Annual Report 2019

Rai Way.
The road of communications.

CONTENTS

This report has been translated into English from the Italian original solely for the convenience of international readers

Company name, share capital and registered office

Company name:	Rai Way S.p.A.
Share Capital:	€ 70,176,000 fully paid-up
Registered office:	Via Teulada 66, 00195 Rome
Tax and VAT code:	05820021003
Company website:	www.raiway.it

Subject to management and coordination by RAI - Radiotelevisione Italiana S.p.A.
The Company has no secondary offices.

Corporate Bodies and Committees [1]

Board of Directors

Chairperson
Mario Orfeo

Chief Executive Officer
Aldo Mancino

Directors
Joyce Victoria Bigio
Fabio Colasanti
Anna Gatti
Umberto Mosetti
Donatella Sciuto
Gian Paolo Tagliavia
Paola Tagliavini

Secretary to the Board
Giorgio Cogliati

Board of Statutory Auditors

Chairperson
Silvia Muzi

Standing Auditors
Maria Giovanna Basile
Massimo Porfiri

Substitute Auditors
Nicoletta Mazzitelli
Paolo Siniscalco

External Auditors
PricewaterhouseCoopers S.p.A.

Control and Risks Committee

Paola Tagliavini (Chairperson)
Fabio Colasanti
Donatella Sciuto

Remuneration and Appointments Committee
Anna Gatti (Chairperson)
Joyce Victoria Bigio
Umberto Mosetti

[1] In office at the date of this report.

Information on the powers assigned within the Board of Directors and the Company's system of corporate governance in general can be found in the Report on Corporate Governance and Ownership Structures relating to the year 2019, published on the Company website (www.raiway.it).

LETTER TO SHAREHOLDERS

Dear Shareholders,

2019 marked the end the business plan that guided the Company in the five years following its listing on the Stock Exchange. In a macroeconomic and competitive market more challenging than expectations, Rai Way has achieved significant results, which have allowed us to propose for the current year a dividend distribution 10% higher than forecasted.

In December 2019 the Company finalized an agreement with Rai for the progressive interventions on the digital television network required by the process of refarming, with the subsequent amendment of the underlying Service Contract signed by Rai and Rai Way in July 2014, which has been extended until June 2028. It is a significant agreement with positive implications on the performance of the Company and which will lead to the realization of a broader and more technologically advanced broadcasting network configuration than the current one, reaffirming the strategic role of Rai Way, not only for Rai but for the entire country.

During the financial year activities for the completion of the recanalization of the portion of the radio-link network in the 3.7-3.8 GHz band were finalized, the coverage expansion of the DAB+ digital radio transmission service continued and the first systems for the coverage extension of 2, 3 and 4 thematic MUX were activated, in preparation of the refarming process.

In relation to the business linked to third-party customers, the dynamics already observed in the last few years were confirmed also in 2019, with the contribution of corporate customers, fixed wireless access providers (FWAP) and broadcasters offsetting the pressure on revenues characterizing the "hospitality" services of mobile network operators' equipment, for an overall business turnover substantially stable compared to 2018.

With regard to innovation, efforts to acquire technological competences and to develop ideas for the development of innovative projects continued, both in terms of new services to offer customers and of evolution of internal organizational processes and models, within a Digital Transformation perspective.

In 2019, all the main indicators show further progress compared to the previous year. Revenues reached € 221.4 million, up due to the effect of inflation and the positive contribution of new services offered. Adjusted EBITDA was € 131.2 million, benefiting from further efficiency initiatives and reflecting the impacts deriving from the application of the new IFRS 16 accounting standard from 1 January 2019. Progress continued at level of the net profit which reached € 63.4 million in 2019, after having exceeded the 2018 targets set by the business plan one year ahead of time.

These results represent a solid base from which to face the challenges awaiting Rai Way in the near future and to seize the opportunities offered by an evolving and increasingly competitive market, which were taken into account in the new 2020-2023 business plan. In particular, on the basis of the latter, it is expected that in the next few years the Company's strategic guidelines will include not only the strengthening of the core business but also a strong commitment to the expansion of the portfolio of managed infrastructure. A central element of the new plan is also the attention to sustainability, with the progressive definition of social, environmental and governance objectives in line with the most challenging international benchmarks, which will have an impact on all business aspects and on the organizational model, in continuity with the path set out by the Company's Sustainability Report, now in its third edition.

Strengthening of the core business, expansion of the portfolio of managed infrastructure and sustainability definitely are the key elements of the 2020-2023 business plan, deemed to be essential in order to continue to generate value for shareholders, customers and employees, confirming the attention towards the community that has always characterized Rai Way, as a leader infrastructure player in a sector of strategic importance for the development of our country.

RAI WAY'S ACTIVITIES

Rai Way[2] (hereafter the Company) is a leading provider of integrated networks infrastructures and services for broadcasters, telecommunication operators, corporates and public administrations; the Company uses its own assets and its own competences to guarantee the public radio and television service and the transport and broadcast of television and radio content to its customers, in Italy and abroad, leveraging its excellent wealth of technological, engineering and management know-how, in addition to its infrastructures.

Since 2014 Rai Way has been listed on the Electronic Stock Market (MTA) of Borsa Italiana following the Global Offering promoted by the shareholder RAI, which allowed the Company to confirm its already initiated opening to the market, reinforcing its image as an independent enterprise.

In carrying out its activities, Rai Way also operates in over 2,300 sites equipped with infrastructure and systems for transmitting and broadcasting television and radio signals throughout the whole of Italy, has 21 local network centers and avails itself of a highly specialized workforce.

The services offered by the Company include:

(i) Broadcasting Services, meaning services for the terrestrial and satellite transmission of television and radio signals to the end users within a geographical area;

(ii) Transmission services, for the transmission of television and radio signals via the connecting network (radio links, satellite systems, fiber optic) and in particular the provision of Contribution Services, meaning one-directional transport services;

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[2] Rai Way has opted for the simplified system set forth in Arts. 70, paragraph 8, and 71, paragraph 1-bis, of Consob Regulation no. 11971 of 14 May 1999 as amended (Consob Issuer Regulations), and therefore does not need to meet the informational document publication obligations set forth for significant merger, spin-off, capital increase by means of the contribution of assets in kind, acquisition and disposal transactions.

(iii) Tower Rental services, meaning hosting of third party transmission and broadcasting equipment at Company's sites including, were required, maintenance services as well as other complementary activities;

(iv) Network services, which consist of a vast range of heterogeneous services, which the Company is able to provide in relation to electronic and telecommunications networks in general such as, for example, planning and consultancy services.

The services mentioned are offered by Rai Way to different categories of customers: Broadcasters (a category that also includes local and national radio and television network operators and players, which includes RAI), telecommunication operators (mainly MNOs, or Mobile Network Operators), public administrations and private companies.

MAIN ALTERNATIVE PERFORMANCE MEASURES

The Company assesses performance on the basis of certain measures not considered by IFRS. Set out below is a description of the components of the indicators that are important for the Company as stated in Recommendation CESR/05–178b.

- Gross operating profit or EBITDA – earnings before interest, taxes, depreciation and amortization: this is calculated as profit before income taxes, depreciation, amortization, provisions, write-downs and financial income and expenses. EBITDA also excludes profits and losses from managing equity investments and securities, as well as gains and losses arising from the sale of equity investments, which are classified in the financial statements as "financial income and expenses".
- Adjusted gross operating profit or Adjusted EBITDA – earnings before interest, taxes, depreciation and amortization: this is calculated as profit before income taxes, depreciation, amortization, write-downs and financial income and expenses, adjusted to exclude non-recurring expenses/income.
- Net operating profit or EBIT – earnings before interest and taxes: this is calculated as profit before income taxes and before financial income and expenses, without adjustment. EBIT also excludes profits and losses from managing equity investments and securities, as well as gains and losses arising from the sale of equity investments, which are classified in the financial statements as "financial income and expenses".
- Net Invested Capital: this is defined as the sum of Fixed Assets and Net Working Capital less Provisions.
- Net Financial Position or NFP: the format for the calculation of NFP is the one provided in paragraph 127 of CESR Recommendation 05-054b, which implements Regulation (EC) no. 809/2004.
- Capital expenditure: equal to the sum of the expenditure for the maintenance of the infrastructure of the Company's network (Maintenance Expenditure) and for the development/launch of new commercial initiatives

(Development Investments). The item does not include the increases in financial fixed assets and in rights of use for leases.

SUMMARIZED ECONOMIC AND FINANCIAL DATA

The following is a summary of the economic data of Rai Way at 31 December 2019 compared to the results at 31 December 2018. To facilitate the comparison with the results from the same period of the previous year, it was considered appropriate to provide the economic data at 31 December 2018 on a pro-forma basis, as if IFRS 16 had been applied as of 1 January 2018, as this is more representative for the analysis of the Company's economic performance. Analysis carried out by the Company has led to the inclusion, in the context of the application of the standard, of the following types of contract:

- Rental of properties and land;
- Car rental.

In particular, the recognition of the effects of applying IFRS 16 on the pro-forma income statement at 31 December 2018 determined, inter alia, a € 9.4 million increase in Adjusted EBITDA, a € 0.6 million increase in EBIT and a € 0.2 million decrease in Net profit.

In addition, figures are also provided for the Company's Net Financial Position and Net Invested Capital at 31 December 2019 compared to equivalent figures at the close of the previous financial year. The changes and percentages shown in the following tables are calculated using values expressed in Euros.

(amounts in millions of Euro; %)	2019	2018 PF	Delta	% Change
Key income statement figures				
Core revenues	221.4	217.7	3.7	1.7%
Other revenues and income	0.9	0.1	0.8	N.M.
Other operating costs	(45.8)	(44.8)	(1.0)	(2.3%)
Personnel costs	(45.3)	(45.4)	0.0	0.1%
Adjusted EBITDA	131.2	127.7	3.5	2.7%
Operating profit (EBIT)	90.1	84.1	6.0	7.1%
Net profit	63.4	59.5	3.8	6.4%

(amounts in millions of Euro; %)	2019	2018	Delta	% Change
Key balance sheet figures				
Capital expenditure	35.3	27.0	8.3	30.8%
of which maintenance	18.1	19.4	(1.3)	(6.6%)
Net Invested Capital	193.7	164.3	29.5	18.0%
Shareholders' Equity	184.2	180.8	3.4	1.9%
Net Financial Position (NFP)	9.5	(16.6)	26.1	157.7%
Indicators				
Adjusted EBITDA / Ricavi Core (%)	59.3%	58.7%	0.6%	1.0%
Net income / Core revenues (%)	28.6%	27.3%	1.3%	4.6%
Maintenance Capex / Core revenues (%) *	8.2%	8.9%	(0.7%)	(8.1%)
Cash Conversion Rate (%)*	86.2%	83.6%	2.6%	3.1%
NFP / Adjusted EBITDA (%)*	7.3%	N.M.	N.M.	N.M.

