# INTERIM MANAGEMENT STATEMENT AT 31 MARCH 2016

GRUPPO 24 ORE

# DIRECTORS' REPORT

## *Corporate bodies*

The Board of Directors and the Board of Statutory Auditors were elected by the Ordinary Shareholders' Meeting on 29 April 2016.

The Board of Directors and the Board of Statutory Auditors will remain in office until the Shareholders' Meeting held to approve the 2018 separate financial statements.

### Board of Directors

| | |
|---|---|
| Chairman | Giorgio SQUINZI |
| Directors | Luigi ABETE |
| | Mauro CHIASSARINI |
| | Maria Carmela COLAIACOVO |
| | Nicolò DUBINI (1) |
| | Marcella PANUCCI |
| | Claudia PARZANI (1) |
| | Carlo PESENTI |
| | Livia POMODORO (1) |
| | Cesare PUCCIONI |
| | Carlo ROBIGLIO |

### Secretary to the Board

Luigi PREDIERI

(1) Independent Director

## Board of Statutory Auditors

| | |
|---|---|
| Chairman | Luigi BISCOZZI |
| Standing statutory auditors | Laura GUAZZONI |
| | Giovanni MACCAGNANI |
| Alternate statutory auditors | Maria SILVANI |
| | Fabio FIORENTINO |

## Representative of special-category shareholders

Mario ANACLERIO

## Manager in charge of financial reporting

Valentina MONTANARI

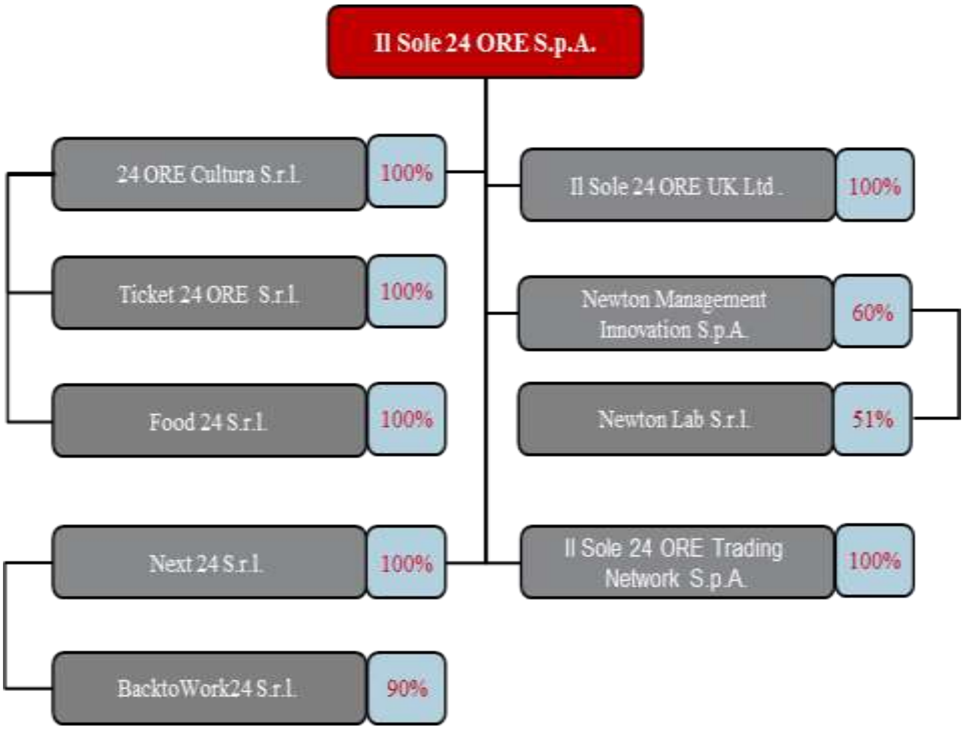
## Internal Audit Manager

Massimiliano BRULLO

## Independent Auditors

Reconta Ernst & Young S.p.A.

## *Structure of the 24 ORE Group*



## *Highlights*

- **Group consolidated revenue** totalled €86.0 million, up €0.9 million compared to the first quarter of 2015 (+1.1%).

- **Digital revenue from information content** of the daily newspaper and broadsheets was up by €2.1 million (+36.3%). Overall, digital revenue from information content exceeded the revenue from printed content to reach 58% of total information content revenue compared to 53% in the first quarter of 2015.

- **Group digital revenue** amounts to €28.1 million and equals 32.7% of total revenue (31.6% in the first quarter of 2015), up 4.5% on the first quarter of 2015.

- The **daily newspaper circulation revenue** was up 4.5% on the first quarter of 2015 (€+0.8 million), against the reference market trend which was down 7.2% in terms of total circulation (source: *ADS January-March 2016*).

- **Advertising revenue**, totalling €32.1 million, was down by €1.1 million (-3.3%) on the same period of 2015, mainly due to the termination of a number of concessions on third-party publications. Net of this effect, advertising revenue was up by 1.3%, still against the reference market trend which was down by 0.6% (source: *Nielsen January-February 2016*). Radio 24 advertising revenue recorded a 2.2% increase compared to the first quarter of 2015, outperforming the national radio market which was up 1.8%.

- Revenue from the **Education & Services Area** recorded growth of 7.3% compared to the first quarter of 2015, particularly due to development of the new product line for businesses and the good performance of the Business School.

- **Culture Area** revenue was up by €4.5 million.

- The **gross operating profit** was €0.1 million (€+1.8 million in the same period of 2015). This change is due to the different scope of consolidation in terms of advertising revenue and operating income in the first quarter of 2015. The **gross operating profit of the Publishing Area** was €1.9 million, up 20.2% due in particular to the digital innovation, the rationalisation and enhancement of the product mix.

- The **loss attributable to owners of the parent** amounted to €5.9 million, compared with the €2.8 million loss in the first quarter of 2015.

- The **net financial position** amounted to €-20.5 million, compared to a net financial position of €-26.8 million at 31 December 2015.

# *Operating performance at 31 March 2016*

## Market environment

The market figures for 2016 still show a downward trend compared to 2015 both in terms of advertising revenue and daily newspaper circulation.

In the first two months of 2016 the reference advertising market recorded a 0.6% decline compared to the same period in 2015.

Press advertising revenue is still in decline (-2.5%), daily newspapers dropped by 1.5% and magazines by 4.6%. Increases were recorded by radio (+1.8%) and Internet (+2.2%) (source: *Nielsen - January-February 2016*).

As regards circulation, ADS figures for January-March 2016 show a drop in printed national daily newspaper circulation of around 9.2% compared to the same period in 2015. The circulation figures for printed plus digital copies show a 7.2% decrease.

The most recent audience data for all of 2015 indicate that the daily radio audience was 35,018,000 listeners on average, recording a 2.1% increase (+704,000) compared to 2014 (*GFK Eurisko, RadioMonitor*).

The professional market in which the Group operates is characterised by continuous downsizing. For 2016 the market contraction will be more limited than in the previous year (-3.4%), particularly for tax and legal publishing.

The economic crisis that has continued for such a long time has led to increasing difficulties in final demand in the Group’s top markets: companies, households and professionals.

The consumption model is evolving in favour of electronic media, databases, products and online services. This phenomenon has led to lower spending, due to the difficulty on the professional market of selling online news at prices comparable to printed versions.

