GRUPPO 24 ORE

Press Release

Pursuant to CONSOB Resolution 11971/99 as subsequently amended and supplemented

Il Sole 24 ORE S.p.A.: BoD approves Interim Management Statement at 30 September 2018

Net of non-recurring expense and income versus restated 30 September 2017 (consolidated figures in € millions):

- **EBITDA improves by € 13.9 million (from € -11.5 million to € +2.4 million)**
- **EBIT improves by € 17.6 million (from € -22.1 million to € -4.5 million)**
- **net result improves by € 14.9 million (from € -20.4 million to € -5.5 million)**

Direct and operating costs decrease by € 17.9 million in the period (-16.8%).
Negative consolidated net result € 9.0 million (loss of € 51.2 million at restated 30 September 2017);
Consolidated Net Financial Position € -7.9 million (€ +6.6 million at 31 December 2017) due mainly to payment of non-recurring expense from voluntary redundancies made in first few months of 2018;
Consolidated equity € 32.9 million (€ +41.6 million at 31 December 2017).

Milan, 14 November 2018 - The Board of Directors of Il Sole 24 ORE S.p.A. (Chairman Edoardo Garrone) met today, under the chairmanship for this meeting of Director Giuseppina Mengano Amarelli, and approved the Interim Management Statement at 30 September 2018 of the 24 ORE Group.

Market environment

ADS figures of the main national newspapers for January - September 2018 show a 5.4% drop in the total circulation of print + digital copies versus the same period of 2017, the result of an 8.5% decline in print circulation and a 10.1% growth in digital circulation. Digital circulation with the prior year is not compared like-for-like, owing to the fact that the new ADS rules in force since May 2017 allow the reporting of digital copies which could not be reported until April 2017 under the previous ADS rules.

The latest radio audience figures (first half 2018) indicate a total of 34,535,000 listeners on average day, down by 2.8% versus first half 2017 (*RadioTER January - June 2018*).

The relevant advertising market closed the first nine months of 2018 down by 1.7%. The positive performance by radio (+5.5%) and the Internet (+4.0%) failed, in fact, to offset the drop of print media (-8.0%). The latter reported declines in both its components: newspapers (net of local advertising) -7.1% and magazines -8.9%. (*Nielsen – January-September 2018).*

Forecasts for the professional publishing market show a further 2.6% drop in 2018 (*“Rapporto Databank Editoria Professionale” – Cerved S.p.A., December 2017*) versus the prior year. The Group's market segments of operation show different forecasts for 2018: revenue from Legal products down by 4.8% versus 2017, revenue from Tax products down by 2.0% versus 2017.

Digital publishing is expected to return to growth overall in 2018 (+4.1%), while print publishing is expected to drop further (books -8.9% and magazines -21.7%). (“*Rapporto Databank Editoria Professionale” –Cerved S.p.A.*, December 2017).

Application of new accounting standards

As from 1 January 2018, the following accounting standards have been applied for the first time with respect to the financial statements at 31 December 2017:

IFRS 15 Revenue from Contracts with Customers;

IFRS 9 Financial Instruments.

In brief, IFRS 15 has brought the following changes in the Interim Management Statement at 30 September 2018:

Advertising revenue. For the purpose of applying the new standard, all agreements on the sale of advertising space on third-party publisher media have been reviewed. Based on the analyses and assessments made, the costs relating to advertising fees to third-party publishers under all the agreements in place at the date of this interim report have been recorded as a decrease in the relating advertising revenue. Until the prior year, under IAS 18, these fees were recognized as costs for services.

Publishing revenue. Under the new standard, publishing revenue from the sale at newsstands and bookshops of newspapers, magazines and books is recognized based on the price paid by the final purchaser, gross of all premiums paid, including the portion recognized to newsagents. As from 1 January 2018, these premiums are recognized under distribution costs, recorded as costs for services, while under IAS 18 in force up to the prior year, publishing revenue was recognized net of these costs.

On first-time application of the new standard, the Group has opted for the retrospective approach, based on which the comparative amounts of the prior year are restated in accordance with IFRS 15.

