Statement

(in Euro)	**2019**	**2018**
Net loss for the year	**(40,629,621)**	**(15,711,415)**
Items which may not be subsequently reclassified to the profit (loss) for the year		
Effect of actuarial gains/losses, net of tax effect	(2,315)	797
Profit/(loss) from the valuation of Investments in equity instruments net of the tax effect	12,560,691	(1,985,880)
Total other items of the Comprehensive Income Statement	**12,558,376**	**(1,985,083)**
Total comprehensive loss for the year	**(28,071,245)**	**(17,696,498)**

Statement of changes in Shareholders' Equity

(in Euro)	Share capital	Listing charges	Treasury shares	Fair Value reserve	Other reserves	Net Profit	Total Net Equity
Balance at January 1, 2018	**125,000,000**	**(18,864,965)**	**(2,224,175)**	**4,407,494**	**370,157,287**	**(36,947,457)**	**441,528,184**
Previous year results carried forward					(36,947,457)	36,947,457	**-**
Treasury shares in portfolio			(21,416,749)		53,297		**(21,363,452)**
Total operations with shareholders	**125,000,000**	**(18,864,965)**	**(23,640,924)**	**4,407,494**	**333,263,127**	**-**	**420,164,732**
Change in fair value reserve				(1,985,880)			**(1,985,880)**
Change employee reserve					797		**797**
Net Loss						(15,711,415)	**(15,711,415)**
Comprehensive profit/(loss) for the year	**-**	**-**	**-**	**(1,985,880)**	**797**	**(15,711,415)**	**(17,696,498)**
Other changes					(1)		**(1)**
Balance at December 31st 2018	**125,000,000**	**(18,864,965)**	**(23,640,924)**	**2,421,614**	**333,263,923**	**(15,711,415)**	**402,468,233**
Balance at January 1, 2019	**125,000,000**	**(18,864,965)**	**(23,640,924)**	**2,421,614**	**333,263,923**	**(15,711,415)**	**402,468,233**
Previous year results carried forward					(15,711,415)	15,711,415	**-**
Total operations with shareholders	**125,000,000**	**(18,864,965)**	**(23,640,924)**	**2,421,614**	**317,552,508**	**-**	**402,468,233**
Change in fair value reserve				12,560,691			**12,560,691**
Change employee reserve					(2,315)		**(2,315)**
Net result						(40,629,621)	**(40,629,621)**
Comprehensive profit/(loss) for the year	**-**	**-**	**-**	**12,560,691**	**(2,315)**	**(40,629,621)**	**(28,071,245)**
Other changes					(1)		**(1)**
December 31st 2019	**125,000,000**	**(18,864,965)**	**(23,640,924)**	**14,982,305**	**317,550,192**	**(40,629,621)**	**374,396,987**

Cash Flow Statement

(in Euro)	Note	31.12.2019	31.12.2018
CASH & CASH EQUIVALENTS BEGINNING YEAR	**10**	**1,681,854**	**2,327,332**
Net loss for the year		(40,629,621)	(15,711,415)
Amortisation & depreciation		216,870	650
(Revaluations) and write-downs		44,108,851	17,574,746
Net financial charges		(4,760,006)	(3,411,758)
of which related parties		*(4,770,599)*	*(2,679,571)*
Income taxes		(335,544)	(439,189)
Changes in employee provisions		(9,448)	4,810
Changes in current and non-current provisions		-	-
OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL		**(1,408,898)**	**(1,982,156)**
(Increase) Decrease in Trade receivables		11,763	613,883
Increase (Decrease) in Trade payables		359,387	606,880
Change in other current and non-current liabilities		868,420	3,832,600
Change in deferred and current income taxes		(1,594,433)	(2,234,603)
OPERATING CASH FLOW		**(1,763,761)**	**836,604**
Dividends received		4,780,695	3,447,440
of which related parties		*4,780,695*	*3,447,440*
Interest received		12	8,492
of which related parties		-	*748*
Interest paid		(9,096)	(43,225)
of which related parties		-	*(1,177)*
A) CASH FLOW FROM OPERATING ACTIVITIES		**3,007,850**	**4,249,311**
Non-current investments and securities		(1,738,619)	(331,937)
Sale of equity investments and non-current securities		-	-
Change in current financial assets		399,800	17,300,600
B) CASH FLOW FROM INVESTING ACTIVITIES		**(1,338,819)**	**16,968,663**
Change in current financial liabilities		(216,870)	(500,000)
Other changes		-	(21,363,452)
C) CASH FLOW FROM FINANCING ACTIVITIES		**(216,870)**	**(21,863,452)**
D) Effect exc. diffs. on cash & cash equivalents		-	-
Change in net liquidity		**1,452,161**	**(645,478)**
CASH & CASH EQUIVALENTS CURRENT YEAR	**10**	**3,134,015**	**1,681,854**

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NOTES TO THE FINANCIAL STATEMENTS

December 31st 2019

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Introduction

Caltagirone Editore SpA (Parent Company) is a limited liability company with its registered office at Rome (Italy), Via Barberini, No. 28.

At December 31st 2019, the shareholders with holdings above 3% of the share capital, as per the shareholders' register, the communications received in accordance with Article 120 of Legislative Decree No. 58 of February 24th 1998, and other information available are:

- Francesco Gaetano Caltagirone 75,955,300 shares (60.76%).

  The above investment is held indirectly through the companies:

  Parted 1982 SpA 44,454,550 shares (35.56%)

  Gamma Srl 9,000,750 shares (7.20%)

  FGC Finanziaria Srl 22,500,000 shares (18.00%)

The company in addition holds 18,209,739 treasury shares, equal to 14.57% of the share capital.

The present financial statements were authorised for publication by the Directors on March 10th 2020.

At the date of the preparation of the present accounts, the ultimate holding company is FGC SpA, with registered office at Via Barberini 28 Rome, due to the shares held through subsidiary companies.

Compliance with international accounting standards approved by the European Commission

The financial statements at December 31st 2019 were prepared on the going concern basis and in accordance with Article 2 of Legislative Decree 38/2005 and International Financial Reporting Standards (IFRS), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), approved by the European Commission and in force at the balance sheet date, in addition to the preceding International Accounting Standards (IAS). For simplicity, all the standards and interpretations are hereafter stated simply as "IFRS". In the preparation of the present document, account was taken of Article 9 of Legislative Decree No. 38 of February 28th 2005, of the provisions of the civil code, of CONSOB Resolution No. 15519 ("Regulations relating to financial statements to be issued in accordance with Article 9, paragraph 3 of Legs. Decree No. 38/2005") and No. 15520 ("Modifications and amendments to the implementation rules of Legs. Decree No. 58/1998"), both of July 27th 2006, as well as CONSOB communication No. DEM/6064293 of July 28th 2006 ("Disclosure of issuers of shares and financial instruments in accordance with article 116 of the CFA").

Basis of presentation

The Financial Statements at December 31st 2019 are presented in Euro and all the amounts refer to units of the currency, except where indicated otherwise. They consist of the Balance Sheet, the Income Statement, the Comprehensive Income Statement, the Cash Flow Statement, the Statement of changes in Shareholders' Equity and the Explanatory Notes. In relation to the presentation of the financial statements, the Company has chosen the following options:

- the current and non-current assets and current and non-current liabilities are presented as separate classifications in the Balance Sheet;
- the Income Statement and the Comprehensive Income Statement are classified on the basis of the nature of the costs;
- the comprehensive income statement, beginning with the net result, highlights the effect of profits and losses recorded directly to net equity;
- the statement of changes in shareholders' equity is based on changes in equity;
- the cash flow statement is presented using the indirect method.

The historic cost is the general criteria adopted, with the exception of the financial statement accounts measured at Fair value according to the individual IFRS, as described in the measurement criteria below.

The IFRS were applied in accordance with the "Framework for the preparation and presentation of financial statements" and no matters arose which required recourse to the exceptions permitted by IAS 1, paragraph 19.

It is recalled that CONSOB. resolution No. 15519 of July 27th 2006 requires that the above financial statements report, where the amounts are significant, additional sub-accounts to those already specifically required by IAS 1 and other international accounting standards in order to show the balances and transactions with related parties as well as the relative income statement accounts relating to non-recurring or unusual operations.

The assets and liabilities are shown separately and without any offsetting.

The accounting principles and criteria applied in the present financial statements are in line with those adopted in the financial statements for the year ended December 31st 2018, with the exception of that described below.

New accounting standards and interpretations

Accounting standards and amendments to standards adopted by the Company

From January 1st 2019 the Company adopted the following new accounting standards:

- "IFRS 16 - "*Leases*", endorsed by the EU on October 31st 2017 with Regulation No. 1986. IFRS 16 replaces IAS 17 Leases, in addition to the interpretations IFRIC 4-Determining whether an arrangement contains a lease, SIC 15-Operating leases - Incentives and SIC 27-Evaluating the substance of transactions in the legal form of a lease. The standard provides a new definition of leases and introduces a criterion based on control to distinguish leasing contracts from service supply contracts. In particular, in order to determine whether a contract represents a lease, IFRS 16 requires to verify whether the lessee has the right to control the use of a determined asset for a determined period of time. The standard is applied to financial statements for years beginning January 1st 2019 or subsequently, and with regards to accounting recognition sets out a single lease recognition model for the lessee, requiring generally the recognition of a right-of-use asset and of a lease liability, which represents the obligation to pay the capital portion of leasing charges. The amendments introduced by the new standard with regards to the lessor are however not particularly significant. For a more detailed outline of the standard, reference should be made to the relevant accounting standards applied paragraph. With regards to the impacts from initial application, reference should be made to note 3 below of these Explanatory Notes.

IFRS 16

Initial application of IFRS 16

Caltagirone Editore applied IFRS 16 from January 1st 2019; in this regard, a detailed analysis was carried out to ascertain the impacts from the introduction of this new standard. The "Modified Retrospective" transition approach has been adopted, involving the recognition of the right-of-use at the initial application date at an amount equal to the lease liabilities.

Definition of leasing

The Company previously established at the commencement of the contract whether it was, or contained, a lease according to IFRIC 4. As per IFRS 16, the Company assesses whether the contract is a lease according to the definition of leasing contained in the standard.