## Performance of the 24 ORE GROUP

| HIGHLIGHTS OF 24 ORE GROUP | | | |
|---|---|---|---|
| (in thousands of euro) | 1st Quarter 2016 | 1st Quarter 2015 | |
| Revenue | 86,020 | 85,105 | |
| Gross operating profit | 115 | 1,827 | |
| Operating loss | (4,069) | (1,999) | |
| Loss before tax | (5,670) | (2,285) | |
| Loss from continuing operations | (5,830) | (2,987) | |
| Loss attributable to owners of the parent | (5,850) | (2,817) | |
| Net financial position (indebtedness) | (20,520) | (26,818) | (1) |
| Equity attributable to owners of the parent | 80,809 | 86,660 | (1) |
| Average no. of employees | 1,258 | 1,207 | |

(1) Value at 31 December 2015

In the first quarter of 2016 the 24 ORE Group achieved **consolidated revenue** of €86.0 million, up by €0.9 million on the first quarter of 2015 (+1.1%), mainly as a result of the growth in digital revenue from information content for the daily newspaper and broadsheets for €2.1 million (+36.3%), Education & Services Area revenue for €0.6 million (+7.3%) and Culture Area revenue for €0.3 million (+4.5%). Advertising revenue recorded a €1.1 million decline (-3.3%), which on a like-for-like basis would have been a growth of €0.4 million (+1.3%).

**Group digital revenue** amounts to €28.1 million and equals 32.7% of total revenue (31.6% in the first quarter of 2015), up 4.5% on 2015.

More specifically:

- the daily newspaper circulation revenue (printed + digital) was up 4.5% on the first quarter of 2015 (€+0.8 million), against a reference market down 7.2% in terms of total circulation (source: *ADS March 2016*). The daily newspaper confirms its leadership in digital copies (226,158 copies) and second place in terms of printed + digital circulation in the rankings for all daily newspapers with 382,032 copies (*ADS March 2016*). To complete the Sole system, in addition to the printed and digital copies there are now more than 37,000 paid subscriptions to *IlSole24ore.com*;
- advertising revenue, totalling €32.1 million, was down by €1.1 million (-3.3%) on the same period of 2015, mainly due to the termination of a number of concessions on third-party publications. Net of this change in scope, advertising revenue for the area would be up by 1.3%. The reference market recorded an overall decline of 0.6% (source: *Nielsen January-February 2016*);
- Education & Services Area revenue totalled €9.4 million, up 7.3%. This positive result is due to the good performance of the Business School, which recorded a growth in the number of initiatives implemented and in the number of attendees, and due to the new line of Next24 products launched in 2015 with support services to businesses in innovation and digital transformation processes;

- Culture Area revenue was up by €0.3 million to reach €6.0 million, 4.5% higher than in 2015. The first quarter of 2016 saw the inauguration of the collection *Il Simbolismo - Arte in Europa dalla Belle Époque alla Grande Guerra* at the Palazzo Reale, and on 24 March MUDEC's 2016-2017 season opened with the exhibition dedicated to Mirò;
- revenue from the sale of add-ons, books and magazines were down by 14.5% compared to 2015, due to the market decline and to the strategic decision to downsize the printed products portfolio.

**Direct costs** and **operating costs** totalled €58.3 million, in line with the first quarter of 2015. Certain cost types have decreased due to the implementation of the digital strategy and to the cost containment policies referring to all cost types. In particular:

- promotion and sales costs fell by €0.8 million (-13.2%);
- advertising expense due to third-party publishers decreased by €0.5 million (-9.5%) due to the reduced number of publications licensed out;
- costs for raw materials totalled €2.2 million, down €0.4 million (-16.9%), mainly due to the Group policy on migration to digital;
- distribution costs totalled €6.0 million, down €0.2 million (-3.7%) mainly due to the lower volumes of printed products distributed.

Sales costs were up by €2.2 million (+32.3%) as a result of the increased revenue from commissions on activities developed by TeamSystem and intermediated by 24 ORE Trading - Network

**Personnel expense** totalled €28.0 million, up €0.3 million compared to the first quarter of 2015. This difference is mainly due to the change in the scope of consolidation (Food24) and the review of solidarity agreements with journalists during the first quarter. The average headcount was 1,258 employees, recording an increase of 51 following the entry of Food 24 to the Group and to application of the Jobs Act, which led to the transformation of non-standard contracts into permanent employment contracts, with access to the contributions relief envisaged by law and essentially with no added costs.

The **gross operating profit** was €0.1 million, compared to the €1.8 million profit in the same period of 2015. This change was mainly due to falling advertising revenue, as well as to lower operating income.

The **gross operating profit** of the Publishing Area was €1.9 million, an improvement on the result for the first quarter of 2015 (+20.2%), confirming the trends emerging during the previous year associated with the strategic digital innovation decisions and the rationalisation and enhancement of the product mix, together with cost containment and process efficiency.

The **operating loss** was €4.1 million, compared to a €2.0 million loss in 2015. Amortisation and depreciation amount to €4.2 million versus €3.9 million in the same period of 2015.

The **loss before tax** was €5.7 million, compared to the €2.3 million loss in the first quarter of 2015. Financial expenses have a €1.6 million impact (€0.3 million in the same period of 2015) and include €1.0 million in expense deriving from the early collection of the vendor loan. The first quarter of 2015 benefited from interest income on the vendor loan of €0.5 million.

**Income taxes** were negative for €0.2 million (negative for €0.7 million in the first quarter of 2015). The decrease is due to extension of the tax consolidation to the main Group companies.

The **loss attributable to owners of the parent** amounted to €5.9 million, compared with the €2.8 million loss of 2015.

The **net financial position** amounted to €-20.5 million, compared to a net financial position of €-26.8 million at 31 December 2015. The €6.3 million improvement was due to early collection of the vendor loan for €24.5 million. The absorption of net working capital was affected by the seasonal nature of collections, payment trends at the start of the year, investments and the payment of non-recurring expenses. Cash flows used in operating activities improved by €4.8 million compared to the first quarter of 2015, due to the lower absorption of net working capital.

## *Segment reporting*

In January 2016 a new organisational structure was launched in relation to the business areas. This organisation focuses on increasing sales effectiveness by integrating marketing and sales, particularly for large customers. A single Education & Services Division was also created that includes all activities relating to Group training business (Business School, Newton and the new Next24 initiative).

For easier comparison of the values for the two years on a like-for-like basis, the 2015 results were restated on the basis of the 2016 organisation.

The table below provides the basic Group figures broken down by segment.

INCOME STATEMENT BY SEGMENT

| SEGMENT | Revenue from third parties | Inter-segment revenue | Tot. Revenue | GOP/GOL | Amort./Depr./Write-downs/ Gains/Losses | Operating profit (loss) |
|---|---|---|---|---|---|---|
| **PUBLISHING** | | | | | | |
| 1st Quarter 2016 | 38,390 | 21,315 | 59,705 | 1,939 | (1,990) | (51) |
| 1st Quarter 2015 | 37,060 | 21,153 | 58,213 | 1,613 | (1,781) | (169) |
| **SYSTEM** | | | | | | |
| 1st Quarter 2016 | 32,184 | - | 32,184 | 1,015 | (2) | 1,013 |
| 1st Quarter 2015 | 33,273 | 2 | 33,275 | 1,458 | (2) | 1,457 |
| **EDUCATION & SERVICES** | | | | | | |
| 1st Quarter 2016 | 9,247 | 124 | 9,370 | 1,417 | (42) | 1,374 |
| 1st Quarter 2015 | 8,514 | 222 | 8,737 | 922 | (46) | 876 |
| **CULTURE** | | | | | | |
| 1st Quarter 2016 | 5,863 | 155 | 6,017 | (501) | (117) | (618) |
| 1st Quarter 2015 | 5,707 | 50 | 5,757 | (204) | (13) | (217) |
| **CORPORATE AND CENTRALISED SERVICES** | | | | | | |
| 1st Quarter 2016 | 336 | - | 336 | (3,755) | (2,033) | (5,787) |
| 1st Quarter 2015 | 551 | - | 551 | (1,962) | (1,984) | (3,945) |
| **CONSOLIDATED** | | | | | | |
| **1st Quarter 2016** | **86,020** | **-** | **86,020** | **115** | **(4,184)** | **(4,069)** |
| **1st Quarter 2015** | **85,105** | **-** | **85,105** | **1,827** | **(3,826)** | **(1,999)** |