Non-controlling investments. IFRS 9 has envisaged the adjustment of the value of non-controlling interests, previously measured at cost and which, under the new standard, are measured at fair value approximated by the value of the share of the investee's equity attributable to the Group. Following first-time application of IFRS 9 as from 1 January 2018, the arising difference has been posted to equity. The effects of the measurements after fair value are recorded in the income statement.

GRUPPO 24 ORE

Consolidated results at 30 September 2018

The key financial figures of the Group at 30 September 2018 are as follows:

MAIN FIGURES OF THE 24 ORE GROUP			
Amounts in € million	9M 2018	9M 2017 restated	(***)
Revenue	150.2	163.1	
Gross operating profit (EBITDA)	0.2	(34.5)	(*)
EBITDA net of non recurring income and charges	***2.4***	***(11.5)***	(*)
Operating profit (loss) (EBIT)	(7.0)	(45.1)	
EBIT net of non recurring income and charges	***(4.5)***	***(22.1)***	
Pre-tax profit (loss)	(8.9)	(49.3)	
Profit (loss) from continuing operations	(9.0)	(55.7)	
Profit (loss) from assets held for sale	-	4.4	
Profit (loss) attributable to owners of the parent	(9.0)	(51.2)	
Profit (loss) net of non recurring income and charges	***(5.5)***	***(20.4)***	
	30.09.2018	31.12.2017	
Net financial position	(7.9)	6.6	(**)
Equity attributable to owners of the parent	32.9	41.6	

(*) EBITDA is defined as earnings before amortization of tangible and intangible assets, financial charges and income, capital gains/losses from disposal of fixed assets, write-down of equity interests, capital gains from disposal of equity interests, depreciation of intangible assets and income tax.
Since EBITDA is not seen as an accounting measure by the European IFRS, the determination of its quantity may be prone to ambiguity. The principle adopted by the 24 ORE Group to determine EBITDA may differ from the criteria adopted by other groups. Hence, its amount may not be comparable with the amount determined by other groups.

(**) Net financial position is defined as the sum of cash and cash equivalents, short-term financial assets, non-current financial assets and the fair value measurement of hedged financial instruments, netted against overdrafts and bank loans due within a year and non-current financial liabilities. Net financial position is not seen as an accounting measure by the European IFRS. The principle adopted by the Issuer to determine net financial position may differ from the criteria adopted by other groups. Hence, the Group resulting balance, determined by the Issuer, may not be comparable with the balance determined by other groups.

(***) The 2017 figures have been restated to reflect the reclassifications required by the retrospective application of IFRS 15.

GRUPPO 24 ORE

At 30 September 2018, the 24 ORE Group achieved **consolidated revenue** of € 150.2 million versus a restated € 163.1 million in the same period of 2017 (€ -12.9 million, or -7.9%). The change is attributable specifically to the drop in publishing revenue of € 6.6 million (-7.7%), in advertising revenue of € 4.0 million (-6.5%), and in other revenue of € 2.3 million (-14.5%).

Regarding Il Sole 24 ORE, average print circulation/day in the January-September 2018 period amounted to 81.1 thousand copies (-12.5% versus the same period of 2017). Digital circulation amounted to 86.7 thousand copies[1] (+2.1% versus the same period of 2017). Following the change in May 2017 in ADS regulations introducing adoption criteria, publishers can now report their multiple digital copies; the comparison with the prior year, when such copies could not be reported, is, therefore, not like-for-like. Print + digital circulation amounted to a total of 167.8 thousand average copies (-5.5% versus the same period of 2017). The Daily Newspaper retained its third position in the ranking of the most widely circulated national newspapers (source: internal processing on publishers' reporting to ADS).

Total average print + digital copies/day sold in the first nine months of 2018 amounted to 199 thousand copies (-14.9% versus the same period of 2017), inclusive of all the multiple digital copies that cannot be reported for ADS purposes, therefore, not included in the relating statement.

Operating margins benefited from the sharp drop in **direct and operating costs** totaling € 88.7 million, down by € 17.9 million (-16.8%) versus restated 30 September 2017.

Personnel expense, amounting to € 63.2 million, fell by € 28.1 million euro versus € 91.3 million at 30 September 2017, of which € 20.6 million in restructuring costs. Personnel expense, net of non-recurring expense, dropped by an overall € 6.5 million (-9.4%) versus 30 September 2017, due mainly to the reduction in average headcount and the increased use of holidays accrued and taken.