At the initial application date of IFRS 16, the Company decided to adopt the practical expedient which exempts re-examining which operations contain leases. IFRS 16 was applied only to contracts which were previously identified as leases. The contracts which were not identified as leases applying IAS 17 and IFRIC 4 were not re-assessed in order to establish whether constituting a lease. Therefore, the definition of leasing contained in IFRS 16 was applied only to contracts signed or amended on January 1st 2019 or subsequently.

Accounting model for the lessee

As lessee, previously the Company classified leases as operating or finance leases, assessing whether the lease transfers substantially all risks and benefits related to ownership of the underlying asset. According to IFRS 16, the Company recognises to the balance sheet the right-of-use assets and the lease liabilities for the majority of leases.

The Company has decided to apply the exemptions to the recognition of short-term leases (less than one year - short term lease) and to leases of low value assets (low value lease), i.e. those where the asset, when new, or the total value of the contract, is equal to or less than USD 5,000. For these types of contracts, the company recognises the payments due as costs on a straight-like basis, or with a differing systematic criterion, where more representative. In the case of short leases, such are considered as new leases where contractual amendments or changes to the duration are made.

At the initial application date, in the case of leases classified as operating leases as per IAS 17, the lease liabilities are calculated at the present value of the residual payments due for the lease charges, discounted according to the marginal interest rate of the Group at January 1st 2019. The usage right assets are valued at an amount equal to the lease liability, adjusted for any advance or cumulative payments due for the leases. The Company utilised the following practical expedients to apply IFRS 16 to leases classified previously as operating leases as per IAS 17.

-it applied a single discount rate to a portfolio of leases with similar characteristics;

-it applied the exemption from recognising right-of-use assets and lease liabilities for contracts whose duration is less than 12 months;

-it excluded the initial direct costs in the measurement of right-of-use assets at the initial application date;
-it is based on experience acquired at the initial application date of the standard in determining the duration of leases containing renewal or termination options.
The Company did not hold leases classified as finance leases under IAS 17.

From the analyses carried out, relating to the impacts deriving from the application of IFRS 16, an increase in the right-of-use asset of approx. Euro 1,066 thousand and a corresponding negative effect on the net financial debt of approx. Euro 853 thousand is reported.
On the valuation of lease liabilities, the Company discounted the payments due for leases utilising the incremental borrowing rate at January 1st 2019. The weighted average rate applied is 1%.

- “Annual Improvements to IFRS Standards 2015-2017 Cycle”, endorsed by the EU on March 14th 2019 with Regulation No. 412. The amendments introduced, applied to financial statements for years beginning January 1st 2019, or subsequently and within the normal rationalisation and clarification process of the international accounting standards, concern the following standards: (i) IFRS 3 - Business Combinations and IFRS 11 - Joint Arrangements: the IASB clarified how to account for the increase of an interest in a joint operation which complies with the definition of business; (ii) IAS 12 - Income Taxes: the IASB clarified that the tax effects related to the payment of dividends (including the payments related to financial instruments classified under equity) are recorded in line with the underlying transactions or events which generated the amounts subject to distribution (ex. recognition in P&L, OCI or equity); (iii) IAS 23 - Borrowing Costs: the IASB clarified that general borrowing for the calculation of financial charges to be capitalised on qualifying assets does not include borrowings which relate specifically to qualifying assets under construction or development. When these qualifying assets are available for use, the relative borrowings are considered general borrowings for the purposes of IAS 23.
- Amendments to IAS 19 – *Employee benefits.* The document “Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)”, endorsed by the EU on March 13th 2019 with Regulation No. 402, clarifies some accounting aspects relating to amendments, curtailments or settlements of a defined benefit plan. The amendments are applied for plan amendments, curtailments or settlements which occur from January 1st 2019 or the date in which they are applied for the first time.

- Amendments to IAS 28 – *Investments in associates and joint ventures.* The document “Long-term interests in Associates and Joint Ventures (Amendments to IAS 28)” endorsed by the EU on February 8th 2019 with Regulation No. 237, has the objective to clarify some aspects where the company finances associates and joint ventures with preference shares or through loans which are not expected to be repaid in the near term (“Long-Term Interests” or "LTI"). In particular, the amendment clarifies that these type of receivables, although representing an extension of the net investment in these investees to which IAS 28 is applied, are however subject to the impairment provisions of IFRS 9. The amendments are applied to financial statements concerning periods beginning on January 1st 2019 or subsequently.
- *IFRIC 23 Uncertainty over Income Tax Treatments,* endorsed by the EU on October 23rd 2018 with Regulation No. 1595, which provides indications on how to reflect in the accounting of income taxes uncertainties on the tax treatment of certain matters. IFRIC 23 applies to financial statements for periods beginning January 1st 2019 or subsequently.
- Amendments to IFRS 9 – *Financial Instruments.* The document “Prepayment features with Negative Compensation (Amendments to IFRS 9)”, endorsed by the EU on March 22nd 2018 with regulation No. 498, has the objective to amend the requirements of IFRS 9 with reference to the following: (i) financial assets which contain advance payment options through negative compensation may now be measured at amortised cost or at fair value cost through other comprehensive income (FVOCI) where they satisfy the other requirements of IFRS 9; (ii) new accounting criteria introduced in the case of non-substantial changes which result in the derecognition in the case of modifications or exchanges of financial liabilities at fixed rates. The amendments are applied to financial statements concerning periods beginning on January 1st 2019 or subsequently.

With the exception of that previously commented upon with regards to IFRS 16, the adoption of the new standards applicable from January 1st 2019 did not have significant effects.

Accounting Standards and interpretations on Standards effective from the periods subsequent to 2019 and not adopted in advance by the Company:

- On March 29th 2018, the IASB published the reviewed version of the Conceptual Framework for Financial Reporting. The main changes on the 2010 version concern a new chapter regarding measurement, improved definitions and guidance, in particular with regards to defining liabilities, and the clarification of important concepts such as stewardship, prudence and upon measurement uncertainties. The amendments are applied to financial statements concerning periods beginning on January 1st 2020. They were endorsed by the EU on December 6th 2019 with Regulation No. 2075.
- On October 31st 2018, the IASB published the document "*Amendments to IAS 1 and IAS 8: Definition of Material*" with the objective to refine and align the definition of "Material" present in some IFRS, so that such is also consistent with the new Conceptual Framework for Financial Reporting approved in March 2018 and endorsed by the EU on December 6th 2019. The amendments are applied to financial statements concerning periods beginning on January 1st 2020. They were endorsed by the EU on December 10th 2019 with Regulation No. 2014.
- The IASB, on September 26th 2019, published the amendment entitled "*Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform".* The objective of the document is to enable reporting entities not to interrupt hedging transactions until the reform of the financial reference indices for the calculation of interest rates, which is still ongoing worldwide, has been completed. This reform, in particular, has created uncertainties about the timing and amount of future cash flows associated with certain financial instruments, with the consequent risk of having to terminate hedging relationships designated in accordance with IAS 39 or IFRS 9. According to the IASB, discontinuing hedging relationships because of these uncertainties does not provide useful information to users of financial statements; therefore, the document under review has made specific amendments to IAS 39, IFRS 9 and IFRS 7, introducing temporary derogations from the application of the specific hedge accounting provisions of IFRS 9 and IAS 39, to be applied obligatorily to all hedging transactions directly impacted by the reform of the reference indices for the determination of interest rates. The amendments are applied to financial statements concerning periods beginning on January 1st 2020. They were endorsed by the EU on January 16th 2020 with Regulation No. 34.

At the approval date of these financial statements, the Group is undertaking analysis to ascertain any impacts from application of these new accounting standards and interpretations.

New accounting standards and interpretations:

At the date of the approval of the present Consolidated Financial Statements, the IASB had issued (however not yet approved by the European Union) a number of accounting standards, interpretations and amendments - some still in the consultation phase - among which we highlight:

- On May 18th 2017, the IASB published the new standard IFRS 17 Insurance Contracts, which replaces the current IFRS 4. The new standard on insurance contracts improves transparency on profit sources and on the quality of profits realised and ensures a high level of results comparability, introducing a single standard for the recognition of revenues which reflects the services provided. In June 2019, the IASB published an exposure draft that includes amendments to IFRS 17 and the deferral of the entry into force of the new accounting standard to January 1, 2022. At the reporting date, the amendments to IFRS 17 have not yet been definitively approved by the IASB.
- On October 22nd 2018, the IASB published amendments to IFRS 3. The "Amendment to FRS 3 Business Combinations" document introduced a much more restrictive definition of business than that contained in the present version of IFRS 3, in addition to a process to be followed to verify whether a transaction qualifies as a "business combination" or simply as the acquisition of an asset. The amendment should be applied to acquisitions occurring from January 1st 2020. Endorsement by the EU is expected in 2020.
- On January 23rd 2020, the IASB published some amendments to IFRS 1. The document "Classification of Liabilities as Current or Non-current (Amendments to IAS 1)" provides that a liability is classified as current or non-current according to the rights existing at the date of the financial statements. In addition, it states that the classification is not affected by the entity's expectation to exercise its rights to defer settlement of the liability. Finally, it is clarified that this regulation refers to the transfer of cash, equity instruments, other assets or services to the counterparty. The amendments are applied to financial statements concerning periods beginning on

January 1st 2022. Early application is permitted. The endoresement process is still in progress.

Any effects that the new accounting standards, amendments and interpretations may have on the Company financial disclosure are currently being evaluated.

Foreign currency transactions

All transactions in currencies other than the Euro are recognised at the exchange rate at the date of the transaction. The assets and liabilities denominated in foreign currencies other than the operational currencies are subsequently adjusted to the exchange rate at the end of the reporting period. The positive or negative differences between the values translated at the period end exchange rate and the original exchange rate are recognised in the income statement.

The non-monetary assets and liabilities denominated in foreign currencies and recorded at historical cost are translated utilising the exchange rate at the initial date of recording of the operation.

The non-monetary assets and liabilities recognised at fair value are translated using the exchange rate at the transaction date.

