



**ANNUAL REPORT
AT 30 JUNE 2020**

Notice of call

Associazione Calcio Milan S.p.A.

Headquarters: Milan, via Aldo Rossi 8

Share capital: Euro 113,443,200.00 fully subscribed and paid

Tax code and Milan, Monza and Brianza and Lodi Companies Register number 01073200154

to all Shareholders
to all members of the Board of Directors
to all members of the Board of Statutory Auditors

c/o their offices

Milan, 13 October 2020

Dear Sirs,

You are invited to attend the meeting of shareholders of Associazione Calcio Milan S.p.A., to be held at the Teatro Manzoni in Milan, via A. Manzoni 42, at 10.30 on 28 October 2020 at the first call, and, if necessary, on 29 October 2020 at the same time and place at the second call, to discuss and resolve on the following

Agenda:

- 1) review of the company's draft financial statements for the year ending 30 June 2020, the Board of Directors' report on operations and the reports of the board of statutory auditors and the auditing firm, on the financial statements. Related and/or consequential decisions;
- 2) presentation of the company's consolidated financial statements for the year ending 30 June 2020, the Board of Directors' report on operations and the reports of the board of statutory auditors and the auditing firm, on the financial statements. Related and/or consequential decisions;
- 3) appointment of the Board of Statutory Auditors. Related and/or consequential decisions;
- 4) appointment of the Auditing's firm. Related and/or consequential decisions;
- 5) Any other business.

The meeting can be attended by anyone with the right to vote and those persons who have the right to speak at the meeting by law, or according to the Bylaws.

Kind regards

Paolo Scaroni
Chair of the Board of Directors

Officers of the company (*)

Board of Directors

Chair	Paolo Scaroni
Directors	Salvatore Cerchione Stefano Cocirio Alfredo Craca Gianluca D'Avanzo Giorgio Furlani Ivan Gazidis Marco Patuano

Board of Statutory Auditors

Chair	Franco Carlo Papa
Standing auditors	Cesare Ciccolini Alberto Dello Strologo
Substitute auditors	Alessandro Ceriani Luca Sala

Supervisory and Control Body

Chair	Stanislao Lucheschi Michaela Castelli Francesca Muttini
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Auditing firm	EY S.p.A. Via Meravigli, 12 20123 Milan
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() In office on the date of approval of the financial statements for the year ending 30 June 2020*

Organisational chart (*)

Chairman..... Paolo Scaroni

Chief Executive Officer Ivan Gazidis

Managing Director – Finance Department Gianluca D’Avanzo

Sports Department

Technical Area Director Paolo Maldini

Corporate Departments

Chief Communication Officer Pier Donato Vercellone

Chief Business Officer Roberto Masi

Chief of Staff for C.E.O. James Murray

Chief Revenue Officer Casper Stylsvig

() In office on the date of approval of the financial statements for the year ending 30 June 2019*

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MILAN GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 2020



REPORT ON OPERATIONS



MILAN GROUP

A.C. MILAN S.p.A.

Registered office: Via Aldo Rossi no. 8, 20149 Milan

Secondary offices: Via Milanello no. 25 – 21040 Carnago (VA) -

Via dei Missaglia no. 17 – 20142 Milan - Via dei Fontanili no. 61/63 – 20017 Rho (MI)

Share Capital: Euro 113,443,200.00 fully subscribed and paid

comprising 218,160,000 shares, each with a nominal value of Euro 0.52.

Tax ID and Milan, Monza and Brianza and Lodi Companies' Registry Registration No. 01073200154

BOARD OF DIRECTORS' REPORT ON OPERATIONS

AT 30 JUNE 2020

Introduction

Starting from January 2020, the national and international scenario was affected by the pandemic due to the spread of Covid-19 and the consequent restrictive measures to contain it imposed by the Administrative Authorities, health and sports authorities of the various countries. Furthermore, this situation led to the suspension of the football competitions for the 2019/2020 season, in which the Parent Company A.C. Milan S.p.A. (the Club) was involved, to the resumption of these competitions behind closed-doors starting from June 2020, and at least to the postponement of the end of the 2019/2020 football season to 31 August 2020.

On the national side, the Serie A Championship was suspended by the FIGC on 10 March 2020 in accordance with the Prime Ministerial Decree of 9 March 2020. At the time, the First Team was in eighth place in the league table, after 26 matches, and was waiting to play the return match in the semi-finals of the Italian Cup. The domestic competitions were resumed on 12 June with the return match of the semi-finals of the Italian Cup, and on 22 June with the twenty-seventh match of the Serie A Championship.

The restrictions adopted by the Authorities meant that the museum and shops could only be opened to the public for a few weeks (with the latter closed from 9 March to 17 May 2020). This had a consequent impact on merchandising revenue and meant that matches had to be played behind closed doors, with a consequent drop in match revenues and pro-rata reimbursement (via vouchers) of standard season tickets for the 2019/2020 season, as well as tickets already sold. This suspension also caused a reduction in television rights revenues for the year and in revenues from promotional and advertising contracts.

Against this background, to partially mitigate the income and financial impact due to the suspension of sports, the Club reached an agreement with the First Team players to reduce their remunerations for the 2019/2020 season by a portion of the salary for April 2020. The agreement had a positive impact of about Euro 3.9 million on the 2019/2020' financial statement.

Sports results

At 30 June 2020, A.C. Milan's first team was in seventh place in the Serie A Championship, after 28 matches.

The 2019/2020 football season then ended in August with the team reaching sixth place in the Serie A Italian Championship and the semi-finals of the Italian Cup (Tim Cup).

On 6 June 2020, the first-level U.E.F.A. Licensing Committee examined documentation filed with the application for issue of the U.E.F.A. licence, granting the Club the licence for the 2020/2021 season.

On 20 August 2020, Co.Vi.So.C./F.I.G.C., having examined the documents submitted by Club Company, found that the conditions required for the national licence for the 2020/2021 professional championship had been met, in accordance with Title 1) of Official Communication no. 246/A of 26 June 2020 as amended by Official Communication no. 28/A of 31 July 2020.

Transfer Campaign

Sales and purchases of player rights

The operations completed in the 2019/2020 Transfer Campaign which as usual took place during the summer 2019 and winter 2020 transfer sessions, led to an overall increase in invested capital of Euro 68.9 million resulting from acquisitions and increases of Euro 99.3 million, and sales of Euro 30.4 million (net book value of the rights sold).

The capital gains from the disposals amounted to Euro 20.0 million, while the capital losses were equal to Euro 4.7 million.

The main definitive purchases include those relating to football players Ismael Bennacer, Lenny Alexandre Borges, Leonardo Campos Duarte da Silva, Rafael Alexandre da Conceição Leão, Theo Bernard François Hernández, Andreas Kristoffer Jungdal, and Rade Krunić, as well as Ante Rebicon on a temporary basis.

Definitive and temporary sales mainly refer to players Przemysław Gabriel Bargiel, Patrick Cutrone, Tiago Emanuel Embaló Djaló, Gustavo Raúl Gómez Portillo, Diego Sebastián Laxalt Suárez, Alessandro Plizzari, Stefan Simić and André Miguel Valente Silva.

Regarding the last winter transfer session, it should also be noted that in January 2020, the definitive and/or temporary purchase contracts were signed for the players Asmir Begović, Simon Thorup Kjær and Alexis Jesse Saelemaekers, as well as the acquisition of Zlatan Ibrahimović as a player released and the early termination of the temporary transfer for the player Diego Sebastian Laxalt, with his consequent "return" to the team.

Furthermore, definitive and/or temporary sales include Leroy Abanda-Mfomo, Fabio Borini, Mattia Caldara, Jesus Joaquin Fernandez Saenz "Suso", Krzysztof Piątek, José Manuel Reina Paez and Ricardo Ivan Rodriguez.

Renewals of player contracts

During the 2019/2020 financial year, only one contract of AC Milan first team players was renewed.

Terminations of player contracts

During the 2020/2021 summer transfer campaign and based on the players in the squad as of 30 June 2020, only the contract with player Halilovic was mutually terminated.

Season Pass Campaign

The 2019/2020 season pass campaign rose to 32,347 passes for the championship (30,591 season passes for the 2018/2019 season).

The average number of paying spectators for the 2019/2020 financial year for home championship matches was 53,957 (54,369 spectators in the 2018/2019 season).

It should be noted that the last 11 matches of the Serie A championship were played behind closed doors, in compliance with the Administrative Authorities directives and in order to contain Covid-19.

Business performance

Consolidated result for the year

The net consolidated result for 2019/2020 financial year shows a loss of Euro 194.6 million, an increase of Euro 48.6 million compared to the consolidated loss of the previous financial year, equal to Euro 146.0 million.

It should be noted that the Covid-19 pandemic and the consequent restrictive measures imposed by the Administrative Authorities, health and sports authorities of the various countries. In particular, these restrictive measures led to the suspension of the football competitions for the 2019/2020 season, in which the Club was involved, and the postponement of the end of the 2019/2020 football season to 31 August 2020.

This change is mainly due to lower income from the sale of broadcasting and media rights for Euro 41.7 million, lower income from gate receipts for tickets and passes for Euro 10.5 million, related

to the lower number of matches played in the fiscal year and to the extension of the football season beyond the reporting date, higher amortisation, depreciation and write-downs for Euro 32.7 million, mainly due to players' registration rights, and higher provisions for other risks for Euro 3.0 million.

These increases were partially mitigated by lower personnel costs for Euro 23.9 million, higher gains from the sale of players' registration rights for Euro 7.4 million, as well as lower net financial charges for Euro 4.8 million.

Value of production

The value of production for the 2019/2020 financial year amounted to Euro 192.3 million, a decrease of 20.2% compared to the figure of Euro 241.1 million for the previous financial year, and refers to:

	2019/2020		2018/2019		Change
	Value	%	Value	%	
Income from broadcasting and media rights	72.3	37.60%	113.8	47.30%	-41.5
Sponsorship income	36.7	19.08%	38.0	15.80%	-1.3
Income from matches	23.6	12.29%	34.1	14.20%	-10.5
Income from management of players' rights	28.1	14.64%	25.6	10.60%	2.5
Commercial income and royalties	15.5	8.08%	18.8	7.80%	-3.3
Other revenues and income	16.0	8.31%	10.8	4.50%	5.2
Total	192.3	100%	241.1	100%	-48.8

Income from broadcasting and media rights, equal to Euro 72.3 million (- 36.5% compared to the previous year), decreased overall by Euro 41.5 million, mainly related to the lower number of matches played due to the Covid-19 pandemic, which meant 10 matches of the 2019/2020 Serie A Championship had to be played in July and August 2020, with a reduction in fees of Euro 21.5 million. Compared to the previous season, the team did not compete in the final of the Italian Super Cup, resulting in a decrease in revenues of Euro 3.0 million, and did not take part in European competitions, with a corresponding reduction in fees of Euro 14.7 million.

Sponsorship income totalled Euro 36.7 million and went down by Euro 1.3 million compared to the previous year. This decrease mainly relates to the expiration on 30 June 2019 of some contracts with major commercial partners.

Income from matches amounted to Euro 23.6 million (- 30.7% compared to the previous year) and mainly related to the Covid-19 pandemic effects and to the fact that some matches were held behind closed doors. Compared to the previous fiscal year, the decrease in revenues refers to ticket sales from UEFA Europa League matches (- Euro 1.0 million) following the failure to qualify for the competition this season, offset by higher revenues from TIM Cup matches (+ Euro 1.5 million).

Income from management of players rights, amounting to Euro 28.1 million, up by Euro 2.6 million compared to the 2018/2019 financial year, due to the combined effect of higher gains from the

sale of players' rights (+ Euro 7.4 million), higher revenues from player loans (+ Euro 0.2 million) and lower income from sources other than player management (- Euro 5.0 million) substantially due to the fees paid to the club on resale of a player.

Commercial income and royalties, equal to Euro 15.5 million (- 17.4 % compared to the previous financial year), were down by Euro 3.3 million mainly due to the reduction in income from commercial activities at "Casa Milan" (Euro 1.8 million) related to the sale of Milan-branded and Sponsor company products (Milan Store), to the museum open to the public (Mondo Milan) and to the food area open to the public (initially managed internally and then outsourced as of 3 November 2019), and by Euro 2.3 million due to the reduction in stadium revenues due to invoicing of certain categories of season passes (Stands, "Sky Boxes" and "Sky Lounges"), including various commercial services, for home matches played by the Milan first team at the San Siro stadium in Milan. The significant decrease compared to the previous year is substantially due to the suspension and then postponement of sports events by the FIGC, to contain the spread of Covid-19 pandemic.

Other income and revenues amounted to Euro 16.0 million (Euro 10.8 million in the previous financial year) and refer to Euro 0.9 million (Euro 0.2 million in 2018/2019) to the income from the chargeback of costs made to players and third parties for their own expenses, Euro 0.7 million (Euro 1.1 million in the 2018/2019 financial year), and to payments from invoices issued to the associate M-I Stadio S.r.l. for the use of internal and external space at the San Siro stadium under a specific contract. Moreover, this item includes Euro 7.7 million (Euro 2.5 million in 2018/2019) for the use, for different purposes, of the risk provision for future charges earmarked in the Financial Statements of previous years, Euro 5.7 million (Euro 5.2 million in 2018/2019) for contingent assets and other residual revenues and income, as well as Euro 0.8 million (Euro 1.2 million in 2018/2019) for insurance reimbursements.

Costs of production

Costs of production for the 2019/2020 financial year amounted to Euro 378.9 million, an increase of 1.4% compared to the figure of Euro 373.4 million for the previous financial year, and refer to:

	2019/2020		2018/2019		Change
	Value	%	Value	%	
Personnel costs	160.9	42.47%	184.8	49.50%	-23.9
Amortisation, depreciation and write-downs	125.7	33.17%	93	24.90%	32.7
Cost of services and use of leased assets	61.9	16.34%	60.1	16.10%	1.8
Expenses from management of player rights	8.2	2.16%	13.8	3.70%	-5.6
Cost of purchasing raw materials and goods	4.3	1.13%	5.1	1.40%	-0.8
Other costs and charges	17.9	4.72%	16.6	4.40%	1.3
Total	378.9	100%	373.4	100%	5.5

Personnel costs, equal to Euro 160.9 million, were down by 12.9% (- Euros 23.9 million compared to the previous year), mainly due to the effects of the player transfer campaign, while led to lower player costs. Following the interruption of sporting competitions in April and May due to the spread of Covid-19 pandemic, the Club reached an agreement with the First Team players to reduce their remuneration for the 2019/2020 season by a portion of the salary for April 2020. The agreement had a positive impact of about Euro 3.9 million on financial statement.

Amortisation, depreciation and write-downs amounted to Euro 125.7 million and increased by Euro 32.7 million (+31.5% compared to the previous financial year), mainly due to higher amortisation of players' registration rights for Euro 14.3 million related to the 2019/2020 transfer campaign, as well as higher write-downs of the registration rights of some players, due to the losses on disposal made in the course of the September-October 2020 transfer campaign for Euro 19.9 million.

The item Cost of services and use of leased assets, amounting to Euro 61.9 million, recorded a net increase of Euro 1.8 million (+ 3.0% compared to the 2018/2019 financial year) mainly due to higher general costs for sporting activities (+ Euro 5.1 million), due to new technical staff joining the company, and higher fees to the agents of the players purchased during the year. These increases were partly offset by the reduction in the item consultancies and collaborations for Euro 1.2 million and by lower transfer costs for Euro 0.8 million.

Expenses from management of player rights amounted to Euro 8.2 million, a decrease of Euro 5.6 million compared to the 2018/2019 financial year due to lower costs for the temporary acquisition

of players (- Euro 9.7 million), partly offset by higher losses from the sale of players' registration rights (- Euro 4.2 million).

Costs of raw materials and goods mainly refer to the costs incurred in buying training kit and the official strips supplied by the technical sponsor, purchases of products and goods relative to the Milan Store at Casa Milan and costs of buying medical items. The decrease of Euro 0.8 million compared to the previous year is mainly due to lower purchases of products and goods for sales activities at Casa Milan during the closure enforced by Covid-19 pandemic.

The item Other costs and charges, equal to Euro 17.9 million (Euro 16.6 million in the previous year), mainly refer to Euro 3.2 million (Euro 5.2 million in the previous year) for expenses connected with the organisation of home matches at the San Siro stadium in Milan, with the change due to the lower number of matches played due to the restrictive measures imposed following the spread of Covid-19 pandemic, which resulted in 10 matches of the current season being moved to the months of July and August 2020.

This item also includes provisions for other risks for Euro 9.9 million (Euro 6.9 million in the previous financial year) related to the provision of personnel restructuring costs, future costs relative to technical personnel "released" but still on the company payroll, as well as leaving indemnities for players sold during the September and October 2020 transfer campaign.

Financial Income and Expenses

Financial income and expenses showed an expense of Euro 6.3 million compared to an expense of Euro 11.1 million in the 2018/2019 financial year, recording a considerable improvement (- Euro 4.7 million).

This change was mainly the result of:

- Euro 2.3 million for lower interest payable on two non-convertible bonds fully repaid in September 2018;
- Euro 2.6 million being the net effect of applying the amortised cost principle on receivables and payables relating to the player transfer season;
- Euro 0.9 million from lower commission on guarantees issued by leading banks and/or insurance companies, mainly for the players transfer campaigns;
- Euro 0.6 million in lower commissions and interest on factoring contracts.

Adjustments in value of financial assets

This item amounts to income of Euro 0.5 million (income of Euro 0.8 million in the year 2018/2019), and refers to the adjustment of the investment in the associate M-I Stadio S.r.l. to the value of the portion of shareholders' equity resulting from the financial statements at 30 June 2020.

Income taxes for the year

The balance of this item, which amounts to - Euro 2.2 million (- Euro 3.4 million in the previous financial year) includes current taxes of Euro 0.3 million, for provisions for regional business tax, as well as Euro 1.8 million of deferred tax assets on consolidation adjustments, mainly relating to the reversal of operations pertaining to intercompany gains.

Player registration rights

At 30 June 2020, player registration rights totalled Euro 186.7 million compared to Euro 232.2 million in the previous year.

The net decrease of Euro 45.5 million derives from the investments (+ Euro 99.3 million) and net disinvestments (- Euro 30.4 million), amortisation for the year (- Euro 94.6 million) and write-downs of multi-year player registration rights in the period (- Euro 19.9 million).

For details of the players involved in these movements, please see the attachments section of the Notes.

Shareholders' Equity

Consolidated shareholders' equity at 30 June 2020 was equal to Euro 34.1 million, a considerable decrease compared to the balance of Euro 83.3 million at 30 June 2019, due to payments on account of the future share capital increase for a total of Euro 145.0 million made by the majority shareholder and the consolidated loss for the period (- Euro 194.6 million).

Net Financial Position

At 30 June 2020, the consolidated Net Financial Position of the Milan Group presented net debt equal to Euro 103.9 million, deteriorating (- Euro 21.0 million) on the figure of the 2018/2019 financial year (Euro 82.9 million).

For more details about the composition and movements in net financial position, please see the Notes to the consolidated financial statements.

Relations with associates, affiliates and parent companies

The parent company A.C. Milan S.p.A. is not subject to direction and coordination by the controlling entity Rossoneri Sport Investment Luxembourg S.à r.l.

With regard to the relationships in place with subsidiaries, associates and parent companies:

- With effect from 1 January 2017 the parent company A.C. Milan S.p.A. exercised the option to join the tax consolidation scheme (Articles 117-129 of Presidential Decree 917/86), as the consolidating entity, jointly with Milan Entertainment S.r.l. and Milan Real Estate S.p.A., as consolidated companies;
- The parent company AC Milan S.p.A. currently has an agreement for the subleasing of facilities at the “Casa Milan” complex, which is leased from Vittoria Assicurazioni S.p.A. with the non-profit Milan Foundation, at an annual rent of Euro 43 thousand, subject to ISTAT revaluation;
- The Parent Company A.C. Milan S.p.A. has a joint contract with F.C. Internazionale S.p.A., with M-I Stadio S.r.l. relating to the payments from invoices issued for the use of some internal and external spaces at the San Siro Stadium in Milan, under which the annual fee payable to the licensees is Euro 1.4 million (plus any adjustments);
- The Parent Company A.C. Milan S.p.A. and F.C. Internazionale Milano S.p.A. have a joint contract with M-I Stadio S.r.l. to cover the operating costs of the San Siro Stadium, under which the annual fee payable by the licensees is Euro 9.1 million (plus any adjustments);
- details of all other intercompany relationships and the changes in equity investments are provided in the summary tables in the Notes.

Potential liabilities and other information

Financial Fair Play

The club's participation in European competitions is subject to compliance with sporting, legal, infrastructure, organisational and economic/financial requirements set out in the U.E.F.A. Club Licensing and Financial Fair Play Regulations – Edition 2018. In this regard, on 18 June 2020 the Executive Committee of UEFA approved partial exemptions from the Financial Fair Play rules and the criteria for their monitoring, so that the negative effects of Covid-19 on the financial results of football clubs are taken into account for the purposes of the Licence.

Based on historical data and expected results, the Parent Company A.C. Milan S.p.A. believes, in line with the opinions of its legal advisors that, if it qualifies for European competitions in the 2020/2021 season having finished sixth in the Serie A Championship, which ended in August 2020, UEFA may administer sporting and/or economic/financial sanctions based on any violations of the break-even rule required by Financial Fair Play, in the monitoring periods indicated by regulations, and has therefore maintained the provision for risks allocated in previous years in the financial statements.

Other information

Chief Football Officer

On 6 March 2020, the Parent Company A.C. Milan S.p.A. informed Mr. Zvonimir Boban of its withdrawal for just cause from the long-term collaboration pursuant to Article 409 of the Italian Code of Civil Procedure, entered into with him on 1 July 2019 and scheduled to end on 30 November 2022. Mr. Boban, through his lawyers, in a letter dated 11 March 2020, disputed the reasons put forward by the company for the withdrawal for just cause. In summary, he impugned the withdrawal, partly maintaining it to be retaliatory, and claimed that the collaboration relationship was in fact a fixed-term managerial employment or, in the alternative, that it should be recategorised pursuant to and for the effects of the provisions of Article 2 of Legislative Decree no. 81/2015, with a claim for compensation for financial and non-financial damage. In consideration of the above, the Parent Company A.C. Milan S.p.A., based on the information currently in its possession and supported by the opinions of its lawyers, has prudentially made an allocation to the provision for risks in the financial statements, although it believes that the various reasons of that led to the interruption for just cause of the previous

relationship with Mr. Boban are well-founded, notwithstanding the inherent risk. The Company must file a statement of defence pursuant to Article 416 of the Italian Criminal Code by 16 October 2020.

Information on the environment and personnel

In accordance with the provisions of Article 2428, paragraph 2, civil code, the Milan Group conducts its business in full compliance with the regulations on environmental protection and safety at work, as laid down in Italian Legislative Decree 81/2008. In addition, the Milan Group conducts its business in full compliance with the regulations on stadium safety, and prevention and suppression of violence connected to football competitions, as laid down in Italian Law 41 of 4 April 2007 and the preceding Pisanu and Amato Decrees.

Details of the number and composition of personnel are provided in the Notes.

Research and Development

During the 2019/2020 financial year, the Milan Group companies did not carry out any research and development activity.

Going concern

The Milan Group had a consolidated loss for the 2019/2020 financial year of Euro 194.6 million, a positive shareholders' equity of Euro 34.1 million and a consolidated negative net financial position, at 30 June 2020 of Euro 103.9 million.

The majority shareholder Rossoneri Sport Investment Luxembourg S.à r.l. has also guaranteed its commitment to provide financial support to the Milan Group for at least 12 months from the date of approval of the financial statements.

Based on these considerations, the directors have prepared these consolidated financial statements on a going concern basis.

Main risks and uncertainties and business outlook

Due to the nature of the Milan Group's business, operational performance is exposed to the risks associated with sporting competitions, especially in terms of the sporting results of the first team and the consequent levels of revenues from competitions, and broadcasting and advertising rights. The continued global health crisis that affected the final months of the 2019/2020 financial year and substantially altered the calendar of competitions – extending the football season until 31 August 2020 and postponing both the first phase of the Transfer Campaign and the start of the 2020/2021 football season – exacerbates the climate of economic, financial and sporting uncertainty.

The first match of the Serie A Championship was played on 19 September 2020, while the start of the European club competitions – and in particular the preliminary phase of the UEFA Europa League, which the First Team is involved in – took place on 17 September 2020 with the first preliminary round for access to the Group Stage.

The schedules of national and international competitions remains liable to change and the possibility of allowing spectators into stadiums to watch matches is still in doubt, resulting in zero match revenues, while the current restrictions remain in force.

Forecasts for the world economy – and more specific figures for the sports industry in general and the football sector in particular – point towards a significant deterioration in the economic situation, taking into account both the potential impact of the Covid-19 pandemic and impacts seen in the second half of the 2019/2020 season. This could have an impact on the performance and financial position of the Group, which is currently in a period of rising investments.

Furthermore, when assessing the outlook of operations, the uncertainties typical of the football business are still present. These derive, in particular, from the performance of the First Team in the competitions in which it is involved, from additional transfers of player registration rights that may be made in the financial year, from the revenues from commercial activities, and from the trend in the cost of registered personnel, also taking into account the variable component of the agreed remuneration.

The Group will continue to monitor the evolution of the situation related to the spread of the Covid-19 pandemic, in view of both the changing regulatory framework and the complex global economic context. This will allow it to assess whether to adopt further measures to protect the health and well-being of its registered players, employees and collaborators, and to protect its sources of income and assets.

Moreover, during July-October 2020, the majority shareholder contributed capital for a total of Euro 96.5 million.

Financial risk management objectives and policies

The Milan Group has put in place specific policies outlining its financial risk management guidelines and objectives, with the aim of reducing its exposure to exchange, credit and liquidity risks connected to its core business.

The existing financial instruments (which do not include derivatives) such as bank and postal deposits, cash, cheques and other valuables and accounts receivable do not carry any type of financial risk. Finally, the trade receivables were not considered to pose financial risks, as almost all of them have a maturity date of 18 months' maximum (apart from various accounts receivable from football clubs as a result of the various transfer campaigns) or because they are already covered by a specific provision.

The main financial risks that the Milan Group is exposed to are described below.

Exchange rate risk

Exposure to exchange risk derives almost entirely from the acquisition of player registration rights in currencies other than the Euro (generally US Dollars, Swiss Francs and Pound Sterling). However, the Milan Group carries out the majority of its transactions (both purchases and sales) in Euro, and accordingly there are no significant risks connected to exchange rate fluctuations.

Interest rate risk

The interest rate risk mainly derives from the variable-rate payables that expose the Group to variable cash flow.

Credit risk

The Milan Group has relationships in place with leading national and international clients and has suitable procedures in place to minimise exposure to credit risk. In particular, receivables from domestic football clubs are guaranteed by the clearing house mechanism of the Lega Nazionale Professionisti. Receivables for fees resulting from the negotiation of contracts for TV rights are guaranteed by bank sureties issued by the clients. Lastly, receivables not backed by guarantees are regularly monitored to manage collection risk, with specific provisions for doubtful accounts made where necessary.

Liquidity risk

Liquidity risk is linked to the difficulty in raising funds to meet commitments. As mentioned above, the shareholder Rossoneri Sport Investment Luxembourg S.à. r.l. carried out recapitalisations during 2019/2020 for Euro 145 million to provide the Parent Company A.C. Milan S.p.A. with the necessary funds to cover current operating expenses and to strengthen its balance sheet.

The majority shareholder Rossoneri Sport Investment Luxembourg S.à r.l. has also guaranteed its commitment to provide financial support to the Milan Group for at least 12 months from the date of approval of the financial statements.

Milan, 09 October 2020

for the **Board of Directors**
The Chief Executive Officer
Ivan Gazidis

CONSOLIDATED FINANCIAL STATEMENTS



MILAN GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2020

(in thousands of Euros)

BALANCE SHEET

ASSETS

	30.06.2020	30.06.2019	Change
A) RECEIVABLES FROM SHAREHOLDERS FOR PAYMENTS DUE	—	—	—
B) FIXED ASSETS			
I INTANGIBLE FIXED ASSETS			
4 Concessions, licences, trademarks and similar rights	17.263	22.532	(5.269)
6 Assets in progress and advances	123	—	123
7 player registration rights	186.703	232.208	(45.505)
8 other	14.938	16.641	(1.703)
Total	219.027	271.381	(52.354)
II TANGIBLE FIXED ASSETS			
1 land and buildings	10.321	10.429	(108)
2 plant and machinery	1.809	2.076	(267)
3 industrial and commercial equipment	731	741	(10)
4 other assets	904	983	(79)
5 assets in progress and advances	384	—	384
Total	14.149	14.229	(80)
III FINANCIAL FIXED ASSETS			
1 equity investments in:			
a) subsidiaries	104	104	—
b) associates	2.425	1.886	539
Total	2.529	1.990	539
2 accounts receivable from:			
e) others			
- within 12 months	502	227	275
- after 12 months		341	(341)
Total	502	568	(66)
Total	3.031	2.558	473
TOTAL FIXED ASSETS (B)	236.207	288.168	(51.961)

MILAN GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2020

(in thousands of Euros)

BALANCE SHEET

ASSETS

	30.06.2020	30.06.2019	Change
C) WORKING CAPITAL:			
I INVENTORIES			
4 Finished products and goods	294	218	76
Total	294	218	76
II RECEIVABLES			
1 from customers	52.085	57.525	(5.440)
2 from subsidiaries	111	1	110
3 from associates	—	553	(553)
4 from parent companies	—	—	—
5 from companies subject to parent companies' control	—	—	—
5 bis tax receivables			
a) within 12 months	7.310	8.899	(1.589)
b) after 12 months	732	1.834	(1.102)
5 ter deferred tax assets	13.575	15.422	(1.847)
5 quater from others	324	2.304	(1.980)
6 receivables from institutions - specific sector			
a) within 12 months	32.102	47.359	(15.257)
b) after 12 months	23.660	17.416	6.244
Total	129.899	151.313	(20.971)
III TOTAL FINANCIAL ASSETS (other than fixed assets)			
7 other receivables	—	—	—
Total	—	—	—
IV CASH AND CASH EQUIVALENTS			
1 bank and postal deposits	11.246	12.476	(1.230)
3 cash in hand	38	51	(13)
Total	11.284	12.527	(1.243)
TOTAL WORKING CAPITAL (C)	141.477	164.058	(22.138)
D) ACCRUALS AND DEFERRALS			
1 accruals	—	—	—
2 deferrals	2.904	3.728	(824)
TOTAL ACCRUALS AND DEFERRALS (D)	2.904	3.728	(824)
TOTAL ASSETS	380.588	455.954	(74.923)

MILAN GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2020

(in thousands of Euros)

BALANCE SHEET

EQUITY AND LIABILITIES

	30.06.2020	30.06.2019	Change
A) SHAREHOLDERS' EQUITY			
I CAPITAL	113.443	113.443	—
II SHARE PREMIUM RESERVE	31.020	31.020	—
III REVALUATION RESERVES	—	—	—
IV LEGAL RESERVE	124	124	—
V STATUTORY RESERVES	—	—	—
VI OTHER RESERVES	101.341	101.872	(531)
VII RESERVE FOR HEDGING EXPECTED CASH FLOWS	—	—	—
VIII PROFIT (LOSS) CARRIED FORWARD	(17.188)	(17.188)	—
IX PROFIT (LOSS) FOR THE PERIOD	(194.616)	(145.985)	(48.631)
X NEGATIVE RESERVE FOR OWN SHARES IN PORTFOLIO	—	—	—
GROUP SHAREHOLDERS' EQUITY	34.124	83.286	(49.162)
(PROFIT) LOSS OF MINORITY INTERESTS	—	—	—
EQUITY OF MINORITY SHAREHOLDERS	—	—	—
TOTAL SHAREHOLDERS' EQUITY (A)	34.124	83.286	(49.162)
B) PROVISIONS FOR RISKS AND CHARGES			
3 other	24.484	22.544	1.940
TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	24.484	22.544	1.940
C) EMPLOYEE LEAVING ENTITLEMENTS	1.584	1.614	(30)
D) PAYABLES			
1 bonds			
a) within 12 months	—	—	—
b) after 12 months	—	—	—
3 payables to shareholders for loans			
a) within 12 months	—	—	—
b) after 12 months	—	—	—
4 financial payables	6	1.259	(1.253)
5 payables to other financial institutions			
a) within 12 months	96.511	94.284	2.227
b) after 12 months	18.659	—	18.659
6 advances	—	—	—
7 trade payables			
a) within 12 months	44.405	50.656	(6.251)
b) after 12 months	975	2.506	(1.531)
9 payables to subsidiaries	—	—	—
10 payables to associates	2.505	2.130	375
11 payables to parent companies	—	—	—
11 bis payables to companies subject to parent companies' control	—	—	—
12 tax payables	22.658	15.320	7.338
13 payables to pension funds and social security agencies	2.619	667	1.952
14 other payables	17.589	8.962	8.627
15 Payables to professional bodies			
a) within 12 months	63.444	113.446	(50.002)
b) after 12 months	12.367	26.437	(14.070)
TOTAL PAYABLES (D)	281.738	315.667	(34.304)
E) ACCRUALS AND DEFERRALS			
1 accruals	198	306	(108)
2 deferrals	38.460	32.537	5.923
TOTAL ACCRUALS AND DEFERRALS (E)	38.658	32.843	5.815
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	380.588	455.954	(75.741)

MILAN GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2020

(in thousands of Euros)

INCOME STATEMENT

	FY 2019/2020	FY 2018/2019	Change
A) VALUE OF PRODUCTION			
1 Revenues from sales and services			
a) match revenues	13.402	21.182	(7.780)
b) season passes	6.676	9.115	(2.439)
c) revenues from other competitions	3.551	3.815	(264)
Total	23.629	34.112	(10.483)
2 changes in inventories of work in progress, semi-finished goods and finished products	75	100	(25)
5 other revenues and income			
b) sponsorship revenues	36.683	38.030	(1.347)
d) commercial revenues and royalties	15.562	18.817	(3.255)
e) income from the sale of broadcasting rights	63.385	105.048	(41.663)
f) miscellaneous income	8.881	9.090	(209)
g) revenues from player loans	5.442	5.245	197
h) gains from the sale of player registration rights	20.019	12.621	7.398
i) other income from player management	2.674	7.670	(4.996)
l) other income and revenues	15.965	10.385	5.580
Total	168.612	206.906	(38.295)
TOTAL VALUE OF PRODUCTION (A)	192.317	241.118	(48.803)
B) Costs of production			
6 for raw materials, ancillary materials, consumables and goods	4.307	5.145	(838)
7 for services	51.957	50.923	1.034
8 for use of third-party assets	10.035	9.160	875
Total	66.299	65.228	1.071
9 for personnel:			
a) wages and salaries	151.663	175.946	(24.283)
b) social security charges	7.136	6.789	347
c) employee leaving entitlements	1.752	1.818	(66)
e) other costs	327	269	58
Total	160.878	184.822	(23.944)
10 amortisation, depreciation and write-downs			
a) amortisation of intangible assets	103.418	89.150	14.268
b) depreciation of tangible assets	996	1.051	(55)
c) other write-downs of fixed assets	19.851	1.934	17.917
d) Write-down of receivables included in working capital and in cash and cash equivalents	1.418	850	568
Total	125.683	92.985	32.698
12 provisions for risks	9.858	6.885	2.973
14 sundry management expenses			
a) various match organisation expenses	3.233	5.235	(2.002)
b) match registration costs	3	2	1
c) percentage of gate receipts paid to visiting teams	241	199	42
d) costs for acquisition of players on loan	3.438	13.180	(9.742)
e) losses from the sale of player registration rights	4.717	449	4.268
f) other expenses from player management	5	157	(152)
g) other sundry management expenses	4.561	4.233	328
Total	16.198	23.455	(7.257)
TOTAL COSTS OF PRODUCTION (B)	378.916	373.375	5.541
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A - B)	(186.599)	(132.257)	(54.344)

MILAN GROUP
CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2020

(in thousands of Euros)

INCOME STATEMENT

	FY 2019/2020	FY 2018/2019	Change
C) FINANCIAL INCOME AND (EXPENSES)			
16 other financial income			
d) income different from the above:			
- other	612	687	(75)
Total	612	687	(75)
17 interest and other financial charges			
d) other financial expenses	(6.954)	(11.788)	4.834
Total	(6.954)	(11.788)	4.834
17 bis exchange-rate gains and losses:			
a) exchange rate gains	35	31	4
b) exchange rate losses	(30)	(12)	(18)
Total	5	19	(14)
TOTAL FINANCIAL INCOME AND (EXPENSES) (C)	(6.337)	(11.082)	4.745
D) ADJUSTMENTS IN VALUE OF FINANCIAL ASSETS			
18 write-backs			
a) of equity investments	539	801	(262)
Total	539	801	(262)
19 write-downs			
a) of equity investments	—	—	—
Total	—	—	—
TOTAL ADJUSTMENTS IN VALUE OF FINANCIAL ASSETS (D)	539	801	(262)
RESULT BEFORE TAX	(192.397)	(142.538)	(49.861)
20 income taxes for the year (current, deferred tax assets and liabilities)			
a) current taxes	(372)	(1.196)	824
b) deferred tax assets and liabilities	(1.847)	(2.251)	404
Total	(2.219)	(3.447)	1.228
PROFIT (LOSS) FOR THE PERIOD	(194.616)	(145.985)	(48.633)
(PROFIT) LOSS OF MINORITY SHAREHOLDERS	—	—	—
GROUP PROFIT (LOSS)	(194.616)	(145.985)	(48.633)

for the **Board of Directors**
The Chief Executive Officer
Ivan Gazidis

MILAN GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2020

(in thousands of Euros)

CASH FLOW STATEMENT	Amount at 30.06.2020	Amount at 30.06.2019
A. CASH FLOWS FROM OPERATING ACTIVITIES (INDIRECT METHOD)		
Profit/(loss) for the year	-	145.985
Income taxes	2.219	3.447
Interest expense (interest income)	6.342	11.101
(Dividends)	-	-
(Gains) Losses on disposal of assets	15.302	12.172
1. Profit (loss) for the year before income taxes, interest, dividends and gains/losses on disposals	201.357	143.609
Adjustments for non-monetary items not offset in net working capital		
Provisions	9.858	6.885
Depreciation and amortisation expense	104.414	90.201
Impairment losses	21.269	2.784
Value adjustments to financial assets and liabilities of derivative financial instruments that do not involve cash flows	-	-
Other adjustments for non-cash items	-	-
2. Cash flow before changes in NWC	65.816	43.739
Change in net working capital		
Decrease (Increase) in inventories	76	99
Decrease (Increase) in receivables from customers	5.440	11.355
Increase (Decrease) in payables to suppliers	7.782	6.319
Decrease (Increase) in accrued income and prepayments	824	623
Increase (Decrease) in accrued expenses and deferred income	5.815	6.634
Other changes in net working capital	18.748	39.996
3. Cash flow after changes in NWC	80.343	95.497
Other adjustments		
Interest received (paid)	6.342	11.101
(Income taxes paid)	-	1.196
Dividend income	-	-
(Use of provisions)	7.424	4.623
Other income/(payments)	-	-
CASH FLOW FROM OPERATING ACTIVITIES (A)	94.109	112.417
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Tangible fixed assets		
(Investments)	919	740
Disinvestments	1	1
Intangible fixed assets		
(Investments)	101.365	153.459
Disinvestments	30.450	49.798
Financial fixed assets		
(Investments)	-	-
Disinvestments	66	8.296
Current financial assets		
(Investments)	-	-
Disinvestments	-	-
(Acquisition of business units net of cash and cash equivalents)	-	-
Disposal of business units net of cash and cash equivalents	-	-
CASH FLOW FROM INVESTING ACTIVITIES (B)	71.767	96.104
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Third-party financing		
Increase (Decrease) in short-term payables to banks	1.253	49
New financing	20.886	57.743
Loan repayments	-	126.520
Own funds		
Paid capital increase	145.000	265.000
(Repayment of capital)	-	-
Sale (Buyback) of own shares	-	-
(Dividends and interim dividends paid)	-	-
CASH FLOW FROM FINANCING ACTIVITIES (C)	164.633	196.272
Increase (Decrease) in cash and cash equivalents	1.284	12.249
Exchange rate effect on cash and cash equivalents	-	-
Cash and cash equivalents - opening balance		
Bank and postal deposits	12.476	24.742
Cheques	-	-
cash in hand	51	34
Total cash and cash equivalents - opening balance	12.527	24.776
<i>Of which not freely usable</i>	-	17.771
Cash and cash equivalents - closing balance		
Bank and postal deposits	11.246	12.476
Cheques	-	-
cash in hand	38	51
Total cash and cash equivalents - closing balance	11.284	12.527
<i>Of which not freely usable</i>	-	-
Rounding difference	-	-

for the **Board of Directors**
The Chief Executive Officer
Ivan Gazidis

EXPLANATORY NOTES



MILAN GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2020

NOTES

GENERAL INFORMATION

A.C. Milan S.p.A. is a joint stock company incorporated in Italy and entered in the Milan Companies Register. Its registered office is located in 8 Aldo Rossi, 20149 Milan.

