Press Release

Consolidated financial statements for the year ended 31 December 2017 of Il Sole 24 Ore S.p.A.. Information pursuant to art. 154-ter, par. 7, of Legislative Decree no. 58/98

Milan, 2 January 2019 - Il Sole 24 Ore S.p.A. (hereinafter also “Sole" or the "Company") hereby announces the following.

Given that:

a. on 13 August 2018, following the two inspections concluded respectively on 12 June and 11 September 2017, as well as the hearings held and the information received upon request pursuant to art. 115 of Legislative Decree no. 58 of 1998, CONSOB informed the Company of the alleged non-compliance of the consolidated financial statements for the year ended 31 December 2017 with the provisions governing their preparation, referring specifically to the incorrect application of IAS 1 for comparative financial information regarding the 2016 period; accordingly, CONSOB announced the start of the procedure for the adoption of the measure referred to in art. 154-ter, par. 7 of Legislative Decree no. 58/98;

b. in a memo dated 22 October 2018, the Company sent CONSOB its own remarks on the Offices’ findings, stressing the grounds for its disagreement with such findings;

c. on 28 December 2018, the Commission notified the Company of its resolution no. 20770 (the "Resolution"), by which it ascertained the “*non-compliance of the consolidated financial statements for the year ended 31 December 2017 of Il Sole 24 Ore S.p.A. with the regulations governing their preparation, pursuant to art. 154-ter, par. 7, of Legislative Decree no. 58/98*";

d. the Resolution states that non-compliance of the Company's financial statements with the provisions governing their preparation allegedly regards, in particular, elements of non-compliance of the 2015 consolidated financial statements that failed to be identified in the 2016 financial statements and, consequently, in the 2016 comparative data presented in the 2017 consolidated financial statements; according to the Resolution, therefore, non-compliance of the 2015 consolidated financial statements results in the incorrect application of IAS 1, paragraphs 27 and 28, and IAS 8, paragraphs 42 and 49 regarding the 2016 financial statements, and of IAS 1, paragraphs 10, 38 and 38 A regarding the comparative information related to the 2016 period presented in the 2017 consolidated financial statements, as further explained in brief below;

e. CONSOB therefore requested the Company, pursuant to art. 154-*ter*, par. 7, of Legislative Decree no. 58 of 1998, to disclose the following information to the market:
   (i) the shortcomings and critical issues identified by CONSOB regarding the accounting correctness of the 2017 financial statements referred to above;
   (ii) the applicable international accounting standards and the breaches identified in this respect;
   (iii) the presentation, in a specific pro-forma consolidated financial statement - accompanied by comparative data - of the effects that compliant accounting would have had on the statement of financial position, income statement and equity for the year in which the incorrect information was provided.

In light of the above, the Company sets out below the information requested by the CONSOB Resolution.

A) Shortcomings and critical issues identified by CONSOB regarding the accounting correctness of the 2017 consolidated financial statements

Upon conclusion of the inspection, CONSOB's findings on the 2017 consolidated financial statements relate solely to non-compliance with IAS 1 ("Presentation of financial statements").

Specifically, CONSOB holds that there are elements of non-compliance of the 2015 consolidated financial statements that failed to be identified in the 2016 financial statements and, consequently, in the 2016 comparative data presented in the 2017 consolidated financial statements; the 2017 financial statements, therefore, present incorrect comparative data for the 2016 period, such as to make them non-compliant with the provisions of paragraphs 10, 38 and 38 A of the above standard, according to which:

- paragraph 10 of IAS 1: "*a complete set of financial statements shall include: (ea) comparative information in respect of the prior period, as set out in paragraphs 38 and 38 A; and f) a statement of financial position at the beginning of the prior period if an entity applies an accounting policy retrospectively or restates items retrospectively in its financial statements, or if it reclassifies items in its financial statements in accordance with paragraphs 40 A-40D*";
- paragraph 38 of IAS 1: "*[...] an entity shall disclose all the comparative information in respect of the prior period for all the amounts presented in the financial statements for the current period. An entity shall include comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements*";
- paragraph 38 A of IAS 1: "*An entity shall present, as a minimum, two statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows and two statements of changes in equity, and related notes*".