*The data reported in the table for 2018 are not pro-forma.

- Core revenues amounted to € 221.4 million, representing an increase of 1.7% compared to the values recorded at 31 December 2018.
- Adjusted EBITDA amounted to € 131.2 million, an increase of € 3.5 million compared to the values at 31 December 2018. The increase is mainly due to greater core revenues of € 3.7 million, partially offset by other operating costs, which showed an increase of € 1 million. The Company defines this measure as EBITDA adjusted for non-recurring expenses.
- The ratio between adjusted EBITDA and core revenues was 59.3% compared to 58.7% at 31 December 2018.
- Operating profit (EBIT) amounted to € 90.1 million, an increase of € 6.0 million compared to the figure recorded at 31 December 2018.
- Net income was € 63.4 million, up 6.4% compared to 31 December 2018.
- Capital expenditure of € 35.3 million relates to the maintenance of network infrastructure and development projects.

- Net Invested Capital amounted to € 193.7 million, with a Net Financial Position of € 9.5 million and a shareholders' equity of € 184.2 million.

REPORT ON 2019 OPERATIONS

GENERAL INDICATIONS AND THE OVERALL PERFORMANCE OF THE ECONOMY[3]

In line with the performance of 2018, global growth in 2019 remained contained, reaching, according to the latest OECD forecast available, around 2.9%, which represents the lower value since the global financial crisis of 2008/2009 and a drop of 60 basis points compared to the value for 2018. The economic activity, experiencing a slowdown in almost all countries, continues to be weighed down by the weakness in world trade and manufacturing production, also following the disputes on tariffs between the United States and China, and the uncertain outlook linked to growing geopolitical tensions (e.g. United States vs. Iran). Moreover, a progressive recovery in international trade was recorded in the last few months of the year, seemingly benefiting from signals of easing tensions between the United States and China, following the signature, in December, of a first trade agreement.

In the United States the current expansive cycle, recorded as the longest in history, is now showing signs of a slowdown (GDP growth forecasted to decrease from 2.9% in 2018 to 2.3% in 2019 and 2.0% in 2020), also due to the uncertainties linked to import tariffs policies and trade tensions. Even though unemployment at record low levels and rising salaries have supported consumption growth, the increase in the public deficit following the strong fiscal stimulus in 2018, the decline in foreign demand and demographic pressure are, however, leading to a drop in investments and business confidence and an increase in inflation, which the Federal Reserve tried to counteract with several cuts in the cost of money during 2019.

In the Eurozone, the economic activity, supported by internal demand and, in particular, consumer spending, strengthened thanks to the good employment performance of the, was however slowed down by the weakness in the

[3] OECD, OECD Economic Outlook, November 2019; Bank of Italy, Economic Bulletin 1 / 2020

manufacturing industry, especially in Germany, with the risk of negative repercussions also in the growth of services, which remained firmer so far. In the Eurosystem projection made in December, GDP growth in 2019 was estimated at 1.2%, while in 2020 and 2021 it is expected to be 1.1% and 1.4% respectively. During the year the risk of a disorderly exit of the United Kingdom from the EU was reduced, with Brexit taking place on 31 January 2020, following the formalization of a withdrawal agreement. With regard to interest rates, the Governing Council of the ECB confirmed its accommodating approach during the year.

2019 was characterized by signals of growth slowdown also in emerging countries, with China's GDP expected to growth by 6.2%, 0.4 percentage points less than in 2018, India's GDP up by 5.8% (compared to 6.8% in 2018) and Russia's GDP expected to be of 1.1%, down by 1.2 percentage points compared to the value of the previous year.

In the last three months of 2019 oil prices went up, with Brent closing 2019 at around $ 66 per barrel, supported by greater market optimism with regard to the tariffs disputes between the United States and China, and the production rationing agreement among the OPEC+ countries.

With reference to the consumer prices trends, the United States recorded a growth of around 2% while the other main advanced economies were characterized by lower values, with inflation forecasts essentially stable in the long term. In particular, consumer prices in the Eurozone remained stable in 2019 at around 1.2%, with a drop in the energy component offset by the strengthening of core inflation, supported by the cost of services. In line with the moderate growth in the economy, the most recent Eurosystem forecasts for the 2020-2022 three-year period indicate a contained level of inflation, even though slightly rising, and in any case below the medium term objective (2%) of the ECB, which in December confirmed the accommodative monetary policy adopted in previous years.

In October the FED reduced interest rates in the United States for the third consecutive time in 2019; similar further reductions were also implemented by other central banks.

With regard to Italy, the economy, in slight growth in the third quarter of 2019, experienced a downturn in the last three months of the year, with an average growth for 2019 of 0.2% (down compared to 0.8% recorded in 2018), mainly affected by the weakness in the manufacturing and energy production sectors, as well as by the global slowdown scenario.

The surveys carried out by ISTAT and by the Bank of Italy underscore a still cautious approach on the part of enterprises: expectations on the evolution of demand signal a modest increase in sales and an improvement in foreign demand, offset however by still unfavorable opinions in the general economic situation. Investment plans indicate a modest expansion in the short term, after the slight decline in the last two months of 2019.

In 2019 inflation remained very low (0.5% over the year, about one percentage point lower than the Eurozone average), especially due to energy commodity prices, while the core component rose slightly in the autumn months. An increase in prices of 0.6% and 0.7% is expected respectively for 2020 and 2021.

With regard to the labor market, the number of people in employment rose in the last two quarters of 2019 and the unemployment rate fell to 9.8% at the end of the year (10.4% in 2018). Total wage growth weakened slightly in the last few months of the year, at 0.6%, and it is expected to remain stable in the coming months, pending the renewal of some significant private sector contracts, which expired at the end of 2019.

Credit supply conditions remained overall positive, with a loosening of lending criteria by banks, which led to a drop in the cost of credit to households, in the presence of a still robust demand. Credit to enterprises contracted slightly, in line with the weak demand. The flow of new impaired loans remained low, despite the unfavorable cyclical phase.

In the presence of still very accommodating monetary and financial conditions, the projections for the Italian economy indicate a growth in GDP of 0.5% in 2020, of 0.9% in 2021 and 1.1% in 2022, with the economy being supported by the gradual recovery in international trade and domestic demand, also due to the income support measures launched by the Government and the moderate growth in employment.

The first months of 2020 recorded the spread of the Covid-19 virus, starting from China and then across the world. The European Union, and in particular Italy, have been severely affected by the pandemic, with a growing concern for the health of citizens and the inevitable repercussions on the global economy. The forecast figures mentioned in this paragraph do not take into account the potential impacts deriving from the spread of this virus.

The Company's reference market

Rai Way is a leading operator in the Italian radio and television transmission infrastructure market. The main television transmission platforms in the television broadcasting market are as follows:

- DTT (Digital Terrestrial Television, free and pay television),
- DTH (satellite),
- IPTV (internet),
- cable TV.

Compared to the other countries of Western Europe, Italy is characterized by a far greater diffusion of the DTT platform. In the other countries, the lower extent of the DTT platform is due to a broader and more competitive presence of satellite platforms (e.g. in the United Kingdom and Germany), cable (e.g. Germany) and IPTV (e.g. France). The solid positioning of DTT in the Italian broadcasting scenario is further supported by the absence of cable TV (operators capable of providing cable television services are normally the strongest competitors in the European market, for both television and broadband) and a reduced penetration of IPTV.

With reference to the DTT platform, it should be noted that the new DVB-T2 standard is expected to be adopted in Italy in 2022.

Regarding the Italian radio market, programs are transmitted in both analogue and digital format (DAB - Digital Audio Broadcasting) and there Is no deadline for the switch-off of the analogue signal, in line with many other European countries.

Thanks to the features of its network, Rai Way also provides its customers with tower rental services. In this respect Rai Way operates in the telecommunications towers sector mainly characterized by the presence of two independent operators and the captive portfolios owned by MNOs (Mobile Network Operators).

Rai Way on the financial markets [4]

After a negative 2018, in particular in the last quarter, 2019 was a year of growth for international financial markets. The positive performance was also boosted by the continuation of the accommodative policies of the ECB and other central banks, designed also to offset trade and geopolitical tensions and the slowdown in global growth.

The Italian stock exchange list also benefited from a drop in the spread, thanks to a lower country risk perception. In 2019 the FTSE Italia All Share Index grew by 27.2%. The Mid Cap Index recorded an improvement of 18.3%, also driven by the reform of individual savings plans (PIR), which has made Italian small and mid cap stocks more attractive to investors.

In 2019 the value of Rai Way shares, listed on the Electronic Stock Market (MTA) of Borsa Italiana, recorded an increase of 41.4% (46.5% adjusted for the distribution of dividends). This performance, markedly higher than the reference indices, reflects the company's positive financial results, the favorable reception of the Refarming agreement signed with RAI in December, the positive impact of interest rates and the consolidation trends in the TowerCo sector.

1. Rai Way ended 2019 with a market capitalization of € 1,667 million.

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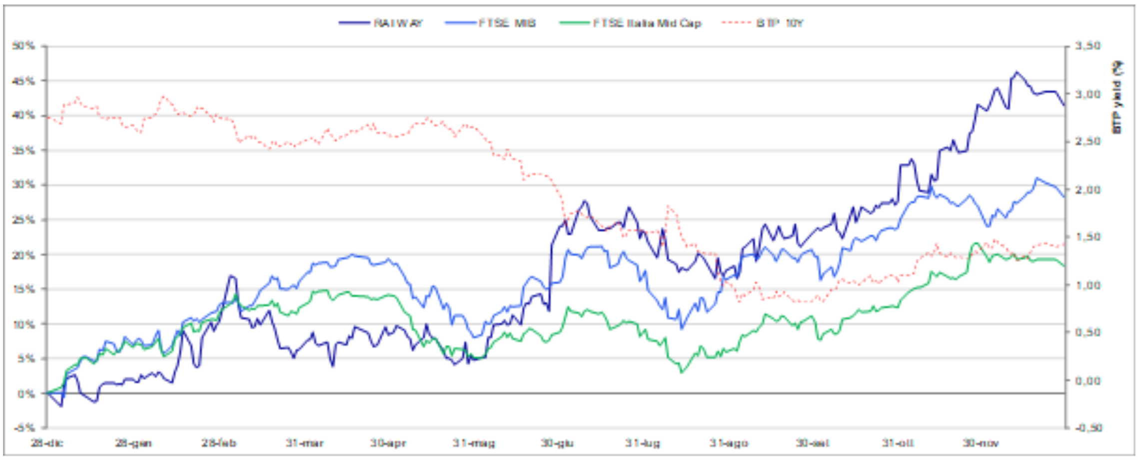
[4] Borsa Italiana data processing (www.borsaitaliana.it)