Accounting policies

Property, plant and equipment

Property, plant and equipment is recorded at cost, including directly allocated accessory costs and those necessary for the asset being in the condition for which it was acquired, and increased, in the presence of obligations, by the present value of the estimated cost for the disposal of the asset.

The financial charges directly attributable to the acquisition, construction or production of an asset are capitalised as part of the cost of the asset itself until the moment in which the asset is ready for expected use or sale.

The expenses incurred for the maintenance and repairs of an ordinary and/or cyclical nature are directly charged to the income statement in the year in which they are incurred. The capitalisation of the costs relating to the expansion, modernisation or improvement of owned tangible assets or of those held in leasing, is made only when they satisfy the requirements to be separately classified as an asset or part of an asset in accordance with the component approach.

Property, plant and equipment is recorded net of the relative accumulated depreciation and any loss in value determined in accordance with the procedures described below.
Depreciation is calculated on a straight-line basis according to the estimated useful life of the asset; useful life is reviewed annually and any changes, where necessary, are made on the basis of the new estimate.
The estimated useful lives of property, plant and equipment are as follows:

	Useful life	Economic/technical rate
Minor equipment	4 years	25%
Office furniture and equipment	8 years	12.50%

Land, both constructible and relating to civil and industrial buildings, is not depreciated as it has an unlimited useful life.
When the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is made separately for each part of the asset, with the application of the component approach principle.
At the moment of sale or when no expected future economic benefits exist from the use of a tangible asset, it is eliminated from the financial statements and any gain or loss (calculated as the difference between the sales value and the net book value) is recorded in the income statement in the year of the above mentioned elimination.

Investments in subsidiaries and associates

All the companies in which Caltagirone Editore SpA has the power to determine, directly or indirectly, the financial and operating policies of the entity, so as to obtain benefits from its activities are considered as subsidiary companies.
Investments in associated companies refer to those in which Caltagirone Editore SpA has a significant influence.
In the evaluation of control and significant influence, consideration is also taken of the potential voting rights that are effectively exercisable or convertible.
The above-mentioned equity investments are recognised at cost adjusted for any loss in value under impairment tests.
Losses in value are recognised in the income statement and can be restated where the reasons for their write-down no longer exist. Where the loss pertaining to the Company exceeds the book value of the investment, and where the holding is committed to comply

with legal or implicit obligations of the company or in any case to cover the losses, the book value is written down and any excess is recorded in a specific risk provision.

Leasing

Lessee

Identification of leasing

At the inception date of the contract (the initial between that for the signing of the contract and that on which the parties commit to comply with the contractual terms), and subsequently on any change to the contractual terms and conditions, the company verifies whether such contains or represents a lease. In particular, a contract contains or represents a lease where the right to control the use of the identified asset is transferred for an established period of time in exchange for consideration. In order to assess whether a contract contains or represents a lease, the company:

- assesses whether, with regards to the identified asset, it holds the right to substantially obtain all of the economic benefits related with its usage throughout the entire usage period;
- verifies whether the contract refers to the use of a specific asset, explicitly or implicitly, which is physically separate or substantially represents the entire capacity of a physically separate asset. Where the supplier has a substantial right to replacement, the asset is not identified;
- verifies whether it has the right to manage the use of the asset. The company is considered to enjoy this right where it has the right to take the main decisions with regards to changing the usage means and purposes of the asset.

For the contracts containing a number of leasing and non-leasing components and therefore within the scope of other accounting standards, the individual components to which the respective accounting standards are applied are separated.

The leasing duration begins when the lessor makes the asset available to the lessee (commencement date) and is established in view of the non-cancellation period of the contract, i.e. the period during which the parties have legally enforceable rights and obligations and including also the rent-free period. To this duration, the following is added:

- the period covered by a renewal option, where the company is reasonably certain of exercising this option;

- the periods subsequent to the resolution date (“termination option”), where the company is reasonably certain of not exercising this option.

The termination options held only by the lessor are not considered.

The reasonable certainty of exercising or otherwise a renewal or termination option as per the contract is verified by the company at the commencement date, considering all the facts and circumstances generating an economic incentive to exercise or otherwise the option, and is subsequently reverified where significant events or changes to circumstances which may impact its establishment, and which are under the control of the company, occur.

Recognition of leasing

At the commencement date of the leasing, the company records the Right of Use (ROU) to assets and the leasing liability.

The asset consisting of the right of use is initially valued at cost, including the amount of the initial valuation of the leased liability, adjusted for payments due for leases undertaken at the commencement date or before, plus initial direct costs incurred and an estimate of the costs which the lessee is expected to incur for the dismantling or removal of the underlying asset or for the refurbishment of the underlying asset or of the site at which it is located, net of the leasing incentives received.

The leasing liabilities are valued at the present value of the payments due for leasing not paid at the commencement date. For discounting purposes, the company utilises, where possible and where stated in the contract, an implied leasing interest rate or alternatively the incremental borrowing rate (IBR). The leasing payments due included in the valuation of the liability include the fixed payments, the variable payments which depend on an index or a rate, the amount expected to be paid as a guarantee on the residual value, the exercise price of a purchase option (that the company has a reasonable certainty of exercising), the payments due in a renewal period (where the company has a reasonable certainty of exercising the option) and the early termination penalty (unless the company is reasonably certain of not terminating the lease early).

Subsequently, right of use assets are amortised on a straight-line basis for the entire contractual duration, unless the contract itself stipulates the transfer of ownership on conclusion of the lease or where the leasing cost reflects the fact that the lessee shall exercise the purchase option. In this latter case, amortisation should take place over the lessor between the useful life of the asset and the duration of contract. The estimated useful lives of assets for the usage right are calculated according to the same criterion applied to the relative fixed asset accounts.

In addition, the right of use assets are reduced by any impairments and adjusted to reflect the remeasurement of the lease liabilities.

The leased liabilities, subsequent to the initial valuation at the commencement date, are valued at amortised cost according to the effective interest criterion and remeasured in the case of changes to future payments due for the leases deriving from a change in the index or rate, in the case of a change to the amount which the company expects to pay as guarantee on the residual value or where the company changes its assessment with regards to the exercise or otherwise of a purchase, renewal or termination option. Where the lease liabilities are remeasured, the lessee correspondingly alters the right of use asset. Where the book value of the asset for the right of use is reduced to zero, the change is recognised to the net profit/(loss) for the year.

In the balance sheet, the company presents the assets for the right of use under fixed assets, in the same account in which these assets would be presented if owned, with the lease liabilities among financial liabilities. The interest charges on the lease liabilities constituting a component of the financial charges are recognised to the income statement and the accumulated amortisation of the right of use assets is presented separately.

Lessor

Identification of leasing

At the initial date of the contract and, subsequently upon a change to the contractual terms and conditions, the company classifies each of its “asset” leases as financial leases or operating leases. For these purposes, the company generally assesses whether the leasing substantially transfers all the risks and benefits related to ownership of the underlying asset. In this case, the leasing is classified as a finance lease, rather than an operating lease. Within the scope of this assessment, the company considers among the various indicators whether the leasing duration covers a majority of the economic life of the underlying asset and/or the presence or otherwise of reasonably exercisable purchase options.

For contracts containing a leasing component and one or more leasing and non-leasing components, the company breaks down the contractual consideration by applying IFRS 15.

Recognition of leasing

In the case of finance leases, the company recognises to the balance sheet the asset as a receivable of a value equal to the net investment of the leasing. To assess the net investment of the leasing, the company applies the implied leasing interest rate, established

to include the direct initial costs. The company applies IFRS 9 regarding eliminations and impairment provisions to the net investment of the leasing.
The financial income is recorded over the leasing duration on a straight-line basis.

For operating leases, the company recognises the payments received as income on a straight-line basis throughout the duration of the lease to the account "other revenues from sales and services".

Sub-leasing
With regards to sub-leasing, the company, as an interim lessee, classifies its share of the main lease separately from the sub-leasing. For these purposes, it classifies the sub-leasing with regards to the right of use asset deriving from the main lease, rather than referring to the underlying asset. Where the main lease is a short-term lease which the company has recognised applying the exemption established by the standard and outlined below, the sub-leasing is classified as an operating lease. In the presence of sub-leasing, the main lease is never considered of insignificant value.

Financial instruments

Classification and measurement
The classification and measurement of financial assets reflects the business model according to which such assets are managed and the characteristics of their financial flows.
IFRS 9 classifies financial assets into three principal categories: at amortised cost', at fair value recorded in other comprehensive income statement items'(FVOCI) and at fair value to the profit/(loss) for the year (FVTPL). The categories under IAS 39, that is, held-to-maturity, loans and receivables and available-for-sale, are eliminated.
Financial assets comprising capital instrument securities are always recognised at fair value. Where the security is held for trading, the fair value changes are recorded in profit or loss. For all other investments, it was decided to subsequently recognise all fair value changes to other comprehensive income statement items (OCI), exercising the FVTOCI option. The amounts accumulated to OCI shall never be reversed to the profit/(loss) for the year, even in the case of elimination for accounting purposes of the investment. The application of the "FVTOCI" option is irrevocable and reclassifications to other categories are not permitted.
With regards however to the classification of financial assets comprising Receivables and debt securities the following two elements are considered:

1. the business model adopted by the company. Specifically:
    - Held to Collect (HTC), model whose objective is to hold financial assets for the collection of the contractual cash flows;
    - Held To Collect and Sale (HTC&S), model whose objective is to collect the cash flows from the financial asset and also to sell the financial asset;
    - other business models than the two preceding.
2. the characteristics of the contractual cash flows from the financial instrument and whether such contractual cash flows only concern the payment of the capital and interest or otherwise including also other components. This check is called the SPPI Test (Solely Payment of Principal and Interest Test).

IFRS 9 provides the definitions of capital and interest:

- the capital is the fair value of the financial asset on initial recognition and this amount may change over the life of the financial instrument (for example, through repayments);
- the interest however represents the compensation for the time value of money and the credit risk on the residual capital.

