ANNUAL REPORT

December 31st 2020

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SHAREHOLDERS' MEETING OF APRIL 26TH 2021

AGENDA

1. Presentation of the Separate and Consolidated Financial Statements for the year ended December 31st 2020, together with the Directors' Report, Board of Statutory Auditors' Report and the Independent Auditors' Report; resolutions thereon;
2. Appointment of the Board of Directors for the three-year period 2021 – 2022 and 2023, determining the number of Board members and relative remuneration;
3. Appointment of the Board of Statutory Auditors for the three-year period 2021 – 2022 and 2023 and determination of emoluments;
4. Remuneration Policy and Report; 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 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 Dorina Casadei
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 2020

INTRODUCTION

The present Directors' Report refers to the Consolidated and Separate Financial Statements of Caltagirone Editore SpA (hereafter also "the Group") at December 31st 2020, 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 2020.

Implications of the Covid-19 pandemic

In 2020, the domestic and international environment has been dominated by the spread of the coronavirus, and the restrictive containment measures consequently implemented by national governments. These had immediate consequences for work organisation and times, general economic performance as well as significant social impacts, and created a climate of general uncertainty.

The Group companies acted promptly, implementing both measures to ensure the health and safety of the workforce and those to recover cost efficiency so as to reduce the financial impacts of reduced advertising and circulation revenues.

GROUP OPERATIONS

The table below illustrates the key financial results for the year 2020 compared to the previous year.

Euro thousands	*2020*	*2019*	*Cge.*	*cge.%*
OPERATING REVENUES	**119,896**	**135,859**	**(15,963)**	**(11.7%)**
CIRCULATION REVENUES	53,261	60,777	(7,516)	(12.4%)
ADVERTISING REVENUES	60,687	69,322	(8,635)	(12.5%)
REVENUES FOR TRANSPORT SERVICES	1,573	1,211	362	29.9%
REVENUES FROM OTHER WEB SERVICES	169	188	(19)	(10.1%)
OTHER WEB SERVICES	272	154	118	76.3%
PROMOTION REVENUES	449	455	(6)	(1.3%)
OTHER REVENUES AND INCOME	3,485	3,751	(266)	(7.1%)
OPERATING COSTS	**(114,361)**	**(133,396)**	**19,035**	**14.3%**
RAW MATERIALS, SUPPLIES & CONSUMABLES	(7,833)	(11,714)	3,881	33.1%
LABOUR COSTS	(53,338)	(57,395)	4,057	7.1%
OTHER COSTS	(53,190)	(64,287)	11,097	17.3%
EBITDA	**5,535**	**2,463**	**3,072**	**(124.8%)**
AMORTISATION, DEPRECIATION, WRITE-DOWNS & PROVISIONS	(65,161)	(48,043)	(17,118)	(35.6%)
EBIT	**(59,626)**	**(45,580)**	**(14,046)**	**(30.8%)**
FINANCIAL INCOME	3,521	5,908	(2,387)	(40.4%)
FINANCIAL CHARGES	(651)	(821)	170	20.7%
NET FINANCIAL INCOME/(CHARGES)	**2,870**	**5,087**	**(2,217)**	**(43.6%)**
LOSS BEFORE TAXES	**(56,756)**	**(40,493)**	**(16,263)**	**(40.2%)**
INCOME TAXES	12,479	9,844	2,635	(26.8%)
LOSS FOR THE YEAR	**(44,277)**	**(30,649)**	**(13,628)**	**(44.5%)**
MINORITY INTEREST	-	-	-	0.0%
GROUP NET LOSS	**(44,277)**	**(30,649)**	**(13,628)**	**(44.5%)**

In 2020, the Group reported Operating Revenues of Euro 119.9 million, reducing 11.7%, following a contraction in circulation revenues (-12.4%) and advertising revenues (-12.5%).

Raw material costs decreased 33.1%, due to the lower quantities utilised in the production process and to the reduced cost of paper.

Labour costs, including non-recurring charges of Euro 4.2 million (Euro 3.2 million in 2019) - principally due to the reorganisation put in place by a number of Group companies -

decreased 7.1% On a like-for-like basis, excluding these non-recurring charges, labour costs decreased 9.4% on the previous year.

Other operating costs contracted overall by 17.3%, due to the ongoing cost-cutting by the subsidiaries, particularly regarding service costs.

EBITDA in 2020 reports a profit of Euro 5.5 million (Euro 2.5 million).

EBIT saw a loss of Euro 59.6 million (loss of Euro 45.6 million in 2019) and includes the write-down of indefinite life intangible assets, for Euro 57.4 million (Euro 39.8 million in 2019), amortisation and depreciation for Euro 6.7 million (Euro 6.3 million in 2019), provisions for risks for Euro 118 thousand (Euro 1.3 million in 2019) and doubtful debts for Euro 914 thousand (Euro 691 thousand in 2019).

Net financial income of Euro 2.9 million (Net financial income of Euro 5.1 million in 2019), principally include dividends on listed shares in the period of approx. Euro 3.3 million (Euro 5.9 million in 2019), net of financial charges related to operating requirements.

The Group net result reports a loss of Euro 44.3 million (loss of Euro 30.6 million in 2019).

Net Cash Position

The Group Cash Financial Position at December 31st 2020 is as follows:

(Euro thousands)	**31.12.2020**	**31.12.2019**
Cash and cash equivalents	100,496	112,368
Non-current financial lease liabilities	(3,562)	(5,700)
Current financial lease liabilities	(3,503)	(3,607)
Current financial liabilities to banks	(7,413)	(9,285)
Net Cash Position*	**86,018**	**93,776**

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

The net cash position amounted to Euro 86 million, a decrease of Euro 7.8 million compared to December 31st 2019 (Euro 93.8 million) mainly due to investments in listed shares of Euro 13.4 million net of dividend income on listed shares and positive cash flow.

Shareholders' Equity

Group shareholders' equity amounted to Euro 339.3 million (Euro 408.2 million at December 31st 2019); the decrease principally concerns the result for the year and the fair value measurement of shares held by the Group.

The balance sheet and income statement ratios are provided below:

	2020	2019
ROE* *(Net Result/Net Equity)***	(13.1)	(7.51)
ROI* *(EBIT/total assets)***	(13.2)	(8.5)
ROS* *(EBIT/Operating Revenues)***	(49.7)	(33.6)
Equity Ratio *(Net equity/total assets)*	0.8	0.8
Liquidity Ratio *(Current assets/Current liabilities)*	2.3	2.7
Capital Invested Ratio *(Net equity/Non-current assets)*	1.1	1.1

*percentage values

** For definitions of "Net Result", "Operating Revenues" 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 income statement ratios were down compared to the figures for 2019, primarily due to higher impairment charges on intangible assets with indefinite useful lives.

Group operating performance

- *Publishing*

Revenues from Group title paper edition sales in 2020 contracted by 14.8% on 2019 and by 12.4[1]% including digital subscription and sales.

The latest available circulation data indicates a reduction of approx. 12.4% in paper and digital copies sold in the January-December 2020 period compared with 2019.

- *Advertising*

In 2020, Group advertising revenues decreased 12.5%.

Paper edition advertising revenues, also including third party advertising, contracted 18.2% on 2019.

Internet advertising, including also third party advertising, increased 7.4% on 2019. The contribution of this segment to overall advertising revenues was 24.4%.

The market in the January - December 2020 period contracted 15.9%[2] for print newspaper advertising, while internet advertising declined 0.8%[3].

In terms of web presence, the Caltagirone Editore network websites to November 2020 reported 4.93 million unique average daily users Total Audience (PC and mobile)[4], up 25% on the same period of 2019

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 2020 vs January-December 2019)
[2] *FCP newspaper research institute* figures – January – December 2020 compared with 2019
[3] *FCP Assointernet research institute* figures – January – December 2020 compared with 2019
[4] Audiweb figures Total Audience November 2020 (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 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 principally 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.

Following the Covid-19 emergency, Group companies first of all assessed the risks of contagion in the company and promptly implemented actions aimed primarily at ensuring business continuity while guaranteeing full protection of workers' health and safety. The companies have adopted preventive measures to limit the spread of contagion such as, for example, the use, as far as possible, of remote working and, if necessary, the suspension of activities. In addition, the companies have drawn up ad hoc protocols containing indications for managing operations, ensuring the full protection of people's health in line with the indications provided by the Government. Lastly, the companies of the Group, in application of the rules for the prevention and spread of Covid 19 as well as the company protocols in force, have set up for employees and collaborators periodic cycles of Rapid Antigenic Swab Tests capable of detecting the viral load of the SARS-CoV-2 virus, responsible for Covid 19 disease. Testing is fortnightly for print centre employees and monthly for other employees.

Principal uncertainties and going concern

Following on from that stated in the paragraph concerning management risks, the continuation of the general sector crisis does not however cause concern in relation to the going concern principle in that the Group has adequate levels of liquidity and of own funds, while no uncertainties exist that could compromise the capacity of the Group to carry out its operating activities.

Related party transactions

"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 Caltagirone Group did not carry out any research and development activity.

At December 31, 2020, there were 596 employees (611 at December 31st 2019), with an average number in 2020 of 598 (621 in 2019).

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

In order to offset the impacts of the Covid-19 emergency on operating, equity and financial results, the Group will continue to implement measures to limit all discretionary costs and to reduce direct and operative overheads.

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.

PARENT COMPANY OVERVIEW

For 2020 Caltagirone Editore SpA reports financial income of Euro 1.7 million and financial charges of Euro 21 million, with a net loss of Euro 20.5 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	**2020**	**2019**
Dividends from subsidiaries	-	1,766
Dividends from other companies	1,675	3,015
Total financial income	**1,675**	**4,781**
Interest and financial charges from subsidiaries and associates	(7)	(10)
Interest and financial charges from third parties	(10)	(11)
Write-down of investments in subsidiaries and associates	(20,941)	(44,109)
Total financial charges	**(20,958)**	**(44,130)**
NET FINANCIAL CHARGES	**(19,283)**	**(39,349)**
Result from operating activities	(1,627)	(1,616)
LOSS BEFORE TAXES	**(20,910)**	**(40,965)**
Income taxes	371	335
NET LOSS	**(20,539)**	**(40,630)**

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 Adriatico Srl, 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 2020 was Euro 340.2 million (Euro 374.4 million at December 31st 2019). The change is attributable to the result for the year and the negative fair value measurement of the Company's equity investments in listed issuers.

NET CASH POSITION

The net cash position is as follows:

Euro thousands	**31.12.2020**	**31.12.2019**
Current financial assets	33,111	57,252
Cash and cash equivalents	1,694	3,134
Non-current financial liabilities	(423)	(639)
Current financial liabilities	(2,046)	(2,463)
Net Cash Position *	**32,336**	**57,284**

** 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 31.12.2020 was a cash position of Euro 32.3 million (Euro 57.3 million at 31.12.2019); the decrease of Euro 24.9 million mainly concerns the partial waiver of the loans granted to the subsidiaries 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 2020 reports a net loss of Euro 3.4 million (net loss of Euro 3.6 million in 2019), against Operating Revenues of Euro 46 million, reducing 13% on Euro 52.8 million in 2019, due to the contraction in paper and digital copy sales revenues (-15.1%), and advertising revenues (-9.1%). EBITDA was a loss of Euro 25 thousand (EBITDA loss of Euro 256 thousand in 2019).