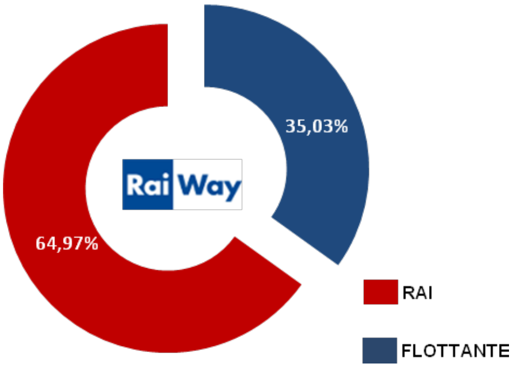


The following table sets out key market figures:

Key market data		
General data	ISIN	IT0005054967
	Number of shares	272,000,000
	Floating capital	35.03%
Price (EUR; %)	Price on placement (19/11/2014)	2.95
	Price at 31/12/2018	4.335
	Price at 31/12/2019	6.13
	Performance at 31/12/2019 vs. placement	+107.80%
	Performance at 31/12/2019 vs. 31/12/2018	+41.41%
	2019 Price maximum (closing)	6.34
	2018 Price minimum (closing)	4.255
Volumes ('000)	2019 average volume	101,000
	2019 maximum volume	664,866
	2019 minimum volume	5,777
Capitalization (€ million)	Capitalization on placement (19/11/2014)	802.4
	Capitalization at 31/12/2018	1,179.1
	Capitalization at 31/12/2019	1,667.4

Shareholding structure

During 2019 the percentage of Rai Way's share capital held respectively by Rai-Radiotelevisione Italiana Spa and by the market remained stable.



Commercial performance

During 2019 Rai Way's commercial initiatives focused, in continuity with previous years, on the support to the main customer Rai and on the analysis and scouting of new potential markets, with a view to expanding services and diversifying the offer.

With regard to the first, it is highlighted that the service contract signed by Rai and Rai Way in 2014 provides, in addition to basic diffusion and broadcasting services, the possible supply of additional services (new services) which, when the new needs arise, the parties can negotiate in accordance with an agreed procedure.

During 2019 procedures and timetables were defined, through the evolution of the sector regulatory discipline following the approval of the 2019 Budget Law, for the release of the 700 MHz band for the transition towards the DVB-T2 standard by June 2022 (refarming process) and, in consequence, the main obligations that Rai must meet, together with the provisions of the RAI-State Service Contract, in relation to the new configuration of the DTT networks.

To this end, in December 2019 an agreement was signed with Rai for the progressive implementation of the interventions on the DTT network required by the refarming process, with the subsequent amendment of some terms and conditions of the existing Service Contract. The effect on completion is that of an increase in the consideration of the Rai - Rai Way Service Contract, which reflects a broader and more technologically advanced, in terms of equipment, network configuration than the current one, still based on over 2,000 sites.

With reference to further initiatives of interest implemented during 2019, the following are noted: the services for sport and institutional events (contribution services and services for the coding and transport in 4K), the replacement of transmission links operating over the 3,695 MHz - 3,800 MHz band, the extension of the DAB+ service through the realization of new stations to cover the main motorways, the start of the first systems activations in relation to the coverage extension project of MUXes 2, 3 and 4.

In the framework of the initiatives launched to promote the evolution and development of services included in the Service Contract, it is noted the realization for Rai, at the Rome Olympic Stadium, of a so-called guaranteed quality hot spot, entirely designed and developed by Rai Way.

The Tower Rental service market, the greatest contributor to revenues from third parties, in 2019 continued to record the pressure due to the optimization process initiated by the MNOs, made necessary also by the competitive context, which was characterized by several events, including the announcement of the agreement between TIM (also through its subsidiary Inwit) and Vodafone for the integration, among other things, of their own passive infrastructures.

In 2019 Rai Way consolidated the growth path of commercial relationships with other categories of customers started in previous years, with a positive impact on turnover. In particular, the number of stations hosted by Rai Way on its own infrastructure grew, with reference to customers operating in the Fixed Wired Access market, radio operators and corporate customers. An increase in revenues from the Transmission services sector is also noted.

Lastly, it should be highlighted that the Company, leveraging the know-how acquired over many years in the management of networks and broadcast services, confirms its leading role in innovative initiatives aimed at identifying business areas that could increase the value of Rai Way's assets in the medium term and guarantee the necessary support for growth (see paragraph "Research and development").

Significant events

The main events of the year were as follows:

- On 14 March 2019, the Board of Directors approved the 2018 draft financial statements, which closed with a profit of € 59.7 million, and a proposal to distribute a dividend of €0.2196 per share.
- On 25 March 2019, Raffaele Agrusti tendered his resignation for personal reasons as Director, and thus as Chairman of the Board of Directors, such resignation to take effect at the end of the next Shareholders' Meeting.
- On 18 April 2019, the Shareholders Meeting of Rai Way, among other things:
  - approved the financial statements of the Company for 2018 and the distribution of a dividend as proposed by the Board of Directors;
  - approved the proposal submitted by the Board of Directors for a new authorization for the repurchase and disposal of treasury shares, after withdrawing the authorization granted on 28 April 2018, and voted in favor of approving Section One of the Remuneration Report prepared by the Board of Directors pursuant to art. 123-ter, paragraph 6, of Italian Legislative Decree no. 58/1998;
  - integrated the Board of Directors with the appointment, with term until the expiration of the current Board (i.e., until the Shareholders' Meeting called to approve the Financial Statements at 31 December 2019), of Mario Orfeo, non-independent Director who, also appointed as Chairman of the Board of Directors, took over for the departing Raffaele Agrusti.

- on 10 December 2019, the Company signed an agreement with the Parent company regarding the amendment of some terms and conditions of the Service Contract, with respect to which the parties waived their right to cancel the second seven-year period already provided for, effectively renewing it until 30 June 2028, without prejudice to the possible already planned continuation for a further seven-year period, except in the case of termination.

Safety and the environment

Rai Way, in confirming its focus on the issues, strictly linked to its business activities, relative to the protection of the environment, of employees' health and safety, and with respect to the citizens living in proximity of its plants, implemented an Integrated Environment and Safety Management System, in compliance with the requirements of the ISO 14001 regulations, with regard to the environment and the population, and OHSAS 18001 regulations, with regard to health and safety in the workplace.

As required by the two sets regulations, the entire process was reviewed during 2019 by an external Certification Body, which confirmed its validity with the issue of new certificates.

In particular, the ISO 14001:2015 certification attests the compliance of Rai Way environment management system to the regulations requirements that, in the 2015 review, in addition to confirming the credibility gained over the years, it consolidates its own good practice in support of the sustainable development, a very relevant issue at present, with the objective of reaching a balance between environment, society and economy.

On the other hand, the OHSAS 18001:2007 certification attests to compliance of the occupational health and safety management systems with the requirements of that standard, with specific respect to the "Planning and management of networks and systems for transmitting and broadcasting radio and television signals in Italy and abroad".

Results for the year

The Company earned net income of € 63.4 million in 2019 representing an increase over the previous year corresponding figure of € 3.8 million (+6.4%).

A summary of the Company's income statement for the years ended 31 December 2019 and 31 December 2018 is set out in the following table:

Income statement

Income Statement

(amounts in millions of Euro; %)	2019	2018 PF	Delta	% Change
Revenues from RAI Group	188.2	184.6	3.5	1.9%
Revenues from third parties	33.2	33.1	0.1	0.4%
Core revenues	**221.4**	**217.7**	**3.7**	**1.7%**
Other revenues and income	0.9	0.1	0.8	N.M.
Personnel costs	(45.3)	(45.4)	0.0	0.1%
Other operating costs	(45.8)	(44.8)	(1.0)	(2.3%)
Adjusted EBITDA	**131.2**	**127.7**	**3.5**	**2.7%**
EBITDA margin	*59.3%*	*58.7%*	*0.6%*	*1.0%*
Adjustments	(0.1)	(1.2)	1.0	88.0%
EBITDA	**131.1**	**126.6**	**4.5**	**3.6%**
Amortization and depreciation	(42.2)	(42.0)	(0.2)	(0.4%)
Bad debt provisions	(0.2)	(0.3)	0.1	24.2%
Provisions	1.5	(0.1)	1.5	N.M.
Operating profit (EBIT)	**90.1**	**84.1**	**6.0**	**7.1%**
Net financial expenses	(1.3)	(1.9)	0.6	32.8%
Profit before income taxes	**88.8**	**82.3**	**6.6**	**8.0%**
Income taxes	(25.5)	(22.7)	(2.8)	(12.1%)
Net income	**63.4**	**59.5**	**3.8**	**6.4%**
NET INCOME Margin	*28.6%*	*27.3%*	*1.3%*	*4.6%*

Rai Way had revenues of €221.4 million, an increase of € 3.7 million compared to the previous period (+1.7%).

The activities carried out for the Rai Group generated revenues of € 188.2 million, an increase of 1.9% compared to the same period of the previous year. The increase of € 3.5 million is mainly due to the adjustment of the fixed consideration to the rate of inflation and to the increase in turnover relative to new services provided to Rai ("new services").

With regard to commercial relationships with other customers, revenues from third parties were € 33.2 million, an increase of € 0.1 million compared with the previous period (+0.4%) mainly due to the positive economic effects of commercial agreements in place with Fixed Wireless Access Providers (FWAP), Media and Other Customers, which offset the downward trend deriving from network optimization actions implemented by the MNO customer segment.

The item Other revenues and income shows an increase of € 0.8 million compared to the previous year, mainly due to the sale of a corporate site no longer in use for the provision of services.

The income statement item Personnel costs amounted to € 45.3 million, essentially in line with the values for the previous year. In particular, there was an increase in capitalized personnel costs due to higher levels of involvement of internal resources working on capital projects, which offset the increase in organic personnel costs due to the greater average number of employees, equal to 612 units in 2019, with an increase of 11 units compared to the previous year.

Other operating costs – which include consumables, services and other costs net of non-recurring expenses - amount to € 45.8 million, with an increase of € 1 million compared to the previous period, determined by higher maintenance and utilities, in any case in part offset by lower costs for consulting and local taxes.

Other operating costs do not include the non-recurring costs for extraordinary operations that are not included in the calculation of Adjusted EBITDA.

Adjusted EBITDA amounted to € 131.2 million, an increase of € 3.5 million over the figure for 31 December 2018, representing a margin of 59.3%.