The company's sole purpose is the pursuit of sporting activities and in particular, the training, the preparation and management of football teams and the promotion and organisation of competitions, tournaments and all other football activities in general, for the purposes and in compliance with the rules and guidelines of the Italian Football Federation and its Bodies (the FIGC).

STRUCTURE AND CONTENT

The consolidated financial statements at 30 June 2020, and these Notes, have been prepared in accordance with requirements for consolidated accounts, in Legislative Decree no. 127 of 9 April 1991 enacting the VII EC Directive and in accordance with the provisions of the civil code, as amended by Legislative Decree 139/2015 (the "Decree"), interpreted and amended by the Italian Accounting Standards issued by the Italian Accounting Body ("OIC") amended and updated following the enactment of Directive 2013/34/EU (the "Accounting Directive") with the Decree.

The financial statements used for preparing these consolidated financial statements at 30 June 2020 were those prepared for approval by the Boards of Directors of each company, apart from those relating to the subsidiaries, whose business years do not coincide with those of the consolidating entity. The aforementioned Financial Statements were restated, where required, to align them with the Group accounting principles, which are in line with applicable legislation, the OIC accounting principles and the provisions issued by the Italian Football Federation and the Committee for the Supervision of Italian Football Clubs.

SCOPE OF CONSOLIDATION

The consolidated financial statements at 30 June 2020 include the financial statements of the Parent Company A.C. Milan S.p.A. and the companies in which it holds a direct or indirect absolute majority of share capital and voting rights, as well as companies with ownership interests equal or close to 50% and over which the Milan Group has secured management or over which it exercises a dominant influence. Subsidiaries that are in liquidation or are inactive and those whose financial positions show insignificant values have therefore not been included in the scope of consolidation and have been accounted for using the cost method. Further details regarding the scope of consolidation are provided in the list of equity investments in subsidiaries, associates and others at 30 June 2020, attached to these notes.

CONSOLIDATION METHODS

The financial statements of subsidiaries are consolidated using the line-by-line method, replacing the carrying amount of the equity investments with the assumption of the assets and liabilities of the subsidiaries.

The difference between the acquisition cost and the shareholders' equity (or share of shareholders' equity for the companies consolidated using the proportional method) in the financial statements of the subsidiaries at the time of purchase, if it is not attributable to specific assets, is recognised as a "Consolidation difference" and is amortised in the manner indicated in the "Measurement criteria and accounting principles". Any remaining negative balance is recognised under the "Provisions for risks and charges" if attributable to a forecast of unfavourable economic results; otherwise it is recognised under the Shareholders' Equity item "Other reserves". Equity investments in the companies in which the Group exerts significant influence (generally those in which the ownership percentage is between 20 and 50 percent) are valued using the equity method, replacing the carrying value of those equity investments, with an amount equal to the corresponding portion of shareholders' equity shown in the last approved financial statements, after the making the adjustments required by the appropriate principles for preparing the consolidated financial statements.

Receivables and payables, costs and revenues, and gains and losses resulting from transactions between companies included in the scope of consolidation are eliminated.

The portions of shareholders' equity and profit/(loss) for the period of consolidated subsidiaries attributable to non-controlling interests are shown in specific items.

MEASUREMENT CRITERIA AND ACCOUNTING PRINCIPLES

The consolidated financial statements at 30 June 2020 were prepared on the basis of the principles of clarity, accurate and truthful representation of the financial situation of the Milan Group and of the profit or loss for the period, in accordance with article 2423, second paragraph, civil code.

The consolidated financial statements at 30 June 2020 were prepared in accordance with general principles of prudence, accrual-based accounting and the going concern assumption, also taking into account the economic function of assets and liabilities.

The valuation criteria of various financial statement items comply with the provisions of Article 2426 of the civil code and the reference accounting principles. Budget assumptions include continuity with the previous financial year with respect to the application of the valuation criteria adopted to prepare the Financial Statements.

As also required by the first paragraph of Article 2423-ter civil code, in view of the nature of the Parent Company A.C. Milan S.p.A's business, the instructions issued by the Italian Football Federation (FIGC) and the Committee for the Supervision of Italian Football Clubs (Co.Vi.So.C.) have also been taken into consideration.

It should also be noted that, when preparing the consolidated financial statements at 30 June 2020, no exceptions pursuant to Article 2423, paragraph 4 civil code, were made.

The most significant valuation criteria and first-implementation rules adopted are detailed below.

Intangible fixed assets

Intangible assets are recognised as assets when they can be individually identified and their cost can be estimated in a sufficiently reliable way. They are recognised at purchase or production cost, including ancillary charges net of depreciation/amortisation and write-downs. Fixed assets are systematically depreciated on the basis of their estimated future life.

Multi-year charges were registered as assets because:

- their future useful life is demonstrated;
- there is an objective link with the relevant future benefits that the companies belonging to the Milan Group shall enjoy;
- their recovery can be estimated with reasonable certainty.

Player registration rights

These are intangible assets with a defined useful life equal to the term of the sports contracts signed with players.

Multi-year player registration rights are recorded at their historic purchase price inclusive of any directly attributable ancillary charges and, where appropriate, time-discounted to take into account the deferral of payments over more than one financial period.

The amounts were stated net of amortisation charges, calculated on a straight-line basis in relation of the duration of the contracts signed with individual professional players.

With regard to transactions involving the transfer of player registration rights or the renewal of player contracts, in accordance with industry regulations, the accounting treatment of fees for services performed for the Parent Company A.C. Milan S.p.A. by licensed third parties (sports agents) is as follows:

- in the absence of conditions precedent (for example the player remaining registered with the Parent Company A.C. Milan S.p.A.), these fees are capitalised because they constitute a transaction cost for the purchase of the registration rights;
- otherwise the fees are recognised each time in the income statement if they are conditional on the player remaining registered with the Parent Company A.C. Milan S.p.A. or relate to services performed for the temporary acquisition or transfer (definitive or temporary) of the right.

Player registration rights are recognised on the date when the contract is signed. That date, pursuant to Article 1360 Italian Civil Code, becomes the retroactive date of effectiveness of the ratification by the Lega Nazionale Professionisti Serie A of national transfers, or the issuance of the international transfer certificate (I.T.C.) by the Italian Football Federation (FIGC) for international transfers, through the FIFA "T.M.S." system.

Amortisation starts from the year when the player is registered. For rights acquired during the year, amortisation starts from the date when the player is available, on a time accrual basis.

The original amortisation schedule is amended if a contract is extended due to its early renewal. The new

amortisation schedule takes account, on a straight-line basis, of the net book value of the rights at the date of extension of the contract and of the new duration of that contract.

If there is no contractual provision regarding the effective date of the contract, the date for the accounting recognition is the date on which the Lega Nazionale Professionisti Serie A ratifies the contract for national transfers, or from the effectiveness of the issuance of the international transfer certificate by the Italian Football Federation (FIGC) for international transfers, through the FIFA "T.M.S." system.

The item "Player registration rights" also includes the costs incurred by the Parent Company A.C. Milan S.p.A. for the registration of players from amateur football clubs, or foreign clubs that have contributed to the technical training of the players. In particular, the following are recognised:

- technical training and coaching bonuses, pursuant to Article 99 NOIF, paid to amateur football clubs following the signing of the first "professional" contract by players from those clubs. These costs are amortised on a straight-line basis over the duration of the contracts signed with the individual players;
- the training compensation and/or solidarity mechanism payments made, pursuant to FIFA regulations, to football clubs following definitive or temporary transfers of players registered with foreign clubs. These costs are amortised on a straight-line basis over the duration of the contracts signed with the individual players.

Concessions, licences, trademarks and similar rights

These are recognised at acquisition cost and relate to the user rights to the historical archive of television images of the Parent Company A.C. Milan S.p.A., which have a finite useful life as they have a period of economic use, in addition to the expenses for the creation and registration of company trademarks and the acquisition of software licenses, which are amortised on a straight-line basis over their estimated future useful life.

Other intangible fixed assets

These specifically refer to leasehold improvements amortised over the term of the related contract.

Tangible fixed assets

These are recorded at the purchase cost effectively paid to acquire the asset and are recognised on the date on which the transfer of risks and benefits takes place, which usually coincides with the transfer of title. This cost includes the purchase cost, ancillary purchase costs and all costs incurred to bring the asset to the location and in the conditions required for it to be a long-term asset for the companies belonging to the Milan Group.

Tangible fixed assets with a limited useful life are systematically depreciated on a straight-line basis based on their residual useful life.

The depreciation charge for each financial year refers to the distribution of the cost incurred over the entire duration of use.

For assets purchased during the financial year, the depreciation charge is reduced by 50%.

The basis for depreciation, initially estimated upon drafting the depreciation schedule based on the prices achievable on the market through the disposal of similar assets both in terms of technical features and the type of use to which they have been subject, is periodically reviewed in order to verify that the initial estimate is still valid. This amount is considered net of presumable removal costs.

If the tangible asset includes components or accessories with a useful life other than that of the principal asset, the depreciation of such components is calculated separately from that of the principal asset, unless this is not material or feasible.

The annual depreciation rates used are shown in the table below:

Asset	Rate
Industrial Buildings	3.0%
Light constructions	10.0%
Plant and machinery	7.5% - 25.0% - 30.0%
Industrial and commercial equipment	15.0% – 15.5%
Furniture and fittings	12.0%
Electrical office equipment	20.0%
Vehicles	25.0%

Ordinary maintenance costs are charged in full to the income statement. Improvement-related maintenance costs are allocated to the related assets and depreciated over their remaining useful life.

Impairment losses for intangible and tangible assets

Impairment losses for intangible and tangible assets are posted pursuant to the provisions of the OIC 9 Accounting Principle.

The Company accesses at each financial statements date whether objective evidence exists that an asset has incurred an impairment loss. If such evidence exists, it estimates the recoverable value of the asset.

In particular, if the recoverable value of an asset (that is the greater out its use value and fair value) is lower than its book value, the asset is posted at such lower value. The difference is recognised in the income statement as an impairment loss under item B10c). If, in the subsequent financial years, the reasons for the write-down no longer apply, the original value is restored, adjusted only for depreciation, and recognised in the income statement under item A5).

In absence of evidence of potential impairment losses, the recoverable amount is not determined.

The value is restored if the reasons for the impairment losses no longer exist and takes place to the extent of the value that the asset would have had, had the value adjustment not been performed. The impairment of goodwill cannot be restored.

With specific reference to player registration rights, if there are indications of value impairments (for example serious injuries or significant losses from post year-end sales, and contractual market conditions that prohibit the sales of players who are surplus to requirements) the depreciation (“*impairment*”) of the residual book value is made.

Financial fixed assets

Equity investments in subsidiaries, associates, parent companies and other companies

Equity investments are registered as financial fixed assets if they are expected to be part of the Milan Group's long-term investment portfolio, otherwise they are recognised in the Working capital.

Equity investments in the companies in which the Milan Group exerts significant influence (generally those in which the ownership percentage is between 20 and 50 percent) are measured using the equity method in the manner described above.

The carrying amount of equity investments measured using the equity method is determined on the basis of their purchase or establishment price, including any ancillary charges. The cost incurred when purchasing an investment booked as a fixed asset is maintained in the financial statements of the subsequent financial years, unless an impairment loss occurs. The Milan Group assesses at each financial statements date whether objective evidence exists that an asset has incurred an impairment loss. The impairment loss is determined by comparing the value the equity investment was recorded at in the financial statements with the relevant recoverable value, calculated on the basis of the future benefits expected for the investor. The impairment loss is not maintained if the reasons for the adjustment made no longer apply.

Receivables

Receivables are carried at the amortised costs, time-adjusted, to the extent of their expected realisable value and, therefore, they are shown in the balance sheet net of the relevant provisions for doubtful accounts deemed adequate to cover reasonably predictable losses due to uncollectability.

If the transaction's interest rate is not markedly different from the market rate, the receivable is initially recognised at a value equal to the nominal value net of all premiums, discounts, allowances and inclusive of any costs directly attributable to the transaction that generated the receivable. The aforementioned transaction costs, any commission income and expenses and any difference between the initial value and the nominal value at maturity are distributed along the life of the receivable using the effective interest method.

When, on the other hand, the interest rate for the transaction that can be inferred from contractual conditions is markedly different from the market rate, the receivable (and the relevant income in the case of commercial transactions) is initially posted at a value equal to the present value of estimated future cash flows plus any transactions costs. The rate used to discount future cash flows is the market rate.

In the case of receivables from commercial transactions, the difference between the thus determined initial recognition value of the receivable and the value upon maturity is posted to the income statement as financial income throughout the life of the loan, using the effective interest rate method. In the case of financial receivables, the difference between the liquidity disbursed and the current value of future financial flows, always determined using the market interest rate, is recognised in financial expenses or income in the income statement upon their initial recognition, unless the substance of the transaction or of the agreement attribute a different nature to this component. Subsequently, the active interest accruing on the transaction is calculated at the effective interest rate and posted to the income statement with the value of the receivable as a contra-entry.

The value of the receivables is then subsequently reduced by the amounts received both as capital and as interest, as well as by any write-downs effected to readjust the receivables to their expected realisable value or due to losses.

The Milan Group assumes that effects resulting from the implementation of the amortised costs and the discounting are not material when receivables are due within 12 months, taking into account that all contractual and substantial considerations that apply upon recognition of the receivable, as well as all transaction costs and any difference between the initial value and the nominal value at maturity are also negligible. In this case,

discounted can be omitted, the interest can be calculated on the capital and transaction costs registered as deferred expenses and amortised on a straight-line basis over the duration of the receivable to adjust nominal interest income.

It should be noted that the Milan Group took advantage of the option - provided for by Article 12 of Italian Legislative Decree 139/2015 - to apply the amortised cost only to receivables that have arisen after 1 January 2016.

Write-off of receivables

A receivable is written off from the Financial Statements when:

- the contractual rights on the financial flows arising from the receivable are extinguished; or
- the ownership of the contractual rights arising from the receivable is transferred and, with it, the risks linked to the receivable area also essentially transferred.

For the purposes of the valuation of the transfer of risks, all contractual clauses are taken into account, such as repurchase obligations at the occurrence of certain events or the presence of commissions, excesses or penalties due for non-payment.

When the receivable is written off from the financial statements as a result of a disposal transaction that entails the substantial transfer of all risks, the difference between the price and the value the receivable was recognised at the time of disposal is recognised as disposal loss to be posted under item B14) of the income statement, unless the contract does not allow the identification of other economic components of different nature, including financial.

When the sale agreement does not include the transfer of all risks (e.g. pro-solvendo agreements), the account receivable is kept on the financial statements. If part of the consideration agreed by the transferee is paid in advance, a financial receivable is recorded as counterparty of the advance received. Cost elements, such as interest and commission, to be paid to the transferee, are recorded in the income statement depending on their nature.

When, also by a disposal contract that can substantially transfer all risks linked to the receivable, minimal risks for the companies belonging to the Milan Group can be identified, the presence of the conditions required to affect a relevant provision to the risk provision is assessed.

Cash and cash equivalents

Bank deposits, post office deposits, and cheques (current account, bank drafts and similar), and are measured according to the general principle of the estimated realisable value, unless the collection of such receivables is very doubtful.

Cash and revenue stamps, measured at their nominal amount.

Cash pooling, consisting in the centralised treasury management by one company within a Group, enables the optimisation of financial resources and is characterised by receivable and payable items towards the company managing the aforementioned cash pooling, respectively for collections from and deposits to the joint current account. Individual companies that participate in centralised treasury management recognise the receivables generated in the item "Financial assets for centralised treasury management" with an indication of the counterparty, which can be the subsidiary of the parent company, in Financial assets that do not constitute long-

term investments. If the receivables are not due within one year, they are classified as financial fixed assets. Any such revaluations and write-downs are posted to the income statement under “Write-down of financial assets due to centralised treasury management” and “Revaluation of financial assets due to centralised treasury management”, indicating the counterparty. Any debt position arising from centralised treasury management shall be classified based on the provision of OIC 19 “Debts”.

Accruals and deferrals

The items include the portions of costs and revenues that are common to two or more financial years, based on the accruals principle. This principle provides that an accrual or a deferral is recognised when the following conditions are met:

- the contract starts in one financial year and ends in a subsequent one;
- the consideration for the services provided is contractually due in advance or in arrears compared to performance common to two or more subsequent financial years;
- the size of accruals and deferrals varies over time.

Accruals and deferrals do not include costs and revenues that accrued in full in the financial year to which the Financial Statements refer or in subsequent ones.

At the end of each financial year, the Company assesses whether the conditions that determined the initial recognition of the accrual or the deferral still apply; if necessary, the required value adjustments are affected. This assessment takes into account not only the passage of time, but also the estimated recoverability of the amount posted to the Financial Statements.

Shareholders' Equity

This item recognises all capital transactions effected between the company and the individuals who exercise their rights and duties as Shareholders. The share capital increase may only be recognised in the accounts after the transaction has been recorded in the companies' registry, as provided for by Article 2444, paragraph 2, civil code. This condition entails, from an accounting viewpoint, the need to use a Shareholders' equity item other than “Equity” in order to recognise the capital contributions subscribed by the Shareholders, which are only reclassified under that item after the transaction has been registered in the companies registry.

Any decrease in the share capital due to the withdrawal of a Shareholder entails an obligation for the Company to purchase his/her shares in order to reimburse him/her, if they are not acquired by other Shareholders; from an accounting viewpoint, a negative provision is registered under the item AX) “Negative reserve for treasury shares in the portfolio”. The difference between the reduction in Shareholders' equity and the claim against the outgoing shareholder is channelled to a provision.

If a shareholder defaults, the share capital is reduced by an amount corresponding to the cancelled shares, which from an accounting point of view reverses the amount due from the outgoing shareholder (as to the tenths still payable by him), and the difference between the reduction in shareholders' equity and the claim against the outgoing shareholder is paid into a reserve.

Provisions for risks and charges

Provisions for risks are recognised for specific liabilities that are probable and whose values are estimated. Therefore, they are contingent liabilities linked to conditions that already existed at the date of the Financial Statements, but that were characterised by a degree of uncertainty, whose outcome depends on the occurrence of one or more future events.

Provisions for charges are recognised for liabilities of a specific nature and certain existence, estimated as to their amount or date of occurrence, linked to obligations already assumed at the Financial Statements' date, but which will be collected in subsequent financial years.

Provisions are quantified based on estimates that take into account all available information, in compliance with the principles of accruals and prudence. These elements can also include the time horizon when at the Financial Statements' date there is a known commitment, on the basis of a contractual or legal obligation, whose disbursement can be reliably estimated and whose occurrence can be reasonably determined, that is sufficiently distant in time so as to make its current value at the date of the Financial Statements significantly different from the one estimated at the time of disbursement.

No generic risk funds without economic justification were set up.

Potential liabilities, if any, are posted to the Financial Statements and registered in the provisions only if they are deemed probable and if the amount of the relevant expense can be reasonably estimated. As a result, remote risks were not taken into account, whereas for contingent liabilities that are deemed possible, even if unlikely, information about the uncertainty situation, where relevant, that the loss would cause, as well as the estimated amount or the indication that such amount cannot be estimated, other possible effects, if not apparent, the indication of the management's opinion and that of its legal and other advisers, where available.

With respect to classification, the provisions for risks and charges are initially registered in the income statement items of the relevant classes Per (B, C or D), depending on their nature. If the link between the nature of the provision and one of the aforementioned classes is not immediately apparent, provisions for risks and charges are posted to items B12) and B13) of the income statement.

Employee leaving entitlements

Italian Law no. 296 of 27 December 2006, (2007 Finance Act) introduced rules for employee leaving entitlements accruing from 1 January 2007. As a result of the Supplementary Pension Reform:

- employee leaving entitlements accrued up to 31 December 2006 remain in the company;
- employee leaving entitlements accruing from 1 January 2007, at the employee's discretion, either through explicit or tacit agreement, have been:
 - allocated to supplementary pension schemes;
 - remained with the company, which transferred the employee leaving entitlements to the I.N.P.S.'s Treasury Fund.

The amounts accrued from 1 January 2007 are still shown in the income statement item B9c) "Employee leaving entitlements". In the balance sheet, item C) "Employee leaving entitlements" represents the remainder of the provision outstanding at 31 December 2006, while item D13) "Payables to pension funds and social security agencies" shows the payable accrued at 30 June 2020 for the employee leaving entitlements still to be paid to the pension funds and social security agencies.

Payables

Payables are recorded in the Financial Statements using the amortised cost method, on a time-adjusted basis.

If the transaction's interest rate is not markedly different from the market rate, the payable is initially recognised at a value equal to the nominal value net of all premiums, discounts, allowances and inclusive of any costs directly attributable to the transaction that generated the debt. The aforementioned transaction costs, such as accessory costs to obtain loans, any commission income and expenses and any difference between the initial value and the nominal value at maturity are distributed along the life of the payable using the effective interest method.

When, on the other hand, the interest rate for the transaction that can be inferred from contractual conditions is markedly different from the market rate, the payable (and the relevant cost in the case of commercial transactions) is initially posted at a value equal to the present value of estimated future cash flows plus and considering any transactions costs. The rate used to discount future cash flows is the market rate.

In the case of payables from commercial transactions, the difference between the thus determined initial recognition value of the payable and the value upon maturity is posted to the income statement as financial expense throughout the life of the loan, using the effective interest rate method. In the case of financial payables, the difference between the liquidity disbursed and the current value of future financial flows, always determined using the market interest rate, is recognised in financial income or expenses in the income statement upon their initial recognition, unless the substance of the transaction or of the agreement attribute a different nature to this component. Subsequently, the interest expense accruing on the transaction is calculated at the effective interest rate and posted to the income statement with the value of the payable as a contra-entry.

The value of the payables is then subsequently reduced by the amounts paid both as capital and as interest, as well as by any write-downs effected to readjust the receivables to their expected realisable value or due to losses. The Milan Group assumes that effects resulting from the implementation of the amortised costs and the discounting are not material when payables are due within 12 months, taking into account that all contractual

and substantial considerations that apply upon recognition of the payable, as well as all transaction costs and any difference between the initial value and the nominal value at maturity are also negligible. In this case, discounted can be omitted, the interest can be calculated on the capital and transaction costs registered as deferred expenses and amortised on a straight-line basis over the duration of the receivable to adjust nominal interest expense.

Payables towards Group companies

Items D9), D10) e D11) include respectively payables to subsidiaries, associates and parent companies (not fully consolidated), as defined by Article 2359 of the civil code. These payables are shown separately in the balance sheet.

Item D11 bis) includes payables to companies subject to parent companies' control.

Revenues

Match revenues are recognised at the actual time of performance (when each match is played); Season pass sales, if collected at the end of the previous football season, are recognised on an accrual basis using the same rule (i.e. when each match is played).

Sponsorship income is allocated pro rata according to the related contracts, which are signed on the basis of the FIGC football seasons. Bonuses from sponsors are allocated to the income statement on an accrual basis, when the sporting event they relate to takes place.

Revenues from broadcasting license rights and subsequent use of images relating to home league matches are recognised on an accrual basis according to the football season to which they relate.

Revenues from service provision and expenses for their purchase are recognised on the date on which provision ended, or, for those governed by contracts with periodical payments, on the date such payments are due.

The revenues from the sale are recognised net of returns, discounts, allowances and premiums, as well as any taxes directly linked to the sale of the products and the provision of the services, and any adjustments to the revenues accrued during the year directly reduce the item "Revenues".

The item "Other revenues and income" includes non-financial positive income components solely due to additional management. This item includes any grants related to income.

Cost

Acquisition costs are recognised on an accruals basis.

The costs for raw materials, ancillaries, consumables and goods are inclusive of ancillary purchase costs (transport, insurance, loading and downloading, etc.) if included by the supplier in the purchase price, otherwise they are separately posted to service costs depending on their nature.

The costs include not only those whose amount is certain, but also those that are not yet documented, which have been specifically recognised in the Financial Statements.

Costs for bonuses due to players, coaches and technical personnel, for the achievement of pre-established sports results, and bonuses from sponsors are allocated to the income statement on an accrual basis, when the sporting event they relate to takes place.

Financial Income and Expenses

They include the positive and negative components of the economic result for the year linked to the financial activity of the companies belonging to the Milan Group, and are recognised based on the accruals principle. All revenues, with suitable indication of the relevant sub-items, are recognised on an accruals basis.

Gains and losses

Gains and losses arising from the sale of multi-year player registration rights are classified respectively under revenues and costs from the core business.

Gains and/or losses are calculated as the difference between the price agreed and the net carrying amount at the date of sale.

Current and deferred taxes and national tax consolidation

Taxes for the year are recognised in the income statement in the item "Current income taxes".

Direct taxes accrued for the year are recognised based on the estimate of taxable income, in line with legal provisions and current tax rates and considering any applicable exemptions.

Moreover, the analysis of the presence of any time difference between the asset and liability values and the corresponding values relevant for tax purposes and/or between the income components posted in the income statement and those taxable or deductible for the purposes of the calculation of tax for the financial year, as provided for by OIC 25.

In presence of taxable temporary differences, deferred tax liabilities are registered in the Financial Statements, with the exceptions detailed below and provided by OIC 25.

In presence of deductible timing differences, taxes are registered in the Financial Statements only if their future recoverability is reasonably certain.

If tax liabilities have occurred, deferred tax assets are calculated and registered against the future tax benefit linked to them and to the extent of the taxable result achievable in line with tax projections within a reasonable time scale.

Deferred tax assets and liabilities are calculated on the amount of all the timing differences for the financial year, applying the tax rates applicable during the financial year in which the timing differences will be taxed, as provided for by the tax regulations that apply at the date of the Financial Statements. If tax regulations do not set out the tax rates applicable to the year in which the timing differences shall be taxed, the Milan Group calculates deferred taxes based on the rates applicable at the date of the Financial Statements.

Deferred tax assets and liabilities are not discounted.

For the purposes of classification in the Financial Statements, tax receivables and payables are offset against each other only if there is a legal right to pay the amounts recognised based on tax legislation and if there the intention to net financial receivables and payables with a single payment.

The remuneration of the tax losses of the companies in the consolidation area is recognised at the time that the losses are effectively utilised in the consolidation area (and are not subject to the taxation of future profits by

the individual consolidated company), at the IRES rate applicable during the tax period in which the tax loss is carried forward to reduce the consolidated taxable income. The economic benefits arising from consolidation adjustments effected by the consolidating company, but relating to the consolidated company, are remunerated in favour of the aforementioned consolidated company.

The consolidation adjustments that generated benefits in the consolidated tax return are recognised on the income statement under "Tax income from tax consolidated", which is classified under "Current income taxes" with a contra-entry in the balance sheet, under "Receivables from Treasury from tax consolidation".

With respect to the treatment of I.R.E.S. withholding tax, positive differences, as well as advancespaid independently by the consolidated companies, as this is a real transfer of operations to the consolidated entity, the transferring entity recognises a receivable due from the consolidating entity.

Change of accounting principles

Below is a description of the standards used when there are changes to voluntary accounting standards, and also to mandatory standards if different rules are not specifically required.

The change to an accounting principles is registered in the financial year in which it is adopted and the relevant events and transactions are treated in compliance with the new principle, which is applied with retroactive effect. This entails the accounting recognition of such effects on the opening balance of the Shareholders' equity for the year.

For comparison purposes only the opening balance of the Shareholders' equity of the previous year is adjusted and the comparative figures for the previous financial year are considered as if the new accounting principle had always been applied. However, when, after all reasonable efforts, it is not possible to determine the effect pertaining to the previous financial year, or when this calculation is excessively onerous, the Milan Group does not restate figures.

Ultimately, when it is not possible to calculate the cumulative effect of the change of accounting principle of such calculation is too onerous, the Milan Group applies the new accounting principle starting from the first feasible date. When this date coincides with the start of the current financial year, the new accounting principle is applied on a forward-looking basis.

The effects resulting from the adoption of new accounting principles on the balance sheet, income statement and cash flow statement, where available, have been highlighted and commented in these notes in correspondence of the explanatory notes pertaining to the items in the Financial Statements that were impacted in a specific way.

This standard had no significant impact on the economic and asset position for the year ending 30 June 2020.

Error correction

An error is registered at the time in which an incorrect qualitative and/or quantitative representation of a Financial Statement figure and/or an information provided in a note and, at the same time, information and data for its correct management is available. Correction of relevant errors is performed by rectifying the balance sheet item that was affected by the error at the time, charging the error's correction to the opening statement of the Shareholders' equity of the financial year in which the error is identified.

For comparison purposes only, when feasible, the Milan Group corrects a material error for the previous year by restating comparable figures, whilst if an error relates to previous financial years, it is corrected by restating the opening balances of the previous financial year. When the cumulative effect of a material error cannot be restated for all previous financial years, the Milan Group must recalculate comparable figures to correct the material error starting from the first feasible date.

Non-material errors committed in previous years are recognised in the income statement of the financial year in which the error is detected.

This standard had no significant impact on the economic and asset position for the year ending 30 June 2020.

Conversion criteria for items in foreign currency

Pursuant to Article 2426, paragraph 1, no. 8 bis of the civil code, monetary assets and liabilities in currencies other than the functional currency in which the Financial Statements are presented (the so-called "accounting currency"), subsequently to initial recognition, are recognised at the spot exchange on the date of the end of the financial year. The resulting exchange-rate gains or losses are posted to the income statement at the items C17-bis) "Exchange-rate gains and losses" and any net profit, which contributes to the result for the financial year, is allocated to the dedicated reserve that cannot be distributed until realisation.

Non-monetary assets and liabilities in currencies other than the accounting one are recognised at the exchange rate applicable at the time of their purchase. When the exchange rate at the closing date of the financial year is markedly different from that at the purchase date, the exchange rate variance is one of the elements considered in the assessment process to determine the value that can be recognised in the financial statements for individual non-monetary assets. In this case, therefore, any (positive or negative) exchange rate differences contribute to the calculation of the recoverable value.

Exchange rates

The exchange rates used to translate the main items in foreign currency are:

		Spot rate 30.06.2020 (*)	Average rate 2019/2020 (*)
U.S. dollar.	USD	1.1198	1.1255
Japanese Yen	JPY	120.66	121.1205
GB Pound	GBP	0.91243	0.89878
Swiss franc	CHF	1.0651	1.0712
Chinese Yuan	CNY	7.9219	7.9734

(*) Source European System of Central Banks.

OTHER INFORMATION

Tax consolidation

The Parent Company A.C. Milan S.p.A. exercised the option to join the tax consolidation scheme (Articles 117-129 of Presidential Decree 917/86), as the consolidating entity, jointly with Milan Entertainment S.r.l. and Milan Real Estate S.p.A., as consolidated companies.

Statutory audit of the accounts

The consolidated financial statements were audited by EY S.p.A.

The total fees payable to the legal auditor are listed below:

	A.C. Milan S.p.A.	Milan Entertainment S.r.l.	Milan Real Estate S.p.A.	AC Milan (Beijing) Sports Development Co. Ltd.
Financial statements	31	20	10	16
Consolidated financial statements	20	—	—	—
Total	51	20	10	16

Statement of amounts

In view of their significance, the values of items in the consolidated financial statements, as well as the figures presented and commented on in the notes, are stated in thousands of Euros, unless otherwise indicated.

Disclosure on commitments, guarantees and contingent liabilities not included in the balance sheet

The note must detail the overall amount of the commitments, guarantees and contingent liabilities not included in the balance sheet, specifying the nature of any collateral provided, itemised in:

- existing pension and similar commitments,
- commitments towards subsidiaries, associates, as well as parent companies and companies subject to the latter's control.

Public funds - Information pursuant to Article 1, paragraphs 125-129 of law no. 124/2017

With reference to obligations on transparency and the disclosure of public funding regulated by article 1, paragraphs 125-129 of law no. 124/2017 as amended by the "security" decree law (no. 113/2018) and "simplification" decree law (no. 135/2018), introducing a number of disclosure and transparency obligations, starting from the 2018 financial reporting year, for entities that have economic relations with the Public Administration, in view of Assonime's interpretation in Circular no. 5 of 22 February 2019, which considers the regulation in question as non-applicable in the following cases:

- grants, contributions and economic benefits of any kind, of which the advantages are accessible to all enterprises that meet certain conditions, based on general, previously established criteria (for example: measures of ministerial decrees aimed at specific industrial sectors and at funding activities related to

research and development projects;

- general measures that may benefit all enterprises and which come under the general structure of the reference system defined by the State (for example the mechanism to promote the reinvestment of profit, as provided for by A.C.E);
- public European/foreign resources;
- contributions from trade associations;
- interprofessional funds for training courses, considering that the Funds are provided through contributions made by the beneficiary companies, that are required to meet specific management criteria based on transparency.

The companies (established under Italian law) of the Milan Group did not receive contributions of any kind in the 2019/2020 financial year.

Going concern

The Milan Group had a consolidated loss for the 2019/2020 financial year of Euro 194.6 million, a positive shareholders' equity of Euro 34.1 million and a consolidated negative net financial position, at 30 June 2020 of Euro 103.9 million.

The majority shareholder Rossoneri Sport Investment Luxembourg S.à r.l. has guaranteed its commitment to provide financial support to the Milan Group for at least 12 months from the date of approval of the consolidated financial statements.

Based on these considerations, the directors have prepared these consolidated financial statements on a going concern basis.

Significant events occurring after year end

Capital increases

Moreover, during the period from July to October 2020, the majority shareholder of the Parent Company made further capital contributions for a total of Euro 96.5 million. These payments helped to cover current operating expenses and strengthen the Parent Company's balance sheet.

Transfer Campaign 2020/2021

Due to the emergency caused by the Covid-19 pandemic, the first phase of the 2020/2021 Transfer Campaign took place from 1 September to 5 October 2020.

With regard to the transactions involving transfers of players, it should be noted that, during the months from July to October, the permanent and/or loan acquisitions of the following players were made, among others: Ciprian Tatarusanu, Ante Rebic, Sandro Tonali, Brahim Abdelkader Diaz, Jens Petter Hauge, Simon Kjaer, Pierre Kalulu Kyatengwa, and Joof Roback.

With regard to the definitive sale and/or loan of player registration rights, mention should be made, among others, of the transactions regarding the players: Jesus Joaquin Fernandez Saenz della Torre "Suso", André Miguel Valente Da Silva, Diego Sebastian Laxalt Suarez, Jose Manuel Reina Paez, Ricardo Ivan Rodriguez Araja.

In September and October 2020, the contract of employment with the player Halilovic was mutually terminated, with the economic effects already recorded in the financial statements at 30 June 2020.

NOTES ON THE MAIN ASSET ITEMS

(in thousands of Euros)

FIXED ASSETS

Specific tables have been prepared for each class of fixed assets (intangible assets, tangible assets and financial fixed assets), shown in the attachments, which indicate for each item: the historical cost, the accumulated amortisation and depreciation, any write-backs and write-downs, movements during the period and the final balance.

INTANGIBLE FIXED ASSETS

This item amounts to Euro 219,027 thousand (Euro 271,381 thousand at 30 June 2019). The breakdown is as follows:

	30.06.2020	30.06.2019	Change
Concessions, licences, trademarks and similar rights	17,263	22,532	-5,269
Assets in progress and advances	123	0	123
Player registration rights	186,703	232,208	-45,505
Other intangible fixed assets	14,938	16,641	-1,703
Total	219,027	271,381	-52,354

The change in intangible fixed assets is shown in attachment 1, which is an integral part of these Notes.

The item Concessions, licences, trademarks and similar rights, of Euro 17,263 thousand (Euro 22,532 thousand at 30 June 2019) mainly includes the rights to use the television archive of the parent company A.C. Milan S.p.A. ("*Milan Library*") bought by Gruppo R.A.I. and R.T.I. S.p.A. (Mediaset Group) for a total of Euro 15,645 thousand (Euro 20,908 thousand at 30 June 2019), in 2009. This archive is supposed to be self-sustaining over time depending on the matches played by the team from time to time.

This item also includes the expenses related to the development of the official website, the company software, and the "A.C. Milan Lab" software of the Parent Company A.C. Milan S.p.A. and the company Milan Entertainment S.r.l., as well as the various "A.C. Milan" trademarks, owned by the Parent Company A.C. Milan S.p.A., not transferred to the subsidiary Milan Entertainment S.r.l..

Assets in progress and advances, at 30 June 2020, included Euro 123 thousand relating to development of new IT and digital systems that came into operation during the 2019/2020 financial year.