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 2020 reported a Net Loss of Euro 827 thousand (Net Loss of Euro 2.4 million in 2019), against Operating Revenues of Euro 15.8 million compared to Euro 17.4 million in 2019 (-9.2%), following the contraction in paper and digital revenues (-12.8%) and advertising revenues (-5.4%). EBITDA reports a profit of Euro 623 thousand (loss of Euro 1.5 million in 2019).

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 2020 reported a Net Loss of Euro 492 thousand (Net Loss of Euro 904 thousand in 2019), against Operating Revenues of Euro 22.3 million compared to Euro 24.8 million in 2019 (-10%). Circulation revenues of Euro 13.5 million decreased 5% due to general falling demand. Advertising revenues amounted to Euro 8.5 million, decreasing on 2019 (-16.1%).

EBITDA amounted to Euro 1,005 thousand, up 24.8% on Euro 773 thousand in 2019.

LEGGO SRL

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

In 2020, the Company reported a Net Loss of Euro 256 thousand (net loss of Euro 306 thousand in 2019) against Operating Revenues from advertising sales of Euro 2.5 million, down 27.4% compared to Euro 3.5 million in 2019.

EBITDA reports a loss of Euro 376 thousand (loss of Euro 343 thousand in 2019).

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.

In 2020, Corriere Adriatico Srl reported a Net Loss of Euro 445 thousand (loss of Euro 363 thousand in 2019). EBITDA reports a loss of Euro 523 thousand (profit of Euro 25 thousand in 2019), due to the reduction in circulation revenues and revenues from advertising sales.

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 2020, 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 658 thousand (Loss of Euro 273 thousand in 2019), with Operating Revenues of Euro 3.7 million compared to Euro 4.7 million in 2019 (-21.3%).

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 2020 reported a Net Loss of Euro 2.8 million (Net Loss of Euro 2 million in 2019). In 2020, the company generated advertising revenues of Euro 62.6 million (Euro 71.5 million in 2019), decreasing 12.5% on 2019. EBITDA amounted to Euro 765 thousand (loss of Euro 1.6 million in 2019).

Other Investments

Finced Srl, a Group finance company, in 2020 reported a Net Profit of Euro 2.3 million (Net Profit of Euro 3.3 million in 2019), 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.

TRANSACTIONS WITH RELATED PARTIES

For the transactions between the Companies of Caltagirone 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 2020 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

Following the resignations of Statutory Auditor Maria Coluccia and Alternate Auditor Patrizia Amoretti, the Shareholders' Meeting of April 21st 2020 appointed Ms Dorina Casadei as Statutory Auditor and Ms Fabiana Flamini as Alternate Auditor.

On March 10th 2020, the Board of Directors confirmed Fabrizio Caprara as the company's Executive Officer for Financial Reporting in 2020.

On the recommendation of the Board of Statutory Auditors, the Shareholders' Meeting of April 21st 2020 appointed KPMG SpA as independent auditors for the period 2021 -2029.

The Board of Directors approved the new Related Party Transaction Policy, updated to incorporate the changes introduced by Consob Resolution 21624 of December 10th 2020.

With the approval of the 2020 annual accounts, the mandate of the corporate boards expires and therefore the Shareholders' AGM is required to appoint the boards for the years 2021, 2022 and 2023.

Other Information

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

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 2020, the Company had 2 employees (2 at December 31st 2019).

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."

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.

Subsequent events

No significant subsequent events took place.

Proposals to the Shareholders' Meeting

Dear Shareholders,

we propose to you the approval of the Financial Statements at December 31st 2020, 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 20,538,992.

Rome, March 8th 2021

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

31.12.2020	Net Result	Net Equity
Net Result and Net Equity for the year as per financial statements of the parent company	**(20,539)**	**340,171**
Contribution of subsidiary and associated companies	15,091	(37,632)
Adjustment to the international accounting standards IFRS/IAS	(38,829)	36,730
Net Result and Net Equity as per the consolidated financial statements	**(44,277)**	**339,269**

LIST OF INVESTMENTS AT 31.12.2020

COMPANY	REGISTERED OFFICE	SHARE CAPITAL	CURRENCY	HOLDING DIRECT	HOLDING 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%

CONSOLIDATED FINANCIAL STATEMENTS

December 31st 2020

Consolidated Balance Sheet

Assets

(Euro thousands)	note	31.12.2020	31.12.2019
Non-current assets			
Intangible assets with definite life	1	866	809
Intangible assets with indefinite life	2	103,003	160,403
Newspaper titles		*103,003*	*160,403*
Property, plant and equipment	3	40,419	44,808
Equity investments and non-current securities	4	108,159	120,777
Other non-current assets	5	135	89
Deferred tax assets	6	53,389	53,616
TOTAL NON-CURRENT ASSETS		**305,971**	**380,502**
Current assets			
Inventories	7	1,592	1,651
Trade receivables	8	41,031	42,849
of which related parties		*208*	*113*
Tax receivables	6	41	-
Other current assets	9	1,024	804
of which related parties		*3*	*-*
Cash and cash equivalents	10	100,496	112,368
TOTAL CURRENT ASSETS		**144,184**	**157,672**
TOTAL ASSETS		**450,155**	**538,174**

Consolidated Balance Sheet

Shareholders’ Equity & Liabilities

(Euro thousands)	note	*31.12.2020*	*31.12.2019*
Shareholders’ Equity			
Share capital		125,000	125,000
Share capital issue costs		(18,865)	(18,865)
Reserves		277,411	332,724
Loss for the year		(44,277)	(30,649)
Group shareholders' equity		**339,269**	**408,210**
Minority interest shareholders' equity		-	-
TOTAL SHAREHOLDERS' EQUITY	11	**339,269**	**408,210**
Liabilities			
Non-current liabilities			
Employee benefits	12	14,802	15,405
Non-current provisions	13	155	232
Non-current financial liabilities	14	3,562	5,700
of which related parties		*1,936*	*4,915*
Other non-current liabilities	15	1,859	1,630
Deferred tax liabilities	6	27,548	40,986
TOTAL NON-CURRENT LIABILITIES		**47,926**	**63,953**
Current liabilities			
Current provisions	13	11,769	10,938
Trade payables	16	19,647	21,284
of which related parties		*248*	*1,698*
Current financial liabilities	14	10,916	12,892
of which related parties		*2,783*	*2,909*
Current income tax payables	6	-	28
Other current liabilities	15	20,628	20,869
of which related parties		*33*	*36*
TOTAL CURRENT LIABILITIES		**62,960**	**66,011**
TOTAL LIABILITIES		**110,886**	**129,964**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**450,155**	**538,174**

Consolidated Income Statement

(Euro thousands)	Note	2020	2019
Revenues	17	116,411	132,108
of which related parties		*241*	*249*
Other operating revenues	18	3,485	3,751
of which related parties		*76*	*54*
TOTAL REVENUES		**119,896**	**135,859**
Raw material costs	19	(7,833)	(11,714)
Labour costs	12	(53,338)	(57,395)
of which non-recurring charges		*(4,212)*	*(3,190)*
Other operating charges	20	(53,190)	(64,287)
of which related parties		*(706)*	*(1,890)*
TOTAL COSTS		**(114,361)**	**(133,396)**
EBITDA		**5,535**	**2,463**
Amortisation & depreciation		(3,056)	(2,903)
Amort. leased assets		(3,673)	(3,393)
Provisions		(118)	(1,256)
Write-down of intangible assets with indefinite life		(57,400)	(39,800)
Write-down of receivables and other fix assets		(914)	(691)
Amortisation, depreciation, provisions and write-downs	21	**(65,161)**	**(48,043)**
EBIT		**(59,626)**	**(45,580)**
Financial income		3,521	5,908
of which related parties		*3,250*	*5,850*
Financial charges		(651)	(821)
of which related parties		*(62)*	*(83)*
Net financial income	22	**2,870**	**5,087**
LOSS BEFORE TAXES		**(56,756)**	**(40,493)**
Income taxes	6	12,479	9,844
LOSS FROM CONTINUING OPERATIONS		**(44,277)**	**(30,649)**
NET LOSS FOR THE YEAR		**(44,277)**	**(30,649)**
Group Net Loss		(44,277)	(30,649)
Minority interest share		-	-

	Note	2020	2019
Basic earnings/(loss) per share	23	(0.415)	(0.287)
Diluted earnings/(loss) per share	23	(0.415)	(0.287)

Consolidated Comprehensive Income Statement

(Euro thousands)	**2020**	**2019**
Net loss for the year	**(44,277)**	**(30,649)**
Items which are not reclassified subsequently to profit/(loss) for the year		
Effect of actuarial gains/losses, net of tax effect	(205)	(515)
Profit/(loss) from the valuation of Investments in equity instruments net of the tax effect	(24,459)	24,089
Total other items of the Comprehensive Income Statement	**(24,664)**	**23,574**
Comprehensive loss for the year	**(68,941)**	**(7,075)**
Attributable to:		
Parent Company shareholders	(68,941)	(7,075)
Minority interest	-	-

Statement of Changes in Consolidated Shareholders' Equity

(Euro thousands)	Share capital	Listing charges	Treasury shares	Fair Value reserve	Other reserves	Result for the period	Group net equity	Minority interest N.E.	Total net equity
Balance January 1st 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**
Balance December 31st 2019	**125,000**	**(18,865)**	**(23,641)**	**21,087**	**335,278**	**(30,649)**	**408,210**	**-**	**408,210**
Balance at January 1st 2020	**125,000**	**(18,865)**	**(23,641)**	**21,087**	**335,278**	**(30,649)**	**408,210**	**-**	**408,210**
Prior year result carried forward					(30,649)	30,649	**-**		**-**
Total operations with shareholders	**-**	**-**	**-**	**-**	**(30,649)**	**30,649**	**-**	**-**	-
Change in fair value reserve				(24,459)			**(24,459)**		**(24,459)**
Change employee reserve					(205)		**(205)**		**(205)**
Net Loss						(44,277)	**(44,277)**		**(44,277)**
Total Comprehensive loss for the year	**-**	**-**	**-**	**(24,459)**	**(205)**	**(44,277)**	**(68,941)**	**-**	**(68,941)**
Balance December 31st 2020	**125,000**	**(18,865)**	**(23,641)**	**(3,372)**	**304,424**	**(44,277)**	**339,269**	**-**	**339,269**

Cash Flow Statement

Euro thousands	*2020*	*2019*
CASH & CASH EQUIVALENTS PREVIOUS YEAR	**112,368**	**109,656**
Net loss for the year	(44,277)	(30,649)
Amortisation & depreciation	6,729	6,296
(Revaluations) and write-downs	58,313	40,490
Net financial charges	(2,870)	(5,086)
Losses on disposals	(14)	(1)
Income taxes	(12,479)	(9,844)
Changes in employee provisions	(989)	(1,134)
Changes in current and non-current provisions	754	1,884
OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL	**5,167**	**1,956**
(Increase) Decrease in inventories	60	92
(Increase) Decrease in Trade receivables	905	2,654
Increase (Decrease) in Trade payables	(1,637)	(959)
Change in other current and non-current liabilities	(244)	100
Change in deferred and current income taxes	(121)	(158)
OPERATING CASH FLOW	**4,130**	**3,685**
Dividends received	3,250	5,850
Interest received	-	58
Interest paid	(549)	(476)
Other income (charges) received/paid	271	-
Income taxes paid	(71)	(208)
A) CASH FLOW FROM OPERATING ACTIVITIES	**7,031**	**8,909**
Investments in intangible fixed assets	(600)	(1,246)
Investments in tangible fixed assets	(448)	(660)
Non-current investments and securities	(12,369)	-
Sale of intangible and tangible assets	63	374
Change in non-current financial assets	(36)	-
B) CASH FLOW FROM INVESTING ACTIVITIES	**(13,390)**	**(1,532)**
Change in current financial liabilities	(5,513)	(4,665)
C) CASH FLOW FROM FINANCING ACTIVITIES	**(5,513)**	**(4,665)**
D) Effect exc. diffs. on cash & cash equivalents	-	-
Change in net liquidity	**(11,872)**	**2,712**
CASH AND CASH EQUIVALENTS CURRENT YEAR	**100,496**	**112,368**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31st 2020

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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 2020, 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 18,209,738 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 2020 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).