A financial asset consisting therefore of debt securities may be classified as follows:

1) Amortised cost, when:
    a. the contractual cash flows of the instrument consist only of the payment of capital and interest (SPPI Test satisfied); and
    b. the business model adopted by the company establishes that the entity holds the financial asset only to collect the contractual cash flows (HTC business model).

In this category, the financial instruments are initially recognised at fair value, including the transaction costs, and subsequently measured at amortised cost. The interest (calculated using the effective interest criterion, as in the preceding IAS 39), the impairments (and the write-backs of losses), the exchange gains/(losses) and the profits/(losses) from the elimination for accounting purposes are recognised to the profit/(loss) for the year.

2) Fair Value Through Other Comprehensive Income (FVTOCI), when:
    a. the contractual cash flows of the instrument consist only of the payment of capital and interest (SPPI Test satisfied); and
    b. the business model adopted by the company establishes that the entity holds the financial asset to collect the contractual cash flows and the cash flows generated from sale (HTC&S business model).

In this category, the financial instruments are initially recognised at fair value, including transaction costs.
The interest (calculated using the effective interest criterion, as in the preceding IAS 39), the impairments and the exchange gains/(losses) are recognised to the profit/(loss) for the year. The other fair value changes of the instrument are recognised to other comprehensive income items (OCI). On elimination for accounting purposes of the instrument, all profits/(losses) accumulated to OIC shall be reclassified to the profit/(loss) for the year.

3) Fair Value Through Profit Or Loss residually, i.e. where:
   a. the criteria outlined above are not satisfied or;
   b. where the fair value option is exercised.

The financial assets classified to this category are initially and subsequently recognised at fair value. The costs of the transaction and the fair value changes are recognised to the profit/(loss) for the year.

Impairment losses

IFRS 9 replaces the ‘incurred loss’ model under IAS 39 with an ‘expected credit loss’ forecast model (“ECL”). The model assumes a significant valuation level regarding the impact of the changes to the economic factors on the ECL which are weighted on the basis of probabilities.
The new expected credit loss model is applied to financial assets measured at amortised cost or at FVOCI, with the exception of capital securities and assets from contracts with customers.
The standard establishes that the doubtful debt provisions are valued utilising the following methodologies: the “General deterioration method” and the “Simplified approach”; in particular:

- The “General deterioration method” requires classification in three stages of financial instruments included in the scope of application of IFRS 9 . The three stages reflect the level of deterioration of the quality of the receivable from the point at which the financial instrument is acquired and requires a differing method to calculate the ECL;
- The “Simplified approach” establishes that, for trade receivables, contract assets and leasing contract receivables, some simplifications are adopted in order to prevent entities from being forced to monitor changes in credit risk as required by the general model. The recognition of the loss according to the simplified approach is on a lifetime basis and therefore stage allocation is not required. For these types, therefore, receivables are broken down by cluster, for which the reference parameters (PD, LGD, and EAD) are

established to calculate the lifetime expected credit losses on the basis of available information.

Where the General Deterioration Method is applied, as expected, financial instruments are classified into three stages according to the level of deterioration of the credit quality between the date of initial recognition and the measurement date:

- Stage 1: includes all financial assets considered on initial recognition (Date of initial recognition) regardless of qualitative parameters (e.g. rating) and except for situations presenting objective evidence of impairment. During the subsequent measurement phase, all financial instruments which have not demonstrated a significant increase in the credit risk compared to the date of initial recognition or which have a low credit risk at the date of analysis remain in stage 1. For these assets, the losses on expected receivables over the coming 12 months (12-month ECL) representing the expected losses in consideration of the possibility that default events will occur over the coming 12 months are recognised. The interest on financial instruments included in stage 1 are calculated on the carrying amount gross of any write-downs on the asset;
- Stage 2: includes the financial instruments presenting a significant increase in credit risk compared to the Date of initial recognition, although without presenting objective evidence of impairment. For these assets, only the expected losses on receivables deriving from all possible default events over the entire expected life of the financial instrument are recognised (Lifetime ECL). The interest on financial instruments classified to stage 2 is calculated on the carrying amount, gross of any write-downs on the asset;
- Stage 3: includes the financial assets presenting objective evidence of impairment at the Measurement date. For these assets, only the expected losses on receivables deriving from all possible default events over the entire expected life of the instrument are recognised.

Fair value hierarchy levels

In relation to the financial assets and liabilities recorded in the balance sheet at Fair Value, IFRS 13 requires that these values are classified based on a hierarchy of levels which reflects the degree of input utilised in the determination of the Fair Value. The following levels are used:

- Level 1: determination of fair value based on prices listed on active markets for identical assets or liabilities which the entity can access at the valuation date;
- Level 2: determination of fair value based on other inputs than the listed prices included in “Level 1” but which are directly (prices) or indirectly (derivatives of prices) observable for the assets or liabilities;
- Level 3: determination of the fair value based on valuation models whose input is not observable for the assets or liabilities.

For information on the Fair Value hierarchy level, reference should be made to Note 21.

Cash and cash equivalents

Cash and cash equivalents are accounted at fair value and include bank deposits and cash in hand, or rather those values that are available on demand at short notice, certain in nature and with no payment expenses.

Equity

Treasury shares

The costs incurred for the purchase of treasury shares are recorded as a reduction of shareholders’ equity. The gains or losses deriving from a subsequent sale are recorded as net equity movements.

Costs for share capital increases

The costs incurred for the stock exchange listing, net of the relative tax effect, are recorded as a reduction of the shareholders’ equity in a separate negative reserve.

Employee benefits

The liabilities relating to the benefits recognised to employees and paid on or after the employment period and relating to defined benefit plans (Employee Leaving Indemnity), net of any assets serving the plan, are determined on the basis of actuarial assumptions estimating the amount of the future benefits that the employees have matured at the balance sheet date. The liability is recognised on an accruals basis over the maturity period of the right.

The determination of the current value of the Company commitments is made by an independent expert using the projected unit credit method. Under this method, a future projection is made of the liability to determine the probable amount to be paid on the termination of employment and then discounted, to take into account the period of time which will pass before the actual payment. The calculation takes into account the employee leaving indemnity matured and is based on actuarial assumptions which principally relate to the interest rate, which reflects the market return of primary securities with maturities similar to those for bonds and the turnover of employees.

The actuarial gains and losses, defined as the differences between the carrying value of the liabilities and the current value of the Company commitments at the end of the period, due to changes in the actuarial parameters described above, are directly recorded to the Comprehensive Income Statement. The financial component is however recorded in the Income Statement, in the account financial charges.

Provisions for risks & charges

Provisions for risks and charges are recognised in respect of certain or probable losses or liabilities, the amount or due date of which could not be determined at year-end.

The Provisions for risks and charges are recorded when a legal or implicit obligation exists towards a third party that derives from a past event, and a payment of resources is probable in order to satisfy the obligation and this amount can be reliably estimated. When the financial effect of the time value of money is significant and the payment dates of the obligations can be estimated reliably, the provision is discounted using the estimated future cash flows at a pre-tax rate that reflects the current market assessment of the cost of money and, if appropriate, the specific risks of the obligation; the increase of the liability due to the passing of time is recorded as a financial charge.

In particular, the provisions for risks and charges relating to employee restructuring plans are recognised when at the balance sheet date the event which gives rise to the obligation is ‘binding' as the Company, through the drawing up of a formal restructuring programme, has generated within interested third parties the valid expectations that the entity will implement the afore-mentioned programme.

Revenue from contracts with customers

The introduction of the new IFRS 15 amended the method for recognising revenues. Recognition is undertaken according to the “five step model framework”, based on 5 crucial phases for calculating revenues:

1) identification of the contract;
2) identification of the assets and services covered by the contract;
3) establishment of the transaction price;
4) allocation of the contractual obligations of the variable price component;
5) transfer of control.

With IFRS 15, revenues are measured taking account of the contractual terms and practices generally applied in relations with customers. The price of this transaction is the amount of payment (which may include fixed or variable amounts, or both) considered to arise in exchange for the transfer of control of the promised goods/services. Control is generally considered to be the capacity to decide upon the use of the asset (good/service) and to substantially obtain all the remaining benefits. The total payment from contracts for the provision of services is broken down among all services on the basis of the sales price of the relative services as if they had been sold individually.

For IFRS 15, within each contract, the base element for the recognition of revenues is the individual performance obligation. For each obligation to be satisfied, individually identified, the entity recognises the revenues where (or over time) the obligation is satisfied, transferring to the customer the promised good/service (or asset). The asset is transferred when (or over time) the client acquires control.

For obligations involving satisfaction over a period of time, the revenues are recognised “over the time”, measuring at the end of each period the progress made towards complete satisfaction of the obligation. For the measurement of progress, both input based and output based models may be used. The Company utilises the Input based method (cost-to-cost method). According to the latter method, the revenues are recognised on the basis of the inputs used to fulfill the obligation up to the date, with regards to the total inputs assumed to fulfill the entire obligation. Where the inputs are distributed evenly over time, the company recognises the corresponding revenues on a straight-line basis. In certain circumstances, where it is not possible to reasonably measure the result of the obligation to be fulfilled, the revenues are recognised only up to the amount of costs incurred.

Variable payments

Where the contractual payment includes a variable amount (for example following reductions, discounts, reimbursements, credits, price concessions, incentives, performance bonuses, penalties or where the payment depends on the occurrence or otherwise of a future uncertain events), the amount of the payment considered to arise should be estimated. The Company estimates variable payments in a manner consistent with similar circumstances, using the expected value method or the value of the amount considered most probable; thereafter, the estimated amount of the variable payment of the transition price is included only to the extent that this amount is considered highly probable.

Presence of a significant financial component

Revenues are adjusted amid significant financial components, both where funded by the client (early collection) or where funded by it (deferred collection). The presence of a significant financial component is identified on the signing of the contracts, comparing the expected revenues with the payments to be received. This is not recorded where between the time of transfer of the assets/service and the time of payment less than 12 months has passed.

Costs for obtaining and fulfilling the contract

- The Company capitalises the costs incurred to obtain the contract and which would not have been incurred where such had not been obtained (e.g. sales commissions), where it is expected that they may be recovered. The Company capitalises the costs incurred to fulfill the contract only where these are directly related to the contract, permitting the obtainment of new and increased resources for future obligations and where these costs shall be recoverable.

