



**ANNUAL REPORT  
AT 30 JUNE 2019**

## Headquarter

via Aldo Rossi 8  
20149 Milan (MI)  
Italy  
Tel. +39 02.62281

## Share Capital (fully subscribed and paid)

€ 113,443,200.00 consisting of no. 218,160,000 ordinary shares each with a nominal value of € 0.52

## Company Registry Registration

No. 010730200154

# 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, 18 October 2019

Dear Sirs,

You are invited to attend the meeting of shareholders of Associazione Calcio Milan S.p.A., to be held at the company's head office in Milan, via Aldo Rossi 8, at 15.30 on 28 October 2019 at the first call, and, if necessary, on 29 October 2019 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 2019, 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 2019, 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 Franck Tuil

### Board of Statutory Auditors

Chair .....	Franco Carlo Papa
Standing auditors .....	Cesare Ciccolini Alberto Dello Strologo

Substitute auditors .....	Andrea Filippo Bucarelli Francesca Ventimiglia
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### Supervisory and Control Body

Chair .....	Stanislao Lucheschi Michaela Castelli Giorgio Perroni
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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 2019*



## Organisational chart (\*)

Chairman.....	Paolo Scaroni
Chief Executive Officer .....	Ivan Gazidis
Managing Director – Finance Department .....	Gianluca D’Avanzo
<b>Sports Department</b>	
Chief Football Officer .....	Zvonimir Boban
Technical Area Director .....	Paolo Maldini
<b>Corporate Departments</b>	
Chief Communication Officer .....	Fabio Guadagnini
Chief Operations, Financial & HR 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 30 June 2019**



# 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

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## BOARD OF DIRECTORS' REPORT ON OPERATIONS

AT 30 JUNE 2019

### *Sports results*

The 2018/2019 football season ended with the team reaching fifth place in the Serie A Italian Championships and the semi-final of the Italian Cup (Tim Cup), while at a European level, it lost in the UEFA Europa League qualifying round.

On 6 May 2019, 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 2019/2020 season.

On 4 July 2019, 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 2019/2020 professional championship had been met, in accordance with Title I) of Official Communication no. 29A of 18 December 2018.

## *Transfer Campaign*

### *Sales and purchases of player rights*

The operations completed in the 2018/2019 transfer campaign which as usual took place during the summer 2018 and winter 2019 transfer windows, led to an overall increase in invested capital of Euro 103.2 million resulting from acquisitions and increases of Euro 153.1 million, and sales of Euro 49.9 million (net book value of the rights sold).

The capital gains from the disposals amounted to Euro 12.6 million, while the capital losses were equal to Euro 0.4 million.

The main definitive purchases include those relating to football players Leroy Abanda Mfomo, Mattia Caldara, Samuel Azuaga Castillejo, Lucas Tolentino Coelho de Lima "Paquetà", Tiago Emanuel Embalo Djaló, Diego Sebastián Laxalt Suárez, Michelis Nikolaos and Piątek Krzysztofs, as well as Tiémoué Bakayoko and Gonzalo Gerardo Higuain on a temporary basis.

Definitive sales mainly refer to the players Luca Antonelli, Carlos Arturo Bacca Ahumada, Raoul Bellanova, Leonardo Bonucci, Mattia El Hilali, Alessandro Guarnone, Nikola Kalinic, Manuel Locatelli, Sergio Sánchez Gioya, Stefan Simic, Gabriel Vasconcelos, Jherson Vergara Amú and Vittorio Vigolo, while temporary transfers concerned the players Przemyslaw Bargiel, Gustavo Raúl Gómez Portillo, Alen Halilovic and André Miguel Valente Da Silva.

It should also be noted that in January 2019, the temporary purchase contract was signed relating to the 2018 summer transfer campaign with Juventus F.C. for the player Gonzalo Gerardo Higuain.

### *Renewals of player contracts*

During the 2018/2019 financial year, only the contract of the player Alessandro Plizzari was renewed (up to 30 June 2023).

### *Terminations of player contracts*

During the 2019/2020 summer transfer campaign, contracts with the players Alexandro Sereno Cavagnera, Tiago Daniel Dias Rodrigues and Ivan Strinic were mutually terminated, of which the residual net book value totalled Euro 1.4 million at 30 June 2019, before the consequent impairment in the financial statements at 30 June 2019.

### *Season Pass Campaign*

The 2018/2019 season pass campaign rose to 31,347 passes for the championship alone (32,364 passes for the Serie A championship and 7,927 passes for the qualifying round of the 2017/2018 UEFA Europa League).

The average number of paying spectators for the 2018/2019 financial year for home championship matches was 54,639 (52,676 spectators in the 2017/2018 financial year).

### *Business performance*

#### *Introduction*

On 13 April 2017, Fininvest S.p.A., which at the time controlled the Parent Company A.C. Milan S.p.A., completed the sale of the investment held in A.C. Milan S.p.A., equal to 99.93% of the share capital of the company, in favour of Rossoneri

Sport Investment Luxembourg S.à r.l., a special purpose vehicle designated for the purchase by the Chinese company Sino Europe Sport Investment Management Changxing Co. Ltd.

The current majority shareholder of the parent company A.C. Milan S.p.A. is Rossoneri Sport Investment Luxembourg S.à r.l., which holds 99.93% of the share capital of A.C. Milan S.p.A.

Currently, the share capital of Rossoneri Sport Investment Luxembourg S.à r.l. is held entirely by Project Redblack S.à r.l., whose share capital is in turn held by Blue Skye Financial Partners S.à r.l. and by several companies held indirectly by Elliott Associates L.P. and Elliott International Limited. On 10 July 2018 the shares representing the capital of Rossoneri Sport Investment Luxembourg S.à r.l. were transferred to Project Redblack S.à r.l. following the enforcement of a pledge placed on the shares, in favour of Project Redblack S.à r.l. by the previous shareholder of Rossoneri Sport Investment Luxembourg S.à r.l.

#### *Consolidated result for the year*

The net consolidated result for 2018/2019 financial year shows a loss of Euro 146.0 million, an increase of Euro 20.0 million compared to the consolidated loss of the previous financial year, equal to Euro 126.0 million.

This change is mainly due to lower income from player management for Euro 16.5 million, mainly due to lower gains from the sale of players' registration rights, higher costs of player management for Euro 11.1 million, (essentially due to higher costs of temporary player acquisition), higher personnel costs of Euro 34.4 million, higher costs for services totalling Euro 3.1 million, as well as lower sponsorship income for Euro 6.7 million.

These increases were partly mitigated by higher income from the sale of broadcasting and media rights for Euro 4.5 million, an increase in commercial income and royalties for Euro 1.1 million, lower amortisation, depreciation and write-downs for Euro 17.5 million, lower provisions for various risks for Euro 11.1 million, lower costs for organising matches for Euro 0.7 million, as well as lower net financial charges for Euro 11.3 million.

Finally, there was a net increase in non-recurring costs and revenues of Euro 6.3 million and lower taxes of Euro 1.4 million.

### Value of production

The value of production for the 2018/2019 financial year amounted to Euro 241.1 million, a decrease of 6.1% compared to the figure of Euro 255.8 million for the previous financial year, and refers to:

	2018/2019		2017/2018		Change
	Value	%	Value	%	
Audiovisual and media income	113.8	47.2%	109.3	42.7%	4.5
Sponsorship income	38.0	15.8%	44.7	17.5%	- 6.7
Income from matches	34.1	14.1%	35.3	13.8%	- 1.2
Income from management of player rights	25.5	10.6%	42.0	16.4%	- 16.5
Commercial income and royalties	18.8	7.8%	17.8	7.0%	1.0
Other revenues and income	10.9	4.5%	6.7	2.6%	4.2
<b>Total</b>	<b>241.1</b>	<b>100%</b>	<b>255.8</b>	<b>100%</b>	<b>- 14.7</b>

Income from the sale of broadcasting and media rights, equal to Euro 113.8 million (+ 3.9% compared to the previous year), went up overall by Euro 4.5 million, of which Euro 3.0 million following the amount accrued from the Lega Calcio di Serie A for playing the final of the Italian Super Cup against Juventus F.C. in Jeddah (Saudi Arabia) in January 2019 (a match not played in the previous year), Euro 1.0 million from the centralised licence of audiovisual rights for the 2018/2019 season,

mainly for the better ranking in the Serie A championship compared to the previous financial year and Euro 0.5 million from higher broadcasting income from participation in U.E.F.A. competitions, due to higher inflows and different criteria for distributing revenues compared to the previous three-year period.

Sponsorship income totalled Euro 38.0 million and went down by Euro 6.7 million compared to the previous year. This decrease mainly relates for Euro 4.0 million to the non-renewal of the "League Sponsor" Telecom Italia S.p.A. contract and for Euro 1.8 million to lower bonuses awarded by the Official Sponsor based on the achievement of specific sports results.

Income from matches totalled Euro 34.1 million (- 3.6% compared to the previous year) and mainly refers to the effect of lower revenues from ticket sales and season passes relative to the UEFA Europa League (- Euro 5.3 million), following the lower number of matches played (3 matches compared to 5 matches in the previous edition), as well as Tim Cup matches (- Euro 1.9 million), due, again, to the fewer matches played. These decreases were partly offset by better ticket sales for championship home matches (+ Euro 5.0 million), due to the adoption of new pricing policies (dynamic pricing), with particular reference to matches against strong sides, and a higher number of friendly matches (+ Euro 1.1 million).

Income from management of player rights, amounting to Euro 25.5 million, down by Euro 16.5 million compared to the 2017/2018 financial year, due to lower gains from the sale of players' rights (- Euro 23.3 million), higher revenues from player loans (+ Euro 2.8 million) and higher income from sources other than player management (+ Euro 4.0 million) substantially due to the fees paid to the club on resale of a player.

### Commercial revenues and royalties

The increase in this item (+ Euro 1.0 million) is nearly entirely due to the good sales performance of corporate seats (“Sky Box”, “Sky Lounge” and Stands) at the San Siro Stadium, Milan, for home matches played by the first team.

Other income and revenues amounted to Euro 10.9 million (Euro 6.7 million in the previous financial year) and refer in particular to Euro 0.2 million (Euro 0.3 million in 2017/2018), to the income from the chargeback of costs made to players and third parties for their own expenses, Euro 1.1 million (Euro 1.3 million in the 2017/2018 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 2.5 million (Euro 2.1 million in the 2017/2018 financial year), for the use, for different purposes, of the risk provision for future charges earmarked in the financial statements of previous years, Euro 5.2 million (Euro 2.7 million in the 2017/2018 financial year) for contingent assets and other residual revenues and income, as well as Euro 1.2 million (not present in the 2017/2018 financial year) for reimbursements and contributions for the participation of Milan players in the World Cup - 2018 edition.

### Costs of production

Costs of production for the 2018/2019 financial year amounted to Euro 373.4 million, an increase of 5.1% compared to the figure of Euro 354.4 million for the previous financial year, and refer to:

	2018/2019		2017/2018		Change
	Value	%	Value	%	
Cost of personnel	184.8	49.5%	150.4	42.4%	34.4
Amortisation, depreciation and write-downs	93.0	24.9%	110.5	31.2%	- 17.5
Cost of services and use of leased assets	60.1	16.1%	57.9	16.3%	2.2
Expenses from management of player rights	13.8	3.7%	2.7	0.8%	11.1
Cost of purchasing raw materials and goods	5.1	1.4%	4.0	1.1%	1.1
Other costs and charges	16.6	4.4%	28.9	8.2%	12.3
<b>Total</b>	<b>373.4</b>	<b>100%</b>	<b>354.4</b>	<b>100%</b>	<b>19.0</b>

Personnel costs, equal to Euro 184.8 million, recorded an increase of 18.6% (+ Euro 34.4 million compared to the previous year), due mainly to the effects of the players transfer campaign as well as 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.

Amortisation, depreciation and write-downs amounted to Euro 93.0 million, and went down by Euro 17.5 million (- 18.9% compared to the previous year), mainly as a result of fewer write-downs of the registration rights of some players, due to the mutual termination of contracts with some players before their expiry and/or transfers with capital losses, taking place in the previous financial year.

The item Cost of services and use of leased assets, amounting to Euro 60.1 million, recorded a net increase of Euro 2.2 million (+ 3.6% compared to the 2017/2018 financial year) mainly due to higher general costs for sporting activities (+ Euro 2.6 million), due to new technical staff joining the company, and higher fees to Directors as a result of the change in ownership structure that took place in July

2018 (+Euro 2.5 million). These increases were partly offset by the reduction in the item consultancies and collaborations for Euro 2.4 million.

Expenses from management of player rights amounted to Euro 13.8 million, an increase of Euro 11.1 million compared to the 2017/2018 financial year due to higher costs for the temporary acquisition of players (+ Euro 13.1 million ), partly offset by lower costs to pay to football teams for the resale of some players and fewer losses from the sale of players' registration rights (- Euro 2.0 million).

Costs of raw materials and goods, equal to Euro 5.1 million (Euro 4.0 million in the 2017/2018 financial year), 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 and Casa Milan Bistrot/Fourghetti Restaurant opened at Casa Milan and costs of buying medical items. The increase of Euro 1.1 million compared to the previous year is mainly due to greater purchases of products and goods for sales activities at Casa Milan.

The item Other costs and charges, equal to Euro 16.6 million (Euro 28.9 million in the previous year), mainly refer to Euro 5.2 million (Euro 6.0 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 in the UEFA Europa League - 2018/2019 edition, partly offset by mandatory contributions for public safety in accordance with the "Stadiums" law, Euro 1.2 million (Euro 1.6 million in the 2017/2018 financial year) of contributions to the Lega Nazionale Professionisti and to other organisations and Euro 3.0 million (Euro 2.3 million in the 2017/2018 financial year) of contingent liabilities and other minor costs.

This item also includes provisions for various risks for Euro 6.9 million (Euro 18.0 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 July and August 2019 transfer campaign.

### *Financial Income and Expenses*

Financial income and expenses showed an expense of Euro 11.1 million compared to an expense of Euro 22.3 million in the 2017/2018 financial year, recording a considerable improvement (- Euro 11.2 million).

This change is mainly due to the following:

- Euro 7.6 million from lower interest payable on two non-convertible bonds fully repaid in September 2018;
- Euro 4.0 million from the net effects of applying the amortised cost principle on receivables and payables relating to the player transfer season and bonds;
- Euro 0.8 million from higher commission on guarantees issued by leading banks and/or insurance companies, mainly for the players transfer campaigns.
- Euro 0.6 million from higher interest payable on amounts owing to factoring companies for advances on future receivables regarding commercial contracts.

### *Adjustments in value of financial assets*

This item amounts to Euro 0.8 million (compared to write-downs of Euro 0.2 million in the 2017/2018 financial year) and refers to the adjustment of the

investment in the associate M-I Stadio S.r.l. to the value of the fraction of shareholders' equity resulting from the financial statements at 30 June 2019.

#### Income taxes for the year

The balance of this item, which amounts to - Euro 3.4 million (- Euro 4.8 million in the previous financial year) includes current taxes of Euro 1.1 million, for provisions for regional business tax, as well as Euro 2.3 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 2019, player registration rights totalled Euro 232.2 million compared to Euro 211.2 million in the previous year.

The net increase of Euro 21.0 million derives from the investments (+ Euro 153.1 million) and net disinvestments (- Euro 49.9 million), amortisation for the year (- Euro 80.3 million) and write-downs of multi-year player registration rights in the period (- Euro 1.9 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 2019 was equal to Euro 83.3 million, a considerable increase compared to the negative balance of Euro 36.0 million at 30 June 2018, due to payments on account of the future share capital

increase for a total of Euro 265.5 million made by the majority shareholder and the consolidated loss for the period (- Euro 146.0 million).

### *Net Financial Position*

At 30 June 2019, the consolidated Net Financial Position of the Milan Group presented net debt equal to Euro 82.9 million, improving (+ Euro 45.5 million) on the figure of the 2017/2018 financial year (Euro 128.4 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 1.5 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 8.6 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**

As known, 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 and, for this reason, during 2016, the club had applied to the Club Financial Control Body (C.F.C.B.) to adopt the Voluntary Agreement (VA), in order to take part in European competitions, in accordance with the parameters of financial requirements, and in particular with the Break-even rule.

On 15 December 2017, the Investigatory Chamber of the C.F.C.B. had warned that some conditions to adopt the VA had not been met by the Parent Company A.C. Milan S.p.A. and it started an inquiry. In a decision of 22 May 2018, the Investigatory

Chamber ruled to not grant a Settlement Agreement (S.A.) and to adjourn the case to the final decision of the Adjudicatory Chamber of the C.F.C.B., which, on 19 June 2018, ruled to exclude the Club from participating in the U.E.F.A. championship for which it would have otherwise qualified, for the following two seasons (i.e. the 2018/2019 or the 2019/2020 season).

On 4 July 2018, the Parent Company A.C. Milan S.p.A. lodged an appeal with the Court of Arbitration for Sport that, on 20 July 2018, partially upheld the case put by Milan, deciding to confirm the decision taken by the Adjudicatory Chamber of the C.F.C.B. regarding the Parent Company A.C. Milan S.p.A.'s failure to meet the break-even rule, but cancelling the decision to exclude the Club from participating in the U.E.F.A. competition, as this was not proportional, considering the changed financial situation of the Club, which had considerably improved since the change in ownership in July 2018.

The case was therefore referred back to the Adjudicatory Chamber of the C.F.C.B. that, on 13 December 2018, ruled among others that the Club be excluded from UEFA competitions if it failed to meet the break-even requirement at 30 June 2021 and also ruled, on a precautionary basis, to stop the payment of revenues owing to the Club for participation in the 2018/2019 edition of the UEFA Europa League.

The Adjudicatory Chamber of the C.F.C.B. finally stated that Milan would not be able to register more than 21 players for U.E.F.A. competitions in 2019/2020 and 2020/2021, however allowing for the possibility of appeal the decision before the T.A.S.

On 21 December 2018 and 5 March 2019, the Parent Company A.C. Milan S.p.A. filed a new appeal with the Court of Arbitration for Sport, requesting the annulment of the decision of the Adjudicatory Chamber of the C.F.C.B. and measures equivalent to a Settlement Agreement.

At the end of June 2019, the Court of Arbitration for Sport ratified the agreement reached between A.C. Milan S.p.A. and the Adjudicatory Chamber of the C.F.C.B. of UEFA (“Consent Award”) which annulled previous decisions taken by the Chambers, and upheld the exclusion from participation in the 2019/2020 UEFA Europa League following the breach of break-even obligations during the monitoring periods 2015/2016/2017 and 2016/2017/2018.

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 upcoming football seasons, 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 the previous year in the financial statements.

#### *Other information*

With regard to relations with Management and the personnel of the Parent Company A.C. Milan S.p.A., in July and August 2018, the Parent Company A.C. Milan S.p.A. terminated, for just cause, its relationship with the former CEO and director general. With an appeal filed on 9 November 2018, the former CEO and director general brought a case against the dismissal for just cause by the Parent Company A.C. Milan S.p.A.. The appellant opted for the special procedure under Article 1, paragraph 47 and following of law No. 92 of 2012, requesting that the dismissal be annulled with the consequent reinstatement effects and that damages be awarded, commensurate with the remuneration not received from the day of dismissal to that of the appeal. In addition to the secondary claims relating to the non-existence of the just cause for his dismissal and for the recognition of claims allegedly due to

him contractually, the appellant made various other claims for damages. Following notification of the appeal, the Parent Company A.C. Milan S.p.A., with the support of its advisers, appeared before the court to give its defence, outlining the reasons and procedural objections and objections on the merits, which in their opinion, render the statements and claims made appellant without sufficient basis.

With specific reference to the proceedings and their progress, at the first hearing held on 19 December 2018, the judge invited the parties to identify a solution that would allow the dispute to be settled out-of-court, ordering the case to be adjourned, in order to allow the parties to reach a settlement. The parties, with the mediation of the judge, settled the dispute on 20 June 2019, signing a specific settlement agreement, as a general transaction, defining the pending case and any other potential cause for litigation, regarding fixed-term managerial employment and the organic relationship.

### **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 2018/2019 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 2018/2019 financial year of Euro 146.0 million, a positive shareholders' equity of Euro 83.3 million and a consolidated negative net financial position, at 30 June 2019 of Euro 82.9 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.

In particular, the performance for the next financial year will be influenced by the final position reached in the Serie A league table and TIM Cup in 2019/2020.

Moreover, during July, August and September 2019, the majority shareholder contributed capital to the Parent Company A.C. Milan S.p.A. for a total of Euro 60.0 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 stated above, the shareholder Rossoneri Sport Investment Luxembourg S.à. r.l., completed recapitalisations in the 2018/2019 financial year for Euro 265.5 million, of which in particular Euro 119.5 thousand was to provide the Parent Company A.C. Milan S.p.A. with the necessary funds to proceed with the full voluntary early repayment of the bond issued in 2017, with an original maturity of 15 October 2018, the repayment was made on 28 September 2018.

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, 27 September 2019.

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



MILAN GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2019

(in thousands of Euros)

BALANCE SHEET

ASSETS

	30.06.2019	30.06.2018	Change
A) RECEIVABLES FROM SHAREHOLDERS FOR PAYMENTS DUE	—	—	—
<b>B) FIXED ASSETS</b>			
<b>I INTANGIBLE FIXED ASSETS</b>			
4 concessions, licences, trademarks and similar rights	22.532	28.803	(6.271)
6 assets in progress and advances	—	350	(350)
7 player registration rights	232.208	211.165	21.043
8 other	16.641	18.486	(1.845)
<b>Total</b>	<b>271.381</b>	<b>258.804</b>	<b>12.577</b>
<b>II TANGIBLE FIXED ASSETS</b>			
1 land and buildings	10.429	10.559	(130)
2 plant and machinery	2.076	2.186	(110)
3 industrial and commercial equipment	741	650	91
4 other assets	983	1.089	(106)
5 assets in progress and advances	—	57	(57)
<b>Total</b>	<b>14.229</b>	<b>14.541</b>	<b>(312)</b>
<b>III FINANCIAL FIXED ASSETS</b>			
1 equity investments in:			
a) subsidiaries	104	104	—
b) associates	1.886	1.085	801
<b>Total</b>	<b>1.990</b>	<b>1.189</b>	<b>801</b>
2 accounts receivable from:			
e) others			
- within 12 months	227	15	212
- after 12 months	341	8.849	(8.508)
<b>Total</b>	<b>568</b>	<b>8.864</b>	<b>(8.296)</b>
<b>Total</b>	<b>2.558</b>	<b>10.053</b>	<b>(7.495)</b>
<b>TOTAL FIXED ASSETS (B)</b>	<b>288.168</b>	<b>283.398</b>	<b>4.770</b>

MILAN GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2019

(in thousands of Euros)

BALANCE SHEET

ASSETS

	30.06.2019	30.06.2018	Change
<b>C) WORKING CAPITAL:</b>			
<b>I INVENTORIES</b>			
4 finished products and goods	218	119	99
<b>Total</b>	<b>218</b>	<b>119</b>	<b>99</b>
<b>II RECEIVABLES</b>			
1 from customers	57.525	46.170	11.355
2 from subsidiaries	1	2	(1)
3 from associates	553	—	553
4 from parent companies	—	26	(26)
5 from companies subject to parent companies' control	—	—	—
5 bis tax receivables			
a) within 12 months	8.899	1.739	7.160
b) after 12 months	1.834	1.653	181
5 ter prepaid tax	15.422	17.673	(2.251)
5 quater others	2.304	998	1.306
6 receivables from institutions - specific sector			
a) within 12 months	47.359	36.081	11.278
b) after 12 months	17.416	16.928	488
<b>Total</b>	<b>151.313</b>	<b>121.270</b>	<b>30.043</b>
<b>III TOTAL FINANCIAL ASSETS (other than fixed assets)</b>			
7 other receivables	—	2.497	(2.497)
<b>Total</b>	<b>—</b>	<b>2.497</b>	<b>(2.497)</b>
<b>IV CASH AND CASH EQUIVALENTS</b>			
1 bank and postal deposits	12.476	24.742	(12.266)
3 cash in hand	51	34	17
<b>Total</b>	<b>12.527</b>	<b>24.776</b>	<b>(12.249)</b>
<b>TOTAL WORKING CAPITAL (C)</b>	<b>164.058</b>	<b>148.662</b>	<b>15.396</b>
<b>D) ACCRUALS AND DEFERRALS</b>			
1 accruals	—	—	—
2 deferrals	3.728	3.105	623
<b>TOTAL ACCRUALS AND DEFERRALS (D)</b>	<b>3.728</b>	<b>3.105</b>	<b>623</b>
<b>TOTAL ASSETS</b>	<b>455.954</b>	<b>435.165</b>	<b>20.789</b>

## MILAN GROUP

## CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2019

(in thousands of Euros)

## BALANCE SHEET

## LIABILITIES

	30.06.2019	30.06.2018	Change
<b>A) SHAREHOLDERS' EQUITY</b>			
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	101.872	(37.423)	139.295
VII RESERVE FOR HEDGING EXPECTED CASH FLOWS	—	—	—
VIII PROFIT (LOSS) CARRIED FORWARD	(17.188)	(17.188)	—
IX PROFIT (LOSS) FOR THE PERIOD	(145.985)	(126.019)	(19.966)
X NEGATIVE RESERVE FOR OWN SHARES IN PORTFOLIO	—	—	—
<b>GROUP SHAREHOLDERS' EQUITY</b>	<b>83.286</b>	<b>(36.043)</b>	<b>119.329</b>
(PROFIT) LOSS OF MINORITY INTERESTS	—	—	—
<b>EQUITY OF MINORITY SHAREHOLDERS</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>TOTAL SHAREHOLDERS' EQUITY (A)</b>	<b>83.286</b>	<b>(36.043)</b>	<b>119.329</b>
<b>B) PROVISIONS FOR RISKS AND CHARGES</b>			
3 other	22.544	20.297	2.247
<b>TOTAL PROVISIONS FOR RISKS AND CHARGES (B)</b>	<b>22.544</b>	<b>20.297</b>	<b>2.247</b>
<b>C) EMPLOYEE LEAVING ENTITLEMENTS</b>	<b>1.614</b>	<b>1.745</b>	<b>(131)</b>
<b>D) PAYABLES</b>			
1 bonds			
a) within 12 months	—	116.520	(116.520)
b) after 12 months	—	—	—
3 payables to shareholders for loans			
a) within 12 months	—	—	—
b) after 12 months	—	10.000	(10.000)
4 financial payables	1.259	1.210	49
5 payables to other financial institutions			
a) within 12 months	94.284	22.541	71.743
b) beyond 12 months	—	14.000	(14.000)
7 payables to suppliers			
a) within 12 months	50.656	54.706	(4.050)
b) after 12 months	2.506	4.775	(2.269)
9 payables to subsidiaries	—	—	—
10 payables to affiliates	2.130	1.479	651
11 payables to parent companies	—	—	—
11 bis payables to companies subject to parent companies' control	—	—	—
12 tax payables	15.320	11.026	4.294
13 payables to pension funds and social security agencies	667	651	16
14 other payables	8.962	14.021	(5.059)
15 payables to institutions - specific sector			
a) within 12 months	113.446	83.250	30.196
b) after 12 months	26.437	88.778	(62.341)
<b>TOTAL PAYABLES (D)</b>	<b>315.667</b>	<b>422.957</b>	<b>(107.290)</b>
<b>E) ACCRUALS AND DEFERRALS</b>			
1 accruals	306	44	262
2 deferrals	32.537	26.165	6.372
<b>TOTAL ACCRUALS AND DEFERRALS (E)</b>	<b>32.843</b>	<b>26.209</b>	<b>6.634</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>455.954</b>	<b>435.165</b>	<b>20.789</b>