These consolidated financial statements were authorised for publication by the Directors on March 8th 2021.

Compliance with international accounting standards approved by the European Commission

The consolidated financial statements at December 31st 2020 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 2020 financial statements of the Parent Company Caltagirone Editore SpA are also prepared in accordance with IFRS as defined above.

Accounting standards and amendments to standards adopted by the Group

a) *From January 1st 2020, the Group adopted the following new accounting standards:*

- Amendments to the Conceptual Framework for Financial Reporting, which was endorsed by the EU on December 6th 2019 with Regulation No. 2075. 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 or subsequently.
- *Amendments to IAS 1 and IAS 8: Definition of Material*, which were endorsed by the EU on December 10th 2019 with Regulation No. 2014. The objective of this document is 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 or subsequently.
- *Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform*, which were endorsed by the EU on January 16th 2020 with Regulation No. 34. 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 or subsequently.

- *Amendment to IFRS 3 Business Combinations,* which was endorsed by the EU on April 21st 2020 with Regulation No. 551. This document introduced a much more restrictive definition of business than that contained in the previous 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.
- *Amendments to IFRS 16 Leases Covid-19 Related Rent Concessions*, the EU endorsement of which took place on October 9th 2020 with Regulation 1434. The document establishes for lessees the option to account for the reductions in rents connected with the COVID-19 pandemic without having to assess, through the analysis of contracts, whether the definition of lease modification of IFRS 16 has been complied with. Therefore, lessees applying this option will be able to account for the effects of rent reductions directly in the income statement on the effective date of the reduction. The amendment is applicable to financial statements beginning June 1st 2020, with early application possible on January 1st 2020.

The adoption of the new standards applicable from January 1st 2020 did not have significant effects.

b) Accounting Standards and interpretations on Standards effective from the periods subsequent to 2020 and not adopted in advance by the Group:

- On August 27th 2020, the IASB published the document "*Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2",* with the aim of modifying the existing standards impacted by the reform to include some practical expedients and some facilitations in order to limit the accounting impacts resulting from the reform of IBORs. This document, adopted by the European Union with Regulation No. 25 of January 13th 2021, is applicable from periods beginning on, or subsequent to, January 1st 2021.

- On June 25th 2020, the IASB published the document entitled "*Amendments to IFRS 4 Contracts - deferral of IFRS 9*", which clarified a number of applicational aspects of IFRS 9 before the definitive application of IFRS 17. This document, adopted by the European Union with Regulation No. 2097 of December 16th 2020, is applicable from periods beginning on, or subsequent to, January 1st 2021.

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

c) *Accounting standards, amendments and interpretations not yet endorsed by the European Union*

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. On June 25th 2020, the IASB published the document "*Amendments to IFRS 17*", which includes some changes to IFRS 17 and the deferral of the entry into force of the new accounting standard to January 1st 2023. At the reporting date, the endorsement process was ongoing.
- On January 23rd 2020, the IASB published amendments to IAS 1. The document "*Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*" 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 were initially due to come into force from January 1st 2022, however the IASB, with a second document published on July 15th 2020, has deferred their entry into force to January 1st 2023. Early application is permitted. At the reporting date, the endorsement process was ongoing.

- On May 14th 2020 the IASB published the document "*Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020"* so as to introduce some specific improvements to these standards. The amendments are applied to financial statements concerning periods beginning on January 1st 2022. The endorsement process is still in progress.
- On February 12th 2021, the IASB published "*Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2*: *Disclosure of Accounting policies,* with the aim of improving the information provided about the accounting standards and accounting policies adopted in order to provide users of the financial statements with more useful information. The amendments are applied to financial statements concerning periods beginning from January 1st 2023. Early application is permitted.
- On February 12th 2021, the IASB published "*Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimate and Errors*: *Definition of Accounting Estimates,"* with the goal of distinguishing changes in accounting principles from changes in accounting estimates. The amendments are applied to financial statements concerning periods beginning from January 1st 2023. Early application is permitted.

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	31.12.2020	31.12.2019	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; the 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

<u>Identification of leasing</u>

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. In particular:

— 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.

Shareholders' Equity

Treasury shares

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

Costs for share capital increases

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

Employee benefits

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

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

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

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

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, 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.

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 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 principally 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.

Following the Covid-19 emergency, Group companies first of all assessed the risks of contagion in the company and promptly implemented actions aimed primarily at ensuring business continuity while guaranteeing full protection of workers' health and safety. The companies have adopted preventive measures to limit the spread of contagion such as, for example, the use, as far as possible, of remote working and, if necessary, the suspension of activities. In addition, the companies have drawn up ad hoc protocols containing indications for managing operations, ensuring the full protection of people's health in line with the indications provided by the Government. Lastly, the companies of the Group, in application of the rules for the prevention and spread of Covid 19 as well as the company protocols in force, have set up for employees and collaborators periodic cycles of Rapid Antigenic Swab Tests capable of detecting the viral load of the SARS-CoV-2 virus, responsible for Covid 19 disease. Testing is fortnightly for print centre employees and monthly for other employees.

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 2020 of Euro 116.3 million compared to a Group net equity of Euro 339.3 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.

Implications of Covid-19 in the 2020 Annual Financial Report

The 2020 figures, partly due to the spread of Covid-19 and the consequent restrictions enforced by governmental authorities, report a drop in circulation revenues for paper editions (-14.8% on 2019 and -12.4% considering also digital subscriptions and copies), and of advertising revenues (-12.5% on 2019).

In order to offset this decrease in revenues, the Group companies quickly reacted by introducing a number of editorial initiatives to support sales, digital subscriptions and advertising, in addition to various actions to renegotiate the prices of raw materials and introduce efficiencies to the production processes and, overall, to the structure of other operating costs. Accordingly, the actions aimed at containing costs generated a positive impact on the margin for the year, which increased overall by Euro 3.1 million compared to 2019, and which management expects to maintain in subsequent years.

The Group companies therefore concentrated on strategies to continue to offset the impacts of Covid-19. In this regard, management is undertaking further actions to improve the efficiency of operating costs, in addition to those to further encourage the use of digital channels.

This general environment required an update to the forecasts made by Group company management, although within a highly uncertain general environment. Therefore, as described in Note 2 concerning intangible assets with indefinite useful life, a new Business Plan for the years 2021-2025 was drawn up, which indicated the need to write-down the Group's Newspaper titles for Euro 57.4 million.

Among the other effects of the spread of Covid-19, we indicate that the value of the listed shares in portfolio decreased by approx. 22.5% compared to December 31st 2019. However, the Group has the capacity to keep these securities in portfolio as it has a strong capital and financial base.

ASSETS

1. Intangible assets with definite life

Historical cost	Patents	Trademarks and Concessions	Other	Total
01.01.2019	**1,570**	**626**	**5,742**	**7,938**
Increases		47	1,038	**1,085**
Decreases			(354)	**(354)**
31.12.2019	**1,570**	**673**	**6,426**	**8,669**
01.01.2020	**1,570**	**673**	**6,426**	**8,669**
Increases		215	385	**600**
31.12.2020	**1,570**	**935**	**6,764**	**9,269**

Amortisation & loss in value	Patents	Trademarks and Concessions	Other	Total
01.01.2019	**1,555**	**487**	**5,428**	**7,470**
Increases	8	139	243	**390**
31.12.2019	**1,563**	**626**	**5,671**	**7,860**
01.01.2020	**1,563**	**626**	**5,671**	**7,860**
Increases	7	97	439	543
31.12.2020	**1,570**	**723**	**6,110**	**8,403**

Net value				
01.01.2019	**15**	**139**	**314**	**468**
31.12.2019	**7**	**47**	**755**	**809**
31.12.2020	**-**	**212**	**654**	**866**

At December 31st 2020, 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**
01.01.2019	**189,596**	**286,794**	**476,390**
Increases			**-**
Decreases			**-**
31.12.2019	**189,596**	**286,794**	**476,390**
01.01.2020	**189,596**	**286,794**	**476,390**
Increases			-
Decreases			-
31.12.2020	**189,596**	**286,794**	**476,390**

Write-downs	**Goodwill**	**Newspaper titles**	**Total**
01.01.2019	**189,596**	**86,591**	**276,187**
Increases		39,800	**39,800**
Decreases			**-**
31.12.2019	**189,596**	**126,391**	**315,987**
01.01.2020	**189,596**	**126,391**	**315,987**
Increases		57,400	57,400
Decreases			-
31.12.2020	**189,596**	**183,791**	**373,387**

Net value			
01.01.2019	**-**	**200,203**	**200,203**
31.12.2019	**-**	**160,403**	**160,403**
31.12.2020	**-**	**103,003**	**103,003**

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

	01.01.2019	**Increases/ (Decreases)**	**Write-downs**	**31.12.2019**
Il Messaggero S.p.A.	90,808			90,808
Il Mattino S.p.A	35,496		(12,700)	22,796
Quotidiano Di Puglia Srl	8,931		(4,400)	4,531
Corriere Adriatico Srl	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**

	01.01.2020	**Increases/ (Decreases)**	**Write-downs**	**31.12.2020**
Il Messaggero S.p.A.	90,808		(38,800)	52,008
Il Mattino S.p.A	22,796		(2,000)	20,796
Quotidiano Di Puglia Srl	4,531		(4,100)	431
Corriere Adriatico Srl	6,078		(4,000)	2,078
Il Gazzettino S.p.A.	36,187		(8,500)	27,687
Other minor newspaper titles	3			3
Total	**160,403**		**(57,400)**	**103,003**

In relation to the valuation model utilised to establish the recoverability of the newspaper titles, in line with in 2019, 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(a) 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 criterion 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 2020, lower scores were recorded compared to those utilised with reference to December 31st 2019. 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 57.4 million.