Recognition of costs

Costs are recognised when relating to assets or services acquired or consumed in the year or by systematic allocation.

Financial income and expense

Financial income and charges are recognised in accordance with the accruals concept on the basis of the interest matured on the net value of the relative financial assets and liabilities utilising the effective interest rate, therefore utilising the rate which is financially equivalent to all the cash inflows and outflows which comprise an operation.

Dividends

The dividends are recorded when the right of the shareholders to receive the payment arises. The dividends and dividend payments on account payable to third parties are recorded as changes in shareholders' equity at the date in which the Shareholders' Meetings approves them.

Income taxes

Current Income taxes for the period are determined on the basis of the taxable assessable income and in accordance with current legislation; consideration is also taken of the effects deriving from the national fiscal consolidation, in accordance with Article 117/129 of the Income Tax Act, in which the Group is the consolidating company of the following subsidiaries: Il Messaggero SpA, Il Mattino SpA, Finced Srl, Piemme SpA, Corriere Adriatico Srl, Quotidiano di Puglia Srl, Il Gazzettino SpA, Imprese Tipografiche Venete Srl, Leggo Srl, Ced Digital Servizi Srl, Centro Stampa Veneto SpA and Pim Srl, Stampa Roma 2015 Srl, Stampa Napoli 2015 Srl, Servizi Italia 15 Srl.

Caltagirone Editore SpA acts therefore as the consolidating company and calculates a single assessable base for the group of companies adhering to the national tax consolidation and therefore benefits from the possibility of offsetting assessable income with assessable losses in a single tax declaration. The assessable amount and the losses for the period were transferred and recorded by the subsidiaries to the consolidating company in the year in which they matured; any future fiscal benefits (deferred tax assets) are therefore recorded directly by the consolidating company.

Deferred tax assets and liabilities are calculated on temporary differences between the balance sheet values and the corresponding values recognised for tax purposes, applying the expected tax when the differences are reversed, determined on the basis of the current tax rates in force or to be applied in the near future.

The recognition of deferred tax assets is made when their recovery is probable - that is when it is expected that there will be future assessable fiscal income sufficient to recover the asset, also in consideration of the tax consolidation described above.

The recovery of the deferred tax asset is reviewed at each balance sheet date.

Risk Management

The Company is exposed to market risks and in particular to the liquidity risk and risk of change in the prices of listed financial investments.

Liquidity risk

Liquidity risk is linked to the difficulty in obtaining funds to cover commitments at a given moment. Caltagirone Editore holds sufficient liquidity so as not to be impacted by this risk.

Risks concerning the price of investments in equity instruments

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

Use of estimates

The preparation of the financial statements require the Directors to apply accounting principles and methods that, in some circumstances, are based on difficulties and subjective valuations and estimates based on the historical experience and assumptions which are from time to time considered reasonable and realistic based on the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, such as the balance sheet, the income statement and the cash flow statement, and on the disclosures in the notes to the accounts. The final outcome of the accounts in the financial statements, which use the above-mentioned estimates and assumptions, may differ from those reported in the financial statements due to the uncertainty which characterises the assumptions and conditions upon which the estimates are based.

The accounting standards and accounts in the financial statements which require greater subjectivity in the preparation of the estimates and for which a change in the underlying conditions of the assumptions used may have a significant impact on the financial statements of the Company are as follows:

- Write-down of fixed assets
- Deferred tax income & charges
- Provisions for risks and charges
- Other write-down provisions

The estimates and assumptions are reviewed periodically and the effects of all variations recorded in the Income Statement, when they relate only to that year. When the revision relates to both current and future periods (for example the revision of the useful life of fixed assets), the changes are recorded in the period in which the revision is made and in the relative future periods.

Change of accounting principles, errors and change of estimates

The accounting principles adopted are amended from one period to another only if the change is required by a standard and if this contributes to providing more reliable information on the effects of the operations on the balance sheet, income statement and cash flows of the enterprise.

The changes to the accounting standards are recorded retrospectively with the recording of the effect to net equity for the more remote periods reported. The other comparative amounts indicated for each period are adjusted as if the new standard had always been applied. The prospective approach is made only when it is impractical to reconstruct the comparative information.

The application of a new or amended accounting standard is accounted for in accordance with the requirements of the standard. If the standard does not permit a transition period, the change is accounted in accordance with the retrospective method, or if impractical, with the prospective method.

In the case of significant errors, the same method that is used for changes in accounting standards illustrated previously is applied. In the case of non-significant errors, these are accounted for in the income statement in the period in which they are noted.

Changes in estimates are accounted in accordance with the prospective method in the Income Statement in the period in which the change occurs only if impacting upon this latter or in the period in which the change occurs, and subsequent periods if the change also impacts upon future periods.

Value of the Company

The Stock Market capitalisation of Caltagirone Editore is currently lower than the net equity of the Group (Stock Market capitalisation at December 31st 2019 of Euro 138 million compared to a Group net equity of Euro 408.2 million), significantly lower than the valuations based on the fundamentals of the Group expressed by its value in use.

The capacity to generate cash flows or the establishment of specific fair values (cash and cash equivalents, financial assets available-for-sale and Publishing Titles) may justify this difference; stock market prices in fact also reflect circumstances not strictly related to the Group, with expectations focused on the short-term.

ASSETS

1. Property, plant and equipment

Historical cost	Equipment	Other assets	Right of use assets	Total
01.01.2018	29,956	213,333		**243,289**
Increases/Decreases	-			**-**
Reclassifications				**-**
31.12.2018	**29,956**	**213,333**	**-**	**243,289**
01.01.2019	29,956	213,333	-	**243,289**
Increases/Decreases			1,066,276	**1,066,276**
Reclassifications				**-**
31.12.2019	**29,956**	**213,333**	**1,066,276**	**1,309,565**
Depreciation & loss in value	**Equipment**	**Other assets**	**Right of use assets**	**Total**
01.01.2018	29,306	213,333	-	**242,639**
Increases/Decreases	650			**650**
Reclassifications				**-**
31.12.2018	**29,956**	**213,333**	**-**	**243,289**
01.01.2019	29,956	213,333	-	**243,289**
Increases/Decreases			216,870	**216,870**
Reclassifications				**-**
31.12.2019	**29,956**	**213,333**	**216,870**	**460,159**
Net value				
01.01.2018	**650**	**-**		**650**
31.12.2018	**-**	**-**	**-**	**-**
31.12.2019	**-**	**-**	**849,406**	**849,406**

With reference to the impact of the application of IFRS 16 for the Company at December 31st 2019, the following additional information is provided below:

	Land & buildings
Gross value at January 1st 2019	**1,066,276**
Increases	-
Decreases	-
Reclassifications	-
Gross value at December 31st 2019	**1,066,276**
Accumulated depreciation at January 1st 2019	-
Amortisation & depreciation	216,870
Decreases	-
Reclassifications	-
Accumulated depreciation at December 31st 2019	**216,870**
Net value at December 31st 2019	**849,406**

At December 31st 2019, the right-of-use asset amounted to Euro 849,406, and included property contracts.

The Company exposure, with indication of the maturity dates of leased liabilities concerning the non-discounted contractual cash flows, is as follows:

Within 3 months	55,578
Between 3 months & 1 year	166,733
Between 1 and 2 years	222,311
Between 2 and 5 years	426,094
Over 5 years	-
Total undiscounted lease liabilities as at December 31st 2019	**870,716**

Non-current and current lease liabilities are shown below:

Non-current lease liabilities - related parties	638,821
Non-current lease liabilities	**638,821**
Current lease liabilities - related parties	214,791
Current lease liabilities	**214,791**
Total lease liabilities	**853,612**

Amounts recognised in income statement	
Amortisation & depreciation	216,870
Interest charges on lease liabilities	9,646
Short-term leasing costs	-
Low-value item leasing costs	-

Amounts recognised in the statement of cash flows	
Total cash outflows for leases	216,870

2. Investments valued at cost

The movements in the account are as follows:

Investments in subsidiaries	**Registered Office**	**Share capital**	**%**	**Book value 01/01/2018**	**Increases/ (Decreases)**	**Revaluations (Write-downs)**	**Book value 31/12/2018**	**Share of Net equity at 31/12/2018**	**Difference compared to book value at 31/12/2018**
Il Mattino S.p.A.	Rome	500,000	99.95	14,250,024	3,875,934	(7,697,879)	10,428,079	(1,307,950)	11,736,029
Leggo S.p.A.	Rome	1,000,000	99.95	49,654	949,846	(948,594)	50,906	50,906	0
Finced S.r.l.	Rome	10,000	99.99	162,011,080	0		162,011,080	167,008,839	(4,997,759)
Corriere Adriatico S.p.A.	Rome	200,000	99.95	11,226,867	556,960		11,783,827	(191,077)	11,974,905
Quotidiano di Puglia S.p.A.	Rome	1,020,000	99.95	10,746,855		(1,755,149)	8,991,706	65,171	8,926,535
Il Gazzettino S.p.A.	Rome	200,000	99.95	64,239,802	1,948,075	(5,401,674)	60,786,203	5,518,887	55,267,316
Il Messaggero S.p.A.	Rome	1,265,385	99.95	31,668,371			31,668,371	23,581,478	8,086,892
Ced digital & servizi S.r.l.	Rome	100,000	99.99	99,990			99,990	766,308	(666,318)
Piemme S.p.A.	Rome	2,643,139	99.99	1,590,649	1,257,673	(1,684,042)	1,164,280	1,164,280	(0)
Servizi Italia 15 S.r.l.	Rome	100,000	99.95	-	101,149		101,149.00	330,193	(229,044)
Stampa Roma 2015 S.r.l.	Rome	10,000	99.95	3,626,655			3,626,655	4,178,923	(552,268)
Stampa Napoli 2015 S.r.l.	Rome	10,000	99.95	-	9,995	(9,995)	-	(70,493)	70,493
Total				**299,509,946**	**8,699,632**	**(17,497,333)**	**290,712,246**		