The average headcount, amounting to 959 units, fell by 128 units versus 1,087 units in the same period of 2017.

Gross operating profit (EBITDA), net of non-recurring expense and income, came to € +2.4 million versus a restated € -11.5 million at 30 September 2017. EBITDA at 30 September 2018 came to € +0.2 million versus a restated € -34.5 million in 2017. The result benefited from the non-recurring income of € 3.0 million arising from the compensation from Di Source. As a result of the compensation, an additional € 0.2 million in income was recognized from the derecognition of the payable posted under trade payables. In the first nine months of 2018, non-recurring expense of € 4.2 million was allocated for contractual risks, € 0.6 million for the departure of the CEO, and € 0.6 million for employment terminations.

(1) Data processed consistent with the 2017 data currently under assessment by the external party tasked with such activity, and in accordance with the "Additional regulations on the performance of ADS assessments on digital editions", approved on 3 February 2017, applying as from the May 2017 reportings and the relating "Technical Annex on the certification of multiple digital copies", published on 14 June 2018. A voluntary assessment will also be made, assisted by an independent expert, of copies sold but not reported to ADS.

EBIT, net of non-recurring expense and income, amounted to € -4.5 million (a restated € -22.1 million in the same period of 2017). EBIT came to € -7.0 million versus a restated € -45.1 million in 2017.

Amortization, depreciation and impairment losses amounted to € 7.3 million versus a restated € 10.6 million in 2017, and include the non-recurring expense of € 0.5 million relating to the write-down of the Bologna rotary press.

The **result before taxes** came to € -8.9 million versus a restated € -49.3 million at 30 September 2017. Income from investments of € 0.4 million was recorded in the period, of which € 0.6 million for the adjustment at equity of the value of the investment Business School 24 S.p.A., and € -0.2 million for the fair value measurement of non-controlling interests under IFRS 9.

The result was affected by net financial expense and income of € -2.3 million (€ -4.1 million in 2017). The decrease in financial expense on short-term payables is due to the lower use of short-term bank credit facilities.

The net result attributable to the shareholders of the parent, net of non-recurring expense and income, shows a loss of € 5.5 million (a restated € -20.4 million in the same period of 2017). The net result came to € -9.0 million versus € -51.2 million at 30 September 2017.

The **net financial position** stands at € -7.9 million at 30 September 2018 versus € +6.6 million at 31 December 2017, deteriorating by € 14.4 million. The negative change in the net financial position is attributable mainly to payment of non-recurring expense from voluntary redundancies made in the first few months of 2018, to operating investments and to cash flow from operations, which reflects the seasonality of the period, in addition to the positive flow of extraordinary operations.

Equity amounted to € 32.9 million, decreasing by € 8.6 million versus € 41.6 million shown in the consolidated financial statements at 31 December 2017, due to the result in the period of € -9.0 million from the actuarial assessment of post-employment benefits of € 0.3 million, and to the impact from first-time application of the new IFRS 9. Non-controlling interests have been measured at fair value, not at cost as previously required under IAS 39; the difference of € 0.1 million has been recognized in initial equity.

Business outlook

In the first nine months of 2018, Group revenue fell versus the prior year, due mainly to the forecast reduction in circulation revenue and to lower advertising revenue. The consolidated results at 30 September 2018 confirm the forecasts, with an improvement in profitability versus 2017, even net of non-recurring items.

The Group pursues its Publishing Plan to relaunch and focus on its business, by continuing efforts to increase efficiency and cut direct and operating costs.

Considering the above, the actions already taken and those planned for revenue maintenance and growth, as well as for the ongoing pursuit of operating efficiency, in the absence of events foreseeable at this time, the Group believes it can achieve its forecasts and therefore confirms the income and financial prospects for 2018.