MILAN GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2019

(in thousands of Euros)

INCOME STATEMENT

	FY 2018/2019	FY 2017/2018	Change
<b>A) VALUE OF PRODUCTION</b>			
1 Revenues from sales and services			
a) match revenues	21.182	22.819	(1.637)
b) season tickets	9.115	9.796	(681)
c) revenues from other competitions	3.815	2.723	1.092
<b>Total</b>	<b>34.112</b>	<b>35.338</b>	<b>(1.226)</b>
2 changes in inventories of work in progress, semi-finished goods and finished products	100	(125)	225
5 other revenues and income			
b) sponsorship revenues	38.030	44.711	(6.681)
d) commercial revenues and royalties	18.817	17.760	1.057
e) income from sale of broadcasting rights	105.048	100.578	4.470
f) miscellaneous income	9.090	8.927	163
g) revenues from player loans	5.245	2.454	2.791
h) gains from the sale of player registration rights	12.621	35.956	(23.335)
i) other income from player management	7.670	3.652	4.018
l) revenues and other income	10.385	6.482	3.903
<b>Total</b>	<b>206.906</b>	<b>220.520</b>	<b>(13.614)</b>
<b>TOTAL VALUE OF PRODUCTION (A)</b>	<b>241.118</b>	<b>255.733</b>	<b>(14.615)</b>
<b>B) COSTS OF PRODUCTION</b>			
6 for raw materials, ancillary materials, consumables and goods	5.145	4.030	1.115
7 for services	50.923	47.813	3.110
8 for use of third-party assets	9.160	10.095	(935)
<b>Total</b>	<b>65.228</b>	<b>61.938</b>	<b>3.290</b>
9 for personnel:			
a) wages and salaries	175.946	141.860	34.086
b) social security charges	6.789	6.682	107
c) employee leaving entitlements	1.818	1.581	237
e) other costs	269	274	(5)
<b>Total</b>	<b>184.822</b>	<b>150.397</b>	<b>34.425</b>
10 amortisation, depreciation and write-downs			
a) amortisation of intangible assets	89.150	86.419	2.731
b) depreciation of tangible assets	1.051	1.070	(19)
c) other write-downs of fixed assets	1.934	21.822	(19.888)
d) write down of credits included under working capital and liquid assets	850	1.211	(361)
<b>Total</b>	<b>92.985</b>	<b>110.522</b>	<b>(17.537)</b>
12 provisions for risks	6.885	17.965	(11.080)
14 sundry management expenses			
a) various match organisation expenses	5.235	5.978	(743)
b) match registration costs	2	2	—
c) percentage of gate receipts paid to visiting teams	199	965	(766)
d) costs for acquisition of players on loan	13.180	107	13.073
e) losses from the sale of player registration rights	449	1.290	(841)
f) other expenses from player management	157	1.332	(1.175)
g) other sundry management expenses	4.233	3.892	341
<b>Total</b>	<b>23.455</b>	<b>13.566</b>	<b>9.889</b>
<b>TOTAL COSTS OF PRODUCTION (B)</b>	<b>373.375</b>	<b>354.388</b>	<b>18.987</b>
<b>DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A - B)</b>	<b>(132.257)</b>	<b>(98.655)</b>	<b>(33.602)</b>

MILAN GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2019

(in thousands of Euros)

INCOME STATEMENT

	FY 2018/2019	FY 2017/2018	Change
C) FINANCIAL INCOME AND (EXPENSES)			
16 other financial income			
d) income different from the above:			
- other	687	1.531	(844)
<b>Total</b>	<b>687</b>	<b>1.531</b>	<b>(844)</b>
17 interest and other financial charges			
d) other financial expenses	(11.788)	(23.844)	12.056
<b>Total</b>	<b>(11.788)</b>	<b>(23.844)</b>	<b>12.056</b>
17 bis exchange-rate gains and losses:			
a) exchange rate gains	31	27	4
b) exchange rate losses	(12)	(57)	45
<b>Total</b>	<b>19</b>	<b>(30)</b>	<b>49</b>
<b>TOTAL FINANCIAL INCOME AND (EXPENSES) (C)</b>	<b>(11.082)</b>	<b>(22.343)</b>	<b>11.261</b>
D) ADJUSTMENTS IN VALUE OF FINANCIAL ASSETS			
18 write-backs			
a) of equity investments	801	—	801
<b>Total</b>	<b>801</b>	<b>—</b>	<b>801</b>
19 write-downs			
a) of equity investments	—	(218)	218
<b>Total</b>	<b>—</b>	<b>(218)</b>	<b>218</b>
<b>TOTAL ADJUSTMENTS IN VALUE OF FINANCIAL ASSETS (D)</b>	<b>801</b>	<b>(218)</b>	<b>1.019</b>
<b>RESULT BEFORE TAX</b>	<b>(142.538)</b>	<b>(121.216)</b>	<b>(21.322)</b>
20 income taxes for the year (current, deferred tax assets and liabilities)			
a) current taxes	(1.196)	(2.556)	1.360
b) deferred tax assets and liabilities	(2.251)	(2.247)	(4)
<b>Total</b>	<b>(3.447)</b>	<b>(4.803)</b>	<b>1.356</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>(145.985)</b>	<b>(126.019)</b>	<b>(19.966)</b>
(PROFIT) LOSS OF MINORITY SHAREHOLDERS	—	—	—
<b>GROUP PROFIT (LOSS)</b>	<b>(145.985)</b>	<b>(126.019)</b>	<b>(19.966)</b>

for the Board of Directors

The Chief Executive Officer

Ivan Gazidis

MILAN GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2019

(in thousands of Euros)

<b>CASH FLOW STATEMENT</b>	<b>30.06.2019</b>	<b>30.06.2018</b>
Profit (loss) for the period	(145.985)	(126.019)
Amortisation, depreciation and write-downs	92.135	109.995
Changes in Employee leaving entitlements.	(131)	(117)
Changes in Provisions for risks and charges	2.248	15.938
<b>Self-financing</b>	<b>(51.733)</b>	<b>(203)</b>
Changes in inventories	(100)	125
Changes in receivables	(24.952)	(24.885)
Change in tax receivables	(5.092)	1.160
Changes in Accrued income and prepayments	(622)	(99)
Changes in Payables	(42.720)	35.421
Changes in Tax payables	4.295	(1.573)
Changes in Accrued expenses and deferred income	6.495	(7.875)
<b>Funds generated (used) by operating activities</b>	<b>(114.429)</b>	<b>2.071</b>
Disinvestments of player registration rights	49.797	20.480
Disinvestments of other intangible assets	0	10
Disposal of tangible fixed assets	2	0
Disposals of financial fixed assets	0	76
Investments in player registration rights	(153.078)	(128.525)
Investments in other intangible assets	(379)	(667)
Investments in tangible assets	(739)	(951)
Investments in financial fixed assets	(962)	(850)
<b>Cash generated (used) by disposals and investments</b>	<b>(105.359)</b>	<b>(110.427)</b>
Change in financial receivables/payables	(57.775)	384
Dividends paid	0	0
Other changes in equity	265.314	119.524
<b>Cash generated (used) by financing activities</b>	<b>207.539</b>	<b>119.908</b>
<b>Change in cash and cash equivalents</b>	<b>(12.249)</b>	<b>11.552</b>
Opening cash and cash equivalents	24.775	13.223
Closing cash and cash equivalents	12.526	24.775
<b>Change in cash and cash equivalents</b>	<b>(12.249)</b>	<b>11.552</b>

for the **Board of Directors**

The Chief Executive Officer

**Ivan Gazidis**





# MILAN GROUP

## CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2019

### NOTES

#### INTRODUCTION

On 13 April 2017, Fininvest S.p.A., which at the time controlled the company, completed the sale of the investment held in A.C. Milan S.p.A., equal to approximately 99.93% of the share capital of the company, in favour of Rossoneri Sport Investment Luxembourg S.à r.l., a special purpose vehicle designated to purchase the Chinese company Sino Europe Sport Investment Management Changxing Co. Ltd.

The current majority shareholder is Rossoneri Sport Investment Luxembourg S.à r.l., which holds around 99.93% of the share capital of A.C. Milan S.p.A.

Currently, the share capital of Rossoneri Sport Investment Luxembourg S.à r.l. is held entirely by Project Redblack S.à r.l., whose share capital is in turn held by Blue Skye Financial Partners S.à r.l. and by several companies held indirectly by Elliott Associates L.P. and Elliott International Limited. On 10 July 2018 the shares representing the capital of Rossoneri Sport Investment Luxembourg S.à r.l. were transferred to Project Redblack S.à r.l. following the enforcement of a pledge placed on the shares, in favour of Project Redblack S.à r.l. by the previous shareholder of Rossoneri Sport Investment Luxembourg S.à r.l.

In July 2018, the ordinary meeting of the shareholders of A.C. Milan S.p.A., which was convened at the request of the majority shareholder, acknowledged the resignation of various directors and decided to revoke the mandates of the directors still in office on that date, also electing a new Board of Directors and a new Chairman. In December 2018, the Shareholders' Meeting of A.C. Milan S.p.A. resolved to supplement the Board of Directors, electing the current Chief Executive Officer of A.C. Milan S.p.A.

In July and August 2018 the officers of the subsidiaries Milan Entertainment S.r.l. and Milan Real Estate S.p.A. were also re-elected.

## **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 2019, 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 2019 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 Football Federation and the Committee for the Supervision of Italian Football Clubs.

## **SCOPE OF CONSOLIDATION**

The consolidated financial statements at 30 June 2019 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 2019, 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%) are measured 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 2019 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 2019 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 2019, 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 footballers.

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 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 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 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**

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 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 exist, 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 (“*impairment*”) of the residual book value.

## **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 virtue of 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 effect 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 effected. 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 item, in order to recognise the capital contributions subscribed by the Shareholders, which shall be reclassified under that item only 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 payable towards the ceased 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 potential 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 potential 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 new 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 2019 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.

### **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 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 advances

paid independently by the consolidated companies, as this is a real transfer of operations to the consolidated entity, the transferring entity recognises a credit 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 did not have significant effects on the financial statements for the year ended 30 June 2019.

## **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 did not have significant effects on the financial statements for the year ended 30 June 2019.

## **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:

		<b>Spot rate 30.06.2019 (*)</b>	<b>Average rate 2018/2019 (*)</b>
U.S. dollar.	USD	1.1380	1.1410
Japanese Yen	JPY	122.6000	126.7509
GB Pound	GBP	0.8966	0.8817
Swiss franc	CHF	1.1105	1.1348
Chinese Yuan	CNY	7.8185	7.7859

(\*) 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:

	<b>A.C. Milan S.p.A.</b>	<b>Milan Entertainment S.r.l.</b>	<b>Milan Real Estate S.p.A.</b>	<b>AC Milan (Beijing) Sports Development Co. Ltd.</b>
Financial statements	28	20	10	16
Consolidated financial statements	23	—	—	—
<b>Total</b>	<b>51</b>	<b>20</b>	<b>10</b>	<b>16</b>

### **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 potential liabilities not included in the balance sheet**

The note must detail the overall amount of the commitments, guarantees and potential 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 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 2018/2019 financial year.

### **Going concern**

The Milan Group had a consolidated loss for the 2018/2019 financial year of Euro 146.0 million, a positive shareholders' equity of Euro 83.7 million and a consolidated negative net financial position, at 30 June 2019 of Euro 82.9 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**

Moreover, during July, August and September 2019, the majority shareholder of the Parent Company A.C. Milan S.p.A. made additional capital contributions for a total of Euro 60.0 million.

As regards operations relative to player transfers, in July and August 2019 definitive purchases were made for the players Ismael Bennacer, Lenny Alexandre Borges, Leonardo Campos Duarte da Silva, Rafael Alexandre da Conceição Leão, Theo Bernard François Hernández, Andreas Kristoffer Jungdal, Rade Krunic and Ante Rebic.

Operations for the definitive and/r temporary sale of player registration rights in the period concerned, among others, Przemysław Gabriel Bargiel, Patric Cutrone, Tiago Emanuel Embaló Djaló, Gustavo Raúl Gómez Portillo, Diego Sebastián Laxalt Suárez, Alessandro Plizzari, Stefan Simic and André Miguel Valente Silva.

In July and August 2019, contracts of employment with the players Alexandro Cavagnera, Tiago Daniel Rodrigues Dias and Ivan Strinic were mutually terminated, with the economic effects already recorded in the financial statements at 30 June 2019.

## **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 depreciation, any write-backs and write-downs, movements during the period and the final balance.

### **INTANGIBLE FIXED ASSETS**

This item amounted to Euro 271,381 thousand (Euro 258,804 thousand at 30 June 2018). The breakdown is as follows:

	<b>30.06.2019</b>	<b>30.06.2018</b>	<b>Change</b>
Concessions, licences, trademarks and similar rights	22,532	28,803	(6.271)
Assets in progress and advances	—	350	(350)
Player registration rights	232,208	211,165	21.043
Other intangible fixed assets	16,641	18,486	(1.845)
<b>Total</b>	<b>271.381</b>	<b>258.804</b>	<b>12.577</b>

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 22,532 thousand (Euro 28,803 thousand at 30 June 2018) 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 20,908 thousand (Euro 26,653 thousand at 30 June 2018), 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 2018, included Euro 350 thousand relating to new IT and digital systems that came into operation during the 2018/2019 financial year.

Player registration rights, of Euro 232,208 thousand (Euro 211,165 thousand at 30 June 2018), 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 153,079 thousand, sales and other movements of Euro 49,798 thousand and amortisation and write-downs of Euro 82,238 thousand.

Other intangible assets, amounting to Euro 16,641 thousand (Euro 18,486 thousand at 30 June 2018), relate in particular to the following:

- Euro 6,900 thousand (Euro 7,600 thousand at 30 June 2018) 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 6,585 thousand (Euro 6,948 thousand at 30 June 2018), 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 3,156 thousand (Euro 3,912 thousand at 30 June 2018) relating to the acquisition of a 10-year ground lease (Article 952, second paragraph, civil code) for the Vismara sports 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, equal to Euro 271,381 thousand at 30 June 2019, write-downs of Euro 1,934 thousand were made to the item Player registration rights resulting from consensual contract terminations with various players, in July and August 2019, prior to the contractual expiry date.

## TANGIBLE FIXED ASSETS

This item amounts to Euro 14,229 thousand (Euro 14,541 thousand at 30 June 2018). The breakdown is as follows:

	30.06.2019	30.06.2018	Change
Land and buildings	10,429	10,559	(130)
Plant and machinery	2,076	2,186	(110)
Industrial and commercial equipment	741	650	91
Other assets	983	1,089	(106)
Assets in progress and advances	—	57	(57)
<b>Total</b>	<b>14.229</b>	<b>14.541</b>	<b>(312)</b>

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 10,429 thousand (Euro 10,559 thousand at 30 June 2018), relates in particular to the following:

- Land adjacent to the Milanello centre, of Euro 6,934 thousand (no change compared to 30 June 2018) owned by the subsidiary Milan Real Estate S.p.A.;
- Milanello sports centre, owned by the subsidiary Milan Real Estate S.p.A. of Euro 3,495 thousand (Euro 3,625 thousand at 30 June 2018).

Plant and machinery, of Euro 2,076 thousand (Euro 2,186 thousand at 30 June 2018) which mainly relates to facilities at the Milanello sports centre, owned by the subsidiary Milan Real Estate S.p.A..

Industrial and commercial equipment, of Euro 741 thousand (Euro 650 thousand at 30 June 2018), mainly including Euro 418 thousand (Euro 296 thousand at 30 June 2018) of the parent company A.C. Milan S.p.A. and Euro 185 thousand (Euro 241 thousand at 30 June 2018) of the subsidiary Milan Entertainment S.r.l.

Other tangible assets, of Euro 983 thousand (Euro 1,089 thousand at 30 June 2018), which mainly includes electronic office equipment, furniture, office supplies and vehicles owned by the Milan Group.

## FINANCIAL FIXED ASSETS

### Equity investments

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

	30.06.2019	30.06.2018	Change
Subsidiaries	104	104	0
Associates	1,886	1,085	801
Other companies	—	—	0
<b>Total</b>	<b>1.990</b>	<b>1.189</b>	<b>801</b>

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 2018) 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 2018/2019 financial year, this item increased by Euro 801 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 568 thousand (Euro 8,864 thousand at 30 June 2018), mainly comprising security deposits.

The considerable reduction compared to 30 June 2018 is due to the nearly full repayment of receivables restricted by guarantees granted by a leading insurer to partially cover the 2017/2018 player transfer campaign.

These receivables are due both from Italian entities and European Union Entities, of which Euro 341 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 218 thousand (Euro 119 thousand at 30 June 2018) relates to the Milan merchandise at “Store Milan” opened by the subsidiary Milan Entertainment S.r.l. at “Casa Milan”.

### **RECEIVABLES**

	<b>30.06.2019</b>	<b>30.06.2018</b>	<b>Change</b>
Trade receivables	57,525	46,170	11.355
Receivables from subsidiaries	1	2	( 1)
Receivables from associates	553	—	553
Receivables from parent companies	—	26	(26)
Receivables from companies subject to parent companies' control	—	—	0
Tax receivables	10,733	3,392	7.341
Deferred tax assets	15,422	17,673	(2.251)
Other receivables	2,304	998	1.306
Receivables from entities – specific sector	64,775	53,009	11.766
<b>Total</b>	<b>151.313</b>	<b>121.270</b>	<b>30.043</b>

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:

	30.06.2019		30.06.2018		Change
	Gross	Write-down provision	Net value	Net value	
Parent Company A.C. Milan S.p.A.	57,453	(3,079)	54.374	41,325	13.049
Milan Entertainment S.r.l.	5,466	(2,477)	2.989	4,807	(1.818)
Milan Real Estate S.p.A.	96	(89)	7	10	(3)
AC Milan (Beijing)	155	—	155	28	127
<b>Total</b>	<b>63.170</b>	<b>(5.645)</b>	<b>57.525</b>	<b>46.170</b>	<b>11.355</b>

Trade receivables include receivables from the core operations of the sale of goods and services by Milan Group companies. The increase is mainly due to the fact that UEFA, 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. At the end of June 2019, the Court of Arbitration for Sport ratified the agreement reached between Milan and the Adjudicatory Chamber of the C.F.C.B. of UEFA (“Consent Award”) upholding the exclusion from participation in the 2019/2020 edition of the UEFA Europa League. In July 2019, UEFA paid the amounts due to Milan for participation in the 2018/2019 edition of the UEFA Europa League.

The provision for doubtful accounts shown above reflects the value adjustment to the receivables to align them to their estimated realisable value. During the 2018/2019 financial year the provision for doubtful accounts was increased by Euro 850 thousand, as prudent provision was made for the risks of non-collection. Euro 604 thousand was utilised to cover receipts of previously written-down receivables, and also 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 subsidiaries, of Euro 1 thousand (Euro 2 thousand at 30 June 2019) are all trade-related and refer to the non-profit Milan Foundation.

Receivables from associates, amounting to Euro 553 thousand (not present at 30 June 2018), 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).

Receivables from parent companies, which at 30 June 2018 amounted to Euro 26 thousand, were entirely collected in the 2018/2019 financial year.

### **Tax receivables**

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

	30.06.2019	30.06.2018	Change
Due from Treasury for tax consolidation	1	1	0
Due from Treasury for VAT	7,906	2,560	5.346
Regional business tax (IRAP) receivables	2,396	412	1.984
Other tax receivables	430	419	11
<b>Total</b>	<b>10.733</b>	<b>3.392</b>	<b>7.341</b>

Receivables from Treasury for tax consolidation, of Euro 1 thousand (Euro 1 thousand at 30 June 2018) refer to withheld amounts arising from the “Agreement on the exercise of the option for the national tax consolidation scheme”.

In the item Receivables from Treasury for VAT, of Euro 7,906 thousand (Euro 2,560 thousand at 30 June 2018), it should be noted that Euro 562 thousand were collected from a total of Euro 1,947 thousand, resulting from the 2018 VAT return - tax year 2017, requested as a rebate during the course of 2017/2018.

The item Regional business tax (IRAP) receivables, equal to Euro 2,396 thousand (Euro 412 thousand at 30 June 2018) 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 15,422 thousand (Euro 17,673 thousand at 30 June 2018) relates to the recognition of deferred tax assets, mainly:

- Euro 13,597 thousand (Euro 15,773 thousand at 30 June 2018) which represents consolidation adjustments concerning the reversal of operations pertaining to infra-group gains;

- Euro 1,825 thousand (Euro 1,900 thousand at 30 June 2018) 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 2,304 thousand (Euro 998 thousand at 30 June 2018) mainly includes:

- Euro 1,701 thousand (not present at 30 June 2018) for receivables from ticket sales and season passes;
- Euro 449 thousand (Euro 534 thousand at 30 June 2018), for advances to suppliers, professionals and employees of the Milan Group.

### **Receivables from entities – specific sector**

Net of the provision for doubtful accounts, this item amounts to Euro 64,775 thousand (Euro 53,009 thousand at 30 June 2018). 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 refers to:

- Euro 48,812 thousand (Euro 41,168 thousand at 30 June 2018) for amounts due from the Lega Nazionale Professionisti, in respect of various transfer seasons;
- Euro 8,342 thousand (not present at 30 June 2018) for amounts due from Club Atlético de Madrid for the definitive sale of Nikola Kalinic;
- Euro 3,878 thousand (Euro 7,894 thousand at 30 June 2018) for amounts due from the club Trabzonspor Kulübü for the definitive sale of Juraj Kucka and José Ernesto Sosa;
- Euro 2,375 thousand (not present at 30 June 2018) for amounts due from the club Sociedade Esportiva Palmeiras for the temporary disposal of Gustavo Raúl Gómez Portillo;
- Euro 700 thousand (not present at 30 June 2018) for amounts due from the club FC Girondins de Bordeaux for the definitive sale of the player Raoul Bellanova;
- Euro 668 thousand (Euro 564 thousand at 30 June 2018) 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

The item Other receivables included Euro 2,479 thousand at 30 June 2018, consisting of the balance of restricted current accounts (freeze) due to failure to comply with some financial parameters pursuant to the terms and conditions of the non-convertible bonds issued on 26 May 2017. On the date these notes were drafted, there is no longer any restriction on the Milan Group companies' current accounts due to the full repayment of the bonds in the 2018/2019 financial year.

## CASH AND CASH EQUIVALENTS

This item consists of the funds in the restricted and ordinary current accounts, totalling Euro 12,476 thousand (Euro 24,742 thousand at 30 June 2018).

Cash and valuables on hand amounted to Euro 51 thousand (Euro 34 thousand at 30 June 2018).

## ACCRUED INCOME AND PREPAYMENTS

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

	30.06.2019	30.06.2018	Change
<b>Accrued income</b>	—	—	<b>0</b>
<b>Prepaid expenses:</b>			
• prepaid insurance premiums	376	388	(12)
• prepaid apartment rentals	52	4	48
• prepaid sports fields	683	702	(19)
• Other prepayments	2,617	2,011	606
<b>Total prepaid expenses</b>	<b>3.728</b>	<b>3.105</b>	<b>623</b>
<b>Total accruals and deferrals</b>	<b>3.728</b>	<b>3.105</b>	<b>623</b>

The item Other deferrals equal to Euro 2,617 thousand (Euro 2,011 thousand at 30 June 2018), refer in particular to Euro 1,902 thousand for charges on guarantees resulting from various player transfer campaigns for future periods.

## **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.

	<b>30.06.2019</b>	<b>30.06.2018</b>	<b>Change</b>
Non-current financial assets ( <i>cash collateral</i> )	133	8,590	(8.457)
Total financial assets other than fixed assets	—	2,497	(2.497)
Cash and cash equivalents	12,526	24,776	(12.250)
<b>Total financial assets</b>	<b>12.659</b>	<b>35.863</b>	<b>(23.204)</b>
Bonds	—	(116,520)	116.520
Payables to shareholders for loans	—	(10,000)	10.000
Financial payables	(1,259)	(1,210)	(49)
Payables to other financial institutions	(94,284)	(36,541)	(57.743)
<b>Total financial liabilities</b>	<b>(95.543)</b>	<b>(164.271)</b>	<b>68.728</b>
<b>Net financial position</b>	<b>(82.884)</b>	<b>(128.408)</b>	<b>45.524</b>

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 2019, 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 2019, the Share premium reserve amounted to Euro 31,020,000 (unchanged compared to 30 June 2018) 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 2018) 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 101,872 thousand (- Euro 37,423 thousand at 30 June 2018) 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 2018 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 126,019 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 265,461 thousand.

### **PROFIT (LOSS) CARRIED FORWARD**

At 30 June 2019, this item amounted to - Euro 17,188 thousand (no change compared to 30 June 2018) 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 2018/2019 financial year, the result of the Milan Group shows a loss for the period of Euro 145,985 thousand (the consolidated result for the year ending 30 June 2018 was Euro 126,019 thousand negative).

## **PROVISIONS FOR RISKS AND CHARGES**

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

	<b>Balance at 01.07.2018</b>	<b>Allocations</b>	<b>(Uses)</b>	<b>Other changes</b>	<b>Balance at 30.06.2019</b>
Provision for deferred tax liabilities	—	—	—	—	0
Other provisions for risks and charges	20,297	6,885	(4,623)	(15)	22,544
<b>Total</b>	<b>20,297</b>	<b>6,885</b>	<b>(4,623)</b>	<b>(15)</b>	<b>22,544</b>

### **Other provisions for risks and charges**

At 30 June 2019 this item amounted to Euro 22,544 thousand (Euro 20,297 thousand at 30 June 2018) and refers to the allocation of future costs for the restructuring of registered footballers 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.

## **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
<b>Balance at 01.07.2018</b>	<b>1,698</b>	<b>47</b>	<b>1.745</b>
Provisions	1,261	538	1.799
Uses for employment terminations/ prepayments	(511)	—	(511)
Transfers	—	—	0
Payments	—	(535)	(535)
Other changes	(884)	—	(884)
<b>Balance at 30.06.2019</b>	<b>1.564</b>	<b>50</b>	<b>1.614</b>

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**

	30.06.2019	30.06.2018	Change
Bonds	—	116,520	(116.520)
Payables to shareholders for loans	—	10,000	(10.000)
Financial payables	1,259	1,210	49
Payables to other financial institutions	94,284	36,541	57.743
Trade payables	53,162	59,481	(6.319)
Payables to subsidiaries	—	—	0
Payables to associates	2,130	1,479	651
Payables to parent companies	—	—	0
Payables to companies subject to parent companies' control	—	—	0
Tax payables	15,320	11,026	4.294
Payables to pension funds and social security agencies	667	651	16
Payables to third parties	8,962	14,021	(5.059)
Payables to entities – specific sector	139,883	172,028	(32.145)
<b>Total</b>	<b>315.667</b>	<b>422.957</b>	<b>(107.290)</b>

Payables due beyond the next financial year amounted to Euro 28,943 thousand; There were no payables with a remaining duration of more than five years.