Investments in subsidiaries	**Registered Office**	**Share capital**	**%**	**Book value 01/01/2019**	**Increases/(Decreases)**	**Revaluations (Write-downs)**	**Book value 31/12/2019**	**Share of Net equity at**	**Difference compared to book**

								31/12/2019	value at 31/12/2019
Il Mattino S.p.A.	Rome	500,000	99.95	10,428,079	2,404,378	(12,832,457)	0	(12,920,424)	12,920,424
Leggo S.r.l.	Rome	1,000,000	99.95	50,906	954,812	(312,239)	693,479	693,479	(0)
Finced S.r.l.	Rome	10,000	99.99	162,011,080			162,011,080	169,532,076	(7,520,996)
Corriere Adriatico S.r.l.	Rome	200,000	99.95	11,783,827	390,977	(7,044,573)	5,130,231	(162,604)	5,292,835
Quotidiano di Puglia S.r.l.	Rome	1,020,000	99.95	8,991,706	392,830	(4,670,840)	4,713,696	184,961	4,528,735
Il Gazzettino S.p.A.	Rome	200,000	99.95	60,786,203	1,107,227	(16,388,028)	45,505,402	(703,387)	46,208,790
Il Messaggero S.p.A.	Rome	1,265,385	99.95	31,668,371			31,668,371	19,959,072	11,709,298
Ced digital & servizi S.r.l.	Rome	100,000	99.99	99,990			99,990	594,519	(494,529)
Piemme S.p.A.	Rome	2,643,139	99.99	1,164,280	1,684,043	(1,978,635)	869,688	869,600	88
Servizi Italia 15 S.r.l.	Rome	100,000	99.95	101,149			101,149	648,682	(547,533)
Stampa Roma 2015 S.r.l.	Rome	10,000	99.95	3,626,655			3,626,655	3,948,850	(322,195)
Stampa Napoli 2015 S.r.l.	Rome	10,000	99.95	-	9,995	(9,995)	-	(103,530)	103,530
Total				**290,712,246**	**6,944,262**	**(43,236,767)**	**254,419,741**		

The increases in investments relates to the coverage of losses, of which Il Mattino SpA (Euro 2,404,378), Il Gazzettino SpA (Euro 1,107,227), Piemme SpA (Euro 1,684,043) and Stampa Napoli 2015 Srl (Euro 9,995), through the waiver of part of the loans granted, and Leggo Srl (Euro 954,812), Corriere Adriatico Srl (Euro 390,977) and Quotidiano di Puglia Srl (Euro 392,830), through payments made during the year.

The write-down of investments concerns the subsidiaries Il Mattino SpA (Euro 12,382,457), Leggo SpA (Euro 312,239), Corriere Adriatico Srl (Euro 7,044,573), Quotidiano di Puglia Srl (Euro 4,670,840), Il Gazzettino SpA (Euro 16,388,028), Piemme SpA (Euro 1,978,635), and Stampa Napoli 2015 Srl (Euro 9,995) and follow the execution of impairment tests, in which the recoverable value was approximated to the adjusted Net Equity of any gains emerging of the Newpaper Titles (for greater details concerning the methodology and the underlying assumptions of the impairment tests, reference should be made to Note 2 of the Explanatory Notes to the Group Consolidated Financial Statements).

The subsidiaries indirectly held through Il Gazzettino SpA are as follows:

Equity investments in indirect subsidiaries	Registered office	Share capital	% of control of the Group	Net Equity	Net Result
Stampa Venezia S.r.l.	Rome	567,000	100.00	1,259,544	9,177
Imprese Tipografiche Venete S.r.l.	Rome	936,000	100.00	3,051,038	210,258
P.I.M. Pubblicità Italiana Multimedia S.r.l.	Rome	1,044,000	100.00	7,925,914	313,798

The investments in other companies consist of:

Investments in other companies	01.01.2018	Increases/ (Decreases)	Reversals/ (Impairment losses)	31.12.2018
Banca Popolare di Vicenza	10		-	10
Total	**10**	**-**	**-**	**10**

Investments in other companies	01.01.2019	Increases/ (Decreases)	Reversals/(Impairment losses)	31.12.2019
Banca Popolare di Vicenza	10		-	10
Total	**10**	**-**	**-**	**10**

3. Equity investments and non-current securities

This item is broken down as follows:

Investments in capital instruments	**01.01.2018**	**Increases/ (Decreases)**	**Fair value change**	**31.12.2018**
Assicurazioni Generali SpA	50,920,000		(2,010,000)	48,910,000
Total	**50,920,000**	**-**	**(2,010,000)**	**48,910,000**

	01.01.2019	**Increases/ (Decreases)**	**Fair value change**	**31.12.2019**
Assicurazioni Generali SpA	48,910,000		12,713,250	61,623,250
Total	**48,910,000**	**-**	**12,713,250**	**61,623,250**

number

	01.01.2018	**Increases/ (Decreases)**	**31.12.2018**
Assicurazioni Generali SpA	3,350,000		3,350,000

	01.01.2019	**Increases/ (Decreases)**	**31.12.2019**
Assicurazioni Generali SpA	3,350,000		3,350,000

The changes in the fair value reserve are reported below:

	01.01.2018	**Increases**	**Decreases**	**31.12.2018**
Fair Value reserve	4,461,026		(2,010,000)	2,451,026
Tax effect	(53,532)		24,120	(29,412)
Fair value reserve, net of tax effect	**4,407,494**	**-**	**(1,985,000)**	**2,421,614**
Changes in the year				**3,574,584**

	01.01.2019	**Increases**	**Decreases**	**31.12.2019**
Fair Value reserve	2,451,026	12,713,250		15,164,276
Tax effect	(29,412)	29,412	(181,957)	(181,957)
Fair value reserve, net of tax effect	**2,421,614**	**12,742,662**	**(181,957)**	**14,982,319**
Changes in the year				**12,560,705**

In relation to the disclosure required by IFRS 13, concerning the so-called “hierarchy of fair value”, these equty instruments belong to level one, as defined in paragraph 27 A (IFRS 13), as concerning financial instruments listed on an active market.

4. Deferred and current taxes

The deferred tax assets refer to losses carried forward and temporary differences between the values recorded in the financial statements and the corresponding values recognised for tax purposes.

The movements are shown below of the deferred tax assets and liabilities:

	01.01.2018	Provisions	Utilizations	Other changes	31.12.2018
Deferred tax assets					
Tax losses carried forward	37,881,236	414,149	-	2,217,696	40,513,081
Other	23,759	48,800	(23,760)		48,799
Total	**37,904,995**	**462,949**	**(23,760)**	**2,217,696**	**40,561,880**
Deferred tax liabilities					
Other	53,742			(23,798)	29,944
Total	**53,742**	**-**	**-**	**(23,798)**	**29,944**
Net deferred tax assets	**37,851,253**	**462,949**	**(23,760)**	**2,241,494**	**40,531,936**

	01.01.2019	Provisions	Utilizations	Other changes	31.12.2019
Deferred tax assets					
Tax losses carried forward	40,513,081	325,386	-	1,817,926	42,656,393
Other	48,799	59,259	(48,800)		59,258
Total	**40,561,880**	**384,645**	**(48,800)**	**1,817,926**	**42,715,651**
Deferred tax liabilities					
Other	29,944			152,237	182,181
Total	**29,944**	**-**	**-**	**152,237**	**182,181**
Net deferred tax assets	**40,531,936**	**384,645**	**(48,800)**	**1,665,689**	**42,533,470**

The other changes in deferred tax assets and liabilities include the deferred tax assets recorded due to the losses incurred by the subsidiaries within the tax consolidation, against which the related liability has been recorded under Other liabilities. Taking account of the timing differences and based on forecasts, it is considered that the Group will have, in the coming years, sufficient assessable income to recover the deferred tax assets recorded in the financial statements at December 31st 2019.

The balance sheet includes receivables for current taxes, including tax credits of Euro 33,005, withholding taxes on interest income for Euro 1,585 and the IRAP receivable of Euro 1,175.

The income taxes for the year consist of:

	2019	2018
Recording of deferred tax assets	(384,645)	(462,949)
Utilisation of deferred tax assets	48,800	23,760
Deferred tax income	**(335,845)**	**(439,189)**
Total income taxes	**(335,845)**	**(439,189)**

The breakdown of income taxes is as follows:

	2019	2018
Current and deferred IRES tax	(335,845)	(439,189)
Current and deferred IRAP tax	-	-
Total	**(335,845)**	**(439,189)**

The analysis of the difference between the theoretical and actual tax rates in relation to IRES are as follows:

	2019		2018	
	Amount	**Tax**	**Amount**	**Tax**
Loss before taxes	**(40,965,166)**	**24.00%**	**(16,150,604)**	**24.00%**
Theoretical tax charge		**(9,831,640)**		**(3,876,145)**
Permanent differences increase (decrease):				
Dividends		(1,089,998)		(786,016)
Write-down of equity investments		10,586,124		4,217,939
Other		(331)		5,033
Current and deferred IRES tax		**(335,845)**		**(439,189)**

5. Trade receivables

The breakdown is as follows:

	31.12.2019	31.12.2018
Receivables from third parties	-	8,439
Receivables from related parties	501,218	504,542
Total trade receivables	**501,218**	**512,981**

There are no receivables due over 12 months. The value of the receivables reported above approximates their fair value.

6. Current financial assets

The breakdown is as follows:

	31.12.2019	31.12.2018
Financial receivables - subsidiaries	57,252,158	62,928,093
Total current financial assets	**57,252,158**	**62,928,093**

The balance of Euro 57,252,158 represents interest bearing loans due within one year, renewable on request, granted respectively to Mattino SpA (Euro 20,571,569), Piemme SpA (Euro 17,158,283), Il Gazzettino SpA (Euro 3,374,507), Leggo Srl (Euro 2,537,800), Corriere Adriatico Srl (Euro 2,289,356), Il Messaggero SpA (Euro 8,793,100), Stampa Napoli 2015 Srl (Euro 2,247,933) and Stampa Roma 2015 Srl (Euro 279,610).

The value of current financial assets approximates their fair value.