Player registration rights, of Euro 186,703 thousand (Euro 232,208 thousand at 30 June 2019), relate exclusively to the parent company A.C. Milan S.p.A.. This item also includes the costs of direct allocation which are amortised according to the players' contract expiry dates, taking into account any contract extensions agreed before the financial statements are approved. The main changes for the period, as detailed in the specific table in the attachment, primarily related to new acquisitions of Euro 99,369 thousand, sales and other movements of Euro 87,371 thousand, amortisation of Euro 94,601 thousand and write-downs of Euro 19,851 thousand.

Other intangible assets, amounting to Euro 14,938 thousand (Euro 16,641 thousand on 30 June 2019), relate in particular to the following:

- Euro 6,133 thousand (Euro 6,900 thousand at 30 June 2019) to the investments in the new "Casa Milan" headquarters, which were amortised according to the duration of the rental agreement for the technical and commercial areas;
- Euro 6,419 thousand (Euro 6,585 thousand at 30 June 2019), to the incremental costs incurred for the San Siro Stadium in Milan, as to the share of the parent company A.C. Milan S.p.A.;
- Euro 2,366 thousand (Euro 3,156 thousand at 30 June 2019) relating to the acquisition of a 10-year ground lease (Article 952, second paragraph, civil code) for the Vismara Training Centre, home to the Milan youth team, owned by the Opera Diocesana per la Preservazione e la Diffusione della Fede. The ground lease includes improvements which are recognised at cost, less the related amortisation calculated on the duration of the ground lease itself.

Regarding intangible assets, of Euro 219,027 thousand at 30 June 2020, write-downs of Euro 19,851 thousand were made under the item Players' registration rights resulting from loss-making sales during September and October 2020 and, residually, from consensual contract terminations with some players, prior to the contractual expiry date.

TANGIBLE FIXED ASSETS

This item amounts to Euro 14,149 thousand (Euro 14,229 thousand at 30 June 2019). The breakdown is as follows:

	30.06.2020	30.06.2019	Change
Land and buildings	10,321	10,429	-108
Plant and machinery	1,809	2,076	-267
Industrial and commercial equipment	731	741	-10
Other assets	904	983	-79
Assets in progress and advances	384	0	384
Total	14,149	14,229	-80

The change in tangible fixed assets is shown in attachment 2, which is an integral part of these Notes.

Land and buildings, amounting to Euro 10,321 thousand (Euro 10,429 thousand at 30 June 2019), relates in particular to the following:

- Land adjacent to the Milanello Training Centre, of Euro 6,934 thousand (no change compared to 30 June 2019) owned by the subsidiary Milan Real Estate S.p.A.;
- Milanello Training Centre, owned by the subsidiary Milan Real Estate S.p.A. of Euro 3,387 thousand (Euro 3,495 thousand at 30 June 2019).

Plant and machinery, of Euro 1,809 thousand (Euro 2,076 thousand at 30 June 2019) which mainly relates to facilities at the Milanello Training Centre, owned by the subsidiary Milan Real Estate S.p.A..

Industrial and commercial equipment, of Euro 731 thousand (Euro 741 thousand at 30 June 2019), mainly including Euro 401 thousand (Euro 418 thousand at 30 June 2019) of the parent company A.C. Milan S.p.A. and Euro 150 thousand (Euro 185 thousand at 30 June 2019) of the subsidiary Milan Entertainment S.r.l..

Other tangible assets, of Euro 904 thousand (Euro 983 thousand at 30 June 2019), which mainly includes electronic office equipment, furniture, office supplies and vehicles owned by the Milan Group.

It should be noted that Assets in progress and advances of Euro 384 thousand at 30 June 2020 (not present at 30 June 2019) include the costs incurred by Milan Real Estate S.p.A. for the purchase of materials used in the extraordinary maintenance of the facilities at the Milanello Training Centre in the early months of the 2020/2021 season.

FINANCIAL FIXED ASSETS

Equity investments

The breakdown of equity investments in subsidiaries, associates and other companies is as follows:

	30.06.2020	30.06.2019	Change
Subsidiaries	104	104	0
Associates	2,425	1,886	539
Other companies	—	—	0
Total	2529	1990	539

Details of the changes during the year for financial fixed assets are provided in attachment 3, which is an integral part of these Notes.

Equity investments in subsidiaries

The total for this item, of Euro 104 thousand (Euro 104 thousand at 30 June 2019) relates to 100% of the share capital of the non-profit Milan Foundation, which was set up in 2003 with the aim of meeting basic individual needs and freedoms, of diffusing a culture of sport as a tool for mental and physical wellbeing, social integration, improving quality of life, and to support and organise charitable projects.

Equity investments in associates

They refer to the 50% equity investment in M-I Stadio S.r.l., established with F.C. Internazionale Milano S.p.A. for the technical and commercial management of the San Siro Stadium in Milan.

During the 2019/2020 financial year, this item increased by Euro 539 thousand due to the write-back made to align the book value of the investment to the corresponding portion of the company's shareholders' equity.

Long-term receivables

Other receivables

This item is equal to Euro 502 thousand (Euro 568 thousand at 30 June 2019), mainly comprising security deposits.

These receivables are due both from Italian entities and European Union entities, of which Euro 205 thousand payable beyond the following financial year. There were no receivables with a remaining duration of more than five years.

WORKING CAPITAL

INVENTORIES

Inventories of finished products and goods, of Euro 294 thousand (Euro 218 thousand at 30 June 2019) relates to the Milan merchandise at "Store Milan" opened by the subsidiary Milan Entertainment S.r.l. at "Casa Milan".

RECEIVABLES

	30.06.2020	30.06.2019	Change
Trade receivables	52,085	57,525	-5,440
Receivables from subsidiaries	0	1	-1
Receivables from associates	111	553	-442
Receivables from parent companies	0	0	0
Receivables from companies subject to parent companies' control	0	0	0
Tax receivables	8,041	10,733	-2,692
Deferred tax assets	13,575	15,422	-1,847
Other receivables	323	2,304	-1,981
Receivables from entities – specific sector	55,762	64,775	-9,013
Total	129,897	151,313	-21,416

Receivables due beyond the next financial year amounted to Euro 24,392 thousand; There were no receivables with a remaining duration of more than five years.

Trade receivables

At the end of the period this item was composed as follows:

	30.06.2020		30.06.2019		Change
	Gross	Write-down provision.	Net value	Net value	
Parent Company A.C. Milan S.p.A.	49,746	-3,424	46,322	54,374	-8,052
Milan Entertainment S.r.l.	9,013	-3,533	5,480	2,989	2,491
Milan Real Estate S.p.A.	107	-89	18	7	11
AC Milan (Beijing)	265	0	265	155	110
Total	59,105	-7,046	52,085	57,525	-5,440

Trade receivables include receivables from the core operations of the sale of goods and services by Milan Group companies. The decrease is mainly due to the fact that at the end of the previous year, the Parent Company had receivables of Euro 14.7 million from UEFA, which during the 2018/2019 season, had suspended broadcasting and media rights from participation in the UEFA Europa League due to infringement of the break-even rule established by Financial Fair Play. The provision for doubtful accounts shown above reflects the value adjustment to the receivables to align them to their estimated realisable value. During the 2019/2020 financial year the provision for doubtful accounts was increased by Euro 1,418 thousand, as prudent provision was made for the risks of non-collection, and Euro 17 thousand was utilised to cover receipts of previously written-down receivables, and to cover certain claims that could no longer be collected.

Receivables from subsidiaries, associate, parent companies and companies subject to parent companies' control

Receivables from associates, amounting to Euro 111 thousand (Euro 553 thousand at 30 June 2019), refer to the trade receivables from company M-I Stadio S.r.l. in regard to invoices for the use of internal and external spaces

at the San Siro Stadium in Milan, under an agreement in place between A.C. Milan S.p.A., F.C. Internazionale S.p.A. and M-I Stadio S.r.l., which provides for an annual fee in favour of the concessionaires of Euro 1,507 thousand (plus any adjustments).

Tax receivables

At end of the period this item was composed as follows:

	30.06.2020	30.06.2019	Change
Due from Treasury for tax consolidation	0	1	-1
Due from Treasury for VAT	5,289	7,906	-2,617
Regional business tax (IRAP) receivables	2,288	2,396	-108
Other tax receivables	465	430	35
Total	8,041	10,733	-2,691

The item Receivables from tax authorities for VAT, amounting to Euro 5,289 thousand (Euro 7,906 thousand at 30 June 2019), the change was due to the reduction in the volume of purchases made during the financial year.

The item Regional business tax (IRAP) receivables, equal to Euro 2,288 thousand (Euro 2,396 thousand at 30 June 2019) is recognised net of tax for the period. This item also includes the surplus amount of ACE (Assistance for Economic Growth), converted into a Regional business tax credit, to use at constant rates over a period of five tax years.

Deferred tax assets

The amount of Euro 13,575 thousand (Euro 15,422 thousand at 30 June 2019) relates to the recognition of deferred tax assets, mainly:

- Euro 11,443 thousand (Euro 13,597 thousand at 30 June 2019) which represents consolidation adjustments concerning the reversal of operations pertaining to infra-group gains;
- Euro 2,132 thousand (Euro 1,825 thousand on 30 June 2019) on amounts allocated to the write-down provision and provision for risks, as to the part that cannot be deducted for tax purposes.

Other receivables

This item, equal to Euro 324 thousand (Euro 2,304 thousand at 30 June 2019) mainly includes:

- Euro 84 thousand (Euro 1,701 thousand at 30 June 2019) for receivables from ticket sales and season passes, for which the change compared with the previous financial year is due to the season passes campaign for the 2020/2021 season not starting in June, as a result of restrictions due to Covid-19;
- Euro 59 thousand (Euro 449 thousand on 30 June 2019), being advances paid to suppliers and consultants of the Milan Group.

Receivables from entities – specific sector

Net of the provision for doubtful accounts, this item amounts to Euro 55,762 thousand (Euro 64,775 thousand at 30 June 2019). The amount is due from various football clubs, for payments relating to the current and/or past transfer seasons, and in connection with international trips by teams taking part in the training of players sold by those clubs, in accordance with the F.I.F.A. Solidarity mechanism.

Specifically the item consists of:

- Euro 16,120 thousand (Euro 48,812 thousand at 30 June 2019) for amounts due from the Lega Nazionale Professionisti, in respect of various transfer seasons;
- Euro 5,700 thousand (Euro 8,342 thousand at 30 June 2019) for amounts due from Club Atlético de Madrid for the definitive sale of Nikola Kalinic;
- Euro 1,454 thousand (Euro 3,878 thousand at 30 June 2019) for amounts due from the club Trabzonspor Kulübü for the definitive sale of Juraj Kucka and José Ernesto Sosa;
- Euro 15,617 thousand (not present on 30 June 2019) for amounts due from the club Herta BSC for the definitive sale of the player Krzysztof Piatek;
- Euro 350 thousand (Euro 700 thousand at 30 June 2019) for amounts due from the club FC Girondins de Bordeaux for the definitive sale of the player Raoul Bellanova;
- Euro 3,500 thousand (not present on 30 June 2019) for amounts due from the club LOSC Lille for the definitive sale of the player Djalo Embalo;
- Euro 980 thousand (not present at 30 June 2019) for amounts due from the club Seville Futbol Club for the loan of the player Jesus Joaquin Fernandez Saenz de la Torre “Suso”;
- Euro 12,000 thousand (not present on 30 June 2019) for amounts due from the club Wolverhampton Wanderers for the definitive sale of the player Patrick Cutrone;
- Euro 315 thousand (Euro 668 thousand at 30 June 2019) for amounts due from various football clubs under the “solidarity mechanism”.

The amount due from Real Zaragoza S.A.D., for the sale of Ricardo De Oliveira, which was originally Euro 3,000 thousand, has been fully covered by the provision for doubtful accounts – professional bodies.

TOTAL FINANCIAL ASSETS OTHER THAN FIXED ASSETS

This item had a zero value at 30 June 2020, unchanged compared to the previous year.

CASH AND CASH EQUIVALENTS

This item consists of the funds in the ordinary current accounts, totalling Euro 11,246 thousand (Euro 12,476 thousand at 30 June 2019).

Cash and valuables on hand amounted to Euro 38 thousand (Euro 51 thousand at 30 June 2019).

ACCRUED INCOME AND PREPAYMENTS

At end of the period this item was composed as follows:

	30.06.2020	30.06.2019	Change
Accrued income	0	0	0
Prepaid expenses:			
- prepaid insurance premiums	971	376	595
- prepaid apartment rentals	34	52	-18
- prepaid sports fields	405	683	-278
- other prepayments	1,494	2,617	-1,123
Total prepaid expenses	2,904	3,728	-824
Total accruals and deferrals	2,904	3,728	-824

The item Other deferrals equal to Euro 1,494 thousand (Euro 2,617 thousand at 30 June 2019), refer in particular to Euro 458 thousand for charges on guarantees resulting from various player transfer campaigns for future periods. The decrease compared to the previous year was due to the lower amount of outstanding guarantees compared to the end of the previous year.

NET FINANCIAL POSITION

As a supplement to the reporting of financial payables and financial receivables in the consolidated financial statements, the Net Financial Position of the Milan Group is also provided in this section.

	30.06.2020	30.06.2019	Change
Non-current financial assets (<i>cash collateral</i>)	0	133	-133
Total financial assets other than fixed assets	—	—	0
Cash and cash equivalents	11,284	12,526	-1,242
Total financial assets	11,284	12,659	-1,375
Bonds	—	—	0
Payables to shareholders for loans	—	—	0
Financial payables	-6	-1,259	1,253
Payables to other financial institutions	-115,170	-94,284	-20,886
Total financial liabilities	-115,176	-95,543	-19,633
Net financial position	-103,892	-82,884	-21,008

A breakdown of changes in the individual items making up the net financial position is provided in the specific sections of these Notes.

NOTES ON MAIN SHAREHOLDERS' EQUITY AND LIABILITY ITEMS

(in thousands of Euros)

SHAREHOLDERS' EQUITY

The changes in the items of shareholders' equity are provided in attachment 4. Comments are provided on those changes below.

SHARE CAPITAL

The Share capital of the Parent Company A.C. Milan S.p.A. at 30 June 2020, amounting to 113,443,200, which was fully subscribed and paid up, consisted of 218,160,000 ordinary shares with a nominal value of Euro 0.52 each.

SHARE PREMIUM RESERVE

At 30 June 2020, the Share premium reserve amounted to Euro 31,020,000 (unchanged compared to 30 June 2019) and relates to the premium paid to cover 170,160,000 shares.

LEGAL RESERVE

The Legal reserve amounts to Euro 124 thousand (no change compared to 30 June 2019) and is the same as the amount indicated by the Parent Company A.C. Milan S.p.A..

OTHER RESERVES

The item Other reserves, which is positive at Euro 101,431 thousand (- Euro 101,872 thousand at 30 June 2019) includes the capital contributions and/or payments to cover losses already made, and the effects of the consolidation adjustments. The change compared to 30 June 2019 is mainly due to the Parent Company A.C. Milan S.p.A. following the use of reserves to fully cover the loss arising from the previous consolidated financial statements for Euro 155,869 thousand, as well as for capital injections made by the majority shareholder Rossoneri Sport Investment Luxembourg S.à r.l. for a total of Euro 145,000 thousand.

PROFIT (LOSS) CARRIED FORWARD

At 30 June 2020, this item amounted to - Euro 17,188 thousand (Euro 17,188 thousand compared to 30 June 2019) and includes the effects of changes arising from the first-time adoption of the new OIC accounting standards.

(PROFIT) LOSS FOR THE YEAR

During the 2019/2020 financial year, the result of the Milan Group shows a loss for the period of Euro 194,616 thousand (the consolidated result for the year ending 30 June 2019 was Euro 145,985 thousand negative).

PROVISIONS FOR RISKS AND CHARGES

Provisions estimated on the basis of specific losses that are certain or likely are detailed below.

	Balance at 01.07.2019	Allocations	(Uses)	Other changes	Balance at 30.06.2020
Provision for deferred tax liabilities	0	0	0	0	0
Other provisions for risks and charges	22,544	9,858	-7,918		24,484
Total	22,544	9,858	-7,918	0	24,484

Other provisions for risks and charges

At 30 June 2020 this item amounted to Euro 24,484 thousand (Euro 22,544 thousand at 30 June 2019) and referred to the allocation of future costs for the restructuring of registered players and non-registered personnel, as well as additional risks for the companies of the Group.

The provision for the period includes, inter alia, the allocation for the leaving indemnity paid to some members of the footballing staff (coaches, staff) due to the early termination of contracts before their original expiry. The utilisations for the period refer mainly to the payment made to footballing personnel following the early termination of their employment in the previous financial year.

EMPLOYEE LEAVING ENTITLEMENTS

The changes in this item are shown in the following table; The balance is fully sufficient to cover contractual and legal obligations.

	EMPLOYEE LEAVING ENTITLEMENTS.	End of career entitlements	Total
Balance at 01.07.2019	1,564	50	1614
Provisions	1,172	545	1,717
Uses for employment terminations/ prepayments	-520	0	-520
Transfers	-42	0	-42
Payments	0	-500	-500
Other changes	-685	0	-685
Balance at 30.06.2020	1,489	95	1,584

The item Provisions includes revaluation of the pre-existing amount calculated in accordance with legal requirements and the "white semester" amount which represents (solely for the year 2007) the employee leaving entitlements accrued from 1 January 2007 up to the date of selection of allocation to the company supplementary pension fund (closed) or a contractual pension fund (open) or individual pension plan (IPP).

PAYABLES

	30.06.2020	30.06.2019	Change
Bonds	0	0	0
Payables to shareholders for loans	0	0	0
Financial payables	6	1,259	-1,253
Payables to other financial institutions	115,170	94,284	20,886
Trade payables	45,380	53,162	-7,782
Advances	6	0	6
Payables to subsidiaries	0	0	0
Payables to associates	2,505	2,130	375
Payables to parent companies	0	0	0
Payables to companies subject to parent companies' control	0	0	0
Tax payables	22,658	15,320	7,338
Payables to pension funds and social security agencies	2,619	667	1,952
Payables to third parties	17,584	8,962	8,622
Payables to entities – specific sector	75,810	139,883	-64,073
Total	281,738	315,667	-33,929

Payables due beyond the next financial year amounted to Euro 18,659 thousand; There were no payables with a remaining duration of more than five years. The Group's Italian companies availed of the suspension of contributions and social security payments due in April - June 2020 pursuant to the "Relaunch" Decree Law 34/2020. The aforesaid payments resumed from 16 September 2020 according to the instalment plan granted by Decree Law 104/2020 (so-called August Decree).

Financial payables

The balance of Euro 6 thousand (Euro 1,259 thousand at 30 June 2019) relates to normal banking operations.

Payables to other financial institutions

This amount, of Euro 115,170 thousand (Euro 94,284 thousand at 30 June 2019) relates to amounts payable to factoring companies for advances on future accounts receivable, mainly in relation to commercial agreements.

On 3 October 2018 the company signed a factoring agreement with UniCredit Factoring S.p.A. for the assignment with recourse for accrued/matured receivables from the marketing of the Serie A championship broadcasting rights relating to the 2018-2019, 2019-2020 and 2020-2021 seasons. Against this transfer, the company was granted a credit line of Euro 80 million with a three-year term (until 30 June 2021) at a 3-month Euribor rate (floor to zero) increasing by 2.5 basis points, with a commission of 0.20% on the amount of the factoring line. This line was wholly undrawn at 30 June 2020. On 30 April 2020, the Parent Company signed a factoring contract with Banca Ifis S.p.A. for the sale with recourse to the same of the receivables due/coming due deriving from the foreign transfer campaign for the sale of the player Krzysztof Piątek. Against this sale, the company was granted a credit line of Euro 21 million with a two-year term at a 3-month Euribor rate plus 2.25 basis points, with a commission of 0.5% on the amount of the factoring line. This line was wholly undrawn at 30 June

2020.

Trade payables

These are detailed in the table below.

	30.06.2020	30.06.2019	Change
Parent Company A.C. Milan S.p.A.	41,136	45,843	-4,707
Milan Entertainment S.r.l.	3,637	5,614	-1,977
Milan Real Estate S.p.A.	527	1,271	-744
AC Milan (Beijing) Sports Development Co. Ltd.	80	434	-354
Total	45,380	53,162	-7,782

Trade payables are all commercial in nature.

Payables to subsidiaries, associates and parent companies

Payables to associates, equal to Euro 2,505 thousand (Euro 2,130 thousand at 30 June 2019) relate to the company M-1 Stadio S.r.l. for the coverage of operating costs for the management of the San Siro Stadium in Milan, under an agreement in place between A.C. Milan S.p.A., F.C. Internazionale S.p.A. and M-1 Stadio S.r.l., which provides for an annual fee in favour of the concessionaires (A.C. Milan S.p.A. and F.C. Internazionale S.p.A.) of Euro 9.1 million (plus any adjustments).

Tax payables

	30.06.2020	30.06.2019	Change
Payables for current taxes	0	0	0
Payable to Treasury for VAT	0	0	0
Payables withholding tax on income from work	22,636	15,313	7,323
Other tax payables and withholdings	23	7	16
Total	22,658	15,320	7,339

IRAP business tax payable under the Payables for current taxes was completely offset by the prepayments made.

At 30 June 2020, the Milan Group's VAT position towards the Treasury was in credit, and the balance has thus been recognised under Assets.

Payables on withholdings on income from work related to the withholdings made on registered players, employees and freelance workers, and have been duly paid on the established deadlines.

Payables to pension funds and social security agencies

The amount of this item was broken down as follows:

	30.06.2020	30.06.2019	Change
Payables to I.N.P.S.	2,517	720	1,797
Payables/(Receivables) to/from other pension institutions	102	-53	155
Total	2,619	667	19,52

This item also includes the payables for contributions to supplementary pension funds and/or to the Treasury Fund at the INPS. The changes were in line with the trend in the cost of labour. The Group's Italian companies availed of the suspension of contributions and social security payments due in April - June 2020 pursuant to the "Relaunch" Decree Law 34/2020. The aforesaid payments resumed from 16 September 2020 according to the instalment plan granted by Decree Law 104/2020 (so-called August Decree).

Other payables

These consisted of the following:

	30.06.2020	30.06.2019	Change
Payables to registered players and employees	13,748	8,510	5,238
Payables to directors, statutory auditors and the Supervisory Body	207	105	102
Other payables	3,634	347	3,287
Total	17,589	8,962	8,627

Payables to registered players and employees relate in particular to the additional month salaries and bonuses to registered players and employees, duly paid on the established deadlines.

Payables to entities – specific sector

At end of the period this item was composed as follows:

Payables to the Lega Nazionale Professionisti, of Euro 31,987 thousand (Euro 77,777 thousand of 30 June 2019) are the balance of the 2019/2020 transfer campaign and the residual amounts of the previous seasons.

Payables to foreign and Italian football clubs, of Euro 42,724 thousand (Euro 62,090 thousand at 30 June 2019) relate to:

- Euro 14,225 thousand (not present on 30 June 2019) being amounts due to Real Madrid Club de Futbol for the definitive purchase of the player Theo Bernard Francois Hernandez;
- Euro 14,000 thousand (not present on 30 June 2019) for amounts due to the club LOSC Lille for the definitive purchase of the player Rafael Leao;
- Euro 9,740 thousand (Euro 11,729 thousand on 30 June 2019) for amounts due to the club Villarreal Club de Fútbol for the definitive purchase of the player Samuel Castillejo Azuaga;
- Euro 3,750 thousand (not present on 30 June 2019) for amounts due to the club RSC Anderlecht for the

definitive purchase of the player Alexis Jesse Saelemaekers;

- Euro 1,000 thousand (Euro 2,872 thousand at 30 June 2019) for the amount payable to the club Sunderland Association F.C for the definitive transfer of Fabio Borini;
- Euro 1,394 thousand (Euro 1,272 thousand at 30 June 2019) to various clubs for the fees payable in connection with international transfers to the teams who contributed to the players' training, in accordance with the F.I.F.A. solidarity mechanism. Specifically, this derives from the purchases of the players Fabio Borini, Theo Bernard Francois Hernandez, Samuel Castillejo Azuaga and Mateo Pablo Musacchio.

ACCRUED EXPENSES AND DEFERRED INCOME

At end of the period this item was composed as follows:

	30.06.2020	30.06.2019	Change
Accrued expenses	198	306	-108
Deferred income:			
deferred broadcasting rights	17,970	0	17,970
deferred sponsorships	0	9,851	-9,851
deferred season passes	3,111	4,659	-1,548
Other prepayments	17,379	18,027	-648
Total deferred income	38,460	32,537	5,923
Total accruals and deferrals	38,658	32,843	5,815

The item Deferred income, equal to Euro 38,460 thousand (Euro 32,537 thousand on 30 June 2019) includes:

- Euro 10,098 thousand (Euro 10,452 thousand at 30 June 2019) relating to royalties from rights to use images of Milan's home games in specific seasons ("Milan Library");
- 17,970 thousand (not present at 30 June 2019) relating to advance invoicing for broadcasting rights for the Serie A Championship with reference to matches played in July and August 2020 following the extension of the 2019/2020 football season due to the spread of Covid-19;
- Euro 3,111 thousand (Euro 4,659 thousand at 30 June 2019) relating to portions of the 2019/2020 Serie A Championship Season Passes Campaign, received at 30 June 2019 and attributable to matches played behind closed doors from March 2020 due to the restrictive measures imposed by the Authorities for the containment of Covid-19.

COMMITMENTS, RISKS AND POTENTIAL LIABILITIES

COMMITMENTS AND GUARANTEES

Bank guarantees, endorsements and other personal guarantees

These are guarantees issued by banks and/or insurers, totalling Euro 24,438 thousand (Euro 59,360 thousand at 30 June 2019), mainly in favour of:

- Lega Calcio, for the transfer season, for Euro 17,762 thousand (Euro 54,045 thousand at 30 June 2019);
- The Municipality of Milan, for the use of the San Siro Stadium, for Euro 2,337 thousand (Euro 2,309 thousand at 30 June 2019);
- Vittoria Assicurazioni S.p.A., relating to one year's rent of the "Casa Milan" headquarters, for Euro 2,125 thousand (Euro 2,125 thousand at 30 June 2019);
- The Italian Revenue Agency (Agenzia delle Entrate) for Euro 2,097 thousand (Euro 600 thousand at 30 June 2019) for a VAT receivable relative to the 2018 VAT return - 2017 tax period, requested as a reimbursement.

CONTINGENT LIABILITIES AND OTHER INFORMATION

Financial Fair Play

The club's participation in European competitions is subject to compliance with sporting, legal, infrastructure, organisational and economic/financial requirements set out in the U.E.F.A. Club Licensing and Financial Fair Play Regulations – Edition 2018. In this regard, on 18 June 2020 the Executive Committee of UEFA approved partial exemptions from the Financial Fair Play rules and the criteria for their monitoring, so that the negative effects of Covid-19 on the financial results of football clubs are taken into account for the purposes of the Licence.

Based on historical data and expected results, the Parent Company A.C. Milan S.p.A. believes, in line with the opinions of its legal advisors that, if it qualifies for European competitions in the 2020/2021 season having finished sixth in the Serie A Championship, which ended in August 2020, UEFA may administer sporting and/or economic/financial sanctions based on any violations of the break-even rule required by Financial Fair Play, in the monitoring periods indicated by regulations, and has therefore maintained the provision for risks allocated in previous years in the financial statements, the amount of which is still deemed to be appropriate.

Other information

Chief Football Officer

On 6 March 2020, the company informed Mr. Zvonimir Boban of its withdrawal for just cause from the long-term collaboration pursuant to Article 409 of the Italian Code of Civil Procedure, entered into with him on 1 July 2019 and scheduled to end on 30 November 2022.

Mr. Boban, through his lawyers, in a letter dated 11 March 2020, disputed the reasons put forward by the company for the withdrawal for just cause. In summary, he impugned the withdrawal, partly maintaining it to be retaliatory, and claimed that the collaboration relationship was in fact a fixed-term managerial employment or, in the alternative, that it should be recategorised pursuant to and for the effects of the provisions of Article 2 of Legislative Decree no. 81/2015, with a claim for compensation for financial and non-financial damage. The Company must file a statement of defence pursuant to Article 416 of the Italian Criminal Code by 16 October 2020. In consideration of the above, the Company, based on the information currently in its possession and supported by the opinions of its lawyers, has prudentially made an allocation to the provision for risks in the financial statements, although it believes that the various reasons of that led to the interruption for just cause of the previous relationship with Mr. Boban are well-founded, notwithstanding the inherent risk.

NOTES ON THE MAIN ITEMS OF THE INCOME STATEMENT

(in thousands of Euros)

Introduction

Before analysing the individual items, we remind you that the comments on the general changes in costs and revenues are provided in the Report on Operations, as required by Article 2428 paragraph 1 civil code. It should also be remembered that in February 2020 Italy was struck by the global emergency caused by the spread of the virus called "Covid-19". In line with the containment measures imposed by the Government, the FIGC suspended all football competitions until 20 June 2020 as per Official Statement 207/A of 8 June 2020. The income statement items have been classified according to the financial statement structure established for professional football clubs, in compliance with the provisions of the Italian football Federation Official Notice no. 58, published on 5 September 2006. The following table compares the number of official matches played in the various official competitions during the 2019/2020 financial year and the previous one, taking into account that 10 matches of the Serie A Championship 2019/2020 were held in July/August.

	Season 19/20	Season 18/19	Change
CHAMPIONSHIP	28	38	(10)
UEFA	0	6	(6)
ITALIAN CUP	4	4	0
ITALIAN SUPER CUP	—	1	(1)
Total	32	49	(17)

VALUE OF PRODUCTION

The total value of production in the 2019/2020 financial year amounted to Euro 192,317 thousand (Euro 241,118 thousand in the 2018/2019 financial year). The breakdown of this item is shown below.

Revenues from sales and services

The item was composed as follows:

	2019/2020	2018/2019	Change
Match revenues	13,402	21,182	-7,780
Season passes	6,676	9,115	-2,439
Revenues from other competitions	3,551	3,815	-264
Total	23,629	34,112	-10,483

The item Match revenues, amounting to Euro 13,402 thousand (Euro 21,182 thousand in the 2018/2019 financial year), mainly consisted of:

- Euro 10,296 thousand (Euro 18,533 thousand in the 2018/2019 financial year) to the home matches of the Serie A Championship – 2019/2020 season, which were reduced due to the suspension of the Serie A Championship in March, April and May 2020, due to the Covid-19 emergency. Matches resumed at the end

of June 2020 and the season ended on 2 August 2020 (28 out of 38 matches played before 30 June 2020). It is also important to note that championship matches have been held behind closed doors since March 2020, due to the restrictions measures imposed by the Government and the relevant authorities.

- Euro 3,038 thousand (Euro 1,495 thousand in the 2018/2019 financial year) for 2019/2020 Tim Cup matches, ending with the semifinal (in the 2019/2020 edition, the team played in the semi-finals). Compared to the previous season, revenues from international matches were absent as the team did not take part in the 2019/2020 edition (Euro 1,035 thousand in the 2018/2019 financial year from the preliminary rounds, the qualifying round of the UEFA Europa League - 2018/2019 edition).

Revenues from season passes, of Euro 6,676 thousand (Euro 9,115 thousand in 2018/2019) relate to the Serie A Championship for 2019/2020, with a total of 32,347 season income (31,347 season passes for the Serie A Championship in 2018/2019). The fall is due to the lower number of matches played in the year.

The total Revenues from other competitions only relates to the national and international friendly matches played by the first team during the summer.

Other revenues and income

This income consisted of:

	2019/2020	2018/2019	Change
Sponsorship income	36,683	38,030	-1,347
Commercial income and royalties	15,562	18,817	-3,255
Income from broadcasting and media rights	63,385	105,048	-41,663
miscellaneous income	8,881	9,090	-209
Revenues from player loans	5,442	5,245	197
gains from the sale of player registration rights	20,019	12,621	7,398
Other income from player management	2,674	7,670	-4,996
Other income and revenues	15,965	10,385	5,580
Total	168,612	206,906	-38,295

Sponsorship income, amounting to Euro 36,683 thousand (Euro 38,030 thousand in the 2018/2019 financial year), mainly consisted of:

- Euro 14,000 thousand (Euro 14,000 thousand in the 2018/2019 financial year) for the fees paid by the Official Sponsor Emirates, under the contract expiring at 30 June 2020;
- Euro 10,965 thousand (Euro 10,909 thousand in the 2018/2019 financial year) for amounts paid by the Technical Sponsor Puma International Sports Marketing B.V. for the purchase of the right to place their branding on the club's official kit, under an agreement effective until 30 June 2023;
- Euro 11,127 thousand (Euro 12,516 thousand in the 2018/2019 financial year) for revenues from the sale of multi-product promotional/advertising packages, including in particular Banco B.P.M. S.p.A., Betsson Services L.t.d., Diesel S.p.A., Gi Group S.p.A., Konami Digital Entertainment Co. L.t.d., Perform Investment L.t.d. Shanghai Haobo Industrial Co. Ltd., Shanghai Julie Culture and Communication Co., Snaitech S.p.A., Toyo Tires & Rubber Co. L.t.d. and Trenitalia S.p.A.;

- Euro 590 thousand (Euro 605 thousand in the 2018/2019 financial years) for fees arising from agreements with Corporate Sponsors, Official and Technical Suppliers and Commercial Partners, under which the company awards its sponsors the status of "Official Supplier", "Official Partner", "Corporate Sponsor" for advertising-promotional purposes, whose decrease is mainly due to the non-renewal of the "League Sponsor" contract with Telecom Italia S.p.A..

Commercial income and royalties, amounting to Euro 15,562 thousand (Euro 18,817 thousand in the 2018/2019 financial year), mainly consisted of:

- Euro 3,271 thousand (Euro 5,279 thousand in the 2018/2019 financial year) for the subsidiary Milan Entertainment S.r.l. for revenues from stadium management pertaining to the provision of commercial services for some categories of seating at the San Siro Stadium in Milan (stands, Sky Boxes and Sky Lounges) and for other non-sporting activities carried out at that facility. The significant decrease is due to the lower number of matches played during the year due to the spread of Covid-19;
- Euro 8,848 thousand (Euro 8,712 thousand in the 2018/2019 financial year) revenues from merchandising, licensing and franchising mainly refer to the contract with Puma International Sports Marketing B.V. signed by the Parent Company in the previous financial year, valid until 30 June 2023.
- Euro 2,766 thousand (Euro 2,771 thousand in the 2018/2019 financial year) for revenues from commercial activities relative to Mondo Milan, the club's first museum, the restaurant business "Casa Milan Bistrot/Fourghetti", and Milan TV.

Income from broadcasting and media rights, of Euro 63,385 thousand (Euro 105,048 thousand in the 2018/2019 financial year), pertaining to the parent company A.C. Milan S.p.A., relates to:

- Euro 63,385 thousand (Euro 90,294 thousand in the 2018/2019 financial year) from the centralised licence of broadcasting and media rights for the 2019/2020 season of various packages assigned to broadcasters, including Sky Italia S.r.l., RAI IMG Media and Perform Investment Ltd (Dazn). The change compared to the previous year is related to the lower number of matches played due to the spread of Covid-19;
- Broadcasting income from participation in UEFA competitions were not present (Euro 14,754 thousand in the financial year 2018/2019), as these represent the amount paid to the club for the negotiation and use of TV and radio broadcasting rights for its participation in UEFA competitions and, as mentioned, the club did not take part in any UEFA competition in the year in question.

The item Miscellaneous income, equal to Euro 8,881 thousand (Euro 9,090 thousand in the 2018/2019 financial year), includes Euro 8,734 thousand (Euro 8,754 thousand in the 2018/2019 financial year) for the fees resulting from granting rights to use images of the A.C. Milan home matches for specific football seasons (the "*A.C. Milan Library*").

Revenues from player loans, amounting to Euro 5,442 thousand (Euro 5,245 thousand in the 2018/2019 financial year), relate to the following players loaned out by the club:

Player	Selling club	Amount
José Manuel Reina Paez	Aston Villa F.C.	400
Rodriguez	PSV N.V.	237
Jesus Joaquin Fernandez Saez "Susó"	Sevilla Fútbol Club	980
Gustavo Raúl Gómez Portillo	Sociedade Esportiva Palmeiras	3,325
Diego Laxalt Suarez	Torino F.C. S.p.A.	500
Total		5,442

Gains from the sale of player registration rights, realised in the year 2019/2020, are listed below with details of the name of the player and the selling club:

Player	Selling club	Net book value	Sale amount	Gain
Patrick Cutrone	Wolvehampton	600	18,000	16,947
Djalo Embalo	Lille	800	4,000	3,073
Total		1400	22,000	20,020
Other youth sector				0
Gains				20,020

Other income from player management, equal to Euro 2,674 thousand (Euro 7,670 thousand in the 2018/2019 financial year) refers in particular to:

- Euro 1,000 thousand (not present in the 2018/2019 financial year) to the variable consideration paid by U.S. Sassuolo for reaching the targets contractually envisaged for the player Manuel Locatelli;
- Euro 1,000 thousand (not present in 2018/2019) being the amount paid by Torino F.C. for the resale of the player Niang Mbaye ("sell-on fee") to Stade Rennais F.C.;
- Euro 274 thousand (Euro 514 thousand in the 2018/2019 financial year) for the solidarity contribution paid by various clubs for the transfer of certain players who played for Milan aged between 12 and 23.

Other income and revenues amounted to Euro 15,965 thousand (Euro 10,385 thousand in the 2018/2019 financial year), referring in particular to Euro 262 thousand (Euro 229 thousand in the 2018/2019 financial statements) for income from the chargeback of costs made to players and third parties for their own expenses, and Euro 725 thousand (Euro 1,097 thousand in the 2018/2019 financial year), to payments from invoices issued to the associate M-I Stadio S.r.l. for the use of internal and external space at the San Siro stadium under a specific agreement.

Moreover, this item includes Euro 5,165 thousand (Euro 2,868 thousand in the 2018/2019 financial year), for contingent assets and other residual revenues and income, Euro 808 thousand (Euro 1,207 thousand in the 2018/2019 financial year) for reimbursements and contributions for the call-up of Milan players to their national

teams, as well as Euro 7,707 thousand (Euro 4,874 thousand in the 2018/2019 financial year), for use, for different purposes, of the risk provision for future charges earmarked in the financial statements of previous years. **COSTS OF PRODUCTION**

Costs of production in the 2019/2020 financial year amounted to Euro 378,916 thousand (Euro 373,375 thousand in the 2018/2019 financial year). The breakdown of this item is shown below.