## Publishing

*Publishing is the division responsible for the daily newspaper Il Sole24 ORE, both printed and digital versions; digital products associated with the daily newspaper, broadsheets, magazines and add-ons; professional publishing, with its technical and regulatory content products targeting professionals, businesses and PA; the Radiocor Plus press agency and Radio 24, the Group's news & talk radio station.*

| PUBLISHING AREA RESULTS | | | |
|---|---|---|---|
| (in thousands of euro) | 1st Quarter 2016 | 1st Quarter 2015 | % change |
| Circulation/other revenue | 38,540 | 37,209 | 3.6% |
| Advertising revenue | 21,165 | 21,004 | 0.8% |
| **Revenue** | **59,705** | **58,213** | **2.6%** |
| Gross operating profit | 1,939 | 1,613 | 20.2% |
| GOP margin % | 3.2% | 2.8% | 0.5 p.p. |
| Operating loss | (51) | (169) | 69.9% |

## Market performance

During the first three months of 2016 the market on which Publishing operates, in all its areas of operation, recorded essentially similar trends to those characterising 2015.

The reference advertising market closed the first two months with a 0.6% decline. The downtrend was driven by the negative performance of the press (-2.5%), with daily newspapers down 1.5% and magazines by 4.6%. Increases were recorded by radio (+1.8%) and Internet (+2.2%) (source: *Nielsen - January-February 2016; latest consolidated figures*).

As regards circulation, ADS figures for January-March 2016 show a drop in printed national daily newspaper circulation of around 9.2% compared to the same period in 2015. The circulation figures for printed plus digital copies show a 7.2% decrease.

The professional publishing market is also characterised by strong downsizing. In fact, in 2015 professional publishing recorded a decline in business volume of 4.1% on the previous year, though improving on the negative trend already recorded in 2014 (-5.9%). For 2016 the market contraction will be more limited (around -3.4% compared to 2015 with a less negative performance than the sector average for tax publications and in line with that for legal publications), again conditioned by the effects of reduced spending power by professionals and by spending review action taken by Public Administration.

The most recent audience data for all of 2015 indicate that the daily radio audience was 35,018,000 listeners on average, recording a 2.1% increase (+704,000) compared to the same period of 2014 (*GFK Eurisko, RadioMonitor*).

## Area performance

The **Publishing Area** closed the first quarter of 2016 with **revenue** of €59.7 million (+2.6% vs. the first quarter of 2015). Circulation and other revenue totalled €38.5 million, up €1.3 million (+3.6% compared to the same period in 2015) as a result of the 3.8% growth in digital revenue from information content, now exceeding revenue from printed content to reach 57.9% of total information content revenue compared to 52.8% in the same period of 2015. Digital revenue from information content of the daily newspaper and broadsheets was up by €2.1 million (+36.3%). **Advertising revenue** amounted to €21.2 million, up 0.8% on the same period of the previous year, mainly due to revenue on Group web sites and on Radio24.

The **gross operating profit** of the Publishing Area was €1.9 million, an improvement of €0.3 million on the result for the first quarter of 2015 (+20.2%), confirming the trends emerging during the previous year associated with the strategic digital innovation decisions and the rationalisation and enhancement of the product mix, together with cost containment and process efficiency.

The daily newspaper confirms its leadership in digital copies (226,158 copies) and second place in terms of printed + digital circulation in the rankings for all daily newspapers with 382,032 copies (*ADS March 2016*). The daily average number of readers is 879,000 (*Audipress 2015.III*). To complete the Sole System, in addition to the printed and digital copies, there are now more than 37,000 paid subscriptions to *IlSole24ore.com*. The daily newspaper circulation revenue was up 4.5% (€+0.8 million) compared to the first quarter of 2015.

In the first quarter of 2016 the daily newspaper was enhanced by various editorial initiatives of a socio-economic and cultural nature. The topics covered have guaranteed readers suggestions and useful information for their daily lives, including: the financial education course *I tuoi soldi* with all the information needed to make an informed decision about investments and savings; the book magazine *English Actually*; the Sunday issue of *Racconti d'autore* offering the pleasure of classic literature in short form; *Le guide* and the *Focus di Norme e Tributi*; and the *Lezioni di futuro* initiative to understand innovation.

Two traditional events with Il Sole 24 ORE readers were also organised: *Telefisco*, the conference now in its 25th edition where daily newspaper experts and financial administration officials illustrate the main new aspects introduced by the Stability Act; and the 18th *Premio Alto Rendimento* awards, assigned to asset management companies and mutual investment funds for the results accomplished in the previous year.

The Group's magazines closed the first quarter with advertising revenue up 5.2%, against the market trend which was down by 4.6%.

Once again this year, *Baselworld* and the January edition of Pitti Uomo were an opportunity to offer visibility to the fashion, luxury and lifestyle products through targeted distribution of *How To Spend It*, IL, 24hours and Moda24. The new issue of Moda24 "*Speciale Pitti*" recorded a 25% growth compared to the January 2015 edition.

February 2016 saw the launch of the *IL* magazine web site with an innovative design that enhances brand value, adapts to various devices and hosts new advertising formats.

*www.ilsole24ore.com*, Italy's first paying web site, recorded over 810,000 thousand unique browsers on average in the first quarter of 2016, up +5.7% with an increase in the average pages browsed to 5,595,500, up +4.6% compared to the average for the first quarter of 2015 (source: *Omniture Sitecatalyst*). At 31 March 2016, over 37,000 users had signed up for a web site subscription formula.

In the first quarter of 2016, the mobile version of *www.ilsole24ore.com* saw a 56.6% increase in average daily unique browsers to reach 184,187, and a 97.9% increase in pages browsed (absolute value 492,966) compared to the first quarter of 2015 (source: *Omniture Sitecatalyst*).

Growth was confirmed as regards social media. At 31 March 2016 the official Il Sole 24 ORE Facebook page had over 605,000 fans, up 12.7% on the figure at 31 March 2015. The number of followers on Twitter has exceeded 2.3 million (source: internal data).

Total revenue from specialist magazines and books, both printed and digital, showed an overall decline of 13.7% compared to the same period of 2015.

During *Telefisco 2016* the new version of the *Plusplus24 Fisco* database was presented, enhanced in terms of content by the *Bollettino Tributario*, new in-depth legal theory searches and the historic archive of the daily newspaper. The *PlusPlus* product on the tax market was split into two versions: “Pro” for the high end of the market and the basic version for the mid-high range.

On the Labour market, “*Circolari 24 Lavoro*” was launched: a weekly updates service integrated into the daily labour publication.