7. Other current assets

The breakdown is as follows:

	31.12.2019	31.12.2018
Receivables from subsidiaries	4,169,421	3,702,956
Receivables from third parties	54,699	52,703
Total current assets	**4,224,120**	**3,755,659**

The receivables from subsidiaries due within one year relate to transactions under the national tax consolidation and the VAT positions transferred by the subsidiaries as part of the VAT consolidation, as follows:

	31.12.2019	31.12.2018
ITV Srl	412,296	327,390
Ced Digital Srl	538,217	453,356
Pim Srl	35,361	15,518
Stampa Roma 2015 Srl	1,401,269	1,367,335
Servizi Italia 15 Srl	73,991	-
Total tax consolidation	**2,461,134**	**2,163,599**
Il Messaggero Spa	-	141,517
Il Mattino Spa	76,398	5,233
Leggo Srl	35,920	-
Quotidiano Di Puglia Srl	16,246	-
Corriere Adriatico Srl	24,513	14,851.57
Pim Srl	21,082	16,438
Servizi Italia 15 Srl	58,127	-
Il Gazzettino Spa	112,121	-
Piemme Spa	62,666	60,103
Total Consolidated VAT	**407,073**	**238,144**

Il Mattino SpA	1,301,214	1,301,214
Total other receivables	**1,301,214**	**1,301,214**
Total receivables from subsidiaries	**4,169,421**	**3,702,956**

The other receivables from Il Mattino SpA concern payments made by Caltagirone Editore SpA as the tax consolidating company, in relation to tax disputes in previous years.

The value of other current assets approximates their fair value.

8. Cash and cash equivalents and Net financial position

Cash and cash equivalents are broken down as follows:

	31.12.2019	**31.12.2018**
Bank and postal deposits	3,131,510	1,678,732
Cash in hand and similar	2,505	3,122
Total cash and cash equivalents	**3,134,015**	**1,681,854**
of which related parties	-	-

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

In Euro	**31.12.2019**	**31.12.2018**
A. Cash	2,505	3,122
B. Bank deposits	3,131,510	1,678,732
D. Liquidity (A)+(B)	**3,134,015**	**1,681,854**
E. Current financial receivables	**57,252,158**	**62,928,093**
F. Current bank payables		
G. Current portion of non-current debt		
H. Current payables to other lenders	2,463,186	2,248,395
I. Current debt (F)+(G)+(H)	**2,463,186**	**2,248,395**
J. Net current cash position (I)-(E)-(D)	**(57,922,987)**	**(62,361,552)**
K. Non-current bank payables	-	-
L. Non-current payables to other lenders	638,821	-
M. Non-current financial debt (K)+(L)	**638,821**	**-**
N. Net Cash Position (J)+(M)	**(57,284,166)**	**(62,361,552)**

The net financial position at 31.12.2019 was a cash position of Euro 57.3 million (Euro 62.4 million at 31.12.2018); the decrease of Euro 5.1 million mainly concerns the partial waiver of the loans granted to the subsidiaries to cover the 2018 losses, in addition to operating requirements, net of dividends collected.

In relation to the variable rate of liquidity, an annual interest rate increase of 1%, at like-for-like terms, would have a positive impact on the net profit of approx. Euro 313 thousand. A decrease in interest rates of the same level would have a corresponding negative impact.

The average interest rate on bank deposits was 0.01% (0.01% in 2018).

LIABILITIES AND SHAREHOLDERS’ EQUITY

9. Shareholders’ Equity

The Share capital amounts to Euro 125 million, consisting of 125 million ordinary shares at a nominal value of Euro 1 each. The number of ordinary shares outstanding did not change during the period.

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

At December 31st 2019 Caltagirone Editore SpA had 18,209,738 treasury shares in portfolio, comprising 14.567% of the share capital for a value of Euro 23,640,924.

	31.12.2019	**31.12.2018**
Share capital	125,000,000	125,000,000
Listing charges	(18,864,965)	(18,864,965)
Treasury Shares	(23,640,924)	(23,640,924)
Reserve for treasury shares	23,640,924	23,640,924
Legal reserve	25,000,000	25,000,000
Share premium reserve	459,125,641	459,125,641
IAS non-recognised asset reversal reserve	16,876,107	16,876,107
Cedfin merger reserve	423,291	423,291
Messaggero Partecipazioni merger reserve	755,983	755,983
IAS leaving indemnity reserve	(998)	1,317
Treasury shares sales gains reserves	103,651	103,651
Net Fair Value reserve	14,982,305	2,421,614
Retained earnings/(accum. losses)	(208,374,407)	(192,662,991)
Net Loss	(40,629,621)	(15,711,415)
Total net equity	**374,396,987**	**402,468,233**

The Shareholders' Equity disclosure document with breakdown by individual accounts concerning the availability and usage in previous years is reported below.

SHAREHOLDERS’ EQUITY DISCLOSURE AT DECEMBER 31st 2019

Nature/description	**Amount 31.12.2018**	**Amount 31.12.2019**	**Possibility of use**	**Quota available**	**Summary utilisation in the previous three years**		**of which products until 2007**
(Euro thousands)					to cover losses	for other reasons	
Share capital	125,000	125,000					
Share capital issue costs	-18,865	-18,865					
Share premium reserve	459,126	459,126	A B C	459,126		21.578(1)	459,126
Legal Reserve	25,000	25,000	B				25,000
IAS Reserve	-4,238	8,321					
Merger reserves (Other Reserves)	1,179	1,179	A B C	1,179			423
Retained earnings (accumulated losses)	-192,663	-208,374	A B C	-	76,566		
Treasury share reserve	23,641	23,641					
	418,180	**415,028**					
Total available				**460,305**		**21,578**	

	(2)
Non-distributable amount	-169,098
Residual distributable amount	**291,207**

Legend:
A: Share capital increase
B: Coverage of losses
C: Distribution to shareholders
(1) Utilisations for dividends and constitution of treasury shares buy-back reserve
(2) (Article 2433 of the Civil Code)

LIABILITIES

10. Personnel

Post-employment benefits and employee provisions

Post-employment benefits represent a liability relating to the benefits recognised to employees and paid either on termination or after employment service. This liability is a defined benefit plan and therefore is determined applying the actuarial method under the applicable accounting standards.

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

Values in %	**31.12.2019**	**31.12.2018**
Annual technical discounting rate (Post. Em. Ben.)	0.70%	1.55%
Annual inflation rate	1.50%	1.50%
Annual increase in leaving indemnity	2.62%	2.62%
Annual increase in salaries	3.00%	3.00%

The movements in the year are as follows:

	31.12.2019	**31.12.2018**
Net liability at January 1st	**97,424**	**92,530**
Current cost for the year	5,152	4,810
Interest charge (income), net	1,510	1,203
Services paid	(14,600)	-
Actuarial profits/(losses)	3,253	(1,119)
Net liability at December 31st	**92,739**	**97,424**

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

	31.12.2019	31.12.2018
Nominal value of the provision	83,560	92,784
Actuarial adjustment	9,179	4,640
Total post-employment benefits	**92,739**	**97,424**

As illustrated in the movement, the change between the liability determined in accordance with Italian regulations and IFRS is essentially due to the change in the discount rate utilised, as described previously.

Employee numbers and cost

	2019	2018
Wages and salaries	125,085	124,529
Social security charges	39,124	40,286
Post-employment benefit provision	5,152	4,810
Other costs	31,714	53,812
Total personnel expense	**201,075**	**223,437**

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

	31.12.2019	31.12.2019	Average 2019	Average 2018
Managers & white collar	2	2	2	2
Collaborators	2	2	2	2
Total	**4**	**4**	**4**	**4**

11. Non-current and current financial liabilities

	31.12.2019	31.12.2018
Current financial payables		
Payables for leasing assets to associates	638,821	-
	638,821	**-**
Current financial payables		
Payable to subsidiaries	2,248,395	2,248,395
Payables for leasing assets to associates	214,791	-
	2,463,186	**2,248,395**

The balance of Euro 2,248,395 concerns the payables relating to loans at market rates granted by Il Quotidiano di Puglia Srl (Euro 1,530,000) and Servizi Italia 15 Srl (Euro 718,395).

The balance of Euro 638,821 and Euro 214,791 represents the payables from application of IFRS 16 concerning the rental of the company's offices to a company under the control of the parent company.

12. Current provisions

The amount of Euro 872,084 concerns the provision for risks and future charges on the equity deficit of the investments in Mattino Spa (Euro 768,554) and Stampa Napoli 2015 Srl (Euro 103,530). This amount comprises the excess compared to the book value of the investment, attributable to the company according to its share, following the write-down of the loss in the current year recorded by the subsidiary.

13. Trade payables

	31.12.2019	31.12.2018
Supplier payables	347,437	129,588
Payables to subsidiaries	34,446	31,130
Payables to holding companies	1,677,500	1,545,500
Payables to other Group companies	12,924	6,702
	2,072,307	**1,712,920**
of which related parties	*1,724,870*	*1,583,332*

The payables to subsidiaries mainly concern the subsidiary Piemme SpA for Euro 34,219 concerning invoices received and to be received for expenses advanced.

The payable to parent companies concerns invoices received and to be received by Caltagirone SpA for services provided during the year.

Payables to other Group companies concern the companies under common control for services provided.

There are no payables due over 12 months.

The value of payables at December 31st 2019 approximates their fair value.

14. Other current liabilities

Other current liabilities	31.12.2019	31.12.2018
Social security institutions	13,055	12,791
Employee payables	30,464	25,600
Payables to subsidiaries	38,241,759	36,096,278
Other payables	5,749,620	6,474,044
	44,034,898	**42,608,713**

The account "Other payables" of Euro 5,749,620 includes Euro 4,873,306 as amounts available to the Board of Directors in accordance with Article 25 of the Company By-Laws, which provides for the allocation of 2% of the net profits to this account.

The other amounts concern emoluments due to Directors and Statutory Auditors and personnel withholding tax payables.