Costs for the purchase of consumables and goods

This item, of Euro 4,307 thousand (Euro 5,145 thousand in 2018/2019) essentially relates to costs incurred by the Parent Company A.C. Milan S.p.A. and by the subsidiary Milan Entertainment S.r.l. in relation to purchases of sports kit, the official strip supplied by the technical sponsor, medical costs, costs for technical and sporting materials for resale to the Milan Junior Camps and to the Milan Football Schools, as well as the costs of producing tickets.

Cost for services

Were broken down as follows:

	2019/2020	2018/2019	Change
General costs for sporting activities	23,876	20,176	3,700
Consultancies and collaborations	6,321	6,981	-660
Advertising and promotion	1,631	2,184	-553
Insurance	568	436	132
Fees to company bodies	3,784	2,849	935
Administrative and general expenses	5,876	5,728	148
Canteen and catering services	757	1,528	-771
Maintenance and repair	1,644	1,731	-87
Transport, storage and travel expenses	151	722	-571
Other costs for services	7,348	8,588	-1,240
Total	51,957	50,923	1,034

General costs for sporting activities included the expenses incurred primarily by the Parent Company A.C. Milan S.p.A. and the subsidiary Milan Entertainment S.r.l., of which:

- Euro 14,533 thousand (Euro 9,402 thousand in the 2018/2019 financial statements) relating to the costs for monitoring players, technical and sporting consultancies and collaborations, the increase of which is related to new technical positions joining the company;

- Euro 2,907 thousand (Euro 3,271 thousand in the 2018/2019 financial year) for costs related to healthcare and schooling assistance, and for training and camp sessions of the first team and the youth sector;
- Euro 1,429 thousand (Euro 1,561 thousand in the 2018/2019 financial year) for remuneration to medical and healthcare personnel and other related expenses;
- Euro 2,285 thousand (Euro 3,066 thousand in the 2018/2019 financial year) for expenses incurred for away games of the first team and the minor teams;
- Euro 2,722 thousand (Euro 2,876 thousand in the 2018/2019 financial year) for insurance premiums paid by the Parent Company A.C. Milan S.p.A. to protect its stock of players, which have increased due to the introduction of further items of insurance cover.

Consultancies and collaborations, of Euro 6,321 thousand (Euro 6,981 thousand in the 2018/2019 financial year) includes the amounts payable for legal and notarial fees, administration, fiscal and management, commercial, communications, technical and other costs, and commission paid to third parties. The change is mainly due to the fact that in the previous financial year, the Parent Company A.C. Milan S.p.A. consulted leading legal practices for specific issues not related to ongoing disputes.

The item Advertising and promotion, equal to Euro 1,631 thousand (Euro 2,184 thousand in the 2018/2019 financial year) mainly includes the costs incurred by the Milan Group for gifts, corporate entertainment, external events, the costs of the season passes campaign and other promotional activities.

Fees to company bodies, equal to Euro 3,784 thousand (Euro 2,849 thousand in the 2018/2019 financial year), includes fees payable to the Directors, the fees of which statutory auditors and the Supervisory Control Body for their services to the Milan Group, the increase is due to events concerning top management following the change in the ownership structure in July 2018, fees to Auditors and the Supervisory and Control Body for functions carried out at the Milan Group.

Administrative, general expenses and utilities, amounting to Euro 5,876 thousand (Euro 5,728 thousand in the 2018/2019 financial year), consists of the costs incurred by the Milan Group primarily for insurance and information technology services, for utilities, and for surveillance and cleaning costs.

Other costs for services, amounting to Euro 7,348 thousand (Euro 8,588 thousand in the 2018/2019 financial year), mainly consisted of:

- Euro 4,550 thousand (Euro 4,550 thousand in the 2018/2019 financial year) relates to the costs of providing technical and maintenance services at the San Siro stadium, commercial and administration services charged by M-1 Stadio S.r.l., under a specific agreement;
- Euro 1,235 thousand (Euro 1,469 thousand in the 2018/2019 financial year), for the costs of broadcast and media production and distribution for the Serie A Championship and 2019/2020 edition of the Tim Cup, charged by Lega Nazionale Professionisti Serie A;
- Euro 1,576 thousand (Euro 2,098 thousand in the 2018/2019 financial year), for production costs of content and the distribution of the signal related to the Milan TV thematic channel;
- Euro 328 thousand (Euro 577 thousand in the 2018/2019 financial year) for banks' fees and commissions and fees and commission of sales of tickets and/or season passes.

Leases and rentals

The item was composed as follows:

	2019/2020	2018/2019	Change
Rental expenses	7,971	7,658	313
Rentals and other hires	2,064	1,502	562
Total	10,035	9,160	875

Rental expenses, amounting to Euro 7,971 thousand (Euro 7,658 thousand in the 2018/2019 financial year), consisted of:

- Euro 4,739 thousand (Euro 4,674 thousand in the 2018/2019 financial year) for the costs of using the San Siro stadium under the agreement between the Municipality of Milan and the Parent Company A.C. Milan S.p.A., which provides for joint management with F.C. Internazionale Milano S.p.A. from 1 July 2000 until 30 June 2030, of which Euro 2,183 thousand (Euro 2,183 thousand in the 2018/2019 financial year) will be “deducted” from the rent once the annual modernisation works are completed;
- Euro 695 thousand (Euro 462 thousand in the 2018/2019 financial year) for costs for property leases and ancillary services that the subsidiary Milan Real Estate S.p.A. makes available to the players and certain employees of the Milan Group;
- Euro 2,465 thousand (Euro 2,520 thousand in the 2018/2019 financial year) for rental costs including auxiliary expenses, of the “Casa Milan” headquarters and the Chinese offices of the subsidiary AC Milan (Beijing) Sports Development Co. Ltd.

Rentals and other hires, of Euro 2,064 thousand (Euro 1,502 thousand in the 2018/2019 financial year), refer mainly to the leasing of vehicles and equipment for corporate use.

Personnel costs

Personnel costs were broken down as follows:

	2019/2020			2018/2019		
	Registered players	Other employees	Total	Registered players	Other employees	Total
Wages and salaries	140,006	11,657	151,663	163,755	12,191	175,946
Social security charges	4,050	3,086	7,136	3,702	3,087	6,789
End of career entitlements/Employee leaving entitlements	921	831	1,752	978	839	1,817
Other costs		327	327	106	164	270
Total	144,977	15,901	160,878	168,541	16,281	184,822

Against this background, to partially mitigate the income and financial impact caused by the suspension of sports, the Parent Company reached an agreement with the First Team players to reduce their remuneration for the 2019/2020 season by a portion of the salary for April 2020. The agreement had a positive impact of about Euro 3.9 million on finances for the 2019/2020 financial year.

The item Other personnel costs includes the contributions to supplementary pension funds paid by the Company as well as education subsidies for young players in the youth sector of A.C. Milan.

Details of the average numbers of personnel employed by the Milan Group in the 2018/2019 financial year are provided below:

	2019/2020	2018/2019	Change
Players	55.4	59.8	-4.4
Coaches / Other technical personnel	171.6	156.6	15
Directors	15.5	14.8	0.7
Journalists	6.3	2	4.3
Office workers and middle managers	153	145.9	7.1
Workers	6	3	3
Total	407.8	382.1	25.7

Amortisation, depreciation and write-downs

	2019/2020	2018/2019	Change
Amortisation of Intangible fixed assets	103,418	89,150	14,268
Depreciation of tangible fixed assets	996	1,051	-55
other write-downs of fixed assets	19,851	1,934	17,917
Write-down of receivables included in working capital and in cash and cash equivalents	1,418	850	568
Total	125,683	92,985	32,698

The details of the amortisation and depreciation of the intangible and tangible fixed assets are provided in the attached statements of changes.

The item Amortisation of intangible fixed assets, equal to Euro 103,418 thousand (Euro 89,150 thousand in the 2018/2019 financial year), refers in particular to Euro 94,601 thousand (Euro 80,304 thousand in the 2018/2019 financial year) for the amortisation of player registration rights.

This item includes the amortisation of the television archive (*Milan Library*), whose useful life, during the 2018/2019 financial year, was aligned based on the duration of main contracts for use of the library.

The item Other write-downs of fixed assets amounted to Euro 19,851 thousand (Euro 1,934 thousand in the 2018/2019 financial year), and refers to the write-down of the registration rights of some players, due to the loss-making sales in September and October 2020 and, residually, to mutual termination of contracts with some players before their expiry.

The item Write-down of receivables included in working capital and in cash and cash equivalents, amounting to Euro 1,418 thousand (Euro 850 thousand in the 2018/2019 financial year), refers to the allocation made to the provision for doubtful trade receivables.

Provisions for risks

This item amounts to Euro 9,858 thousand (Euro 6,885 thousand in the 2018/2019 financial year) and refers to the provision of personnel restructuring costs, future costs relative to technical personnel "released" but still on the company payroll, as well as leaving indemnities for players sold definitively during the summer 2020/2021 transfer campaign.

Sundry management expenses

Sundry management expenses consisted of:

	2019/2020	2018/2019	Change
Various match organisation expenses	3,233	5,235	-2,002
Match subscription taxes	3	2	1
Percentage paid to visiting teams	241	199	42
Costs for acquisition of player services on loan	3,438	13,180	-9,742
Losses from the sale of multi-year player registration rights	4,717	449	4,268
other expenses from player management	5	157	-152
Other management expenses	4,561	4,233	328
Total	16,198	23,455	-7,258

Other match organisation costs, of Euro 3,233 thousand (Euro 5,235 thousand in the 2018/2019 financial year), mainly relate to the costs of managing the corporate seating, Sky Boxes and Sky Lounges, and the stewarding, ticketing and customer services at San Siro during home matches for the season 2019/2020. The decrease compared to 2018/2019 is mainly due to the lower number of matches played in the Serie A Championship and the absence of matches in the UEFA Europa League – 2019/2020 edition.

Costs for acquisition of player services on loan, amounting to Euro 3,438 thousand (Euro 13,180 thousand in the 2018/2019 financial year), refer to the following players purchased by the club:

Player	Selling club	Amount
Begovic	Bournemouth	125
Saelemaekers	Anderlecht N.V.	3,250
Andrea Sala	Lecco	3
Angelini	Rimini	20
Galletti	Piacenza	10
Pecorino	Catania	30
Total		3,438

Losses from the sale of multi-year player registration rights, equal to Euro 4,717 thousand (Euro 449 thousand in the 2018/2019 financial year), realised during the 2019/2020 financial year, concern the following players.

Player	Selling club	Net book value	Sale amount	Capital loss
Borini	Hellas Verona	921	—	-921
Piatek	Hertha BSC	27,222	23,426 -	3,796
Total		28,143	23,426 -	4,717

Other management expenses, amounting to Euro 4,560 thousand (Euro 4,233 thousand in the 2018/2019 financial year) include the contributions to the Lega Nazionale Professionisti and other entities, fines and other penalties for matches, contingent liabilities, and other indirect tax expenses, as well as chargebacks made to players and third parties for the amounts due.

It should be noted that, in 2018/2019 this item also included Euro 375 thousand for the purchase of the "Sports Title" by the ACF company Brescia Calcio Femminile for the rights to participate in the women's Serie A championship organised by F.I.G.C..

FINANCIAL INCOME AND (EXPENSES)

Financial income and expenses show expenses of Euro 6,337 thousand (expenses of Euro 11,082 thousand in the 2018/2019 financial year) and were broken down as follows.

	2019/2020	2018/2019	Change
Bank interest income	6	1	5
Interest on other receivables	606	686	-80
Total financial income	612	687	-75
Interest payable on bonds	0	-2,274	2,274
Bank interest expenses	-50	-36	-14
Interest expense on other debt	-2,516	-1,653	-863
Interest payable to parent companies	0	0	0
Interest expense on other debt	0	-1	1
Other interest and financial charges	-4,388	-7,824	3,436
Total financial expenses	-6,954	-11,788	4,834
Exchange rate gains	34	31	3
Exchange rate losses	-30	-12	-18
Total exchange rate gains (losses)	4	19	-14
Total	-6,337	-11,082	4,743

The item Other interest and financial charges includes Euro 2,099 thousand (Euro 3,058 thousand in the 2018/2019 financial year) relative to the commission payable on guarantees issued by banks and/or insurers, mainly used as partial coverage for the player transfer season, and Euro 1,959 thousand (Euro 4,569 thousand in the 2018/2019 financial year), for the effects of applying the amortised cost principle to the bonds and payables arising from the player transfers.

The item Interest on other receivables includes the positive effect of Euro 598 thousand (Euro 612 thousand in the 2018/2019 financial year), from the adoption of the amortised cost criterion on receivables from the player transfer campaign.

VALUE ADJUSTMENTS OF FINANCIAL ASSETS

Write-backs

The amount of Euro 539 thousand refers to the write-back to align the book value of the investment in the associate M-I Stadio S.r.l. to the corresponding portion of the company's shareholders' equity resulting from the financial statements at 30 June 2020.

INCOME TAXES FOR THE YEAR

Current taxes

	2019/2020	2018/2019	Change
IRAP (regional business tax)	-183	-1,138	955
Previous years' tax income	-175	0	-175
Tax income from tax consolidation	0	0	0
Other current taxes	-15	-58	43
Total	-372	-1,196	824

In the 2019/2020 financial year, there was no recognition of Tax income from tax consolidation, as the taxable income was offset against the tax losses within the Milan Group, in application of the “Agreement on the exercise of the option for the national tax consolidation scheme”.

Deferred tax assets and liabilities

The item Deferred tax assets and liabilities, negative at - Euro 1,847 thousand (- Euro 2,251 thousand in the 2018/2019 financial year), relates specifically to the issue of deferred tax assets on consolidation adjustments which mainly relate to the reversal of infragroup gains.

CONSOLIDATED OPERATING PROFIT/LOSS

During the 2019/2020 financial year, a loss of Euro 194,616 thousand was recorded (compared to a loss of Euro 145,985 thousand in the 2018/2019 financial year).

Milan, 9 October 2020

for the **Board of Directors**
The Chief Executive Officer
Ivan Gazidis

ATTACHMENTS



ATTACHMENTS

These attachments contain additional information to that reported in the Notes, of which they are an integral part.

This information is contained in the following attachments:

- statement of changes in intangible fixed assets;
- statement of changes in tangible fixed assets;
- statement of changes in equity investments;
- statement of changes in shareholders' equity;
- segment breakdown;
- reconciliation between the A.C. Milan S.p.A. and the Consolidated shareholders' equity and profit or loss;
- list of equity investments in subsidiaries, associates and others.

Attachment 1

Statement of changes in intangible assets

(in thousands of Euros)

Historical cost	30.06.2019	Investments	(Disinvestments)	Other changes	(Amortisation)	(Write-downs) / Write-backs	Scope of consolidation	30.06.2020
Start-up and expansion costs	3	—	—	—	—	—	—	3
Industrial patent rights and use of intellectual property	—	—	—	—	—	—	—	—
Concessions, licences, trademarks and similar rights	48.917	1.416	—	—	—	—	—	50.333
Goodwill and consolidation difference	—	—	—	—	—	—	—	—
Assets in progress and advances	—	122	—	—	—	—	—	122
Player registration rights	414.046	99.369	(87.371)	—	—	—	—	426.043
Other intangible fixed assets	35.040	458	(36)	—	—	—	—	35.462
Total	498.006	101.365	(87.407)	—	—	—	—	511.964

Accumulated Depreciation and Provision for Doubtful Accounts	30.06.2019	Investments	(Disinvestments)	Other changes	(Amortisation)	(Write-downs) / Write-backs	Scope of consolidation	30.06.2020
Start-up and expansion costs	(3)	—	—	—	—	—	—	(3)
Industrial patent rights and use of intellectual property	—	—	—	—	—	—	—	—
Concessions, licences, trademarks and similar rights	(26.380)	—	—	—	(6.686)	—	—	(33.066)
Goodwill and consolidation difference	—	—	—	—	—	—	—	—
Player registration rights	(181.838)	—	56.949	—	(94.601)	(19.851)	—	(239.341)
Other intangible fixed assets	(18.399)	—	8	—	(2.132)	—	—	(20.523)
Total	(226.620)	—	56.957	—	(103.419)	(19.851)	—	(292.933)

Net value	30.06.2019	Investments	(Disinvestments)	Other changes	(Amortisation)	(Write-downs) / Write-backs	Scope of consolidation	30.06.2020
Start-up and expansion costs	—	—	—	—	—	—	—	—
Industrial patent rights and use of intellectual property	—	—	—	—	—	—	—	—
Concessions, licences, trademarks and similar rights	22.532	1.416	—	—	(6.686)	—	—	17.262
Goodwill and consolidation difference	—	—	—	—	—	—	—	—
Assets in progress and advances	—	122	—	—	—	—	—	122
Player registration rights	232.208	99.369	(30.422)	—	(94.601)	(19.851)	—	186.703
Other intangible fixed assets	16.641	458	(28)	—	(2.132)	—	—	14.939
Total	271.381	101.365	(30.450)	—	(103.419)	(19.851)	—	219.027

Attachment 2

Statement of changes in tangible fixed assets

(in thousands of Euros)

Historical cost	30.06.2019	Investments	(Disinvestments)	Other changes	(Amortisation)	(Write-downs) / Write-backs	Scope of consolidation	30.06.2020
Land and buildings	12.595	46	—	—	—	—	—	12.641
Plant and machinery	4.925	14	—	—	—	—	—	4.939
Industrial and commercial equipment	4.026	252	(1)	—	—	—	—	4.277
Other tangible assets	3.457	223	(11)	—	—	—	—	3.669
Tangible assets in progress	—	384	—	—	—	—	—	384
Total	25.003	919	(12)	—	—	—	—	25.910

Accumulated Depreciation and Provision for Doubtful Accounts	30.06.2019	Investments	(Disinvestments)	Other changes	(Amortisation)	(Write-downs) / Write-backs	Scope of consolidation	30.06.2020
Land and buildings	(2.166)	—	—	—	(154)	—	—	(2.320)
Plant and machinery	(2.849)	—	—	—	(280)	—	—	(3.129)
Industrial and commercial equipment	(3.285)	—	1	—	(261)	—	—	(3.545)
Other tangible assets	(2.474)	—	10	—	(300)	—	—	(2.764)
Total	(10.774)	—	11	—	(996)	—	—	(11.757)

Net value	30.06.2019	Investments	(Disinvestments)	Other changes	(Amortisation)	(Write-downs) / Write-backs	Scope of consolidation	30.06.2020
Land and buildings	10.429	46	—	—	(154)	—	—	10.321
Plant and machinery	2.076	14	—	—	(280)	—	—	1.810
Industrial and commercial equipment	741	252	—	—	(261)	—	—	732
Other tangible assets	983	223	(1)	—	(300)	—	—	905
Tangible assets in progress	—	384	—	—	—	—	—	384
Total	14.229	919	(1)	—	(996)	—	—	14.149

Attachment 3

Statement of changes in equity investments

(in thousands of Euros)

Historical cost	30.06.2019	Investments	(Disinvestments)	Other changes	(Write-downs) / Write-backs	Scope of consolidation	30.06.2020
Subsidiaries:							
- measured using the equity method	—	—	—	—	—	—	—
- measured using the cost method	104	—	—	—	—	—	104
Associates:							
- measured using the equity method	1.885	—	—	—	539	—	2.424
- measured using the cost method	—	—	—	—	—	—	—
Other companies:							
- measured using the equity method	—	—	—	—	—	—	—
- measured using the cost method	—	—	—	—	—	—	—
Total	1.989	—	—	—	539	—	2.528

Write-down provision	30.06.2019	Investments	(Disinvestments)	Other changes	(Write-downs) / Write-backs	Scope of consolidation	30.06.2020
Subsidiaries:							
- measured using the equity method	—	—	—	—	—	—	—
- measured using the cost method	—	—	—	—	—	—	—
Associates:							
- measured using the equity method	—	—	—	—	—	—	—
- measured using the cost method	—	—	—	—	—	—	—
Other companies:							
- measured using the equity method	—	—	—	—	—	—	—
- measured using the cost method	—	—	—	—	—	—	—
Total	—	—	—	—	—	—	—

Net value	30.06.2019	Investments	(Disinvestments)	Other changes	(Write-downs) / Write-backs	Scope of consolidation	30.06.2020
Subsidiaries:							
- measured using the equity method	—	—	—	—	—	—	—
- measured using the cost method	104	—	—	—	—	—	104
Associates:							
- measured using the equity method	1.886	—	—	—	539	—	2.425
- measured using the cost method	—	—	—	—	—	—	—
Other companies:							
- measured using the equity method	—	—	—	—	—	—	—
- measured using the cost method	—	—	—	—	—	—	—
Total	1.989	—	—	—	539	—	2.529

Attachment 4

Statement of changes in shareholders' equity

(in thousands of Euros)

	Share Capital	Share premium reserve	Legal reserve	Statutory Reserves	Other reserves	Profit (loss) carried forward	Profit/(loss) for the year	Total Shareholders' Equity
Shareholders' Equity at 30.06.2018	74.880	9.600	124	—	(4.823)	(17.188)	(32.624)	29.969
Appropriation of profit for the year 2017	—	—	—	—	(126.019)	—	126.019	—
Increases in share capital	—	—	—	—	—	—	—	—
Capital contributions and/or contributions to cover losses	—	—	—	—	265.461	—	—	265.461
Covering of losses	—	—	—	—	—	—	—	—
Other changes	—	—	—	—	(147)	—	—	(147)
Result for the period	—	—	—	—	—	—	(145.985)	(145.985)
Shareholders' Equity at 30.06.2019	113.443	31.020	124	—	101.872	(17.188)	(145.985)	83.286
Appropriation of profit for the year 2018/19	0	0	0	0	(145.985)	0	145.985	—
Dividends paid to shareholders	0	0	0	0	0	0	0	—
Increases in share capital	0	0	0	0	145.000	0	0	145.000
Capital contributions and/or contributions to cover losses	0	0	0	0	0	0	0	—
Covering of losses	0	0	0	0	0	0	0	—
Other changes	0	0	0	0	453	0	0	453
Result for the period	0	0	0	0	0	0	(194.616)	(194.616)
Shareholders' Equity at 30.06.2020	113.443	31.020	124	—	101.341	(17.188)	(194.616)	34.124

Attachment 5

Segment breakdown

(in thousands of Euros)

Balance Sheet	A.C. Milan S.p.A.	Milan Entertainment S.r.l.	Milan Real Estate S.p.A.	AC Milan (Beijing) Sports Development Co. Ltd.	Adjustments	Milan Group Consolidated
Assets						
Receivables from shareholders	—	—	—	—	—	0
Fixed assets:						
- intangible	218.065	48.552	0	0	(47.589)	219.027
- tangible	1.151	424	20.188	1	(7.616)	14.149
- financial	197.770	0	0	0	(195.241)	2.529
	—	—	—	—	—	—
Other long-term receivables	361	0	142	—	—	502
Total fixed assets	417.347	48.976	20.330	1	(250.446)	236.208
Working capital:						
- inventories	—	293	—	—	—	293
- receivables	113.604	7.130	76	319	8.769	129.898
- current financial assets	5.963	149.359	—	—	(155.322)	—
- cash and cash equivalents	8.761	1.759	122	642	—	11.284
Total working capital	128.328	158.542	198	961	(146.553)	141.475
Accruals and deferrals	1.897	593	439	1	(26)	2.904
Total assets	547.572	208.111	20.967	963	(397.025)	380.588
Shareholders' Equity and Liabilities						
Shareholders' Equity:						
- share capital	113.443	20.000	5.000	350	(25.350)	113.443
- reserves	189.655	167.632	7.399	9	(175.031)	189.664
- profit/(loss) carried forward	(34.250)	136	1.344	(841)	(40.756)	(74.367)
- profit/(loss) for the period	(201.061)	2.790	440	516	2.698	(194.616)
Shareholders' Equity	67.787	190.558	14.183	34	(238.438)	34.124
Capital and reserves of minority shareholders	—	—	—	—	—	—
Total Shareholders' Equity	67.787	190.558	14.183	34	(238.438)	34.124
Provisions for risks and charges	24.779	281,665	0	10	(586)	24.485
Employee leaving entitlements	787	766	30	0	0	1.584
Payables	422.493	9.789	6.733	698,736	(157.975)	281.739
Accruals and deferrals	31.725	6.717	21	220,107	(25)	38.658
Total liabilities and shareholders' equity	547.572	208.111	20.967	963	(397.025)	380.588

Attachment 6

Reconciliation between the A.C. Milan S.p.A. and the Consolidated shareholders' equity and profit or loss for the period

(in thousands of Euros)

	30.06.2020		30.06.2018	
	Shareholders' Equity	Group Profit (Loss)	Shareholders' Equity	Group Profit (Loss)
Balance of statutory financial statements A.C. Milan S.p.A.	67.787	(201.061)	123.848	(155.869)
Surpluses in shareholders' equity including profit/loss for the period, compared to book value of the equity investments	7.914	3.747	10.180	5.425
Elimination of infragroup profits and losses	(41.578)	7.498	(50.742)	6.959
Other consolidation adjustments	0	(4.800)	0	(2.500)
Balance of consolidated financial statements	34.124	(194.616)	83.286	(145.985)

Attachment 7

Related-party transactions

(in thousands of Euros)

Counterparty	Trade receivables and Other	Financial Receivables	Trade payables and Other	Financial Payables	Value of production	Costs of production	Financial Income (Expenses)
Rossoneri Sport Investment Luxembourg S.à r.l.	-	-	-	-	-	-	-
Total parent companies	0	0	0	0	0	0	0
Fondazione Milan Onlus	37	-	69	-	46	1	-
Total subsidiaries	37	0	69	0	46	1	0
M-I Stadio S.r.l.	-	-	2.195	-	735	4.918	-
Total associates	0	0	2.195	0	735	4.918	0
Total associates	0	0	0	0	0	0	0
Total	37	0	2.264	0	781	4.919	0

Attachment 8

List of equity investments in subsidiaries, associates and others

(*)	Name	Location	Currency	Share capital (in thousands of Euros)	% Ownership held by the Group
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Companies consolidated using the line-by-line method

Parent Company

	A.C. Milan S.p.A.	Milan	Euro	113.443	—
A	Milan Entertainment S.r.l.	Milan	Euro	20.000	100,00
A	Milan Real Estate S.p.A.	Carnago (VA)	Euro	5.000	100,00
A	AC Milan (Beijing) Sports Development Co. Ltd.	Beijing (PRC)	Euro	350	100,00

Companies consolidated using the equity method

B	M-I Stadio S.r.l.	Milan	Euro	1.000	50,00
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Companies consolidated using the cost method

A	- Fondazione Milan - Onlus	Milan	Euro	104	100,00
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KEY:

- (*) A=> subsidiaries
- B=> associates
- C=> others

AUDITING FIRM'S REPORT



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working world**EY S.p.A.
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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Shareholders of
A.C. Milan S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of A.C. Milan S.p.A. (the Company), which comprise the balance sheet as at 30 June 2020, the income statement and statement of cash flows for the year then ended, and explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Italian regulations governing financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw the attention to the Notes "Going Concern" and "Capital increases" (the "Notes") of the explanatory notes, which indicate that the Company incurred in a loss for the period equal to Euro 201,1 million, the equity amounts to Euro 67,8 million and its financial indebtedness amounts to Euro 249,8 million. This loss triggers the conditions set out in Article 2446 of the Italian Civil Code. In this context the Directors underline that during the period from July to October 2020, the majority shareholder made capital contributions for a total of Euro 96,5 million. The Directors underline the financial support, for a period of not less than 12 months from the date of approval of the financial statements, guaranteed by the majority shareholder.

Based on the assumptions outlined above, the Directors have prepared these financial statements under the going concern assumption. Our opinion is not modified in respect to this matter.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Italian regulations governing financial statements, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of A.C. Milan S.p.A. are responsible for the preparation of the Report on Operations of A.C. Milan S.p.A. as at 30 June 2020, including its consistency with the related financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the financial statements of A.C. Milan S.p.A. as at 30 June 2020 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the financial statements of A.C. Milan S.p.A. as at 30 June 2020 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, October 12, 2020

EY S.p.A.
Signed by: Luca Pellizzoni, Auditor

This report has been translated into the English language solely for the convenience of international readers.

A.C. MILAN

FINANCIAL STATEMENTS AT JUNE 2020



REPORT ON OPERATIONS



A.C. MILAN S.p.A.

Registered office: Via Aldo Rossi no. 8, 20149 Milan

Secondary offices: Via Milanello no. 25 – 21040 Carnago (VA) -

Via dei Missaglia no. 17 – 20142 Milan - Via dei Fontanili no. 61/63 – 20017 Rho (MI)

Share Capital: Euro 113,443,200.00 fully subscribed and paid

comprising 218,160,000 shares, each with a nominal value of Euro 0.52.

Tax ID and Milan, Monza and Brianza and Lodi Companies' Registry Registration No. 01073200154

BOARD OF DIRECTORS' REPORT ON OPERATIONS

AT 30 JUNE 2020

Introduction

Starting from January 2020, the national and international scenario was affected by the pandemic due to the spread of Covid-19 and the consequent restrictions to contain it imposed by the Administrative Authorities, health and sports authorities of various countries. Furthermore, this situation led to the suspension of the football competitions for the 2019/2020 season, in which A.C. Milan S.p.A. (the Club) was involved, to the resumption of these competitions behind closed-doors starting from June 2020, and at least to the postponement of the end of the 2019/2020 football season to 31 August 2020.

On the national level, the Serie A Championship was suspended by the FIGC on 10 March 2020 in accordance with the Prime Ministerial Decree of 9 March 2020. At the time, the First Team was in eighth place in the league table, after 26 matches, and was waiting to play the return match in the semi-finals of the Italian Cup. The domestic competitions were resumed on 12 June with the return match of the semi-finals of the Italian Cup and on 22 June with the twenty-seventh match of the Serie A Championship.

The restrictions adopted by the Authorities meant that the museum and shops could only be opened to the public for a few weeks (with the latter closed from 9 March to 17 May 2020). This had a consequent impact on merchandising revenue and meant that matches had to be played behind closed doors, with a consequent drop in match revenues and pro-rata reimbursement (via vouchers)

of standard season tickets for the 2019/2020 season, as well as tickets already sold. This suspension also caused a reduction in television rights revenues for the year.

Against this background, to partially mitigate the income and financial impact due to the suspension of sports, the Club reached an agreement with the First Team players to reduce their remunerations for the 2019/2020 season by a portion of the salary for April 2020. The agreement had a positive impact of about Euro 4.0 million on the 2019/2020' financial statement.

Sports results

At 30 June 2020, A.C. Milan's first team was in seventh place in the Serie A Championship after 28 matches.

The 2019/2020 football season then ended in August 2020 with the team reaching sixth place in the Serie A Italian Championship, and the semi-finals of the Italian Cup (Tim Cup). For further information, see the section "Significant events occurring after year end" in the Notes.

On 6 June 2020, the first-level U.E.F.A. Licensing Committee examined documentation filed with the application for issue of the U.E.F.A. licence, granting the Club the licence for the 2020/2021 season.

On 20 August 2020, Co.Vi.So.C./F.I.G.C., having examined the documents submitted by the Club, found that the conditions required for the national licence for the 2020/2021 professional championship had been met, in accordance with Title 1) of Official Communication no. 246/A of 26 June 2020 as amended by Official Communication no. 28/A of 31 July 2020.

Transfer Campaign

Sales and purchases of player rights

The operations completed in the 2019/2020 Transfer Campaign which as usual took place during the summer 2019 and winter 2020 transfer sessions, led to an overall increase in invested capital

of Euro 68.9 million resulting from acquisitions of Euro 99.3 million, and sales of Euro 30.4 million (net book value of the rights sold).

The capital gains from the disposals amounted to Euro 20.0 million, while the capital losses were equal to Euro 4.7 million.

The main definitive purchases include those relating to football players Ismael Bennacer, Lenny Alexandre Borges, Leonardo Campos Duarte da Silva, Rafael Alexandre da Conceição Leão, Theo Bernard François Hernández, Andreas Kristoffer Jungdal, and Rade Krunic, as well as Ante Rebic on a temporary basis.

Definitive and temporary sales mainly refer to players Przemysław Gabriel Bargiel, Patrick Cutrone, Tiago Emanuel Embaló Djaló, Gustavo Raúl Gómez Portillo, Diego Sebastián Laxalt Suárez, Alessandro Plizzari, Stefan Simic and André Miguel Valente Silva.

Regarding the last winter transfer session, it should also be noted that in January 2020, the definitive and/or temporary purchase contracts were signed for the players Asmir Begovic, Simon Thorup Kjaer and Alexis Jesse Saelemaekers, as well as the acquisition of Zlatan Ibrahimovic as a player released and the early termination of the temporary transfer for the player Diego Sebastian Laxalt, with his consequent "return" to the team.

Furthermore, definitive and/or temporary sales include Leroy Abanda-Mfomo, Fabio Borini, Mattia Caldara, Jesus Joaquin Fernandez Saenz "Suso", Krzysztof Piątek, José Manuel Reina Paez and Ricardo Ivan Rodriguez.

Renewals of player contracts

During the 2019/2020 financial year, only one contract of AC Milan first team players was renewed.

Terminations of player contracts

During the 2020/2021 summer transfer campaign and based on the players in the squad as of 30 June 2020, only the contract with player Halilovic was mutually terminated.

Season Pass Campaign

The 2019/2020 season pass campaign rose to 32,347 passes for the championship (30,591 season passes for the 2018/2019 season).

The average number of paying spectators for the 2019/2020 financial year for home championship matches was 53,957 (54,369 spectators in the 2018/2019 season).

It should be noted that the last 11 matches of the Serie A championship were played behind closed doors, in compliance with the Administrative Authorities directive and in order to contain Covid-19.

Financial position and operating performance

Net income/(loss) for the year

The net result for the 2019/2020 financial year shows a loss of Euro 201.1 million, an increase of Euro 45.2 million compared to the loss of the previous financial year, equal to Euro 155.9 million.

It should be noted that the Covid-19 pandemic and the consequent restrictive measures imposed by the Administrative Authorities, health and sports authorities of the various countries. In particular, these restrictive measures led to the suspension of the football competitions for the 2019/2020 season, in which A.C. Milan was involved, and the postponement of the end of the 2019/2020 football season to 31 August 2020.

This change is mainly due to lower income from the sale of broadcasting and media rights for Euro 41.7 million, lower income from gate receipts for tickets and passes for Euro 10.6 million, mainly related to the lower number of matches played in the fiscal year and to the extension of the football season beyond the reporting date, higher amortisation, depreciation and write-downs for Euro 31.8 million, mainly due to players' registration rights, and higher provisions for other risks for Euro 3.1 million.

These increases were partially mitigated by lower personnel costs for Euro 23.6 million, higher gains from the sale of players' registration rights for Euro 7.4 million, as well as lower net financial charges for Euro 7.1 million.

Value of production

The value of production for the 2019/2020 financial year amounted to Euro 174.9 million, a decrease of 20.7% compared to the figure of Euro 220.6 million for the previous financial year, and refers to:

	2019/2020		2018/2019		Change
	Value	%	Value	%	
Income from broadcasting and media rights	72.1	41.25%	113.8	51.60%	-41.7
Income from matches	23.8	13.62%	34.4	15.60%	-10.6
Income from management of players' rights	28.1	16.09%	25.5	11.60%	2.6
Sponsorship income	25.3	14.49%	25.3	11.50%	0.0
Commercial income and royalties	6.6	3.80%	5.9	2.70%	0.7
Other revenues and income	18.7	10.69%	15.7	7.10%	3.0
Total	174.9	100%	220.6	100%	-45.7

Income from broadcasting and media rights, equal to of Euro 72.1 million (- 36.6% compared to the previous year), decreased overall by Euro 41.7 million, mainly related to the lower number of matches played due to the Covid-19 pandemic, in which meant 10 matches of the 2019/2020 Serie A Championship had to be played in July and August 2020, with a reduction in fees of Euro 21.5 million. Compared to the previous season, the team did not compete in the final of the Italian Super Cup, resulting in a decrease in revenues of Euro 3.0 million, and did not take part in European competitions, with a corresponding reduction in fees of Euro 14.7 million.

Income from matches amounted to Euro 23.8 million (- 30.8% compared to the previous year) and mainly related to the Covid-19 pandemic effects and to the fact that some matches were held behind closed doors. Compared to the previous fiscal year, the decrease in revenues refers to ticket sales from UEFA Europa League matches (- Euro 1.0 million) following the failure to qualify for the competition this season, offset by higher revenues from TIM Cup matches (+ Euro 1.5 million).

Income from management of players' rights, amounting to Euro 28.1 million, up by Euro 2.6 million compared to the 2018/2019 financial year, due to the combined effect of higher gains from the sale of players' rights (+ Euro 7.3 million), higher revenues from player loans (+ Euro 0.1 million) and

lower income from sources other than player management (- Euro 5.0 million) substantially due to the fees paid to the club on resale of a player.

Sponsorship income, commercial income and royalties amounted to Euro 32.0 million and went up by Euro 0.8 million compared to the previous year.

Other income and revenues amounted to Euro 18.7 million (Euro 15.7 million in the previous year) and refer to Euro 3.8 million (Euro 5.2 million in 2018/2019) to the income from the chargeback of costs to Milan Entertainment S.r.l., in particular for the use of internal areas at Casa Milan and at the San Siro Stadium, Milan, to Milan Real Estate S.p.A. from the chargeback of costs made to players and third parties for their own expenses, as well as Euro 1.4 million (Euro 1.1 million in 2018/2019) for payments from invoices issued to the associate M-I Stadio S.r.l. for the use of internal and external space at the San Siro stadium, Milan, under a specific contract. Moreover, this item includes Euro 7.6 million (Euro 5.2 million in 2018/2019) for the use, for different purposes, of the risk provision for future charges earmarked in the Financial Statements of previous years, Euro 4.7 million (Euro 2.6 million in 2018/2019) for contingent assets and other residual revenues and income, as well as Euro 1.1 million (Euro 1.2 million in 2018/2019) for reimbursements due to player injuries.

Costs of production

Costs of production for the 2019/2020 financial year amounted to Euro 374.3 million, an increase of Euro 7.1 million compared to Euro 367.2 million for the previous financial year, and refer to:

	2019/2020		2018/2019		Change
	Value	%	Value	%	
Personnel costs	154.5	41.28%	178.1	48.50%	-23.6
Amortisation, depreciation and write-downs	123.3	32.94%	91.5	24.90%	31.8
Cost of services and use of leased assets	71.7	19.16%	69.2	18.80%	2.5
Expenses from management of player rights	8.2	2.19%	13.8	3.80%	-5.6
Cost of purchasing raw materials and goods	2.8	0.75%	3	0.80%	-0.2
Other costs and charges	13.8	3.69%	11.6	3.20%	2.2

Total	374.3	100%	367.2	100%	7.1
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Personnel costs, equal to Euro 154.5 million, were down by 13.2% (- Euro 23.6 million compared to the previous year), mainly due to the effects of the player transfer campaign, while led to lower player costs. Following the interruption of sporting competitions in April and May 2020 due to the spread of Covid-19 pandemic, the Club reached an agreement with the First Team players to reduce their remuneration for the 2019/2020 season by a portion of the salary for April 2020. The agreement had a positive impact of about Euro 4.0 million on financial statement.