**Radio 24** is confirmed in a stable ninth position in the average daily audience rankings, both for the year and in the second half of 2015 with an average 1,974,000 daily listeners. The figures for the last quarter of 2015 (the latest available) indicated that the number of listeners from Monday to Friday was 2,295,000, the highest figure for the last two years, up 6.5% on the same period of 2014. On Sundays in particular, an 18% increase was recorded compared to the previous quarter due to the new broadcasts introduced (source: *GFK Eurisko; RadioMonitor*).

Radio 24 recorded a 2.2% growth in advertising revenue compared to the same period of 2015, vs. a market growth of 1.8%.

In the first quarter of 2016 the Radio 24 web site saw in increase in the number of pages browsed from 3.7 million in April 2015 to 5.7 million in March 2016. In addition, the direct player pages visited rose from 570 thousand to 700 thousand with unique users in general up from 300 thousand to 650 thousand. Contributing to this digital result was also the vertical web site of the programme *La Zanzara*, with an average of over 120,000 pages visited per week (source: *Omniture Sitecatalyst*).

Radio 24’s positive trend is also confirmed by audience data for “on demand” radio on the new web site and App: in the period January-March 2016 the number of audio files and podcasts downloaded rose by 24% compared to the same period of the previous year, reaching over 5,400,000 downloads.

In the first three months of 2016 the **Radiocor Plus press agency** recorded revenue up 2.9% on the first quarter of 2015.

## System Area – Advertising revenue

*System is the division acting as the advertising sales agency for the Group's main media and for some third-party media.*

| SYSTEM AREA RESULTS | | | |
|---|---|---|---|
| (in thousands of euro) | 1st Quarter 2016 | 1st Quarter 2015 | % change |
| Captive revenue | 26,139 | 26,506 | -1.4% |
| Non-captive revenue | 6,046 | 6,769 | -10.7% |
| **Revenue** | **32,184** | **33,275** | **-3.3%** |
| Gross operating profit | 1,015 | 1,458 | -30.4% |
| GOP margin % | 3.2% | 4.4% | -1.2 p.p. |
| Operating profit | 1,013 | 1,457 | -30.5% |

## Market performance

The reference advertising market closed the first two months with a 0.6% decline. The downtrend was driven by the negative performance of the press (-2.5%), with daily newspapers down 1.5% and magazines by 4.6%. Increases were recorded by radio (+1.8%) and Internet (+2.2%) (source: *Nielsen - January-February 2016*).

## Area performance

**System** closed the first quarter of 2016 with revenue of €32.2 million (-3.3% vs. the first quarter of 2015). This result is largely due to concessions on certain publications (e.g. FAZ, LePoint, FD, ElEconomista, Sky and Borsa Italiana) included in 2015 but no longer in the portfolio in 2016. Net of this change in scope, the area revenue would be up 1.3%, against that of the reference market which in the first two months closed with a 0.6% decline. Group media revenue amounted to €26.1 million, down 1.4% on the first quarter of 2015.

System continued its development of numerous integrated multimedia communications projects (press - radio - Internet) and special ad hoc initiatives for customers, with Radio 24 also generating a significant presence in the country through activities sponsored by customers.

The **gross operating profit** was €1.0 million, compared to €1.5 million profit in the first quarter of 2015. The change is mainly due to the drop in revenue.

**Il Sole 24 ORE** closed the quarter down 1.3%, recording a more limited decline than the daily newspapers market (-1.5%; *Nielsen - January-February*). The performance better than the market was supported by commercial products (+1.4%) and legal products (+3.3%), and in general by the increased average investment of longstanding customers (+4.1%). 53% of advertising space revenue in the daily newspaper was represented by the finance/insurance, professional services and automotive industries.

**Radio 24** closed the quarter with a growth better than that recorded by the radio market in the first two months of the year (+2.2% vs. +1.8%; *Nielsen - January-February*). A good result, achieved due to the quality of the publishing product mix, a targeted sales policy and the ongoing development of special projects and initiatives. The total number of customers and the average price were also up. Advertising increased from companies in the automotive sector, which represents 28% of total revenue from the sale of advertising space.

**Internet** revenue fell by 4.1%, mainly due to the difference in concessions (primarily from the exit of Sky.it, Borsa Italiana and FAZ). Net of this difference the online result would be up 9.2%, compared with a market growth of 2.2% (source: *Nielsen - January-February 2016*).

## Education & Services

*The Education & Services Area provides specialist training to young university graduates, managers and professionals and organises annual conferences and events on a contract basis for large customers all over Italy. Included in this area are the activities of the subsidiaries Newton Management Innovation S.p.A. (a management consulting and training company), Newton Lab S.r.l. (an event organising and multimedia content management agency) and Next 24 S.r.l. (a company providing support services to businesses in innovation and digital transformation processes.*

EDUCATION & SERVICES AREA RESULTS BY SEGMENT

| (in thousands of euro) | 1st Quarter 2016 | 1st Quarter 2015 | % change |
|---|---|---|---|
| Business School and Events | 5,251 | 5,214 | 0.7% |
| Next Area | 825 | - | 0.0% |
| Newton | 3,295 | 3,523 | -6.5% |
| **Revenue** | **9,370** | **8,737** | **7.3%** |
| Gross operating profit | 1,417 | 922 | 53.6% |
| GOP margin % | 15.1% | 10.6% | 4.6 p.p. |
| Operating profit | 1,374 | 876 | 56.8% |

## Market performance

The training market, including financial training, had estimated revenue of €600 million (source: *2013/2014 ISFOL Report data*).

The 2016 expenditure forecasts are positive. In fact, 34% of the sample interviewed expects spending to increase, 58% steady investments and only 8% a decrease. In the training market, the main sources of funding are the *Interprofessional Funds* which cover 46% of the total expense. Experimental learning, action learning, case history, coaching/mentoring, project work, workshops and laboratories, in-house testimonials and role play are increasing.

As regards the events market, the latest available figures for 2015 recorded a recovery in investments in events and communications by Italian companies. The total spending volume was €819 million (+4.3% compared to 2014; source: *Event Report – Astra Ricerche ADC Group*).

## Area performance

Revenue from the ***Education & Services Area***, including the revenue of 24 ORE Training, Events, Newton and Next, amount to €9.4 million and record growth of 7.3% compared to the first quarter of 2015, particularly due to the good performance by the Business School and the new range of products offered by Next24, launched in 2015, relating to support services for businesses for innovation and digital transformation processes.

***Business school*** revenue totalled €5.3 million, up 0.7% on the same period of the previous year. This result was achieved also as a result of the good performance of full-time master courses, up 21.3% on the same period of 2015, with 21 initiatives targeting young graduates.

The part-time master for managers involved around 1,400 participants. During the period the high-level training for managers and executives was expanded, with 16 Executive master courses adopting a blended model combining classroom and online training. Part-time master courses in weekend or weekday module formats continued for professional updates with the release of attendance certificates.

Revenue from the new Next 24 range of products amounted to €0.8 million.

The revenue achieved by Newton Management Innovation on the training market and by Newton Lab on the events market were down 6.5% compared to the first quarter of 2015.

Education & Services Area gross operating profit totalled €1.4 million, up €0.5 million on the first quarter of 2015 (+53.6%), mainly due to the expanded product mix and to cost containment action.