Consolidated financial statements at 30 September 2018

(audit to be completed)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
Amounts in € million	30.09.2018	31.12.2017
ASSETS		
Non-current assets		
Property, plant and equipment	17.6	20.6
Goodwill	16.0	16.0
Intangible assets	37.7	39.7
Investments in associates and joint ventures	17.8	18.9
Available-for-sale financial assets	0.7	0.7
Other non-current assets	3.5	6.1
Deferred tax assets	26.2	26.2
Total	**119.5**	**128.2**
Current assets		
Inventories	2.0	2.3
Trade receivables	57.1	74.2
Altri crediti	9.3	10.1
Other current financial assets	0.2	0.6
Other current assets	6.9	4.8
Cash and cash equivalents	19.7	33.0
Total	**95.2**	**125.0**
Assets held for sale	-	-
TOTAL ASSETS	**214.7**	**253.1**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT.)		
Amounts in € million	30.09.2018	31.12.2017
EQUITY AND LIABILITIES		
Equity		
Equity attributable to owners of the parent		
Share capital	0.6	0.6
Equity reserves	26.8	38.3
Post-employment benefits Reserve - IAS adjustment	(3.8)	(4.1)
Retained earnings	18.4	(0.7)
Profit (loss) attributable to owners of the parent	(9.0)	7.5
Total	**32.9**	**41.6**
Equity attributable to non-controlling interests		
Capital and reserves attributable to non-controlling interests	-	(0.0)
Profit (loss) attributable to non-controlling interests	-	0.0
Total	**-**	**(0.0)**
Total equity	**32.9**	**41.6**
Non-current liabilities		
Non-current financial liabilities	5.2	5.6
Employee benefit obligations	17.9	18.7
Deferred tax liabilities	5.6	5.6
Provisions for risks and charges	16.9	12.7
Other non-current liabilities	-	11.8
Total	**45.5**	**54.3**
Current liabilities		
Bank overdrafts and loans - due within one year	16.5	18.2
Other financial liabilietes	6.1	3.2
Trade payables	83.2	105.3
Other current liabilities	0.0	0.0
Other payables	30.4	30.5
Total	**136.3**	**157.3**
Liabilities held for sale	-	-
Total liabilities	**181.8**	**211.6**
TOTAL EQUITY AND LIABILITIES	**214.7**	**253.1**

CONSOLIDATED INCOME STATEMENT		
Amounts in € millions	9M 2018	9M 2017 Restated
1) Continuing operations		
Revenue	**150.2**	**163.1**
Other operating income	8.4	2.4
Personnel expenses	(63.2)	(91.3)
Change in inventories	(0.2)	(1.5)
Purchase of raw materials and consumables	(4.6)	(4.2)
Services	(66.2)	(83.1)
Use of third party assets	(13.0)	(14.6)
Other operating costs	(4.6)	(3.2)
Provisions	(5.8)	(1.2)
Provisions for bad debts	(0.6)	(0.8)
Gross operating profit	**0.2**	**(34.5)**
Amortisation of intangible assets	(4.0)	(6.7)
Depreciation of property, plant and equipment	(2.9)	(3.8)
Impairment losses on property, plant and equipment and intangible assets	(0.5)	(0.1)
Net gains on disposal of non-current assets	0.0	0.0
Operating profit	**(7.0)**	**(45.1)**
Financial income	0.3	0.1
Financial expenses	(2.6)	(4.2)
Total Financial income (expenses)	**(2.3)**	**(4.1)**
Other income from investment assests and liabilities	(0.2)	(0.1)
Valuation by equity method of the share capital investments	0.6	-
Net profit (loss) before tax	**(8.9)**	**(49.3)**
Income tax	(0.1)	(6.4)
Net profit (loss) from continuing operations	**(9.0)**	**(55.7)**
2) Discontinued operations		
Profit (loss) from discontinued operations	**-**	**4.4**
Profit (loss) for the year	**(9.0)**	**(51.2)**
Profit (loss) attributable to minorities	**-**	**0.0**
Profit (loss) attributable to the shareholders of the parent company	**(9.0)**	**(51.2)**