### **Bonds**

It should be noted that on 28 September 2018, the Parent Company A.C. Milan S.p.A. exercised its option to repay in advance the bonds “Prestito Obbligazionario Garantito Associazione Calcio Milan S.p.A. 2017 – 2018 – Serie 1” (ISIN Code IT005254435) and “Prestito Obbligazionario Garantito Associazione Calcio Milan S.p.A. 2017 – 2019 – Serie 2” (ISIN Code IT0005254443).

### **Payables to shareholders for loans**

On 22 October 2018, the parent company Rossoneri Sport Investment Luxembourg S.à r.l., waived the repayment of the loan, amounting to Euro 10,000 thousand, due from the Parent Company A.C. Milan S.p.A., deriving from the non-interest bearing shareholder loan granted on 13 April 2017. This amount was therefore deemed permanently credited in favour of the company as a capital reserve contribution to strengthen its capital.

### **Financial payables**

The balance of Euro 1,259 thousand (Euro 1,210 thousand at 30 June 2018) relates to normal banking operations.

### **Payables to other financial institutions**

This amount, of Euro 94,284 thousand (Euro 36,541 thousand at 30 June 2018) relates to amounts payable to factoring companies for advances on future accounts receivable, mainly in relation to commercial agreements.

On 3 October 2018 the Parent Company A.C. Milan S.p.A. 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 2019.

## Trade payables

These are detailed in the table below.

	30.06.2019	30.06.2018	Change
Parent Company A.C. Milan S.p.A.	45,843	54,104	(8.261)
Milan Entertainment S.r.l.	5,614	4,511	1.103
Milan Real Estate S.p.A.	1,271	590	681
AC Milan (Beijing) Sports Development Co. Ltd.	434	276	158
<b>Total</b>	<b>53.162</b>	<b>59.481</b>	<b>(6.319)</b>

Trade payables are all commercial in nature.

## Payables to subsidiaries, associates and parent companies

Payables to associates, equal to Euro 2,130 thousand (Euro 1,479 thousand at 30 June 2018) 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 of Euro 8,594 thousand (plus any adjustments).

## Tax payables

	30.06.2019	30.06.2018	Change
Payables for current taxes	—	616	(616)
Payable to Treasury for VAT	—	—	0
Payables withholding tax on income from work	15,313	10,373	4,940
Other tax payables and withholdings	7	37	(30)
<b>Total</b>	<b>15.320</b>	<b>11.026</b>	<b>4.294</b>

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

At 30 June 2019, 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:

	30.06.2019	30.06.2018	Change
Payables to I.N.P.S.	720	760	(40)
Payables/(Receivables) to/from other pension institutions	(53)	(109)	56
<b>Total</b>	<b>667</b>	<b>651</b>	<b>16</b>

The payables shown above have been duly paid on the established deadlines.

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:

	30.06.2019	30.06.2018	Change
Payables to registered players and employees	8,510	13,529	(5.019)
Payables to directors, statutory auditors and the Supervisory Body.	105	89	16
Other payables	347	403	(56)
<b>Total</b>	<b>8.962</b>	<b>14.021</b>	<b>(5.059)</b>

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:

	30.06.2019	30.06.2018	Change
Payables to the Lega Nazionale Professionisti	77,777	109,127	(31.350)
Payables to foreign and Italian football clubs	62,090	62,886	(796)
Payables to minor football clubs	15	16	( 1)
<b>Total</b>	<b>139.882</b>	<b>172.029</b>	<b>(32.147)</b>

Payables to the Lega Nazionale Professionisti, of Euro 77,777 thousand (Euro 109,127 thousand of 30 June 2018) are the balance of the 2018/2019 transfer campaign and the residual amounts of the previous seasons.

Payables to foreign and Italian football clubs, of Euro 62,090 thousand (Euro 62,886 thousand at 30 June 2018) relate to:

- Euro 14,923 thousand (not present at 30 June 2018) for amounts due to the club Clube de Regatas do Flamengo for the definitive purchase of Lucas Tolentino Coelho de Lima "Paquetà";
- Euro 11,774 thousand (Euro 22,676 thousand at 30 June 2018) for the amount payable to the club F.C. do Porto for the definitive transfer of André Miguel Valente Silva;
- Euro 11,729 thousand (not present at 30 June 2018) for the amount payable to the club Villarreal Club de Fútbol for the definitive purchase of Samuel Castillejo Azuaga;
- Euro 7,395 thousand (Euro 12,429 thousand at 30 June 2018) for the amount payable to Bayer 04 Leverkusen Fußball for the definitive transfer of Hakan Çalhanoğlu;
- Euro 4,847 thousand (Euro 9,347 thousand at 30 June 2018) for the amount payable to Verein für Leibesübungen Wolfsburg for the definitive transfer of Ricardo Iván Rodríguez Araya;
- Euro 7,278 thousand (Euro 10,532 thousand at 30 June 2018) for the amount payable to the club Villarreal Club de Fútbol for the definitive transfer of Mateo Pablo Musacchio;
- Euro 2,872 thousand (Euro 4,623 thousand at 30 June 2018) for the amount payable to the club Sunderland Association F.C for the definitive transfer of Fabio Borini;
- Euro 1,272 thousand (Euro 1,485 thousand at 30 June 2018) 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 Fabio Borini, Hakan Çalhanoğlu, Samuel Castillejo Azuaga and Mateo Pablo Musacchio.

#### **ACCRUED EXPENSES AND DEFERRED INCOME**

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

	30.06.2019	30.06.2018	Change
<b>Accrued expenses</b>	<b>306</b>	<b>44</b>	<b>262</b>
<b>Deferred income:</b>			
• deferred broadcasting rights	—	3,478	(3.478)
• deferred sponsorships	9,851	7,505	2.346
• deferred season tickets	4,659	—	4.659
• Other prepayments	18,027	15,182	2.845
<b>Total deferred income</b>	<b>32.537</b>	<b>26.165</b>	<b>6.372</b>
<b>Total accruals and deferrals</b>	<b>32.843</b>	<b>26.209</b>	<b>6.634</b>

The item Deferred income, equal to Euro 32,537 thousand (Euro 26,165 thousand at 30 June 2018) includes:

- Euro 10,452 thousand (Euro 10,836 thousand at 30 June 2018) relating to royalties from rights to use images of Milan's home games in specific seasons ("Milan Library");
- Euro 9,851 thousand (Euro 7,505 thousand at 30 June 2018) relating to the early invoicing relating to agreements signed with trade partners for the 2019/2020 financial year;
- Euro 4,659 thousand (not present at 30 June 2018) relating to portions of the 2019/2020 Serie A Championship Season Pass Campaign, received at 30 June 2019 and attributable to the period 1 July 2019 – 30 June 2020;
- Euro 2,375 thousand (not present at 30 June 2018) relating to portions of the 2019/2020 football season of the amount resulting from the temporary transfer of the player Gustavo Raúl Gómez Portillo;
- Euro 2,372 thousand (Euro 2,780 thousand at 30 June 2018) relating to amounts received for friendly matches played during the summer tournament by the first team Milan in July and August 2019.

## **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 59,360 thousand (Euro 70,440 thousand at 30 June 2018), mainly in favour of:

- Lega Calcio, for the transfer season, for Euro 54,045 thousand (Euro 64,864 thousand at 30 June 2018);
- The Municipality of Milan, for the use of the San Siro Stadium, for Euro 2,309 thousand (Euro 2,284 thousand at 30 June 2018);
- 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 2018);
- the Italian Revenue Agency (Agenzia delle Entrate) for Euro 600 thousand (Euro 600 thousand at 30 June 2018) for a VAT receivable relative to the 2018 VAT return - 2017 tax period, requested as a reimbursement;
- M-I Stadio S.r.l., for Euro 281 thousand (Euro 567 thousand at 30 June 2018), to cover the associate's credit lines.

### **POTENTIAL LIABILITIES AND OTHER INFORMATION**

#### **Financial Fair Play**

As known, 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 and, for this reason, during 2016, the club had applied to the Club Financial Control Body (C.F.C.B.) to adopt the Voluntary Agreement, in order to take part in European competitions, in accordance with the parameters of financial requirements, and in particular with the Break-even rule.

On 15 December 2017, the Investigatory Chamber of the C.F.C.B. had warned that some conditions to adopt the VA had not been met by the Parent Company A.C. Milan S.p.A. and it started an inquiry. In a decision of 22 May 2018, the Investigatory chamber ruled to not grant a Settlement Agreement (S.A.) and to adjourn the case to the final decision of the Adjudicatory Chamber of the C.F.C.B., which, on 19 June 2018, ruled to exclude the Club from participating in the U.E.F.A. championship for which it would have otherwise qualified, for the following two seasons (i.e. the 2018/2019 or the 2019/2020 season).

On 4 July 2018, the Parent Company A.C. Milan S.p.A. lodged an appeal with the Court of Arbitration for Sport that, on 20 July 2018, partially upheld the case put by Milan, deciding to confirm the decision taken by the Adjudicatory Chamber of the C.F.C.B. regarding the company's failure to meet the break-even rule, but cancelling the decision to exclude the Club from participating in the U.E.F.A. competition, as this was not proportional, considering the changed financial situation of the Club, which had considerably improved since the change in ownership in July 2018.

The case was therefore referred to the Adjudicatory Chamber of the C.F.C.B. that, on 13 December 2018, ruled among others that the Club be excluded from UEFA competitions if it failed to meet the break-even requirement at 30 June 2021 and also ruled, on a precautionary basis, to stop the payment of revenues owing to the Club for participation in the 2018/2019 edition of the UEFA Europa League.

The Adjudicatory Chamber of the C.F.C.B. finally stated that Milan would not be able to register more than 21 players for U.E.F.A. competitions in 2019/2020 and 2020/2021, however allowing for the possibility of appeal the decision before the T.A.S.

On 21 December 2018 and 5 March 2019, the Parent Company A.C. Milan S.p.A. filed a new appeal with the Court of Arbitration for Sport, requesting the annulment of the decision of the Adjudicatory Chamber of the C.F.C.B. and measures equivalent to a Settlement Agreement.

At the end of June 2019, the Court of Arbitration for Sport ratified the agreement reached between A.C. Milan S.p.A. and the Adjudicatory Chamber of the C.F.C.B. of UEFA ("Consent Award") which annulled previous decisions taken by the Chambers, and upheld the exclusion from participation in the 2019/2020 UEFA Europa League following the breach of break-even obligations during the monitoring periods 2015/2016/2017 and 2016/2017/2018.

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 upcoming football seasons, 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 the previous year in the financial statements.

## **Other information**

With regard to relations with Management and the personnel of the Parent Company A.C. Milan S.p.A., in July and August 2018, the Parent Company A.C. Milan S.p.A. terminated, for just cause, its relationship with the former CEO and director general. With an appeal filed on 9 November 2018, the former CEO and director general brought a case against the dismissal for just cause by the Parent Company A.C. Milan S.p.A.. The appellant opted for the special procedure under Article 1, paragraph 47 and following of law No. 92 of 2012, requesting that the dismissal be annulled with the consequent reinstatement effects and that damages be awarded, commensurate with the remuneration not received from the day of dismissal to that of the appeal. In addition to the secondary claims relating to the non-existence of the just cause for his dismissal and for the recognition of claims allegedly due to him contractually, the appellant made various other claims for damages. Following notification of the appeal, the Parent Company A.C. Milan S.p.A., with the support of its advisers, appeared before the court to give its defence, outlining the reasons and procedural objections and objections on the merits, which in their opinion, render the statements and claims made appellant without sufficient basis.

With specific reference to the proceedings and their progress, at the first hearing held on 19 December 2018, the judge invited the parties to identify a solution that would allow the dispute to be settled out-of-court, ordering the case to be adjourned, in order to allow the parties to reach a settlement. The parties, with the mediation of the judge, settled the dispute on 20 June 2019, signing a specific settlement agreement, as a general transaction, defining the pending case and any other potential cause for litigation, regarding fixed-term managerial employment and the organic relationship.

## **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. We also remind you that 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.

### **VALUE OF PRODUCTION**

The total value of production in the 2018/2019 financial year amounted to Euro 241,118 thousand (Euro 255,733 thousand in the 2017/2018 financial year). The breakdown of this item is shown below.

#### **Revenues from sales and services**

The item was composed as follows:

	<b>2018/2019</b>	<b>2017/2018</b>	<b>Change</b>
Match revenues	21,182	22,819	(1.637)
Season passes	9,115	9,796	(681)
Revenues from other competitions	3,815	2,723	1.092
<b>Total</b>	<b>34.112</b>	<b>35.338</b>	<b>(1.226)</b>

The item Match revenues, amounting to Euro 21,182 thousand (Euro 22,819 thousand in the 2017/2018 financial year), mainly consisted of:

- Euro 18,533 thousand (Euro 13,455 thousand in 2017/2018), for 2018/2019 Serie A matches played, of which the increase is basically due to the adoption of new price policies (dynamic pricing), with particular reference to matches against strong sides;
- Euro 1,495 thousand (Euro 2,142 thousand in the 2017/2018 financial year) for 2018/2019 Tim Cup matches, ending with the semifinal (in the 2017/2018 edition, the team played in the final);
- Euro 119 thousand (Euro 1,402 thousand in the 2017/2018 financial year) for the portion owing to Milan for the away match of the knockout round, quarter final and semi-final of the 2018/2019 Tim Cup;

- Euro 1,035 thousand (Euro 5,820 thousand in the 2017/2018 financial year) for home matches relating to the qualifying round of the UEFA Europa League - 2018/2019 edition (preliminaries, qualifying round and final sixteen of the UEFA Europa League - edition 2017/2018).

Revenues from season passes, of Euro 9,115 thousand (Euro 9,796 thousand in the 2017/2018 financial year) relate to the 2018/2019 Serie A championship, with a total of 31,347 passes (32,364 passes for the Serie A Championship and 7,927 passes for the qualifying rounds of the 2017/2018 UEFA Europa League).

Revenues from other competitions refers only to national and international friendly matches played by the first team during the summer, in China (International Champions Cup 2018) and in Madrid (39th edition of the Santiago Bernabeu Trophy).

#### **Other revenues and income**

This income consisted of:

	<b>2018/2019</b>	<b>2017/2018</b>	<b>Change</b>
Sponsorship income	38,030	44,711	(6.681)
Commercial income and royalties	18,817	17,760	1.057
Income from the sale of broadcasting rights	105,048	100,578	4.470
miscellaneous income	9,090	8,927	163
Revenues from player loans	5,245	2,454	2.791
gains from the sale of player registration rights	12,621	35,956	(23.335)
Other income from player management	7,670	3,652	4.018
Other income and revenues	10,385	6,482	3.903
<b>Total</b>	<b>206.906</b>	<b>220.520</b>	<b>(13.614)</b>

Sponsorship income, amounting to Euro 38,030 thousand (Euro 44,711 thousand in the 2017/2018 financial year), mainly consisted of:

- Euro 14,000 thousand (Euro 15,800 thousand in the 2017/2018 financial year), inclusive of Euro 1,800 thousand for bonuses disbursed for the achievement of specific sports results, for the fees paid by the Official Sponsor Emirates by way of the contract expiring at 30 June 2020
- Euro 10,909 thousand (Euro 11,442 thousand in the 2017/2018 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 12,516 thousand (Euro 13,051 thousand in the 2017/2018 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 Ltd., Diesel S.p.A., Gi Group S.p.A., Konami Digital Entertainment Co. Ltd., Perform Investment Ltd. Shanghai Haobo Industrial Co. Ltd., Shanghai Julie Culture and Communication Co., Snaitech S.p.A., Toyo Tires & Rubber Co. Ltd. and Trenitalia S.p.A.;
- Euro 605 thousand (Euro 4,438 thousand in the 2017/2018 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 18,817 thousand (Euro 17,760 thousand in the 2017/2018 financial year), mainly consisted of:

- Euro 5,279 thousand (Euro 4,312 thousand in the 2017/2018 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 increase refers to the good sales performance recorded in the period;
- Euro 8,712 thousand (Euro 9,426 thousand in the 2017/2018 financial year) for revenues from merchandising, licensing and franchising, of which the decrease is mainly due to the expiry of the non-technical licence agreement with the previous partner Adidas Italia S.r.l.;
- Euro 2,771 thousand (Euro 2,490 thousand in the 2017/2018 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 the sale of broadcasting rights, of Euro 105,048 thousand (Euro 100,578 thousand in the 2017/2018 financial year), pertaining to the parent company A.C. Milan S.p.A., relates to:

- Euro 90,294 thousand (Euro 86,260 thousand in the 2017/2018 financial year) from the centralised licence of audiovisual rights for the 2018/2019 season of various packages assigned to broadcasters, including in particular Sky Italian S.r.l. and Perform Investment Ltd (Dazn). This item also includes Euro 3,000 thousand (not present in the 2017/2018 financial year) for the amount accrued from the Lega Calcio di Serie A for

playing the final of the Italian Super Cup against Juventus F.C. in Jeddah (Saudi Arabia) in January 2019;

- Euro 14,754 thousand (Euro 14,318 thousand in the 2017/2018 financial year), representing the amount paid to the company as a result of the trading and utilisation of television and radio broadcasting rights for participation in European competitions. Specifically, the item refers to the qualifying round of the 2018/2019 edition of the UEFA Europa League (preliminary matches, qualifying round, final thirty-two and sixteen of the UEFA Europa League – 2017/2018 edition) of which the increase compared to the 2017/2018 financial year (regarding the fewer number of matches played) is mainly due to the higher number of resources collected by UEFA and different criteria to allocate revenues over the three-year period, as well as the fewer number of Italian teams participating in the 2018/2019 edition.

The item Miscellaneous income, equal to Euro 9,090 thousand (Euro 8,927 thousand in the 2017/2018 financial year), includes Euro 8,754 thousand (Euro 8,744 thousand in the 2017/2018 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 5,245 thousand (Euro 2,454 thousand in the 2017/2018 financial year), relate to the following players loaned out by the club:

Player	Selling club	Amount
Gustavo Raúl Gómez Portillo	Sociedade Esportiva Palmeiras	1,425
André Miguel Valente Silva	Sevilla Fútbol Club	3,820
<b>Total</b>		<b>5.245</b>

Gains from the sale of player registration rights, realised in the 2018/2019 financial year, amounted to Euro 12,622 thousand (Euro 35,956 thousand in the 2017/2018 financial year) and are listed below indicating the name of the player and the selling club:

Player	Selling club	Net book value	Sale amount	Gain
Raoul Bellanova	F.C. des G. de Bordeaux	9	700	691
Manuel Locatelli	U.S. Sassuolo Calcio	81	12,000	11.919
<b>Total</b>		<b>90</b>	<b>12.700</b>	<b>12.610</b>
<u>Other youth sector</u>				12
<b>Gains</b>				<b>12.622</b>

Other income from player management, equal to Euro 7,670 thousand (Euro 3,652 thousand in the 2017/2018 financial year) refers in particular to:

- Euro 4,900 thousand (not present in the 2017/2018 financial year) for the amount paid by Bologna F.C. 1909 for the sell on fee of Simone Verdi to S.S. Calcio Napoli;
- Euro 1,750 thousand (not present in the 2017/2018 financial year) for the fee paid by Atalanta Bergamasca Calcio on the sell on fee of the player Andrea Petagna to S.P.A.L.;
- Euro 500 thousand (not present in the 2017/2018 financial year) for the fee paid by Unione Sportiva Sassuolo Calcio due to the bonus accrued following the sale of the player Manuel Locatelli;
- Euro 514 thousand (Euro 530 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 income and revenues amounted to Euro 10,385 thousand (Euro 6,482 thousand in the 2017/2018 financial year), referring in particular to Euro 229 thousand (Euro 306 thousand in the 2017/2018 financial statements) for income from the chargeback of costs made to players and third parties for their own expenses, and Euro 1,097 thousand (Euro 1,269 thousand in the 2017/2018 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 2,868 thousand (Euro 2,720 thousand in the 2017/2018 financial year), for contingent assets and other residual revenues and income, Euro 1,207 thousand not present in the 2017/2018 financial year) for reimbursements and contributions for the participation of Milan players in the World Cup - 2018 edition, as well as Euro 4,874 thousand (Euro 2,082 thousand in the 2017/2018 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 2018/2019 financial year amounted to Euro 373,375 thousand (Euro 354,388 thousand in the 2017/2018 financial year). The breakdown of this item is shown below.

### **Costs for the purchase of consumables and goods**

Costs for the purchase of consumables and goods, amounting to Euro 5,145 thousand (Euro 4,030 thousand in the 2017/2018 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, as well as costs for producing tickets.

### **Cost for services**

Were broken down as follows:

	<b>2018/2019</b>	<b>2017/2018</b>	<b>Change</b>
General costs for sporting activities	20,176	17,571	2.605
Consultancies and collaborations	6,981	9,406	(2.425)
Advertising and promotion	2,184	1,746	438
Insurance	436	364	72
Fees to company bodies	2,849	293	2.556
Administrative and general expenses	5,728	4,998	730
Canteen and catering services	1,528	1,212	316
Maintenance and repair	1,731	1,742	(11)
Transport, storage and travel expenses	722	817	(95)
Other costs for services	8,588	9,664	(1.076)
<b>Total</b>	<b>50.923</b>	<b>47.813</b>	<b>3.110</b>

General costs for sporting activities included the expenses incurred primarily by the Parent Company A.C. Milan S.p.A. of which:

- Euro 9,402 thousand (Euro 7,767 thousand in the 2017/2018 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 3,271 thousand (Euro 3,041 thousand in the 2017/2018 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 1,561 thousand (Euro 1,213 thousand in the 2017/2018 financial year) for remuneration to medical and healthcare personnel and other related expenses;

- Euro 3,066 thousand (Euro 3,155 thousand in the 2017/2018 financial year) for expenses incurred for away games of the first team and the minor teams;
- Euro 2,876 thousand (Euro 2,395 thousand in the 2017/2018 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 6,981 thousand (Euro 9,406 thousand in the 2017/2018 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 as regards the ongoing proceedings with UEFA.

The item Advertising and promotion, equal to Euro 2,184 thousand (Euro 1,746 thousand in the 2017/2018 financial year) mainly includes the costs incurred by the Milan Group for gifts, corporate entertainment, external events, the costs of the season pass campaign and other promotional activities.

Fees to company bodies, equal to Euro 2,849 thousand (Euro 293 thousand in the 2017/2018 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 5,728 thousand (Euro 4,998 thousand in the 2017/2018 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 8,588 thousand (Euro 9,664 thousand in the 2017/2018 financial year), mainly consisted of:

- Euro 4,297 thousand (Euro 4,272 thousand in the 2017/2018 financial year) relates to the costs of providing technical and maintenance services at the San Siro stadium, commercial and administration services charged by M-I Stadio S.r.l., under a specific agreement;

- Euro 1,469 thousand (Euro 1,702 thousand in the 2017/2018 financial year), for the costs of audiovisual production and distribution for the Serie A and 2018/2019 edition of the Tim Cup, charged by Lega Nazionale Professionisti Serie A;
- Euro 2,098 thousand (Euro 2,817 thousand in the 2017/2018 financial year), for production costs of content and the distribution of the signal related to the Milan TV thematic channel;
- Euro 577 thousand (Euro 527 thousand in the 2017/2018 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:

	2018/2019	2017/2018	Change
Rental expenses	7,658	7,963	(305)
Rentals and other hires	1,502	2,132	(630)
<b>Total</b>	<b>9.160</b>	<b>10.095</b>	<b>(935)</b>

Rental expenses, amounting to Euro 7,658 thousand (Euro 7,963 thousand in the 2017/2018 financial year), consisted of:

- Euro 4,674 thousand (Euro 4,611 thousand in the 2017/2018 financial year) for the costs of using the San Siro stadium under the agreement between the Municipality of Milan and 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 2,145 thousand in the 2017/2018 financial year) will be “deducted” from the rent once the annual modernisation works are completed;
- Euro 462 thousand (Euro 179 thousand in the 2017/2018 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 2,520 thousand (Euro 3,036 thousand in the 2017/2018 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 1,502 thousand (Euro 2,132 thousand in the 2017/2018 financial year), refer mainly to the leasing of vehicles and equipment for corporate use.

## Personnel costs

Personnel costs were broken down as follows:

	2018/2019			2017/2018		
	Registered players	Other employees	Total	Registered players	Other employees	Total
Wages and salaries	163,755	12,191	<b>175.946</b>	129,863	11,997	<b>141.860</b>
Social security charges	3,702	3,087	<b>6.789</b>	3,561	3,121	<b>6.682</b>
End of career entitlements/Employee leaving entitlements	978	839	<b>1.817</b>	816	765	<b>1.581</b>
Other costs	106	164	<b>270</b>	111	163	<b>274</b>
<b>Total</b>	<b>168.541</b>	<b>16.281</b>	<b>184.822</b>	<b>134.351</b>	<b>16.046</b>	<b>150.397</b>

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:

	2018/2019	2017/2018	Change
Players	59.8	55.3	4,5
Coaches / Other technical personnel	156.6	139.3	17,3
Directors	14.8	14.4	0,4
Journalists	2.0	2.5	(0,5)
Office workers and middle managers	145.9	124.7	21,2
Workers	3.0	3.0	0,0
<b>Total</b>	<b>382,1</b>	<b>339,2</b>	<b>42,9</b>

The increase in the number of office workers and middle managers is mainly attributable to the bringing the tutoring service for young members of the Milan youth sector in house, as well as the management of the Milan TV channel, which until 30 June 2018 had been outsourced to consultants/external suppliers.

## Amortisation, depreciation and write-downs

	2018/2019	2017/2018	Change
Amortisation of Intangible fixed assets	89,150	86,419	2,731
Depreciation of tangible fixed assets	1,051	1,070	(19)
other write-downs of fixed assets	1,934	21,822	(19.888)
Write-down of receivables included in working capital and in cash and cash equivalents	850	1,211	(361)
<b>Total</b>	<b>92.985</b>	<b>110.522</b>	<b>(17.537)</b>

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 89,150 thousand (Euro 86,419 thousand in the 2017/2018 financial year), refers in particular to Euro 80,304 thousand (Euro 81,954 thousand in the 2017/2018 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 1,934 thousand (Euro 21,822 thousand in the 2017/2018 financial year), and refers to the write-down of the registration rights of some players, due to the mutual termination of contracts with some players before their expiry and/or transfers with capital losses, taking place in July and August 2019.