## Culture

*This Area includes Group activities in the Culture segment, through 24 ORE Cultura S.r.l., and works in the area of the production of publishing content in two segments: the production of exhibitions and book publication.*

| CULTURE AREA RESULTS | | | |
|---|---|---|---|
| (in thousands of euro) | 1st Quarter 2016 | 1st Quarter 2015 | % change |
| Circulation/other revenue | 6,017 | 5,757 | 4.5% |
| **Revenue** | **6,017** | **5,757** | **4.5%** |
| Gross operating loss | (501) | (204) | -145.9% |
| GOP margin % | -8.3% | -3.5% | -4.8 p.p. |
| Operating loss | (618) | (217) | -185.2% |

## Market performance

The exhibitions production market figures were updated to the first half of 2015 and offer positive signs: business volume (+21.87%), entrance tickets (+9.78%), spending at the exhibition stores (+3.52%) and spending by the public (+22.18%) (source: *SIAE - Exhibitions Yearbook - 1st half of 2015*). The preliminary figures for the second half of 2015 confirm this trend.

## Area performance

In the first three months of 2016, the Culture Area revenue totalled €6.0 million, up 4.5% on the same period of 2015.

The following exhibitions that opened in 2015 came to a close in the first quarter of 2016: *Da Raffaello a Schiele* and *Alfons Mucha e le atmosfere art nouveau* at the Palazzo Reale in Milan, *Tamara de Lempicka* in Verona, *Gauguin. Racconti dal paradiso* and *BARBIE - The icon* at the MUDEC.

February 2016 saw the inauguration of the collection *Il Simbolismo - Arte in Europa dalla Belle Époque alla Grande Guerra* at the Palazzo Reale, and on 24 March MUDEC's 2016-2017 season opened with the exhibition dedicated to *Mirò*.

In the first three months of 2016, 24ORE Cultura pulled in 389,000 to its exhibitions, 150,000 of which at the MUDEC.

The main revenue sources are ticketing and partnership initiatives for €3.1 million and bookshop sales for €1.5 million.

The Culture Area gross operating loss was €0.5 million, falling by €0.3 million compared to the same period of 2015. This change is attributable to the fact that in the first quarter of 2015 the particularly successful exhibitions *Chagall* and *Van Gogh* were held, attracting a high number of visitors.

# SIGNIFICANT EVENTS IN THE FIRST THREE MONTHS OF 2016

In January 2016 the trade union and ministerial procedure was finalised for confirmation of the early retirement plan for 28 journalists.

An agreement was reached on 24 February for the early settlement of the Vendor Loan, with repayment by Team System of the entire capital of €22.5 million, plus €2 million interest. The original maturity of the Vendor Loan relating to sale of the Software Area was 15 November 2020. The full amount of €24.5 million was paid in a lump sum on 3 March 2016.

# EVENTS AFTER 31 MARCH 2016

On 29 April 2016, the Shareholders' Meeting agreed to fully cover the parent Il Sole 24 ORE S.p.A.'s loss for the year of €21,253,000 from the share premium reserve.

The Shareholders' Meeting of 29 April 2016 also appointed the Board of Directors, which will remain in office until the Shareholders' Meeting called to approve the financial statements at 31 December 2018. The board members appointed were Luigi Abete, Mauro Chiassarini, Maria Carmela Colaiacovo, Nicolò Dubini, Marcella Panucci, Claudia Parzani, Carlo Pesenti, Livia Pomodoro, Cesare Puccioni, Carlo Robiglio, Giorgio Squinzi.

The Shareholders' Meeting appointed Giorgio Squinzi as Chairman of the Board of Directors.

The Board of Statutory Auditors was appointed by the same Shareholders' Meeting, and will remain in office until approval of the financial statements at 31 December 2018. Its members are Luigi Biscozzi as Chairman, Laura Guazzoni and Giovanni Maccagnani as standing auditors. As proposed by the Board of Statutory Auditors, the independent audit of accounts for the period 2016-2024 was assigned to Reconta Ernst & Young S.p.A. Luigi Predieri was appointed Secretary to the Board of Directors.

# CONSOLIDATED FINANCIAL STATEMENTS

## *Highlights of the consolidated income statement*

| HIGHLIGHTS OF THE CONSOLIDATED INCOME STATEMENT | | | |
|---|---|---|---|
| (in thousands of euro) | | 1st Quarter 2016 | 1st Quarter 2015 |
| Revenue | (1) | 86,020 | 85,105 |
| Other operating income | | 1,230 | 3,070 |
| Personnel expense | (2) | (27,992) | (27,700) |
| Change in inventories | | (586) | (1,348) |
| Purchase of raw materials and consumables | | (3,106) | (2,006) |
| Services | | (47,436) | (47,797) |
| Other operating costs | | (7,153) | (7,057) |
| Provisions and allowance for impairment | | (862) | (440) |
| **Gross operating profit** | **(3)** | **115** | **1,827** |
| Depreciation, amortisation and impairment losses | | (4,185) | (3,948) |
| Net gains on disposal of intangible assets and property, plant and equipment | | 1 | 122 |
| **Operating loss** | **(4)** | **(4,069)** | **(1,999)** |
| Net financial expense | (5) | (1,601) | (286) |
| **Loss before tax** | | **(5,670)** | **(2,285)** |
| Income taxes | (6) | (160) | (702) |
| **Loss from continuing operations** | | **(5,830)** | **(2,987)** |
| Profit (loss) from discontinued operations | | - | - |
| **Loss for the period** | | **(5,830)** | **(2,987)** |
| Profit (loss) attributable to non-controlling interests | | 20 | (170) |
| **Loss attributable to owners of the parent** | | **(5,850)** | **(2,817)** |

# Consolidated Statement of Financial Position

| CONSOLIDATED STATEMENT OF FINANCIAL POSITION | | | |
|---|---|---|---|
| (in thousands of euro) | Note | 31.03.2016 | 31.12.2015 |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | 40,937 | 42,625 |
| Goodwill | | 18,397 | 18,397 |
| Intangible assets | | 58,431 | 59,696 |
| Available-for-sale financial assets | | 948 | 948 |
| Other non-current assets | | 3,414 | 28,956 |
| Deferred tax assets | | 47,438 | 47,439 |
| **Total** | **(7)** | **169,565** | **198,060** |
| **Current assets** | | | |
| Inventories | | 4,978 | 5,564 |
| Trade receivables | | 107,718 | 104,922 |
| Other receivables | | 11,368 | 9,772 |
| Other current assets | | 6,906 | 4,705 |
| Cash and cash equivalents | | 50,359 | 39,139 |
| **Total** | **(8)** | **181,330** | **164,101** |
| Available-for-sale assets | | - | - |
| **TOTAL ASSETS** | | **350,895** | **362,161** |

| CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT.) | | | |
|---|---|---|---|
| (in thousands of euro) | Note | 31.03.2016 | 31.12.2015 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | | 35,124 | 35,124 |
| Equity reserves | | 61,728 | 82,981 |
| Other reserves | | 14,699 | 14,699 |
| Losses carried forward | | (24,891) | (22,132) |
| Loss attributable to owners of the parent | | (5,850) | (24,012) |
| **Total** | (9) | **80,809** | **86,660** |
| **Equity attributable to non-controlling interests** | | | |
| Capital and reserves attributable to non-controlling interests | - | 511 | 596 |
| Profit (loss) attributable to non-controlling interests | - | 20 | (86) |
| **Total** | | **531** | **511** |
| **Total equity** | (9) | **81,340** | **87,170** |
| **Non-current liabilities** | | | |
| Non-current financial liabilities | | 15,000 | 15,000 |
| Employee benefits | | 24,310 | 24,846 |
| Deferred tax liabilities | | 5,211 | 5,212 |
| Provisions for risks and charges | | 8,386 | 8,553 |
| **Total** | (10) | **52,907** | **53,611** |
| **Current liabilities** | | | |
| Bank overdrafts and loans - due within one year | | 53,879 | 50,957 |
| Other current financial liabilities | | 2,000 | - |
| Trade payables | | 131,778 | 135,774 |
| Other current liabilities | | 364 | 242 |
| Other payables | | 28,627 | 34,406 |
| **Total** | (11) | **216,648** | **221,380** |
| Available-for-sale liabilities | | - | - |
| **Total liabilities** | | **269,555** | **274,990** |
| **TOTAL EQUITY AND LIABILITIES** | | **350,895** | **362,161** |