Amortisation, depreciation and write-downs amounted to Euro 123.3 million and increased by Euro 31.8 million (+35.0% compared to the previous financial year), mainly due to higher amortisation of players' registration rights for Euro 14.3 million related to the 2019/2020 transfer campaign, as well as higher write-downs of the registration rights of some players, due to the losses on disposal made in the course of the September-October 2020 transfer campaign for Euro 19.9 million.

The item Cost of services and use of leased assets, amounting to Euro 71.7 million, recorded a net increase of Euro 2.5 million (+ 3.5% compared to the 2018/2019 financial year) mainly due to higher general costs for sporting activities (+ Euro 5.1 million), due to new technical staff joining the company, and higher fees to the agents of the players purchased during the year. These increases were partly offset by the reduction in the item consultancies and collaborations for Euro 1.2 million and by lower transfer costs for Euro 0.8 million.

Expenses from management of player rights amounted to Euro 8.2 million, a decrease of Euro 5.6 million compared to the 2018/2019 financial year due to lower costs for the temporary acquisition of players (- Euro 9.7 million), partly offset by higher losses from the sale of players' registration rights (- Euro 4.2 million).

Costs of raw materials and goods were essentially in line with the previous financial year (- Euro 0.2 million) and essentially refer to the costs incurred in buying training kit, the official strips supplied by the technical sponsor, and costs of buying medical items.

The item Other costs and charges, equal to Euro 13.8 million (Euro 11.6 million in the previous financial year), mainly includes Euro 0.6 million (Euro 1.3 million in the 2018/2019 financial year) costs

of chargebacks made to Milan Entertainment S.r.l., Milan Real Estate S.p.A., AC Milan (Beijing) Sports Developments Co. Ltd. and players and third parties, for their own expenses, Euro 1.6 million (Euro 1.2 million in the 2018/2019 financial year) for fees to the Lega Nazionale Professionisti and other organisations and Euro 0.7 million (Euro 2.1 million in the 2018/2019 financial year) for contingent liabilities and other minor costs. This item also includes provisions for various risks for Euro 9.9 million (Euro 6.8 million in the previous financial year) relative to the provision of personnel restructuring costs, future costs relative to technical personnel "released" but still on the company payroll, as well as leaving indemnities for players sold during the September and October 2020 transfer campaign.

Financial Income and Expenses

Financial income and expenses showed an expense of Euro 3.0 million compared to an expense of Euro 10.1 million in the 2018/2019 financial year, recording a considerable improvement (- Euro 7.1 million).

This change was mainly the result of:

- Euro 2.3 million from higher dividends distributed by the subsidiaries Milan Entertainment S.r.l. (+ Euro 2.0 million) and Milan Real Estate S.p.A. (Euro 0.3 million), as per the resolution of the Shareholders' meeting of 28 October 2019, relating to the approval of the financial statements of subsidiaries at 30 June 2019;
- Euro 2.3 million for lower interest payable on two non-convertible bonds fully repaid in September 2018;
- Euro 2.6 million being the net effect of applying the amortised cost principle on receivables and payables relating to the player transfer season;
- Euro 0.9 million from lower commission on guarantees issued by leading banks and/or insurance companies, mainly for the players transfer campaigns.

The financial expenses also include interest of Euro 1.6 million payable to the subsidiary Milan Entertainment S.r.l. (in line with the 2018/2019 financial year).

Income taxes for the year

The balance of taxes, amounting to Euro 1.3 million (- Euro 0.9 million in the previous financial year), mainly related to tax income from tax consolidation arising from the adjustment of relations exclusively within the sub-consolidation area of the Milan Group for Euro 1.3 million.

Player registration rights

At 30 June 2020, player registration rights totalled Euro 186.7 million compared to Euro 232.2 million in the previous year.

The net decrease of Euro 45.5 million derives from the investments (+ Euro 99.3 million) and net disinvestments (- Euro 30.4 million), amortisation for the year (- Euro 94.6 million) and write-downs of multi-year player registration rights in the period (- Euro 19.9 million).

For details of the players involved in these movements, please see the attachments section of the Notes.

Shareholders' Equity

Shareholders' equity at 30 June 2020 was equal to Euro 67.8 million, a decrease compared to the balance of Euro 123.8 million at 30 June 2019, due to payments on account of the future share capital increase for a total of Euro 145 million and the loss for the period (- Euro 201.1 million).

At 30 June 2020, the club's shareholders' equity was made up of the share capital, fully subscribed and paid, of Euro 113,443,200.00, comprising 218,160,000 shares, each with a nominal value of €0.52, the share premium reserve of Euro 31,020,000.00, fully subscribed and paid, the legal reserve of Euro 123,889.55, payments on account of future capital increases and/or to cover losses, of Euro 158,511,122.88 and losses carried forward of Euro 34,249,947.91.

Net Financial Position

On 30 June 2020, the Net Financial Position of the Club showed net indebtedness of Euro 249.8 million, a deterioration (- Euro 32.4 million) compared to 2018/2019 (Euro 217.4 million), mainly due to the increase in payables to factors for Euro 20.8 million following sales of receivables during the year. It should be noted that Euro 143.3 million (Euro 131.1 million in the previous year) refers to financial payables due to subsidiaries for centralised management of the Group treasury.

For more details about the composition and movements in net financial position, please see the Notes to the financial statements.

Relationships with subsidiaries, associates and parent companies

The company is not subject to direction and coordination by the parent Rossoneri Sport Investment Luxembourg S.à r.l.

With regard to the main relationships in place with subsidiaries, associates and parent companies:

- the Club has an agreement in place with the subsidiary Milan Real Estate S.p.A. regarding the use of the Milanello Sports Centre and a number of rental units, which also includes maintenance services, for an annual fee of Euro 6.1 million, net of any adjustments and ISTAT revaluation;
- the Club has an agreement with its subsidiary Milan Entertainment S.r.l. for the provision of a whole series of services including commercial, marketing, sales, stadium and ticketing management, staff management and administration, fiscal and insurance services, financial and cash management, operations control and internal auditing, legal, compliance and security services, IT, social and new media, logistics and general services, as well as sports regulatory compliance, with a total annual value of Euro 13.8 million, not including the ISTAT revaluation;
- the Club also has three subletting agreements for internal areas of “Casa Milan”, which are leased from Vittoria Assicurazioni S.p.A. with the subsidiaries Milan Entertainment S.r.l., Milan Real Estate S.p.A. and the Milan Foundation. The annual contract values are as follows: Euro 3.0 million, Euro 46 thousand and Euro 43 thousand, all subject to ISTAT revaluation;

- the Club has entered into an agreement with the subsidiary AC Milan (Beijing) Sports Development Co. Ltd. for the use of the Milan branding for commercial purposes such as sponsorships (except for Technical and Jersey sponsorships), licences and Academies in China, against the payment of royalties to the subsidiary, following the finalisation of the specific agreement;
- The Club has a joint contract with F.C. Internazionale S.p.A., with M-I Stadio S.r.l. relating to the payments from invoices issued for the use of some internal and external spaces at the San Siro Stadium in Milan, under which the annual fee payable to the licensees is Euro 1.4 million (plus any adjustments);
- The Club has a joint contract with F.C. Internazionale S.p.A., with M-I Stadio S.r.l. relating to operating costs to manage the San Siro Stadium, under which the annual fee payable by the licensees is Euro 9.1 million (plus any adjustments);
- the Club has an intercompany correspondence account with subsidiaries, which is regulated at arm's-length conditions;
- With effect from 1 January 2017 the parent company A.C. Milan S.p.A. exercised the option to join the tax consolidation scheme (Articles 117-129 of Presidential Decree 917/86), as the consolidating entity, jointly with Milan Entertainment S.r.l. and Milan Real Estate S.p.A. consolidated companies.

Details of all other intercompany relationships and the changes in equity investments, as well as related-party transactions, are provided in the summary tables in the Notes.

Contingent liabilities and other information

Financial Fair Play

The club's participation in European competitions is subject to compliance with sporting, legal, infrastructure, organisational and economic/financial requirements set out in the U.E.F.A. Club

Licensing and Financial Fair Play Regulations – Edition 2018. In this regard, on 18 June 2020 the Executive Committee of UEFA approved partial exemptions from the Financial Fair Play rules and the criteria for their monitoring, so that the negative effects of Covid-19 on the financial results of football clubs are taken into account for the purposes of the Licence.

Based on historical data and expected results, the company believes, in line with the opinions of its legal advisors that, if it qualifies for European competitions in the 2020/2021 season having finished sixth in the Serie A Championship, which ended in August 2020, UEFA may administer sporting and/or economic/financial sanctions based on any violations of the break-even rule required by Financial Fair Play, in the monitoring periods indicated by regulations, and has therefore maintained the provision for risks allocated in previous years in the financial statements.

Other information

Chief Football Officer

On 6 March 2020, the company informed Mr. Zvonimir Boban of its withdrawal for just cause from the long-term collaboration pursuant to Article 409 of the Italian Code of Civil Procedure, entered into with him on 1 July 2019 and scheduled to end on 30 November 2022.

Mr. Boban, through his lawyers, in a letter dated 11 March 2020, disputed the reasons put forward by the company for the withdrawal. In summary, he impugned the withdrawal, partly maintaining it to be retaliatory, and claimed that the collaboration relationship was in fact a fixed-term managerial employment or, in the alternative, that it should be recategorised pursuant to and for the effects of the provisions of Article 2 of Legislative Decree no. 81/2015, with a claim for compensation for financial and non-financial damage. In consideration of the above, the company, based on the information currently in its possession and supported by the opinions of its lawyers, has prudentially made an allocation to the provision for risks in the financial statements, although it believes that the various reasons of that led to the interruption for just cause of the previous relationship with Mr. Boban are well-founded, notwithstanding the inherent risk. The Company must file a statement of defence pursuant to Article 416 of the Italian Criminal Code by 16.10.2020.

Information on the environment and personnel

In accordance with Article 2428(2) civil code, the club performs its activity in full accordance with the health and safety obligations provided for in legislative decree 81/2008, with regard to stadium security, the prevention and repression of football-related violence as provided for by Law number 41 of 4 April 2007 and by the Pisanu and Amato decrees.

Details of the number and composition of personnel are provided in the Notes.

Research and Development

The company did not carry out any research and development during the 2019/2020 financial year.

Going concern

The company had a loss for the period of Euro 201.1 million, a positive shareholders' equity of Euro 67.8 million and a consolidated negative net financial position of Euro 249.8 million (of which Euro 143.4 million owed to subsidiaries).

The majority shareholder Rossoneri Sport Investment Luxembourg S.à r.l. has guaranteed its commitment to provide financial support to the club for at least 12 months from the date of approval of the financial statements.

Based on these considerations, the directors have prepared these separate financial statements on a going concern basis.

Main risks and uncertainties, and business outlook

The continued global health crisis that affected the final months of the 2019/2020 financial year and substantially altered the calendar of sports competitions – extending the football season until 31 August 2020 and postponing both the first phase of the Transfer Campaign and the start of the 2020/2021 football season – exacerbates the climate of economic, financial and sporting uncertainty.

The first match of the Serie A Championship was played on 19 September 2020, while the start of the European club competitions – and in the preliminary phase of the UEFA Europa League, which the Team is involved in – took place on 17 September 2020 with the first preliminary round for access to the Group Stage.

The schedules of national and international competitions remain liable to change and the possibility of allowing spectators into stadiums to watch matches is still in doubt, resulting in zero or significantly reduced match revenues, while the current restrictions remain in force.

Forecasts for the world economy – and more specific figures for the sports industry in general and the football sector in particular – point towards a significant deterioration in the economic situation, taking into account both the potential impact of the Covid-19 pandemic and impacts seen in the second half of the 2019/2020 season. This could have an impact on the performance and financial position of the company, which is currently in a period of rising investments, sporting and otherwise.

Furthermore, when assessing the outlook of operations, the uncertainties typical of the football business are still present. These derive, in particular, from the performance of the First Team in the competitions in which it is involved, from additional transfers of player registration rights that may be made in the financial year, from the revenues from commercial activities, and from the trend in the cost of registered personnel, also taking into account the variable component of the agreed remuneration.

The Company will continue to monitor the evolution of the situation related to the spread of the Covid-19 pandemic, in view of both the changing regulatory framework and the complex global economic context. This will allow it to assess whether to adopt further measures to protect the health and well-being of its registered players, employees and collaborators, and to protect its sources of income and assets.

Moreover, during July-October 2020, the majority shareholder contributed capital for a total of Euro 96.5 million.

Financial risk management objectives and policies

The Milan Group has put in place specific policies outlining its financial risk management guidelines and objectives, with the aim of reducing its exposure to the exchange, credit and liquidity risks connected to its core business.

The existing financial instruments (which do not include derivatives) such as bank and postal deposits, cash, cheques and other valuables and accounts receivable do not carry any type of financial risk. Finally, the trade receivables were not considered to pose financial risks, as almost all of them have a maturity date of 18 months' maximum (apart from various accounts receivable from football clubs as a result of the various transfer campaigns) or because they are already covered by a specific provision.

The main financial risks that the company is exposed to are described below.

Exchange rate risk

Exposure to exchange risk derives almost entirely from the acquisition of player registration rights in currencies other than the Euro (generally US Dollars, Swiss Francs and Pound Sterling). However, the company carries out the majority of its transactions (both purchases and sales) in Euro, and accordingly there are no significant risks connected to exchange rate fluctuations.

Interest rate risk

The interest rate risk mainly derives from the variable-rate payables that expose the Group to variable cashflow.

Credit risk

The company does not have a significant concentration of credit risk and has suitable procedures in place to minimise exposure to that risk. In particular, receivables from domestic football clubs are guaranteed by the clearing house mechanism of the Lega Nazionale Professionisti. Receivables for fees resulting from the negotiation of contracts for TV rights are guaranteed by bank sureties issued by the clients. Lastly, receivables not backed by guarantees are regularly monitored to manage collection risk, with specific provisions for doubtful accounts made where necessary.

Liquidity risk

Liquidity risk is linked to the difficulty in raising funds to meet commitments. As mentioned above, the shareholder Rossoneri Sport Investment Luxembourg S.à. r.l. carried out recapitalisations during 2019/2020 for Euro 145 million to provide the company with the necessary funds to cover current operating expenses and to strengthen its balance sheet.

The majority shareholder Rossoneri Sport Investment Luxembourg S.à r.l. has also guaranteed its commitment to provide financial support to the club for at least 12 months from the date of approval of the financial statements.

Milan, 9 October 2020

for the **Board of Directors**
The Chief Executive Officer
Ivan Gazidis

FINANCIAL STATEMENTS



FINANCIAL STATEMENTS AT 30 JUNE 2020

(in Euros)

BALANCE SHEET

ASSETS

	30.06.2020	30.06.2019	Change
A) RECEIVABLES FROM SHAREHOLDERS FOR PAYMENTS DUE	—	—	—
<hr/>			
B) FIXED ASSETS			
I INTANGIBLE FIXED ASSETS			
4 Concessions, licences, trademarks and similar rights	16.344.009	22.067.929	(5.723.920)
7 player registration rights	186.702.988	232.207.655	(45.504.667)
8 other	14.917.722	16.617.470	(1.699.748)
Total	218.065.393	270.893.054	(52.827.661)
<hr/>			
II TANGIBLE FIXED ASSETS			
2 plant and machinery	109.438	156.524	(47.086)
3 industrial and commercial equipment	401.527	417.918	(16.391)
4 other assets	639.476	808.433	(168.957)
5 assets in progress and advances	—	—	—
Total	1.151.040	1.382.875	(231.835)
<hr/>			
III FINANCIAL FIXED ASSETS			
1 equity investments in:			
a) subsidiaries	196.685.017	196.685.017	0
b) associates	1.085.291	1.085.291	—
Total	197.770.308	197.770.308	0
<hr/>			
2 receivables:			
e) others			
- within 12 months	360.585	488.834	(128.249)
- after 12 months	—	—	—
Total	360.585	488.834	(128.249)
<hr/>			
Total	198.130.893	198.259.142	(128.249)
TOTAL FIXED ASSETS (B)	417.347.326	470.535.071	(53.187.745)

FINANCIAL STATEMENTS AT 30 JUNE 2020

(in Euros)

BALANCE SHEET

ASSETS

	30.06.2020	30.06.2019	Change
C) WORKING CAPITAL:			
I INVENTORIES	—	—	—
Total	—	—	—
II RECEIVABLES			
1 from customers	46.321.795	54.373.507	(8.051.712)
2 from subsidiaries	2.425.855	2.762.721	(336.866)
3 from associates	—	548.400	(548.400)
4 from parent companies	—	—	—
5 from companies subject to parent companies' control	—	—	—
5 bis tax receivables			
a) within 12 months	6.881.802	8.366.538	(1.484.736)
b) after 12 months	732.288	1.833.545	(1.101.257)
5 ter deferred tax assets	1.287.874	1.224.904	62.970
5 quater from others	192.260	2.107.859	(1.915.599)
6 receivables from institutions - specific sector			
a) within 12 months	32.102.305	47.358.812	(15.256.507)
b) after 12 months	23.660.112	17.415.791	6.244.321
Total	113.604.291	135.992.077	(22.387.786)
III TOTAL FINANCIAL ASSETS (other than fixed assets)			
7 other receivables	—	—	—
8 financial assets for the centralised Treasury management	5.962.774	4.885.925	1.076.849
Total	5.962.774	4.885.925	1.076.849
IV CASH AND CASH EQUIVALENTS			
1 bank and postal deposits	8.728.320	9.126.251	(397.931)
3 cash in hand	33.046	44.156	(11.110)
Total	8.761.366	9.170.407	(409.041)
TOTAL WORKING CAPITAL (C)	128.328.431	150.048.409	(21.719.978)
D) ACCRUALS AND DEFERRALS			
1 accruals	—	—	—
2 deferrals	1.896.921	2.558.170	(661.249)
TOTAL ACCRUALS AND DEFERRALS (D)	1.896.921	2.558.170	(661.249)
TOTAL ASSETS	547.572.655	623.141.650	(75.568.972)

FINANCIAL STATEMENTS AT 30 JUNE 2020

(in Euros)

BALANCE SHEET

EQUITY AND LIABILITIES

	30.06.2020	30.06.2019	Change
A) SHAREHOLDERS' EQUITY			
I CAPITAL	113.443.200	113.443.200	—
II SHARE PREMIUM RESERVE	31.020.000	31.020.000	—
III REVALUATION RESERVES	—	—	—
IV LEGAL RESERVE	123.890	123.890	—
V STATUTORY RESERVES	—	—	—
VI OTHER RESERVES:			
a) capital contributions	158.511.123	169.379.816	(10.868.693)
VII RESERVE FOR HEDGING EXPECTED CASH FLOWS	—	—	—
VIII PROFIT (LOSS) CARRIED FORWARD	(34.249.948)	(34.249.948)	—
IX PROFIT (LOSS) FOR THE PERIOD	(201.060.678)	(155.868.694)	(45.191.984)
X NEGATIVE RESERVE FOR OWN SHARES IN PORTFOLIO	—	—	—
TOTAL SHAREHOLDERS' EQUITY (A)	67.787.587	123.848.264	(56.060.677)
B) PROVISIONS FOR RISKS AND CHARGES			
4 other	24.778.983	22.345.356	2.433.627
TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	24.778.983	22.345.356	2.433.627
C) EMPLOYEE LEAVING ENTITLEMENTS	787.411	774.066	13.345
D) PAYABLES			
1 bonds			
a) within 12 months	—	—	—
b) after 12 months	—	—	—
3 payables to shareholders for loans			
a) within 12 months	—	—	—
b) after 12 months	—	—	—
4 financial payables	6.011	1.259.089	(1.253.078)
5 payables to other financial institutions			
a) within 12 months	96.511.416	94.283.479	2.227.937
b) after 12 months	18.658.712	—	18.658.712
7 trade payables			
a) within 12 months	40.160.797	43.337.030	(3.176.233)
b) after 12 months	975.000	2.506.070	(1.531.070)
9 payables to subsidiaries	149.577.294	137.875.269	11.702.025
10 payables to associates	2.195.292	1.873.424	321.868
11 payables to parent companies	—	—	—
11 bis payables to companies subject to parent companies' control	—	—	—
12 tax payables	22.480.149	15.144.560	7.335.589
13 payables to pension funds and social security agencies	2.355.797	400.100	1.955.697
14 other payables	13.762.163	8.032.716	5.729.447
15 Payables to professional bodies			
a) within 12 months	63.443.609	113.446.005	(50.002.396)
b) after 12 months	12.366.665	26.436.491	(14.069.826)
TOTAL PAYABLES (D)	422.492.905	444.594.233	(22.101.329)
E) ACCRUALS AND DEFERRALS			
1 accruals	192.784	296.668	(103.884)
2 deferrals	31.532.985	31.283.063	249.922
TOTAL ACCRUALS AND DEFERRALS (E)	31.725.769	31.579.731	146.038
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	547.572.655	623.141.650	(75.568.996)

FINANCIAL STATEMENTS AT 30 JUNE 2020

(in Euros)

INCOME STATEMENT

	FY 2019/2020	FY 2018/2019	Change
A) VALUE OF PRODUCTION			
1 Revenues from sales and services			
a) match revenues	13.334.018	21.183.444	(7.849.426)
b) season passes	6.931.790	9.408.845	(2.477.055)
c) revenues from other competitions	3.551.375	3.815.098	(263.723)
Total	23.817.183	34.407.387	(10.590.204)
5 other revenues and income			
b) sponsorship revenues	25.336.192	25.333.693	2.499
d) commercial revenues and royalties	6.669.960	5.880.277	789.683
e) income from the sale of broadcasting rights:			
- audiovisual income from participation in national competitions	63.385.461	90.294.285	(26.908.824)
- audiovisual income from participation in other competitions		14.753.999	(14.753.999)
f) miscellaneous income	8.865.502	9.091.378	(225.876)
g) revenues from player loans	5.442.400	5.245.000	197.400
h) gains from the sale of player registration rights	20.019.546	12.621.524	7.398.022
i) other income from player management	2.674.476	7.670.315	(4.995.839)
l) other income and revenues	18.715.368	15.279.295	3.436.073
Total	151.108.905	186.169.766	(35.060.861)
TOTAL VALUE OF PRODUCTION (A)	174.926.088	220.577.153	(45.651.065)
B) COSTS OF PRODUCTION			
6 for raw materials, ancillary materials, consumables and goods	2.821.326	2.972.713	(151.387)
7 for services	61.714.817	60.338.664	1.376.153
8 for use of third-party assets	9.982.915	8.891.328	1.091.587
Total	74.519.058	72.202.705	2.316.353
9 for personnel:			
a) wages and salaries	147.101.912	171.095.551	(23.993.639)
b) social security charges	5.785.099	5.373.467	411.632
c) employee leaving entitlements	1.398.257	1.451.249	(52.992)
e) other costs	239.500	179.695	59.805
Total	154.524.768	178.099.962	(23.575.194)
10 amortisation, depreciation and write-downs			
a) amortisation of intangible assets	102.705.234	88.501.870	14.203.364
b) depreciation of tangible assets	412.461	476.356	(63.895)
c) other write-downs of fixed assets	19.850.639	1.933.898	17.916.741
d) write down of credits included under working capital and liquid assets.	354.512	577.530	(223.018)
Total	123.322.846	91.489.654	31.833.192
12 provisions for risks	9.858.281	6.755.360	3.102.921
14 sundry management expenses			
a) various match organisation expenses	53.147	44.758	8.389
b) match registration costs	3.020	2.240	780
c) percentage of gate receipts paid to visiting teams	241.046	198.725	42.321
d) costs for acquisition of players on loan	3.438.000	13.180.242	(9.742.242)
e) losses from the sale of player registration rights	4.716.821	448.857	4.267.964
f) other expenses from player management	5.499	157.233	(151.734)
g) other sundry management expenses	3.615.365	4.641.230	(1.025.865)
Total	12.072.898	18.673.285	(6.600.387)
TOTAL COSTS OF PRODUCTION (B)	374.297.850	367.220.966	7.076.884
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A - B)	(199.371.762)	(146.643.813)	(52.727.949)

FINANCIAL STATEMENTS AT 30 JUNE 2020

(in Euros)

INCOME STATEMENT

	FY 2019/2020	FY 2018/2019	Change
C) FINANCIAL INCOME AND (EXPENSES)			
15 income from equity investments			
a) subsidiaries	4.800.000	2.500.000	2.300.000
16 other financial income			
d) income different from the above:			
- other	681.722	762.724	(81.002)
Total	5.481.722	3.262.724	2.218.998
17 interest and other financial charges			
a) from subsidiaries	(1.560.999)	(1.585.251)	24.252
d) other financial expenses	(6.954.317)	(11.787.515)	4.833.198
Total	(8.515.316)	(13.372.766)	4.857.450
17 bis exchange-rate gains and losses:			
a) exchange rate gains	34.148	31.322	2.826
b) exchange rate losses	(4.688)	(10.159)	5.471
Total	29.460	21.163	8.297
TOTAL FINANCIAL INCOME AND (EXPENSES) (C)	(3.004.134)	(10.088.879)	7.084.745
D) ADJUSTMENTS IN VALUE OF FINANCIAL ASSETS AND LIABILITIES			
19 write-downs			
a) of equity investments	—	—	—
Total	—	—	—
TOTAL ADJUSTMENTS IN VALUE OF FINANCIAL ASSETS AND LIABILITIES (D)	—	—	—
RESULT BEFORE TAX	(202.375.896)	(156.732.692)	(45.643.204)
22 income taxes for the year (current, deferred tax assets and liabilities)			
a) current taxes	1.252.248	872.010	380.238
b) deferred tax assets and liabilities	62.970	(8.012)	70.982
Total	1.315.218	863.998	451.220
PROFIT (LOSS) FOR THE PERIOD	(201.060.678)	(155.868.694)	(45.191.984)

for the **Board of Directors**
The Chief Executive Officer
Ivan Gazidis

FINANCIAL STATEMENTS AT 30 JUNE 2020

(in Euros)

CASH FLOW STATEMENT	Amount at 30.06.2020	Amount at 30.06.2019
A. CASH FLOWS FROM OPERATING ACTIVITIES (INDIRECT METHOD)		
Profit/(loss) for the year	-	-
Income taxes	201.060.678	155.868.694
Interest expense (interest income)	1.315.218	863.998
(Dividends)	7.833.594	12.610.042
(Gains) Losses on disposal of assets	4.800.000	2.500.000
1. Profit (loss) for the year before income taxes, interest, dividends and gains/losses on disposals	214.645.027	158.795.317
Adjustments for non-monetary items not offset in net working capital		
Provisions	9.858.281	6.755.360
Depreciation and amortisation expense	103.117.695	88.978.226
Impairment losses	20.205.151	2.511.428
Value adjustments to financial assets and liabilities of derivative financial instruments that do not involve cash flows	-	-
Other adjustments for non-cash items	-	-
2. Cash flow before changes in NWC	(81.463.900,02)	(60.550.303,00)
Change in net working capital		
Decrease (Increase) in inventories	-	-
Decrease (Increase) in receivables from customers	8.051.712	13.048.220
Increase (Decrease) in payables to suppliers	4.707.303	8.260.493
Decrease (Increase) in accrued income and prepayments	661.249	247.568
Increase (Decrease) in accrued expenses and deferred income	146.038	6.584.113
Other changes in net working capital	(8.460.704,32)	(12.514.253,12)
3. Cash flow after changes in NWC	(85.772.908,34)	(88.036.724,12)
Other adjustments		
Interest received (paid)	(7.833.594)	(12.610.042)
(Income taxes paid)	0,00	(3.729.478)
Dividend income	4.800.000	2.500.000
(Use of provisions)	(7.424.000)	(4.977.000)
Other income/(payments)	0,00	-
CASH FLOW FROM OPERATING ACTIVITIES (A)	(96.230.502,15)	(106.853.244,38)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Tangible fixed assets		
(Investments)	(180.700)	(483.000)
Disinvestments	0	2.000
Intangible fixed assets		
(Investments)	(109.139.810)	(153.377.000)
Disinvestments	41.457.000	49.797.000
Financial fixed assets		
(Investments)	0,00	-
Disinvestments	128.249	-
Current financial assets		
(Investments)	(1.076.849)	-
Disinvestments	0	1.381.294,00
(Acquisition of business units net of cash and cash equivalents)	0	-
Disposal of business units net of cash and cash equivalents	-	-
CASH FLOW FROM INVESTING ACTIVITIES (B)	(68.812.109,85)	(102.679.706,00)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Third-party financing		
Increase (Decrease) in short-term payables to banks	(1.253.078)	49.547
New financing	20.886.649	57.742.251
Loan repayments	0	(126.519.959)
Own funds		
Paid capital increase	145.000.000	265.000.000,00
(Repayment of capital)	0,00	-
Sale (Buyback) of own shares	0,00	-
(Dividends and interim dividends paid)	0,00	-
CASH FLOW FROM FINANCING ACTIVITIES (C)	164.633.571,00	196.271.839,00
Increase (Decrease) in cash and cash equivalents	409.041	13.261.111
Exchange rate effect on cash and cash equivalents	-	-
Cash and cash equivalents - opening balance		
Bank and postal deposits	9.126.251	22.403.819
Cheques cash in hand	-	-
cash in hand	44.156	27.699
Total cash and cash equivalents - opening balance	9.170.407	22.431.518
<i>Of which not freely usable</i>	-	17.771
Cash and cash equivalents - closing balance		
Bank and postal deposits	8.728.320	9.126.251
Cheques cash in hand	-	-
cash in hand	33.046	44.156
Total cash and cash equivalents - closing balance	8.761.366	9.170.407
<i>Of which not freely usable</i>	-	-
Rounding difference	-	-

for the **Board of Directors**
The Chief Executive Officer
Ivan Gazidis

EXPLANATORY NOTES



A.C. MILAN S.P.A.

Registered office: Via Aldo Rossi no. 8, 20149 Milan

Share Capital: Euro 113,443,200.00 fully subscribed and paid

Tax ID and Milan, Monza and Brianza and Lodi Companies' Registry Registration No. 01073200154

FINANCIAL STATEMENTS AT 30 JUNE 2020

NOTES

GENERAL INFORMATION

A.C. Milan S.p.A. is a joint stock company incorporated in Italy and entered in the Milan Companies Register. Its registered office is in 8 Aldo Rossi, 20149 Milan. The company's sole purpose is the pursuit of sporting activities and, the training, the preparation and management of football teams and the promotion and organisation of competitions, tournaments and all other football activities in general, for the purposes and in compliance with the rules and guidelines of the Italian Football Federation and its Bodies (the FIGC).

STRUCTURE AND CONTENT

The financial statements have been prepared in accordance with the provisions of the civil code as amended by legislative decree 139/2015 (the "Decree"), interpreted and amended by the Italian accounting standards as issued by the National Accounting Body ("OIC") which were updated following the enactment into Italian law of Directive 2013/34/EU (the "Accounting Directive").

The financial statements comprise the Balance Sheet (prepared in accordance with the model contained in Articles 2424 and 2424-bis civil code), the income statement (prepared in accordance with the model in Articles 2425 and 2425-bis civil code), and the Cash Flow Statement (the content of which, in accordance with Article 2425-ter civil code, has been presented in accordance with national accounting standard OIC 10) and these Notes (which provide the information required by Article 2427 civil code).

In accordance with Article 2423 civil code, in drawing up the financial statements, the general principles of clarity and truthful/accurate representation of the club's financial situation and its results for the year, have been observed.

The recognition, valuation, presentation and representation of these items may differ from the contents of the mandatory provisions, in cases in which failure to comply with those provisions would have a negligible effect on the truthful/accurate representation of the club's financial situation and its results for the period. To this end, information is considered relevant, from a qualitative and/or quantitative viewpoint, when its omission or incorrect indication may reasonably influence the decisions made by users on the basis of the company's Financial Statements. Further specific criteria used to explain the concept of non-materiality are detailed for individual financial statement items when they apply. The materiality of individual items is assessed in the context of other similar items.

Moreover, the principles provided for by Article 2423-bis of the civil code were complied with as detailed below. The valuation of the items was carried out in accordance with the general principles of prudence and the going concern assumption, for the reasons outlined in the specific paragraph of these notes, as well as taking into account the economic substance of the transaction or arrangement. Therefore, the economic substance of each transaction or event and, in any case, of each company event, was identified - notwithstanding its origin - and the interdependency of several agreements that refer to complex transactions was assessed.

The profits indicated on the financial statements are only those earned on the closing date.

Revenues and charges recorded refer to the financial year, notwithstanding their collection or payment date.

Consideration was given to the risks and losses pertaining to the year even if known after year-end.

Heterogeneous elements included in individual items were valued separately.

Additional information considered necessary to give a true and fair view has also been provided, even if not specifically required by law.

The numbering used in the models contained in Articles 2424 and 2425 civil code, has been faithfully reproduced. Consecutive numbering has not been used for items identified by Arabic numerals with no value. As a result, each individual item will always be allocated the same number, making it easy to compare the financial and income statement positions for different periods.

The Balance Sheet and Income Statement indicate the changes in the various items. The Notes provide comments limited to the main items.

The "Attachments" section which forms an integral part of these Notes contains the schedules of the mandatory information required by the regulations, and other information considered useful in providing a clear, comprehensive picture of these financial statements.

MEASUREMENT CRITERIA AND ACCOUNTING PRINCIPLES

The financial statements at 30 June 2020 were prepared on the basis of the principles of clarity, accurate and truthful representation of the financial situation of the company and of the profit or loss for the period, in accordance with article 2423, second paragraph, of the Italian Civil Code.

The financial statements at 30 June 2020 were prepared in accordance with general principles of prudence, accrual-based accounting and the going concern assumption, also taking into account the economic function of assets and liabilities.

The valuation criteria of various financial statement items comply with the provisions of Article 2426 of the civil code and the reference accounting principles. Budget assumptions include continuity with the previous financial year with respect to the application of the valuation criteria adopted to prepare the Financial Statements.

The valuation criteria of various financial statement items comply with the provisions of Article 2426 of the civil code and the reference accounting principles. Budget assumptions include continuity with the previous financial year with respect to the application of the valuation criteria adopted to prepare the Financial Statements.

As also required by the first paragraph of Article 2423-ter civil code, in view of the nature of the Parent Company A.C. Milan S.p.A.'s business, the instructions issued by the Italian Football Federation (FIGC) and the Committee for the Supervision of Italian Football Clubs (Co.Vi.So.C.) have also been taken into consideration.

It should also be noted that, when preparing the financial statements at 30 June 2020, no exceptions pursuant to Article 2423, paragraph 4 civil code, were made.

The most significant valuation criteria and first-implementation rules adopted are detailed below.

Intangible fixed assets

Intangible assets are recognised as assets when they can be individually identified and their cost can be estimated in a sufficiently reliable way. They are recognised at purchase or production cost, including ancillary charges net of depreciation/amortisation and write-downs. Fixed assets are systematically depreciated on the basis of their estimated future life.

Multi-year charges were registered as assets because:

- their future useful life is demonstrated;
- there is an objective link with the relevant future benefits that the company shall enjoy;
- their recovery can be estimated with reasonable certainty.

Player registration rights

These are intangible assets with a defined useful life equal to the term of the sports contracts signed with players.

Multi-year player registration rights are recorded at their historic purchase price inclusive of any directly attributable ancillary charges and, where appropriate, time-discounted to take into account the deferral of payments over more than one financial period.

The amounts were stated net of amortisation charges, calculated on a straight-line basis in relation of the duration of the contracts signed with individual professional players.

With regard to the accounting treatment of fees for services rendered to the club by sports agents, in accordance with the industry regulations connected to the transfer of player registration rights or contract renewals:

- in the absence of conditions precedent (for example the player remaining registered with the club), these fees are capitalised because they constitute a transaction cost for the purchase of the registration rights;
- if they are conditional on the player remaining registered with the club or relate to services performed for the temporary acquisition or transfer (definitive or temporary) of the right, the fees are instead recognised each time in the income statement.

Player registration rights are recognised on the date when the contract is signed. That date, pursuant to Article 1360 Italian Civil Code, becomes the retroactive date of effectiveness of the ratification by the Lega Nazionale Professionisti Serie A of national transfers, or the issuance of the international transfer certificate (I.T.C.) by the Italian Football Federation (FIGC) for international transfers, through the FIFA "T.M.S." system.

Amortisation starts from the year when the player is registered. For rights acquired during the year, amortisation starts from the date when the player is available, on a time accrual basis.

The original amortisation schedule is amended if a contract is extended due to its early renewal. The new amortisation schedule takes account, on a straight-line basis, of the net book value of the rights at the date of extension of the contract and of the new duration of that contract.

If there is no contractual provision regarding the effective date of the contract, the date for the accounting recognition is the date on which the Lega Nazionale Professionisti Serie A ratifies the contract for national transfers, or from the effectiveness of the issuance of the international transfer certificate by the Italian Football Federation (FIGC) for international transfers, through the FIFA "T.M.S." system.

The item player registration rights also include the costs incurred by the company for the registration of players from amateur football clubs, or foreign clubs that have contributed to the technical training of the players. In particular, the following are recognised:

- technical training and coaching bonuses, pursuant to Article 99 NOIF, paid to amateur football clubs following the signing of the first "professional" contract by players from those clubs. These costs are amortised on a straight-line basis over the duration of the contracts signed with the individual players;
- the training compensation and/or solidarity mechanism payments made, pursuant to FIFA regulations, to football clubs following definitive or temporary transfers of players registered with foreign clubs. These costs are amortised on a straight-line basis over the duration of the contracts signed with the individual players.

Concessions, licences, trademarks and similar rights

These are recognised at acquisition cost and relate to the user rights to the historical archive of television images of the club, which have a finite useful life as they have a period of economic use, in addition to the expenses for the creation and registration of company trademarks and the acquisition of software licenses, which are amortised on a straight-line basis over their estimated future useful life.

Other intangible fixed assets

These specifically refer to leasehold improvements amortised over the term of the related contract.

Tangible fixed assets

They are recorded at the purchase cost effectively paid to acquire the asset and are recognised on the date on which the transfer of risks and benefits takes place, which usually coincides with the transfer of title. This cost includes the purchase cost, ancillary purchase costs and all costs incurred to bring the asset to the location and in the conditions required for it to be a long-term asset for the company.

Tangible fixed assets with a limited useful life are systematically depreciated on a straight-line basis based on their residual useful life.

The depreciation charge for each financial year refers to the distribution of the cost incurred over the entire duration of use.