The item Write-down of receivables included in working capital and in cash and cash equivalents, amounting to Euro 850 thousand (Euro 1,211 thousand in the 2017/2018 financial year), refers to the allocation made to the provision for doubtful trade receivables.

### Provisions for risks

This item amounts to Euro 6,885 thousand (Euro 17,965 thousand in the 2017/2018 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 July and August 2019 transfer campaign.

## Sundry management expenses

Sundry management expenses consisted of:

	2018/2019	2017/2018	Change
Various match organisation expenses	5,235	5,978	(743)
Match subscription taxes	2	2	0
Percentage paid to visiting teams	199	965	(766)
Costs for acquisition of player services on loan	13,180	107	13.073
Losses from the sale of multi-year player registration rights	449	1,290	(841)
other expenses from player management	157	1,332	(1.175)
Other management expenses	4,233	3,892	341
<b>Total</b>	<b>23.455</b>	<b>13.566</b>	<b>9.889</b>

Other match organisation costs, of Euro 5,235 thousand (Euro 5,978 thousand in the 2017/2018 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 2017/2018. The decrease compared to the 2017/2018 financial year is mainly due to the lower number of matches played in the 2018/2019 UEFA Europa League, partly offset by mandatory contributions for public safety in accordance with the "Stadiums" law".

Costs for acquisition of player services on loan, amounting to Euro 13,180 thousand (Euro 107 thousand in the 2017/2018 financial year), refer to the following players purchased by the club:

Player	Selling club	Amount
Tiémoué Bakayoko	Chelsea F.C.	2,931
Manuel Carlini	A.S.D. Alcione	8
Gonzalo Gerardo Higuain	Juventus F.C.	10,208
Stefano Reali	Virtus Entella	33
<b>Total</b>		<b>13.180</b>

Losses from the sale of multi-year player registration rights, equal to Euro 449 thousand (Euro 1,290 thousand in the 2017/2018 financial year), realised during the 2018/2019 financial year, concern the following players.

Player	Selling club	Net book value	Sale amount	Capital loss
Mattia El Hilali	F.C. Chiasso	26	—	(26)
Alessandro Guarnone	F.C. Chiasso	16	—	(16)
Nikola Kalinic (*)	Club Atlético de Madrid	391	—	(391)
Sergio Sanchez Gioya	C.D. Leganés	7	—	(7)
Stephan Simic	H.N.K. Hajduk Split	9	—	(9)
<b>Total</b>		<b>449</b>	<b>0</b>	<b>(449)</b>

*(\*) referred only to the effect of the adoption of the amortised cost criterion for the sale of the player Nicola Kalinic to Club Atlético de Madrid, of which the capital loss had already been recognised in the financial statements for the year ended 30 June 2018.*

During the 2017/2018 financial year, the item Other expenses from player management, included in particular Euro 1,321 thousand relative to the feed paid to the club Stade Malherbe Caen for fees accrued on the definitive sale to Torino F.C. by Milan for the player M'Baye Niang.

Other management expenses, amounting to Euro 4,233 thousand (Euro 3,892 thousand in the 2017/2018 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.

This item also includes 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 11,082 thousand (expenses of Euro 22,343 thousand in the 2017/2018 financial year) and were broken down as follows.

	<b>2018/2019</b>	<b>2017/2018</b>	<b>Change</b>
Bank interest income	1	3	( 2)
Interest on other receivables	686	1,528	(842)
<b>Total financial income</b>	<b>687</b>	<b>1.531</b>	<b>(844)</b>
Interest payable on bonds	(2,274)	(9,881)	7.607
Bank interest expenses	(36)	(9)	(27)
Interest expense on other debt	(1,653)	(2,236)	583
Interest payable to parent companies	—	—	0
Interest expense on other debt	(1)	—	( 1)
Other interest and financial charges	(7,824)	(11,718)	3.894
<b>Total financial expenses</b>	<b>(11.788)</b>	<b>(23.844)</b>	<b>12.056</b>
Exchange rate gains	31	27	4
Exchange rate losses	(12)	(57)	45
<b>Total exchange rate gains (losses)</b>	<b>19</b>	<b>(30)</b>	<b>49</b>
<b>Total</b>	<b>(11.082)</b>	<b>(22.343)</b>	<b>11.261</b>

The item Other interest and financial charges includes Euro 3,058 thousand (Euro 2,215 thousand in the 2017/2018 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 4,569 thousand (Euro 9,502 thousand in the 2017/2018 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 612 thousand (Euro 1,528 thousand in the 2017/2018 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 801 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 2019.

## **INCOME TAXES FOR THE YEAR**

### **Current taxes**

	<b>2018/2019</b>	<b>2017/2018</b>	<b>Change</b>
IRAP (regional business tax)	(1,138)	(2,556)	1,418
Tax income from tax consolidation	—	—	0
Other current taxes	(58)	—	(58)
<b>Total</b>	<b>(1.196)</b>	<b>(2.556)</b>	<b>1.360</b>

In the 2018/2019 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 2,251 thousand (- Euro 2,247 thousand in the 2017/2018 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 2018/2019 financial year, a loss of Euro 145,985 thousand was recorded (compared to a loss of Euro 126,019 thousand in the 2017/2018 financial year).

Milan, 27 September 2019

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



## **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)

<b>Historic cost</b>	<b>01.07.2018</b>	<b>Investments</b>	<b>(Disinvestments)</b>	<b>Other changes</b>	<b>(Amortisation)</b>	<b>(Write-downs) / Write-backs</b>	<b>Scope of consolidation</b>	<b>30.06.2019</b>
Start-up and expansion costs	3	—	—	—	—	—	—	3
Industrial patent rights and use of intellectual property	—	—	—	—	—	—	—	—
Concessions, licences, trademarks and similar rights	48.442	125	—	350	—	—	—	48.917
Goodwill and consolidation difference	—	—	—	—	—	—	—	—
Assets in progress and advances	350	—	—	(350)	—	—	—	—
Player registration rights	402.853	153.079	(141.886)	—	—	—	—	414.046
Other intangible fixed assets	34.785	255	—	—	—	—	—	35.040
<b>Total</b>	<b>486.433</b>	<b>153.459</b>	<b>(141.886)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>498.006</b>

<b>Accumulated Depreciation and Provision for Doubtful Accounts</b>	<b>01.07.2018</b>	<b>Investments</b>	<b>(Disinvestments)</b>	<b>Other changes</b>	<b>(Amortisation)</b>	<b>(Write-downs) / Write-backs</b>	<b>Scope of consolidation</b>	<b>30.06.2019</b>
Start-up and expansion costs	(3)	—	—	—	—	—	—	(3)
Industrial patent rights and use of intellectual property	—	—	—	—	—	—	—	—
Concessions, licences, trademarks and similar rights	(19.639)	—	—	—	(6.746)	—	—	(26.385)
Goodwill and consolidation difference	—	—	—	—	—	—	—	—
Player registration rights	(191.688)	—	92.088	—	(80.304)	(1.934)	—	(181.838)
Other intangible fixed assets	(16.299)	—	—	—	(2.100)	—	—	(18.399)
<b>Total</b>	<b>(227.629)</b>	<b>—</b>	<b>92.088</b>	<b>—</b>	<b>(89.150)</b>	<b>(1.934)</b>	<b>—</b>	<b>(226.625)</b>

<b>Net value</b>	<b>01.07.2018</b>	<b>Investments</b>	<b>(Disinvestments)</b>	<b>Other changes</b>	<b>(Amortisation)</b>	<b>(Write-downs) / Write-backs</b>	<b>Scope of consolidation</b>	<b>30.06.2019</b>
Start-up and expansion costs	—	—	—	—	—	—	—	—
Industrial patent rights and use of intellectual property	—	—	—	—	—	—	—	—
Concessions, licences, trademarks and similar rights	28.803	125	—	350	(6.746)	—	—	22.532
Goodwill and consolidation difference	—	—	—	—	—	—	—	—
Assets in progress and advances	350	—	—	(350)	—	—	—	—
Player registration rights	211.165	153.079	(49.798)	—	(80.304)	(1.934)	—	232.208
Other intangible fixed assets	18.486	255	—	—	(2.100)	—	—	16.641
<b>Total</b>	<b>258.804</b>	<b>153.459</b>	<b>(49.798)</b>	<b>—</b>	<b>(89.150)</b>	<b>(1.934)</b>	<b>—</b>	<b>271.381</b>

## Attachment 2

### Statement of changes in tangible fixed assets

(in thousands of Euros)

<b>Historic cost</b>	<b>01.07.2018</b>	Investments	(Disinvestments)	Other changes	(Amortis ation)	(Write-downs) / Write-backs	Scope of consolidation	<b>30.06.2019</b>
Land and buildings	12.571	24	—	—	—	—	—	12.595
Plant and machinery	4.747	178	—	—	—	—	—	4.925
Industrial and commercial equipment	3.681	290	(2)	57	—	—	—	4.026
Other tangible assets	3.227	248	(18)	—	—	—	—	3.457
Tangible assets in progress	57	—	—	(57)	—	—	—	—
<b>Total</b>	<b>24.283</b>	<b>740</b>	<b>(20)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>25.003</b>

<b>Accumulated Depreciation and Provision for Doubtful Accounts</b>	<b>01.07.2018</b>	Investments	(Disinvestments)	Other changes	(Amortis ation)	(Write-downs) / Write-backs	Scope of consolidation	<b>30.06.2019</b>
Land and buildings	(2.012)	—	—	—	(154)	—	—	(2.166)
Plant and machinery	(2.561)	—	—	—	(288)	—	—	(2.849)
Industrial and commercial equipment	(3.031)	—	2	—	(256)	—	—	(3.285)
Other tangible assets	(2.138)	—	17	—	(353)	—	—	(2.474)
<b>Total</b>	<b>(9.742)</b>	<b>—</b>	<b>19</b>	<b>—</b>	<b>(1.051)</b>	<b>—</b>	<b>—</b>	<b>(10.774)</b>

<b>Net value</b>	<b>01.07.2018</b>	Investments	(Disinvestments)	Other changes	(Amortis ation)	(Write-downs) / Write-backs	Scope of consolidation	<b>30.06.2019</b>
Land and buildings	10.559	24	—	—	(154)	—	—	10.429
Plant and machinery	2.186	178	—	—	(288)	—	—	2.076
Industrial and commercial equipment	650	290	—	57	(256)	—	—	741
Other tangible assets	1.089	248	(1)	—	(353)	—	—	983
Tangible assets in progress	57	—	—	(57)	—	—	—	—
<b>Total</b>	<b>14.541</b>	<b>740</b>	<b>(1)</b>	<b>—</b>	<b>(1.051)</b>	<b>—</b>	<b>—</b>	<b>14.229</b>

## Attachment 3

### Statement of changes in equity investments

(in thousands of Euros)

<b>Historic cost</b>	<b>01.07.2018</b>	<b>Investments</b>	<b>(Disinvestments)</b>	<b>Other changes</b>	<b>(Write-downs) / Write-backs</b>	<b>Scope of consolidation</b>	<b>30.06.2019</b>
<b>Subsidiaries:</b>							
- measured using the equity method	—	—	—	—	—	—	—
- measured using the cost method	104	—	—	—	—	—	104
<b>Associates:</b>							
- measured using the equity method	1.085	—	—	—	801	—	1.886
- measured using the cost method	—	—	—	—	—	—	—
<b>Other companies:</b>							
- measured using the equity method	—	—	—	—	—	—	—
- measured using the cost method	—	—	—	—	—	—	—
<b>Total</b>	<b>1.189</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>801</b>	<b>—</b>	<b>1.990</b>

<b>Write-down provision</b>	<b>01.07.2018</b>	<b>Investments</b>	<b>(Disinvestments)</b>	<b>Other changes</b>	<b>(Write-downs) / Write-backs</b>	<b>Scope of consolidation</b>	<b>30.06.2019</b>
<b>Subsidiaries:</b>							
- measured using the equity method	—	—	—	—	—	—	—
- measured using the cost method	—	—	—	—	—	—	—
<b>Associates:</b>							
- measured using the equity method	—	—	—	—	—	—	—
- measured using the cost method	—	—	—	—	—	—	—
<b>Other companies:</b>							
- measured using the equity method	—	—	—	—	—	—	—
- measured using the cost method	—	—	—	—	—	—	—
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

<b>Net value</b>	<b>01.07.2018</b>	<b>Investments</b>	<b>(Disinvestments)</b>	<b>Other changes</b>	<b>(Write-downs) / Write-backs</b>	<b>Scope of consolidation</b>	<b>30.06.2019</b>
<b>Subsidiaries:</b>							
- measured using the equity method	—	—	—	—	—	—	—
- measured using the cost method	104	—	—	—	—	—	104
<b>Associates:</b>							
- measured using the equity method	1.085	—	—	—	801	—	1.886
- measured using the cost method	—	—	—	—	—	—	—
<b>Other companies:</b>							
- measured using the equity method	—	—	—	—	—	—	—
- measured using the cost method	—	—	—	—	—	—	—
<b>Total</b>	<b>1.189</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>801</b>	<b>—</b>	<b>1.990</b>

## 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
<b>Shareholders' Equity at 30.06.2017</b>	<b>74.880</b>	<b>9.600</b>	<b>124</b>	<b>—</b>	<b>(4.823)</b>	<b>(17.188)</b>	<b>(32.624)</b>	<b>29.969</b>
Appropriation of profit for the year 2017	—	—	—	—	(32.624)	—	32.624	—
Increases in share capital	38.563	21.420	—	—	—	—	—	59.983
Capital contributions and/or contributions to cover I	—	—	—	—	—	—	—	—
Covering of losses	—	—	—	—	—	—	—	—
Other changes	—	—	—	—	24	—	—	24
Result for the period	—	—	—	—	—	—	(126.019)	(126.019)
<b>Shareholders' Equity at 30.06.2018</b>	<b>113.443</b>	<b>31.020</b>	<b>124</b>	<b>—</b>	<b>(37.423)</b>	<b>(17.188)</b>	<b>(126.019)</b>	<b>(36.043)</b>
Appropriation of profit for the year 2017	—	—	—	—	(126.019)	—	126.019	—
Increases in share capital	—	—	—	—	—	—	—	—
Capital contributions and/or contributions to cover I	—	—	—	—	265.461	—	—	265.461
Covering of losses	—	—	—	—	—	—	—	—
Other changes	—	—	—	—	(147)	—	—	(147)
Result for the period	—	—	—	—	—	—	(145.985)	(145.985)
<b>Shareholders' Equity at 30.06.2019</b>	<b>113.443</b>	<b>31.020</b>	<b>124</b>	<b>—</b>	<b>101.872</b>	<b>(17.188)</b>	<b>(145.985)</b>	<b>83.286</b>

## Attachment 5

### Segment breakdown

(in thousands of Euros)

Balance Sheet	A.C. Milan S.p.A.	Milan Entertainment S.p.A.	Milan Real Estate S.p.A.	AC Milan (Beijing) Sports Development Co. Ltd.	Adjustments	Milan Group Consolidated
<b>Asset</b>						
Receivables from shareholders	—	—	—	—	—	—
Fixed assets:						
- intangible	270.893	57.141	—	—	(56.653)	271.381
- tangible	1.383	371	20.158	3	(7.686)	14.229
- financial	197.770	—	—	—	(195.780)	1.990
Other long-term receivables	489	0	79	—	—	568
<b>Total fixed assets</b>	<b>470.535</b>	<b>57.512</b>	<b>20.237</b>	<b>3</b>	<b>(260.119)</b>	<b>288.168</b>
Working capital:						
- inventories	—	218	—	—	—	218
- receivables	135.992	6.171	91	236	8.823	151.313
- current financial assets	4.886	136.009	—	—	(140.895)	—
- cash and cash equivalents	9.171	2.796	136	424	—	12.527
<b>Total working capital</b>	<b>150.049</b>	<b>145.194</b>	<b>227</b>	<b>660</b>	<b>(132.072)</b>	<b>164.058</b>
Accruals and deferrals	2.558	494	732	—	(56)	3.728
<b>Total assets</b>	<b>623.142</b>	<b>203.200</b>	<b>21.196</b>	<b>663</b>	<b>(392.247)</b>	<b>455.954</b>
<b>Shareholders' Equity and Liabilities</b>						
Shareholders' Equity:						
- share capital	113.443	20.000	5.000	350	(25.350)	113.443
- reserves	200.524	167.631	7.399	18	(242.556)	133.016
- profit/(loss) carried forward	(34.250)	124	1.306	(1.466)	17.098	(17.188)
- profit/(loss) for the period	(155.869)	4.013	838	162	4.871	(145.985)
<b>Shareholders' Equity</b>	<b>123.848</b>	<b>191.768</b>	<b>14.543</b>	<b>(936)</b>	<b>(245.937)</b>	<b>83.286</b>
Capital and reserves of minority shareholders	—	—	—	—	—	—
<b>Total Shareholders' Equity</b>	<b>123.848</b>	<b>191.768</b>	<b>14.543</b>	<b>(936)</b>	<b>(245.937)</b>	<b>83.286</b>
Provisions for risks and charges	22.345	377	—	408	(586)	22.544
Employee leaving entitlements	774	810	30	—	0	1.614
Payables	444.595	9.138	6.607	995	(145.668)	315.667
Accruals and deferrals	31.580	1.107	16	196	(56)	32.843
<b>Total liabilities and shareholders' equity</b>	<b>623.142</b>	<b>203.200</b>	<b>21.196</b>	<b>663</b>	<b>(392.247)</b>	<b>455.954</b>

## Attachment 5

### Segment breakdown

(in thousands of Euros)

Income Statement	A.C. Milan S.p.A.	Milan Entertainment S.p.A.	Milan Real Estate S.p.A.	AC Milan (Beijing) Sports Development Co.Ltd.	Adjustments	Milan Group Consolidated
Value of production:						
- Revenues from sales and services	34.407	1.545	—	—	(1.840)	34.112
- changes in inventories of finished products, work in progress, increases in fixed assets for internal use	—	100	—	—	—	100
- Other revenues and income	186.170	41.062	6.824	1.108	(28.258)	206.906
<b>Total value of production</b>	<b>220.577</b>	<b>42.707</b>	<b>6.824</b>	<b>1.108</b>	<b>(30.098)</b>	<b>241.118</b>
Costs of production:						
- for raw materials, ancillary materials, consumables and goods	2.973	2.103	69	—	—	5.145
- for services	60.339	9.552	3.889	399	(23.256)	50.923
- of use of leased assets	8.891	4.222	436	86	(4,475)	9.160
- for personnel	178.100	6.113	216	393	—	184.822
- amortisation, depreciation and write-downs	91.490	10.123	504	2	(9.134)	92.985
- changes in inventories	—	—	—	—	—	—
- provisions and other operating expenses	25.428	6.477	407	6	(1.978)	30.340
<b>Total costs of production</b>	<b>367.221</b>	<b>38.590</b>	<b>5.521</b>	<b>886</b>	<b>(38.843)</b>	<b>373.375</b>
<b>Difference between value and costs of production</b>	<b>(146.644)</b>	<b>4.117</b>	<b>1.303</b>	<b>222</b>	<b>8.745</b>	<b>(132.257)</b>
Financial Income and (Expenses)	(10.089)	1.585	(76)	(2)	(2.500)	(11.082)
Adjustments in value of financial assets	—	—	—	—	801	801
<b>Result before tax</b>	<b>(156.733)</b>	<b>5.702</b>	<b>1.227</b>	<b>220</b>	<b>7.046</b>	<b>(142.538)</b>
Income taxes for the period	864	(1.689)	(389)	(58)	(2.175)	(3.447)
(Profit) loss of minority shareholders	—	—	—	—	—	—
<b>Group profit/(loss)</b>	<b>(155.869)</b>	<b>4.013</b>	<b>838</b>	<b>162</b>	<b>4.871</b>	<b>(145.985)</b>

## 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)

	30.06.2019		30.06.2018	
	Shareholders' Equity	Group Profit (Loss)	Shareholders' Equity	Group Profit (Loss)
<b>Balance of statutory financial statements A.C. Milan S.p.A.</b>	<b>123.848</b>	<b>(155.869)</b>	<b>14.256</b>	<b>(135.638)</b>
Surpluses in shareholders' equity including profit/loss for the period, compared to book value of the equity investments	10.180	5.425	7.402	2.660
Elimination of infragroup profits and losses	(50.742)	6.959	(57.702)	6.959
Other consolidation adjustments	0	(2.500)	0	0
<b>Balance of consolidated financial statements</b>	<b>83.286</b>	<b>(145.985)</b>	<b>(36.043)</b>	<b>(126.019)</b>

## 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.	-	-	-	-	-	-	-
<b>Total parent companies</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Fondazione Milan Onlus	1	-	-	-	96	-	-
<b>Total subsidiaries</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>96</b>	<b>0</b>	<b>0</b>
M-I Stadio S.r.l.	553	-	2.130	-	1.112	4.479	-
<b>Total associates</b>	<b>553</b>	<b>0</b>	<b>2.130</b>	<b>0</b>	<b>1.112</b>	<b>4.479</b>	<b>0</b>
<b>Total associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>554</b>	<b>0</b>	<b>2.130</b>	<b>0</b>	<b>1.208</b>	<b>4.479</b>	<b>0</b>

## 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

## 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 2019, 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 2019, 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 Note "Going Concern" (the "Note") of the explanatory notes and Report on Operations, that describes that the Group incurred in a consolidated loss for the period equal to Euro 146 million, the equity amounts to Euro 83,3 million and its financial indebtedness amounts to Euro 82,9 million. 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.

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 2019, 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 2019 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 2019 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 11, 2019

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

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



**A.C. Milan**

**Financial Statements  
at 30 June 2019**



## **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  
– Rho (MI), Via dei Fontanili no. 61/63

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

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### **BOARD OF DIRECTORS' REPORT ON OPERATIONS AT 30 JUNE 2019**

#### ***Sports results***

The 2018/2019 football season ended with the team reaching fifth place in the Serie A Italian Championships and the semi-final of the Italian Cup (Tim Cup), while at a European level, it lost in the UEFA Europa League qualifying round.

On 6 May 2019, 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 2019/2020 season.

On 4 July 2019, 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 2019/2020 professional championship had been met, in accordance with Title I) of Official Communication no. 29A of 18 December 2018.

## *Transfer Campaign*

### *Sales and purchases of player rights*

The operations completed in the 2018/2019 transfer campaign which as usual took place during the summer 2018 and winter 2019 transfer windows, led to an overall increase in invested capital of Euro 103.2 million resulting from acquisitions and increases of Euro 153.1 million, and sales of Euro 49.9 million (net book value of the rights sold).

The capital gains from the disposals amounted to Euro 12.6 million, while the capital losses were equal to Euro 0.4 million.

The main definitive purchases include those relating to football players Leroy Abanda Mfomo, Mattia Caldara, Samuel Azuaga Castillejo, Lucas Tolentino Coelho de Lima "Paquetà", Tiago Emanuel Embalo Djaló, Diego Sebastián Laxalt Suárez, Michelis Nikolaos and Piątek Krzysztof, as well as Tiémoué Bakayoko and Gonzalo Gerardo Higuain on a temporary basis.

Definitive sales mainly refer to the players Luca Antonelli, Carlos Arturo Bacca Ahumada, Raoul Bellanova, Leonardo Bonucci, Mattia El Hilali, Alessandro Guarnone, Nikola Kalinic, Manuel Locatelli, Sergio Sánchez Gioya, Stefan Simic, Gabriel Vasconcelos, Jherson Vergara Amú and Vittorio Vigolo, while temporary transfers concerned the players Przemyslaw Bargiel, Gustavo Raúl Gómez Portillo, Alen Halilovic and André Miguel Valente Da Silva.

It should also be noted that in January 2019, the temporary purchase contract was signed relating to the 2018 summer transfer campaign with Juventus F.C. for the player Gonzalo Gerardo Higuain.

### *Renewals of player contracts*

During the 2018/2019 financial year, only the contract of the player Alessandro Plizzari was renewed (up to 30 June 2023).

### *Terminations of player contracts*

During the 2019/2020 summer transfer campaign, contracts with the players Alexandro Sereno Cavagnera, Tiago Daniel Dias Rodrigues and Ivan Strinic were mutually terminated, of which the residual net book value totalled Euro 1.4 million at 30 June 2019, before the consequent impairment in the financial statements at 30 June 2019.

### *Season Pass Campaign*

The 2018/2019 season pass campaign rose to 31,347 passes for the championship alone (32,364 passes for the Serie A championship and 7,927 passes for the qualifying round of the 2017/2018 UEFA Europa League).

The average number of paying spectators for the 2018/2019 financial year for home championship matches was 54,639 (52,676 spectators in the 2017/2018 financial year).

### *Financial position and operating performance*

#### *Introduction*

On 13 April 2017, Fininvest S.p.A., which at the time controlled the company, completed the sale of the investment held in A.C. Milan S.p.A., equal to 99.93% of the share capital of the company, in favour of Rossoneri Sport Investment

Luxembourg S.à r.l., a special purpose vehicle designated for the purchase by the Chinese company Sino Europe Sport Investment Management Changxing Co. Ltd.

The current majority shareholder is Rossoneri Sport Investment Luxembourg S.à r.l., which holds 99.93% of the share capital of A.C. Milan S.p.A.

Currently, the share capital of Rossoneri Sport Investment Luxembourg S.à r.l. is held entirely by Project Redblack S.à r.l., whose share capital is in turn held by Blue Skye Financial Partners S.à r.l. and by several companies held indirectly by Elliott Associates L.P. and Elliott International Limited. On 10 July 2018 the shares representing the capital of Rossoneri Sport Investment Luxembourg S.à r.l. were transferred to Project Redblack S.à r.l. following the enforcement of a pledge placed on the shares, in favour of Project Redblack S.à r.l. by the previous shareholder of Rossoneri Sport Investment Luxembourg S.à r.l.

*Net income/(loss) for the year*

The net result for the 2018/2019 financial year shows a loss of Euro 155.9 million, an increase of Euro 20.3 million compared to the loss of the previous financial year, equal to Euro 135.6 million.

This change is mainly due to lower income from player management for Euro 16.5 million, mainly due to lower gains from the sale of players' registration rights, higher costs of player management for Euro 11.1 million, (essentially due to higher costs of temporary player acquisition), higher personnel costs of Euro 35.3 million, higher costs for services totalling Euro 5.0 million, as well as lower income from sponsorships, commercial income and royalties for Euro 6.8 million.

These increases were partly mitigated by higher income from the sale of broadcasting and media rights for Euro 4.5 million, lower amortisation,

depreciation and write-downs for Euro 17.8 million, mainly due to player registration rights, lower provisions for various risks for Euro 10.7 million, as well as lower net financial expenses for Euro 13.5 million.

Finally, there was a net increase in non-recurring costs and revenues of Euro 4.9 million and lower taxes of Euro 2.4 million.