EBITDA amounted to € 131.1 million, an increase of € 4.5 million compared to the value of the previous year, also benefiting from lower non-recurring costs of € 1.0 million, mainly due to the expenses linked to retirement incentive plans in 2018.

The operating profit, equal to € 90.1 million, recorded an increase of € 6.0 million compared to 2018, also due to the release of some reserves for € 1.5 million. It is noted that the item amortization/depreciation includes the impact of the application of IFRS 16, valued at € 8.8 million.

With regard to financial expenses, a balance of € 1.3 million is recorded with an improvement of € 0.6 million from the previous period as a result of less interest payable to banks deriving from the early full repayment of an amortizing loan in the second half of 2018. It is noted that the item includes the impact of the application of the IFRS 16 accounting standard, valued at € 0.6 million in 2019.

Net income amounted to € 63.4 million, with an increase of € 3.8 million over the same period in 2018.

Capital expenditure

In 2019 Capital expenditure amounted to € 35.3 million (€ 27.0 million in the same period in 2018), of which € 18.1 million relating to the maintenance of the Company's network infrastructure (€ 19.4 million in the same period in 2018) and € 17.2 million to the development of new commercial initiatives, sharply up compared to the previous financial year (€ 9.6 million).

The item does not include the increases in financial fixed assets and in rights of use for leases.

Capital expenditure

(amounts in millions of Euro; %)	2019	2018	Delta	% Change
Maintenance expenditure	**18.1**	**19.4**	**(1.3)**	**(6.6%)**
Development Investments	**17.2**	**7.6**	**9.6**	**126.3%**
Total capital expenditure	**35.3**	**27.0**	**8.3**	**30.8%**

The most relevant maintenance expenditure related to the continuation from the previous year of the renewal of transmission and radio equipment for radio service to ensure higher levels of service reliability and availability. Investments for the improvement and optimization of the IP control network as well as for virtualization of management systems to meet the connectivity needs between equipment, systems and users have also continued. Development Investments related mainly to the extension of the digital broadcasting service network, the replacement of broadcasting links operating on the 3,695 MHz - 3,800 MHz band and the extension of the DAB+ service with the realization of new stations to cover the main motorways.

Statement of financial position

(amounts in millions of Euro; %)	2019	2018	Delta	% Change
Fixed assets	229.4	194.2	35.3	18.2%
Net working capital	(8.0)	(1.2)	(6.8)	(576.1%)
Provisions	(27.7)	(28.7)	1.1	3.8%
NET INVESTED CAPITAL	**193.7**	**164.3**	**29.5**	**18.0%**
Shareholders' Equity	184.2	180.8	3.4	1.9%
Net Financial Position	9.5	(16.6)	26.1	157.7%
TOTAL FUNDING	**193.7**	**164.3**	**29.5**	**18.0%**

Net Invested Capital at 31 December 2019 was € 193.7 million. Fixed assets include the rights of use for leases in application of the IFRS 16 accounting standard for € 32.6 million not present in 2018; this value, not present in 2018, determined an increase in total fixed assets. Working capital showed a reduction due to the improvement of payables from third parties. The Net Financial Position amounted to € 9.5 million and included leases financial liabilities in application of the IFRS 16 accounting standard for a value of € 39.5 million. Net of this accounting effect the Net Financial Position was up compared to 31 December 2018 due to the effect of positive cash generation from operating management; see paragraph "Current and non-current financial assets and liabilities" (note 20) for more details.

Human Resources and Organization

Rai Way had a workforce of 579 people at 31 December 2019 employed on a permanent basis: 23 executives, 163 middle managers, 380 technicians or office staff and 13 workers. 12 other workers with fixed-term employment contracts and 24 apprentices are to be added to the above. The following table sets out information regarding the composition, age and education of personnel.

	Executives			Middle managers			White-collar workers and technicians			Blue-collar workers		
Years	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Men (annual average value)	18	16	17	118	115	127	336	345	349	31	22	13
Women (annual average value)	6	5	5	23	24	24	75	79	82	0	0	0
Average age	51	52	52	52	52	51	43	44	42	56	57	60
Working seniority	16	16	17	25	25	23	13	16	12	29	26	33
Graduates (%)	96	95	96	41	41	40	21	22	24	0	0	0
Upper secondary school (%)	4	5	4	59	59	60	77	75	73	74	78	69
Lower secondary school (%)	0	0	0	0	0	0	2	3	3	26	22	31

In 2019 HR action plans were implemented as follows, in a strategic framework for the enhancement of human capital and focusing on the development of open and collaborative leadership models, supported by the further emphasis on digital training paths and on the development of virtual organization models, as factors promoting corporate growth and the sustainability of results:

- safeguard of the optimal and coherent size of the workforce;
- development of the company's organizational model in function of the technological and business challenges faced, in a competitive scenario framework;
- constant appreciation of results and behaviors expressed by personnel, enriched with instruments for the conciliation of employees' well-being needs;
- implementation of smart working organizational solutions and work-life balance solutions;

- activation of paths consistent with main HR best practices in terms of talent strategy, on-boarding, remuneration and benefits;
- qualified investment both in technical and in management training;
- continuous path of industrial relationships both at national and local level, for the search of adequate and shared solutions, which has also translated into the agreement for the management of a performance-related bonus for human resources;
- opening to the social dimension of the enterprise, through the integration and the strengthening of paths with universities, aimed at promoting targeted traineeships and alternation.

Furthermore, the Company has launched a development project for the recognition and redesign of corporate procedures relevant to the digital transformation process and the internal resources management model, with a view to rationalizing the overall reference system, simplifying activities, as well as paying constant attention to innovation, compliance, and corporate risk prevention/management profiles.

In general terms, Rai Way's system of remuneration and incentives aims to reflect and support consistency and fairness at the company's organizational level and the valorization of merit in terms of appreciation of the results achieved and qualitative performances and competitiveness with respect to best global practices.

With reference to strategic management, cardinal elements of the remuneration policy have been the correlation with strategies and corporate principles, the selectivity of beneficiaries and the internal coherence with respect to positions, areas of responsibility and the roles carried out, the competitiveness with remuneration levels in the external market as well as the adherence to the regulatory framework and reference to best market practices.

Negotiations with the trade unions in 2019 led to the signing of significant agreements at national level. Of particular relevance was the agreement on the corporate performance-related bonus for the 2019-2021 three-year period which will allow, for the first time, the Company's non-executive personnel to benefit from a collective economic benefit linked to the performance of Rai Way, able to attain targets based on the specific technical-productive features and competitive positioning of the Company. Reaching specific profitability parameters triggers the further innovative aspect of the agreement, which adds value to the increase in the hours of digital training received by personnel. This agreement also includes mechanisms dedicated to corporate welfare through the provision of fringe benefits. An agreement that guarantees the osmosis of the personnel's technical expertise as well as the enhancement of the work carried out internally by the resources directly employed by Rai Way was also reached. The Agreement, with a three-year validity, is recognized as an important instrument of organizational and functional flexibility to ensure greater efficiency and effectiveness in all areas linked to the extension and the renewal of digital networks as well as national or macroregional projects with extraordinary or specialist connotations compared to ordinary maintenance levels.

It is noted that Rai Way during 2019 renewed its ISO 9001:2015 certification for the provision of services for the design of plants and networks for the transmission of radio and television signals, for the provision of coordination and planning activities for the ordinary maintenance of plants and networks for the broadcasting of radio and television signals as well as the provision of infrastructure and network services for telecommunication operators.

Rai Way also confirmed its Italia Top Employers certification as Employer of Choice, consolidating a path of attention and innovative development of HR policies and processes, which once again confirms the Company's ability to offer the best working conditions, reconciling competitiveness and corporate welfare.

Disclosures on the main risks and uncertainties faced by the Company

The pursuit of the corporate mission and the Company's economic and financial position are affected by various potential risk factors and uncertainties. The main sources of risk and uncertainty are summarized below.

Risk factors related to the Company

Risks related to the concentration of revenues in a small number of customers

As a result of the concentration of the Company's clientele, any problem arising in trade relationships with the Company's main customers could have an adverse effect on its economic and financial position.

In addition to Rai, the Company's largest customers are the main Italian MNOs (Mobile Network Operators) with whom it enters into framework agreements for tower rental services, generally having a six-year term, with the commitment not to phase out a pre-determined number of stations for a three-year period. Please note that there is no certainty either that these relations will continue or that they will be renewed on their natural expiry. In addition, even if these arrangements are continued and/or renewed, there is no certainty that the Company will be able to keep turnover and/or the current contractual terms unaltered.

In addition to the above, as a consequence of the concentration of its revenues the Company is also exposed to the credit risk deriving from the possibility that its trade counterparties may be unable to fulfil their obligations.

Any interruption of relationships with its main customers, the reduction in the number of stations, the inability to renew existing agreements on expiry or the non-performance by one of its trade counterparties could have a negative effect on the Company's business and its economic and financial position.

Risks related to the Service Contract

Given the importance of the Service Contract with Rai to the Company's revenues, the same could suffer negative effects in terms of economic and financial position if such agreement was terminated – even in part – in advance, if the levels of the contractual services are not complied with or if there are significant increases in production costs (also as the result of measures taken by the competent authorities) that are not absorbed by a corresponding increase in the consideration payable by Rai.

Risks related to the expiry and renewal of the Rai concession

By decree of the President of the Council of Ministers of 28 April 2017, Rai was established as the exclusive concessionaire for the public radio, television and multimedia service for the decade starting from 30 April 2017 to 30 April 2027.

The concession was renewed in accordance with article 9 of Law 26 October 2016, no. 198 (so-called Publishing Law) that, amending article 49 of Legislative Decree no. 177 of 31 July 2005 containing the Consolidated Act on audio-visual and radio media services, established a new procedure for the concession of public radio, television and multimedia service. The termination of the concession between the State and Rai, a renewal according to terms different from those currently in force or the non-renewal on expiry could have material negative effects on the Company's economic and financial position. There is a connection between the contractual relationship between the Italian government and Rai and the contractual relationship between Rai and the Company. As a result, the former has an effect on the latter. Pursuant to the Rai – Rai Way Service Contract, the expiry and/or failure to renew the concession is an institutional modifying event which entitles Rai to withdraw from the same by giving twelve months' notice.

Risks related to the stipulation of a new service contract between Rai and the Ministry

At its meeting on 22 December 2017 the Council of Ministers made a final decision on the National Service Contract between the Ministry of Economic Development (MISE) and Rai for the period 2018 – 2022, after the expression, on 19 December 2017, of the opinion required from the parliamentary Commission for general guidance and monitoring for radio and television services. Rai's Board of Directors approved the text of the Service Contract on 11 January 2018, published in the Official Journal on 7 March 2018.