The other payables to subsidiaries refer to transactions with the companies in the fiscal consolidation and the VAT consolidation. The breakdown is presented in the table below:

	31.12.2019	31.12.2018
Il Messaggero Spa	5,817,156	5,559,351
Il Mattino Spa	8,097,345	7,327,324
Leggo Srl	5,033,542	4,965,047
Il Gazzettino Spa	6,012,944	5,746,192
Piemme Spa	4,280,487	3,623,226
Finced Srl	2,866,620	2,865,664
Corriere Adriatico Srl	3,310,187	3,303,890
Quotidiano Di Puglia Srl	878,680	796,453
Stampa Venezia Srl	148,148	148,057
Stampa Napoli 2015 Srl	42,263	27,261
Servizi Italia 15 Srl	1,525,324	1,534,126

Total tax consolidation	**38,012,696**	**35,896,592**
Il Messaggero SpA	2,128	944
Servizi Italia 15 Srl	10	10
Total other payables	**2,138**	954
Leggo Srl	-	10,184
Quotidiano Di Puglia Srl	-	801
Il Messaggero Spa	4,457	-
Imprese Tipografiche Venete Srl	20,058	38
Stampa Venezia Srl	32,484	29,169
Il Gazzettino Spa	-	37,727
Ced Digital	126,808	39,575
Servizi Italia 15 Srl	-	18,222
Stampa Roma 2015 Srl	28,073	30,542
Stampa Napoli 2015 Srl	15,045	32,474
Total Consolidated VAT	**226,925**	**198,732**
Total payables to subsidiaries	**38,241,759**	**36,096,278**

Income Statement

15. Other operating revenues

	2019	2018
Other operating income	71,218	7,758
Other revenues and income from related parties	508,000	508,000
Total revenue from sales and services	**579,218**	**515,758**

The other revenues and income from related parties concern administrative, financial and tax assistance services provided to Group companies.

16. Other operating costs

	2019	2018
Rent, leases and similar costs	1,056	296,684
Services	1,617,847	1,829,993
Other operating costs	158,690	152,610
Total other operating costs	**1,777,593**	**2,279,287**
of which related parties	548,364	1,032,178

The account Services includes the remuneration of the Board of Statutory Auditors for Euro 30,940, the Board of Directors for Euro 411,520 and the Audit Firm for Euro 47,060 (including the Consob contribution and expenses). The account also includes the fee to Caltagirone S.p.A. for administrative, financial and tax assistance services.

17. Amortisation, depreciation, provisions & write-downs

	2019	2018
Depreciation of property, plant & equipment	-	650
Amort. leased assets	216,870	-
Total amortisation, depreciation, provisions & write-downs	**216,870**	**650**

18. Net financial income/(charges)

	2019	2018
Dividends from subsidiaries	1,765,695	599,940
Dividends from other companies	3,015,000	2,847,500
Bank deposit interest	12	6,548
Interest income subsidiary and associated companies	-	2,301
Total financial income	**4,780,707**	**3,456,289**
of which related parties	*4,780,695*	*3,449,741*

Dividends from other companies refer to Assicurazioni Generali SpA.

Interest income on bank deposits concerns the return on liquidity invested, while interest income from subsidiaries and associates relates to the market rate loan granted to the subsidiary Finced Srl.

	2019	2018
Loss on disposal of investments	-	2,327
Write-down of equity investments and securities	44,108,851	17,572,419
Interest on bank accounts	443	63
Banking commissions and charges	8,653	24,668
Interest expense from subsidiaries	450	490
Financial charges from discounting	1,510	1,203
Int. ex. IFRS 16 Leasing	9,646	-
Others	-	18,107
Total financial charges	**44,129,553**	**17,619,277**
of which related parties	*10,096*	*490*

The write-down of investments relates to the subsidiaries Il Mattino SpA (Euro 13,601,011), Leggo Srl (Euro 312,239), Corriere Adriatico Srl (Euro 7,044,573), Quotidiano di Puglia Srl (Euro 4,670,840), Il Gazzettino SpA (Euro 16,388,028), Piemme SpA (Euro 1,978,635) and Stampa Napoli 2015 Srl (Euro 113,525). For further details, reference should be made to Notes 2 and 11.

The interest charges from subsidiaries concerns the loans received at market rates from Quotidiano di Puglia Srl (Euro 306) and Servizi Italia 15 Srl (Euro 144).

19. Transactions with related parties

The transactions of the company with related parties, including inter-group operations, generally relate to normal operations and are regulated at market conditions, where not indicated otherwise, and principally relate to the exchange of goods, the provision of services, the provision and use of financial resources of associated companies and subsidiaries as well as with other companies belonging to the Caltagirone Group or under common control.

There are no atypical or unusual transactions which are not within the normal business operations.

31.12.2018	**Parent Company**	**Subsidiaries**	**Companies under common control**	**Other related parties**	**Total related parties**	**Total book value**	**% on total account items**
Balance sheet transactions							
Trade receivables		504,542			**504,542**	**512,981**	**98.35%**
Current financial assets		62,928,093			**62,928,093**	**62,928,093**	**100.00%**
Other current assets		3,702,956			**3,702,956**	**3,755,659**	**98.60%**
Cash and cash equivalents					**-**	**1,681,854**	**0.00%**
Trade payables	1,545,500	31,130	6,702		**1,583,332**	**1,712,920**	**92.43%**
Current financial liabilities		2,248,395			**2,248,395**	**2,248,395**	**100.00%**
Other current liabilities		36,096,277			**36,096,277**	**42,608,713**	**84.72%**
Income statement transactions							
Other operating income		500,000	8,000		**508,000**	**515,758**	**98.50%**
Other operating charges	600,000	136,550	295,628		**1,032,178**	**2,279,287**	**45.29%**
Financial income		602,241		2,847,500	**3,449,741**	**3,456,289**	**99.81%**
Financial expenses		490			**490**	**51,451**	**0.95%**

31.12.2019	**Parent Company**	**Subsidiaries**	**Companies under common control**	**Other related parties**	**Total related parties**	**Total book value**	**% on total account items**
Balance sheet transactions							
Trade receivables		501,218			**501,218**	**501,218**	**100.00%**
Current financial assets		57,252,158			**57,252,158**	**57,252,158**	**100.00%**
Other current assets		4,169,421			**4,169,421**	**4,224,120**	**98.71%**
Cash and cash equivalents					**-**	**3,134,015**	**0.00%**
Non-current financial liabilities			638,821		**638,821**	**638,821**	**100.00%**
Trade payables	1,677,500	47,370			**1,724,870**	**2,072,307**	**83.23%**
Current financial liabilities	2,248,395		214,791		**2,463,186**	**2,463,186**	**100.00%**
Other current liabilities		38,241,758			**38,241,758**	**44,034,898**	**86.84%**
Income statement transactions					**-**		
Other operating income		500,000	8,000		**508,000**	**579,218**	**87.70%**
Other operating charges	400,000	63,849	84,515		**548,364**	**1,777,593**	**30.85%**
Financial income		1,765,695		3,015,000	**4,780,695**	**4,780,707**	**100.00%**
Financial expenses		450	9,646		**10,096**	**44,129,553**	**0.02%**

For further information on the breakdown of the individual accounts reported above, reference should be made to the comments concerning each area of the financial statements.

20. Other information

Information in accordance with article 149 of Consob Resolution 11971/99

The fees paid to the independent audit firm PricewaterhouseCoopers SpA for financial year 2019 refers entirely to audit services, without including the Consob contribution or expenses invoiced, and amount to Euro 41,096.

21. Hierarchy of Fair Value according to IFRS 13

In relation to financial instruments recorded at Fair Value, IFRS 13 requires that these values are classified based on a hierarchy of levels which reflects the sources of the input utilised in the determination of the Fair Value. Therefore the following hierarchy levels are established:

- Level 1: determination of fair value based on prices listed in active markets by class of asset or liability subject to valuation;

- Level 2: determination of Fair Value based on input other than the listed prices included at Level 1 but which are directly observable (prices) and indirectly (derivatives from prices) on the market; instruments not characterised by sufficient level of liquidity or which do not express in a continuous manner a “binding” market listing are included in this category;

- Level 3: determination of fair value based on valuation models whose input is not based on observable market data.

The following table shows the hierarchy level for the assets and liabilities which are valued at Fair Value:

31.12.2018	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
AFS Financial assets valued at fair value	3	48,910,000			**48,910,000**
Total assets		**48,910,000**	**-**	**-**	**48,910,000**
31.12.2019	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
AFS Financial assets valued at fair value	3	61,623,250			**61,623,250**
Total assets		**61,623,250**	**-**	**-**	**61,623,250**

In 2019 there were no transfers between the various levels.

22. Subsequent events

In addition, as noted, the Covid-19 coronavirus epidemic is seriously threatening public health. In order to deal with this emergency, the Italian Government has imposed strict isolation measures restricting the movement of an increasing number of people; many companies are taking preventive measures to limit the spread of the contagion, such as, for example, resorting as far as possible to remote working and, if necessary, suspending activities. In view of the ongoing and developing epidemic and the consequent uncertainty in predicting the duration and impact that this emergency will have on national and global economic activities, the Company did not consider it possible to make a reasonable estimate of its impact on operations and the related financial statement balances. As required by the applicable accounting standards, it should be noted that the valuation of listed equity securities in portfolio at March 9th 2020 was impacted by the above, resulting in a reduction in value of approx. 25% compared to the corresponding value at December 31st 2019. However, the Company has the capacity to keep these securities in portfolio as it has a strong capital base.

CALTAGIRONE EDITORE
Società per Azioni - Cap.Soc. Euro 125.000.000

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

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

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

   of the administrative and accounting procedures for the compilation of the consolidated financial statements for 2019.

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

3. It is also declared that:

3.1 the Consolidated Financial Statements:

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

b) correspond to the underlying accounting documents and records;

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

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

Rome, March 10th 2020

The Chairman	**The Executive Responsible**
Mr. Francesco Gianni	Mr. Fabrizio Caprara

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

   of the administrative and accounting procedures for the compilation of the financial statements for 2019.

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

3. It is also declared that:

3.1 the financial statements:

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

   b) correspond to the underlying accounting documents and records;

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

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

Rome, March 10th 2020

The Chairman	**The Executive Responsible**
Mr. Francesco Gianni	Mr. Fabrizio Caprara