### Value of production

The value of production for the 2018/2019 financial year amounted to Euro 220.6 million, a decrease of 7.1% compared to the figure of Euro 236.4 million for the previous financial year, and refers to:

	2018/2019		2017/2018		Change
	Value	%	Value	%	
Audiovisual and media income	113.8	51.6%	109.3	46.2%	4.5
Income from matches	34.4	15.6%	35.9	15.2%	- 1.5
Income from management of player rights	25.5	11.6%	42.0	17.8%	- 16.5
Sponsorship income	25.3	11.5%	31.5	13.3%	- 6.2
Commercial income and royalties	5.9	2.7%	6.5	2.7%	- 0.6
Other revenues and income	15.7	7.1%	11.2	4.7%	4.5
<b>Total</b>	<b>220.6</b>	<b>100%</b>	<b>236.4</b>	<b>100%</b>	<b>-15.8</b>

Income from the sale of broadcasting and media rights, equal to Euro 113.8 million (+ 3.9% compared to the previous year), went up overall by Euro 4.5 million, of which Euro 3.0 million following the amount accrued from the Lega Calcio di Serie A for playing the final of the Italian Super Cup against Juventus F.C. in Jeddah (Saudi Arabia) in January 2019 (a match not played in the previous year), Euro 1.0 million from the centralised licence of audiovisual rights for the 2018/2019 season, mainly for the better ranking in the Serie A championship compared to the previous financial year and Euro 0.5 million from higher broadcasting income from

participation in U.E.F.A. competitions, due to higher inflows and different criteria for distributing revenues compared to the previous three-year period.

Income from matches totalled Euro 34.4 million (- 4.2% compared to the previous year) and mainly refers to the effect of lower revenues from ticket sales and season passes relative to the UEFA Europa League (- Euro 5.3 million), following the lower number of matches played (3 matches compared to 5 matches in the previous edition), as well as Tim Cup matches (- Euro 1.9 million), due, again, to the fewer matches played. These decreases were partly offset by better ticket sales for championship home matches (+ Euro 4.8 million), due to the adoption of new pricing policies (dynamic pricing), with particular reference to matches against strong sides, and a higher number of friendly matches (+ Euro 1.1 million).

Income from management of player rights, amounting to Euro 25.5 million, down by Euro 16.5 million compared to the 2017/2018 financial year, due to lower gains from the sale of players' rights (- Euro 23.3 million), higher revenues from player loans (+ Euro 2.8 million) and higher income other than management of the former (+ Euro 4.0 million) substantially due to the fees paid to the company on resale of a player.

Sponsorship income, commercial income and royalties amounted to Euro 31.2 million and went down by Euro 6.8 million compared to the previous year. This decrease relates for Euro 4.0 million to the non-renewal of the "League Sponsor" Telecom Italia S.p.A. contract and for Euro 1.8 million to lower bonuses awarded by the Official Sponsor based on the achievement of specific sports results.

Other income and revenues amounted to Euro 15.7 million (Euro 11.2 million in the previous year). and mainly refer to Euro 5.2 million (Euro 5.6 million in 2017/2018) 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 1.1 million (Euro 1.3 million in 2017/2018) 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 5.2 million (Euro 1.8 million in the 2017/2018 financial year), for the use, for different purposes, of the risk provision for future charges earmarked in the financial statements of previous years, Euro 2.6 million (Euro 2.2 million in the 2017/2018 financial year) for contingent assets and other residual revenues and income, as well as Euro 1.2 million (not present in the 2017/2018 financial year) for reimbursements and contributions for the participation of Milan players in the World Cup - 2018 edition.

### Costs of production

Costs of production for the 2018/2019 financial year amounted to Euro 367.2 million, an increase of 6.0% compared to the figure of Euro 345.3 million for the previous financial year, and refer to:

	2018/2019		2017/2018		Change
	Value	%	Value	%	
Cost of personnel	178.1	48.5%	142.8	41.4%	35.3
Amortisation, depreciation and write-downs	91.5	24.9%	109.3	31.7%	- 17.8
Cost of services and use of leased assets	69.2	18.8%	64.6	18.7%	4.6
Expenses from management of player rights	13.8	3.8%	2.7	0.8%	11.1
Cost of purchasing raw materials and goods	3.0	0.8%	2.5	0.7%	0.5
Other costs and charges	11.6	3.2%	23.4	6.8%	- 11.8
<b>Total</b>	<b>367.2</b>	<b>100%</b>	<b>345.3</b>	<b>100%</b>	<b>21.9</b>

Personnel costs, equal to Euro 178.1 million, recorded an increase of 19.8% (+ Euro 35.3 million compared to the previous year), due mainly to the effects of the players transfer campaign as well as 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.

Amortisation, depreciation and write-downs amounted to Euro 91.5 million, and went down by Euro 17.8 million (- 19.5% compared to the previous year), mainly as a result of fewer write-downs of the registration rights of some players, due to the mutual termination of contracts with some players before their expiry and/or transfers with capital losses, taking place in the previous financial year.

The item Cost of services and use of leased assets, amounting to Euro 69.2 million, increased by Euro 4.6 million (+ 6.7% compared to the 2017/2018 financial year) mainly due to higher general costs for sporting activities (+ Euro 2.6 million), due to new technical staff joining the company, higher fees to Directors as a result

of the change in ownership structure that took place in July 2018 (+Euro 2.5 million), higher advertising and promotion expenses (+ Euro 0.6 million) and higher costs for information technology (+ Euro 0.9 million). These increases were partly offset by the reduction in the item consultancies and collaborations for Euro 1.9 million.

Expenses from management of player rights amounted to Euro 13.8 million, an increase of Euro 11.1 million compared to the 2017/2018 financial year due to higher costs for the temporary acquisition of players (+ Euro 13.1 million ), partly offset by lower costs to pay to football teams for the resale of some players and fewer losses from the sale of players' registration rights (- Euro 2.0 million).

Costs of raw materials and goods were essentially in line with the previous financial year (+ Euro 0.5 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 11.6 million (Euro 23.4 million in the previous financial year), mainly includes Euro 1.3 million (Euro 1.5 million in the 2017/2018 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 0.2 million (Euro 1.0 thousand in the 2017/2018 financial year) costs to pay to host teams to play 2018/2019 Tim Cup matches, Euro 1.2 million (Euro 1.6 million in the 2017/2018 financial year) for fees to the Lega Nazionale Professionisti and other organisations and Euro 2.1 million (Euro 1.8 million in the 2017/2018 financial year) for contingent liabilities and other minor costs. This item also includes provisions for various risks for Euro 6.8 million (Euro 17.5 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 July and August 2019 transfer campaign.

### *Financial Income and Expenses*

Financial income and expenses showed an expense of Euro 10.1 million compared to an expense of Euro 23.6 million in the 2017/2018 financial year, recording a considerable improvement (- Euro 13.5 million).

This change was mainly the result of:

- Euro 2.5 million from dividends distributed by the subsidiaries Milan Entertainment S.r.l. (Euro 2.0 million) and Milan Real Estate S.p.A. (Euro 0.5 million) , as per the resolution of the Shareholders' meeting of 25 October 2018, relating to the approval of the financial statements of subsidiaries at 30 June 2018;
- Euro 7.6 million from lower interest payable on two non-convertible bonds fully repaid in September 2018;
- Euro 4.0 million from the net effects of applying the amortised cost principle on receivables and payables relating to the player transfer season and bonds;
- Euro 0.8 million from higher 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. (Euro 1.4 million in the 2017/2018 financial year).

### Shareholders' Equity

Shareholders' equity at 30 June 2019 was equal to Euro 123.8 million, an increase compared to the balance of Euro 14.2 million at 30 June 2018, due to payments on account of the future share capital increase for a total of Euro 265.5 million and the loss for the period (- Euro 155.9 million).

At 30 June 2019, 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 169,379,816.43 and losses carried forward of Euro 34,249,947.91.

### Net Financial Position

At 30 June 2019, the Net Financial Position of the club presented net debt of Euro 217.4 million, a considerable improvement (+ Euro 27.4 million) on the 2017/2018 financial year (Euro 244.8 million) mainly due to the recapitalisation by the majority shareholder.

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 company 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 6.7 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 company 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 (with the exception of 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 company 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 1.5 million (plus any adjustments);
- The company 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 8.6 million (plus any adjustments);
- the company 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.

## **Potential liabilities and other information**

### **Financial Fair Play**

As known, 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 and, for this reason, during 2016, the club had applied to the Club Financial Control Body (C.F.C.B.) to adopt the Voluntary Agreement (VA), in order to take part in European competitions, in accordance with the parameters of financial requirements, and in particular with the Break-even rule.

On 15 December 2017, the Investigatory Chamber of the C.F.C.B. had warned that some conditions to adopt the VA had not been met by the company and it started an inquiry. In a decision of 22 May 2018, the Investigatory Chamber ruled to not grant a Settlement Agreement (S.A.) and to adjourn the case to the final decision of the Adjudicatory Chamber of the C.F.C.B., which, on 19 June 2018, ruled to exclude the Club from participating in the U.E.F.A. championship for which it would have otherwise qualified, for the following two seasons (i.e. the 2018/2019 or the 2019/2020 season).

On 4 July 2018, the company lodged an appeal with the Court of Arbitration for Sport that, on 20 July 2018, partially upheld the case put by Milan, deciding to confirm the decision taken by the Adjudicatory Chamber of the C.F.C.B. regarding the company's failure to meet the break-even rule, but cancelling the decision to exclude the Club from participating in the U.E.F.A. competition, as this was not proportional, considering the changed financial situation of the Club, which had considerably improved since the change in ownership in July 2018.

The case was therefore referred back to the Adjudicatory Chamber of the C.F.C.B. that, on 13 December 2018, ruled among others that the Club be excluded from UEFA competitions if it failed to meet the break-even requirement at 30 June 2021 and also ruled, on a precautionary basis, to stop the payment of revenues owing to the Club for participation in the 2018/2019 edition of the UEFA Europa League.

The Adjudicatory Chamber of the C.F.C.B. finally stated that Milan would not be able to register more than 21 players for U.E.F.A. competitions in 2019/2020 and 2020/2021, however allowing for the possibility to appeal the decision before the Court of Arbitration for Sport.

On 21 December 2018 and 5 March 2019, the club filed a new appeal with the Court of Arbitration for Sport, requesting the annulment of the decision of the Adjudicatory Chamber of the C.F.C.B. and measures equivalent to a Settlement Agreement.

At the end of June 2019, the Court of Arbitration for Sport ratified the agreement reached between A.C. Milan S.p.A. and the Adjudicatory Chamber of the C.F.C.B. of UEFA (“Consent Award”) which annulled previous decisions taken by the Chambers, and upheld the exclusion from participation in the 2019/2020 UEFA Europa League following the breach of break-even obligations during the monitoring periods 2015/2016/2017 and 2016/2017/2018.

Based on historical data and expected results, the club believes, in line with the opinions of its legal advisors that, if it qualifies for European competitions in upcoming football seasons, 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 the previous year in the financial statements.

*Other information*

With regard to relations with management and the personnel of the company, in July and August 2018, AC Milan S.P.A. terminated, for good cause, its relations with the ex-CEO and director-general. With an appeal filed on 9 November 2018, the former CEO and director general brought a case against the dismissal for just cause by the company. The appellant opted for the special procedure under Article 1, paragraph 47 and following of law No. 92 of 2012, requesting that the dismissal be annulled with the consequent reinstatement effects and that damages be awarded, commensurate with the remuneration not received from the day of dismissal to that of the appeal. In addition to the secondary claims relating to the non-existence of the just cause for his dismissal and for the recognition of claims allegedly due to him contractually, the appellant made various other claims for damages. Following notification of the appeal, the company, with the support of its advisers, appeared before the court to give its defence, outlining the reasons and procedural objections and objections on the merits, which in their opinion, render the statements and claims made appellant without sufficient basis.

With specific reference to the proceedings and their progress, at the first hearing held on 19 December 2018, the judge invited the parties to identify a solution that would allow the dispute to be settled out-of-court, ordering the case to be adjourned, in order to allow the parties to reach a settlement. The parties, with the mediation of the judge, settled the dispute on 20 June 2019, signing a specific settlement agreement, as a general transaction, ending the pending case and any

other potential cause for litigation, regarding fixed-term managerial employment and the organic relationship.

### **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 2018/2019 financial year.

### **Going concern**

The company had a loss for the period of Euro 155.9 million, a positive shareholders' equity of Euro 123.8 million and a consolidated negative net financial position of Euro 217.4 million (of which Euro 131.1 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 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.

In particular, the performance for the financial year in progress will be influenced by the final position reached in the Serie A league table and TIM Cup in 2019/2020.

Moreover, during July, August and September 2019, the majority shareholder contributed capital for a total of Euro 60.0 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 stated above, the shareholder Rossoneri Sport Investment Luxembourg S.à. r.l., completed recapitalisations in the 2018/2019 financial year for Euro 265.5 million, of which in particular Euro 119.5 thousand was to provide the company with the necessary funds to proceed with the full voluntary early repayment of the bond

issued in 2017, with an original maturity of 15 October 2018, the repayment was made on 28 September 2018.

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, 27 September 2019.

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

**FINANCIAL STATEMENTS AT 30 JUNE 2019**

(in Euros)

**BALANCE SHEET**

**ASSETS**

	30.06.2019	30.06.2018	Change
A) RECEIVABLES FROM SHAREHOLDERS FOR PAYMENTS DUE	—	—	—
<b>B) FIXED ASSETS</b>			
<b>I INTANGIBLE FIXED ASSETS</b>			
4 concessions, licences, trademarks and similar rights	22.067.929	28.123.398	(6.055.469)
7 player registration rights	232.207.655	211.165.363	21.042.292
8 other	16.617.470	18.460.526	(1.843.056)
<b>Total</b>	<b>270.893.054</b>	<b>257.749.287</b>	<b>13.143.767</b>
<b>II TANGIBLE FIXED ASSETS</b>			
2 plant and machinery	156.524	129.918	26.606
3 industrial and commercial equipment	417.918	296.568	121.350
4 other assets	808.433	893.612	(85.179)
5 assets in progress and advances	—	57.311	(57.311)
<b>Total</b>	<b>1.382.875</b>	<b>1.377.409</b>	<b>5.466</b>
<b>III FINANCIAL FIXED ASSETS</b>			
1 equity investments in:			
a) subsidiaries	196.685.017	196.685.017	—
b) associates	1.085.291	1.085.291	—
<b>Total</b>	<b>197.770.308</b>	<b>197.770.308</b>	<b>—</b>
2 account receivable from:			
e) others			
- within 12 months	488.834	14.846	473.988
- after 12 months	—	8.848.821	(8.848.821)
<b>Total</b>	<b>488.834</b>	<b>8.863.667</b>	<b>(8.374.833)</b>
<b>Total</b>	<b>198.259.142</b>	<b>206.633.975</b>	<b>(8.374.833)</b>
<b>TOTAL FIXED ASSETS (B)</b>	<b>470.535.071</b>	<b>465.760.671</b>	<b>4.774.400</b>

**FINANCIAL STATEMENTS AT 30 JUNE 2019**

(in Euros)

**BALANCE SHEET**

**ASSETS**

	30.06.2019	30.06.2018	Change
<b>C) WORKING CAPITAL:</b>			
<b>I INVENTORIES</b>	—	—	—
<b>Total</b>	—	—	—
<b>II RECEIVABLES</b>			
1 from customers	54.373.507	41.325.287	13.048.220
2 from subsidiaries	2.762.721	1.354.945	1.407.776
3 from associates	548.400	—	548.400
4 from parent companies	—	25.744	(25.744)
5 from companies subject to parent companies' control	—	—	—
5 bis tax receivables			
a) within 12 months	8.366.538	1.607.197	6.759.341
b) beyond 12 months	1.833.545	1.652.652	180.893
5 ter prepaid tax	1.224.904	1.232.916	(8.012)
5 quater from others	2.107.859	880.462	1.227.397
6 receivables from institutions - specific sector			
a) within 12 months	47.358.812	36.080.790	11.278.022
b) beyond 12 months	17.415.791	16.928.491	487.300
<b>Total</b>	<b>135.992.077</b>	<b>101.088.484</b>	<b>34.903.593</b>
<b>III TOTAL FINANCIAL ASSETS (other than fixed assets)</b>			
7 other receivables	—	17.551	(17.551)
8 financial assets for the centralised Treasury management	4.885.925	6.249.668	(1.363.743)
<b>Total</b>	<b>4.885.925</b>	<b>6.267.219</b>	<b>(1.381.294)</b>
<b>IV CASH AND CASH EQUIVALENTS</b>			
1 bank and postal deposits	9.126.251	22.386.455	(13.260.204)
3 cash in hand	44.156	27.699	16.457
<b>Total</b>	<b>9.170.407</b>	<b>22.414.154</b>	<b>(13.243.747)</b>
<b>TOTAL WORKING CAPITAL (C)</b>	<b>150.048.409</b>	<b>129.769.857</b>	<b>20.278.552</b>
<b>D) ACCRUALS AND DEFERRALS</b>			
1 accruals	—	—	—
2 deferrals	2.558.170	2.310.602	247.568
<b>TOTAL ACCRUALS AND DEFERRALS (D)</b>	<b>2.558.170</b>	<b>2.310.602</b>	<b>247.568</b>
<b>TOTAL ASSETS</b>	<b>623.141.650</b>	<b>597.841.130</b>	<b>25.300.520</b>

**FINANCIAL STATEMENTS AT 30 JUNE 2019**

(in Euros)

**BALANCE SHEET**

**LIABILITIES**

	30.06.2019	30.06.2018	Change
<b>A) SHAREHOLDERS' EQUITY</b>			
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	169.379.816	39.557.261	129.822.555
VII RESERVE FOR HEDGING EXPECTED CASH FLOWS	—	—	—
VIII PROFIT (LOSS) CARRIED FORWARD	(34.249.948)	(34.249.948)	—
IX PROFIT (LOSS) FOR THE PERIOD	(155.868.694)	(135.638.499)	(20.230.195)
X NEGATIVE RESERVE FOR OWN SHARES IN PORTFOLIO	—	—	—
<b>TOTAL SHAREHOLDERS' EQUITY (A)</b>	<b>123.848.264</b>	<b>14.255.904</b>	<b>109.592.360</b>
<b>B) PROVISIONS FOR RISKS AND CHARGES</b>			
4 others	22.345.356	20.567.450	1.777.906
<b>TOTAL PROVISIONS FOR RISKS AND CHARGES (B)</b>	<b>22.345.356</b>	<b>20.567.450</b>	<b>1.777.906</b>
<b>C) EMPLOYEE LEAVING ENTITLEMENTS</b>	<b>774.066</b>	<b>890.679</b>	<b>(116.613)</b>
<b>D) PAYABLES</b>			
1 bonds			
a) within 12 months	—	116.519.959	(116.519.959)
b) after 12 months	—	—	—
3 payables to shareholders for loans			
a) within 12 months	—	—	—
b) after 12 months	—	10.000.000	(10.000.000)
4 bank payables	1.259.089	1.209.542	49.547
5 payables to other financial institutions			
a) within 12 months	94.283.479	22.541.228	71.742.251
b) after 12 months	—	14.000.000	(14.000.000)
7 payables to suppliers			
a) within 12 months	43.337.030	49.328.363	(5.991.333)
b) after 12 months	2.506.070	4.775.230	(2.269.160)
9 payables to subsidiaries	137.875.269	120.635.071	17.240.198
10 payables to affiliates	1.873.424	1.396.167	477.257
11 payables to parent companies	—	—	—
11 bis payables to companies subject to parent companies' control	—	—	—
12 tax payables	15.144.560	11.509.942	3.634.618
13 payables to pension funds and social security agencies	400.100	391.393	8.707
14 other payables	8.032.716	12.795.987	(4.763.271)
15 payables to institutions - specific sector			
a) within 12 months	113.446.005	83.250.496	30.195.509
b) after 12 months	26.436.491	88.778.101	(62.341.610)
<b>TOTAL PAYABLES (D)</b>	<b>444.594.233</b>	<b>537.131.479</b>	<b>(92.537.246)</b>
<b>E) ACCRUALS AND DEFERRALS</b>			
1 accruals	296.668	41.887	254.781
2 deferrals	31.283.063	24.953.731	6.329.332
<b>TOTAL ACCRUALS AND DEFERRALS (E)</b>	<b>31.579.731</b>	<b>24.995.618</b>	<b>6.584.113</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>623.141.650</b>	<b>597.841.130</b>	<b>25.300.520</b>

**FINANCIAL STATEMENTS AT 30 JUNE 2019**

(in Euros)

**INCOME STATEMENT**

	FY 2018/2019	FY 2017/2018	Change
<b>A) VALUE OF PRODUCTION</b>			
1 Revenues from sales and services			
a) match revenues	21.183.444	23.198.573	(2.015.129)
b) season passes	9.408.845	9.940.457	(531.612)
c) revenues from other competitions	3.815.098	2.723.390	1.091.708
<b>Total</b>	<b>34.407.387</b>	<b>35.862.420</b>	<b>(1.455.033)</b>
5 other revenues and income			
b) sponsorship revenues	25.333.693	31.512.075	(6.178.382)
d) commercial revenues and royalties	5.880.277	6.504.810	(624.533)
e) income from the sale of broadcasting rights:			
- audiovisual income from participation in national competitions	90.294.285	86.259.874	4.034.411
- audiovisual income from participation in other competitions	14.753.999	14.318.221	435.778
f) miscellaneous income	9.091.378	8.926.582	164.796
g) revenues from player loans	5.245.000	2.453.836	2.791.164
h) gains from the sale of player registration rights	12.621.524	35.955.806	(23.334.282)
i) other income from player management	7.670.315	3.652.156	4.018.159
l) revenues and other income	15.279.295	10.897.888	4.381.407
<b>Total</b>	<b>186.169.766</b>	<b>200.481.248</b>	<b>(14.311.482)</b>
<b>TOTAL VALUE OF PRODUCTION (A)</b>	<b>220.577.153</b>	<b>236.343.668</b>	<b>(15.766.515)</b>
<b>B) COSTS OF PRODUCTION</b>			
6 for raw materials, ancillary materials, consumables and goods	2.972.713	2.494.864	477.849
7 for services	60.338.664	55.288.055	5.050.609
8 for use of third-party assets	8.891.328	9.291.337	(400.009)
<b>Total</b>	<b>72.202.705</b>	<b>67.074.256</b>	<b>5.128.449</b>
9 for personnel:			
a) wages and salaries	171.095.551	136.331.937	34.763.614
b) social security charges	5.373.467	5.128.703	244.764
c) employee leaving entitlements	1.451.249	1.186.289	264.960
e) other costs	179.695	165.439	14.256
<b>Total</b>	<b>178.099.962</b>	<b>142.812.368</b>	<b>35.287.594</b>
10 amortisation, depreciation and write-downs			
a) amortisation of intangible assets	88.501.870	85.783.647	2.718.223
b) depreciation of tangible assets	476.356	481.343	(4.987)
c) other write-downs of fixed assets	1.933.898	21.822.371	(19.888.473)
d) write down of credits included under working capital and liquid assets	577.530	1.206.996	(629.466)
<b>Total</b>	<b>91.489.654</b>	<b>109.294.357</b>	<b>(17.804.703)</b>
12 provisions for risks	6.755.360	17.491.699	(10.736.339)
14 sundry management expenses			
a) various match organisation expenses	44.758	110.609	(65.851)
b) match registration costs	2.240	2.240	-
c) percentage of gate receipts paid to visiting teams	198.725	964.847	(766.122)
d) costs for acquisition of players on loan	13.180.242	107.500	13.072.742
e) losses from the sale of player registration rights	448.857	1.289.994	(841.137)
f) other expenses from player management	157.233	1.332.152	(1.174.919)
g) other sundry management expenses	4.641.230	4.798.416	(157.186)
<b>Total</b>	<b>18.673.285</b>	<b>8.605.758</b>	<b>10.067.527</b>
<b>TOTAL COSTS OF PRODUCTION (B)</b>	<b>367.220.966</b>	<b>345.278.438</b>	<b>21.942.528</b>
<b>DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A - B)</b>	<b>(146.643.813)</b>	<b>(108.934.770)</b>	<b>(37.709.043)</b>

**FINANCIAL STATEMENTS AT 30 JUNE 2019**

(in Euros)

**INCOME STATEMENT**

	FY 2018/2019	FY 2017/2018	Change
<b>C) FINANCIAL INCOME AND (EXPENSES)</b>			
15 income from equity investments			
a) in subsidiaries	2.500.000	—	2.500.000
16 other financial income			
d) income different from the above:			
- other	762.724	1.627.506	(864.782)
<b>Total</b>	<b>3.262.724</b>	<b>1.627.506</b>	<b>1.635.218</b>
17 interest and other financial charges			
a) from subsidiaries	(1.585.251)	(1.354.508)	(230.743)
d) other financial expenses	(11.787.515)	(23.843.589)	12.056.074
<b>Total</b>	<b>(13.372.766)</b>	<b>(25.198.097)</b>	<b>11.825.331</b>
17 bis exchange-rate gains and losses			
a) exchange rate gains	31.322	25.610	5.712
b) exchange rate losses	(10.159)	(49.681)	39.522
<b>Total</b>	<b>21.163</b>	<b>(24.071)</b>	<b>45.234</b>
<b>TOTAL FINANCIAL INCOME AND (EXPENSES) (C)</b>	<b>(10.088.879)</b>	<b>(23.594.662)</b>	<b>13.505.783</b>
<b>D) ADJUSTMENTS IN VALUE OF FINANCIAL ASSETS AND LIABILITIES</b>			
19 write-downs			
a) of equity investments	—	(1.543.179)	1.543.179
<b>Total</b>	<b>—</b>	<b>(1.543.179)</b>	<b>1.543.179</b>
<b>TOTAL ADJUSTMENTS IN VALUE OF FINANCIAL ASSETS AND LIABILITIES (D)</b>	<b>—</b>	<b>(1.543.179)</b>	<b>1.543.179</b>
<b>RESULT BEFORE TAX</b>	<b>(156.732.692)</b>	<b>(134.072.611)</b>	<b>(22.660.081)</b>
22 income taxes for the year (current, deferred tax assets and liabilities)			
a) current taxes	872.010	(1.618.144)	2.490.154
b) deferred tax assets and liabilities	(8.012)	52.256	(60.268)
<b>Total</b>	<b>863.998</b>	<b>(1.565.888)</b>	<b>2.429.886</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>(155.868.694)</b>	<b>(135.638.499)</b>	<b>(20.230.195)</b>

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

**A.C. MILAN S.P.A.**  
Registered office: Via Aldo Rossi, 8 - 20149 Milan  
Share Capital: Euro 113,443,200 fully subscribed and paid  
Tax ID and Milan, Monza and Brianza and Lodi Companies' Registry Registration No: 01073200154

### FINANCIAL STATEMENTS AT 30 JUNE 2019

(in thousands of Euros)

<b>CASH FLOW STATEMENT</b>	<b>30.06.2019</b>	<b>30.06.2018</b>
Profit/(loss) for the year	(155.869)	(135.638)
Amortisation, depreciation and write-downs	90.912	108.421
Changes in Employee leaving entitlements.	(117)	(68)
Changes in Provisions for risks and charges	1.778	16.708
<b>Self-financing</b>	<b>(63.296)</b>	<b>(10.577)</b>
Changes in inventories	0	0
Changes in receivables	(27.972)	(27.030)
Change in tax receivables	(6.932)	(1.811)
Changes in Accrued income and prepayments	(247)	(527)
Changes in Payables	(45.638)	38.672
Changes in Tax payables	3.635	(704)
Changes in Accrued expenses and deferred income	6.584	(6.566)
<b>Funds generated (used) by operating activities</b>	<b>(133.866)</b>	<b>(8.543)</b>
Disinvestments of player registration rights	49.797	20.480
Disinvestments of other intangible assets	0	10
Disposal of tangible fixed assets	2	0
Disposals of financial fixed assets	0	76
Investments in player registration rights	(153.078)	(128.525)
Investments in other intangible assets	(299)	(473)
Investments in tangible assets	(483)	(100)
Investments in financial fixed assets	(82)	(850)
<b>Cash generated (used) by disposals and investments</b>	<b>(104.143)</b>	<b>(109.382)</b>
Change in financial receivables/payables	(40.696)	11.706
Dividends paid	0	0
Other changes in equity	265.461	119.500
<b>Cash generated (used) by financing activities</b>	<b>224.765</b>	<b>131.206</b>
<b>Change in cash and cash equivalents</b>	<b>(13.244)</b>	<b>13.281</b>
Opening cash and cash equivalents	22.414	9.133
Closing cash and cash equivalents	9.170	22.414
<b>Change in cash and cash equivalents</b>	<b>(13.244)</b>	<b>13.281</b>

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

## **A.C. MILAN S.P.A.**

Registered office: Via Aldo Rossi no. 8, Milan

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

Tax ID and Milan Companies' Registry Registration No. 01073200154

### **FINANCIAL STATEMENTS AS AT 30 JUNE 2019**

#### **NOTES**

##### **INTRODUCTION**

On 13 April 2017, Fininvest S.p.A., which at the time controlled the company, completed the sale of the investment held in A.C. Milan S.p.A., equal to approximately 99.93% of the share capital of the company, in favour of Rossoneri Sport Investment Luxembourg S.à r.l., a special purpose vehicle designated to purchase the Chinese company Sino Europe Sport Investment Management Changxing Co. Ltd.