Description	Newspaper titles		
(€/000)	2020	2019	Write-downs
Il Gazzettino	27,687	36,187	-8,500
Il Messaggero	52,008	90,808	-38,800
Il Mattino	20,796	22,796	-2,000
Quotidiano di Puglia	431	4,531	-4,100
Corriere Adriatico	2,078	6,078	-4,000

In addition to impairment tests on the value of the Newspaper Titles at December 31st 2020 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 2019, 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 2020 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, approved by the Board of Directors, the expected cash flows for 2021 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 2020 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. This development has been exacerbated by the Covid-19 pandemic in 2020. Therefore, the expected cash flows utilised in the model were calculated based on the 2021 budget and the 2022-2025 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 2021 to take account of that outlined above in terms of the impacts which the current Covid-19 health emergency may have on the Group's business over the short-medium term and of differences between the previous plan and the 2020 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
	2020	2019	2020	2019	2020	2019	
Value	28.82%	28.82%	6.20%	6.10%	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"*

Sensitivity analyses were also carried out with respect to the main parameters used in determining the impairment test. In particular, by analysing changes in discount rates, assuming other assumptions remain constant, it emerged that the differential between the estimated Enterprise Value and the book value of the NCE of the CGU would vary positively and negatively by approx. Euro 2.3 million, against decreases and increases in the WACC of 10 basis points, respectively.

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 and Buildings	Plant & machinery	Commercial and industrial equipment	Right of use assets	Other assets	Total
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**
01.01.2020	60,292	98,254	806	12,658	21,037	**193,047**
Increases		79	3	1,769	366	**2,217**
Decreases				(370)	(176)	**(546)**
Reclassifications					0	**0**
31.12.2020	**60,292**	**98,333**	**809**	**14,057**	**21,227**	**194,718**

Depreciation & loss in value	Land and Buildings	Plant & machinery	Commercial and industrial equipment	Right of use assets	Other assets	Total
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**	**3,393.00**	**20,064**	**148,239**
01.01.2020	29,553	94,424	805	3,393	20,064	**148,239**
Increases	1,564	570	1	3,673	378	**6,186**
Decreases					(126)	**(126)**
Reclassifications		6			(6)	**0**
31.12.2020	**31,117**	**95,000**	**806**	**7,066**	**20,310**	**154,299**

Net value						
01.01.2019	**31,979**	**4,298**	**2**	**-**	**1,073**	**37,352**
31.12.2019	**30,739**	**3,830**	**1**	**9,265**	**973**	**44,808**
31.12.2020	**29,175**	**3,333**	**3**	**6,991**	**917**	**40,419**

"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 2020, 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
Decreases	-	-	-
Reclassifications	-	-	-
Gross value at December 31st 2019	**12,421**	**237**	**12,658**
Accumulated depreciation at 1st January 2019	-	-	-
Depreciation	3,273	120	3,393
Decreases	-		-
Reclassifications	-		-
Accumulated depreciation at 31st December 2019	**3,273**	**120**	**3,393**
Net value at December 31st 2019	**9,148**	**117**	**9,265**
Gross value at January 1st 2020	**12,421**	**237**	**12,658**
Increases	1,769	-	1,769
Decreases	(548)	-	(548)
Reclassifications	-	-	-
Gross value at December 31st 2020	**13,642**	**237**	**13,879**
Accumulated depreciation at 1st January 2020	**3,273**	**120**	**3,393**
Depreciation	3,622	51	3,673
Decreases	(178)		(178)
Reclassifications	-	-	-
Accumulated depreciation at 31st December 2020	**6,717**	**171**	**6,888**
Net value at December 31st 2020	**6,925**	**66**	**6,991**

At December 31st 2020, the right-of-use asset amounted to Euro 6,991 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:

	31/12/2020	31/12/2019
Within 3 months	929	941
Between 3 months & 1 year	2,629	2,745
Between 1 and 2 years	1,880	3,258
Between 2 and 5 years	1,728	2,506
Over 5 years	-	-
Total undiscounted lease liabilities as at December 31st 2019	**7,166**	**9,450**

Non-current and current lease liabilities are shown below:

	31/12/2020	31/12/2019
Non-current lease liabilities	1,627	785
Non-current lease liabilities - related parties	1,936	4,915
Non-current lease liabilities	**3,563**	**5,700**
Current lease liabilities	720	698
Current lease liabilities - related parties	2,783	2,909
Current lease liabilities	**3,503**	**3,607**
Total lease liabilities	**7,066**	**9,307**

Amount recognised in income statement	**2020**	**2019**
Amortisation & depreciation	3,673	3,393
Interest charges on lease liabilities	83	108
Short-term leasing costs	685	1,653
Low-value item leasing costs	22	26

Amounts recognised in the statement of cash flows	**2020**	**2019**
Total cash outflows for leases	3,640	3,459

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

	31/12/2020	31/12/2019
Within 3 months	55,661	55,578
Between 3 months & 1 year	166,983	166,733
Between 1 and 2 years	222,643	222,311
Between 2 and 5 years	204,090	426,094
Over 5 years	-	-
Total undiscounted lease liabilities as at December 31st 2019	**649,377**	**870,716**

Non-current and current lease liabilities are shown below:

	31/12/2020	31/12/2019
Non-current lease liabilities - related parties	422,515	638,821
Non-current lease liabilities	**422,515**	**638,821**
Current lease liabilities - related parties	217,264	214,791
Current lease liabilities	**217,264**	**214,791**
Total lease liabilities	**639,779**	**853,612**

Amounts recognised in income statement	**2020**	**2019**
Amortisation & depreciation	217,197	216,870
Interest charges on lease liabilities	7,530	9,646
Short-term leasing costs	-	-
Low-value item leasing costs	968	1,056

Amounts recognised in the statement of cash flows	**2020**	**2019**
Total cash outflows for leases	215,113	216,870

4. Equity investments and non-current securities

Equity investments and non-current securities	01.01.2019	Increases/ (Decreases)	Write-downs	Fair value change	31.12.2019
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**

Equity investments and non-current securities	01.01.2020	Increases/ (Decreases)	Write-downs	Fair value change	31.31.2020
Investments in other companies valued at cost	1,210	-	-	-	1,210
Investments in equity instruments	119,567	12,369	-	(24,987)	106,949
Total	**120,777**	**12,369**	-	**(24,987)**	**108,159**

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

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**

Investments in other companies		01.01.2020	Increases/ (Decreases)	Write-downs	31.12.2020
Ansa	6.71	1,198	-	-	1,198
Other minor		12	-	-	12
Total		**1,210**	**-**	**-**	**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.

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		01.01.2019	Increases	Decreases	Fair value change	31.12.2019
Assicurazioni Generali SpA		94,900			24,667	119,567
	Total	**94,900**	**-**	**-**	**24,667**	**119,567**

		01.01.2020	Increases	Decreases	Fair value change	31.12.2020
Assicurazioni Generali SpA		119,567	12,370		(24,987)	106,950
	Total	**119,567**	**12,370**	**-**	**(24,987)**	**106,950**

Number

	01.01.2019	Increases	Decreases	31.12.2019
Assicurazioni Generali SpA	6,500,000			6,500,000

	01.01.2020	Increases	Decreases	31.12.2020
Assicurazioni Generali SpA	6,500,000	1,000,000		7,500,000

The valuation at fair value of these investments at December 31st 2020 was recorded to the Comprehensive Income Statement in the Shareholders' Equity reserve for a negative value of Euro 25 million, net of the positive tax effect of Euro 528 thousand.

The changes in the fair value reserve are reported below:

Fair Value reserve

	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**

	01.01.2020	Increases	Decreases	31.12.2020
Fair Value reserve	21,342	-	(24,987)	(3,645)

Tax effect	(255)	528	-	273
Fair value reserve, net of tax effect	**21,087**	**528**	**(24,987)**	**(3,372)**
Changes in the year				**(24,459)**

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

5. Other non-current assets

The account, amounting to Euro 135 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:

	01.01.2019	Provisions	Utilizations	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
Others	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
Others	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**

	01.01.2020	Provisions	Utilizations	Other changes	31.12.2020
Deferred tax assets					
Tax losses carried forward	45,756	1,137	(2,365)		44,528
Provision for risks and charges	1,567	604	(306)		1,865
Doubtful debt provision	1,561	158	(221)		1,498
Others	4,732	773	(438)	431	5,498
Total		**2,672**	**(3,330)**	**431**	**53,389**

	53,616				
Deferred tax liabilities					
Fair value intangible & tangible assets	5,963		(2,505)		3,458
Differences accounting amortisation and depreciation	34,763	1,895	(12,587)	-	24,071
Others	260	50	(49)	(242)	19
Total	**40,986**	**1,945**	**(15,141)**	**(242)**	**27,548**
Net deferred tax assets	**12,630**	**727**	**11,811**	**673**	**25,841**

Taking account of the timing differences, of the unlimited period to utilise tax losses, 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 2020.

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:

	31.12.2020	**31.12.2019**
Receivables for direct taxes	124	180
Payables for IRES/IRAP/substitute taxes	(83)	(208)
Total	**41**	**(28)**

The income taxes for the year are as follows:

	31.12.2020	**31.12.2019**
IRAP current taxes	151	190
Prior year taxes	(92)	(6)
Current taxes	**59**	**184**
Provision for deferred tax liabilities	1,945	2,060
Utilisation of deferred tax liabilities	(15,141)	(9,533)
Deferred tax charges	**(13,196)**	**(7,473)**
Recording of deferred tax assets	(2,672)	(3,664)
Utilisation of deferred tax assets	3,330	1,109
Deferred tax income	**658**	**(2,555)**
Total income taxes	**(12,479)**	**(9,844)**
Current and deferred IRES tax	(10,569)	(9,125)
Current and deferred IRAP tax	(1,818)	(713)
Prior year taxes	(92)	(6)

Total income taxes	**(12,479)**	**(9,844)**

The current taxes comprise only IRAP taxes.

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

	2020			2019		
	Taxable	**Amount**	**Effective tax rate**	**Taxable**	**Amount**	**Effective tax rate**
Loss before taxes	**(56,756)**	**(13,621)**	**24.0%**	**(40,493)**	**(9,718)**	**24.0%**
Permanent differences increase (decrease):						
Dividends		(741)			(1,334)	
Write-down of intangible assets with indefinite life		1,944			2,376	
Other permanent differences		1,849			(449)	
Current and deferred IRES tax		**(10,569)**	**18.6%**		**(9,125)**	**22.5%**

7. Inventories

Inventories at December 31st 2020 amount to Euro 1.59 million (Euro 1.65 million at December 31st 2019) 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 59 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:

	31.12.2020	**31.12.2019**
Trade receivables	48,162	50,342
Doubtful debt provision	(7,361)	(7,637)
Trade receivables	**40,801**	**42,705**
Trade receivables - related parties	208	122
Advances to suppliers	22	22
Total trade receivables	**41,031**	**42,849**

Trade receivables principally relate to Group advertising revenues from the advertising agency Piemme SpA (Euro 36 million).

The Group has a very fragmented customer base and does not have significant exposures to individual customers.

The doubtful debt provision was utilised in the year for Euro 1.2 million and increased by Euro 913 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.

If, in subsequent periods, the reasons for the impairment loss no longer exist, the carrying amount of the assets is reinstated up to the amount deriving from the application of the amortised cost where no impairment loss 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 2019 and at December 31st 2020.