# Consolidated Statement of Cash Flows

| CONSOLIDATED STATEMENT OF CASH FLOWS | | | |
|---|---|---|---|
| (in thousands of euro) | Note | 1st quarter 2016 | 1st quarter 2015 |
| Loss before tax attributable to owners of the parent [a] | | (5,690) | (2,115) |
| **Adjustments [b]** | | **4,942** | **1,434** |
| Profit (loss) attributable to non-controlling interests | | 20 | (170) |
| Depreciation, amortisation and impairment losses | | 4,185 | 3,948 |
| Gains | | (1) | (122) |
| Change in provisions for risks and charges | | (167) | (1,419) |
| Change in employee benefits | | (536) | (387) |
| Change in deferred tax assets/liabilities | | (160) | (702) |
| Net financial income | | 1,601 | 286 |
| **Changes in net working capital [c]** | | **(15,662)** | **(20,524)** |
| Change in inventories | | 586 | 1,348 |
| Change in trade receivables | | (2,797) | (2,643) |
| Change in trade payables | | (3,996) | (9,506) |
| Income taxes paid | | - | - |
| Other changes in net working capital | | (9,455) | (9,723) |
| **Total cash flows used in operating activities [d=a+b+c]** | | **(16,411)** | **(21,205)** |
| **Cash flows from (used in) investing activities [e]** | | **(1,232)** | **(1,455)** |
| Investments in intangible assets and property, plant and equipment | | (1,237) | (1,554) |
| Disposal of intangible assets and property, plant and equipment | | 1 | 123 |
| Other changes in investing activities | | 3 | (24) |
| **Cash flow from (used in) financing activities [f]** | | **29,645** | **2,059** |
| Net financial interest paid | | (564) | (736) |
| Change in short-term bank loans and borrowings | | 5,704 | 2,823 |
| Other changes in financing activities | | 24,505 | (28) |
| **Cash flows used during the period [g=d+e+f]** | | **12,002** | **(20,601)** |
| **CASH AND CASH EQUIVALENTS** | | | |
| **AT THE START OF THE PERIOD** | | **(2,304)** | **24,829** |
| **AT THE END OF THE PERIOD** | | **9,698** | **4,228** |
| **INCREASE (DECREASE) IN THE PERIOD** | | **12,002** | **(20,601)** |

## *Net financial position (indebtedness)*

| NET FINANCIAL POSITION (INDEBTEDNESS) | | | |
|---|---|---|---|
| (in thousands of euro) | Note | 31.03.2016 | 31.12.2015 |
| Cash and cash equivalents | | 50,359 | 39,139 |
| Bank overdrafts and loans - due within one year | | (53,879) | (50,957) |
| Other current financial liabilities | | (2,000) | - |
| **Short-term net financial position** | | **(5,520)** | **(11,818)** |
| Non-current financial liabilities | | (15,000) | (15,000) |
| **Medium-long term net financial position** | | **(15,000)** | **(15,000)** |
| **Net financial position (indebtedness)** | **(13)** | **(20,520)** | **(26,818)** |

# COMMENTARY

## *General information*

The share capital of the parent totals €35,123,787, represented by 90,000,000 ordinary shares and 43,333,213 special-category shares. Their breakdown is as follows:

- 90,000,000 ordinary shares owned by Confindustria, accounting for 67.5% of all shares;
- 40,031,186 special-category shares listed in the standard segment (Class 1) of the Milan screen-based equity market (MTA - Mercato Telematico Azionario) of Borsa Italiana S.p.A., accounting for 30.0% of all shares;
- 3,302,027 special-category treasury shares, accounting for 2.5% of all shares.

The Company By-laws contain provisions whereby the controlling shareholders of the Issuer may not be changed. In particular, in accordance with Article 8 of the Company By-laws, shareholders may not hold more special-category shares than those that represent one fiftieth of the share capital plus one share, with the exception of the Issuer which owns them as treasury shares.

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

The share identification codes are as follows:

| SHARE IDENTIFICATION CODES | |
|---|---|
| Name | Il Sole 24 ORE S.p.A. |
| ISIN code | IT0004269723 |
| Alphanumeric code | S24.MI |
| Reuters code | S24.MI |
| Bloomberg code | S24 IM |

The companies included in the scope of consolidation at 31 March 2016 were:

- **Il Sole 24 ORE S.p.A.**, the parent, which acts both as the holding company for controlling investments in Group companies, and as an operating company, by performing core business activities (general, financial and professional news and information, press agency, etc.);
- **Il Sole 24 ORE UK Ltd.**, which mediates for the sale of advertising space in the United Kingdom;
- **Il Sole24 ORE – Trading Network S.p.A.**, which performs agency activities for the distribution of Group and third-party products;
- **24 ORE Cultura S.r.l.**, specialised in products dedicated to art and photography and in the organisation of shows and events;
- **Ticket 24 ORE S.r.l.**, an e-commerce and online marketing company, operating in the exhibition and events ticketing and reception sector. The company is controlled through 24 ORE Cultura S.r.l.;
- **Food 24 S.r.l.**, established on 9 February 2015, a company operating in the entertainment and catering industry at the MUDEC site. The company is controlled through 24 ORE Cultura S.r.l.;
- **Newton Management Innovation S.p.A.**, a company active in training services;
- **Newton Lab S.r.l.**, a company active in training services. The company is controlled through Newton Management Innovation S.p.A.;
- **Next 24 S.r.l.**, established on 4 December 2015, a company operating in the business and professional training sector.
- **BacktoWork 24 S.r.l.**, specialised in the production and development of communications projects through the creation and management of a portal that aims to bring together managers and small businesses. The company is controlled through Next 24 S.r.l.

Compared to the latest financial statements approved, there have been no changes to the scope of consolidation.

The registered and administrative offices of Il Sole 24 ORE S.p.A. are located at Via Monte Rosa 91, Milan, Italy. Confindustria (the Confederation of Italian Industry) controls the parent.

## *Format, content and International Financial Reporting Standards*

The interim management statement at 31 March 2016 was prepared on the assumption that the Company is operated on a going concern basis, using the recognition and measurement criteria set out in IFRS (International Accounting Standards – IAS and International Financial Reporting Standards – IFRS) in a manner consistent with those adopted for preparation of the last annual financial statements.

The interim management statement was prepared in accordance with the provisions of art. 154-*ter*, Italian Legislative Decree no. 58 of 24 February 1998, the article included by art. 1, Italian Legislative Decree no. 195 of 6 November 2007.

The interim management statement was not subject to audit.

The financial statements presented are:

1. Highlights of the Consolidated Income Statement for the first three months of 2016, compared with the same period of 2015;
2. Consolidated Statement of Financial Position at 31 March 2016, compared with the latest approved financial statements;
3. Consolidated Statement of Cash Flows for the first three months of 2016, compared with the same period of 2015;
4. Net financial position (indebtedness) at 31 March 2016, with assets and liabilities divided between current or medium-term, compared with the latest approved financial statements.