The current majority shareholder is Rossoneri Sport Investment Luxembourg S.à r.l., which holds around 99.93% of the share capital of A.C. Milan S.p.A.

Currently, the share capital of Rossoneri Sport Investment Luxembourg S.à r.l. is held entirely by Project Redblack S.à r.l., whose share capital is in turn held by Blue Skye Financial Partners S.à r.l. and by several companies held indirectly by Elliott Associates L.P. and Elliott International Limited. On 10 July 2018 the shares representing the capital of Rossoneri Sport Investment Luxembourg S.à r.l. were transferred to Project Redblack S.à r.l. following the enforcement of a pledge placed on the shares, in favour of Project Redblack S.à r.l. by the previous shareholder of Rossoneri Sport Investment Luxembourg S.à r.l.

In July 2018, the ordinary meeting of the shareholders of A.C. Milan S.p.A., which was convened at the request of the majority shareholder, acknowledged the resignation of various directors and decided to revoke the mandates of the directors still in office on that date, also electing a new Board of Directors and a new Chairman. In December 2018, the Shareholders' Meeting of A.C. Milan S.p.A. resolved to supplement the Board of Directors, electing the current Chief Executive Officer of A.C. Milan S.p.A.

In July and August 2018 the officers of the subsidiaries Milan Entertainment S.r.l. and Milan Real Estate S.p.A. were also re-elected.

## **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 2424bis civil code), the income statement (prepared in accordance with the model in Articles 2425 and 2425a civil code), and the Cash Flow Statement (the content of which, in accordance with Article 2425ter 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 information 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 statements 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 2019 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(2) civil code.

The financial statements at 30 June 2019 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 2019, 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 footballers.

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, 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 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 for international transfers, through the FIFA "T.M.S." system.

The item player registration rights also includes 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 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:

<b>Asset</b>	<b>Rate</b>
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 exist, 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 (“*impairment*”) of the residual book value.

## **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 income statement 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 virtue of 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 effect 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 effected. 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 payable towards the ceased 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 potential 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 probably and if the amount of the relevant expense can be reasonably estimated. As a result, remote risks were not taken into account, whereas for potential 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 new 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 2019 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 income statement.

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. Sponsor premiums are recognised in the income statement on an accruals basis, depending on when the sports event to which they refer 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 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 2019.

### **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 2019.

### **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:

		<b>Spot rate 30.06.2019 (*)</b>	<b>Average rate 2018/2019 (*)</b>
U.S. dollar.	USD	1.1380	1.1410
Japanese Yen	JPY	122.6000	126.7509
GB Pound	GBP	0.8966	0.8817
Swiss franc	CHF	1.1105	1.1348
Chinese Yuan	CNY	7.8185	7.7859

(\*) 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 2019 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 2019 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 2019 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 potential liabilities not included in the balance sheet**

The note must detail the overall amount of the commitments, guarantees and potential 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 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 ACE (Assistance for Economic Growth));
- 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 2018/2019 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 155.9 million, positive shareholders' equity of Euro 123.8 million and a negative Net Financial Position equal to Euro 217.4 million (of which Euro 131.1 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 financial statements on a going concern basis.

### **Significant events occurring after year end**

Moreover, during July, August and September 2019, the majority shareholder made further capital contributions for a total of Euro 60.0 million.

As regards operations relative to player transfers, in July and August 2019 definitive purchases were made for the players Ismael Bennacer, Lenny Alexandre Borges, Leonardo Campos Duarte da Silva, Rafael Alexandre da Conceição Leão, Theo Bernard François Hernández, Andreas Kristoffer Jungdal, Rade Krunic and Ante Rebic.

Operations for the definitive and/r temporary sale of player registration rights in the period concerned, among others, Przemysław Gabriel Bargiel, Patric Cutrone, Tiago Emanuel Embaló Djaló, Gustavo Raúl Gómez Portillo, Diego Sebastián Laxalt Suárez, Alessandro Plizzari, Stefan Simic and André Miguel Valente Silva.

In July and August 2019, contracts of employment with the players Alexandro Cavagnera, Tiago Daniel Rodrigues Dias and Ivan Strinic were mutually terminated, with the economic effects already recorded in the financial statements at 30 June 2019.

## **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 depreciation, any write-backs and write-downs, movements during the period and the final balance.

### **INTANGIBLE FIXED ASSETS**

This item amounts to Euro 270,893 thousand (Euro 257,749 thousand at 30 June 2018). The breakdown is as follows:

	<b>30.06.2019</b>	<b>30.06.2018</b>	<b>Change</b>
Player registration rights	232,208	211,165	21.043
Concessions, licences, trademarks and similar rights	22,068	28,123	(6.055)
Assets in progress and advances	—	—	0
Other intangible fixed assets	16,617	18,461	(1.844)
<b>Total</b>	<b>270.893</b>	<b>257.749</b>	<b>13.144</b>

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

Player registration rights, of Euro 232,208 thousand (Euro 211,165 thousand at 30 June 2018), also include 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 22,068 thousand (Euro 28,123 thousand at 30 June 2018), mainly refers to Euro 20,908 thousand (Euro 26,653 thousand at 30 June 2018), 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 16,617 thousand (Euro 18,461 thousand at 30 June 2018), mainly refer to:

- Euro 6,876 thousand (Euro 7,600 thousand at 30 June 2018) 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 6,585 thousand (Euro 6,949 thousand at 30 June 2018), for 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 3,156 thousand (Euro 3,912 thousand at 30 June 2018) relating to the acquisition of a 10-year ground lease (Article 952, second paragraph, civil code) for the Vismara sports 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 270,893 thousand at 30 June 2019, write-downs of Euro 1,934 thousand were made under the item Player registration rights resulting from consensual contract terminations with some players, in July and August 2019, prior to the contractual expiry date and/or final disposals resulting in capital losses.

## TANGIBLE FIXED ASSETS

This item amounts to Euro 1,383 thousand (Euro 1,377 thousand at 30 June 2018). The breakdown is as follows:

	30.06.2019	30.06.2018	Change
Plant and machinery	157	130	27
Industrial and commercial equipment	418	296	122
Other assets	808	894	(86)
Assets in progress and advances	—	57	(57)
<b>Total</b>	<b>1.383</b>	<b>1.377</b>	<b>6</b>

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:

	30.06.2019	30.06.2018	Change
Subsidiaries	196,685	196,685	0
Associates	1,085	1,085	0
Other companies	—	—	0
<b>Total</b>	<b>197.770</b>	<b>197.770</b>	<b>0</b>

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 2018) includes:

- Euro 183,756 thousand (unchanged compared to 30 June 2018), for 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 2018), 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 2018) 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.

At 30 June 2019 the value of the investment in AC Milan (Beijing) Sports Development Co. Ltd., based in Beijing (People's Republic of China), a 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 alignment of the book value with the shareholders' equity of the subsidiary.

#### Equity investments in associates

At 30 June 2019, this item amounted to Euro 1,085 thousand (unchanged compared to 30 June 2018) 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 489 thousand (Euro 8,864 thousand at 30 June 2018), mainly comprising security deposits.

The considerable reduction compared to 30 June 2018 is due to the nearly full repayment of receivables restricted by guarantees granted by a leading insurer to partially cover the 2017/2018 player transfer campaign.

These receivables are due both from Italian entities and European Union Entities, of which Euro 277 thousand payable beyond the following financial year. There were no receivables with a remaining duration of more than five years.

## **WORKING CAPITAL**

### **RECEIVABLES**

	<b>30.06.2019</b>	<b>30.06.2018</b>	<b>Change</b>
Trade receivables	54,373	41,325	13.048
Receivables from subsidiaries	2,763	1,356	1.407
Receivables from associates	548	—	548
Receivables from parent companies	—	26	(26)
Receivables from companies subject to parent companies' control	—	—	0
Tax receivables	10,200	3,260	6.940
Deferred tax assets	1,225	1,233	(8)
Other receivables	2,108	880	1.228
Receivables from entities – specific sector	64,775	53,009	11.766
<b>Total</b>	<b>135.992</b>	<b>101.089</b>	<b>34.903</b>

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:

	<b>30.06.2019</b>	<b>30.06.2018</b>	<b>Change</b>
Trade receivables	57,452	43,908	13.544
Provision for doubtful trade receivables	(3,079)	(2,583)	(496)
<b>Net value</b>	<b>54.373</b>	<b>41.325</b>	<b>13.048</b>

Trade receivables, net of the provision for doubtful accounts, amounted to Euro 54,373 thousand (Euro 41,325 thousand at 30 June 2018) and are of a commercial nature. The increase is mainly due to the fact that UEFA, 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. At the end of June 2019, the Court of Arbitration for Sport ratified the agreement reached between Milan and the Adjudicatory Chamber of the C.F.C.B. of UEFA (“Consent Award”) upholding the exclusion from participation in the 2019/2020 edition of the UEFA Europa League. In July 2019, UEFA paid the amounts due to Milan for participation in the 2018/2019 edition of the UEFA Europa League.

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 577 thousand, as prudent provision was made for the risks of non-collection. Euro 81 thousand was utilised to cover receipts of previously written-down receivables, and also to cover certain claims that could no longer be collected.

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

The item was composed as follows:

	30.06.2019	30.06.2018	Change
<b>Receivables from subsidiaries:</b>			
• trade receivables	1,003	542	461
• other receivables	1,760	814	946
<b>Total receivables from subsidiaries</b>	<b>2.763</b>	<b>1.356</b>	<b>1.407</b>
<b>Receivables from associates:</b>			
• trade receivables	548	—	548
• other receivables	—	—	0
<b>Total receivables from associates</b>	<b>548</b>	<b>0</b>	<b>548</b>
<b>Receivables from parent companies:</b>			
• trade receivables	—	26	(26)
• other receivables	—	—	0
<b>Total receivables from parent companies</b>	<b>0</b>	<b>26</b>	<b>(26)</b>
<b>Total receivables from companies subject to parent companies' control:</b>			
• trade receivables	—	—	0
• other	—	—	0
<b>Total receivables from companies subject to parent companies' control</b>	<b>0</b>	<b>0</b>	<b>0</b>

Receivables from subsidiaries include, in particular, Euros 1,760 thousand (Euro 814 thousand at 30 June 2018) 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 equal to Euro 548 thousand (not present at 30 June 2018) 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:

	30.06.2019	30.06.2018	Change
Due from Treasury for tax consolidation	1	1	0
Due from Treasury for VAT	7,903	2,428	5.475
Regional business tax (IRAP) receivables	1,877	412	1.465
Other tax receivables	419	419	0
<b>Total</b>	<b>10.200</b>	<b>3.260</b>	<b>6.940</b>

Receivables from Treasury for tax consolidation, of Euro 1 thousand (Euro 1 thousand at 30 June 2018) refer to withheld amounts arising from the “Agreement on the exercise of the option for the national tax consolidation scheme”.

Regarding the item Receivables from Treasury for VAT, of Euro 7,903 thousand (Euro 2,428 thousand at 30 June 2018), it should be noted that Euro 562 thousand were collected from a total of Euro 1,947 thousand, resulting from the 2018 VAT return - tax year 2017, requested as a rebate during the course of 2017/2018.

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 1,225 thousand (Euro 1,233 thousand at 30 June 2018) 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 2,108 thousand (Euro 880 thousand at 30 June 2018) mainly includes:

- Euro 1,701 thousand (not present at 30 June 2018) for receivables from ticket sales and season passes;
- Euro 400 thousand (Euro 443 thousand at 30 June 2018), for advances to suppliers, professionals and employees.

### **Receivables from entities – specific sector**

Net of the provision for doubtful accounts, this item amounts to Euro 64,775 thousand (Euro 53,009 thousand at 30 June 2018). 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 48,812 thousand (Euro 41,168 thousand at 30 June 2018) for amounts due from the Lega Nazionale Professionisti, in respect of various transfer seasons;
- Euro 8,342 thousand (not present at 30 June 2018) for amounts due from Club Atlético de Madrid for the definitive sale of Nikola Kalinic;
- Euro 3,878 thousand (Euro 7,894 thousand at 30 June 2018) for amounts due from the club Trabzonspor Kulübü for the definitive sale of Juraj Kucka and José Ernesto Sosa;
- Euro 2,375 thousand (not present at 30 June 2018) for amounts due from the club Sociedade Esportiva Palmeiras for the temporary disposal of Gustavo Raúl Gómez Portillo;
- Euro 700 thousand (not present at 30 June 2018) for amounts due from the club FC Girondins de Bordeaux for the definitive sale of the player Raoul Bellanova;
- Euro 668 thousand (Euro 564 thousand at 30 June 2018) 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 4,886 thousand (Euro 6,250 thousand at 30 June 2018) 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 9,126 thousand (Euro 22,386 thousand at 30 June 2018).

Cash and valuables on hand amounted to Euro 44 thousand (Euro 28 thousand at 30 June 2018).

## **ACCRUED INCOME AND PREPAYMENTS**

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

	30.06.2019	30.06.2018	Change
<b>Accrued income</b>	—	—	<b>0</b>
<b>Prepaid expenses:</b>			
• prepaid insurance premiums	361	362	(1)
• Other prepayments	2,197	1,949	247
<b>Total prepaid expenses</b>	<b>2.558</b>	<b>2.311</b>	<b>246</b>
<b>Total accruals and deferrals</b>	<b>2.558</b>	<b>2.311</b>	<b>246</b>

The item Other deferrals equal to Euro 2,197 thousand (Euro 1,949 thousand at 30 June 2018), refer in particular to Euro 1,902 thousand for charges on guarantees resulting from various player transfer campaigns for future periods.

## **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.

	30.06.2019	30.06.2018	Change
Non-current financial assets ( <i>cash collateral</i> )	133	8,590	(8.457)
Total financial assets other than fixed assets	4,886	6,267	(1.381)
Cash and cash equivalents	9,170	22,414	(13.244)
<b>Total financial assets</b>	<b>14.189</b>	<b>37.271</b>	<b>(23.082)</b>
Bonds	—	(116,520)	116.520
Payables to shareholders for loans	—	(10,000)	10.000
Financial payables	(1,259)	(1,210)	(49)
Payables to other financial institutions	(94,284)	(36,541)	(57.743)
Financial payables to subsidiaries, associates, parent companies and other financial liabilities	(136,009)	(117,815)	(18.194)
<b>Total financial liabilities</b>	<b>(231.552)</b>	<b>(282.086)</b>	<b>50.534</b>
<b>Net financial position</b>	<b>(217.363)</b>	<b>(244.815)</b>	<b>27.452</b>

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 2019, amounted to Euro 113,443,200 (unchanged compared to 30 June 2018), 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 2019, the Share premium reserve amounted to Euro 31,020,000 (unchanged compared to 30 June 2018) and relates to the premium paid to cover 170,160,000 shares.

### **LEGAL RESERVE**

At 30 June 2019, this reserve totalled Euro 124 thousand and was unchanged from the prior period.

### **OTHER RESERVES**

The balance of Euro 169,380 thousand (Euro 39,557 thousand at 30 June 2018) relates to capital contributions and/or payments to cover losses, made by the majority shareholder. The change compared to 30 June 2018 is attributable for Euro 135,638 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 25 October 2018, relating to the approval of the financial statements for the year ended 30 June 2018, as well as for Euro 265,461 of capital injections, aimed, amongst other things, at providing the company with the necessary funds to proceed with the full voluntary early repayment of the bond issued in 2017, with an original maturity of 15 October 2018, as covered in more detail in the section on "Bonds", as well as the funds needed 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 2019, this item amounted to - Euro 34,250 thousand (no change compared to 30 June 2018) 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 155,868,693.55 was recorded for the 2018/2019 financial year (a loss of Euro 135,638,498.93 for the year ending 30 June 2018).

## **PROVISIONS FOR RISKS AND CHARGES**

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

	<b>Balance at 01.07.2018</b>	<b>Allocations</b>	<b>(Uses)</b>	<b>Other changes</b>	<b>Balance at 30.06.2019</b>
Provision for deferred tax liabilities	—	—	—	—	0
Other provisions for risks and charges	20,567	6,755	(4,977)	—	22,345
<b>Total</b>	<b>20,567</b>	<b>6,755</b>	<b>(4,977)</b>	<b>0</b>	<b>22,345</b>

### **Other provisions for risks and charges**

At 30 June 2019 this item amounted to Euro 22,345 thousand (Euro 20,567 thousand at 30 June 2018) and refers to the allocation of future costs for the restructuring of registered footballers 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.

## **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.

	<b>EMPLOYEE LEAVING ENTITLEMENTS.</b>	<b>End of career entitlements</b>	<b>Total</b>
<b>Balance at 01.07.2018</b>	<b>844</b>	<b>47</b>	<b>891</b>
Provisions	914	537	1.451
Uses for employment terminations/ prepayments	(478)	—	(478)
Transfers	(2)	—	( 2)
Payments	—	(534)	(534)
Other changes	(554)	—	(554)
<b>Balance at 30.06.2019</b>	<b>724</b>	<b>50</b>	<b>774</b>

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**

	<b>30.06.2019</b>	<b>30.06.2018</b>	<b>Change</b>
Bonds	—	116,520	(116.520)
Payables to shareholders for loans	—	10,000	(10.000)
Financial payables	1,259	1,210	49
Payables to other financial institutions	94,284	36,541	57.743
Trade payables	45,843	54,104	(8.261)
Payables to subsidiaries	137,875	120,635	17.240
Payables to associates	1,873	1,396	477
Payables to parent companies	—	—	0
Payables to companies subject to parent companies' control	—	—	0
Tax payables	15,145	11,509	3.636
Payables to pension funds and social security agencies	400	391	9
Payables to third parties	8,033	12,796	(4.763)
Payables to entities – specific sector	139,882	172,029	(32.147)
<b>Total</b>	<b>444.594</b>	<b>537.131</b>	<b>(92.537)</b>

Payables due beyond the next financial year amounted to Euro 28,943 thousand; There were no payables with a remaining duration of more than five years.

### **Bonds**

It should be noted that on 28 September 2018, A.C. Milan S.p.A. exercised its option to repay in advance the bonds “Prestito Obbligazionario Garantito Associazione Calcio Milan S.p.A. 2017 – 2018 – Serie 1” (ISIN Code IT005254435) and “Prestito Obbligazionario Garantito Associazione Calcio Milan S.p.A. 2017 – 2019 – Serie 2” (ISIN Code IT0005254443).

### **Payables to shareholders for loans**

On 22 October 2018, the parent company Rossoneri Sport Investment Luxembourg S.à r.l., waived the repayment of the loan, amounting to Euro 10,000 thousand, due from company, deriving from the non-interest bearing shareholder loan granted on 13 April 2017. This amount was therefore deemed permanently credited in favour of the company as a capital reserve contribution to strengthen its capital.

### **Financial payables**

The balance of Euro 1,259 thousand (Euro 1,210 thousand at 30 June 2018) relates to normal banking operations.

### **Payables to other financial institutions**

This amount, of Euro 94,284 thousand (Euro 36,541 thousand at 30 June 2018) 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 2019.

## Trade payables

These are detailed in the table below.

	30.06.2019	30.06.2018	Change
Suppliers	28,210	29,369	(1.159)
Suppliers for invoices to be received	17,713	24,748	(7.035)
Credit notes to be received	(80)	(13)	(67)
<b>Total</b>	<b>45.843</b>	<b>54.104</b>	<b>(8.261)</b>

The item Trade payables includes payables to football agents for a total of Euro 12,148 thousand (Euro 19,560 thousand at 30 June 2019), of which Euro 2,506 thousand maturing after the following year. During the 2018/2019 season, Euro 23,112 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:

	30.06.2019	30.06.2018	Change
<b>Payables to subsidiaries:</b>			
• trade and other payables	1,867	2,820	(953)
• financial payables	136,008	117,815	18.193
<b>Total payables from subsidiaries</b>	<b>137.875</b>	<b>120.635</b>	<b>17.240</b>
<b>Payables to associates:</b>			
• trade and other payables	1,873	1,396	477
• financial payables	—	—	0
<b>Total payables to associates</b>	<b>1.873</b>	<b>1.396</b>	<b>477</b>
<b>Payables to parent companies:</b>			
• trade and other payables	—	—	0
• financial payables	—	—	0
<b>Total payables to parent companies</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Payables to companies subject to parent companies' control:</b>			
• trade and other payables	—	—	0
• financial payables	—	—	0
<b>Total payables to companies subject to the control of parent companies</b>	<b>0</b>	<b>0</b>	<b>0</b>

Trade and other payables to subsidiaries refer to Euro 1,839 thousand to the company Milan Entertainment S.r.l and Euro 27 thousand to the company Milan Real Estate S.p.A..

Financial payables to subsidiaries, of Euro 136,008 thousand (Euro 117,815 thousand at 30 June 2018) 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 of Euro 8,594 thousand (plus any adjustments).

### Tax payables

	30.06.2019	30.06.2018	Change
Payables for current taxes	—	1,321	(1.321)
Payable to Treasury for VAT	—	—	0
Payables withholding tax on income from work:			
• registered players and employees	14,871	10,021	4.850
• freelance workers and consultants	274	167	107
Other tax payables and withholdings	—	—	0
<b>Total</b>	<b>15.145</b>	<b>11.509</b>	<b>3.636</b>

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

At 30 June 2019, 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, 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:

	30.06.2019	30.06.2018	Change
Payables to I.N.P.S.	476	527	(51)
Payables/(Receivables) to/from other pension institutions	(76)	(136)	60
<b>Total</b>	<b>400</b>	<b>391</b>	<b>9</b>

The payables shown above have been duly paid on the established deadlines.

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:

	30.06.2019	30.06.2018	Change
Payables to registered players and employees	7,718	12,498	(4.780)
Payables to directors, statutory auditors and the Supervisory Body.	40	31	9
Other payables	275	267	8
<b>Total</b>	<b>8.033</b>	<b>12.796</b>	<b>(4.763)</b>

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:

	30.06.2019	30.06.2018	Change
Payables to the Lega Nazionale Professionisti	77,777	109,127	(31.350)
Payables to foreign and Italian football clubs	62,090	62,886	(796)
Payables to minor football clubs	15	16	( 1)
<b>Total</b>	<b>139.882</b>	<b>172.029</b>	<b>(32.147)</b>

Payables to the Lega Nazionale Professionisti, of Euro 77,777 thousand (Euro 109,127 thousand at 30 June 2018) are the balance of the 2018/2019 transfer campaign and the residual amounts of previous campaigns.

Payables to foreign and Italian football clubs, of Euro 62,090 thousand (Euro 62,886 thousand at 30 June 2018) relate to:

- Euro 14,923 thousand (not present at 30 June 2018) for amounts due to the club Clube de Regatas do Flamengo for the definitive purchase of Lucas Tolentino Coelho de Lima "Paquetà";
- Euro 11,774 thousand (Euro 22,676 thousand at 30 June 2018) for the amount payable to the club F.C. do Porto for the definitive transfer of André Miguel Valente Silva;
- Euro 11,729 thousand (not present at 30 June 2018) for the amount payable to the club Villarreal Club de Fútbol for the definitive purchase of Samuel Castillejo Azuaga;

- Euro 7,395 thousand (Euro 12,429 thousand at 30 June 2018) for the amount payable to the club Bayer 04 Leverkusen Fußball for the definitive transfer of Hakan Çalhanoğlu;
- Euro 4,847 thousand (Euro 9,347 thousand at 30 June 2018) for the amount payable to the club Verein für Leibesübungen Wolfsburg for the definitive transfer of Ricardo Iván Rodríguez Araya;
- Euro 7,278 thousand (Euro 10,532 thousand at 30 June 2018) for the amount payable to the club Villarreal Club de Fútbol for the definitive transfer of Mateo Pablo Musacchio;
- Euro 2,872 thousand (Euro 4,623 thousand at 30 June 2018) for the amount payable to the club Sunderland Association F.C for the definitive transfer of Fabio Borini;
- Euro 1,272 thousand (Euro 1,485 thousand at 30 June 2018) 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 Fabio Borini, Hakan Çalhanoğlu, Samuel Castillejo Azuaga and Mateo Pablo Musacchio.