Uncertainty persists however as to the technical specifications relating to the provision of the Public Service.

Risks related to the ownership and/or potential modifications of the frequencies held by Broadcasters customers

The Company is not and has never been the owner of frequencies, which are normally assigned to its customers known as broadcasters, a category that also includes national and local radio and television network operators of which also Rai is part. The loss of ownership of frequencies on the part of broadcasting customers, in whole or in part, and/or the modification of the frequencies assigned to broadcaster, also including as a result of the planned process of reassigning the rights of use of the frequencies in the 694-790 MHz band, now used by broadcasters, to terrestrial bidirectional wide band mobile electronic communications services and the overall redesign of the use of the frequency spectrum by national and local broadcasters, could lead to a loss of customers for the Company or the redefinition of the scope of services provided to customers, with negative effects on the Company's revenues, as well as on its economic and financial position also for the effect of possible increases in costs and the investments that the Company could have to make.

With reference to Rai, there is a connection between Rai's ownership of its frequencies and the contractual relationship between Rai and Rai Way. Consequently, if ownership of the frequencies were to cease or be modified this would have an effect on that contractual relationship. Pursuant to the Service Contract, revocation of the availability of one or more frequencies (MUX) is an institutional modifying event which entitles Rai to withdraw from such, also partially, by giving twelve months' notice.

In relation to the scenario indicated by the 2018 and 2019 budget laws and by AGCOM Resolution no. 39/19/CONS, it is also highlighted that the impact of a possible, even partial, withdrawal by Rai from the Service Contract could be limited by the effects deriving from new services to be offered to Rai in relation to network reconfiguration activities deriving from this process.

Please note that in December Rai and Rai Way signed an agreement for the realization of progressive interventions on the DTT network required by the refarming process, with the consequent amendment of some of the terms and conditions of the Service Contract. In particular the consideration in favor of Rai Way provided for by the Service Contract will be increased, from 1 July 2021, to reflect a more extensive network configuration than the current one in terms of equipment, in a scenario that assumes the realization and management by Rai Way of three MUX for RAI.

It is noted that in the outcome of the allocation of new rights of use of frequencies, RAI was assigned two MUXes as well as the transmission capacity corresponding to 0.5 MUX without frequency specification. Furthermore, the 2019 Budget Law includes the possibility of award through non competitive auction of four additional blocks of transmission capacity each corresponding to 0.5 MUX which, should RAI decide to take part and be the assignee, would result in RAI owning three MUXes. In the case of RAI not obtaining the availability the third MUX with Rai Way consequently managing two post-refarming, the increase included in the consideration agreed from 1 July 2021 will be reduced by € 6.0 million, with an impact on the company's economic and financial position.

Risk related to the contractual and administrative structure of the Sites

Given the importance of Rai Way's network infrastructures for its business, negative events affecting such infrastructure could have negative effects on the Company's economic and financial position.

In particular, among the potential risks relating to the contractual and administrative provisions regarding the Sites is the risk that the agreements for the use of the Sites (other than those wholly owned by Rai Way) on which the infrastructures are located will not be renewed, with the resulting obligation for the Company to return the land used in its original condition, or the risk that any renewals will not be obtained on terms at least as favorable as those applicable at the reporting date, with resulting negative effects on the profitability from managing the Sites and consequently on the Company's economic and financial position.

In addition, given the importance of the Company's property, any changes in existing taxes or the introduction of new taxes could have a material effect on the Company's tax expense.

Risks related to Rai's management and coordination activities

The Company is a member of the Rai Group and is subject to the management and coordination of the Parent Company pursuant to articles 2497 and following of the Italian Civil Code. Without prejudice to the above, the Company is capable of working in conditions of operational autonomy, to the extent appropriate for a listed company and in compliance with the best practices followed by listed issuers and in any case with the rules for the proper functioning of the market, generating revenues from its customers and using its own skills, technologies, human resources and funds. In particular, Rai carries out its management and coordination activities by the means described in the Management and Coordination Regulation which became effective on the First Trading Day (19 November 2014) and aims on the one hand to match the need for an informational link and functional interaction underlying Rai's management and coordination activities and on the other to ensure that Rai Way's status as a listed company leads to its operational and financial autonomy at all times.

In particular, Rai's management and coordination activity does not have the general character and is implemented exclusively through the following activities: (i) the drafting by Rai of certain general rules designed to coordinate – to the extent possible and in accordance with the respective needs – the main guidelines for the management of Rai and Rai Way; (ii) the requirement for Rai Way to inform the Parent Company in advance before approving or executing, depending on the case, any operations and/or transactions, determined and drawn up independently within Rai Way, that are considered to be of particular significance and importance with respect to the strategic lines and planning of the operations of the Rai Group; (iii) the communication by the Company to Rai of the information necessary or useful for management and coordination.

In no event does the Parent Company have any power of veto over any extraordinary operation that Rai Way may wish to perform or over the hiring or dismissal of executives by the Company, which has full and exclusive decisional power over matters of appointing or employing persons and setting their career paths.

Risks related to the powers of the Italian government (golden powers)

The ability of the Company to adopt certain corporate resolutions or the acquisition of certain equity investments in the Company by investors not resident in the European Union which are considered material for the purposes of control could be limited by the special powers of the Italian government ("golden powers") granted by Italian Decree Law no. 21 of 15 March 2012 converted with amendments into Italian Law no. 56 of 11 May 2012, which governs the government's special powers with respect, inter alia, to strategic assets in *the* communications sector, as identified by art. 3 of Italian Presidential Decree no. 85 of 25 March 2014.

Risks related to the Company's inability to implement its strategy or results of the implementation of activities not in line with expectations

The inability of the Company to successfully implement any of its strategies could lead to negative effects on its business and on its economic and financial position.

Furthermore, owing to the dynamic context in which the Company operates, the applicable regulatory requirements, the uncertainty surrounding exogenous scenarios, the complexity of the reference business – also with reference to infrastructural and technological aspects – activities put in place by the company could have results not in line with expectations, with a negative impact on the Company's economic and financial position.

Risks related to key personnel

If the relationship between Rai Way and its key personnel ends, this could have negative effects on the Company's business and its economic and financial position.

The results achieved by Rai Way also depend on the contribution provided by people having key roles within the Company and who – in certain cases – have played a crucial role in developing the Company from the time of its establishment. At the balance sheet date, all these persons considered key for the purposes of the above are tied to the Company by permanent employment contracts.

Risks related to the licensing agreement for the brand name "Rai Way"

The use of the name "Rai Way" by the Company is directly connected with the continuation in force of the Brand Transfer and Licensing Agreement with Rai.

Although the name "Rai Way" does not have any specific importance for the purpose of identifying a product or service, given the particular nature of the business the Company performs, in the case of termination of the Brand Transfer and Licensing Agreement for any reason, the Company's right to use the name "Rai Way" would cease and accordingly the Company would no longer be able to use it and would have to change its corporate name.

Risks related to related party transactions

The Company has had and continues to have relationships of a trade and financial nature with related parties, and in particular with Rai. These relationships have allowed and continue to allow the Company, depending on the case, to obtain benefits from the use of common skills and services, the use of Group synergies and the application of unified policies in the financial field; in the Company's opinion these provide for terms and conditions in line with those of the market. Despite this, there is no certainty that if these transactions had been carried out with third parties, such would have negotiated and stipulated the relative agreements, or carried out the transactions, under the same terms and conditions and by the same means.

Risks related to financial and other covenants contained in the Loan Agreement

On 15 October 2014 the Company entered into a Loan Agreement with Mediobanca, BNP Paribas, Intesa Sanpaolo and UBI Banca, which includes general undertakings and financial and other covenants, also of a negative nature, which although in line with market practice for loans of similar amounts and nature could impose significant restrictions on its business. Further details on this matter may be found in the section "Current and non-current financial assets and liabilities" in the notes to the financial statements.

Risks related to judicial and administrative proceedings and the possibility that the Company's provision for risks and charges may not be adequate

At the reporting date, the Company considers the provisions recognized in the financial statements to be adequate also in relation to any negative outcomes in the main disputes in which it is involved; however, these negative outcomes could be different from expectations, with possible impacts on its economic and financial position.

Risks related to the takeover of the Company

Given the interest held by the controlling shareholder Rai and given the legislative framework in which this exists, the Company cannot be taken over.

Risk factors related to the industry in which the Company operates

Risks related to obtaining administrative authorizations and/or to the fact that these may be revoked

The failure by the Company to obtain authorizations and permits or to obtain these late, the delayed issue of such authorizations and permits or the issue of authorizations and permits which only partially satisfy the Company's requests, together with the revocation of these authorizations and permits, could have negative effects on the Company's business and, consequently, on its economic and financial position.

Risks related to the effects of natural disasters or other force majeure events on infrastructure

It is essential for the network to work properly if the Company is to conduct its business and provide services to its customers. Although the Company believes that its insurance coverage will adequately cover all the costs of any damage that may be caused by natural disasters or force majeure events, and that in any case it has operating procedures that will come into play if such events should occur, any partial or total damage to the Company's towers or, more generally, its Sites, and to its main locations such as its Control Centre and regional centers, caused by natural disasters or other force majeure events, could hinder, or in certain cases prevent, the Company from carrying out its normal operations and its ability to provide services to its customers, with possible negative effects on its business and on its economic and financial position.

Risks related to the interruption of the activities of the technological and IT infrastructures

To provide its services and, more generally, to carry out its activities, the Company uses sophisticated infrastructure and computer technology, which by its nature is prone to interruptions or other malfunctions caused by, among other things, natural disasters, prolonged electricity outages, process errors, viruses and malware, the actions of hackers and health and security issues (also in relation to possible pandemics or diseases) or failures of suppliers. The interruption of the activities of the technological and IT infrastructures could have negative effects on the Company's business and on its economic and financial position.

Risks related to the maintenance and technological upgrading of the Company's Network

Rai Way's ability to maintain a high level of services depends on its ability to maintain the proper operating condition of its infrastructure, which requires substantial amounts of capital and long-term investments, included that related to the technological renewal, optimization or improvement of its existing Network. The Company's failure to maintain its Network or to introduce technological changes to the Network on a timely basis could have negative effects on its economic and financial position.

The Company constantly monitors the proper operating condition of its Network, developing projects designed to improve the level of its services and enhance the infrastructure on the basis of the technologies applicable from time to time.

Risks related to technological change

The reference market in which Rai Way operates is characterized by constant changes in the technology used for the transmission and broadcasting of television and radio signals, which leads to the requirement: (i) to constantly develop the skills required for rapidly and fully understanding the needs of its customers, in order to develop its service offer on a timely basis with the aim of having a reputation on the market as a full service provider; and (ii) to provide constant training to its personnel.