Lastly, note that the consolidated interim results of the 24 ORE Group were affected by seasonal aspects, in particular relating to daily newspaper sales, advertising revenue and the professional publishing performance.

The following paragraph illustrates the notes to the consolidated financial statements, for the most important items indicating the most significant changes and related causes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## *Consolidated Income Statement*

### (1) Revenue

Revenue totalled €86,020 thousand, up €915 thousand compared to the previous year.

REVENUE

| (in thousands of euro) | 1st Quarter 2016 | 1st Quarter 2015 | Change | % change |
|---|---|---|---|---|
| Publishing revenue | 33,778 | 35,498 | (1,720) | -4.8% |
| Advertising revenue | 32,124 | 33,226 | (1,102) | -3.3% |
| Other revenue | 20,118 | 16,381 | 3,737 | 22.8% |
| **Total** | **86,020** | **85,105** | **915** | **1.1%** |

Publishing revenue amounted to €33,778 thousand, down €1,720 thousand due to the decline in the sales of printed add-ons, books and magazines. The daily newspaper circulation revenue rose by €782 thousand.

Advertising revenue totalled €32,124 thousand, a decrease of €1,102 thousand mainly due to the termination of a number of third-party publisher concessions.

Other revenue was €20,118 thousand, mainly to the growth in revenue from training and the commissions earned by 24 ORE Trading - Network.

## (2) Personnel

Personnel expense amounted to €27,992 thousand, compared to €27,700 thousand in the same period of the previous year.

The €292 thousand increase (1.1%) is mainly attributable to the change in the scope of consolidation (Food24) and the review of solidarity agreements with journalists during the first quarter. The average headcount was 1,258 employees, recording an increase of 51 following the entry of Food 24 to the Group and to application of the Jobs Act, which led to the transformation of non-standard contracts into permanent employment contracts, with access to the contributions relief envisaged by law and essentially with no added costs.

The average headcount by category was as follows:

| EMPLOYEES | | | | | | |
|---|---|---|---|---|---|---|
| AVERAGE HEADCOUNT | 1st Quarter 2016 | | 1st Quarter 2015 | | Change | |
| | Number | % | Number | % | Number | % |
| Managers | 42.1 | 3.4% | 45.3 | 3.8% | (3.2) | -7.1% |
| Journalists | 337.9 | 26.9% | 344.7 | 28.6% | (6.8) | -2.0% |
| White-collars | 815.1 | 64.8% | 752.1 | 62.3% | 63.0 | 8.4% |
| Blue-collars | 62.3 | 5.0% | 64.3 | 5.3% | (2.0) | -3.1% |
| **Total** | **1,257.5** | **100.0%** | **1,206.5** | **100.0%** | **51.0** | **4.2%** |

## (3) Gross operating profit (loss)

The gross operating profit, the interim result before amortisation and depreciation, impairment losses and net gains from asset disposals, was €115 thousand, compared to €1,827 thousand profit in the first quarter of 2015.

## (4) Operating loss

The operating loss was €4,069 thousand (a loss of €1,999 thousand in the same period of the previous year).

Amortisation, depreciation and impairment losses in the first three months of 2016 totalled €4,185 thousand, compared to €3,948 thousand in the same period of 2015.

## (5) Net financial expense

| NET FINANCIAL EXPENSE | | | | |
|---|---|---|---|---|
| (in thousands of euro) | 1st Quarter 2016 | 1st Quarter 2015 | Change | % change |
| Financial income from investment of cash and cash equivalents | (0) | 3 | (3) | -100.0% |
| Other financial income | 68 | 479 | (411) | -85.7% |
| Foreign exchange rate gains | 43 | - | 43 | ns |
| **Total income** | **111** | **482** | **(371)** | **-76.9%** |
| Foreign exchange rate losses | (23) | (64) | 41 | 64.2% |
| Financial expenses on loans and borrowings | (506) | (507) | 2 | 0.3% |
| Financial expenses on vendor loan | (1,037) | - | (1,037) | ns |
| Other financial expenses | (146) | (197) | 50 | 25.6% |
| **Total expenses** | **(1,712)** | **(768)** | **(944)** | **-122.9%** |
| **Total** | **(1,601)** | **(286)** | **(1,315)** | **-460.3%** |

Net financial expense amounted to €1,601 thousand and is broken down as follows:

- €1,037 thousand as the expense recognised following early collection of the vendor loan for a nominal €22,500 thousand and €2 million in interest, compared to the €3,037 thousand recognised at 31 December 2015;
- €675 thousand in financial expenses relating mainly to the use of short-term bank credit facilities and the medium-term syndicated loan, as well as to trade receivables factoring transactions;
- €111 thousand in financial income, a decrease compared to the first quarter of 2015 which had included interest income of €456 thousand on the vendor loan collected on 3 March 2016.

## (6) Income taxes

Income taxes are calculated at the rates expected to be applied at the close of the year.

In this period of the year, as in the previous year, no IRES deferred tax assets are recognised.

Income taxes for the period were negative at €160 thousand, compared to a negative €702 thousand in the same period of 2015. The difference is due to extension of the tax consolidation to all Group companies, which was finalised at the end of the previous year.

There are no material differences in tax regulations among the Group companies. No foreign entity benefits from preferential tax treatment. For the foreign investments, Italian taxes have been allocated and will be paid at the time dividends are distributed.

## *Consolidated Statement of Financial Position*

The highlights of the consolidated statement of financial position are as follows:

| HIGHLIGHTS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION | | |
|---|---|---|
| (in thousands of euro) | 31.03.2016 | 31.12.2015 |
| Non-current assets | 169,565 | 198,060 |
| Current assets | 181,330 | 164,101 |
| Available-for-sale assets | - | - |
| **Total assets** | **350,895** | **362,161** |
| Equity attributable to owners of the parent | 80,809 | 86,660 |
| Equity attributable to non-controlling interests | 531 | 511 |
| **Total equity** | **81,340** | **87,170** |
| Non-current liabilities | 52,907 | 53,611 |
| Current liabilities | 216,648 | 221,380 |
| Available-for-sale liabilities | - | - |
| **Total liabilities** | **269,555** | **274,990** |
| **Total equity and liabilities** | **350,895** | **362,161** |

## (7) Non-current assets

Non-current assets amounted to €169,565 thousand, compared to €198,060 thousand at 31 December 2015, recording a decrease of €28,494 thousand of which €25,537 thousand due to early settlement of the vendor loan including accrued interest.

Intangible assets, property, plant and equipment decreased by €2,952 thousand due to the amortisation of intangible assets and depreciation of property, plant and equipment totalling €4,185 thousand, partly offset by investments amounting to €1,237 thousand.

The changes in property, plant and equipment and intangible assets at 31 March 2016 was as follows:

| PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS | | | | | | |
|---|---|---|---|---|---|---|
| (in thousands of euro) | Opening balance | Investments | Disposals | Amortisation/ Depreciation | Reclassifications and other changes | Closing balance |
| Property, plant and equipment | 42,625 | 239 | - | (1,927) | - | 40,937 |
| Intangible assets | 59,696 | 998 | - | (2,259) | (4) | 58,431 |
| **Total** | **102,320** | **1,237** | **-** | **(4,186)** | **(4)** | **99,368** |

Investments in intangible assets totalled €998 thousand and mainly refer to licences and software for the development of new products and for management and administrative systems.

The investments in property, plant and equipment amounted to €239 thousand and mostly refer to hardware.