	31.12.2020	31.12.2019
Not yet due	**25,102**	**27,433**
1-30 days	3,048	2,910
30-60 days	1,526	1,961
60-90 days	1,117	1,127
Over 90 days	17,369	16,911
Overdue	**23,060**	**22,909**
Total Gross Value	**48,162**	**50,342**
Doubtful debt provision	(7,361)	(7,637)
Trade receivables	**40,801**	**42,705**

9. Other current assets

The breakdown is as follows:

	31.12.2020	31.12.2019
Employee receivables	19	29
VAT receivables	102	61
Other receivables	527	272
Prepaid expenses	376	442
Other current assets	**1,024**	**804**

10. Cash and cash equivalents and Net financial position

Cash and cash equivalents are broken down as follows:

	31.12.2020	31.12.2019
Bank and postal deposits	100,455	112,329
Cash in hand and similar	41	39
Total cash and cash equivalents	**100,496**	**112,368**

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

	31.12.2020	31.12.2019
A. Cash	41	39
B. Bank deposits	100,455	112,329
D. Liquidity (A)+(B)	**100,496**	**112,368**
E. Current financial receivables	**-**	**-**
F. Current bank payables	7,413	9,285
G. Current portion of non-current debt	3,503	3,607
H. Current payables to other lenders	-	-
I. Current debt (F)+(G)+(H)	**10,916**	**12,892**
J. Net current cash position (I)-(E)-(D)	**(89,580)**	**(99,476)**
K. Non-current bank payables		
L. Non-current payables to other lenders	3,562	5,700
M. Non-current financial debt (K)+(L)	**3,562**	**5,700**
N. Net Cash Position (J)+(M)	**(86,018)**	**(93,776)**

The net cash position amounted to Euro 86 million, a decrease of Euro 7.8 million compared to December 31st 2019 (Euro 93.8 million) mainly due to investments in listed shares of Euro 13.4 million net of dividend income on listed shares of Euro 3.3 million and positive cash flow.

During the year, no interest income was recognized on cash deposited with the banking system.

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 million. A decrease in interest rates of the same level would have a corresponding negative impact.

SHAREHOLDERS' EQUITY AND LIABILITIES

11. Shareholders' Equity

	31.12.2020	31.12.2019
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	(3,372)	21,087
IAS 19 post-employment benefit reserve	(2,454)	(2,254)
Other reserves	1,388	1,393
Prior year results	(219,204)	(188,555)
Net Loss	(44,277)	(30,649)
Group net equity	**339,269**	**408,210**
Minority interest N.E.	-	-
Total net equity	**339,269**	**408,210**

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 2020, 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 negative Euro 3.4 million, includes the net decrease in the year of Euro 24.5 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 %	31.12.2020	31.12.2019
Annual technical discounting rate	0.00%	0.70%
Annual inflation rate	1.00%	1.50%
Annual increase in leaving indemnity	2.25%	2.62%
Annual increase in salaries	2.50%	3.00%

The movements in the year are as follows:

	31.12.2020	31.12.2019
Net liability at beginning of year	15,405	15,590
Current cost in the year (service costs)	194	194
Interest charge (interest cost)	102	228
Actuarial profits	269	702
(Services paid)	(1,168)	(1,309)
Net liability at end of year	**14,802**	**15,405**

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:

	31.12.2020	31.12.2019
Nominal value of the provision	13,216	14,008
Actuarial adjustment	1,586	1,397
Total DBO	**14,802**	**15,405**

Employee numbers and cost

	2020	2019
Wages and salaries	35,368	39,078
Social security charges	11,023	12,253
Post-employment benefit provision	194	194
Post-employment benefit to Complementary Fund	2,310	2,396
Other costs	4,443	3,474
Total personnel expense	**53,338**	**57,395**

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 4.2 million (Euro 3.2 million at December 31st 2019).

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

	31.12.2020	**31.12.2019**	**Average 2020**	**Average 2019**
Executives	17	17	16	18
Managers & white-collar	166	164	161	169
Journalists	336	345	342	348
Print workers	77	85	79	86
Total	**596**	**611**	**598**	**621**

13. Provisions for risks and charges

	Legal disputes	**Agents' indemnity**	**Other risks**	**Total**
Balance at January 1st 2019	7,324	71	1,891	**9,286**
Provisions	2,228	24	136	**2,388**
Utilisations	(225)		(279)	**(504)**
December 31st 2019	**9,327**	**95**	**1,748**	**11,170**
Of which:				
Current portion	9,192		1,746	**10,938**
Non-current portion	135	95	2	**232**
Total	**9,327**	**95**	**1,748**	**11,170**
Balance at January 1st 2020	9,327	95	1,748	**11,170**
Provisions	305	37	2,295	**2,637**
Utilisations	(1,430)		(453)	**(1,883)**
December 31st 2020	**8,202**	**132**	**3,590**	**11,924**
Of which:				
Current portion	8,202		3,567	**11,769**
Non-current portion	-	132	23	**155**
Total	**8,202**	**132**	**3,590**	**11,924**

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

	31.12.2020	31.12.2019
Payables for leasing assets	3,562	5,700
Non-current financial liabilities	**3,562**	**5,700**
Bank payables	7,413	9,285
Payables for leasing assets	3,503	3,607
Current financial liabilities	**10,916**	**12,892**

The due dates of the financial liabilities are as follows:

	31.12.2020	31.12.2019
Within 3 months	7,413	10,202
Between 3 months & 1 year	3,503	2,690
Current financial liabilities	**10,916**	**12,892**
Between 1 and 2 years	-	-
Between 2 and 5 years	3,562	5,700
Beyond 5 years	-	-
Non-current financial liabilities	**3,562**	5,700
Total financial payables	**14,478**	**18,592**

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

Values in %	2020	2019
Current financial liabilities		
Bank payables	2.6	2.6

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 145 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

	31.12.2020	31.12.2019
Other non-current liabilities		
Other payables	609	192
Deferred income	1,250	1,438
Total	**1,859**	**1,630**
Other current liabilities		
Social security institutions	3,868	4,397
Employee payables	4,845	4,991
VAT payables	306	236
Withholding taxes	1,592	2,032
Other payables	8,521	8,149
Payables to related companies	31	36
Deferred income	1,465	1,028
Total	**20,628**	**20,869**

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

	31.12.2020	31.12.2019
Supplier payables	19,399	19,586
Payables to related companies	248	1,698
Total	**19,647**	**21,284**

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

	2020	2019
Advertising	60,687	69,322
Circulation revenues	53,261	60,777
Promotions	449	455
Revenues transport services	1,573	1,211
Other services web	272	154
Printing for third parties	169	189
Total revenues from sales and services	**116,411**	**132,108**
of which related parties	*241*	*249*

18. Other operating revenues

	2020	2019
Grants related to income	450	228
Royalties and sponsorship	-	346
Telephone subsidised	-	290
Prior year income	101	249
Recovery of expenses from third parties	395	140
Rent, leases and hire charges	99	137
Other revenues	2,440	2,361
Total other operating revenues	**3,485**	**3,751**
of which related parties	*76*	*54*

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

	2020	2019
Paper	5,798	9,224
Other publishing materials	1,976	2,398
Change in inventory of raw materials and goods	59	92
Total raw materials costs	**7,833**	**11,714**

20. Other operating costs

	2020	2019
Distribution fees	11,333	13,261
Editorial services	8,908	10,056
Transport and delivery	5,365	6,070
Commissions and agent costs	4,513	5,336
Misc. services	4,062	4,524
Maintenance and repair costs	3,046	3,277
Consultancy	3,120	3,520
Outside contractors	1,038	1,431
Directors and statutory auditors fees	1,568	1,808
Utilities and power	1,259	1,614
Advertising & promotions	1,100	1,465
Cleaning and security	1,105	1,328
Other costs	4,156	5,156
Total service costs	**50,573**	**58,846**
Rental	86	1,127
Hire	622	677
Total rent, lease and similar costs	**708**	**1,804**
Other operating charges	1,909	3,637
Total other costs	**1,909**	**3,637**
Total other operating costs	**53,190**	**64,287**
of which related parties	*706*	*1,890*

21. Amortisation, depreciation, provisions & write-downs

	2020	2019
Amortisation of intangible assets	543	390
Depreciation of property, plant & equipment	2,513	2,513
Amort. leased assets	3,673	3,393
Provision for risks and charges	118	1,256
Write-down of intangible assets with indefinite life	57,400	39,800
Doubtful debt provision	914	691
Total amortisation, depreciation, provisions & write-downs	**65,161**	**48,043**

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	**31.12.2020**	**31.12.2019**
Dividends	3,250	5,850
Bank deposit interest	-	4
Other financial income	271	54
Total financial income	**3,521**	**5,908**
of which related parties	*3,250*	*5,850*
Financial charges		
Interest on bank accounts	(252)	(249)
Financial charges on post-em. bens.	(102)	(228)
Banking commissions and charges	(144)	(177)
Int. on leased assets IFRS 16	(84)	(108)
Other financial charges	(69)	(59)
Total financial charges	**(651)**	**(821)**
of which related parties	*62*	*83*
Financial result	**2,870**	**5,087**

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.

	2020	**2019**
Net result	(44,277)	(30,649)
Number of ordinary shares outstanding (thousands)	106,790	106,790
Net earnings per share	**(0.415)**	**(0.287)**

	2020	**2019**
Net Income	(44,277)	(30,649)

Number of ordinary shares outstanding (thousands)	106,790	106,790
Net earnings per share	**(0.415)**	**(0.287)**

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

In 2020 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:

	31.12.2020			31.12.2019		
	Gross value	**Tax effect**	**Net value**	**Gross value**	**Tax effect**	**Net value**
Actuarial gains/(losses) on post-employment benefits	(287)	82	(205)	(721)	206	(515)
Gain/(loss) from recalculation of AFS financial assets, net of fiscal effect	(24,987)	528	(24,459)	24,668	(579)	24,089

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.

31.12.2019	**Parent Company**	**Associated Companies**	**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**	**132,108**	0.2%
Other operating income			54		**54**	**3,751**	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 charges			83		**83**	**821**	10.1%

31.12.2020	**Parent Company**	**Associated Companies**	**Companies under common control**	**Other related parties**	**Total related parties**	**Total book value**	**% on total account items**
Balance sheet transactions							
Trade receivables			208		**208**	**41,031**	0.5%
Other current assets			3		**3**	**1,024**	0.3%
Non-current financial liabilities			1,936		**1,936**	**3,562**	54.4%
Trade payables	200		48		**248**	**19,647**	1.3%
Current financial liabilities			2,783		**2,783**	**10,916**	25.5%
Other current liabilities			33		**33**	**20,627**	0.2%
Income statement transactions							
Revenues			179	62	**241**	**116,411**	0.2%
Other operating income			76		**76**	**3,485**	2.2%
Other operating charges	400		306		**706**	**53,190**	1.3%
Financial income				3,250	**3,250**	**3,521**	92.3%
Financial charges			62		**62**	**651**	9.5%

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 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.