Rai Way's inability to identify and develop the technological solutions required to deal with changes and future development on its markets of reference could have negative effects on the Company's economic and financial position.

Risks related to increased competition

Significant increases in competition in the sectors of activity in which the Company operates – for example the entry into the Tower Rental market of players with notably small dimensions and aggressive pricing – could have a negative impact on the Company's economic and financial position.

Risks related to environmental protection and electromagnetic radiation

The Company is subject to comprehensive regulation at national and EU level aimed at the protection of the environment and health. Compliance with such regulations and requirements, moreover, is one of the conditions for the eligibility for and renewal of licenses and permits which the Company requires for the installation and operation of equipment emitting electronic waves. Any breaches of the applicable environmental rules could have negative effects on the Company’s economic and financial position.

The Company places particular emphasis on complying with environmental protection regulations and undertakes to be constantly updated in this respect, as moreover attested by its 2008 ISO 14001:2015 and 2011 OHSAS 18001:2007 certifications.

Risks related to the reference regulatory framework in relation to the business of the customers of Rai Way

The Company’s business, as well as that of its customers, is subject to a wide-ranging regulatory regime, stemming from both domestic and EU rules and requirements, in particular with respect to administrative matters and environmental concerns, as part of which importance is also assumed by the numerous legislative requirements imposed by the competent authorities on the Company’s customers, by virtue of the indirect effects which the failure of these customers to comply with such could have on Rai Way’s business. In particular, broadcasting customers and mobile telephone operators, which the Company hosts at its Sites are subject to the legislation designed to protect persons and the environment from exposure to magnetic fields.

Should any of Rai Way's customers be deemed to be in violation of these regulations, they could be exposed to sanctions, including the shut-down of transmission activities. These interruptions could have negative effects on the Company's revenues and, as a consequence, on its economic and financial position.

Risks related to the possible decline in demand for services by customers

The Company provides integrated products and services to its customers with an approach geared towards full service hosting with the aim, on the basis of the operating model adopted, of covering the entire tower hosting chain – from the basic lease of equipment to all the services required to keep this in proper working order and provide maintenance for this at the Sites. The possible decline in the demand for the services carried out by Rai Way could have negative effects on the Company's economic and financial position.

Risks arising from stoppages and strikes

In carrying out its business the Company is subject to the risk of strikes, stoppages and similar action by its employees in connection with events or circumstances that may not relate directly to the Company, but more generally to the Parent Company or the Rai Group. However, with regard to services provided to Rai, which are considered to be essential public services, the right to strike may only be exercised to the extent of enabling indispensable services to be provided, also by virtue of a trade union agreement of 22 November 2001 relating to the employees of the Rai Group.

The decision by large numbers of employees to take part in strikes or industrial action could have negative effects on the Company's economic and financial position.

Risks related to global economic conditions

A possible decline in the demand of customers for the services carried out by Rai Way arising from the persistence of the global economic and financial crisis could have negative effects on the Company's economic and financial position. This risk could also be amplified by the spread of the Covid-19 virus, and in general of pandemics and diseases, in Italy and in the word.

Risks related to the spread of the Covid-19 virus

The spread in Italy and in the world of the Covid-19 virus could have negative impacts on the Company's economic and financial position, also in consideration of recent restrictive measures in force following the adoption of specific legislative provisions. Please note that the commercial activities carried out during each financial year have a limited impact on the Company's turnover. The Company carefully and continuously monitors the evolution of the virus spread also taking into consideration the provisions issued by the Italian government in order to identify the correct risk mitigating actions (both within the company and externally) as well as to limit its impact on the company's business.

Financial risks

The Company may be exposed as a whole to the following financial risks:

- currency risk: currency risk was not significant in 2019 as the Company's operations are mainly concentrated in the European Union;
- interest-rate risk: during 2019 the interest rate risk mainly rose from the medium term loan stipulated with a pool of banks relating to a so-called revolving credit facility for a maximum of € 25 million, unused at 31 December 2019.
- the liquidity risk is connected with the Company's ability to meet the commitments arising mainly, at specific times during the financial year, from its

financial and tax liabilities. As indicated in the previous point, to meet these commitments the Company has retained a revolving credit facility to be used to support net working capital and general needs where necessary. To this end, please note that the Company, in fact, is able to meet its financial commitments thanks to the generation of liquidity produced by its operations.

A more detailed analysis may be found in the section of the Explanatory notes entitled "Financial risk management".

Credit risk

In respect of credit risk it should be noted that in addition to Rai, the Company's main customers are public administration entities, leading telephone operators and various broadcasting companies that settle their obligations on a regular basis; this situation enables the Company to state that at the present time there are no particular risks connected with the failure to collect its receivables other than those discussed in the section of the notes entitled "Financial risk management", to which reference should be made for further details.

Requirements in relation to privacy

The Company, which was already in 2018 compliant to the provisions of EU Regulation 679/2016 in force from 25 May 2018 and to the correlated Italian government implementation decree no. 101/2018, during the year continued with the monitoring of the environments affected by privacy issues.

Research and development

Rai Way's activity of research, development and innovation, historically mainly focused on media and broadcasting, in the last few years stretched to other sectors in the field of telecommunications, also driven by the advent of disruptive technologies, which tend to deeply innovate and merge previously distinct market sectors, generating new risks to be faced and new opportunities.

In order to make this approach to innovation more structured, pervasive and effective, at the end of 2017 the Company set up an ad hoc structure dedicated to innovation and research, to prepare the company for medium-long term changes, with the objective of acquiring technological competencies and incubate new ideas in innovative project, in order to develop new services and business capacity, processes, organizational and business models to place adequately the Company also in relation to the new challenges of the next few years.

With regard to the most significant initiatives of 2019, activities continue under the supervision of MISE, within the combination of TIM, Fastweb and Huawei, for frequency band experimentation of 5G technology on the 3.7-3.8 GHz frequency band in the areas of Bari and Matera, which consist in the development and final presentation to MISE of some "use cases" such as the television contribution and the monitoring and control services of the cranes in the port of Bari, using the 5G network and other innovative technologies (such as 360° video recording and reproduction, Virtual/Augmented reality systems, image recognition systems based on artificial intelligence), in order to provide a solid contribution to the demand for innovative digital services.

In 2019 Rai Way also started a Proof of Concept with the objective of experimenting with various types of digital services (video contribution, IoT) using virtualized core networks with network slicing functions that guarantee accessibility, capacity and availability requirements on a mobile network.

The Company, in accordance with the leading operators in the sector, has continued field testing activities related to a BVLoS (Beyond Visual Line of Sight) drone project. The project has the purpose to assess the possibility of implementing a logistic and radio infrastructure for the flight of BVLoS drones on Rai Way broadcasting sites, analyzing innovative technologies and services in this area, starting from VTOL (Vertical take-off and Landing) drones with high flying range and innovative high performance terrestrial radio technologies for the command and control of drones beyond visual line of sight.

Relationships with Rai Group Companies

Relationships of a commercial and financial nature were maintained with the Parent Company Rai - Radiotelevisione Italiana; relationships with other companies of the Rai Group were exclusively of a commercial nature. Further details may be found in the section "Related party transactions" in the Explanatory notes to the financial statements.

Transactions with related parties

Details of the transactions the Company carried out with related parties in the years ended 31 December 2019 and 2018, identified on the basis of IAS 24 Related Party Disclosures, are provided in the paragraph "Related party transactions" (note 41).

Treasury shares

The Company does not hold any treasury shares or shares of the Parent Company, and has not acquired or disposed of such, either directly or through a trustee company or third party.

Events subsequent to 31 December 2019 (note 40)

On 12 March the Board of Directors approved a business plan for the years 2020-2023.

It should be noted that the first months of 2020 recorded the spread of Covid-19 virus in Italy. For further information, please refer to the paragraphs " General indications and the overall performance of the economy" and "Risk factors related to the industry in which the Company operates ".

Business outlook

In accordance with the evolution of strategic initiatives outlined in the Business Plan, in 2020 the upward revenue trend will be accompanied by a slight increase in operating costs mainly linked to the implementation of new services, whose benefits will be apparent in the following years.

In particular, the Company provides for:

- a further organic growth in Adjusted EBITDA;

- maintenance investments to core revenues ratio in line with the previous year.

This outlook does not include any potential impacts deriving from the spread of the COVID-19 virus.

Management and coordination

The Company is subject to the management and coordination of Rai pursuant to article 2497 of the Italian Civil Code.

The key data of the Parent Company stated below in the summary form as required by article 2497-bis of the Italian Civil Code have been taken from the financial statements for the year ended 31 December 2018. It should be noted that the Parent Company Rai also prepares consolidated financial statements.

For an adequate and complete understanding of the financial position of Rai-Radiotelevisione Italiana S.p.A. at 31 December 2018 as well the economic result of the Company for the year then ended reference should be made to the financial statements which together with the auditors' report are available in the form and means prescribed by law.

RAI SpA - Financial Statements at 31/12/2018
Summary report of essential data

Statement of financial position at 31 December 2018

(in thousand of Euro)	**Financial year closed at 31 December 2018**
Property, plant and equipment	888,324
Intangible assets	409,117
Equity investments	919,097
Non-current financial assets	3,046
Other non-current assets	42,756
Total non-current assets	**2,262,340**
Total current assets	**687,221**
Total assets	**2,949,561**
Share capital	242,518
Reserves	586,664
Profit/(loss) brought forward	(61,581)
Total shareholders' equity	**767,601**
Non-current financial liabilities	368,849
Employee benefits	412,894
Provisions for non-current risks and charges	149,651
Deferred tax liabilities	33,023
Other non-current payables and liabilities	1,162
Total non-current liabilities	**965,579**
Total current liabilities	**1,216,381**
Total liabilities	**2,181,960**
Total shareholders' equity and liabilities	**2,949,561**

Statement of comprehensive income

(in thousand of Euro)	**Financial year closed at 31 December 2018**
Total revenues	2,404,518
Total costs	(2,535,395)
Operating profit (EBIT)	**(130,877)**
Financial income	65,717
Financial expenses	(13,294)
Profit from equity investments valued at equity	155
Profit before tax	**(78,299)**
Income tax	44,446
Result for the year - Profit (loss)	**(33,853)**
Components of the Statement of comprehensive income	(3,603)
Overall result for the financial year	**(37,456)**

Following the Company's shares admission to trading and listing, Rai continues to exercise control pursuant to art. 93 of the Consolidated Finance Act and exercise management and coordination activities with respect to Rai Way. However, in the Company's opinion, although subject to the management and coordination of Rai, it carries out its activity in conditions of operational autonomy, generating revenues from its customers and using its own skills, technologies, human resources and funds. On 4 September 2014, the boards of directors of Rai and Rai Way, to the extent of their competence, approved the Management and Coordination Regulation of the Parent Company with respect to Rai Way in a manner completely different from that of the other companies of the Rai Group subject to management and coordination by Rai.