Depreciation of property, plant and equipment and amortisation of intangible assets amounted to €4,185 thousand, calculated based on their estimated useful life which has not changed compared to the latest approved financial statements. Amortisation and depreciation begins from the start of use.

Goodwill recognised at 31 March 2016 totalled €18,397 thousand and remains unchanged from the previous year.

## (8) Current assets

Current assets amounted to €181,330 thousand compared to €164,101 thousand at the start of the year. The €17,229 thousand increase is particularly due to the higher level of cash and cash equivalents for €11,220 thousand for the reasons explained in the statement of cash flows. The increases in trade receivables for €2,797 thousand and in other current assets for €2,202 thousand are both due to seasonal factors.

## (9) Equity

Group equity totals €80,810 thousand, decreasing compared to the financial statements at 31 December 2015 as a result of the following changes:

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| (in thousands of euro) | Share capital | Equity reserves | Revaluation reserves | Hedging and translation reserves | Other reserves | Retained earnings/(losses carried forward) | Profit (loss) for the period | Equity attributable to owners of the parent | Equity attributable to non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2015** | **35,124** | **82,981** | **-** | **-** | **14,699** | **(22,132)** | **(24,012)** | **86,660** | **511** | **87,170** |
| **Total income/expenses recognised directly in equity** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Loss for the period** | **-** | **-** | **-** | **-** | **-** | **-** | **(5,850)** | **(5,850)** | **20** | **(5,830)** |
| **Total income/expenses recognised in the period** | **-** | **-** | **-** | **-** | **-** | **-** | **(5,850)** | **(5,850)** | **20** | **(5,830)** |
| Change in the 2015 loss | - | (21,253) | - | - | - | (2,759) | 24,012 | - | - | - |
| Dividends/distribution of reserves | - | - | - | - | - | - | - | - | - | - |
| Change in reserves | - | - | - | - | - | - | - | - | - | - |
| Acquisitions and Change in % held of investments | - | - | - | - | - | - | - | - | - | - |
| Other changes | - | - | - | - | - | - | - | - | - | - |
| **Balance at 31 March 2016** | **35,124** | **61,728** | **-** | **-** | **14,699** | **(24,891)** | **(5,850)** | **80,810** | **531** | **81,340** |

## (10) Non-current liabilities

**Non-current liabilities** totalled €52,907 thousand compared to €53,611 thousand at the start of the year, down €704 thousand. The change is largely attributable to the decrease in post-employment benefits.

## (11) Current liabilities

**Current liabilities** amounted to €216,648 thousand, down €4,732 thousand compared to the €221,380 thousand at the start of the year. Bank loans and borrowings increased by €2,922 thousand. Trade payables fell by €3,996 thousand.

## (12) Consolidated Statement of Cash Flows

**Total cash flows** were positive by €12.0 million as a result of collection of the vendor loan. In the same period last year the total was negative by €20.6 million. The consolidated cash flows are highlighted below:

| HIGHLIGHTS OF CONSOLIDATED CASH FLOWS | | |
|---|---|---|
| | 1st Quarter 2016 | 1st Quarter 2015 |
| Loss before tax attributable to owners of the parent | (5,690) | (2,115) |
| Adjustments | 4,942 | 1,434 |
| Changes in net working capital | (15,662) | (20,524) |
| **Total cash flows used in operating activities** | **(16,411)** | **(21,205)** |
| Investments | (1,237) | (1,554) |
| Amounts collected on disposal of fixed assets | - | 123 |
| Other changes | 4 | (24) |
| **Cash flows from (used in) investing activities** | **(1,232)** | **(1,455)** |
| **Free cash flow** | **(17,643)** | **(22,660)** |
| **Cash flows from (used in) financing activities** | **29,645** | **2,059** |
| **Change in cash and cash equivalents** | **12,002** | **(20,601)** |
| **Cash and cash equivalents:** | | |
| At the start of the period | (2,304) | 24,829 |
| At the end of the period | 9,698 | 4,228 |
| **Change in cash and cash equivalents** | **12,002** | **(20,601)** |

**Cash flows used in operating activities** stood at a negative €16.4 million, compared to the negative €21.2 million in the previous year, attributable largely to seasonal changes in net working capital.

**Cash flows from (used in) investing activities** stood at a negative €1.2 million and referred mainly to operating investments.

**Cash flow from (used in) financing activities** stood at €29.7 million, compared to the inflows of €2.1 million for the same period last year, benefiting from early collection of the vendor loan.

### (13) Net financial position (indebtedness)

The **net financial position** amounted to €-20.5 million, compared to a net financial position of €-26.8 million at 31 December 2015. The €6.3 million improvement was due to early collection of the vendor loan for €24.5 million. The absorption of net working capital was affected by the seasonal nature of collections, payment trends at the start of the year, investments and the payment of non-recurring expenses.

Cash flows used in operating activities improved by €4.8 million compared to the first quarter of 2015, due to the lower absorption of net working capital.

## ADDITIONAL STATEMENTS

### Seasonality of Group activities

Group activities are subject to seasonal phenomena consisting in a slowdown in revenue - publishing and especially advertising - in the summer months.

| QUARTERLY RESULTS | | | | | |
|---|---|---|---|---|---|
| (in thousands of euro) | 1st quarter 2015 | 2nd quarter 2015 | 3rd quarter 2015 | 4th quarter 2015 | 1st quarter 2016 |
| Revenue | 85,105 | 83,871 | 58,931 | 97,053 | 86,020 |
| Gross operating profit (loss) | 1,827 | (1,496) | (12,832) | 13,407 | 115 |
| Operating profit (loss) | (1,999) | (4,661) | (16,927) | 9,291 | (4,069) |

The above figures are indicative only and should not be used to make an accurate forecast of future results.

# OUTLOOK

The economic situation improved slightly with the 2016 GDP forecast expected to grow by 1.1%. However, this estimate is lower than the forecasts at the end of 2015, which had indicated GDP growth of 1.4% (source: *Confindustria Study Centre).*

As regards the advertising market, the first two months of the year - compared to 2015 - again recorded a decline in revenue from daily newspapers and magazines. Moreover, the forecasts for 2016 are still rather uncertain and confirm a further decrease in advertising revenue from daily newspapers and magazines, at levels similar to those of 2015. The forecasts for Internet and radio indicate a slight growth.

The Group continues to pursue action to optimise processes and reduce costs, to enhance and expand commercial initiatives and will continue to focus on action to increase revenue.

The publishing segment is seeing changes of a technological and structural nature. The leading publishing industry operators are expanding their digital product mix and making it more easy to use.

For the current year the Group will continue to develop digital products, supported by the increasing integration of all the professional and Il Sole 24 Ore content to offset the forecast decline in traditional printed publishing.

As things currently stand, and in the absence at present of unforeseeable events, the Group continues to closely monitor the reference scenario, which is still burdened by a high degree of uncertainty particularly as regards advertising market performance. Considering this environment, we can reasonably expect to confirm the improvement in 2016 in gross operating profit (loss) compared to 2015, as well as stronger cash flows at operating level.

Milan, 12 May 2016

The Chairman of the Board of Directors

Giorgio SQUINZI

(signed on the original)

## *Statement pursuant to art. 154-*bis*, paragraph 2, Italian Legislative Decree no. 58 of 24 February 1998 as amended*

The Manager in charge of financial reporting, Valentina Montanari, hereby confirms that the economic and financial information provided in this interim management statement corresponds with the corporate books and accounting records.

Milan, 12 May 2016

Manager in charge of financial reporting

Valentina MONTANARI

(signed on the original)