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

2020	*Publishing and Advertising activities*	*Other activities*	*Unallocated items and eliminations*	*Consolidated*
Segment revenues	**119,966**	**450**	**(520)**	**119,896**
Inter-segment revenues	(70)	(450)	520	-
Operating grants	119,896	-		119,896
Segment EBITDA	**6,988**	**(1,453)**		**5,535**
Depreciation, amortisation, provisions & write-downs	(64,944)	(217)		(65,161)
Operating result	**(57,956)**	**(1,670)**		**(59,626)**
Net financial result				2,870
Result before taxes				**(56,756)**
Income taxes				12,479
Net Loss				**(44,277)**
Segment assets	197,531	252,624		450,155
Segment liabilities	104,723	6,163		110,886
Investments in intangible and tangible fixed assets	2,817	-		2,817

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 2020, 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 31st 19	Note	Level 1	Level 2	Level 3	Total
Capital instruments		4	119,567			**119,567**
Total assets			**119,567**	**-**	**-**	**119,567**

	Dec 31st 20	Note	Level 1	Level 2	Level 3	Total
Capital instruments		4	106,949			**106,949**
Total assets			**106,949**	**-**	**-**	**106,949**

In 2020, there were no transfers between the various levels.

29. Subsequent events

No significant subsequent events took place.

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FINANCIAL STATEMENTS

December 31st 2020

Balance Sheet

Assets

(in Euro)	note	*31.12.2020*	*31.12.2019*
Non-current assets			
Property, plant and equipment	1	633,490	849,406
Equity investments valued at cost	2		
subsidiary companies		*262,236,785*	*254,419,741*
other companies		*10*	*10*
Equity investments and non-current securities	3	47,771,000	61,623,250
Deferred tax assets	4	43,786,902	42,715,651
TOTAL NON-CURRENT ASSETS		**354,428,187**	**359,608,058**
Current assets			
Trade receivables	5	77,462	501,218
of which related parties		*76,218*	*501,218*
Current financial assets	6	33,111,181	57,252,158
of which related parties		*33,111,181*	*57,252,158*
Tax receivables	4	32,416	35,766
Other current assets	7	2,488,085	4,224,120
of which related parties		*2,432,977*	*4,169,421*
Cash and cash equivalents	8	1,694,355	3,134,015
TOTAL CURRENT ASSETS		**37,403,499**	**65,147,277**
TOTAL ASSETS		**391,831,686**	**424,755,335**

Balance Sheet

Shareholders' Equity & Liabilities

(in Euro)	note	*31.12.2020*	*31.12.2019*
Shareholders' Equity			
Share capital		125,000,000	125,000,000
Share capital issue costs		(18,864,965)	(18,864,965)
Other reserves		254,574,952	308,891,573
Loss for the year		(20,538,992)	(40,629,621)
TOTAL SHAREHOLDERS' EQUITY	9	**340,170,995**	**374,396,987**
Liabilities			
Non-current liabilities			
Employee provisions	10	99,425	92,739
Non-current financial payables	11	422,515	638,821
of which related parties		*422,515*	*638,821*
Deferred tax liabilities	4	15,744	182,181
TOTAL NON-CURRENT LIABILITIES		**537,684**	**913,741**
Current liabilities			
Current provisions	12	36,071	872,084
Trade payables	13	588,520	2,072,307
of which related parties		*318,117*	*1,724,870*
Current financial liabilities	11	2,045,659	2,463,186
of which related parties		*2,045,659*	*2,463,186*
Current income tax payables	4	-	2,132
Other current liabilities	14	48,452,757	44,034,898
of which related parties		*42,457,634*	*38,241,758*
TOTAL CURRENT LIABILITIES		**51,123,007**	**49,444,607**
TOTAL LIABILITIES		**51,660,691**	**50,358,348**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**391,831,686**	**424,755,335**

Income Statement

Income Statement *(in Euro)*	**note**	***2020***	***2019***
Other operating revenues	15	465,918	579,218
of which related parties		*458,000*	*508,000*
TOTAL OPERATING REVENUES		**465,918**	**579,218**
Labour costs	10	(174,443)	(201,075)
Other operating charges	16	(1,701,443)	(1,777,593)
of which related parties		*(570,222)*	*(548,364)*
TOTAL OPERATING COSTS		**(1,875,886)**	**(1,978,668)**
EBITDA		**(1,409,968)**	**(1,399,450)**
Amort. leased assets	17	(217,197)	(216,870)
EBIT		**(1,627,165)**	**(1,616,320)**
Financial income		1,675,000	4,780,707
of which related parties		*1,675,000*	*4,780,695*
Financial charges		(20,958,186)	(44,129,553)
of which related parties		*(7,755)*	*(10,096)*
Net financial charges	18	**(19,283,186)**	**(39,348,846)**
LOSS BEFORE TAXES		**(20,910,351)**	**(40,965,166)**
Income taxes	4	371,359	335,545
NET LOSS FOR THE YEAR		**(20,538,992)**	**(40,629,621)**

Comprehensive Income Statement

(in Euro)	**2020**	**2019**
Net loss for the year	**(20,538,992)**	**(40,629,621)**
Items which may not be subsequently reclassified to the loss for the year		
Effect of actuarial gains/losses, net of tax effect	(572)	(2,315)
Profit/(loss) from the valuation of Investments in equity instruments net of the tax effect	(13,686,023)	12,560,691
Total other items of the Comprehensive Income Statement	**(13,686,595)**	**12,558,376**
Comprehensive loss for the year	**(34,225,587)**	**(28,071,245)**

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 1st 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 Loss						(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)**
Balance at December 31st 2019	**125,000,000**	**(18,864,965)**	**(23,640,924)**	**14,982,305**	**317,550,192**	**(40,629,621)**	**374,396,987**

Balance at January 1st 2020	**125,000,000**	**(18,864,965)**	**(23,640,924)**	**14,982,305**	**317,550,192**	**(40,629,621)**	**374,396,987**
Previous year results carried forward					(40,629,621)	40,629,621	**-**
Total operations with shareholders	**125,000,000**	**(18,864,965)**	**(23,640,924)**	**14,982,305**	**276,920,571**	**-**	**374,396,987**
Change in fair value reserve				(13,686,023)			**(13,686,023)**
Change employee reserve					(572)		**(572)**
Net result						(20,538,992)	**(20,538,992)**
Comprehensive loss for the year	**-**	**-**	**-**	**(13,686,023)**	**(572)**	**(20,538,992)**	**(34,225,587)**
Other changes					(405)		**(405)**
December 31st 2020	**125,000,000**	**(18,864,965)**	**(23,640,924)**	**1,296,282**	**276,919,594**	**(20,538,992)**	**340,170,995**

Cash Flow Statement

(in Euro)	Note	2020	2019
CASH & CASH EQUIVALENTS BEGINNING YEAR	**10**	**3,134,015**	**1,681,854**
Net loss for the year		(20,538,992)	(40,629,621)
Amortisation & depreciation		217,197	216,870
(Revaluations) and write-downs		20,940,815	44,108,851
Net financial charges		(1,657,628)	(4,760,006)
of which related parties		*(1,667,245)*	*(4,770,599)*
Income taxes		(371,359)	(335,544)
Changes in employee provisions		5,232	(9,448)
OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL		**(1,404,735)**	**(1,408,898)**
(Increase) Decrease in Trade receivables		423,756	11,763
Increase (Decrease) in Trade payables		(1,483,787)	359,387
Change in other current and non-current liabilities		1,155,450	868,420
Change in deferred and current income taxes		(700,643)	(1,594,433)
OPERATING CASH FLOW		**(2,009,959)**	**(1,763,761)**
Dividends received		1,675,000	4,780,695
of which related parties		*1,675,000*	*4,780,695*
Interest received		-	12
Interest paid		(9,193)	(9,096)
A) CASH FLOW FROM OPERATING ACTIVITIES		**(344,152)**	**3,007,850**
Non-current investments and securities		(273,040)	(1,738,619)
Change in current financial assets		(179,825)	399,800
B) CASH FLOW FROM INVESTING ACTIVITIES		**(452,865)**	**(1,338,819)**
Change in current financial liabilities		(642,643)	(216,870)
C) CASH FLOW FROM FINANCING ACTIVITIES		**(642,643)**	**(216,870)**
D) Effect exc. diffs. on cash & cash equivalents		-	-
Change in net liquidity		**(1,439,660)**	**1,452,161**
CASH AND CASH EQUIVALENTS CURRENT YEAR	**10**	**1,694,355**	**3,134,015**

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NOTES TO THE FINANCIAL STATEMENTS

December 31st 2020

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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 2020, 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 18,209,738 treasury shares, equal to 14.57% of the share capital.

These financial statements were authorised for publication by the Directors on March 8th 2021.

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 2020 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 2020 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 2019, with the exception of that described below.

Accounting standards and amendments to standards adopted by the Company

a) *From January 1st 2020 the Company adopted the following new accounting standards:*

- Amendments to the Conceptual Framework for Financial Reporting, which was endorsed by the EU on December 6th 2019 with Regulation No. 2075. 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 or subsequently.
- *Amendments to IAS 1 and IAS 8: Definition of Material*, which were endorsed by the EU on December 10th 2019 with Regulation No. 2014. The objective of this document is 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 or subsequently.
- *Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform*, which were endorsed by the EU on January 16th 2020 with Regulation No. 34. 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 or subsequently.

- *Amendment to IFRS 3 Business Combinations,* which was endorsed by the EU on April 21st 2020 with Regulation No. 551. This document introduced a much more restrictive definition of business than that contained in the previous 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.
- *Amendments to IFRS 16 Leases Covid-19 Related Rent Concessions*, the EU endorsement of which took place on October 9th 2020 with Regulation 1434. The document establishes for lessees the option to account for the reductions in rents connected with the COVID-19 pandemic without having to assess, through the analysis of contracts, whether the definition of lease modification of IFRS 16 has been complied with. Therefore, lessees applying this option will be able to account for the effects of rent reductions directly in the income statement on the effective date of the reduction. The amendment is applicable to financial statements beginning June 1st 2020, with early application possible on January 1st 2020.

The adoption of the new standards applicable from January 1st 2020 did not have significant effects.

b) Accounting Standards and interpretations on Standards effective from the periods subsequent to 2020 and not adopted in advance by the Company:

- On August 27th 2020, the IASB published the document "*Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2",* with the aim of modifying the existing standards impacted by the reform to include some practical expedients and some facilitations in order to limit the accounting impacts resulting from the reform of IBORs. This document, adopted by the European Union with Regulation No. 25 of January 13th 2021, is applicable from periods beginning on, or subsequent to, January 1st 2021.
- On June 25th 2020, the IASB published the document entitled "*Amendments to IFRS 4 Contracts - deferral of IFRS 9*", which clarified a number of applicational aspects of IFRS 9 before the definitive application of IFRS 17. This document, adopted by the European Union with Regulation No. 2097 of December 16th 2020, is applicable from periods beginning on, or subsequent to, January 1st 2021.

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

c) Accounting standards, amendments and interpretations not yet endorsed by the European Union

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. On June 25th 2020, the IASB published the document "*Amendments to IFRS 17*", which includes some changes to IFRS 17 and the deferral of the entry into force of the new accounting standard to January 1st 2023. At the reporting date, the endorsement process was ongoing.
- On January 23rd 2020, the IASB published amendments to IAS 1. The document "*Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*" 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 were initially due to come into force from January 1st 2022, however the IASB, with a second document published on July 15th 2020, has deferred their entry into force to January 1st 2023. Early application is permitted. At the reporting date, the endorsement process was ongoing.
- On May 14th 2020 the IASB published the document "*Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020*" so as to introduce some specific improvements to these standards. The

amendments are applied to financial statements concerning periods beginning on January 1st 2022. The endorsement process is still in progress.