This Management and Coordination Regulation, which became effective on the date on which trading began in the Company's shares, aims on the one hand to match the need for an informational link and functional interaction underlying Rai's management and coordination activities and on the other to ensure that Rai Way's status as a listed company leads to its operational and financial autonomy at all times.

Rai mainly performs its management and coordination activities with respect to Rai Way in the following manner:

(a) the drafting of certain general rules designed to coordinate – to the extent possible and in accordance with the respective needs - the main guidelines for the management of Rai and Rai Way;

(b) the requirement for Rai Way to inform the Parent Company in advance before approving or executing, depending on the case, any operations and/or transactions, determined and drawn up independently within Rai Way, that are considered to be of particular significance and importance with respect to the strategic lines and planning of the operations of the Rai Group;

(c) the requirement for Rai Way to provide certain information necessary in accordance with the regulation and general operational guidelines.

The relationships between Rai and Rai Way are described below following the date on which trading began in the Company's shares and the resulting application of the regulation:

- Strategic planning (budget and business plan). The Board of Directors of Rai Way is independently responsible for drawing up and approving the Company's long-term strategic plans, business plans and financial plans, as well as its annual budgets, and Rai's coordination consists mainly of providing Rai Way with guidelines for the sole purpose of compliance with the Parent Company's financial covenants – where relevant – and requirements deriving from the concession of the Public Service granted to Rai.
- General management guidelines. Rai's duties include the drafting, through its organization, of general operational guidelines in order to unify the procedures of Rai and Rai Way, maximizing possible synergies and reducing the costs incurred. These objectives can be pursued by centralizing certain services, arranging for common procurement of supplies and adopting the Rai Group's standard documents and procedures.
- Extraordinary operations. Rai will have no power of veto over Rai Way's extraordinary operations. In accordance with regulations in force at the time regarding the acquisition, management and use of privileged information (price sensitive information) and market abuse, Rai Way will be required to provide prior information to Rai regarding certain management acts, activities and transactions, independently determined and drawn up by Rai Way, which assume particular significance and importance, having regard in particular to the strategic lines, projects and planning of the Rai Group's operations. The Parent Company's Board of Directors will be able to formulate comments and observations whenever it believes that the approval or execution by Rai Way of the significant operation is inconsistent with the strategic lines, initiatives and projects drawn up by Rai, or else is

liable to prejudice the unitary management of the Group. It is understood that Rai Way shall be entitled to assess such comments and observations without any requirement to comply with them.

- Communication of information. Without prejudice to the preceding, the Company will continue to report to the Parent Company, on a periodic basis, all the information that may be necessary or useful for performing management and coordination in accordance with the regulation, including the information required to prepare its consolidated financial statements pursuant to art. 43 of Legislative Decree no. 127 of 9 April 1991, its management report pursuant to art. 2428, paragraph 1, of the Italian Civil Code, as well as its periodic disclosures pursuant to art. 2381, paragraph 5, of the Italian Civil Code. Without prejudice to the above, Rai Way is responsible and bound to comply on an autonomous basis with all the requirements to provide continuous and periodic disclosures to the public and CONSOB.
- Personnel and remuneration policies. Rai Way has exclusive responsibility for every decision regarding the appointment and hiring of the Company's personnel and executives, the management of employment relationships and the establishment of remuneration policies, including setting the career paths and implementing the appraisal and incentive systems for executives, in respect of which Rai has no power of veto. The Parent Company may adopt specific procedures, which will also be autonomously implemented by Rai Way, directed solely towards compliance with transparency and non-discriminatory criteria which must be a distinct feature, among other things, of the procedures for appointing and hiring the personnel.
- Treasury relationships. Rai Way no longer has a centralized treasury relationship with Rai and has its own autonomous treasury. The Company has the competence and responsibility for drawing up and approving its financial policy, including risk management and liquidity management policies.

In addition, the Company has a Control and Risks Committee, which also carries out the functions of the Related Party Committee, and a Remuneration and Appointments Committee whose members are exclusively independent directors under the criteria established by article 148, paragraph 3 of Legislative Decree no. 58/1998, the Corporate Governance Code of Borsa Italiana S.p.A. and art. 16 (formerly art. 37) of CONSOB's Market Regulations. The Company has a Board of Directors, the majority of whose members are independent directors.

Report on Corporate Governance and Ownership Structures

The Report on Corporate Governance and Ownership Structures that has been prepared pursuant to art. 123-bis of the Consolidated Finance Act may be consulted on the Company's website www.raiway.it.

Declaration of a non-financial nature

The Company, as an Entity of Significant Public Interest (EIPR), drafts and presents a "Declaration of a non-financial nature", in the form of a "separate report", as established by art. 5 Presentation of the declaration and publicity regime of Italian Legislative Decree no. 254/2016 regarding the communication of non-financial information and information on diversity by certain large companies and groups. The aforementioned Declaration is published on the website www.raiway.it and it is accompanied by the report (certificate) issued by the auditor appointed in accordance with art. 3, paragraph 10, of Legislative Decree no. 254/2016.

Rome, 12 March 2020

On behalf of the Board of Directors

The Chairman

Mario Orfeo

FINANCIAL STATEMENTS

INCOME STATEMENT AT 31 DECEMBER 2019 (*)

Rai Way S.p.A.

(Amounts in Euro)	**Note** *(**)*	**12 months at 31/12/2019**	**12 months at 31/12/2018**
Revenues	6	221.387.606	217.726.975
Other revenues and income	7	945.035	146.561
Purchase of consumables	8	(1.186.716)	(956.270)
Costs of services	9	(42.167.693)	(50.324.789)
Personnel costs	10	(45.326.405)	(46.070.318)
Other costs	11	(2.579.412)	(3.414.376)
Write-downs of financial assets	12	(245.901)	(324.320)
Amortisazion, depreciation and write-downs	13	(42.191.710)	(32.926.369)
Provisions	14	1.458.146	(71.378)
Operating profit		**90.092.950**	**83.785.716**
Financial income	15	8.306	3.467
Financial expenses	15	(1.262.068)	(1.240.582)
Total net financial income/(expenses)		**(1.253.762)**	**(1.237.115)**
Profit before income taxes		**88.839.188**	**82.548.601**
Income tax	16	(25.478.215)	(22.803.038)
Profit for the year		**63.360.973**	**59.745.563**

COMPREHENSIVE INCOME STATEMENT AT 31 DECEMBER 2019

Rai Way SpA

(Amounts in Euro)	**Note** *(**)*	**12 months at 31/12/2019**	**12 months at 31/12/2018**
Net income		**63.360.973**	**59.745.563**
Items that will be recognised in the income statement			
Profit/(Loss) on cash flow hedge instruments	20		46.930
Tax effect			(13.370)
Items that will not be recognised in the income statement			
Acuarial Profit / (Loss) for employee benefits	31	(335.530)	434.334
Tax effect		80.528	(104.240)
Comprehensive income for the period		**63.105.971**	**60.109.217**

(*) Statement drawn un in compliance with International Financial Reporting Standards, issued by the International Accounting Standards Board and adopted by the Europen Union ("IFRS").

(**) The notes refer only to the items commented upon in these Explanatory Notes.

(***) At 31 December 2017 the balance of this item was in Depreciation, amortisation and write-downs

RAI WAY S.P.A. - STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019(*)

(Amounts in Euro)	**Note** *(**)*	**12 months at 31/12/2019**	**12 months at 31/12/2018**
Non-current assets			
Property, plant and equipment	17	177,638,308	180,938,014
Lease rights of use	18	36,241,596	
Intangible assets	19	14,286,790	12,895,551
Non-current financial assets	20	1,659	1,659
Deferred tax assets	21	2,688,561	3,321,454
Other non-current assets	22	1,267,760	1,318,238
Total non-current assets		**232,124,674**	**198,474,916**
Current assets			
Inventory	23	885,247	885,928
Trade receivables	24	74,794,689	71,467,219
Other current receivables and assets	25	5,036,384	5,833,934
Current financial assets	20	260,089	54,729
Cash and cash equivalents	26	30,167,740	17,193,515
Current income tax assets	27	62,196	62,196
Total current assets		**111,206,345**	**95,497,521**
Total assets		**343,331,019**	**293,972,437**
Shareholders' equity	28		
Share capital		70,176,000	70,176,000
Legal reserve		14,035,200	14,035,200
Other reserves		37,078,970	37,078,970
Retained earnings	29	62,906,561	59,531,790
Total shareholders' equity		**184,196,731**	**180,821,960**
Non-current liabilities			
Non-current financial liabilities	20	260,807	428,229
Non-current lease liabilities	30	26,263,200	
Employee benefits	31	14,433,918	15,092,129
Provisions for risks and charges	32	15,906,106	16,958,323
Other non-current payables and liabilities	33		311,633
Total non-current liabilities		**56,864,031**	**32,790,314**
Current liabilities			
Trade payables	34	54,278,159	45,585,065
Other current payables and liabilities	35	34,105,085	33,939,063
Current financial liabilities	20	182,986	257,038
Current lease liabilities	30	13,269,690	
Current income tax liabilities	36	434,337	578,997
Total current liabilities		**102,270,257**	**80,360,163**
Total liabilities and shareholders' equity		**343,331,019**	**293,972,437**

(*) Schedule prepared in accordance with the International Financial Reporting Standards issued by he International Accounting Standards Board and adopted by the European Union

(**) Notes refer only to the items for which comments are provided in these Notes.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (*)
Rai Way S.p.A.