For assets purchased during the financial year, the depreciation charge is reduced by 50%.

The basis for depreciation, initially estimated upon drafting the depreciation schedule based on the prices achievable on the market through the disposal of similar assets both in terms of technical features and the type of use to which they have been subject, is periodically reviewed in order to verify that the initial estimate is still valid. This amount is considered net of presumable removal costs.

If the tangible asset includes components or accessories with a useful life other than that of the principal asset, the depreciation of such components is calculated separately from that of the principal asset, unless this is not material or feasible.

The annual depreciation rates used are shown in the table below:

Asset	Rate
Plant and machinery	7.5% - 25.0% - 30.0%
Industrial and commercial equipment	15.5%
Furniture and fittings	12.0%
Electrical office equipment	20.0%
Vehicles	25.0%

Ordinary maintenance costs are charged in full to the income statement. Improvement-related maintenance costs are allocated to the related assets and depreciated over their remaining useful life.

Impairment losses for intangible and tangible assets

Impairment losses for intangible and tangible assets are posted pursuant to the provisions of the OIC 9 Accounting Principle.

The Company accesses at each financial statements date whether objective evidence exists that an asset has incurred an impairment loss. If such evidence exists, it estimates the recoverable value of the asset.

In particular, if the recoverable value of an asset (that is the greater out its use value and fair value) is lower than its book value, the asset is posted at such lower value. The difference is recognised in the income statement as an impairment loss under item B10c). If, in the subsequent financial years, the reasons for the write-down no longer apply, the original value is restored, adjusted only for depreciation, and recognised in the income statement under item A5).

In absence of evidence of potential impairment losses, the recoverable amount is not determined.

The value is restored if the reasons for the impairment losses no longer exist and takes place to the extent of the value that the asset would have had, had the value adjustment not been performed. The impairment of goodwill cannot be restored.

With specific reference to player registration rights, if there are indications of value impairments (for example serious injuries or significant losses from post year-end sales, and contractual market conditions that prohibit the sales of players who are surplus to requirements) the depreciation (“*impairment*”) of the residual book value is made.

Financial fixed assets

Equity investments in subsidiaries, associates, parent companies and other companies

Equity investments are recognised as financial assets if they are expected to be part of the company's long-term investment portfolio, otherwise they are recognised in Working capital.

Equity investments are recognised at purchase or establishment cost, including any ancillary costs. The cost incurred when purchasing an investment booked as a fixed asset is maintained in the financial statements of the subsequent financial years, unless an impairment loss occurs. The Company assesses at each financial statements date whether objective evidence exists that an asset has incurred an impairment loss. The impairment loss is determined by comparing the value the equity investment was recorded at in the financial statements with the relevant recoverable value, calculated on the basis of the future benefits expected for the investor. The impairment loss is not maintained if the reasons for the adjustment made no longer apply.

Receivables

Receivables are carried at the amortised costs, time-adjusted, to the extent of their expected realisable value and, therefore, they are shown in the balance sheet net of the relevant provisions for doubtful accounts deemed adequate to cover reasonably predictable losses due to uncollectability.

If the transaction's interest rate is not markedly different from the market rate, the receivable is initially recognised at a value equal to the nominal value net of all premiums, discounts, allowances and inclusive of any costs directly attributable to the transaction that generated the receivable. The aforementioned transaction costs, any commission income and expenses and any difference between the initial value and the nominal value at maturity are distributed along the life of the receivable using the effective interest method.

When, on the other hand, the interest rate for the transaction that can be inferred from contractual conditions is markedly different from the market rate, the receivable (and the relevant income in the case of commercial transactions) is initially posted at a value equal to the present value of estimated future cash flows plus any transactions costs. The rate used to discount future cash flows is the market rate.

In the case of receivables from commercial transactions, the difference between the thus determined initial recognition value of the receivable and the value upon maturity is posted to the income statement as financial income throughout the life of the loan, using the effective interest rate method. In the case of financial receivables, the difference between the liquidity disbursed and the current value of future financial flows, always determined using the market interest rate, is recognised in financial expenses or income in the income statement upon their initial recognition, unless the substance of the transaction or of the agreement attribute a different nature to this component. Subsequently, the active interest accruing on the transaction is calculated at the effective interest rate and posted to the income statement with the value of the receivable as a contra-entry.

The value of the receivables is then subsequently reduced by the amounts received both as capital and as interest, as well as by any write-downs effected to readjust the receivables to their expected realisable value or due to losses.

The company assumes that effects resulting from the implementation of the amortised costs and the discounting are not material when receivables are due within 12 months, taking into account that all contractual and substantial considerations that apply upon recognition of the receivable, as well as all transaction costs and any

difference between the initial value and the nominal value at maturity are also negligible. In this case, discounted can be omitted, the interest can be calculated on the capital and transaction costs registered as deferred expenses and amortised on a straight-line basis over the duration of the receivable to adjust nominal interest income. It should be noted that the company took advantage of the option - provided for by Article 12 of Italian Legislative Decree 139/2015 - to apply the amortised cost only to receivables that have arisen after 1 January 2016.

Write-off of receivables

A receivable is written off from the Financial Statements when:

- the contractual rights on the financial flows arising from the receivable are extinguished; or
- the ownership of the contractual rights arising from the receivable is transferred and, with it, the risks linked to the receivable area also essentially transferred.

For the purposes of the valuation of the transfer of risks, all contractual clauses are taken into account, such as repurchase obligations at the occurrence of certain events or the presence of commissions, excesses or penalties due for non-payment.

When the receivable is written off from the financial statements as a result of a disposal transaction that entails the substantial transfer of all risks, the difference between the price and the value the receivable was recognised at the time of disposal is recognised as disposal loss to be posted under item B14) of the income statement, unless the contract does not allow the identification of other economic components of different nature, including financial.

When the sale agreement does not include the transfer of all risks (e.g. pro-solvendo agreements), the account receivable is kept on the financial statements. If part of the consideration agreed by the transferee is paid in advance, a financial receivable is recorded as counterparty of the advance received. Cost elements, such as interest and commission, to be paid to the transferee, are recorded in the income statement depending on their nature.

When, also by a disposal contract that can substantially transfer all risks linked to the receivable, minimal risks for the company can be identified, the presence of the conditions required to affect a relevant provision to the risk provision is assessed.

Cash and cash equivalents

Bank deposits, post office deposits, and cheques (current account, bank drafts and similar), and are measured according to the general principle of the estimated realisable value, unless the collection of such receivables is very doubtful.

Cash and revenue stamps, measured at their nominal amount.

Cash pooling, consisting in the centralised treasury management by one company within a Group, enables the optimisation of financial resources and is characterised by receivable and payable items towards the company managing the aforementioned cash pooling, respectively for collections from and deposits to the joint current account. Individual companies that participate in centralised treasury management recognise the receivables generated in the item "Financial assets for centralised treasury management" with an indication of the counterparty, which can be the subsidiary of the parent company, in Financial assets that do not constitute long-term investments. If the receivables are not due within one year, they are classified as financial fixed assets.

Any such revaluations and write-downs are posted to the income statement under “Write-down of financial assets due to centralised treasury management” and “Revaluation of financial assets due to centralised treasury management”, indicating the counterparty. Any debt position arising from centralised treasury management shall be classified based on the provision of OIC 19 “Debts”.

Accruals and deferrals

The items include the portions of costs and revenues that are common to two or more financial years, based on the accruals principle. This principle provides that an accrual or a deferral is recognised when the following conditions are met:

- the contract starts in one financial year and ends in a subsequent one;
- the consideration for the services provided is contractually due in advance or in arrears compared to performance common to two or more subsequent financial years;
- the size of accruals and deferrals varies over time.

Accruals and deferrals do not include costs and revenues that accrued in full in the financial year to which the Financial Statements refer or in subsequent ones.

At the end of each financial year, the Company assesses whether the conditions that determined the initial recognition of the accrual or the deferral still apply; if necessary, the required value adjustments are affected. This assessment takes into account not only the passage of time, but also the estimated recoverability of the amount posted to the Financial Statements.

Shareholders' Equity

This item recognises all capital transactions effected between the company and the individuals who exercise their rights and duties as Shareholders. The share capital increase may only be recognised in the accounts after the transaction has been recorded in the companies' registry, as provided for by Article 2444, paragraph 2, civil code. This condition entails, from an accounting viewpoint, the need to use a Shareholders' equity item other than “Equity” in order to recognise the capital contributions subscribed by the Shareholders, which are only reclassified under that item after the transaction has been registered in the companies registry.

Any decrease in the share capital due to the withdrawal of a Shareholder entails an obligation for the Company to purchase his/her shares in order to reimburse him/her, if they are not acquired by other Shareholders; from an accounting viewpoint, a negative provision is registered under the item AX) “Negative reserve for treasury shares in the portfolio”. The difference between the reduction in Shareholders' equity and the claim against the outgoing shareholder is channelled to a provision.

If a shareholder defaults, the share capital is reduced by an amount corresponding to the cancelled shares, which from an accounting point of view reverses the amount due from the outgoing shareholder (as to the tenths still payable by him), and the difference between the reduction in shareholders' equity and the claim against the outgoing shareholder is paid into a reserve.

Provisions for risks and charges

Provisions for risks are recognised for specific liabilities that are probable and whose values are estimated. Therefore, they are contingent liabilities linked to conditions that already existed at the date of the Financial Statements, but that were characterised by a degree of uncertainty, whose outcome depends on the occurrence of one or more future events.

Provisions for charges are recognised for liabilities of a specific nature and certain existence, estimated as to their amount or date of occurrence, linked to obligations already assumed at the Financial Statements' date, but which will be collected in subsequent financial years.

Provisions are quantified based on estimates that take into account all available information, in compliance with the principles of accruals and prudence. These elements can also include the time horizon when at the Financial Statements' date there is a known commitment, on the basis of a contractual or legal obligation, whose disbursement can be reliably estimated and whose occurrence can be reasonably determined, that is sufficiently distant in time so as to make its current value at the date of the Financial Statements significantly different from the one estimated at the time of disbursement.

No generic risk funds without economic justification were set up.

Potential liabilities, if any, are posted to the Financial Statements and registered in the provisions only if they are deemed probable and if the amount of the relevant expense can be reasonably estimated. As a result, remote risks were not taken into account, whereas for contingent liabilities that are deemed possible, even if unlikely, information about the uncertainty situation, where relevant, that the loss would cause, as well as the estimated amount or the indication that such amount cannot be estimated, other possible effects, if not apparent, the indication of the management's opinion and that of its legal and other advisers, where available.

With respect to classification, the provisions for risks and charges are initially registered in the income statement items of the relevant classes Per (B, C or D), depending on their nature. If the link between the nature of the provision and one of the aforementioned classes is not immediately apparent, provisions for risks and charges are posted to items B12) and B13) of the income statement.

Employee leaving entitlements

Italian Law no. 296 of 27 December 2006, (2007 Finance Act) introduced rules for employee leaving entitlements accruing from 1 January 2007. As a result of the Supplementary Pension Reform:

- employee leaving entitlements accrued up to 31 December 2006 remain in the company;
- employee leaving entitlements accruing from 1 January 2007, at the employee's discretion, either through explicit or tacit agreement, have been:
 - allocated to supplementary pension schemes;
 - remained with the company, which transferred the employee leaving entitlements to the I.N.P.S.'s Treasury Fund.

The amounts accrued from 1 January 2007 are still shown in the income statement item B9c) "Employee leaving entitlements". In the balance sheet, item C) "Employee leaving entitlements" represents the remainder of the provision outstanding at 31 December 2006, while item D13) "Payables to pension funds and social security agencies" shows the payable accrued at 30 June 2020 for the employee leaving entitlements still to be paid to the pension funds and social security agencies.

Payables

Payables are recorded in the Financial Statements using the amortised cost method, on a time-adjusted basis. If the transaction's interest rate is not markedly different from the market rate, the payable is initially recognised at a value equal to the nominal value net of all premiums, discounts, allowances and inclusive of any costs directly attributable to the transaction that generated the debt. The aforementioned transaction costs, such as accessory costs to obtain loans, any commission income and expenses and any difference between the initial value and the nominal value at maturity are distributed along the life of the payable using the effective interest method.

When, on the other hand, the interest rate for the transaction that can be inferred from contractual conditions is markedly different from the market rate, the payable (and the relevant cost in the case of commercial transactions) is initially posted at a value equal to the present value of estimated future cash flows plus and considering any transactions costs. The rate used to discount future cash flows is the market rate.

In the case of payables from commercial transactions, the difference between the thus determined initial recognition value of the payable and the value upon maturity is posted to the income statement as financial expense throughout the life of the loan, using the effective interest rate method. In the case of financial payables, the difference between the liquidity disbursed and the current value of future financial flows, always determined using the market interest rate, is recognised in financial income or expenses in the income statement upon their initial recognition, unless the substance of the transaction or of the agreement attribute a different nature to this component. Subsequently, the interest expense accruing on the transaction is calculated at the effective interest rate and posted to the income statement with the value of the payable as a contra-entry.

The value of the payables is then subsequently reduced by the amounts paid both as capital and as interest, as well as by any write-downs effected to readjust the receivables to their expected realisable value or due to losses. The company assumes that effects resulting from the implementation of the amortised costs and the discounting are not material when payables are due within 12 months, taking into account that all contractual and substantial considerations that apply upon recognition of the payable, as well as all transaction costs and any difference between the initial value and the nominal value at maturity are also negligible. In this case, discounted can be omitted, the interest can be calculated on the capital and transaction costs registered as deferred expenses and amortised on a straight-line basis over the duration of the receivable to adjust nominal interest expense.

Payables towards Group companies

Items D9), D10) and D11) include respectively payables to subsidiaries, associates and parent companies, as defined by Article 2359 of the civil code. These payables are shown separately in the balance sheet.

Item D11 bis) includes payables to companies subject to parent companies' control.

Revenues

Match revenues are recognised at the actual time of performance (when each match is played); Season pass sales, if collected at the end of the previous football season, are recognised on an accrual basis using the same rule (i.e. when each match is played).

Sponsorship income is allocated pro rata according to the related contracts, which are signed on the basis of the FIGC football seasons. Bonuses from sponsors are allocated to the income statement on an accrual basis, when the sporting event they relate to takes place.

Revenues from broadcasting license rights and subsequent use of images relating to home league matches are recognised on an accrual basis according to the football season to which they relate

Revenues from service provision and expenses for their purchase are recognised on the date on which provision ended, or, for those governed by contracts with periodical payments, on the date such payments are due.

The revenues from the sale are recognised net of returns, discounts, allowances and premiums, as well as any taxes directly linked to the sale of the products and the provision of the services, and any adjustments to the revenues accrued during the year directly reduce the item "Revenues".

The item "Other revenues and income" includes non-financial positive income components solely due to additional management. This item includes any grants related to income.

Cost

Acquisition costs are recognised on an accruals basis.

The costs for raw materials, ancillaries, consumables and goods are inclusive of ancillary purchase costs (transport, insurance, loading and downloading, etc.) if included by the supplier in the purchase price, otherwise they are separately posted to service costs depending on their nature.

The costs include not only those whose amount is certain, but also those that are not yet documented, which have been specifically recognised in the Financial Statements.

Costs for bonuses due to players, coaches and technical personnel, for the achievement of pre-established sports results, and bonuses from sponsors are allocated to the income statement on an accrual basis, when the sporting event they relate to takes place.

Financial Income and Expenses

They include the positive and negative components of the economic result for the year linked to the company's financial activity, and are recognised based on the accruals principle.

All revenues, with suitable indication of the relevant sub-items, are recognised on an accruals basis.

Dividends

Dividends are recognised at the time when, as a result of the Resolution adopted by the Shareholder's Assembly of the subsidiary to distribute the profit, or the provisions, a collection right arises for the investor company. The dividend is recognised as financial income, independently from the nature of the reserves distributed. The investee company verifies that, following the distribution, the recoverable value of the equity investment has not diminished to such an extent as to require the recognition of an impairment loss.

Gains and losses

Gains and losses arising from the sale of multi-year player registration rights are classified respectively under revenues and costs from the core business.

Gains and/or losses are calculated as the difference between the price agreed and the net carrying amount at the date of sale.

Current and deferred taxes and national tax consolidation

Taxes for the year are recognised in the income statement in the item "Current income taxes".

Direct taxes accrued for the period are recognised based on the estimate of taxable income, in line with legal provisions and current tax rates and considering any applicable exemptions.

Moreover, the analysis of the presence of any time difference between the asset and liability values and the corresponding values relevant for tax purposes and/or between the income components posted in the income statement and those taxable or deductible for the purposes of the calculation of tax for the financial year, as provided for by OIC 25.

In presence of taxable temporary differences, deferred tax liabilities are registered in the Financial Statements, with the exceptions detailed below and provided by OIC 25.

In presence of deductible timing differences, taxes are registered in the Financial Statements only if their future recoverability is reasonably certain.

If tax liabilities have occurred, deferred tax assets are calculated and registered against the future tax benefit linked to them and to the extent of the taxable result achievable in line with tax projections within a reasonable time scale.

Deferred tax assets and liabilities are calculated on the amount of all the timing differences for the financial year, applying the tax rates applicable during the financial year in which the timing differences will be taxed, as provided for by the tax regulations that apply at the date of the Financial Statements. If tax regulations do not set out the tax rates applicable to the year in which the timing differences shall be taxed, the company calculates deferred taxes based on the rates applicable at the date of the Financial Statements.

Deferred tax assets and liabilities are not discounted.

For the purposes of classification in the Financial Statements, tax receivables and payables are offset against each other only if there is a legal right to pay the amounts recognised based on tax legislation and if there the intention to net financial receivables and payables with a single payment.

The remuneration of the tax losses of the companies in the consolidation area is recognised at the time that the losses are effectively utilised in the consolidation area (and are not subject to the taxation of future profits by the individual consolidated company), at the IRES rate applicable during the tax period in which the tax loss is

carried forward to reduce the consolidated taxable income. The economic benefits arising from consolidation adjustments effected by the consolidating company, but relating to the consolidated company, are remunerated in favour of the aforementioned consolidated company.

The consolidation adjustments that generated benefits in the consolidated tax return are recognised on the income statement under "Tax income from tax consolidation", which is classified under "Current income taxes" with a contra-entry in the balance sheet, under "Receivables from subsidiaries".

Change of accounting principles

Below is a description of the standards used when there are changes to voluntary accounting standards, and also to mandatory standards if different rules are not specifically required.

The change to an accounting principles is registered in the financial year in which it is adopted and the relevant events and transactions are treated in compliance with the new principle, which is applied with retroactive effect. This entails the accounting recognition of such effects on the opening balance of the Shareholders' equity for the year.

For comparison purposes only the opening balance of the Shareholders' equity of the previous year is adjusted and the comparative figures for the previous financial year are considered as if the new accounting principle had always been applied. However, when, after all reasonable efforts, it is not possible to determine the effect pertaining to the previous financial year, or when this calculation is excessively onerous, the company does not restate figures.

Ultimately, when it is not possible to calculate the cumulative effect of the change of accounting principle of such calculation is too onerous, the company applies the new accounting principle starting from the first feasible date. When this date coincides with the start of the current financial year, the new accounting principle is applied on a forward-looking basis.

The effects resulting from the adoption of new accounting principles on the balance sheet, income statement and cash flow statement, where available, have been highlighted and commented in these notes in correspondence of the explanatory notes pertaining to the items in the Financial Statements that were impacted in a specific way.

This standard did not have significant effects on the financial statements for the year ended 30 June 2020.

Error correction

An error is registered at the time in which an incorrect qualitative and/or quantitative representation of a Financial Statement figure and/or an information provided in a note and, at the same time, information and data for its correct management is available. Correction of relevant errors is performed by rectifying the balance sheet item that was affected by the error at the time, charging the error's correction to the opening statement of the Shareholders' equity of the financial year in which the error is identified.

For comparison purposes only, when feasible, the company corrects a material error for the previous year by restating comparable figures, whilst if an error relates to previous financial years, it is corrected by restating the opening balances of the previous financial year. When the cumulative effect of a material error cannot be restated for all previous financial years, the company must recalculate comparable figures to correct the material error starting from the first feasible date.

Non-material errors committed in previous years are recognised in the income statement of the financial year in which the error is detected.

This standard did not have significant effects on the financial statements for the year ended 30 June 2020.

Conversion criteria for items in foreign currency

Pursuant to Article 2426, paragraph 1, no. 8 bis of the civil code, monetary assets and liabilities in currencies other than the functional currency in which the Financial Statements are presented (the so-called "accounting currency"), subsequently to initial recognition, are recognised at the spot exchange on the date of the end of the financial year. The resulting exchange-rate gains or losses are posted to the income statement at the items C17-bis) "Exchange-rate gains and losses" and any net profit, which contributes to the result for the financial year, is allocated to the dedicated reserve that cannot be distributed until realisation.

Non-monetary assets and liabilities in currencies other than the accounting one are recognised at the exchange rate applicable at the time of their purchase. When the exchange rate at the closing date of the period is markedly different from that at the purchase date, the exchange rate variance is one of the elements considered in the assessment process to determine the value that can be recognised in the financial statements for individual non-monetary assets. In this case, therefore, any (positive or negative) exchange rate differences contribute to the calculation of the recoverable value.

Exchange rates

The exchange rates used to translate the main items in foreign currency are:

		Spot rate 30.06.2020 (*)	Average rate 2019/2020 (*)
U.S. dollar.	USD	1.1198	1.1255
Japanese Yen	JPY	120.66	121.1205
GB Pound	GBP	0.91243	0.89878
Swiss franc	CHF	1.0651	1.0712
Chinese Yuan	CNY	7.9219	7.9734

(*) Source European System of Central Banks.

OTHER INFORMATION

Tax consolidation

The company opted to join the tax consolidation scheme (Articles 117-129 of Presidential Decree 917/86), as the consolidating entity, jointly with Milan Entertainment S.r.l. and Milan Real Estate S.p.A. in their capacity as consolidated companies.

Consolidated Financial Statements

The company has prepared its consolidated financial statements at 30 June 2020 in compliance with the law

and the provisions introduced by UEFA Club Licensing Manual - 2018 edition, part II, title V, Article 14.4.4, which require football clubs that exercise control over one or more companies, as in the case of A.C. Milan S.p.A., to produce consolidated financial statements subject to an independent audit.

Statutory audit of the accounts

The financial statements at 30 June 2020 were audited by EY S.p.A.

Statement of amounts

In accordance with Article 2423, fifth paragraph, civil code, the financial statements at 30 June 2020 were prepared in Euros, with no decimal places, apart from these Notes which show the values and related comments in thousands of Euros, unless indicated otherwise. It should be noted, however, that the Report on Operations is prepared in millions of Euro with one decimal place shown.

Disclosure on commitments, guarantees and contingent liabilities not included in the balance sheet

The note must detail the overall amount of the commitments, guarantees and contingent liabilities not included in the balance sheet, specifying the nature of any collateral provided, itemised in:

- a. existing pension and similar commitments;
- b. commitments towards subsidiaries, associates, as well as parent companies and companies subject to the latter's control.

Public funds - Information pursuant to Article 1, paragraphs 125-129 of law no. 124/2017

With reference to obligations on transparency and the disclosure of public funding regulated by article 1, paragraphs 125-129 of law no. 124/2017 as amended by the "security" decree law (no. 113/2018) and "simplification" decree law (no. 135/2018), introducing a number of disclosure and transparency obligations, starting from the 2018 financial reporting year, for entities that have economic relations with the Public Administration, in view of Assonime's interpretation in Circular no. 5 of 22 February 2019, which considers the regulation in question as non-applicable in the following cases:

- grants, contributions and economic benefits of any kind, of which the advantages are accessible to all enterprises that meet certain conditions, based on general, previously established criteria (for example: measures of ministerial decrees aimed at specific industrial sectors and at funding activities related to research and development projects;
- general measures that may benefit all enterprises and which come under the general structure of the reference system defined by the State (for example the mechanism to promote the reinvestment of profit, as provided for by A.C.E);
- public European/foreign resources;
- contributions from trade associations;
- interprofessional funds for training courses, considering that the Funds are provided through contributions made by the beneficiary companies, that are required to meet specific management criteria based on transparency.

During the 2019/2020 financial year, the company declared that it had not received this type of contribution.

Going concern

The company recorded a loss for the period of Euro 201.1 million, positive shareholders' equity of Euro 67.8 million and a negative Net Financial Position equal to Euro 249.8 million (of which Euro 143.4 million with subsidiaries).

The majority shareholder Rossoneri Sport Investment Luxembourg S.à r.l. has guaranteed its commitment to provide financial support to the club for at least 12 months from the date of approval of these financial statements. Based on these considerations, the directors have prepared these separate financial statements on a going concern basis.

Significant events occurring after year end

Capital increases

Moreover, during the period from July to October 2020, the majority shareholder made further capital contributions for a total of Euro 96.5 million. These payments, which provided the company with the necessary funds to cover current operating expenses and strengthened its balance sheet, meant that the provisions article 2446 of the Italian Civil Code no longer applied.

Football Season

On 2 August 2020, the Serie A Championship ended with AC Milan finishing in sixth place, which guaranteed access to the preliminary stage of the UEFA Europa League 2020/2021. On 1 October 2020, the team won the playoff to enter the UEFA Europa League Group Stage 2020/2021.

National licence

On 20 August 2020, Co.Vi.So.C./F.I.G.C., having examined the documents submitted by the company, found that the conditions required for the national licence for the 2020/2021 professional championship had been met, in accordance with Title 1) of Official Communication no. 246/A of 26 June 2020 as amended by Official Communication no. 28/A of 31 July 2020.

Spread of the Covid-19 pandemic – extension of registered players' contracts nearing expiry

Following the conclusion, after 30 June 2020, of the official competitions of the 2019/2020 football season, the club negotiated a contract extension with FIGC-registered players with contracts due to expire on 30 June 2020.

Transfer Campaign 2020/2021

Due to the emergency caused by the Covid-19 pandemic, the first phase of the 2020/2021 Transfer Campaign in Italy took place from 1 September to 5 October 2020.

With regard to the transactions involving transfers of players, it should be noted that, during the months from July to October, the permanent and/or loan acquisitions of the following players were made, among others: Ciprian Tatarusanu, Ante Rebic, Sandro Tonali, Brahim Abdelkader Diaz, Jens Petter Hauge, Simon Kjaer, Pierre Kalulu Kyatengwa, Joof Roback.

With regard to the definitive sale and/or loan of player registration rights, mention should be made, among others, of the transactions regarding: Jesus Joaquin Fernandez Saenz della Torre “Suso”, André Miguel Valente Da Silva, Diego Sebastian Laxalt Suarez, Jose Manuel Reina Paez, Ricardo Ivan Rodriguez Araja.

In September and October 2020, contracts of employment with the player Halilovic was mutually terminated, with the economic effects already recorded in the financial statements at 30 June 2020.

NOTES ON THE MAIN ASSET ITEMS

(in thousands of Euros)

FIXED ASSETS

Specific tables have been prepared for each class of fixed assets (intangible assets, tangible assets and financial fixed assets), shown in the attachments, which indicate for each item: the historical cost, the accumulated amortisation or depreciation, any write-backs and write-downs, movements during the period and the final balance.

INTANGIBLE FIXED ASSETS

This item amounts to Euro 218,065 thousand (Euro 270,893 thousand at 30 June 2019). The breakdown is as follows:

	30.06.2020	30.06.2019	Change
Player registration rights	186,703	232,208	-45,505
Concessions, licences, trademarks and similar rights	16,344	22,068	-5,724
Assets in progress and advances	101	0	101
Other intangible fixed assets	14,918	16,617	-1,699
Total	218,065	270,893	-52,828

The change in intangible fixed assets is shown in attachment 1, which is an integral part of these Notes.

Player registration rights, of Euro 186,703 thousand (Euro 232,208 thousand on 30 June 2019), also includes the costs of direct allocation which are amortised according to the players’ contract expiry dates, taking into account any contract extensions agreed before the financial statements are approved. The main changes resulting from investments, disposals and impairment during the period are detailed in attachment 2, which is an integral part of these Notes.

The item Concessions, licences, trademarks and similar rights, equal to Euro 16,344 thousand (Euro 22,068 thousand at 30 June 2019), mainly refers to Euro 15,645 thousand (Euro 20,908 thousand at 30 June 2019), for the rights to use the television archive of home matches of A.C. Milan S.p.A. (“*Milan Library*”) bought by Gruppo R.A.I. and R.T.I. S.p.A. (Mediaset Group) during 2009. This archive is supposed to be self-sustaining over time

depending on the matches played by the team from time to time.

Other intangible assets, amounting to Euro 14,918 thousand (Euro 16,617 thousand on 30 June 2019), relate in particular to the following:

- Euro 6,133 thousand (Euro 6,876 thousand at 30 June 2019) to the investments in the new “Casa Milan” headquarters, which were amortised according to the duration of the rental agreement for the technical and commercial areas;
- Euro 6,419 thousand (Euro 6,585 thousand on 30 June 2019), being the incremental costs incurred for the San Siro Stadium in Milan, amortised according to the duration of the agreement with the Municipality of Milan;
- Euro 2,366 thousand (Euro 3,156 thousand at 30 June 2019) relating to the acquisition of a 10-year ground lease (Article 952, second paragraph, civil code) for the Vismara Training Centre, home to the Milan youth team, owned by the Opera Diocesana per la Preservazione e la Diffusione della Fede. The ground lease includes improvements which are recognised at cost, less the related amortisation calculated on the duration of the ground lease itself.

Regarding intangible assets, of Euro 218,065 thousand at 30 June 2020, write-downs of Euro 19,850 thousand were made under the item Players’ registration rights resulting from loss-making sales during September and October 2020 and, residually, from consensual contract terminations with some players, prior to the contractual expiry date.

TANGIBLE FIXED ASSETS

This item amounts to Euro 1,151 thousand (Euro 1,383 thousand at 30 June 2019). The breakdown is as follows:

	30.06.2020	30.06.2019	Change
Land and buildings	1	0	1
Plant and machinery	109	157	-48
Industrial and commercial equipment	402	418	-17
Other assets	639	808	-168
Assets in progress and advances	0	0	0
Total	1,151	1,383	-232

The change in tangible fixed assets is shown in attachment 3, which is an integral part of these Notes.

FINANCIAL FIXED ASSETS

Equity investments

The breakdown of equity investments in subsidiaries, associates and other companies is as follows:

	30.06.2020	30.06.2019	Change
Subsidiaries	196,685	196,685	0
Associates	1,085	1,085	0

Other companies	-	0	0
Total	197,770	197,770	0

With regard to changes during the year relating to financial assets, please see Attachment 4 (Statement of changes in equity investments) and Attachment 7 (List of equity investments in subsidiaries and associates (ex Article 2427 (5) civil code), the latter gives a comparison of the book value and the corresponding share of shareholders' equity, and they form an integral part of these Notes.

Equity investments in subsidiaries

This item, equal to Euro 196,685 thousand (Euro 196,685 thousand at 30 June 2019) includes:

- Euro 183,756 thousand (unchanged compared to 30 June 2019), being 100% of the share capital of Milan Entertainment S.r.l., based in Milan, Via Aldo Rossi no. 8, whose main object is the management and commercial promotion of brands owned by or available to A.C. Milan S.p.A.;
- Euro 12,825 thousand (unchanged compared to 30 June 2019), relating to 100% of the share capital of Milan Real Estate S.p.A., headquartered in Carnago (Varese) – Via Milanello no. 25. The company's purpose is the development of projects in the real estate sector, in the area of sports facilities, through any activities or operations aimed at and connected to the construction or acquisition of property complexes and infrastructure;
- Euro 104 thousand (unchanged compared to 30 June 2019) relating to 100% of the share capital of the non-profit Milan Foundation, which was set up in 2003 with the aim of meeting basic individual needs and freedoms, of diffusing a culture of sport as a tool for mental and physical wellbeing, social integration, improving quality of life, and to support and organise charitable projects.

On 30 June 2020 the value of the investment in AC Milan (Beijing) Sports Development Co. Ltd., based in Beijing (People's Republic of China), Chinese company whose aim is to develop the commercial operations of the Milan brand on the Asian market, and originally recognised at Euro 350 thousand, was completely written down due to the losses shown on the income statement to 30 June 2020, bringing the book value into line with the net equity of the subsidiary.

Equity investments in associates

At 30 June 2020, this item amounted to Euro 1,085 thousand (unchanged compared to 30 June 2019) and refers to the 50% holding in the company M-I Stadio S.r.l., established with F.C. Internazionale Milano S.p.A. for the technical and commercial management of the San Siro Stadium in Milan.

Long-term receivables

Other receivables

This item is equal to Euro 361 thousand (Euro 489 thousand at 30 June 2019), mainly comprising security deposits. The reduction compared to 30 June 2019 is due to the absence of receivables from the factor (so-called cash collateral) which amounted to Euro 133 at 30 June 2019.

These receivables are due both from Italian entities and European Union entities, of which Euro 205 thousand

payable beyond the following financial year. There were no receivables with a remaining duration of more than five years.

WORKING CAPITAL

RECEIVABLES

	30.06.2020	30.06.2019	Change
Trade receivables	46,322	54,373	-8,051
Receivables from subsidiaries	2,426	2,763	-337
Receivables from associates	—	548	-548
Receivables from parent companies	—	—	0
Receivables from companies subject to parent companies' control	—	—	0
Tax receivables	7,614	10,200	-2,586
Deferred tax assets	1,288	1,225	63
Other receivables	192	2,108	-1,916
Receivables from entities – specific sector	55,762	64,775	-9,013
Total	113,604	135,992	-22,388

Receivables due beyond the next financial year amounted to Euro 19,249 thousand; There were no receivables with a remaining duration of more than five years.

Trade receivables

At the end of the period this item was composed as follows:

	30.06.2020	30.06.2019	Change
Trade receivables	49,746	57,452	-7,706
Provision for doubtful trade receivables	-3,424	-3,079	-345
Net value	46,322	54,373	-8,051

Trade receivables, net of the provision for doubtful accounts, amounted to Euro 46,322 thousand (Euro 54,373 thousand at 30 June 2019) and are of a commercial nature. The decrease is mainly due to the fact that at the end of the previous year, the company had receivables of Euro 14.7 million from UEFA, which during the 2018/2019 season, had temporarily suspended broadcasting and media rights from participation in the UEFA Europa League due to infringement of the break-even rule established by Financial Fair Play.

The provision for doubtful accounts shown above reflects the value adjustment to the receivables to align them to their estimated realisable value. During the year the provision for doubtful accounts was increased by Euro 355 thousand, as prudent provision was made for the risks of non-collection. Euro 10 thousand was utilised to cover receipts of previously written-down receivables.

Receivables from subsidiaries, associate, parent companies and companies subject to parent companies' control

The item was composed as follows:

	30.06.2020	30.06.2019	Change
Receivables from subsidiaries:			
· trade receivables	999	1,003	-4
· other receivables	1,427	1,760	-397
Total receivables from subsidiaries	2,426	2,763	-401
Receivables from associates:			
· trade receivables	0	548	-548
· other receivables	0	0	0
Total receivables from associates	0	548	-548
Receivables from parent companies:			
· trade receivables	0	0	0
· other receivables	0	0	0
Total receivables from parent companies	0	0	0
Total receivables from companies subject to parent companies' control:			
· trade receivables	0	0	0
· other	0	0	0
Total receivables from companies subject to parent companies' control	0	0	0

Receivables from subsidiaries include, in particular, Euro 1,427 thousand (Euro 1,760 thousand at 30 June 2019) resulting from the execution of the “Agreement on the exercise of the option for the national tax consolidation scheme” and are claimed from Milan Entertainment S.r.l. and Milan Real Estate S.p.A..

Receivables from associates, not present at 30 June 2020 (Euro 548 thousand at 30 June 2019) refer to the trade receivables from M-I Stadio S.r.l., for charges for using internal and external facilities at the San Siro stadium under an agreement between A.C. Milan S.p.A., F.C. Internazionale S.p.A. and M-I Stadio S.r.l. for which the licensees pay an annual fee of Euro 1,507 thousand (plus any adjustments).

Tax receivables

At end of the period this item was composed as follows:

	30.06.2020	30.06.2019	Change
Due from Treasury for tax consolidation	0	1	-1
Due from Treasury for VAT	5,289	7,903	-2,614
Regional business tax (IRAP) receivables	1,876	1,877	-1
Other tax receivables	449	419	30
Total	7,614	10,200	-2,586

The item Receivables from tax authorities for VAT, amounting to Euro 5,289 thousand (Euro 7,903 thousand at 30 June 2019), the change was due to the reduction in the volume of purchases made during the financial

year.

The item Regional business tax (IRAP) receivables is recognised net of taxes for the period. This item also includes the surplus amount of ACE (Assistance for Economic Growth), converted into a Regional business tax credit, to use at constant rates over a period of five tax years.

Deferred tax assets

The amount of Euro 1,288 thousand (Euro 1,225 thousand at 30 June 2019) relates to the recognition of deferred tax assets on the provisions made in prior years, and in the current year to the provision for doubtful accounts, as to the non-tax-deductible part.

Other receivables

This item, equal to Euro 192 thousand (Euro 2,108 thousand at 30 June 2019) mainly includes:

- Euro 84 thousand (Euro 1,701 thousand at 30 June 2019) for receivables from ticket sales and season passes, for which the change compared with the previous financial year is due to the season passes campaign for the 2020/2021 season not starting in June, as a result of restrictions due to Covid-19;
- Euro 56 thousand (Euro 400 thousand at 30 June 2019), for advances to suppliers, professionals and employees.

Receivables from entities – specific sector

Net of the provision for doubtful accounts, this item amounts to Euro 55,762 thousand (Euro 64,775 thousand at 30 June 2019). The amount is due from various football clubs, for payments relating to the current and/or past transfer seasons, and in connection with international trips by teams taking part in the training of players sold by those clubs, in accordance with the F.I.F.A. Solidarity mechanism.

Specifically the item consists of:

- Euro 16,120 thousand (Euro 48,812 thousand at 30 June 2019) for amounts due from the Lega Nazionale Professionisti, in respect of various transfer seasons;
- Euro 5,700 thousand (Euro 8,342 thousand at 30 June 2019) for amounts due from Club Atlético de Madrid for the definitive sale of Nikola Kalinic;
- Euro 1,454 thousand (Euro 3,878 thousand at 30 June 2019) for amounts due from the club Trabzonspor Kulübü for the definitive sale of Juraj Kucka and José Ernesto Sosa;
- Euro 15,617 thousand (not present on 30 June 2019) for amounts due from the club Herta BSC for the definitive sale of the player Krzysztof Piatek;
- Euro 350 thousand (Euro 700 thousand at 30 June 2019) for amounts due from the club FC Girondins de Bordeaux for the definitive sale of the player Raoul Bellanova;
- Euro 3,500 thousand (not present on 30 June 2019) for amounts due from the club LOSC Lille for the definitive sale of the player Djalo Embalo;
- Euro 980 thousand (not present at 30 June 2019) for amounts due from the club Seville Futbol Club for the loan of the player Jesus Joaquin Fernandez Saenz de la Torre “Suso”;
- Euro 12,000 thousand (not present on 30 June 2019) for amounts due from the club Wolverhampton Wanderers for the definitive sale of the player Patrick Cutrone;
- Euro 315 thousand (Euro 668 thousand at 30 June 2019) for amounts due from various football clubs under the “solidarity mechanism”.