CONSOLIDATED STATEMENT OF CASH FLOWS		
Amounts in € millions	9M 2018	9M 2017
Items of the statement of cash flows		
Pre-tax profit (loss) from continuing operations attributable to owners of the parent [a]	(8.9)	(49.3)
Adjustments for [b]	**12.7**	**33.5**
Profit (loss) attributable to non-controlling interests	-	0.0
Amortization	6.8	10.5
Write-off	0.5	-
(Gains) loss	(0.0)	(0.0)
Effect of investment valuation	(0.6)	0.2
Increase (decrease) in provisions for risks and charges	4.2	(2.4)
Increase (decrease) in employee benefits	(0.5)	(2.2)
Changes in deferred tax assets/liabilities	0.0	0.3
Financial income (expenses)	2.3	4.1
Change in current value of restructuring costs	-	18.5
Profit (loss) from discontinued operations	-	4.5
Changes in net working capital [c]	**(16.5)**	**8.9**
Increase (decrease) in inventories	0.2	1.5
Increase (decrease) in trade receivables	17.2	19.8
Increase (decrease) in trade payables	(22.1)	(0.7)
Income tax paid	-	(0.0)
Cash flow from discontinued operation	-	(4.3)
Other changes in net working capital	(11.8)	(7.4)
Total cash flow used in operating activities [d=a+b+c]	**(12.7)**	**(6.9)**
Cash flow from investing activities [e]	**(0.6)**	**(2.1)**
Investments in intangible assets and property plant and equipment	(2.3)	(2.2)
Proceeds from the disposal of intangible assets and property plant and equipment	-	0.1
Proceeds cashed from sale of investment	1.7	-
Cash flow from discontinued operation	-	(0.1)
Other changes in investing activities	0.0	0.1
Cash flow from financing activities [f]	**(0.1)**	**(4.4)**
Net financial interest paid	(1.3)	(4.1)
Repayment of medium/long term bank loans	(0.4)	(0.4)
Changes in short-term bank loans	(1.6)	0.1
Change in other financial receivables and payables	2.8	1.9
Other changes in financial assets and liabilities	0.4	0.5
Other change in reserve	0.1	0.0
Change in equity attributable to non - controlling interests	-	0.0
Cash flow from discontinued operation	-	(2.4)
Cash flow absorbed during of the yearg=d+e+f]	**(13.3)**	**(13.3)**
Opening cash and cash equivalents	**33.0**	**(26.2)**
Closing cash and cash equivalents	**19.7**	**(39.6)**
Increase(decrease) for the period	**(13.3)**	**(13.3)**

Supplements required by Consob pursuant to art. 114, Italian Legislative Decree 58/1998

Failure to meet covenants, negative pledges and any other clause of the Group's debt, involving limits in the use of financial resources, with the disclosure to date of the degree of compliance with such clauses

On 30 November 2017, the Company finalized the execution of the recapitalization and capital strengthening transaction and concluded agreements with lenders on the granting of new revolving cash credit facilities for a total of € 30.0 million, falling due on 31 December 2020, to support any future financial needs of the Company.

The new revolving cash credit facilities do not require any collateral or compulsory security, but rather financial covenants recognized at a consolidated level. The covenants are structured as follows:

FINANCIAL COVENANTS						
Amounts in € millions	31-dic-2017	30-giu-2018	31-dic-2018	30-giu-2019	31-dic-2019	30-giu-2020
EBITDA (*) higher than	n.r.	2.0	5.0	8.0	12.5	16.5
Equity higher than	27.0	25.0	23.0	24.0	26.0	30.0
PFN / EBITDAlower than	n.r.	n.r.	1.75	n.r.	1.50	n.r.

(*) rolling on a 12 month basis

Failure to satisfy even one of the covenants involves solely the right of early withdrawal from the loan by the banks; however, in this case too, changes to the loan agreement may be requested from the lenders, or the lenders may waive their right to early withdrawal if failure to meet a covenant should occur.

At 30 September 2018, which is however by contract not the review date, while no amounts had been drawn down from the credit facilities, the covenants had been met.

Additionally, on 13 November 2017, the Company and Monterosa SPV concluded an agreement to extend the maturity of the transaction involving the securitization of trade receivables until December 2020; it should be noted, however, that under the agreement, both parties may conclude operations at the end of each calendar quarter.

The maximum total amount that can be financed is € 50.0 million; at 30 June 2018, the credit facility for the securitization of trade receivables had been drawn down, with recourse, for the amount of € 15.9 million (total amount of the facility € 20.0 million), and without recourse, for € 13.5 million.