## **ACCRUED EXPENSES AND DEFERRED INCOME**

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

	<b>30.06.2019</b>	<b>30.06.2018</b>	<b>Change</b>
<b>Accrued expenses</b>	<b>297</b>	<b>42</b>	<b>255</b>
<b>Deferred income:</b>			
• deferred broadcasting rights	—	3,478	(3.478)
• deferred sponsorships	9,500	7,000	2.500
• deferred season tickets	4,659	—	4.659
• Other prepayments	17,124	14,476	2.648
<b>Total deferred income</b>	<b>31.283</b>	<b>24.954</b>	<b>6.329</b>
<b>Total accruals and deferrals</b>	<b>31.580</b>	<b>24.996</b>	<b>6.584</b>

The item Deferred income, equal to Euro 31,283 thousand (Euro 24,954 thousand at 30 June 2018) includes:

- Euro 10,452 thousand (Euro 10,836 thousand at 30 June 2018) relating to royalties from rights to use images of Milan's home games in specific seasons ("Milan Library");
- Euro 9,500 thousand (Euro 7,000 thousand at 30 June 2018) relating to the early invoicing relating to agreements signed with trade partners for the 2019/2020 financial year;
- Euro 4,659 thousand (not present at 30 June 2018) relating to portions of the 2019/2020 Serie A Championship Season Pass Campaign, received at 30 June 2019 and attributable to the period 1 July 2019 – 30 June 2020;
- Euro 2,375 thousand (not present at 30 June 2018) relating to portions of the 2019/2020 football season for the amount resulting from the temporary transfer of the player Gustavo Raúl Gómez Portillo;
- Euro 2,372 thousand (Euro 2,780 thousand at 30 June 2018) relating to amounts received for friendly matches played during the summer tournament by the first team Milan in July and August 2019.

## **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 59,360 thousand (Euro 70,440 thousand at 30 June 2018), mainly in favour of:

- Lega Calcio, for the transfer season, for Euro 54,045 thousand (Euro 64,864 thousand at 30 June 2018);
- The Municipality of Milan, for the use of the San Siro Stadium, for Euro 2,309 thousand (Euro 2,284 thousand at 30 June 2018);
- 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 2018);
- the Italian Revenue Agency (Agenzia delle Entrate) for Euro 600 thousand (Euro 600 thousand at 30 June 2018) for a VAT receivable relative to the 2018 VAT return - 2017 tax period, requested as a reimbursement;
- M-I Stadio S.r.l., for Euro 281 thousand (Euro 567 thousand at 30 June 2018), to cover the associate's credit lines.

### **POTENTIAL LIABILITIES AND OTHER INFORMATION**

#### **Financial Fair Play**

As known, 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 and, for this reason, during 2016, the club had applied to the Club Financial Control Body (C.F.C.B.) to adopt the Voluntary Agreement, in order to take part in European competitions, in accordance with the parameters of financial requirements, and in particular with the Break-even rule.

On 15 December 2017, the Investigatory Chamber of the C.F.C.B. had warned that some conditions to adopt the VA had not been met by the company and it started an inquiry. In a decision of 22 May 2018, the Investigatory chamber ruled to not grant a Settlement Agreement (S.A.) and to adjourn the case to the final decision of the Adjudicatory Chamber of the C.F.C.B., which, on 19 June 2018, ruled to exclude the Club from participating in the

U.E.F.A. championship for which it would have otherwise qualified, for the following two seasons (i.e. the 2018/2019 or the 2019/2020 season).

On 4 July 2018, the company lodged an appeal with the Court of Arbitration for Sport that, on 20 July 2018, partially upheld the case put by Milan, deciding to confirm the decision taken by the Adjudicatory Chamber of the C.F.C.B. regarding the company's failure to meet the break-even rule, but cancelling the decision to exclude the Club from participating in the U.E.F.A. competition, as this was not proportional, considering the changed financial situation of the Club, which had considerably improved since the change in ownership in July 2018.

The case was therefore referred to the Adjudicatory Chamber of the C.F.C.B. that, on 13 December 2018, ruled among others that the Club be excluded from UEFA competitions if it failed to meet the break-even requirement at 30 June 2021 and also ruled, on a precautionary basis, to stop the payment of revenues owing to the Club for participation in the 2018/2019 edition of the UEFA Europa League.

The Adjudicatory Chamber of the C.F.C.B. - finally stated that Milan would not be able to register more than 21 players for U.E.F.A. competitions in 2019/2020 and 2020/2021, however allowing for the possibility of appeal the decision before the T.A.S.

On 21 December 2018 and 5 March 2019, the club filed a new appeal with the Court of Arbitration for Sport, requesting the annulment of the decision of the Adjudicatory Chamber of the C.F.C.B. and measures equivalent to a Settlement Agreement.

At the end of June 2019, the Court of Arbitration for Sport ratified the agreement reached between A.C. Milan S.p.A. and the Adjudicatory Chamber of the C.F.C.B. of UEFA ("Consent Award") which annulled previous decisions taken by the Chambers, and upheld the exclusion from participation in the 2019/2020 UEFA Europa League following the breach of break-even obligations during the monitoring periods 2015/2016/2017 and 2016/2017/2018.

Based on historical data and expected results, the club believes, in line with the opinions of its legal advisors that, if it qualifies for European competitions in upcoming football seasons, 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 the previous year in the financial statements.

## **Other information**

With regard to relations with management and the personnel of the company, in July and August 2018, AC Milan S.P.A. terminated, for good cause, its relations with the ex-CEO and director-general. With an appeal filed on 9 November 2018, the former CEO and director general brought a case against the dismissal for just cause by the company. The appellant opted for the special procedure under Article 1, paragraph 47 and following of law No. 92 of 2012, requesting that the dismissal be annulled with the consequent reinstatement effects and that damages be awarded, commensurate with the remuneration not received from the day of dismissal to that of the appeal. In addition to the secondary claims relating to the non-existence of the just cause for his dismissal and for the recognition of claims allegedly due to him contractually, the appellant made various other claims for damages. Following notification of the appeal, the company, with the support of its advisers, appeared before the court to give its defence, outlining the reasons and procedural objections and objections on the merits, which in their opinion, render the statements and claims made appellant without sufficient basis.

With specific reference to the proceedings and their progress, at the first hearing held on 19 December 2018, the judge invited the parties to identify a solution that would allow the dispute to be settled out-of-court, ordering the case to be adjourned, in order to allow the parties to reach a settlement. The parties, with the mediation of the judge, settled the dispute on 20 June 2019, signing a specific settlement agreement, as a general transaction, defining the pending case and any other potential cause for litigation, regarding fixed-term managerial employment and the organic relationship.

## **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. We also remind you that 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.

### **VALUE OF PRODUCTION**

The total value of production in the 2018/2019 financial year amounted to Euro 220,577 thousand (Euro 236,344 thousand in the first half of 2017/2018). 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:

	<b>2018/2019</b>	<b>2017/2018</b>	<b>Change</b>
Home match revenues:			
• Championship matches	18,535	13,718	4.817
• Tim Cup matches	1,495	2,142	(647)
• International Cup matches	1,035	5,937	(4.902)
• other matches	—	—	0
Away matches revenues:			
• Tim Cup matches	118	1,402	(1.283)
Season passes:			
• Championships	9,409	9,526	(117)
• International cups	—	414	(414)
Revenues from other competitions	3,815	2,723	1.092
<b>Total</b>	<b>34.408</b>	<b>35.862</b>	<b>(1.454)</b>

Home match revenues from Championship matches, equal to Euro 18,535 thousand (Euro 13,718 thousand in 2017/2018), went up, basically due to the adoption of new price policies (dynamic pricing), with particular reference to matches against strong sides.

Revenues from Tim Cup home matches refer to the gross amount received from playing the 2018/2019 edition of the Tim Cup, with participation up to the semi final (in the 2017/2018 edition, the team played in the final).

Match revenues from international cup matches, refers to the home matches played in the qualifying round of the UEFA Europa League - 2018/2019 edition and amount to Euro 1,035 thousand (Euro 5,937 thousand in the 2018/2019 financial year relating to the preliminaries, the qualifying round and last sixteen of the UEFA Europa League - 2017/2018 edition).

Revenues from season passes, of Euro 9,409 thousand (Euro 9,940 thousand in the first half of 2017/2018) relate to the Serie A championship for 2018/2019, with a total of 31,347 passes (32,364 passes for the Serie A championship and 7,927 passes for the qualifying round of the 2017/2018 UEFA Europa League).

Revenues from other competitions refer only to national and international friendly matches played by the first team during the summer, in China (International Champions Cup 2018) and in Madrid (39th edition of the Santiago Bernabeu Trophy).

### Other revenues and income

This income consisted of:

	2018/2019	2017/2018	Change
Sponsorship income	25,334	31,512	(6.178)
Commercial income and royalties	5,880	6,505	(625)
Income from the sale of broadcasting rights:			
• from participation in national competitions	90,294	86,260	4.034
• from participation in UEFA competitions.	14,754	14,318	436
Sundry income:			
• Income from archive rights licensing	8,754	8,744	10
• Publishing income	—	—	0
• Sundry income	337	182	155
Revenues from player loans	5,245	2,454	2.791
gains from the sale of player registration rights	12,622	35,956	(23.334)
Other income from player management	7,670	3,652	4.018
Other sundry revenues	15,280	10,898	4.382
<b>Total</b>	<b>186.170</b>	<b>200.481</b>	<b>(14.311)</b>

Sponsorship income, amounting to Euro 25,334 thousand (Euro 31,512 thousand in the 2017/2018 financial year), mainly consisted of:

- Euro 14,000 thousand (Euro 15,800 thousand in the 2017/2018 financial year), inclusive of Euro 1,800 thousand for bonuses disbursed for the achievement of specific sports results, (as provided for by contracts), and for the fees paid by the Official Sponsor Emirates, under the contract expiring at 30 June 2020;
- Euro 10,909 thousand (Euro 11,442 thousand in the 2017/2018 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 425 thousand (Euro 4,290 thousand in the 2017/2018 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, equal to Euro 5,880 thousand (Euro 6,505 thousand in the 2017/2018 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 the sale of broadcasting and media rights, equal to Euro 90,294 thousand (Euro 86,260 thousand in the 2017/2018 financial year) arise from the centralised licence of audiovisual rights for the 2018/2019 season of various packages assigned to broadcasters, including in particular Sky Italian S.r.l. and Perform Investment Ltd (Dazn). This item also includes Euro 3,000 thousand (not present in the 2017/2018 financial year) for the amount accrued from the Lega Calcio di Serie A for playing the final of the Italian Super Cup against Juventus F.C. in Jeddah (Saudi Arabia) in January 2019.

Broadcasting income from participation in UEFA competitions, amounting to Euro 14,754 thousand (Euro 14,318 thousand in the 2017/2018 financial year), refers to the amount paid to the company as a result of the trading and utilisation of television and radio broadcasting rights for participation in European competitions. Specifically, the item refers to the qualifying round of the 2018/2019 edition of the UEFA Europa league (preliminary matches, qualifying round, final thirty-two and sixteen of the UEFA Europa League – 2017/2018 edition) of which the increase compared to the 2017/2018 financial year (regarding the fewer number of matches played) is mainly due to the higher number of resources collected by UEFA and different criteria to allocate revenues over the three-year period, as well as the fewer number of Italian teams participating in the 2018/2019 edition.

Income from archive rights licensing, amounting to Euro 8,754 thousand (Euro 8,744 thousand in the 2017/2018 financial year), relating to the fees resulting from the granting of the users right for the images of the A.C. Milan home matches for specific football seasons (the *"Milan Library"*).

Revenues from player loans, amounting to Euro 5,245 thousand (Euro 2,454 thousand in the 2017/2018 financial year), relate to the following players loaned out by the club:

Player	Selling club	Amount
Gustavo Raúl Gómez Portillo	Sociedade Esportiva Palmeiras	1,425
André Miguel Valente Silva	Sevilla Fútbol Club	3,820
<b>Total</b>		<b>5.245</b>

Gains from the sale of player registration rights, realised in the 2018/2019 financial year, amounted to Euro 12,622 thousand (Euro 35,956 thousand in the 2017/2018 financial year) and are listed below indicating the name of the player and the selling club:

Player	Selling club	Net book value	Sale amount	Gain
Raoul Bellanova	F.C. des G. de Bordeaux	9	700	691
Manuel Locatelli	U.S. Sassuolo Calcio	81	12,000	11.919
<b>Total</b>		<b>90</b>	<b>12.700</b>	<b>12.610</b>
Other youth sector				12
<b>Gains</b>				<b>12.622</b>

Other income from player management, equal to Euro 7,670 thousand (Euro 3,652 thousand in the 2017/2018 financial year) refers in particular to:

- Euro 4,900 thousand (not present in the 2017/2018 financial year) for the amount paid by Bologna F.C. 1909 for the sell on fee of Simone Verdi to S.S. Calcio Napoli;
- Euro 1,750 thousand (not present in the 2017/2018 financial year) for the fee paid by Atalanta Bergamasca Calcio on the sell on fee of the player Andrea Petagna to S.P.A.L.;
- Euro 500 thousand (not present in the 2017/2018 financial year) for the fee paid by Unione Sportiva Sassuolo Calcio due to the bonus accrued following the sale of the player Manuel Locatelli;
- Euro 514 thousand (Euro 530 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 15,280 thousand (Euro 10,898 thousand in the 2017/2018 financial year) refer, for Euro 5,160 thousand (Euro 5,620 thousand in the 2017/2018 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 1,097 thousand (Euro 1,269 thousand in the 2017/2018 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 2,587 thousand (Euro 2,226 thousand in the 2017/2018 financial year), for contingent assets and other residual revenues and income, Euro 1,207 thousand not present in the 2017/2018 financial year) for reimbursements and contributions for the participation of Milan players in the World Cup - 2018 edition, as well as Euro 5,228 thousand (Euro 1,783 thousand in the 2017/2018 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 2018/2019 financial year amounted to Euro 367,221 thousand (Euro 345,278 thousand in the 2017/2018 financial year).

### **Costs for the purchase of consumables and goods**

Costs for the purchase of consumables and goods, amounting to Euro 2,973 thousand (Euro 2,495 thousand in the 2017/2018 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:

	<b>2018/2019</b>	<b>2017/2018</b>	<b>Change</b>
Costs for registered players	3,265	3,038	227
Costs for sporting activities	1,561	1,213	348
Specific technical costs	9,401	7,767	1.634
Lodging, accommodation, and match transport costs	3,051	3,096	(45)
Player insurance	2,877	2,395	482
Other consultancies and collaborations	5,252	7,137	(1.885)
Advertising expenses	1,300	740	560
Miscellaneous services from subsidiaries	19,995	19,331	664
Administrative and general expenses	13,637	10,571	3.066
<b>Total</b>	<b>60.339</b>	<b>55.288</b>	<b>5.051</b>

Costs for registered players, amounting to Euro 3,265 thousand (Euro 3,038 thousand in the 2017/2018 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 1,561 thousand (Euro 1,213 thousand in the 2017/2018 financial year) relate to the remuneration of health care and medical personnel other related expenses.

Specific technical costs, equal to Euro 9,401 thousand (Euro 7,767 thousand in the 2017/2018 financial year), mainly refer to costs for player observation of Euro 13 thousand (Euro 236 thousand in the 2017/2018 financial year), consultancy and technical and sporting collaboration of Euro 2,784 thousand (Euro 283 thousand in the 2017/2018 financial year), of which the increase was related to new technical positions joining the

club and costs for sports agents of Euro 5,710 thousand (Euro 6,495 thousand in the 2017/2018 financial year).

Lodging, accommodation, and match transport costs, amounting to Euro 3,051 thousand (Euro 3,096 thousand in the 2017/2018 financial year), consist of expenses incurred for the away matches of the first team and the minor teams.

Player insurance of Euro 2,877 thousand (Euro 2,395 thousand in the 2017/2018 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 1,300 thousand (Euro 740 thousand in the 2017/2018 financial year), include gifts, entertainment expenses, and other costs of promotional activities.

Other consulting agreements of Euro 5,252 thousand (Euro 7,137 thousand in the 2017/2018 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 club consulted leading legal practices as regards the ongoing proceedings with UEFA.

Miscellaneous services from subsidiaries amount to Euro 19,995 thousand (Euro 19,331 thousand in the 2017/2018 financial year) and refer in particular to:

- Euro 13,995 thousand (Euro 13,881 thousand in the 2017/2018 financial year), for the service agreement between A.C. Milan S.p.A. and Milan Entertainment S.r.l., under which the parent A.C. Milan S.p.A. is provided with commercial, marketing, sales, personnel management, stadium management, administration, IT, logistics and general services;
- Euro 6,000 thousand (Euro 5,450 thousand during the 2017/2018 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 13,637 thousand (Euro 10,571 thousand in the 2017/2018 financial year, mainly refer to fees for Directors amounting to Euro 2,746 thousand (Euro 225 thousand in the 2017/2018 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 20 thousand (Euro 18 thousand in the 2017/2018 financial year) and to the Supervisory Body for Euro 18 thousand (Euro 13 thousand in the

2017/2018 financial year), maintenance of playing fields, site and various for Euro 485 thousand (Euro 617 thousand in the 2017/2018 financial year), insurance for sundry risks for Euro 379 thousand (Euro 290 thousand in the 2017/2018 financial year), various utilities for Euro 706 thousand (Euro 608 thousand in the 2017/2018 financial year), costs for cleaning premises for Euro 241 thousand (Euro 287 thousand in the 2017/2018 financial year), audiovisual production and distribution costs for 2018/2019 Serie A images and the Milan Library for Euro 1,441 thousand (Euro 1,702 thousand in the 2017/2018 financial year), bank charges and fees and fees for the sale of tickets and/or season passes for Euro 267 thousand (Euro 242 thousand in the 2017/2018 financial year), costs for IT systems of Euro 2,241 thousand (Euro 1,305 thousand in the 2017/2018 financial year), of which the increase 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-I Stadio S.r.l., under a specific agreement, amounting to Euro 4,297 thousand (Euro 4,272 thousand in the 2017/2018 financial year).

#### **Cost of services and use of leased assets**

This item totalled Euro 8,891 thousand (Euro 9,291 thousand in the 2017/2018 financial year) and mainly consisted of:

- costs of Euro 4,676 thousand (Euro 4,611 thousand in the 2017/2018 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 2,145 thousand in the 2017/2018 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 2,434 thousand (Euro 2,420 thousand in the 2017/2018 financial year), including transaction costs, for the new “Casa Milan” premises;
- the costs of property rentals and service charges of Euro 682 thousand (Euro 515 thousand in the 2017/2018 financial year) relating to an agreement with Milan Real Estate S.p.A., concerning the provision by that company, to A.C. Milan S.p.A. of real estate services consisting of the provision of various types of property;
- the hiring of corporate transport and other equipment, of Euro 1,099 thousand (Euro 1,745 thousand in the 2017/2018 financial year).

## Personnel costs

Personnel costs were broken down as follows:

	2018/2019			2017/2018		
	Registered players	Other employees	Total	Registered players	Other employees	Total
Wages and salaries	163,755	7,340	171.095	129,863	6,469	136.332
Social security charges	3,702	1,672	5.374	3,561	1,568	5.129
End of career entitlements/ Employee leaving entitlements	978	473	1.451	816	370	1.186
Other costs	106	74	180	111	54	165
<b>Total</b>	<b>168.541</b>	<b>9.559</b>	<b>178.100</b>	<b>134.351</b>	<b>8.461</b>	<b>142.812</b>

The item employee leaving entitlements consists of Euro 392 thousand for the allocation of employee leaving entitlements, including substitute tax, and Euro 522 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:

	2018/2019	2017/2018	Change
Players contractual remuneration	141,542	111,458	30.084
Variable remuneration linked to sports results	1,481	3,919	(2.438)
Coaches contractual remuneration	11,198	8,124	3.074
Variable remuneration linked to sports results	—	—	0
Contractual remuneration for instructors, technicians and others	8,453	5,279	3.174
Variable remuneration linked to sports results	—	—	0
Contractual payments to medical staff	1,081	1,083	(2)
Variable remuneration linked to sports results	—	—	0
<b>Total</b>	<b>163.755</b>	<b>129.863</b>	<b>33.892</b>

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

	2018/2019	2017/2018	Change
Players	59.8	55.3	4,5
Coaches / Other technical personnel	156.6	139.3	17,3
Directors	9.0	7.4	1,6
Journalists	2.0	2.5	( 0,5)
Office workers and middle managers	68.0	42.6	25,4
Workers	1.0	1.0	0,0
<b>Total</b>	<b>296,4</b>	<b>248,1</b>	<b>48,3</b>

The increase in the number of office workers and middle managers is mainly attributable to the bringing the tutoring service for young members of the Milan youth sector in house, as well as the management of the Milan TV channel, which until 30 June 2018 had been outsourced to consultants/external suppliers.

#### **Amortisation, depreciation and write-downs**

Amortisation of intangible fixed assets, amounting to Euro 88,502 thousand (Euro 85,784 thousand in the 2017/2018 financial year) consisted of the following:

- Euro 80,304 thousand (Euro 81,954 thousand in the 2017/2018 financial year) for the amortisation of player registration rights, calculated in amounts proportional to the duration of respective contracts;
- Euro 8,198 thousand (Euro 3,830 thousand in the 2017/2018 financial year) for the amortisation of the other intangible fixed assets detailed below:

	2018/2019	2017/2018	Change
Software	216	366	(150)
Trademarks	116	128	(12)
Television images historical archive ( <i>Milan Library</i> )	5,769	1,264	4.505
Vismara Sports Centre long-term lease and related improvements	786	783	3
Improvement San Siro Stadium in Milan	587	576	11
Leasehold improvements	724	713	11
<b>Total</b>	<b>8.198</b>	<b>3.830</b>	<b>4.368</b>

With reference to the television archive (*Milan Library*), during the 2018/2019 financial year, the useful life was aligned based on the duration of main contracts for use of the archive.

Depreciation of tangible fixed assets amounted to Euro 476 thousand (Euro 481 thousand in the 2017/2018 financial year) and consisted of:

- Euro 45 thousand (Euro 59 thousand in the 2017/2018 financial year) for plant and machinery;
- Euro 137 thousand (Euro 122 thousand in the 2017/2018 financial year) for equipment;
- Euro 294 thousand (Euro 300 thousand in the 2017/2018 financial year) for other tangible assets.

The item Other write-downs of fixed assets amounted to Euro 1,934 thousand (Euro 21,822 thousand in the 2017/2018 financial year), and refers to the write-down of the registration rights of some players, due to the mutual termination of contracts with some players before their expiry and/or transfers with capital losses, taking place in July and August 2019.

The item Write-down of receivables included in working capital and in cash and cash equivalents, amounting to Euro 577 thousand (Euro 1,207 thousand in the 2017/2018 financial year), refers to the allocation made to the provision for doubtful trade receivables.

#### **Provisions for risks**

This item amounts to Euro 6,755 thousand (Euro 17,492 thousand in the 2017/2018 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 July and August 2019 transfer campaign.

## Sundry management expenses

Sundry management expenses consisted of:

	2018/2019	2017/2018	Change
Various match organisation expenses	45	111	(66)
Match subscription taxes	2	2	0
Percentage paid to visiting teams	199	965	(766)
Costs for acquisition of player services on loan	13,180	107	13.073
Losses from the sale of multi-year player registration rights	449	1,290	(841)
Other expenses from player management:			
• Solidarity mechanism	154	12	142
• Training indemnity and development costs	4	1,321	(1.317)
Other management expenses:			
• Contributions to Lega Nazionale Professionisti / other bodies	1,198	1,584	(386)
• Match penalties and fines	258	72	186
• Losses on receivables	38	18	20
• Other duties and taxes	515	277	238
• other	2,631	2,847	(216)
<b>Total</b>	<b>18.673</b>	<b>8.606</b>	<b>10.067</b>

The item Percentage paid to visiting teams refers to the portion of takings to be paid to S.S.C. Napoli for the quarter finals played in the 2018/2019 edition of the Tim Cup (takings to pay to Hellas Verona F.C. and to F.C. Internazionale Milano respectively for the final sixteen and eight of the 2017/2018 edition of the Tim Cup).

Costs for acquisition of player services on loan, amounting to Euro 13,180 thousand (Euro 107 thousand in the 2017/2018 financial year), refer to the following players purchased by the club:

Player	Selling club	Amount
Tiémoué Bakayoko	Chelsea F.C.	2,931
Manuel Carlini	A.S.D. Alcione	8
Gonzalo Gerardo Higuain	Juventus F.C.	10,208
Stefano Reali	Virtus Entella	33
<b>Total</b>		<b>13.180</b>

Losses from the sale of multi-year player registration rights, equal to Euro 449 thousand (Euro 1,290 thousand in the 2017/2018 financial year), realised during the 2018/2019 financial year, concern the following players.

Player	Selling club	Net book value	Sale amount	Capital loss
Mattia El Hilali	F.C. Chiasso	26	—	(26)
Alessandro Guarnone	F.C. Chiasso	16	—	(16)
Nikola Kalinic (*)	Club Atlético de Madrid	391	—	(391)
Sergio Sanchez Gioya	C.D. Leganés	7	—	(7)
Stephan Simic	H.N.K. Hajduk Split	9	—	(9)
<b>Total</b>		<b>449</b>	<b>0</b>	<b>(449)</b>

*(\*) referred only to the effect of the adoption of the amortised cost criterion for the sale of the player Nicola Kalinic to Club Atlético de Madrid, of which the capital loss had already been recognised in the financial statements for the year ended 30 June 2018.*

During the 2017/2018 financial year, the item Other expenses from player management, included in particular Euro 1,321 thousand relative to the feed paid to the club Stade Malherbe Caen for fees accrued on the definitive sale to Torino F.C. by Milan for the player M'Baye Niang.

Other management expenses, amounting to Euro 2,631 thousand (Euro 2,847 thousand in the 2017/2018 financial year), refers mainly to Euro 1,313 thousand (Euro 1,548 thousand in the 2017/2018 financial year) for costs of chargebacks made with 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, as well as for 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.

This item also includes contingent liabilities and other residual costs totalling Euro 943 thousand (Euro 1,299 thousand in the 2017/2018 financial year).

## **FINANCIAL INCOME AND EXPENSES**

Financial income and expenses show expenses of Euro 10,089 thousand (expenses of Euro 23,595 thousand in the 2017/2018 financial year) and were broken down as follows.

	<b>2018/2019</b>	<b>2017/2018</b>	<b>Change</b>
Income from equity investments from subsidiaries	2,500	—	2.500
<b>Total income from equity investments</b>	<b>2.500</b>	<b>0</b>	<b>2.500</b>
Bank interest income	0	0	0
Interest income from subsidiaries	76	99	(23)
Interest on other receivables	686	1,528	(842)
<b>Total financial income</b>	<b>762</b>	<b>1.627</b>	<b>(865)</b>
Interest payable on bonds	(2,274)	(9,881)	7.607
Bank interest expenses	(36)	(9)	(27)
Interest expense on other debt	(1,653)	(2,236)	583
Interest expense from subsidiaries	(1,585)	(1,354)	(231)
Interest payable to parent companies	—	—	0
Interest expense on other debt	(0)	(1)	1
Other interest and financial charges	(7,824)	(11,717)	3.893
<b>Total financial expenses</b>	<b>(13.372)</b>	<b>(25.198)</b>	<b>11.826</b>
Exchange rate gains	31	26	16.045
Exchange rate losses	(10)	(50)	40
<b>Total exchange rate gains (losses)</b>	<b>21</b>	<b>(24)</b>	<b>45</b>
<b>Total</b>	<b>(10.089)</b>	<b>(23.595)</b>	<b>13.506</b>

Income from equity investments, equal to Euro 2,500 thousand, relates respectively for Euro 2,000 thousand and Euro 500 thousand for the dividends of the subsidiaries Milan Entertainment S.r.l. and Milan Real Estate S.p.A., as per the resolution of the Shareholders' meeting of 25 October 2018, relating to the approval of the financial statements for the year ended 30 June 2018.