The amount due from Real Zaragoza S.A.D., for the sale of Ricardo De Oliveira, which was originally Euro 3,000 thousand, has been fully covered by the provision for doubtful accounts - professional bodies.

TOTAL FINANCIAL ASSETS OTHER THAN FIXED ASSETS

Financial assets for centralised cash management, of Euro 5,963 thousand (Euro 4,886 thousand at 30 June 2019) relate to the cash management services performed by A.C. Milan S.p.A. for Milan Real Estate S.p.A., under an infra-group current account contract.

CASH AND CASH EQUIVALENTS

This item consists of the funds in the restricted and ordinary current accounts, totalling Euro 8,728 thousand (Euro 9,126 thousand at 30 June 2019).

Cash and valuables on hand amounted to Euro 33 thousand (Euro 44 thousand at 30 June 2019).

ACCRUED INCOME AND PREPAYMENTS

At end of the period this item was composed as follows:

	30.06.2020	30.06.2019	Change
Accrued income	0	0	0
Prepaid expenses:			
- prepaid insurance premiums	958	361	597
- other prepayments	939	2,197	-1,258
Total prepaid expenses	1,897	2,558	-661
Total accruals and deferrals	1,897	2,558	-661

The item Other deferrals equal to Euro 939 thousand (Euro 2,197 thousand at 30 June 2019), refer in particular to Euro 458 thousand for charges on guarantees resulting from various player transfer campaigns for future periods (Euro 1,902 in the previous year). The decrease was due to the lower amount of outstanding guarantees compared to the end of the previous year.

NET FINANCIAL POSITION

As a supplement to the reporting of financial payables and financial receivables in the financial statements, the Net Financial Position is also provided in this section.

	30.06.2020	30.06.2019	Change
Non-current financial assets (cash collateral)	0	133	-133
Total financial assets other than fixed assets	5,963	4,886	1,077
Cash and cash equivalents	8,761	9,170	-409
Total financial assets	14,724	14,189	535
Bonds	0	0	0
Payables to shareholders for loans	0	0	0
Financial payables	-6	-1,259	1,253
Payables to other financial institutions	-115,170	-94,284	-20,886
Financial payables to subsidiaries, associates, parent companies and other financial liabilities	-149,359	-136,009	-13,350
Total financial liabilities	-264,535	-231,552	-32,983
Net financial position	-249,811	-217,363	-32,448

A breakdown of changes in the individual items making up the net financial position is provided in the specific sections of these Notes.

NOTES ON MAIN SHAREHOLDERS' EQUITY AND LIABILITY ITEMS

(in thousands of Euros)

SHAREHOLDERS' EQUITY

The changes in the items of shareholders' equity are provided in attachment 5.

Comments are provided on those changes below.

SHARE CAPITAL

Share capital at 30 June 2020, amounted to Euro 113,443,200 (unchanged compared to 30 June 2019), which was fully subscribed and paid up, consisting of 218,160,000 ordinary shares with a nominal value of Euro 0.52 each.

SHARE PREMIUM RESERVE

At 30 June 2020, the Share premium reserve amounted to Euro 31,020,000 (unchanged compared to 30 June 2019) and relates to the premium paid to cover 170,160,000 shares.

LEGAL RESERVE

At 30 June 2020, this reserve totalled Euro 124 thousand and was unchanged from the prior period.

OTHER RESERVES

The balance of Euro 158,511 thousand (Euro 169,380 thousand at 30 June 2019) relates to capital contributions and/or payments to cover losses, made by the majority shareholder. The change compared to 30 June 2019 is attributable for Euro 155,869 thousand to the use of reserves to fully cover the loss arising from the previous financial statements, as per the resolution of the Shareholders' Meeting of 28 October 2019, relating to the approval of the financial statements for the year ended 30 June 2019, as well as for Euro 145,000 of capital injections, aimed, amongst other things, at providing the company with the necessary funds to meet cash flow requirements and to strengthen capital to meet the financial requirements imposed by the F.I.G.C. (Liquidity Indicator).

PROFIT (LOSS) CARRIED FORWARD

At 30 June 2020, this item amounted to - Euro 34,250 thousand (no change compared to 30 June 2019) and includes the effects of changes arising from the first-time adoption of the new OIC accounting standards.

OPERATING PROFIT/LOSS

A loss of Euro 201,060,678.50 was recorded for the 2019/2020 financial year (a loss of Euro 155,868,693.55 for the year ending 30 June 2019). This loss triggered the conditions set out in Article 2446 of the Italian Civil Code, whereby the reduction of the share capital by more than one third requires immediate action by the administrative body. In this regard, it should be noted that during July-October 2020, the majority shareholder Rossoneri Sport Investment Luxembourg S.à r.l., in consideration of the company's financial position, made payments on account of a future capital increase for a total of Euro 96.5 million, necessary to cover current operating expenses and to strengthen the company's balance sheet, meaning that the provisions article 2446 of the Italian Civil Code no longer applied.

PROVISIONS FOR RISKS AND CHARGES

Provisions estimated on the basis of specific losses that are certain or likely are detailed below.

	Balance at 01.07.2019	Allocations	(Uses)	Other changes	Balance at 30.06.2020
Provision for deferred tax liabilities	0	0	0	0	0
Other provisions for risks and charges	22,345	9,858	-7,424	0	24,779
Total	22,345	9,858	-7,424	-	24,779

Other provisions for risks and charges

At 30 June 2020 this item amounted to Euro 24,779 thousand (Euro 22,345 thousand at 30 June 2019) and refers to the allocation of future costs for the restructuring of registered players and non-registered personnel, the surplus in the provision for equity investment write-downs relating to the subsidiary AC Milan (Beijing) Sports Development Co. Ltd., compared to the value of the investment, as well as additional risks for the company. The provision for the period includes, inter alia, the allocation for the leaving indemnity paid to the manager of the Milan first team and his staff due to early termination of the contract before its original expiry. The utilisations for the period refer mainly to the payment made to footballing personnel following the early termination of their employment in the previous financial year.

EMPLOYEE LEAVING ENTITLEMENTS

The changes in this item are shown in the following table; The balance is fully sufficient to cover contractual and legal obligations.

	EMPLOYEE LEAVING ENTITLEMENTS.	End of career entitlements	Total
Balance at 01.07.2019	724	50	774
Provisions	853	545	1,398
Uses for employment terminations/ prepayments	-158	0	-158
Transfers	-42	0	-42
Payments	0	-500	-500
Other changes	-685	0	-685
Balance at 30.06.2020	692	95	787

The item Provisions includes revaluation of the pre-existing amount calculated in accordance with legal requirements and the "white semester" amount which represents (solely for the year 2007) the employee leaving entitlements accrued from 1 January 2007 up to the date of selection of allocation to the company supplementary pension fund (closed) or a contractual pension fund (open) or individual pension plan (IPP).

PAYABLES

	30.06.2020	30.06.2019	Change
Bonds	0	0	0
Payables to shareholders for loans	0	0	0
Financial payables	6	1,259	-1,253
Payables to other financial institutions	115,170	94,284	20,886
Trade payables	41,136	45,843	-4,707
Payables to subsidiaries	149,577	137,875	11,702
Payables to associates	2,195	1,873	322
Payables to parent companies	0	0	0
Payables to companies subject to parent companies' control	0	0	0
Tax payables	22,480	15,145	7,335
Payables to pension funds and social security agencies	2,356	400	1,956
Payables to third parties	13,762	8,033	5,729
Payables to entities – specific sector	75,810	139,882	-64,072
Total	422,493	444,594	-22,101

Payables due beyond the next financial year amounted to Euro 19,634 thousand; There were no payables with a remaining duration of more than five years. The company availed of the suspension of contributions and social security payments due in April - June 2020 pursuant to the "Relaunch" Decree Law 34/2020. The aforesaid payments resumed from 16 September 2020 according to the instalment plan granted by Decree Law 104/2020 (so-called August Decree).

Financial payables

The balance of Euro 6 thousand (Euro 1,259 thousand at 30 June 2019) relates to normal banking operations.

Payables to other financial institutions

This amount, of Euro 115,170 thousand (Euro 94,284 thousand at 30 June 2019) relates to amounts payable to factoring companies for advances on future accounts receivable, mainly in relation to commercial agreements.

On 3 October 2018 the company signed a factoring agreement with UniCredit Factoring S.p.A. for the assignment with recourse for accrued/matured receivables from the marketing of the Serie A championship broadcasting rights relating to the 2018-2019, 2019-2020 and 2020-2021 seasons. Against this transfer, the company was granted a credit line of Euro 80 million with a three-year term (until 30 June 2021) at a 3-month Euribor rate (floor to zero) increasing by 2.5 basis points, with a commission of 0.20% on the amount of the factoring line. This line was wholly undrawn at 30 June 2020. On 30 April 2020, the Company signed a factoring contract with Banca Ifis S.p.A. for the sale with recourse to the same of the receivables due/coming due deriving from the foreign transfer campaign for the sale of the player Krzysztof Piątek. Against this sale, the company was granted a credit line of Euro 21 million with a two-year term at a 3-month Euribor rate plus 2.25 basis points, with a commission of 0.5% on the amount of the factoring line. This line was wholly undrawn at 30 June 2020.

Trade payables

These are detailed in the table below.

	30.06.2020	30.06.2019	Change
Suppliers	31,271	28,210	3,061
Suppliers for invoices to be received	9,962	17,713	-7,751
Credit notes to be received	-96	-80	-16
Total	41,136	45,843	-4,707

The item Trade payables includes payables to football agents for a total of Euro 6,661 thousand (Euro 12,148 thousand at 30 June 2019), of which Euro 975 thousand maturing after the following year. During the 2019-2020 season, Euro 16,338 thousand was paid to football agents (value referred only to the taxable amount).

Payables to subsidiaries, associate, parent companies and companies subject to parent companies' control

The item was composed as follows:

	30.06.2020	30.06.2019	Change
Payables to subsidiaries:			
· trade and other payables	219	1,867	-1,648
· financial payables	149,359	136,008	13,351
Total payables from subsidiaries	149,578	137,875	11,703
Payables to associates:			
· trade and other payables	2,195	1,873	322
· financial payables	-	-	0
Total payables to associates	2,195	1,873	322

Payables to parent companies:			
· trade and other payables	-	-	0
· financial payables	-	-	0
Total payables to parent companies	0	0	0
Payables to companies subject to parent companies' control:			
- trade and other payables	0	0	0
- financial payables	0	0	0
Total payables to companies subject to the control of parent companies	0	0	0

Trade and other payables to subsidiaries refer Euro 130 thousand to the company Milan Entertainment S.r.l., Euro 20 thousand to the company Milan Real Estate S.p.A. and Euro 69 thousand to Fondazione Milan Onlus.

Financial payables to subsidiaries, of Euro 149,359 thousand (Euro 136,008 thousand at 30 June 2019) relate exclusively to Milan Entertainment S.r.l. and derive from cash management services performed by the company under an infragroup current account agreement.

Payables to associates relate to the company M-I Stadio S.r.l. for the coverage of operating costs for the management of the San Siro Stadium in Milan, under an agreement in place between A.C. Milan S.p.A., F.C. Internazionale S.p.A. and M-I Stadio S.r.l., which provides for an annual fee in favour of the concessionaires (AC Milan S.p.A. and F.C. Internazionale S.p.A.) of Euro 8,594 thousand (plus any adjustments).

Tax payables

	30.06.2020	30.06.2019	Change
Payables for current taxes	0	0	0
Payable to Treasury for VAT	0	0	0
Payables withholding tax on income from work:			0
· registered players and employees	21,667	14,871	6,796
freelance workers and consultants	813	274	539
Other tax payables and withholdings	0	0	0
Total	22,480	15,145	7,335

IRAP business tax payable under the Payables for current taxes was completely offset by the prepayments made.

At 30 June 2020, the company's VAT position towards the Treasury was in credit, and the balance was therefore recognised under Assets.

Payables on withholdings on income from work related to the withholdings made on registered players, employees and freelance workers. As previously mentioned, the company availed of the suspension of contributions and social security payments due in April - June 2020 pursuant to the “Relaunch” Decree Law 34/2020. The aforesaid payments resumed from 16 September 2020 according to the instalment plan granted by Decree Law 104/2020 (so-called August Decree).

Payables to pension funds and social security agencies

The amount of this item was broken down as follows:

	30.06.2020	30.06.2019	Change
Payables to I.N.P.S.	2,277	476	1,801
Payables/(Receivables) to/from other pension institutions	79	-76	155
Total	2,356	400	1,956

The company availed of the suspension of contributions and social security payments due in April - June 2020 pursuant to the “Relaunch” Decree Law 34/2020. The aforesaid payments resumed from 16 September 2020 according to the instalment plan granted by Decree Law 104/2020 (so-called August Decree).

This item also includes the payables for contributions to supplementary pension funds and/or to the Treasury Fund at the INPS. The changes were in line with the trend in the cost of labour.

Other payables

These consisted of the following:

	30.06.2020	30.06.2019	Change
Payables to registered players and employees	13,170	7,718	5,452
Payables to directors, statutory auditors and the Supervisory Body	207	40	167
Other payables	385	275	110
Total	13,762	8,033	5,729

Payables to registered players and employees relate in particular to the additional month salaries and bonuses to registered players and employees, duly paid on the established deadlines.

Payables to entities – specific sector

At end of the period this item was composed as follows.

Payables to the Lega Nazionale Professionisti, of Euro 31,987 thousand (Euro 77,777 thousand of 30 June 2019) are the balance of the 2019/2020 transfer campaign and the residual amounts of the previous seasons.

Payables to foreign and Italian football clubs, of Euro 42,724 thousand (Euro 62,090 thousand at 30 June 2019) relate to:

- Euro 14,225 thousand (not present on 30 June 2019) being amounts due to Real Madrid Club de Fútbol for the definitive purchase of the player Theo Bernard Francois Hernandez;
- Euro 14,000 thousand (not present on 30 June 2019) for amounts due to the club LOSC Lille for the definitive purchase of the player Rafael Leao;
- Euro 9,740 thousand (Euro 11,729 thousand on 30 June 2019) for amounts due to the club Villarreal Club de Fútbol for the definitive purchase of the player Samuel Castillejo Azuaga;
- Euro 3,750 thousand (not present on 30 June 2019) for amounts due to the club RSC Anderlecht for the definitive purchase of the player Alexis Jesse Saelemaekers;
- Euro 1,000 thousand (Euro 2,872 thousand at 30 June 2019) for the amount payable to the club Sunderland Association F.C for the definitive transfer of Fabio Borini;
- Euro 1,394 thousand (Euro 1,272 thousand at 30 June 2019) to various clubs for the fees payable in connection with international transfers to the teams who contributed to the players' training, in accordance with the F.I.F.A. solidarity mechanism. Specifically, this derives from the purchases of the players Fabio Borini, Theo Bernard Francois Hernandez, Samuel Castillejo Azuaga and Mateo Pablo Musacchio.

ACCRUED EXPENSES AND DEFERRED INCOME

At end of the period this item was composed as follows:

	30.06.2020	30.06.2019	Change
Accrued expenses	193	297	-104
Deferred income:			
• deferred broadcasting rights	17,970	—	17,970
• deferred sponsorships	0	9,500	-9,500
• deferred season passes	3,111	4,659	-1,548
• Other prepayments	10,452	17,124	-6,672
Total deferred income	31,533	31,283	250
Total accruals and deferrals	31,726	31,580	146

The item Deferred income, equal to Euro 31,533 thousand (Euro 31,283 thousand on 30 June 2019) includes:

- Euro 10,098 thousand (Euro 10,452 thousand at 30 June 2019) relating to royalties from rights to use images of Milan's home games in specific seasons ("Milan Library");
- 17,970 thousand (not present at 30 June 2019) relating to advance invoicing for broadcasting rights for the Serie A Championship with reference to matches played in July and August 2020 following the extension of the 2019/2020 football season due to the spread of Covid-19;
- Euro 3,111 thousand (Euro 4,659 thousand at 30 June 2019) relating to portions of the 2019/2020 Serie A Championship Season Passes Campaign, received at 30 June 2019 and attributable to matches played behind closed doors from March 2020 due to the restrictive measures imposed by the Authorities for the containment of Covid-19.

COMMITMENTS, RISKS AND POTENTIAL LIABILITIES

COMMITMENTS AND GUARANTEES

Bank guarantees, endorsements and other personal guarantees

These are guarantees issued by banks and/or insurers, totalling Euro 24,438 thousand (Euro 59,360 thousand at 30 June 2019), mainly in favour of:

- Lega Calcio, for the transfer season, for Euro 17,762 thousand (Euro 54,045 thousand at 30 June 2019);
- The Municipality of Milan, for the use of the San Siro Stadium, for Euro 2,337 thousand (Euro 2,309 thousand at 30 June 2019);
- Vittoria Assicurazioni S.p.A., relating to one year's rent of the "Casa Milan" headquarters, for Euro 2,125 thousand (Euro 2,125 thousand at 30 June 2019);
- The Italian Revenue Agency (Agenzia delle Entrate) for Euro 2,097 thousand (Euro 600 thousand at 30 June 2019) for a VAT receivable relative to the 2018 VAT return - 2017 tax period, requested as a reimbursement.

CONTINGENT LIABILITIES AND OTHER INFORMATION

Financial Fair Play

The club's participation in European competitions is subject to compliance with sporting, legal, infrastructure, organisational and economic/financial requirements set out in the U.E.F.A. Club Licensing and Financial Fair Play Regulations – Edition 2018. In this regard, on 18 June 2020 the Executive Committee of UEFA approved partial exemptions from the Financial Fair Play rules and the criteria for their monitoring, so that the negative effects of Covid-19 on the financial results of football clubs are taken into account for the purposes of the Licence.

Based on historical data and expected results, the company believes, in line with the opinions of its legal advisors that, if it qualifies for European competitions in the 2020/2021 season having finished sixth in the Serie A Championship, which ended in August 2020, UEFA may administer sporting and/or economic/financial sanctions based on any violations of the break-even rule required by Financial Fair Play, in the monitoring periods indicated by regulations, and has therefore maintained the provision for risks allocated in previous years in the financial statements, the amount of which is still deemed to be appropriate.

Other information

On 6 March 2020, the company informed Mr. Zvonimir Boban of its withdrawal for just cause from the long-term collaboration pursuant to Article 409 of the Italian Code of Civil Procedure, entered into with him on 1 July 2019 and scheduled to end on 30 November 2022.

Mr. Boban, through his lawyers, in a letter dated 11 March 2020, disputed the reasons put forward by the company for the withdrawal for just cause. In summary, he impugned the withdrawal, partly maintaining it to be retaliatory, and claimed that the collaboration relationship was in fact a fixed-term managerial employment or, in the alternative, that it should be recategorised pursuant to and for the effects of the provisions of Article 2 of Legislative Decree no. 81/2015, with a claim for compensation for financial and non-financial damage. In consideration of the above, the Company, based on the information currently in its possession and supported by the opinions of its lawyers, has prudentially made an allocation to the provision for risks in the financial statements, although it believes that the various reasons of that led to the interruption for just cause of the previous relationship with Mr. Boban are well-founded, notwithstanding the inherent risk. The Company must file a statement of defence pursuant to Article 416 of the Italian Criminal Code by 16 October 2020.

NOTES ON THE MAIN ITEMS OF THE INCOME STATEMENT

(in thousands of Euros)

Introduction

Before analysing the individual items, we remind you that the comments on the general changes in costs and revenues are provided in the Report on Operations, as required by Article 2428 paragraph 1 civil code. It should also be remembered that in February 2020 Italy was struck by the global emergency caused by the spread of the virus called "Covid-19". In line with the containment measures imposed by the Government, the FIGC suspended all football competitions until 20 June 2020 as per Official Statement 207/A of 8 June 2020. The income statement items have been classified according to the financial statement structure established for professional football clubs, in compliance with the provisions of the Italian Football Federation Official Notice no. 58, published on 5 September 2006.

The following table compares the number of official matches played in the various official competitions during the 2019/2020 financial year and the previous one, taking into account that 10 matches of the Serie A Championship 2019/2020 were held in July/August.

	Season 19/20	Season 18/19	Change
CHAMPIONSHIP	28	38	(10)
UEFA	0	6	(6)
ITALIAN CUP	4	4	0
ITALIAN SUPER CUP	—	1	(1)
Total	32	49	(17)

VALUE OF PRODUCTION

The total value of production in the 2019/2020 financial year amounted to Euro 174,926 thousand (Euro 220,577 thousand in the first half of 2018/2019). The breakdown of this item is shown below.

Revenues from sales and services

These related to the sale of tickets and season passes to attend first team matches. They include, in particular:

	2019/2020	2018/2019	Change
Home match revenues:			
• Championship matches	10,296	18,535	-8,239
• Tim Cup matches	3,038	1,495	1,543
• International Cup matches	0	1,035	-1,035
• other matches	—	—	0
Away matches revenues:			0
• Tim Cup matches	0	118	-118
Season passes:			0
• Championship	6,932	9,409	-2,477
• International cups	—	—	0
Revenues from other competitions	3,551	3,815	-264
Total	23,817	34,407	-10,590

Championship home match revenues, equal to Euro 10,296 thousand (Euro 18,535 thousand in the 2018/2019 financial year), decreased due to the suspension of the Serie A Championship in March, April and May 2020, due to the Covid-19 health emergency. Matches resumed at the end of June 2020 and the season ended on 2 August 2020 (28 out of 38 matches played before 30 June 2020). It is also important to note that championship matches have been held behind closed doors since March 2020, due to the restriction in measures imposed by the Government and the relevant authorities.

Revenues from Tim Cup home matches relate to the gross fee received for playing in the TIM Cup – 2019/2020 edition, which ended in the semi-finals.

Match revenues from international cup matches were absent, as they refer to the home matches played in the UEFA Europa League - 2019/2020 edition, which the team was not involved in (Euro 1,035 thousand in the 2018/2019 financial year relating to the preliminary rounds, the qualifying round of the UEFA Europa League - 2018/2019 edition).

Revenues from season passes, of Euro 6,932 thousand (Euro 9,409 thousand in 2018/2019) relate to the Serie A Championship for 2019/2020, with a total of 32,347 season passes (31,347 season passes for the Serie A Championship in 2018/2019). The fall is due to the lower number of matches played in the year.

The total Revenues from other competitions only relates to the national and international friendly matches played by the first team during the summer.

Other revenues and income

This income consisted of:

	2019/2020	2018/2019	Change
Sponsorship income	25,336	25,334	2
Commercial income and royalties	6,670	5,880	790
Income from broadcasting and media rights:			0
• from participation in national competitions	63,385	90,294	-26,909
• from participation in UEFA competitions.	0	14,754	-14,754
Sundry income:			0
• Income from archive rights licensing	8,734	8,754	-20
• Publishing income	—	—	0
• Sundry income	131	337	-206
Revenues from player loans	5,442	5,245	197
gains from the sale of player registration rights	20,019	12,622	7,397
Other income from player management	2,674	7,670	-4,996
Other sundry revenues	18,715	15,280	3,435
Total	151,109	186,170	-35,061

Sponsorship income, of Euro 25,336 thousand (Euro 25,334 thousand in 2018/2019) mainly relate to the following:

- Euro 14,000 thousand (Euro 14,000 thousand in the 2018/2019 financial year) for the fees paid by the Official Sponsor Emirates, under the contract expiring at 30 June 2020;
- Euro 10,965 thousand (Euro 10,909 thousand in the 2018/2019 financial year) for amounts paid by the Technical Sponsor Puma International Sports Marketing B.V. for the purchase of the right to place their branding on the club's official kit, under an agreement effective until 30 June 2023;
- Euro 371 thousand (Euro 424 thousand in FY 2018/2019) being payments from contracts with the corporate sponsors, official and technical suppliers, and commercial partners under which the club allows sponsors to use the titles of "Official Supplier", "Official Partner" and "Institutional Sponsor" for advertising and publicity.

Commercial income and royalties, equal to Euro 6,670 thousand (Euro 5,880 thousand in the 2018/2019 financial year), mainly refer to revenues from merchandising and licensing and in particular to the agreement with Puma International Sports Marketing B.V., effective until 30 June 2023.

Revenues from broadcasting and media rights, equal to Euro 63,385 thousand (Euro 90,294 thousand in the 2018/2019 financial year) arise from the centralised licence of broadcasting and media rights for the 2019/2020 season of various packages assigned to broadcasters, including in particular Sky Italian S.r.l., RAI. IMG Media and Perform Investment Ltd (Dazn).

Broadcasting income from participation in UEFA competitions were not present (Euro 14,754 thousand in the financial year 2018/2019), as these represent the amount paid to the club for the negotiation and use of TV and radio broadcasting rights for its participation in UEFA competitions and, as mentioned, the club did not take part in any UEFA competition in the year in question.

Income from archive rights licensing, amounting to Euro 8,734 thousand (Euro 8,754 thousand in the 2018/2019 financial year), relating to the fees resulting from the granting of the users right for the images of the A.C. Milan first team home matches for specific football seasons (the "*Milan Library*").

Revenues from player loans, amounting to Euro 5,442 thousand (Euro 5,245 thousand in the 2018/2019 financial year), relate to the following players loaned out by the club:

Player	Selling club	Amount
José Manuel Reina Paez	Aston Villa F.C.	400
Rodriguez	PSV N.V.	237
Jesus Joaquin Fernandez Saez "Suso"	Sevilla Fútbol Club	980
Gustavo Raúl Gómez Portillo	Sociedade Esportiva Palmeiras	3,325
Diego Laxalt Suarez	Torino F.C. S.p.A.	500
Total		5,442

Gains from the sale of player registration rights, realised in the year 2019/2020, are listed below with details of the name of the player and the selling club:

Player	Selling club	Net book value	Sale amount	Gain
Patrick Cutrone	Wolvehampton	600	18,000	16,947
Djalo Embalo	Lille	800	4,000	3,073
Total		1400	22,000	20,020
Other youth sector				0
Gains				20,020

Other income from player management, equal to Euro 2,674 thousand (Euro 7,670 thousand in the 2018/2019 financial year) refers in particular to:

- Euro 1,000 thousand (not present in the 2017/2018 financial year) to the variable consideration paid by U.S. Sassuolo for reaching the targets contractually envisaged for the player Manuel Locatelli;
- Euro 1,000 thousand (not present in 2017/2018) being the amount paid by Torino F.C. for the resale of the player Niang Mbaye ("sell-on fee") to Stade Rennais F.C.;
- Euro 274 thousand (Euro 514 thousand in the 2017/2018 financial year) for the solidarity contribution paid by various clubs for the transfer of certain players who played for Milan aged between 12 and 23.

Other sundry revenues of Euro 18,715 thousand (Euro 15,279 thousand in the 2018/2019 financial year) refer, for Euro 4,445 thousand (Euro 5,160 thousand in the 2018/2019 financial year) to the proceeds from the recharging of costs to Milan Entertainment S.r.l., particularly for the use of indoor premises at Casa Milan and the San Siro Stadium in Milan, Milan Real Estate S.p.A., players and third parties, as well as Euro 725 thousand (Euro 1,128 thousand in the 2018/2019 financial year) as fees from the invoicing of the associate M-I Stadio S.r.l. for the use of some indoor and outdoor areas at the San Siro Stadium in Milan, under a specific agreement. Moreover, this item includes Euro 5,545 thousand (Euro 2,586 thousand in the 2018/2019 financial year), for contingent assets and other residual revenues and income, Euro 396 thousand (Euro 1,207 thousand in the 2018/2019 financial year) for reimbursements and contributions for the call-up of Milan players to their national teams, as well as Euro 7,604 thousand (Euro 5,228 thousand in the 2018/2019 financial year), for use, for different purposes, of the risk provision for future charges earmarked in the financial statements of previous years.

Costs of production

Costs of production in the 2019/2020 financial year amounted to Euro 374,298 thousand (Euro 367,221 thousand in the 2018/2019 financial year).

Costs for the purchase of consumables and goods

Costs for the purchase of consumables and goods, amounting to Euro 2,821 thousand (Euro 2,973 thousand in the 2018/2019 financial year), mainly relate to costs incurred for the purchase of sports clothing for training, the official kits provided by the Technical Sponsor and medicinal expenses.

Cost for services

Were broken down as follows:

	2019/2020	2018/2019	Change
Costs for registered players	2,894	3,265	-371
Costs for sporting activities	1,429	1,561	-132
Specific technical costs	14,532	9,401	5,131
Lodging, accommodation, and match transport costs	2,263	3,051	-788
Player insurance	2,722	2,877	-155
Other consultancies and collaborations	4,248	5,252	-1,004
Advertising expenses	833	1,300	-467
Miscellaneous services from subsidiaries	19,050	19,995	-945
Administrative and general expenses	13,743	13,637	106
Total	61,714	60,339	1,374

Costs for registered players, amounting to Euro 2,894 thousand (Euro 3,265 thousand in the 2018/2019 financial year), relate to the expenses incurred for health and schooling assistance and for training and camp sessions of the first team and the youth sector.

Costs for sporting activities amounting to Euro 1,429 thousand (Euro 1,561 thousand in the 2018/2019 financial year) relate to the remuneration of health care and medical personnel other related expenses.

Specific technical costs, equal to Euro 14,532 thousand (Euro 9,401 thousand in the 2018/2019 financial year), mainly refer to costs for player observation of Euro 253 thousand (Euro 13 thousand in the 2018/2019 financial year), consultancy and technical and sporting collaboration of Euro 6,019 thousand (Euro 2,784 thousand in the 2018/2019 financial year), of which the increase was related to new technical positions joining the club and costs for sports agents of Euro 6,738 thousand (Euro 5,710 thousand in the 2018/2019 financial year).

Lodging, accommodation, and match transport costs, amounting to Euro 2,263 thousand (Euro 3,051 thousand

in the 2018/2019 financial year), consist of expenses incurred for the away matches of the first team and the minor teams.

Player insurance of Euro 2,722 thousand (Euro 2,877 thousand in the 2018/2019 financial year), relates to the premiums paid to insure the players of the first team and youth sector, and have increased as a result of further insurance items being included in the cover.

Advertising expenses, of Euro 833 thousand (Euro 1,300 thousand in the 2018/2019 financial year), include gifts, entertainment expenses, and other costs of promotional activities.

Other consulting agreements of Euro 4,248 thousand (Euro 5,252 thousand in the 2018/2019 financial year) includes the amounts payable for management and strategic consulting, legal and notarial fees, and administration, organisation and tax, communication, technical and other costs. The change is mainly due to the fact that in the previous financial year, the company consulted leading legal practices for specific issues not related to ongoing disputes.

Miscellaneous services from subsidiaries amount to Euro 19,050 thousand (Euro 19,995 thousand in the 2018/2019 financial year) and refer in particular to:

- Euro 14,050 thousand (Euro 13,995 thousand in the 2018/2019 financial year), for the service agreement between A.C. Milan S.p.A. and Milan Entertainment S.r.l., under which the latter provides the parent A.C. Milan S.p.A. with commercial, marketing, sales, personnel management, stadium management, administration, IT, logistics and general services;
- Euro 5,000 thousand (Euro 6,000 thousand during the 2018/2019 financial year), the agreement where by the subsidiary Milan Real Estate S.p.A. provides A.C. Milan S.p.A. with a number of management services relative to the Milanello Training Centre.

Administrative and general expenses, equal to Euro 13,743 thousand (Euro 13,638 thousand in the 2018/2019 financial year), mainly refer to fees for Executive Directors amounting to Euro 3,622 thousand (Euro 2,746 thousand in the 2018/2019 financial year), increasing due to events concerning top management following the change in the ownership structure in July 2018, to fees for auditors for Euro 31 thousand (Euro 20 thousand in the 2018/2019 financial year) and to the Supervisory Body for Euro 23 thousand (Euro 18 thousand in the 2018/2019 financial year), maintenance of playing fields, site and various for Euro 464 thousand (Euro 485 thousand in the 2018/2019 financial year), insurance for sundry risks for Euro 527 thousand (Euro 379 thousand in the 2018/2019 financial year), various utilities for Euro 663 thousand (Euro 706 thousand in the 2018/2019 financial year), costs for cleaning premises for Euro 185 thousand (Euro 241 thousand in the 2018/2019 financial year), broadcast and media production and distribution costs for 2019/2020 Serie A images and the Milan Library for Euro 1,206 thousand (Euro 1,441 thousand in the 2018/2019 financial year), bank charges and fees, and fees for the sale of tickets and/or season passes for Euro 80 thousand (Euro 267 thousand in the 2018/2019 financial year), costs for IT systems of Euro 1,355 thousand (Euro 2,241 thousand in the 2018/2019 financial year), of which the decrease mainly arises from costs relative to software for ticket sales management, as well as costs arising from the management of the San Siro Stadium, Milan, relative to technical, maintenance, commercial

and administrative services and other costs charged by the company M-1 Stadio S.r.l., under a specific agreement, amounting to Euro 4,550 thousand (Euro 4,297 thousand in the 2018/2019 financial year).

Leases and rentals

This item totalled Euro 9,983 thousand (Euro 8,891 thousand in the 2018/2019 financial year) and mainly consisted of:

- costs of Euro 4,737 thousand (Euro 4,676 thousand in the 2018/2019 financial year) resulting from the use of the San Siro Stadium in Milan under the agreement with the Municipality of Milan involving the joint management of the stadium together with F.C. Internazionale Milano S.p.A. from 1 July 2000 up to 30 June 2030, of which Euro 2,183 thousand (Euro 2,183 thousand in the 2018/2019 financial year) will be subsequently deducted from the rental payments upon completion of the modernisation work carried out each year on the San Siro Stadium in Milan;
- lease expenses of Euro 2,451 thousand (Euro 2,434 thousand in the 2018/2019 financial year), including transaction costs, for the new “Casa Milan” premises;
- the costs of property rentals and service charges of Euro 1,091 thousand (Euro 682 thousand in the 2018/2019 financial year) relating to an agreement with the subsidiary Milan Real Estate S.p.A., concerning the provision by that company of real estate services consisting of the provision of various types of property;
- the hiring of corporate transport and other equipment, of Euro 1,703 thousand (Euro 1,099 thousand in the 2018/2019 financial year).

Personnel costs

Personnel costs were broken down as follows:

	2019/2020			2018/2019		
	Registered players	Other employees	Total	Registered players	Other employees	Total
Wages and salaries	140,006	7,095	147,101	163,755	7,340	171,095
Social security charges	4,050	1,735	5,785	3,702	1,672	5,374
End of career entitlements/Employee leaving entitlements	920	478	1,398	978	473	1,451
Other costs	108	131	239	106	74	180
Total	145,084	9,439	154,525	168,541	9,559	178,100

The item Employee leaving entitlements consists of Euro 202 thousand for the allocation of employee leaving entitlements, including substitute tax, and Euro 651 thousand for the employee leaving entitlements that, in accordance with the pensions reform, have been allocated to the supplementary pensions schemes of transferred to the Treasury fund established at the Italian National Social Security Institute (INPS).

The item Other personnel costs includes the contributions to supplementary pension funds paid by the Company as well as education subsidies for young players in the youth sector of A.C. Milan.

The cost for registered personnel is broken down as follows:

	2019/2020	2018/2019	Change
Players contractual remuneration	115,721.00	141,542.00	-25,821.00
Variable remuneration linked to sports results	6,691.00	1,481.00	5,210.00
Coaches contractual remuneration	10,574.00	11,198.00	-624.00
Variable remuneration linked to sports results		0.00	0.00
Contractual remuneration for instructors, technicians and others	5,719.00	8,453.00	-2,734.00
Variable remuneration linked to sports results		0.00	0.00
Contractual payments to medical staff	1,301.00	1,081.00	220.00
Variable remuneration linked to sports results	0.00	0.00	0.00
Total	140,006	163,755	-23,749

Details of the average numbers of personnel employed by the company in the 2019/2020 financial year are provided below:

	2019/2020	2018/2019		Change
Players	55.4	59.8	-	4.4
Coaches / Other technical personnel	171.6	156.6		15.0
Directors	11.5	9.0		2.5
Journalists	6.3	2.0		4.3
Office workers and middle managers	72.6	68.0		4.6
Workers	1.0	1.0		-
Total	318.3	296.4		21.9

Amortisation, depreciation and write-downs

Amortisation of intangible fixed assets, amounting to Euro 102,705 thousand (Euro 88,502 thousand in the 2018/2019 financial year) consisted of the following:

- Euro 94,601 thousand (Euro 80,304 thousand in the 2018/2019 financial year) for the amortisation of player registration rights, calculated in amounts proportional to the duration of respective contracts;
- Euro 8,105 thousand (Euro 8,198 thousand in the 2018/2019 financial year) for the amortisation of the other intangible fixed assets detailed below:

	2019/2020	2018/2019		Change
Software	101	216		-115
Trademarks	107	116		-9
Television images historical archive (<i>Milan Library</i>)	5,769	5,769		0
Vismara Training Centre long-term lease and related improvements	789	786		3
Improvement San Siro Stadium in Milan	617	587		30
Leasehold improvements	721	724		-3
Total	8,104	8,198		-94

Depreciation of tangible fixed assets amounted to Euro 412 thousand (Euro 476 thousand in the 2018/2019 financial year) and consisted of:

- Euro 47 thousand (Euro 45 thousand in the 2018/2019 financial year) for plant and machinery;
- Euro 133 thousand (Euro 137 thousand in the 2018/2019 financial year) for equipment;
- Euro 232 thousand (Euro 294 thousand in the 2018/2019 financial year) for other tangible assets.

The item Other write-downs of fixed assets amounted to Euro 19,851 thousand (Euro 1,934 thousand in the 2018/2019 financial year) and refers to the write-down of the registration rights of some players, due to the loss-making sales in September and October 2020 and, residually, to mutual termination of contracts with some players before their expiry.

The item Write-down of receivables included in working capital and in cash and cash equivalents, amounting to Euro 355 thousand (Euro 577 thousand in the 2018/2019 financial year), refers to the allocation made to the provision for doubtful trade receivables.

Provisions for risks

This item amounts to Euro 9,858 thousand (Euro 6,755 thousand in the 2018/2019 financial year) and refers to the provision of personnel restructuring costs, future costs relative to technical personnel "released" but still on the company payroll, as well as leaving indemnities for players sold definitively during the summer 2020 transfer campaign.