B) Applicable accounting standards and breaches identified in this respect

CONSOB holds that non-compliance of the 2017 financial statements with IAS 1 is allegedly the direct result of the non-compliance identified by the Authority with regard to the 2015 consolidated financial statements and to failure of its identification in the 2016 consolidated financial statements.

More specifically:

- according to CONSOB's findings, the 2015 consolidated financial statements were not prepared in compliance with IAS 36 ("Impairment of Assets"), paragraphs 14 d, 66 and 90, and with IAS 12 ("Income Taxes"), paragraph 56.

This is due to the fact that the Company allegedly **(i)** did not perform an impairment test on the "*Publishing & Digital*" CGU for the 2014 and 2015 periods, despite indications, at the time of preparation of these consolidated financial statements, of a potential impairment of the assets under the CGU, such as the book value of equity higher than market capitalization and evidence of operating losses related to the above CGU, **(ii)** wrote down the deferred tax assets for prior losses recognized in the 2015 consolidated financial statements, given the forecasts contained in the 2015-2019 Business Plan, considered by the Supervisory Authority "*unlikely to be met*", with the resulting difficulty of generating sufficient taxable income by 2025 to recover such tax assets.

- the 2016 consolidated financial statements, which already restated a number of items relating to prior years, again based on CONSOB’s findings, were allegedly not prepared in compliance with IAS 1, paragraphs 27 and 28, and with IAS 8 ("Accounting policies, changes in accounting estimates and errors"), paragraphs 42 and 49. As far as the provisions of IAS 8 are concerned, these findings stem from the fact that the Company, at the time of the 2016 consolidated financial statements, should have mentioned the non-performance of the impairment test on the "*Publishing & Digital*" CGU and the erroneous valuation of deferred tax assets for prior losses, highlighting the effects that these changes would have had on the 2015 consolidated financial statements.
  Again according to the Supervisory Authority, based on the accruals principle set out in IAS 1, in such manner **(i)** part of the write-downs of deferred tax assets for prior tax losses made in 2016 should have been correctly charged to the prior period and, **(ii)** the performance of the impairment test on the "*Publishing & Digital*" CGU could have resulted in a different recognition on an accrual basis of the significant write-downs then made in 2016;

- accordingly, the 2017 consolidated financial statements, again based on CONSOB’s findings, were allegedly not prepared in compliance with IAS 1, paragraphs 10, 38 and 38 A, solely with regard to the comparative information for the 2016 period, in light of the above findings.

Lastly, although CONSOB itself, given the amount, considers such error "*immaterial*", as a result of the aggregation of the goodwill amounts of the "*Publishing & Digital*" and "*Tax & Legal*" CGUs made in 2015, the subsequent consolidated financial statements (2016-2017) of the Company continue to erroneously show a total goodwill amount for the latter CGU, despite the fact that the write-downs recognized by the Company in 2016 should have reduced such amount for the portion attributable to the "*Publishing & Digital*" CGU, amounting to a mere Euro/k 513.

C) Presentation, in a specific pro-forma consolidated financial statement - accompanied by comparative data - of the effects that compliant accounting would have had on the statement of financial position, income statement and equity for the year in which the incorrect information was provided.

While reiterating its arguments previously presented to CONSOB in its memo dated 22 October 2018, and reserving the right to make any assessment, including those of a jurisdictional nature, on the claim of non-compliance of the consolidated financial statements for the year ended 31 December 2017 raised by CONSOB in the Resolution, the Company hereby announces that, for the sole purpose of complying with the Resolution, it will publish, in a specific press release, in a reasonably short time given the complexity of the activities to be carried out and, in any case, within three weeks from today's date, with the Stock Exchange closed, a pro-forma consolidated financial statement - with relating comparative data - that takes account of the Authority's findings, as described above.

For further information:

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