The item Other interest and financial charges includes Euro 3,058 thousand (Euro 2,215 thousand in the 2017/2018 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 4,569 thousand (Euro 9,502 thousand in the 2017/2018 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 612 thousand (Euro 1,528 thousand in the 2017/2018 financial year), from the adoption of the amortised cost criterion on receivables from the player transfer campaign.

## **VALUE ADJUSTMENTS OF FINANCIAL ASSETS**

### **Write-downs**

In the previous year, this item had included Euro 1,325 thousand relative to the write-down of the Chinese company AC Milan (Beijing) Sports Development Co. Ltd., wholly owned by A.C. Milan S.p.A., due to the effect of losses resulting from the balance sheet for the year ended 30 June 2018, as well as Euro 218 thousand relative to the adjustment of the investment in the associate M-I Stadio S.r.l. to the value of the fraction of shareholders' equity resulting from the financial statements at 30 June 2018.

## **INCOME TAXES FOR THE PERIOD**

### **Current taxes**

	<b>2018/2019</b>	<b>2017/2018</b>	<b>Change</b>
IRAP (regional business tax)	(888)	(2,432)	1,544
Tax income from tax consolidation	1,760	814	946
Direct taxes from previous financial years	—	—	0
<b>Total</b>	<b>872</b>	<b>(1,618)</b>	<b>2,490</b>

Tax income from tax consolidation represents, in the 2018/2019 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 presents a negative balance of Euro 8 thousand (a positive balance of Euro 52 thousand in the 2017/2018 financial year).

## **(PROFIT) LOSS FOR THE YEAR**

During the 2018/2019 financial year, a loss of Euro 155,868,693.55 was recorded (compared to a loss of Euro 135,638,498.93 in the 2017/2018 financial year).

### **Remuneration of the Directors, Statutory Auditors and the Supervisory and Control Body**

Details are provided below of the remuneration for the 2018/2019 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.

	<b>A.C. Milan S.p.A.</b>	<b>Milan Entertainment S.r.l.</b>	<b>Milan Real Estate S.p.A.</b>
Board of Directors	2,703	—	—
Board of Statutory Auditors	18	18	18
Supervisory and control body	18	14	14
<b>Total</b>	<b>2.739</b>	<b>32</b>	<b>32</b>

### **Proposals of the Board of Directors to the Shareholders' Meeting**

Dear Shareholders

The financial statements at 30 June 2019 of your company closed with a loss of Euro 155,868,693.55, 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 169,379,816.43 and retained losses of Euro 34,249,947.91.

We therefore propose covering the loss for the year of Euro 155,868,693.55 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 2019, which we request you to approve.

Milan, 27 September 2019

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



## **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)

Historic cost	01.07.2018	Investments	(Disinvestments)	Other changes	(Amortisation)	(Write-downs) / Write-backs	30.06.2019
Start-up and expansion costs	—	—	—	—	—	—	—
Industrial patent rights and use of intellectual property	—	—	—	—	—	—	—
Concessions, licences, trademarks and similar rights	44.168	46	—	—	—	—	44.214
Assets in progress and advances	—	—	—	—	—	—	—
Player registration rights	402.854	153.078	(141.885)	—	—	—	414.047
Other intangible fixed assets	34.699	253	—	—	—	—	34.952
<b>Total</b>	<b>481.721</b>	<b>153.377</b>	<b>(141.885)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>493.213</b>

Accumulated Depreciation and Provision for Doubtful Accounts	01.07.2018	Investments	(Disinvestments)	Other changes	(Amortisation)	(Write-downs) / Write-backs	30.06.2019
Start-up and expansion costs	—	—	—	—	—	—	—
Industrial patent rights and use of intellectual property	—	—	—	—	—	—	—
Concessions, licences, trademarks and similar rights	(16.045)	—	—	—	(6.101)	—	(22.146)
Player registration rights	(191.689)	—	92.088	—	(80.304)	(1.934)	(181.839)
Other intangible fixed assets	(16.238)	—	—	—	(2.097)	—	(18.335)
<b>Total</b>	<b>(223.972)</b>	<b>—</b>	<b>92.088</b>	<b>—</b>	<b>(88.502)</b>	<b>(1.934)</b>	<b>(222.320)</b>

Net value	01.07.2018	Investments	(Disinvestments)	Other changes	(Amortisation)	(Write-downs) / Write-backs	30.06.2019
Start-up and expansion costs	—	—	—	—	—	—	—
Industrial patent rights and use of intellectual property	—	—	—	—	—	—	—
Concessions, licences, trademarks and similar rights	28.123	46	—	—	(6.101)	—	22.068
Goodwill and consolidation difference	—	—	—	—	—	—	—
Assets in progress and advances	—	—	—	—	—	—	—
Player registration rights	211.165	153.078	(49.797)	—	(80.304)	(1.934)	232.208
Other intangible fixed assets	18.461	253	—	—	(2.097)	—	16.617
<b>Total</b>	<b>257.749</b>	<b>153.377</b>	<b>(49.797)</b>	<b>—</b>	<b>(88.502)</b>	<b>(1.934)</b>	<b>270.893</b>

## Attachment 2

### Statement of changes in player registration rights

(in Euros)

1st team Italian	Origin		Destination		Historic cost		
	Date of purchase	Club	Date of sale	Club	01.07.2018	Increases	Decreases
Abate Ignazio	30.06.2009	Torino F.C.	—	—	5.475.000		
Luca Antonelli	02/02/2015	Genoa Cricket and F.C.	11/08/2018	Empoli F.C.	4.550.000		(4.550.000)
Bertolacci Andrea	01/07/2015	A.S. Roma	—	—	21.040.000		
Giacomo Bonaventura	01/09/2014	Atalanta B.C.	—	—	5.300.000		
Leonardo Bonucci	20/07/2017	Juventus F.C.	02/08/2018	F.C. Juventus	44.080.000		(44.080.000)
Fabio Borini	30.06.2017	Sunderland A.F.C.	—	—	5.524.411		
Davide Calabria	—	Youth sector	—	—	101.600		
Mattia Caldara	02/08/2018	Juventus F.C.	—	—	0	36.000.000	
Andrea Conti	07/07/2017	Atalanta B.C.	—	—	24.200.000		
Patrick Cutrone	—	Youth sector	—	—	3.000	750.000	
Antonio Donnarumma	11/07/2017	Asteras Tripolis F.C.	—	—	978.947		
Gianluigi Donnarumma	—	Youth sector	—	—	1.111.000		
Manuel Locatelli	—	Youth sector	13/08/2018	U.S. Sassuolo Calcio	275.000		(275.000)
Riccardo Montolivo	—	Player released	—	—	200.000		
Alessio Romagnoli	11/08/2015	A.S. Roma	—	—	25.250.000		
<b>Total 1st team Italian</b>					<b>138.088.958</b>	<b>36.750.000</b>	<b>(48.905.000)</b>

1st team foreign	Origin		Destination		Historic cost		
	Date of purchase	Club	Date of sale	Club	01.07.2018	Increases	Decreases
Carlos Arturo Bacca Ahumada	02/07/2015	Sevilla F.C.	16/08/2018	Villarreal C.F.	33.286.521		(33.286.521)
Lucas Rodrigo Biglia	17/07/2017	S.S. Lazio	—	—	19.200.000	500.000	
Hakan Calhanoglu	30.06.2017	Bayer 04 Leverkusen	—	—	21.311.885	2.000.000	
Samuel Azuaga Castillejo	16/08/2018	Villarreal C.F.	—	—	0	21.375.000	(443.610)
Jesus Fernandez Saenz de la Torre "Susó"	19/01/2015	Liverpool F.C.	—	—	2.040.000		
Gustavo Gomez Portillo	08/08/2016	Club Atletico Lanus	—	—	9.556.950		
Alen Halilovic	28/06/2018	HSV Fußball	—	—	20.000		
Nikola Kalinic	21/08/2017	ACF Fiorentina	10/08/2018	Club Atletico de Madrid	27.000.000		(27.000.000)
Franck Kessie	02/06/2017	Atalanta B.C.	—	—	32.000.000		
Laxalt Diego Sebastián	16/08/2018	Genoa Cricket and F.C.	—	—	0	14.900.000	
Jose Augustín Mauri	06/07/2015	Player released	—	—	4.000.000		
Mateo Pablo Musacchio	02/05/2017	Villarreal C.F.	—	—	17.719.534		
Krzysztof Piatek	31.01.2019	Genoa Cricket and F.C.	—	—	0	35.000.000	
José Manuel Reina Paez	16/03/2018	Player released	—	—	3.000.000		
Ricardo Ivan Rodríguez Araya	13/06/2017	VfL Wolfsburg	—	—	14.189.736		
André Miguel Valente Silva	13/06/2017	F.C. Porto	—	—	34.666.753		
Ivan Strinic	02/03/2018	Player released	—	—	2.000.000		
Lucas Tolentino Coelho de Lima "Paquetà"	31.12.2018	Clube do Flamengo	—	—	0	38.400.000	(520.411)
Vasconcelos Ferreira "Gabriel"	06/07/2012	Cruzeiro Esporte Clube	16/08/2018	A.C. Perugia Calcio	1.170.000		(1.170.000)
Jherson Vergara Amù	15/07/2013	Universitario Popayán	17/08/2018	Cagliari Calcio	2.425.000		(2.425.000)
Cristian Eduardo Zapata	23/05/2013	Villarreal C.F.	—	—	10.310.800		
<b>Total 1st team foreign</b>					<b>233.897.179</b>	<b>112.175.000</b>	<b>(64.845.542)</b>

<b>Total Other professionals and Youth sector</b>	<b>30.867.742</b>	<b>4.153.431</b>	<b>(28.135.870)</b>
<b>Total Option rights</b>	<b>0</b>		
<b>Total player registration rights</b>	<b>402.853.879</b>	<b>153.078.431</b>	<b>(141.886.412)</b>

30.06.2019	Depreciation and Provision for Doubtful Accounts				Net Value 30.06.2019	Economics Impacts at 30.06.2019				Various		Net Value 30.06.2019 Sports Agents
	01.07.2018	Increases	Decreases	30.06.2019		Amortisation	Write-down	Loss	Gain	Age	Ctr. rmng years	
5.475.000	5.190.454	284.546		5.475.000	0	284.546				33	0,0	0
0	4.550.000		(4.550.000)	0	0	0				32	-	0
21.040.000	15.778.572	5.261.428		21.040.000	0	5.261.428				28	0,0	0
5.300.000	3.611.110	844.446		4.455.556	844.444	844.446				30	1,0	66.667
0	9.080.000		(9.080.000)	0	0	0				32	-	0
5.524.411	1.841.470	1.841.472		3.682.942	1.841.469	1.841.472				28	1,0	0
101.600	67.315	8.570		75.885	25.715	8.570				23	3,0	25.714
36.000.000	0	7.200.000		7.200.000	28.800.000	7.200.000				25	4,0	800.000
24.200.000	4.840.000	4.840.000		9.680.000	14.520.000	4.840.000				25	3,0	720.000
753.000	3.000	150.000		153.000	600.000	150.000				21	4,0	600.000
978.947	244.737	244.735		489.472	489.475	244.735				29	2,0	0
1.111.000	749.874	120.376		870.250	240.750	120.376				20	2,0	222.817
0	194.047		(194.047)	0	0	0		11.919.048		21	-	0
200.000	142.858	57.142		200.000	0	57.142				34	0,0	0
25.250.000	15.150.000	2.525.000		17.675.000	7.575.000	2.525.000				24	3,0	75.000
<b>125.933.958</b>	<b>61.443.437</b>	<b>23.377.715</b>	<b>(13.824.047)</b>	<b>70.997.105</b>	<b>54.936.853</b>	<b>23.377.715</b>	<b>0</b>	<b>0</b>	<b>11.919.048</b>			<b>2.510.198</b>

30.06.2019	Depreciation and Provision for Doubtful Accounts				Net Value 30.06.2019	Economics Impacts at 30.06.2019				Various		Net Value 30.06.2019 Sports Agents
	01.07.2018	Increases	Decreases	30.06.2019		Amortisation	Write-down	Loss	Gain	Age	Ctr. rmng years	
0	31.336.520		(31.336.520)	0	0	0				33	-	0
19.700.000	6.333.333	6.600.000		12.933.333	6.766.667	6.600.000				33	1,0	400.000
23.311.885	5.327.970	5.861.305		11.189.275	12.122.610	5.861.305				25	2,0	677.063
20.931.390	0	4.186.278		4.186.278	16.745.112	4.186.278				24	4,0	677.382
2.040.000	1.243.557	199.110		1.442.667	597.333	199.110				26	3,0	266.667
9.556.950	3.818.984	1.912.656		5.731.640	3.825.310	1.912.656				26	2,0	400.000
20.000	0	6.666		6.666	13.334	6.666				23	2,0	0
0	15.315.000		(15.315.000)	0	0	0		390.381		31	-	0
32.000.000	6.400.000	6.400.000		12.800.000	19.200.000	6.400.000				23	3,0	1.045.858
14.900.000	0	3.725.000		3.725.000	11.175.000	3.725.000				26	3,0	675.000
4.000.000	3.000.000	1.000.000		4.000.000	0	1.000.000				23	0,0	0
17.719.534	4.429.884	4.429.884		8.859.768	8.859.766	4.429.884				29	2,0	805.434
35.000.000	0	3.888.889		3.888.889	31.111.111	3.888.889				24	4,0	1.777.778
3.000.000	0	1.000.000		1.000.000	2.000.000	1.000.000				37	2,0	2.000.000
14.189.736	3.547.434	3.547.434		7.094.868	7.094.868	3.547.434				27	2,0	247.663
34.666.753	6.933.350	6.933.350		13.866.700	20.800.053	6.933.350				24	3,0	0
2.000.000	0	2.000.000		2.000.000	0	666.667	1.333.333			32	2,0	1.333.333
37.879.589	0	4.208.843		4.208.843	33.670.746	4.208.843				22	4,0	2.950.719
0	1.170.000		(1.170.000)	0	0	0				27	-	0
0	2.425.000		(2.425.000)	0	0	0				25	-	0
10.310.800	9.224.571	1.086.229		10.310.800	0	1.086.229				33	0,0	0
<b>281.226.637</b>	<b>100.505.603</b>	<b>56.985.644</b>	<b>(50.246.520)</b>	<b>107.244.727</b>	<b>173.981.910</b>	<b>55.652.311</b>	<b>1.333.333</b>	<b>390.381</b>	<b>0</b>			<b>13.256.897</b>

<b>6.885.303</b>	<b>29.739.476</b>	<b>1.874.806</b>	<b>(28.017.871)</b>	<b>3.596.411</b>	<b>3.288.892</b>	<b>1.274.241</b>	<b>600.565</b>	<b>58.476</b>	<b>702.476</b>			<b>790.165</b>
<b>0</b>	<b>0</b>			<b>0</b>	<b>0</b>							<b>0</b>
<b>414.045.898</b>	<b>191.688.516</b>	<b>82.238.165</b>	<b>(92.088.438)</b>	<b>181.838.243</b>	<b>232.207.655</b>	<b>80.304.267</b>	<b>1.933.898</b>	<b>448.857</b>	<b>12.621.524</b>			<b>16.557.260</b>

## Attachment 3

### Statement of changes in tangible fixed assets

(in thousands of Euros)

Historic cost	01.07.2018	Investments	(Disinvestments)	Other changes	(Amortisation)	(Write-downs) / Write-backs	30.06.2019
Land and buildings	34	—	—	—	—	—	34
Plant and machinery	320	72	—	—	—	—	392
Industrial and commercial equipment	2.164	201	(2)	57	—	—	2.420
Other tangible assets	2.515	210	(5)	—	—	—	2.720
Tangible assets in progress	57	—	—	(57)	—	—	—
<b>Total</b>	<b>5.090</b>	<b>483</b>	<b>(7)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5.566</b>

Accumulated Depreciation and Provision for Doubtful Accounts	01.07.2018	Investments	(Disinvestments)	Other changes	(Amortisation)	(Write-downs) / Write-backs	30.06.2019
Land and buildings	(34)	—	—	—	—	—	(34)
Plant and machinery	(190)	—	—	—	(45)	—	(235)
Industrial and commercial equipment	(1.867)	—	2	—	(137)	—	(2.002)
Other tangible assets	(1.621)	—	3	—	(294)	—	(1.912)
<b>Total</b>	<b>(3.712)</b>	<b>—</b>	<b>5</b>	<b>—</b>	<b>(476)</b>	<b>—</b>	<b>(4.183)</b>

Net value	01.07.2018	Investments	(Disinvestments)	Other changes	(Amortisation)	(Write-downs) / Write-backs	30.06.2019
Land and buildings	—	—	—	—	—	—	—
Plant and machinery	130	72	—	—	(45)	—	157
Industrial and commercial equipment	297	201	—	57	(137)	—	418
Other tangible assets	894	210	(2)	—	(294)	—	808
Tangible assets in progress	57	—	—	(57)	—	—	—
<b>Total</b>	<b>1.378</b>	<b>483</b>	<b>(2)</b>	<b>—</b>	<b>(476)</b>	<b>—</b>	<b>1.383</b>

## Attachment 4

### Statement of changes in equity investments

(in thousands of Euros)

Historic cost	01.07.2018	Investments	(Disinvestments)	Other changes	(Write-downs) / Write-backs	30.06.2019
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
<b>Total</b>	<b>197.770</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>197.770</b>

Write-down provision	01.07.2018	Investments	(Disinvestments)	Other changes	(Write-downs) / Write-backs	30.06.2019
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.	—	—	—	—	—	—
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

Net value	01.07.2018	Investments	(Disinvestments)	Other changes	(Write-downs) / Write-backs	30.06.2019
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
<b>Total</b>	<b>197.770</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>197.770</b>

## 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	Retained earnings (losses)	Profit (Loss) for the period	Total Shareholders' Equity
<b>Shareholders' Equity at 30.06.2017</b>	<b>74.880</b>	<b>9.600</b>	<b>124</b>	<b>0</b>	<b>67.078</b>	<b>(34.250)</b>	<b>(27.521)</b>	<b>89.911</b>
Resolution of 13.11.2017:								
- covering of losses					(27.521)		27.521	0
- capital increase	38.563	21.420						59.983
Capital contributions and/or contributions to cover losses								0
Other								0
Result for the period							(135.638)	(135.638)
<b>Shareholders' Equity at 30.06.2018</b>	<b>113.443</b>	<b>31.020</b>	<b>124</b>	<b>0</b>	<b>39.557</b>	<b>(34.250)</b>	<b>(135.638)</b>	<b>14.256</b>
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)
<b>Shareholders' Equity at 30.06.2019</b>	<b>113.443</b>	<b>31.020</b>	<b>124</b>	<b>0</b>	<b>169.380</b>	<b>(34.250)</b>	<b>(155.869)</b>	<b>123.848</b>

## 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
<b>Share capital</b>	113.443				
<b>Capital reserves:</b>					
Capital contributions	169.380	Λ, B, C	169.380	235.079	
Share premium reserve	31.020	Λ, B	31.020		
<b>Earnings reserve:</b>					
Legal reserve	124	B	124		
Statutory reserves	0	Λ, B, C	0		
Profits carried forward	(34.250)	Λ, B, C	0		
<b>Total</b>	<b>166.274</b>		<b>200.524</b>		
Non-distributable amount			200.524		
Remaining distributable amount			0		

#### Key

Λ: 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 30.06.2019	Result for the period	Net Equity at 30.06.2019		Book value on 30.06.2019
				Amount total	Amount pro-rata	
<b>Subsidiaries</b>						
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
<b>Associates</b>						
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 2019 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 2019 and the Fondazione Milan - Onlus whose figures have been taken from the financial statements at 31 December 2018*

*The carrying amounts at 30 June 2019 are shown net of any write-downs recognized in the period*

**A.C. MILAN S.p.A.**

Headquarter: via Aldo Rossi, 8 – 20149 Milan

Authorised, subscribed and paid Share Capital: Euro 113,443,200

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

**REPORT OF STATUTORY AUDITORS ON THE MEETING OF SHAREHOLDERS  
ACCORDING TO ART. 2429 (2) CIVIL CODE**

To the Shareholders' Meeting  
of A.C. MILAN S.p.A.

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

This report has been approved collectively, following receipt of the consolidated draft financial statements for the year ending 30 June 2018, and of the report by the auditing firm in this regard.

The Board of Statutory Auditors has the control functions prescribed by Article 2403 et seq of the 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 in April 2017, 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, you can confirm that:

- the typical activity carried out by the Company has not changed during the year under review and is consistent with what is expected of the social object. The Company has obtained the National License for the purpose of admission to the 2018/2019 professional championship and the U.E.F.A. License for the 2018/2019 season. It is also noted, as best described in the financial statements, that in June 2019 the T.A.S. ratified the agreement reached between A.C. Milan S.p.A. and the C.F.C.B. – A.C. of U.E.F.A. ("*Consent Award*");
- the provision of IT facilities has remained largely unchanged;
- during the financial year, changes were found in the composition of the Board of Directors, the organization chart and the staff in strength. In particular, on 21 July 2018, the Shareholders' Meeting, after taking note of the resignation of three directors, revoked the directors still in office, appointing a new Board of Directors. The Shareholders' Meeting on 5 December 2018 also increased the number of directors and appointed a new C.E.O. It is also noted that the dispute with the former C.E.O. has been reconciled.

The Milan Group's corporate organization chart has also been redefined with the appointment of new professional figures. There are also changes in personnel in strength without affecting the reliability of the organisational, administrative and accounting structure.

This report therefore summarises our activities regarding the information provided for in Article 249 (2) 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.

In any event, we remain fully available to delve deeper into any further issues during the Shareholders' Meeting.

The work done by the Board of Statutory Auditors related to the entire year. During the 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 familiarise 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 external 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 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 bylaws, 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 during the year 2017/2018 as a result of omissions by the Board of Directors (Article 2406 civil code);
- no complaints were received pursuant to art. 2408 of the Italian Civil Code;
- no complaints were received pursuant to art. 2409 (7) of the Italian Civil Code;
- during the financial year, the Statutory Auditors gave an opinion on the compensation of directors who were charged with particular positions. It should also be noted that, today, the Statutory Auditors has issued a reasoned proposal to the Shareholders' Meeting on the awarding of the task of statutory external audit.

## **Comments and proposals on the financial statements and their approval**

The draft financial statements for the year ending 30 June 2019 were approved by the Board of Directors on 27 September 2018. They consist of the balance sheet, the income statement, the cash flow statement and the Notes.

In addition:

- the executive body has also prepared the report on the management of art. 2428 c.c.;
- the executive body has prepared the consolidated financial statements, drawn up based on national accounting standards, in accordance with the law and in accordance with the existing provisions introduced by the U.E.F.A. licensing manual, which shows a group loss of Euro 146.0 million Euros and group equity of 83.3 million Euros;
- the statutory external audit was entrusted to the auditing firm EY S.p.A. which prepared its report in accordance with Article 14 of legislative decree no. 39 of 27 January 2010, on the financial statements for the year ending 30 June 2019. That report was submitted on 11 October 2019 and 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.
- EY S.p.A. submitted its report on the financial statements for the year ending 30 June 2019 on 11 October 2019 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 that there was also a requirement for going concern based on the letter of commitment, sent by the majority shareholder on 27 September 2019, to financially support the Milan Group for 12 months from the date of approval of the financial statements as at 30 June 2019. It is also noted that in July-August-September 2019 the majority shareholder made additional capital injections for totaling 60 million euros.

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 statements, 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 (Article 2423 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 Soccer Federation (F.I.G.C.) and the Committee for the Supervision of Italian Soccer 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 the existence of atypical and/or unusual transactions with Group companies, third parties or related parties. The information provided to us by the Board of Directors, including specifically regarding intercompany and related parties' operations, is considered appropriate. In particular, the latter transactions are to be considered connected and inherent in the realization of the social object and are considered to be appropriate and in accordance with the interest of the Company. The relationships with the parent, subsidiaries and related companies during the period are set out in the supplementary note and management report;
- attention has been paid to the approach given to the consolidated financial statements, with respect to its 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 on the whole in accordance with the specific legislation. The compliance with the rules relating to the preparation of the management report has been verified. Again, there are no comments that should be highlighted in this report. The Shareholders' Meeting report on the budget and its accompanying budget must take into account of the consolidated financial statements and of what is provided for it, only for information purposes, since it is an act which is not subject to approval;
- The Company has adopted an Organizational and Management Model former D.Lgs. 231/2001, as updated during the Board of Directors held on 28 June 2019. In November 2018, following the resignation of a member, a new one was appointed to take over as President of the Supervisory Body. We have periodically met with members of the Supervisory Body; no evidence of reporting to the Shareholders' Meeting House emerged from the talks;
- 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 Meeting of Shareholders.

### **Result for the year**

The net result found by the Board of Directors for the year ended June 30, 2019, was negative for 155,868,693.55 Euros.

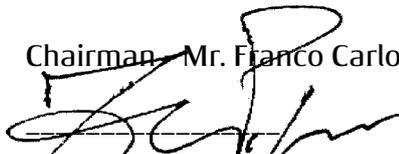
### **Conclusions**

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 ending 30 June 2019 as drafted, and as proposed by the Board of Directors.

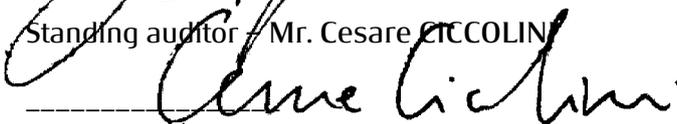
Milan, 11 October 2019

Board of Statutory Auditors

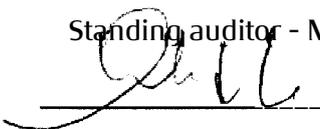
Chairman - Mr. Franco Carlo PAPA



Standing auditor - Mr. Cesare PICCOLINI



Standing auditor - Mr. Alberto DELLO STROLOGO



## 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 2019, 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 2019, 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 Note "Going Concern" (the "Note") of the explanatory notes and Report on Operations, which indicates that the Company incurred in a loss for the period equal to Euro 155,9 million, the equity amounts to Euro 123,8 million and its financial indebtedness amounts to Euro 217,4 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 2019, 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 2019 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 2019 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 11, 2019

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

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



# Resolutions of the Shareholder's Meeting

The Ordinary Shareholder's Meeting held on 28 October 2019 at 15:30 in Milan, Via Aldo Rossi no. 8, resolved:

1. to approve the Boards of Directors' Report on Operations, the Financial Statements at 30 June 2019 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 155,868,693.55;
2. to balance the loss of the period of Euro 155,868,693.55 by using an equal amount of capital contributions and/or loss coverage done during the months of September and November 2018 and during February, March, April and May 2019;
3. to take note of the company's Consolidated Financial Statements at 30 June 2019, as well as the Boards of Directors' Report on Operations and the Auditing Firm's Report.





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