Sundry management expenses

Sundry management expenses consisted of:

	2019/2020	2018/2019	Change
Various match organisation expenses	53	45	8
Match subscription taxes	3	2	1
Percentage paid to visiting teams	241	199	42
Costs for acquisition of player services on loan	3,438	13,180	-9742
Losses from the sale of multi-year player registration rights	4,717	449	4268
Other expenses from player management:			0
• Solidarity mechanism	0	154	-154
• Training indemnity and development costs	5	4	1
Other management expenses:			0
• Contributions to Lega Nazionale Professionisti / other bodies	1,647	1,198	449
• Match penalties and fines	22	258	-236
• Losses on receivables	0	38	-38
• Other duties and taxes	261	515	-254
• Others	1,686	2,631	-945
Total	12,073	18,673	-6,600

The item Percentage paid to visiting teams refers to the portion of takings to be paid to SPAL and Torino, respectively, for the last sixteen and quarter finals of the 2019/2020 edition of the TIM Cup (takings to pay to SSC Napoli for the quarter finals of the TIM Cup 2018/2019).

Costs for acquisition of player services on loan, amounting to Euro 3,438 thousand (Euro 13,180 thousand in the 2018/2019 financial year), refer to the following players purchased by the club:

Player	Selling club	Amount
Begovic	Bournemouth	125
Saelemaekers	Anderlecht N.V.	3,250
Andrea Sala	Lecco	3
Angelini	Rimini	20
Galletti	Piacenza	10
Pecorino	Catania	30
Total		3,438

Losses from the sale of multi-year player registration rights, equal to Euro 4,717 thousand (Euro 449 thousand in the 2018/2019 financial year), realised during the 2019/2020 financial year, concern the following players.

Player	Selling club	Net book value	Sale amount	Capital loss
Borini	Hellas Verona	921	—	-921
Piatek	Hertha BSC	27,222	23,426	- 3,796
Total		28,143	23,426	- 4,717

Other management expenses, of Euro 1,440 thousand (Euro 2,631 thousand in 2018/2019), relates mainly, as to Euro 585 thousand (Euro 1,313 thousand in 2018/2019) to costs deriving from chargebacks against Milan Entertainment S.r.l., Milan Real Estate S.p.A., AC Milan (Beijing) Sports Developments Co. Ltd. and players and third parties, for their own expenses. It should be noted that, in 2018/2019 there was the cost of Euro 375 thousand for the purchase of the "Sports Title" by the company ACF Brescia Calcio Femminile for the rights to participate in the women's Serie A championship organised by F.I.G.C.

This item also includes contingent liabilities and other residual costs totalling Euro 855 thousand (Euro 943 thousand in the 2018/2019 financial year).

FINANCIAL INCOME AND EXPENSES

Financial income and expenses show expenses of Euro 3,004 thousand (expenses of Euro 10,089 thousand in the 2018/2019 financial year) and were broken down as follows.

	2019/2020	2018/2019	Change
Income from equity investments from subsidiaries	4,800	2,500	2,300
Total income from equity investments	4,800	2,500	2,300
Bank interest income	4	0	4
Interest income from subsidiaries	71	76	-5
Interest on other receivables	607	686	-79
Total financial income	682	762	-80
Interest payable on bonds	0	-2,274	2,274
Bank interest expenses	-331	-36	-295
Interest expense on other debt	-2,085	-1,653	-432
Interest expense from subsidiaries	-1,561	-1,585	24
Interest payable to parent companies	—	—	0
Interest expense on other debt	0	0	0
Other interest and financial charges	-4,538	-7,824	3,286
Total financial expenses	-8,515	-13,372	4,857
Exchange rate gains	34	31	3
Exchange rate losses	-5	-10	5
Total exchange rate gains (losses)	29	21	8
Total	-3,004	-10,089	7,085

Income from equity investments, equal to Euro 4,800 thousand, relates respectively for Euro 4,000 thousand and Euro 800 thousand for the dividends of the subsidiaries Milan Entertainment S.r.l. and Milan Real Estate S.p.A., as per the resolutions of the Shareholders' meeting of 28 October 2019, relating to the approval of the financial statements for the year ended 30 June 2019 of said companies.

The item Other interest and financial charges includes Euro 2,099 thousand (Euro 3,058 thousand in the 2018/2019 financial year) relative to the commission payable on guarantees issued by banks and/or insurers, mainly used as partial coverage for the player transfer season, and Euro 1,959 thousand (Euro 4,569 thousand in the 2018/2019 financial year), for the effects of applying the amortised cost principle to the payables arising from the player transfers.

The item Interest on other receivables includes the positive effect of Euro 598 thousand (Euro 612 thousand in the 2018/2019 financial year), from the adoption of the amortised cost criterion on receivables from the player transfer campaign.

INCOME TAXES FOR THE PERIOD

Current taxes

	2019/2020	2018/2019	Change
IRAP (regional business tax)	0	-888	888
Tax income from tax consolidation	1,427	1,760	-333
Direct taxes from previous financial years	-174	0	-174
Total	1,252	872	381

Tax income from tax consolidation represents, in the 2019/2020 financial year, the income from the tax benefits from the adjustment of relations exclusively within the sub-consolidation area of the Milan Group, in application of the “Agreement on the exercise of the option for the national tax consolidation scheme” agreed with the subsidiaries Milan Entertainment S.r.l. and Milan Real Estate S.p.A..

Deferred tax assets and liabilities

The item Deferred tax assets and liabilities shows net assets of Euro 63 thousand (liabilities of Euro 8 thousand in 2018/2019).

(PROFIT) LOSS FOR THE YEAR

During the 2019/2020 financial year, a loss of Euro 201,060,678.50 was recorded (compared to a loss of Euro 155,868,693.55 in the 2018/2019 financial year).

Remuneration of the Directors, Statutory Auditors and the Supervisory and Control Body

Details are provided below of the remuneration for the 2019/2020 financial year due to the Directors, Statutory Auditors and the Supervisory and Control Body for the positions held in the Company and in its subsidiaries.

	A.C. Milan S.p.A.	Milan Entertainment S.r.l.	Milan Real Estate S.p.A.
Board of Directors	3,622	—	—
Board of Statutory Auditors	31	18	18
Supervisory and control body	23	14	14
Total	2,739	32	32

Proposals of the Board of Directors to the Shareholders' Meeting

Dear Shareholders

The financial statements at 30 June 2020 of your company closed with a loss of Euro 201,060,678.50, a share capital of Euro 113,443,200.00, fully subscribed and paid up, a share premium reserve of Euro 31,020,000.00, fully subscribed and paid up, a legal reserve of 123,889.55, payments on account of future capital increases and/or to cover losses of Euro 158,511,123.00 and retained losses of Euro 34,249,947.91.

We therefore propose covering the loss for the year of Euro 201,060,678.50 through the use of payments on account of future capital increases and/or to cover losses by the majority shareholder, for the same amount.

We trust in your agreement with the configuration and criteria used in preparing the financial statements at 30 June 2020, which we request you to approve.

Milan, 9 October 2020

for the **Board of Directors**
The Chief Executive Officer
Ivan Gazidis

ATTACHMENTS



ATTACHMENTS

These attachments contain additional information to that reported in the Notes, of which they are an integral part.

This information is contained in the following attachments:

- statement of changes in intangible fixed assets;
- statement of changes in player registration rights;
- statement of changes in tangible fixed assets;
- statement of changes in equity investments;
- statement of changes in shareholders' equity;
- breakdown statement of Shareholders' equity reserves;
- List of equity investments and key figures from the latest financial statements of subsidiaries and associates as per Article 2427(5) of the civil code.

Attachment 1

Statement of changes in intangible assets

(in thousands of Euros)

Historical cost	01.07.2019	Investments	(Disinvestments)	Other changes	(Amortisation)	(Write-downs) / Write-backs	30.06.2020
Start-up and expansion costs	—	—	—	—	—	—	—
Industrial patent rights and use of intellectual property	—	—	—	—	—	—	—
Concessions, licences, trademarks and similar rights	44.213	254	—	—	—	—	44.467
Assets in progress and advances	—	101	—	—	—	—	101
Player registration rights	414.046	99.369	(87.370)	—	—	—	426.045
Other intangible fixed assets	34.953	458	(37)	—	—	—	35.374
Total	493.212	100.182	(87.407)	—	—	—	505.987

Accumulated Depreciation and Provision for Doubtful Accounts	01.07.2019	Investments	(Disinvestments)	Other changes	(Amortisation)	(Write-downs) / Write-backs	30.06.2020
Start-up and expansion costs	—	—	—	—	—	—	—
Industrial patent rights and use of intellectual property	—	—	—	—	—	—	—
Concessions, licences, trademarks and similar rights	(22.146)	—	—	—	(5.978)	—	(28.124)
Player registration rights	(181.838)	—	76.800	—	(94.601)	(19.851)	(219.490)
Other intangible fixed assets	(18.336)	—	5	—	(2.128)	—	(20.459)
Total	(222.320)	—	76.805	—	(102.707)	(19.851)	(268.073)

Net value	01.07.2019	Investments	(Disinvestments)	Other changes	(Amortisation)	(Write-downs) / Write-backs	30.06.2020
Start-up and expansion costs	—	—	—	—	—	—	—
Industrial patent rights and use of intellectual property	—	—	—	—	—	—	—
Concessions, licences, trademarks and similar rights	22.067	254	—	—	(5.978)	—	16.343
Goodwill and consolidation difference	—	—	—	—	—	—	—
Assets in progress and advances	—	101	—	—	—	—	101
Player registration rights	232.208	99.369	(30.421)	—	(94.601)	(19.851)	186.703
Other intangible fixed assets	16.617	458	(32)	—	(2.128)	—	14.917
Total	270.892	100.182	(30.453)	—	(102.707)	(19.851)	218.065

Attachment 2

Statement of changes in player registration rights

Origin		Destination		Historical cost				Depreciation and Provision for Doubtful Accounts				Net Value 30.06.2020	Economic Impacts 30.06.2020				Various		Net Value 30.06.2020 Sport Agents	
Date of purchase	Club	Date of sale	Club	01.07.2019	Increases	Decreases	30.06.2020	01.07.2019	Increases	Decreases	30.06.2020		Amortisation	Write-down	Loss	Gain	Age	Ctr. r/mgs years		
1st team Italian																				
Abate Ignazio	30/06/2009	Torino F.C.	—	—	5,475,000	(5,475,000)	0	5,475,000	(5,475,000)	0	0	0	0	0	0	0	14	0,0	0	
Antonelli Luca	02/02/2015	Genoa Cricket and F.C.	11/08/2018	Empoli F.C.	0	0	0	0	0	0	0	0	0	0	0	0	13	-	0	
Bertolacci Andrea	01/07/2015	A.S. Roma	—	—	21,040,000	(21,040,000)	0	21,040,000	(21,040,000)	0	0	0	0	0	0	0	29	0,0	0	
Bonaventura Giacomo	01/06/2014	Atalanta B.C.	—	—	5,300,000	—	5,300,000	4,495,556	844,444	(21,040,000)	5,300,000	0	0	0	0	0	11	0,0	0	
Bonaccini Leonardo	20/07/2017	Juventus F.C.	02/08/2018	F.C. Juventus	0	0	0	0	0	0	0	0	0	0	0	0	13	-	0	
Borini Fabio	30/06/2017	Sandholland A.F.C.	13/01/2020	Hellas Verona F.C.	5,524,411	(5,524,411)	0	3,682,942	920,735	(4,603,676)	1	(1)	920,735	0	0	0	29	0,0	0	
Calabria Davide	—	—	—	—	101,460	—	101,460	75,895	8,571	—	84,464	11,144	—	—	—	—	24	2,0	11,143	
Calderà Mattia	02/08/2018	Juventus F.C.	—	—	36,000,000	435,000	36,435,000	7,200,000	7,262,143	(14,642,143)	14,642,143	21,972,857	7,262,143	—	—	—	26	3,0	972,857	
Corfi Andrea	07/07/2017	Atalanta B.C.	—	—	24,200,000	—	24,200,000	9,480,000	4,840,000	(14,520,000)	14,520,000	9,680,000	—	—	—	—	26	2,0	480,000	
Costone Patrick	—	—	29/07/2019	Wolverhampton F.C.	—	(751,000)	—	153,000	—	(153,000)	—	—	—	—	—	—	16	946,701	—	
Donnarumma Antonio	11/07/2017	Asteras Tripolis F.C.	—	—	978,947	—	978,947	489,472	244,737	—	734,209	244,737	—	—	—	—	30	1,0	—	
Donnarumma Gianluigi	—	—	—	—	1,111,000	—	1,111,000	870,250	120,376	—	990,626	120,376	—	—	—	—	21	1,0	111,409	
Lucarelli Manuel	—	—	13/08/2018	U.S. Sassuolo Calcio	—	—	—	0	0	—	0	0	0	0	0	0	22	1,0	—	
Montolio Riccardo	—	—	—	—	200,000	(200,000)	0	200,000	—	(200,000)	0	0	0	0	0	—	15	0,0	—	
Romagnoli Alessio	11/08/2015	A.S. Roma	—	—	25,250,000	—	25,250,000	17,675,000	2,525,000	(31,671,676)	20,200,000	5,075,000	2,525,000	—	—	—	25	2,0	50,000	
Total 1st team Italian					128,933,998	435,000	(32,992,411)	93,376,547	70,997,105	16,766,006	(31,671,676)	56,291,435	37,085,112	16,766,006	0	920,735	16,946,701		1,631,409	
1st team foreign																				
Barca Abamadá Carlos Arturo	02/07/2015	Sevilla F.C.	16/08/2018	Villarreal C.F.	0	0	0	0	2,340,000	—	2,340,000	0	0	0	0	0	14	-	0	
Bonaventura Manuel	01/06/2019	Empoli F.C.	—	—	0	16,200,000	16,200,000	0	—	—	12,960,000	3,240,000	—	—	—	—	23	4,0	960,000	
Biglia Lucas Rodrigo	17/07/2017	S.S. Lazio	—	—	19,700,000	—	19,700,000	12,913,131	6,766,667	—	19,700,000	0	0	0	0	0	14	0,0	0	
Calhanoglu Hakan	30/06/2017	Bayer 04 Leverkusen	—	—	23,111,885	—	23,111,885	11,189,275	6,061,305	—	12,250,380	6,061,305	—	—	—	—	26	1,0	138,511	
Castillo Ansgar Samuel	16/08/2018	Villarreal C.F.	—	—	20,911,190	217,000	21,128,190	4,166,278	4,240,328	—	8,406,606	12,721,584	4,240,328	—	—	—	25	1,0	470,789	
Fernandez Sanz de la Torre Jesus "Suso"	19/01/2015	Liverpool F.C.	—	—	2,040,000	—	2,040,000	1,462,667	199,111	—	1,661,778	399,222	—	—	—	—	27	2,0	177,778	
Gonzalez Gomez Portillo	08/08/2016	Club Atletico Lanus	—	—	9,556,950	—	9,556,950	5,731,640	2,875,312	—	8,606,952	949,998	—	962,656	—	—	27	1,0	0	
Halléix Alex	28/06/2018	HNW Football	—	—	20,000	—	20,000	6,666	12,334	—	20,000	0	0	0	0	0	24	1,0	0	
Hernandez Theo Bernard Francois	26/07/2019	Real Madrid Club de Fútbol	—	—	0	22,100,000	(540,126)	21,559,874	0	4,311,935	—	17,247,939	4,311,935	—	—	—	23	4,0	0	
Kalinić Nikola	21/08/2017	ACF Fiorentina	10/08/2018	Club Atlético de Madrid	0	0	0	0	0	—	0	0	0	0	0	0	32	-	0	
Krenke Frank	02/06/2017	Vladimir B.C.	—	—	32,000,000	—	32,000,000	12,800,000	6,400,000	—	19,200,000	12,800,000	6,400,000	—	—	—	24	2,0	697,239	
Krenke Rade	07/07/2019	Empoli F.C.	—	—	0	8,600,000	8,600,000	0	1,720,000	—	1,720,000	6,880,000	1,720,000	—	—	—	27	4,0	480,000	
Lanzini Diego Sebastián	16/08/2018	Genoa Cricket and F.C.	—	—	14,900,000	4,100,000	19,000,000	3,725,000	5,091,667	—	8,816,667	10,181,333	5,091,667	—	—	—	27	2,0	516,667	
Lezcano Campos Duarte Da Silva	29/07/2019	Club de Flamengo	—	—	10,624,000	—	10,624,000	0	2,124,800	—	2,124,800	8,499,200	2,124,800	—	—	—	24	4,0	499,200	
Masi Jose Aquilino	06/07/2015	Giacatore svizzolo	—	—	4,000,000	—	4,000,000	0	—	—	(4,000,000)	0	0	0	0	0	24	0,0	0	
Mattini Nicola	02/05/2017	Villarreal C.F.	—	—	17,719,534	—	17,719,534	8,859,768	4,429,883	—	13,289,651	4,429,883	—	—	—	—	30	1,0	402,717	
Platki Koryntof	31/01/2019	Genoa Cricket and F.C.	—	—	35,000,000	—	35,000,000	3,888,889	3,888,889	(7,777,778)	—	0	0	0	0	0	25	3,0	0	
Rafael Marques Da Conceicao Leao	30/07/2019	Leixi Libe	—	—	29,882,712	(138,699)	29,544,013	0	5,908,803	—	5,908,803	21,635,210	5,908,803	—	—	—	21	4,0	0	
Reina Paez Jose Manuel	16/03/2018	Giacatore svizzolo	—	—	3,000,000	—	3,000,000	1,000,000	2,000,000	—	1,000,000	1,000,000	1,000,000	—	—	—	18	1,0	0	
Rodriguez Araya Ricardo Ivan	13/06/2017	Vill. Wolfsburg	—	—	14,189,736	—	14,189,736	7,094,868	5,094,868	—	12,189,736	2,000,000	3,547,434	1,547,434	—	—	25	3,0	0	
Schmeckers Meis	19/06/2020	Rsc Anderlecht N.V. S.A.	—	—	3,750,000	—	3,750,000	0	—	—	3,750,000	0	0	0	0	0	21	4,0	0	
Shu Andre Miguel Valente	13/06/2017	F.C. Porto	—	—	34,666,753	—	34,666,753	11,866,701	17,933,552	—	31,800,253	2,866,500	6,933,151	11,000,201	—	—	25	2,0	0	
Simec Ivan	02/03/2018	Giacatore svizzolo	—	—	2,000,000	—	2,000,000	0	—	—	0	0	0	0	0	0	33	1,0	0	
Teodoro Coelho de Lima Lucas "Paqueta"	31/12/2018	Club de Flamengo	—	—	17,879,589	—	17,879,589	6,208,943	13,670,745	(2,000,000)	—	0	0	0	0	0	23	1,0	2,211,039	
Vasconcelos Ferreira "Gabriel"	06/07/2018	União Esporte Clube	16/08/2018	A.C. Perugia Calcio	0	0	0	0	0	—	0	0	0	0	0	0	28	-	0	
Vergara Jerson Amil	15/07/2013	Universitario Popyayin	17/08/2018	Çaykur Rizespor	0	0	0	0	0	—	0	0	0	0	0	0	26	-	0	
Zapata Cristian Eduardo	23/05/2013	Villarreal C.F.	—	—	10,310,000	—	10,310,000	0	—	—	(10,310,000)	0	0	0	0	0	34	0,0	0	
Total 1st team foreign					281,226,637	95,473,712	(52,189,825)	324,510,524	107,244,728	95,971,399	(34,088,578)	179,127,549	146,382,975	74,201,382	19,770,017	3,794,086	0		4,953,998	
Total Other professionals and Youth Sector																				
					4,883,303	3,199,942	(2,188,924)	7,894,321	3,994,410	1,713,935	(1,388,923)	3,921,422	3,924,899	1,433,313	80,422	0	3,072,845		1,353,034	
Total Option rights																				
					0	300,000	300,000	0	0	0	0	0	300,000						0	
Total player registration rights																				
					414,045,898	99,368,654	(87,371,140)	426,043,392	181,836,243	114,613,340	(36,940,177)	239,346,406	184,702,946	94,680,701	19,850,039	4,714,821	30,079,546			9,940,402

Attachment 3

Statement of changes in tangible fixed assets

(in thousands of Euros)

Historical cost	01.07.2019	Investments	(Disinvestments)	Other changes	(Amortisation)	(Write-downs) / Write-backs	30.06.2020
Land and buildings	34	1	—	—	—	—	35
Plant and machinery	392	—	—	—	—	—	392
Industrial and commercial equipment	2.420	117	—	—	—	—	2.537
Other tangible assets	2.721	64	(8)	—	—	—	2.777
Tangible assets in progress	—	—	—	—	—	—	—
Total	5.567	182	(8)	—	—	—	5.741

Accumulated Depreciation and Provision for Doubtful Accounts	01.07.2019	Investments	(Disinvestments)	Other changes	(Amortisation)	(Write-downs) / Write-backs	30.06.2020
Land and buildings	(34)	—	—	—	—	—	(34)
Plant and machinery	(235)	—	—	—	(47)	—	(282)
Industrial and commercial equipment	(2.002)	—	—	—	(133)	—	(2.135)
Other tangible assets	(1.913)	—	8	—	(232)	—	(2.137)
Total	(4.184)	—	8	—	(412)	—	(4.588)

Net value	01.07.2019	Investments	(Disinvestments)	Other changes	(Amortisation)	(Write-downs) / Write-backs	30.06.2020
Land and buildings	—	1	—	—	—	—	1
Plant and machinery	157	—	—	—	(47)	—	110
Industrial and commercial equipment	418	117	—	—	(133)	—	402
Other tangible assets	808	64	—	—	(232)	—	640
Tangible assets in progress	—	—	—	—	—	—	—
Total	1.383	182	—	—	(412)	—	1.151

Attachment 4

Statement of changes in equity investments

(in thousands of Euros)

Historical cost	01.07.2019	Investments	(Disinvestments)	Other changes	(Write-downs) / Write-backs	30.06.2020
Subsidiaries:						
- Milan Entertainment S.r.l.	183.756	—	—	—	—	183.756
- Milan Real Estate S.p.A.	12.825	—	—	—	—	12.825
- AC Milan (Beijing) Sports Development Co. Ltd.	—	—	—	—	—	—
- Fondazione Milan - Onlus	104	—	—	—	—	104
Associates:						
- M-I Stadio S.r.l.	1.085	—	—	—	—	1.085
Total	197.770	—	—	—	—	197.770

Write-down provision	01.07.2019	Investments	(Disinvestments)	Other changes	(Write-downs) / Write-backs	30.06.2020
Subsidiaries:						
- Milan Entertainment S.r.l.	—	—	—	—	—	—
- Milan Real Estate S.p.A.	—	—	—	—	—	—
- AC Milan (Beijing) Sports Development Co. Ltd.	—	—	—	—	—	—
- Fondazione Milan - Onlus	—	—	—	—	—	—
Associates:						
- M-I Stadio S.r.l.	—	—	—	—	—	—
Total	—	—	—	—	—	—

Net value	01.07.2019	Investments	(Disinvestments)	Other changes	(Write-downs) / Write-backs	30.06.2020
Subsidiaries:						
- Milan Entertainment S.r.l.	183.756	—	—	—	—	183.756
- Milan Real Estate S.p.A.	12.825	—	—	—	—	12.825
- AC Milan (Beijing) Sports Development Co. Ltd.	—	—	—	—	—	—
- Fondazione Milan - Onlus	104	—	—	—	—	104
Associates:						
- M-I Stadio S.r.l.	1.085	—	—	—	—	1.085
Total	197.770	—	—	—	—	197.770

Attachment 5

Statement of changes in shareholders' equity

(in thousands of Euros)

Changes in shareholders' equity	Share Capital	Share premium reserve	Legal reserve	Statutory reserves	Other reserves	Profit (loss) carried forward	Profit (Loss) for the year	Total Shareholders' Equity
Shareholders' Equity at 30.06.2018	113.443	31.020	124	0	39.557	(34.250)	(135.638)	14.256
Resolution of 25.10.2018:								
- covering of losses					(135.638)		135.638	0
- capital increase								0
Capital contributions and/or contributions to cover losses					265.461			265.461
Other								0
Result for the period							(155.869)	(155.869)
Shareholders' Equity at 30.06.2019	113.443	31.020	124	0	169.380	(34.250)	(155.869)	123.848
Resolution of 25.10.2018:								
- covering of losses					(155.869)		155.869	0
- capital increase								0
Capital contributions and/or contributions to cover losses					145.000			145.000
Other								0
Result for the period							(201.061)	(201.061)
Shareholders' Equity at 30.06.2020	113.443	31.020	124	0	158.511	(34.250)	(155.869)	67.788

Attachment 6

Breakdown of shareholders' equity reserves

(in thousands of Euros)

Nature/Description	Amount	Possible use	Available amount	Summary of uses in the three previous years	
				to cover losses	for other reasons
Share capital	113.443				
Capital reserves:					
Capital contributions	158.511	A, B, C	158.511	319.028	
Share premium reserve	31.020	A, B	31.020		
Earnings reserve:					
Legal reserve	124	B	124		
Statutory reserves	0	A, B, C	0		
Profits carried forward	(34.250)	A, B, C	0		
Total	155.405		189.655		
Non-distributable amount			0		
Remaining distributable amount			0		

Key

A: for capital increases

B: to cover losses

C: for distribution to shareholders

Attachment 7

List of equity investments in subsidiaries and associates (pursuant to Article 2427 no. 5 civil code)

(in thousands of Euros)

Name of the Company Share capital	Headquarters	Share held on 30.06.2020	Result for the period	Net Equity at 30.06.2020		Book value on 30.06.2020
				Amount total	Amount pro-rata	
Subsidiaries						
Milan Entertainment S.r.l. Share Capital: € 20,000,000	Milan Via Aldo Rossi no. 8	100%	3.888	191.643	191.643	183.756
Milan Real Estate S.p.A. Share Capital: € 5,000,000	Carnago (VA) Via Milanello no. 25	100%	838	14.542	14.542	12.825
AC Milan (Beijing) Sports Development Co. Ltd. Share Capital: € 350,000	Beijing (PRC) Unit 5, 34th Floor, Bld. 5 Middle Road of East 3rd Ring - CN - Chaoyang District	100%	162	(936)	(936)	0
- Fondazione Milan - Onlus Endowment fund: € 104,000	Milan Via Aldo Rossi no. 8	100%	0	104	104	104
Associates						
M-I Stadio S.r.l. Share Capital: € 1,000,000	Milan Via Piccolomini no. 25	50%	1.601	3.772	1.886	1.085

NOTE: the shareholders' equity and the profit/(loss) for the period shown above have been taken from the financial statements at 30 June 2020 and approved by the Boards of Directors of the subsidiaries, AC Milan (Beijing) Sports Development Co. Ltd, whose figures have been taken from the draft statement of financial position at 30 June 2020 and the Fondazione Milan - Onlus whose figures have been taken from the financial statements at 31 December 2019

The carrying amounts at 30 June 2020 are shown net of any write-downs recognized in the period

BOARD OF STATUTORY AUDITORS' REPORT



A.C. MILAN S.p.A.

Registered office: Via Aldo Rossi, 8 – 20149 Milan

Share Capital: Euro 113,443,200.00 fully subscribed and paid

Tax ID and Milan, Monza and Brianza and Lodi Companies' Registry Registration No. 01073200154

**BOARD OF STATUTORY AUDITORS' REPORT ON THE SHAREHOLDERS' MEETING
ACCORDING TO ART. 2429 PARAGRAPH 2 OF THE ITALIAN CIVIL CODE**

To the Shareholders' Meeting of
A.C. MILAN S.p.A.

Dear Shareholders,

This report has been approved collectively, following receipt of the separate and consolidated draft financial statements for the year ending 30 June 2020, and of the report by the auditing firm in this regard.

The Board of Statutory Auditors has the control functions prescribed by Art. 2403 et seq of the Italian Civil Code. The external audit of the accounts is entrusted to the auditing firm EY S.p.A..

The structure of this report is based on the provisions of law and of Standard 7.1. of the "Rules of conduct of the Board of Statutory Auditors – Conduct of the Boards of Statutory Auditors of Unlisted Companies" issued by CNDCEC and in force since 30 September 2015.

Knowledge of the company, risk assessment and report on the appointments

We have investigated the activities performed by A.C. Milan S.p.A. (the "Company"), based on information obtained and with regard to:

- the type of activity carried out;
- its organizational and accounting structure;

Also considering the size and problems facing the Company, please note that the "planning" stage of the supervisory activity – which includes an assessment of the intrinsic risks and critical issues regarding the above two factors – was carried out by obtaining matches to what was already known, based on the information in our possession.

In relation to the above, we can confirm that:

- the Company's core business has not changed during the current year and reflects the contents of the Company object. Please note that the Company obtained the National License for admission to the 2020/2021 professional championship on 20 August 2020 and the UEFA License for the 2020/2021 football season on 6 June 2020;
- the organisational structure and IT equipment remained substantially unchanged;
- During the year, changes were made to the organisational chart and personnel. It should be noted that in March 2020, the Company communicated to Mr. Boban Zvonimir its withdrawal for just cause from the coordinated and continuous collaboration relationship, who contested the reasons behind the withdrawal. As of today's date, the dispute has not yet been settled.

The changes relating to personnel do not appear to have affected the reliability of the organisational, administrative and accounting structure.

Please refer to what is described in the report on operations and in the explanatory note about the effects of the Covid-19 pandemic on the Company. During the periodic meetings, we obtained information on the measures and controls put in place by the Group, in compliance with Government and FIGC directives.

This report therefore summarises our activities regarding the information provided for in Art. 2429 (2) of the Italian Civil Code, and specifically:

- on the operating results of the financial year;
- on the activity carried out in fulfilling the duties required by legal provisions;
- on the comments and proposals concerning the financial statements, particularly regarding the administrative body possibly using the exemption set forth in Art. 2423 of the Italian Civil Code;
- the receipt of any complaints from the shareholders as set forth in Art. 2408 of the Italian Civil Code.

The work done by the Board of Statutory Auditors related to the entire year. During such period, the meetings referred to in Art. 2404 of the Italian Civil Code were duly held and specific minutes of such meetings were drawn up and duly signed.

Activity performed

The Board has familiarised itself with the Company's operations and its organisational and functional structure, and has taken note of any changes compared to the minimum requirements imposed by the business performance. Based on the information in our possession, this structure appears to be adequate.

As part of our coordination with the other control bodies, we met with the managers of the auditing firm and of the Supervisory Body.

The relationships with the people working in the Company have been based on mutual collaboration while respecting the roles assigned to each one, having clarified those of the Board of Statutory Auditors.

There were no findings to show any irregularities regarding the capacity of the internal administration staff, who are responsible for recording the Company's events, and the administration staff appear to have sufficient knowledge of the issues facing the Company.

Based on the information learned, it is noted that:

- the decisions taken by the Shareholders' Meeting and by the Board of Directors conform to the law and to the company by-laws, and have not been manifestly imprudent or such that would definitively compromise the integrity of the company's assets;
- information has been obtained about the significant transactions carried out by the Company;
- there are no specific observations regarding the adequacy of the Company's organisational structure nor pertaining to the adequacy of its administration and accounting system, nor pertaining to the capacity of that system to present a proper representation of the management events;
- during our supervisory activity, as outlined above, no further significant facts emerged such as to require inclusion in this report;
- no intervention was required for omissions by the Board of Directors pursuant to Art. 2406 of the Italian Civil Code;
- no complaints were received pursuant to Art. 2408 of the Italian Civil Code;
- no events were reported pursuant to Art. 2409, para. 7, of the Italian Civil Code;
- during the financial year, the Board of Statutory Auditors issued a reasoned proposal to the Shareholders' Meeting regarding the assignment of the external audit on 11 October 2019.

Comments and proposals on the financial statements and their approval

The draft financial statements for the year ending 30 June 2020 were approved by the Board of Directors on 9 October 2020. They consist of the balance sheet, the income statement, the cash flow statement and the Notes.

In addition:

- the Board of Directors has also prepared the management report referred to in Art. 2428 of the Italian Civil Code;
- the administrative body prepared the consolidated financial statements based on the national accounting standards, in accordance with the law and in compliance with the current provisions introduced by the UEFA licensing manual, showing a loss of Euro 194.6 million and group equity of Euro 34.1 million;
- the legal audit was entrusted to the auditing firm EY S.p.A. which prepared its report in accordance with Art. 14 of Legislative Decree No. 39 of 27 January 2010, on the financial statements for the year ending 30 June 2020. That re-

port was submitted on 12 October 2020 and does not contain any findings in respect of significant deviations, negative judgements, or inability to express an opinion. This report highlights an emphasis of matter regarding the going concern assumption, which is expressly referenced;

- EY S.p.A. submitted its report on the financial statements for the year ending 30 June 2020 on 12 October 2020 and it does not contain any findings in respect of significant deviations, negative judgements, or inability to express an opinion. The report does contain a reference to the continuity of the business, to which please refer.

It should be noted that the directors considered the going concern requirement to exist on the basis of the letter of commitment, sent by the majority shareholder on 6 October 2020, to financially support the Milan Group for a period of not less than 12 months from the date of approval of the financial statements at 30 June 2020. Moreover, during the period July-October 2020, the majority shareholder made further payments for a total of Euro 96.5 million.

The draft financial statements were examined, and the following additional information has been provided:

- the valuation criteria are not substantially different from those adopted in the previous year and comply with the amendments introduced in art. 2426 of the Italian Civil Code by Legislative Decree No. 139/2015 and the updating of the OIC accounting standards;

- as we were not required to provide a detailed check of the contents of the financial statement, attention has been given to the approach of the draft financial statements, their general compliance with the law with regard to their drafting and structure, and in this respect, there are no comments that require highlighting in this report;

- as far as the Board is aware, in preparing the financial statements the executive body did not vary the provisions of law (Art. 2423 of the Italian Civil Code);

- in view of the nature of the Company's business, the instructions issued by the Italian Football Federation (FIGC) and the Committee for the Supervision of Italian Football Clubs (Co.Vi.So.C.) have also been taken into consideration;

- the provisions of law pertaining to the preparation of management reports have also been observed, and we do not have any observations to make in this regard;

- we have checked that the financial statements reflect the information we were provided with at the meetings, and in this regard, we do not have any further observations to make;

- the information in relation to the commitments, risks and potential liabilities not included on the balance sheet appears to have been presented adequately in the Notes;

- we have not detected any atypical and/or unusual transactions with Group companies or third or related parties. The information provided to us by the Board of Directors, also specifically in relation to intergroup transactions and those with related parties, is considered adequate. In particular, the latter transactions are to be considered connected and inherent to the corporate purpose and considered appropriate and in the interests of the Company. The relationships with parent, subsidiaries and related companies during the period are set out in the supplementary notes and in the management report;

- attention has been given paid to the approach of the consolidated financial statements, with respect to their compliance with the law regarding its preparation and structure. There are no comments in this regard that should be highlighted in this report. The structure is to be considered technically correct and overall in accordance with the specific legislation. The compliance with the rules relating to the preparation of management report has been verified. Again, there are no comments that should be highlighted in this report. The Shareholders' Meeting must consider the consolidated financial statements and annexes only for information purposes, as they are documents not subject to approval;

- the Company has adopted an Organisational and Management Model pursuant to Legislative Decree 231/2001, most recently updated in April 2020. We periodically met the members of the Supervisory Body; from the interviews with the same, nothing worthy of reporting to the Shareholders' Meeting emerged;

- with regard to the Board of Directors' proposal concerning the appropriation of the result for the year, as was entered in the Notes, we have no observations to make in this regard, as this decision falls to the Shareholders' Meeting.

Result for the year

The net result as verified by the Board of Directors for the year ended 30 June 2020 is negative for Euro 201,060,678.50, bringing it within the case indicated in Art. 2446 of the Italian Civil Code. The payments already made by the majority shareholder in the period July-October 2020 for a total of Euro 96.5 million are also outlined in the Notes.

Conclusions

Based on the above, and as far as the Board of Statutory Auditors is aware, we consider that there are no reasons that would impede your approval of the draft financial statements for the year ended 30 June 2020 as drafted, and as proposed by the Board of Directors.

Milan, 12 October 2020

Signed by: Board of Statutory Auditors

Mr. Franco Carlo PAPA, Chairman

Mr. Cesare CICCOLINI, Standing auditor

Mr. Alberto DELLO STROLOGO, Standing auditor

This report has been translated into the English language solely for the convenience of international readers.

AUDITING FIRM'S REPORT



**EY****Building a better
working world**EY S.p.A.
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20123 MilanoTel: +39 02 722121
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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Shareholders of
A.C. Milan S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Milan Group (the Group), which comprise the balance sheet as at 30 June 2020, the income statement and consolidated statement of cash flows for the year then ended, and explanatory notes.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Italian regulations governing financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw the attention to the Notes "Going Concern" and "Capital increases" (the "Notes") of the explanatory notes, that describe that the Group incurred in a consolidated loss for the period equal to Euro 194,6 million, the equity amounts to Euro 34,1 million and its financial indebtedness amounts to Euro 103,9 million. In this context the Directors underline that during the period from July to October 2020, the majority shareholder made capital contributions for a total of Euro 96,5 million in favor of the parent company A.C. Milan S.p.A.. The Directors underline the financial support, for a period of not less than 12 months from the date of approval of the budget, guaranteed by the same shareholder of majority to the entities of the Group. Based on the assumptions outlined above, the Directors have prepared these consolidated financial statements under the going concern assumption. Our opinion is not modified in respect to this matter.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the Italian regulations governing financial statements, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the A.C. Milan S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of A.C. Milan S.p.A. are responsible for the preparation of the Report on Operations of the Group as at 30 June 2020, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of the Group as at 30 June 2020 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of the Group as at 30 June 2020 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, October 12, 2020

EY S.p.A.
Signed by: Luca Pellizzoni, Auditor

This report has been translated into the English language solely for the convenience of international readers.

RESOLUTIONS OF THE SHAREHOLDERS' MEETING



Resolutions of the Shareholder's Meeting

The Ordinary Shareholder's Meeting held on 28 October 2020 at 10:30, held in call conference, resolved:

1. to approve the Boards of Directors' Report on Operations, the Financial Statements at 30 June 2020 composed by Balance Sheet, Profit and Loss, Cash Flow and Explanatory Notes related to the company A.C. Milan S.p.A., that shows a loss for the period of Euro 201,060,678.50;
2. to balance the loss of the period of Euro 201,060,678.50 by using an equal amount of capital contributions and/or loss coverage done during the months of May, June, July, August, September, October and November 2019 and during March and July 2020;
3. to take note of the company's Consolidated Financial Statements at 30 June 2020, as well as the Boards of Directors' Report on Operations, the Board of Statutory Auditors' report and the Auditing Firm's Report.

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