The securitization agreement does not contain financial covenants, but rather impediments to the purchase of the Company’s portfolios of receivables which, in the event of failure to remedy, may also result in termination of the agreement.

At 30 September 2018, no such impediments to the purchase had arisen, and/or significant events as to determine the termination of the agreement.

State of implementation of the Business Plan, and disclosure of deviations of actual data from expectations.

On 26 March 2018, the Board of Directors of the Company approved the 2018-2021 Business Plan, which updates the previous 2017-2020 Plan approved on 4 September 2017.

The guidelines of the 2018-2021 Plan confirm those of the 2017-2020 Plan and compliance with the covenants on the Group's financial debt.

Specifically, the 2018-2021 Business Plan, based on market trends and internal assessments made by Company Management, envisaged a gradual increase in revenue and a strong improvement in the operating and financial performance through:

- a plan to relaunch the “Daily";
- development of the other core business areas of the Group;
- a structural reduction in the workforce and rationalization of direct and operational costs.

The Group has forecast a reduction in consolidated revenue in 2018 versus the prior year, although it expects to gradually improve in the course of the year. The 2018 budget basically confirms the profitability figures contained in the 2017-2020 Plan, despite lower revenue, with higher cash used of approximately 10.0 million, due mainly to the anticipated reduction in headcount, forecasting a negative net financial position at the end of the year and a return to positive territory in 2020.

The relevant advertising market closed the first nine months of 2018 down by 1.7%. The positive performance by radio (+5.5%) and the Internet (+4.0%) failed, in fact, to offset the drop of print media (-8.0%). The latter reported declines in both its components: newspapers (net of local advertising) -7.1% and magazines -8.9%. (*Nielsen – January-September 2018).*

In the first nine months of 2018, the Group’s consolidated revenue was down by € 12.9 million versus the prior year (-7.9%), due mainly to lower advertising sales (partly related to the termination in 2017 of a number of advertising sales contracts with third-party publishers), to the reduction in circulation revenue, and to certain discontinuities such as the interruption in 2017 of the agency agreement with Teamsystem.

With regard to Budget forecasts, consolidated revenue in the first nine months of 2018 fell by 1.1%, as a result mainly of the delay in the T&L and System areas, only partly offset by the improved performance reported by the Culture, Publishing & Digital and Radio areas. Operating profit from current operations in the period confirms the improvement in profitability versus both FY 2017 and Budget forecasts, thanks to the initiatives implemented to improve efficiency and cut direct and operating costs. Therefore, in the absence of unforeseeable events at this time, which may take place in the fourth quarter, the Group believes it can achieve its forecasts on results for 2018.

For the purposes of this paragraph, mention should be made of the appointment, in the period from July to October 2018, of the following new positions: Chairman, Chief Executive Officer, Manager of Group publications, General Manager System24, CFO. To start with, the new Management has put a tight rein on Group costs by adopting a "zero based budget" policy, and is conducting a survey and, in many cases, renegotiating the main cost items of the Group to achieve a further sharp structural reduction. At the

same time, it is assessing and preparing, along the lines and on the basis of the 2018-2021 Business Plan, whose overall validity is confirmed, the Plan's development action, which will be reflected in the update to the 2019-2022 Plan.

Specifically, the new Management intends to review a number of the Plan's assumptions, taking account of market developments, reshaping the entire supply system by adopting a more customer centric approach (from the traditional product driven approach), and developing cost synergies and potential savings already identified.

The net financial position at 30 September 2018 of € -7.9 million, while affected by the seasonality of the third quarter, improves versus Budget forecasts. Specifically, the positive change versus the Budget figure is due mainly to lower outlays for restructuring costs paid in the period and lower operating investments, in addition to the receipts from the sale of IRES receivables and the balance of the sale of the investment in Newton Management Innovation S.p.A., envisaged in the Budget in the last quarter of the year. It should be noted however that, to date, the net financial position is expected to realign in the coming months to the Budget figure.

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Under paragraph 2, article 154-bis of the Consolidated Finance Law (TUF), Alberto Ferrari, in his capacity as Financial Reporting Manager, attests that the accounting information contained herein is consistent with the Company's document results, books and accounting records.

For further information:

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