- On February 12th 2021, the IASB published "*Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2*: *Disclosure of Accounting policies,* with the aim of improving the information provided about the accounting standards and accounting policies adopted in order to provide users of the financial statements with more useful information. The amendments are applied to financial statements concerning periods beginning from January 1st 2023. Early application is permitted.
- On February 12th 2021, the IASB published "*Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimate and Errors*: *Definition of Accounting Estimates,"* with the goal of distinguishing changes in accounting principles from changes in accounting estimates. The amendments are applied to financial statements concerning periods beginning from January 1st 2023. Early application is permitted.

Any effects that the newly applied 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. In particular:
    - 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.

Shareholders' Equity

Treasury shares

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

Costs for share capital increases

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

Employee benefits

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

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 fulfil the obligation up to the date, with regards to the total inputs assumed to fulfil 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 fulfil 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 charges

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, Stampa Venezia Srl 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 2020 of Euro 116.3 million compared to a Group net equity of Euro 339.3 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
01.01.2019	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**
01.01.2020	29,956	213,333	1,066,276	**1,309,565**
Increases/Decreases	1,280		1,281	**2,561**
Reclassifications				**-**
31.12.2020	**31,236**	**213,333**	**1,067,557**	**1,312,126**

Depreciation & loss in value	Equipment	Other assets	Right of use assets	Total
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**
01.01.2020	29,956	213,333	216,870	**460,159**
Increases/Decreases			217,197	**217,197**
Reclassifications				**-**
31.12.2020	**29,956**	**213,333**	**434,067**	**677,356**

Net value				
01.01.2019	**-**	**-**		**-**
31.12.2019	**-**	**-**	**849,406**	**849,406**
31.12.2020	**1,280**	**-**	**633,490**	**634,770**

With reference to the impact of the application of IFRS 16 for the Company at December 31st 2020, 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	-
Depreciation	216,870
Decreases	-
Reclassifications	-
Accumulated depreciation at December 31st 2019	**216,870**
Net value at December 31st 2019	**849,406**

	Land & buildings
Gross value at January 1st 2020	1,066,276
Increases	1,281
Decreases	-
Reclassifications	-
Gross value at December 31st 2020	**1,067,557**
Accumulated depreciation at January 1st 2020	216,870
Depreciation	217,197
Decreases	
Reclassifications	
Accumulated depreciation at December 31st 2020	**434,067**
Net Value at December 31st 2020	**633,490**

At December 31st 2020, the right-of-use asset amounted to Euro 633,490, and included property contracts.

2. *Investments valued at cost*

The movements in the account are as follows:

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 31/12/2019**	**Difference compared to book value at 31/12/2019**
Il Mattino S.p.A.	Rome	500,000	99.95	10,428,079	2,404,378	(12,832,457)	-	(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	-
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			101,149.00	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**		

Investments in subsidiaries	**Registered Office**	**Share capital**	**%**	**Book value 01/01/2020**	**Increases/ (Decreases)**	**Revaluations (Write-downs)**	**Book value 31/12/2020**	**Share of Net equity at 31/12/2020**	**Difference compared to book value at 31.12.2020**
Il Mattino S.p.A.	Rome	500,000	99.95	0	11,115,165	(1,344,904)	9,770,261	9,770,261	-
Leggo S.r.l.	Rome	1,000,000	99.95	693,479	306,022	(255,712)	743,789	743,789	-
Finced S.r.l.	Rome	10,000	99.99	162,011,080			162,011,080	171,767,868	(9,756,788)
Corriere Adriatico S.r.l.	Rome	200,000	99.95	5,130,231	362,504	(4,442,811)	1,049,924	(449,326)	1,499,250
Quotidiano di Puglia S.r.l.	Rome	1,020,000	99.95	4,713,696	273,040	(4,755,961)	230,775	230,775	-
Il Gazzettino S.p.A.	Rome	200,000	99.95	45,505,402	903,288	(7,338,749)	39,069,941	37,970,492	1,099,449
Il Messaggero S.p.A.	Rome	1,265,385	99.95	31,668,371	13,773,139		45,441,510	53,290,415	(7,848,906)
Ced digital & servizi S.r.l.	Rome	100,000	99.99	99,990			99,990	474,845	(374,855)
Piemme S.p.A.	Rome	2,643,139	99.99	869,688	1,978,635	(2,756,612)	91,711	2,391,705	(2,299,994)
Servizi Italia 15 S.r.l.	Rome	100,000	99.95	101,149			101,149	824,528	(723,379)
Stampa Roma 2015 S.r.l.	Rome	10,000	99.95	3,626,655			3,626,655	3,926,310	(299,655)
Stampa Napoli 2015 S.r.l.	Rome	10,000	99.95	-	9,995	(9,995)	-	(36,071)	36,071
Total				**254,419,741**	**28,721,788**	**(20,904,744)**	**262,236,785**		

The increases in investments relates to the coverage of losses, of which Il Mattino SpA (Euro 1,619,915), Il Gazzettino SpA (Euro 903.288), Piemme SpA (Euro 1,978,635), Leggo Srl (Euro 306,022), Corriere Adriatico Srl (Euro 362,504) and Stampa Napoli 2015 Srl (Euro 9,995), through the waiver of part of the loans granted, and Quotidiano di Puglia Srl (Euro 273,040), through payments made during the year.

The investments in Il Messaggero Spa and Il Mattino Spa were increased by Euro 13,773,193 and Euro 9,495,250, respectively, by way of capital contributions via the waiver of a portion of non-interest-bearing shareholder loans, in order to improve their financial position.

The write-down of investments concerns the subsidiaries Il Mattino SpA (Euro 1,344,904), Leggo SpA (Euro 255,712), Corriere Adriatico Srl (Euro 4,442,811), Quotidiano di Puglia Srl (Euro 4,755,961), Il Gazzettino SpA (Euro 7,338,749), Piemme SpA (Euro 2,756,612), 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 Newspaper 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	1,427,477	167,933
Imprese Tipografiche Venete S.r.l.	Rome	936,000	100.00	3,319,990	268,951
P.I.M. Pubblicità Italiana Multimedia S.r.l.	Rome	1,044,000	100.00	7,961,070	35,156

The investments in other companies consist of:

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

Investments in other companies	01.01.2020	Increases/ (Decreases)	Reversals/(Impairment losses)	31.12.2020
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	01.01.2019	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**

	01.01.2020	Increases/ (Decreases)	Fair value change	31.12.2018
Assicurazioni Generali SpA	61,623,250		(13,852,250)	47,771,000
Total	**61,623,250**	**-**	**(13,852,250)**	**47,771,000**

number

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

	01.01.2020	Increases/(Decreases)	31.12.2020
Assicurazioni Generali SpA	3,350,000		3,350,000

The changes in the fair value reserve are reported below:

Fair Value reserve

	01.01.2019	Reclassifications	Increases	Decreases	31.12.2019
Fair Value reserve	2,451,026		12,713,250		15,164,276
Tax effect	(29,412)		29,412	(181,971)	(181,971)
Fair value reserve, net of tax effect	**2,421,614**	**-**	**12,742,662**	**(181,971)**	**14,982,305**
Changes in the year					**12,560,691**

	01.01.2020	Reclassifications	Increases	Decreases	31.12.2020
Fair Value reserve	15,164,276			(13,852,250)	1,312,026
Tax effect	(181,971)		181,971	(15,744)	(15,744)
Fair value reserve, net of tax effect	**14,982,305**	**-**	**181,971**	**3,574,584**	**1,296,282**
Changes in the year					**3,756,555**

In relation to the disclosure required by IFRS 13, concerning the so-called "hierarchy of fair value", these equity 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:

	01.01.2019	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**

	01.01.2020	Provisions	Utilizations	Other changes	31.12.2020
Deferred tax assets					

Tax losses carried forward	42,656,393	329,143		700,276	43,685,812
Other	59,258	100,858	(58,642)	(384)	101,090
Total	**42,715,651**	**430,001**	**(58,642)**	**699,892**	**43,786,902**
Deferred tax liabilities					
Other	182,181	15,744	(182,181)		15,744
Total	**182,181**	**15,744**	**(182,181)**	**-**	**15,744**
Net deferred tax assets	**42,533,470**	**414,257**	**123,539**	**699,892**	**43,771,158**

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 2020.

The balance sheet assets include a current IRES credit of Euro 32,416.

The income taxes for the year consist of:

	2020	**2019**
Recording of deferred tax assets	(430,001)	(384,645)
Utilisation of deferred tax assets	58,642	48,800
Deferred tax assets	**(371,359)**	**(335,845)**
Total income taxes	**(371,359)**	**(335,845)**

The breakdown of income taxes is as follows:

	31.12.2020	**31.12.2019**
Current and deferred IRES tax	(371,359)	(335,845)
Current and deferred IRAP tax	-	-
Total	**(371,359)**	**(335,845)**

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

IRES

	2020		2019	
	Amount	**Tax**	**Amount**	**Tax**
Loss before taxes	**(20,910,351)**	**24.00%**	**(40,965,166)**	**24.00%**
Theoretical tax charge		**(5,018,484)**		**(9,831,640)**
Permanent differences increases (decrease):				
Dividends		(381,900)		(1,089,998)
Write-down of equity investments		5,025,796		10,586,124
Other		3,230		(331)
Current and deferred IRES tax		**(371,359)**		**(335,845)**

5. Trade receivables

The breakdown is as follows:

	31.12.2020	**31.12.2019**
Receivables from third parties	1,244	-
Receivables from related parties	76,218	501,218
Total trade receivables	**77,462**	**501,218**

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:

	31.12.2020	**31.12.2019**
Financial receivables - subsidiaries	33,111,181	57,252,158
Total current financial assets	**33,111,181**	**57,252,158**

The balance of Euro 33,111,181 represents interest bearing loans due within one year, renewable on request, granted respectively to Mattino SpA (Euro 8,687,850), Piemme SpA (Euro 15,039,383), Il Gazzettino SpA (Euro 2,471,220), Leggo Srl (Euro 2,231,779), Corriere Adriatico Srl (Euro 2,526,551), Il Messaggero SpA (Euro 19,990) and Stampa Napoli 2015 Srl (Euro 2,134,408). The decrease compared with the previous year relates to the partial waiver of loans to improve the financial position of Il Messagero SpA and Il Mattino SpA and to cover the operating losses of a number of subsidiaries.

The value of current financial assets approximates their fair value.

7. Other current assets

The breakdown is as follows:

	31.12.2020	31.12.2019
Receivables from subsidiaries	2,432,977	4,169,421
Receivables from third parties	55,108	54,699
Total current assets	**2,488,085**	**4,224,120**

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:

	31.12.2020	31.12.2019
Itv Srl	512,828	412,296
Ced Digital Srl	41,097	538,217
Pim Srl	39,126	35,361
Stampa Roma 2015 Srl	1,202	1,401,269
Servizi Italia 15 Srl	-	73,991
Total tax consolidation	**594,253**	**2,461,134**
Il Messaggero Spa	160,117	-
Il Mattino Spa	29,254	76,398.00
Leggo Srl	14,606	35,920
Quotidiano Di Puglia Srl	7,879	16,246.00
Corriere Adriatico Srl	7,793	24,513.00
Pim Srl	-	21,082
Servizi Italia 15 Srl	6,541	58,127.00
Il Gazzettino Spa	-	112,121.00
Stampa Roma 2015 Srl	-	-
Piemme Spa	311,319	62,666
Ced Digital Srl	-	-
Total Consolidated VAT	**537,510**	**407,073**
Il Mattino SpA	1,301,214	1,301,214
Total other receivables	**1,301,214**	**1,301,214**
Total receivables from subsidiaries	**2,432,977**	**4,169,421**

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:

	31.12.2020	31.12.2019
Bank and postal deposits	1,690,278	3,131,510
Cash in hand and similar	4,077	2,505
Total cash and cash equivalents	**1,694,355**	**3,134,015**

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

In Euro	**31.12.2020**	**31.12.2019**
A. Cash	4,077	2,505
B. Bank deposits	1,690,278	3,131,510
D. Liquidity (A)+(B)	**1,694,355**	**3,134,015**
E. Current financial receivables	**33,111,181**	**57,252,158**
F. Current bank payables		
G. Current portion of non-current debt		
H. Current payables to other lenders	2,045,659	2,463,186
I. Current debt (F)+(G)+(H)	**2,045,659**	**2,463,186**
J. Net current cash position (I)-(E)-(D)	**(32,759,877)**	**(57,922,987)**
K. Non-current bank payables	-	-
L. Non-current payables to other lenders	422,515	638,821.00
M. Non-current financial debt (K)+(L)	**422,515**	**638,821.00**
N. Net Cash Position (J)+(M)	**(32,337,362)**	**(57,284,166)**

The net financial position at 31.12.2020 was a cash position of Euro 32.3 million (Euro 57.3 million at 31.12.2019); the decrease of Euro 25 million mainly concerns the partial waiver of the loans granted to the subsidiaries, as described above, in addition to operating requirements, net of dividends collected.

During the year, no interest income was recognized on cash deposited with the banking system.

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 17 thousand. A decrease in interest rates of the same level would have a corresponding negative impact.

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 2020 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.

	31.12.2020	**31.12.2019**
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	(1,977)	(998)
Treasury shares sales gains reserves	103,651	103,651
Net Fair Value reserve	1,296,282	14,982,305
Retained earnings/(accum. losses)	(249,004,026)	(208,374,407)
Net loss	(20,538,992)	(40,629,621)
Total Net Equity	**340,170,995**	**374,396,987**

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 2020

(€/000)

Nature/description	**Amount 31.12.2019**	**Amount 31.12.2020**	**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		21,417(1)	459,126
Legal reserve	25,000	25,000	B				25,000
IAS Reserve	8,321	(5,367)					
Merger reserves (Other Reserves)	1,179	1,179	A B C	1,179			423
Retained earnings (accumulated losses)	(208,374)	(249,004)	A B C	-	93,288		
Treasury share reserve	23,641	23,641					
	415,028	**360,710**					
Total available				**460,305**		**21,417**	
Non-distributable amount				223,416 **(2)**			
Residual distributable amount				**236,889**			

Legend:
A: Share capital increase
B: Coverage of losses
C: Distribution to shareholders
(1) Utilisations for establishment Acq. Treasury Shares 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 %	**31.12.2020**	**31.12.2019**
Annual technical discounting rate (Post. Em. Ben.)	0.00%	0.70%
Annual inflation rate	1.00%	1.50%
Annual increase in leaving indemnity	2.25%	2.62%
Annual increase in salaries	2.50%	3.00%

The movements in the year are as follows:

	31.12.2020	31.12.2019
Net liability at January 1st	**92,739**	**97,424**
Current cost for the year	5,233	5,152
Interest charge (income), net	649	1,510
Services paid	-	(14,600)
Actuarial profits	804	3,253
Net liability at December 31st	**99,425**	**92,739**

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

	31.12.2020	31.12.2019
Nominal value of the provision	88,818	83,560
Actuarial adjustment	10,607	9,179
Total post-employment benefits	**99,425**	**92,739**

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

	2020	2019
Wages and salaries	122,240	125,085
Social security charges	42,749	39,124
Post-employment benefit provision	5,233	5,152
Other costs	4,221	31,714
Total personnel expense	**174,443**	**201,075**

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

	31.12.2020	31.12.2019	Average 2020	Average 2019
Managers & white-collar	2	2	2	2
Collaborators	1	2	1	2
Total	**3**	**4**	**3**	**4**

11. Non-current and current financial liabilities

	31.12.2020	31.12.2019
Current financial payables		
Payables for leasing assets to associates	422,515	638,821
	422,515	**638,821**
Current financial payables		
Payable to subsidiaries	1,828,395	2,248,395
Payables for leasing assets to associates	217,264	214,791
	2,045,659	**2,463,186**

The balance of Euro 1,828,395 concerns the payables relating to loans at market rates granted by Il Quotidiano di Puglia Srl (Euro 1,110,000) and Servizi Italia 15 Srl (Euro 718,395).

The balance of Euro 422,515 and Euro 217,264 represents the payables from application of IFRS 16 concerning the rental of the company's offices to a company under common control.

12. Current provisions

The amount of Euro 36,071 concerns the provision for risks and future charges on the equity deficit of the investments in Stampa Napoli 2015 Srl. 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

	31.12.2020	31.12.2019
Supplier payables	270,403	347,437
Payables to subsidiaries	80,257	34,446
Payables to holding companies	200,000	1,677,500
Payables to other group companies	37,860	12,924
	588,520	**2,072,307**
of which related parties	*318,117*	*1,724,870*

The payables to subsidiaries mainly concern the subsidiary Piemme SpA for Euro 68,534 concerning invoices received and to be received for expenses advanced.

The payable to parent companies concerns 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 2020 approximates their fair value.

14. Other current liabilities

Other current liabilities	31.12.2020	31.12.2019
Social security institutions	16,861	13,055
Employee payables	29,692	30,464
Payables to subsidiaries	42,457,634	38,241,759
Other payables	5,948,570	5,749,620
	48,452,757	**44,034,898**

The account "Other payables" of Euro 5,948,570 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:

	31.12.2020	31.12.2019
Il Messaggero Spa	5,419,106	5,817,156
Il Mattino Spa	7,930,191	8,097,345
Leggo Srl	4,962,353	5,033,542
Il Gazzettino Spa	5,887,362	6,012,944
Piemme Spa	4,219,417	4,280,487
Finced Srl	2,866,541	2,866,620
Corriere Adriatico Srl	3,397,264	3,310,187
Quotidiano Di Puglia Srl	1,037,363	878,680
Stampa Venezia Srl	147,202	148,148
Stampa Napoli 2015 Srl	62,669	42,263
Servizi Italia 15 Srl	1,345,160	1,525,324
Total tax consolidation	**37,274,628**	**38,012,696**
Finced Srl	5,000,029	-
Il Messaggero SpA	2,128	2,128
Servizi Italia 15 Srl	10	10
Total other payables	**5,002,167**	2,138
Il Messaggero Spa	-	4,457
Imprese Tipografiche Venete Srl	458	20,058
Pim Srl	65,681	-
Stampa Venezia Srl	21,605	32,484
Il Gazzettino Spa	2,694	
Ced Digital Srl	54,304	126,808
Stampa Roma 2015 Srl	29,231	28,073
Stampa Napoli 2015 Srl	6,866	15,045
Total Consolidated VAT	**180,839**	**226,925**
Total payables to subsidiaries	**42,457,634**	**38,241,759**

Income Statement

15. Other operating revenues

	2020	2019
Other operating income	7,918	71,218
Other revenues and income from related parties	458,000	508,000
Total revenue from sales and services	**465,918**	**579,218**

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

16. Other operating costs

	2020	2019
Rent, leases and similar costs	968	1,056
Services	1,668,726	1,617,847
Other operating costs	31,749	158,690
Total other operating costs	**1,701,443**	**1,777,593**
of which related parties	570,222	548,364

The account Services includes the remuneration of the Board of Statutory Auditors for Euro 37,960, the Board of Directors for Euro 422,616 and the Audit Firm for Euro 50,677 (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

	2020	2019
Amort. leased assets	217,197	216,870
Total amortisation, depreciation, provisions & write-downs	**217,197**	**216,870**

18. Net financial income/(charges)

	2020	2019
Dividends from subsidiaries	-	1,765,695
Dividends from other companies	1,675,000	3,015,000
Bank deposit interest	-	12
Total financial income	**1,675,000**	**4,780,707**
of which related parties	*1,675,000*	*4,780,695*

Dividends from other companies refer to Assicurazioni Generali SpA.

	2020	2019
Write-down of equity investments and securities	20,940,815	44,108,851
Interest on bank accounts	35	443
Banking commissions and charges	8,873	8,653
Interest expense from subsidiaries	225	450
Financial charges from discounting	649	1,510
Int. ex. IFRS 16 Leasing	7,530	9,646
Others	59	-
Total financial charges	**20,958,187**	**44,129,553**
of which related parties	*7,755*	*10,096*

The write-down of investments relates to the subsidiaries Il Mattino SpA (Euro 1,344,904), Leggo Srl (Euro 255,712), Corriere Adriatico Srl (Euro 4,442,811), Quotidiano di Puglia Srl (Euro 4,755,961), Il Gazzettino SpA (Euro 7,338,749), Piemme SpA (Euro 2,756,612) and Stampa Napoli 2015 Srl (Euro 46,066). 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.

31.12.2019	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%**
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 charges		450	9,646		**10,096**	**44,129,553**	**0.02%**

31.12.2020	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		76,218			**76,218**	**77,462**	**98.39%**
Current financial assets		33,111,181			**33,111,181**	**33,111,181**	**100.00%**
Other current assets		2,432,977			**2,432,977**	**2,488,085**	**97.79%**
Non-current financial liabilities			422,515		**422,515**	**422,515**	**100.00%**
Trade payables	200,000	80,257	37,860		**318,117**	**588,520**	**54.05%**
Current financial liabilities		1,828,395	217,264		**2,045,659**	**2,045,659**	**100.00%**
Other current liabilities		42,457,634			**42,457,634**	**48,452,757**	**87.63%**
Income statement transactions					**-**		
Other operating income		450,000	8,000		**458,000**	**465,918**	**98.30%**
Other operating costs	400,000	70,214	100,008		**570,222**	**1,701,443**	**33.51%**
Financial income				1,675,000	**1,675,000**	**1,675,000**	**100.00%**
Financial charges		225	7,530		**7,755**	**21,256,887**	**0.04%**

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 2020 refers entirely to audit services, without including the Consob contribution or expenses invoiced, and amount to Euro 37,083.

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:

Dec 31st 19	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**

Dec 31st 20	Note	Level 1	Level 2	Level 3	Total
AFS Financial assets valued at fair value	3	47,771,000			**47,771,000**
Total assets		**47,771,000**	**-**	**-**	**47,771,000**

In 2020, there were no transfers between the various levels.

22. Subsequent events

There were no subsequent events to year-end.

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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 2020.

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 8th 2021

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

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

1. The undersigned Francesco 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 financial statements for 2020.

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 8th 2021

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