(Amounts in Euro)	Share capital	Legal reserve	Other reserves	Retained earnings	Total
At 1 January 2016	**70,176,000**	**8,122,901**	**37,078,970**	**43,884,226**	**159,262,096**
Profit for the period				41,814,299	41,814,299
Actuarial gains and losses				(537,146)	(537,146)
Cash flow hedge reserve			(54,364)		(54,364)
Allocation of profit to reserves		1,947,117		(1,947,117)	-
Distribution of dividends				(38,950,400)	(38,950,400)
At 31 December 2016	**70,176,000**	**10,070,018**	**37,024,606**	**44,263,862**	**161,534,486**
Profit for the period				56,263,228	56,263,228
Actuarial gains and losses (**)				377,984	377,984
Cash flow hedge reserve (***)			20,804		20,804
Allocation of profit to reserves		2,090,715		(2,090,715)	-
Distribution of dividends				(41,806,400)	(41,806,400)
At 31 December 2017	**70,176,000**	**12,160,733**	**37,045,410**	**57,007,959**	**176,390,102**
Profit for the period				59,745,563	59,745,563
Actuarial gains and losses (**)				330,094	330,094
Retained earnings and losses before adoption of IFRS				(570,159)	(570,159)
Cash flow hedge reserve (***)			33,560		33,560
Allocation of profit to reserves		1,874,467		(1,874,467)	-
Distribution of dividends				(55,107,200)	(55,107,200)
At 31 December 2018	**70,176,000**	**14,035,200**	**37,078,970**	**59,531,790**	**180,821,960**
Profit for the period				63,360,973	63,360,973
Actuarial gains and losses (**)				(255,002)	(255,002)
Allocation of profit to reserves					-
Distribution of dividends				(59,731,200)	(59,731,200)
At 31 December 2019	**70,176,000**	**14,035,200**	**37,078,970**	**62,906,561**	**184,196,731**

(*) Schedule prepared in accordance with the International Financial Reporting Standards issued by he International Accounting Standards Board and adopted by the European Union ("IFRS").
(**) The change is shown net of the related tax effects.

(***) The change is shown net of the related tax effects; in 2018 the change eliminated that Reserve.

CASH FLOW STATEMENT (*)
Rai Way SpA

(Amounts in Euro)	**12 months at 31/12/2019**	**12 months at 31/12/2018**
Profit before income taxes	**88,839,189**	**82,548,601**
Adjustments for:		
Amortization, depreciation and write-downs	42,437,610	33,250,689
Provisions and (releases of) personnel and other funds	2,350,510	3,953,595
Net financial (income)/expenses (**)	1,043,413	1,030,894
Retained earnings/(losses) - Effect of first time adoption of IRFS	-	(761,128)
Cash flow from operating activities before changes in net working capital	**134,670,722**	**120,022,651**
Change in inventory	681	6,233
Change in trade receivables	(3,573,371)	163,739
Change in trade payables	8,693,094	7,894,563
Change in other assets	797,550	(432,995)
Change in other liabilities	(260,551)	2,741,305
Use of provisions for risks	(1,192,029)	(895,432)
Payment of employee benefits	(3,338,943)	(3,180,436)
Change in current tax receivables and payables	249,437	340,855
Taxes paid	(24,595,812)	(21,644,365)
Net cash flow from operating activities	**111,450,778**	**105,016,118**
Investments in property, plant and equipment	(32,257,063)	(23,988,839)
Disposals of property, plant and equipment	150,781	105,205
Investments in intangible assets	(3,044,972)	(3,001,097)
Change in non-current financial assets	-	52,187
Change in other non-current assets	50,478	(962,567)
Net cash flow from investing activities	**(35,100,776)**	**(27,795,111)**
Decrease/increase in medium/long-term loans	(167,422)	(60,158,603)
Decrease/increase in current financial liabilities	(789,261)	(22,493)
Repayments of lease liabilities	(2,288,834)	-
Change in current financial assets	(205,360)	91,724
Net interest expense for the period	(193,700)	(726,055)
Dividends distributed	(59,731,200)	(55,107,200)
Net cash flow from financing activities	**(63,375,777)**	**(115,922,627)**
Change in cash and cash equivalents	**12,974,225**	**(38,701,620)**
Cash and cash equivalents at beginning of period	17,193,515	55,895,135
Cash and cash equivalents at the end of the year	**30,167,740**	**17,193,515**

(*) Schedule prepared in accordance with the International Financial Reporting Standards issued by he International Accounting Standards Board and adopted by the European Union ("IFRS").

(**) Note that the item Net financial income/expenses excludes financial expenses relative to the Dismantling and restoration provision as they are not considered to be financial in nature.

NOTES TO THE FINANCIAL STATEMENTS

Introduction (note 1)

Rai Way S.p.A. (hereinafter "Rai Way" or the "Company") prepares, in relation to the provisions of Italian Legislative Decree no. 38 of 28 February 2005, these financial statements for the year ended 31 December 2019 and compared with the figures at 31 December 2018 (hereinafter the "Financial Statements") in accordance with the International Financial Reporting Standards (hereinafter "IFRS" or "international accounting standards"), issued by the International Accounting Standards Board (hereinafter "IASB") and adopted by the European Commission according to the procedure set out in art. 6 of (EC) Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002. The term IFRSs also includes all international accounting standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") previously called the Standard Interpretations Committee (SIC). For drafting these Financial Statements the Company has provided complete information, applying IFRS consistently, furthermore making the necessary reclassifications in order to improve the presentation of the Financial Statements. These reclassifications have also been made to the comparison figures to ensure that the figures are fully comparable.

Please note that the accounting standard IFRS 16 "Leases" (hereinafter "IFRS 16"), for which reference is made in the paragraph "Evaluation criteria", became applicable from 1 January 2019.

It is also noted that on 1 March 2017 the Company acquired the company Sud Engineering S.r.l., which operates in the radio and television system maintenance and installation sector, with the subsequent merger on 20 June 2017, with the legal effects starting from 22 June 2017 and accounting and tax effects dated back to 1 March 2017. The aim of the merger was to simplify the current corporate structure where Sud Engineering S.r.l. was the only subsidiary of Rai Way S.p.A., so Rai Way S.p.A. could carry out Sud Engineering's activities on a direct basis, thereby improving the economic, management and financial effectiveness. Since the Company held the entire share capital of Sud Engineering S.r.l., it did not assign - in accordance with article 2504-ter of the Civil Code - its shares to replace the shares of Sud Engineering, which were therefore cancelled after the merger without a share swap or payment of the balance in cash. The merger did not change the shareholding structure of the Company or exclude its shares from being listed. With respect to the tax aspects, the merger operation is fiscally neutral and therefore did not generate fiscally significant capital losses or capital gains. The assets and liabilities of Sud Engineering were included in the financial statements of the Company on a fiscal continuity basis in accordance with article 172, paragraphs 1 and 2 of the Consolidated Income Tax Act.

It is also noted that the deficit generated in the intangible assets as part of the merger with the company Sud Engineering was allocated, with the consent of the Board of Statutory Auditors, to “Goodwill” and “Customer portfolio - business combination transactions”.

In accordance with international accounting standards, intangible fixed assets with an indefinite useful life, such as goodwill, are not subject to amortization but to an annual impairment test as required by IFRS 36. The natural consequence of the different statutory/accounting and tax regime (where, in the second, the principle of neutrality and therefore of irrelevance of recognized values applies) is the occurrence of a misalignment between accounting and tax values.

With the objective of absorbing the misalignments and differences arising following extraordinary transactions, the Company has opted for the “ordinary” redemption treatment pursuant to art. 176, paragraph 2-ter of the Consolidated Income Tax Act as required by our tax system which allows the transferee (incorporating) company to fiscally recognize (realigning them) the main values in the financial statements in the context of the above-mentioned transactions, eliminating or reducing this misalignment with statutory values following the payment of a substitute tax.

General Information (note 2)

Rai Way S.p.A. is a Company incorporated, domiciled and organized under the laws of the Republic of Italy, with registered office in Via Teulada 66, Rome.

The Company, which was incorporated on 27 July 1999, has been operational since 1 March 2000 following the contribution of the "Transmission and Broadcasting Division" business unit by its sole shareholder Rai Radiotelevisione Italiana S.p.A. (hereafter "Rai").

Rai Way owns and manages the transmission and broadcasting networks of the Rai signal. The Company's activities are as follows:

- the design, installation, construction, maintenance, implementation, development and management of telecommunications networks and software, as well as the preparation and operation of a commercial, distribution and assistance network; these operations are aimed at the provision of services for the transmission, distribution and broadcasting of audio and visual signals and programs in favor of Rai, which is the concessionaire of Italian public radio and television broadcasting services, and of its subsidiaries, as well as of third parties, and of telecommunications services of any kind;
- the provision of wireless infrastructures and related services to wireless operators (including telephone operators, local loop wireless operators, TETRA, UMTS and other existing or future mobile technology operators), including the lease of sites/aerials and co-lease services, built-to-suit services, network programming and design, site research and acquisition, site design and construction, site installation and commissioning, network optimization, infrastructure maintenance, network operation and maintenance and related microwave or fiber transmission services;

- research, consulting and training activities for people both inside and outside the Company, in the areas described in the two paragraphs above.

Summary of Accounting Principles (note 3)

The main accounting principles and policies applied by the Company in preparing these financial statements are set out in the following.

Basis of Preparation

The financial statements have been prepared on a going concern basis, as the Directors have verified that there are no indicators of a financial, operational or other nature that may suggest critical issues connected with the Company's ability to meet its obligations in the foreseeable future, and in particular over the next 12 months. The means by which the Company manages financial risks is included in the section "Financial risk management".

The financial statements have been prepared and are presented in Euro, the currency of the prevalent economic environment in which the Company operates. All amounts stated in this document are expressed in thousands of Euro unless otherwise stated and the financial statements are expressed in Euro.

The following is a summary of the primary financial statements presented and the classification policies selected by the Company from the options available in IAS 1 Presentation of Financial Statements:

- statement of financial position prepared by classifying assets and liabilities on a "current/non-current" basis;
- an income statement prepared by classifying operating costs by their nature;
- a statement of comprehensive income which in addition to net profit for the year includes other changes in the equity accounts arising from transactions not carried out with the Company's shareholders;

- a cash flow statement which has been prepared by presenting cash flows from operating activities using the "indirect method".

The Financial Statements have been prepared under the conventional historical cost criterion, other than for the measurement of financial assets and liabilities, which are required to be measured at fair value.

Translation of transactions in a currency other than the functional currency

Transactions in a currency other than the Euro are translated at the exchange rate at the transaction date. Any foreign exchange gains or losses on the assets or liabilities in currency arising from the closing of the transaction or from translation at the balance sheet date are recognized in profit or loss under the items "Financial income" and "Financial expenses".

Accounting policies

Here below the most significant accounting standards and policies used in preparing the Financial Statements have been described, unchanged from those used for the 2018 financial year with the exception of what refers to the entry into force, on 1 January 2019, of the new IFRS 16 accounting standard, which replaced IAS 17 "Leases", and the relative interpretations (IFRIC 4 "Determining whether an arrangement contains a lease", SIC 15 "Operating leases - Incentives" and SIC 27 " Evaluating the Substance of Transactions in the Legal Form of a Lease"). The effects deriving from the first application are illustrated at note 3 "Effects deriving from the first application of the IFRS 16".

Property, plant and equipment

Property, plant and equipment is measured at purchase cost including all the directly attributable accessory costs required to make the asset ready for use. Any borrowing costs directly attributable to the acquisition, construction of production of property, plant and equipment are capitalized and depreciated over the useful life of the asset to which they refer.

Items of property, plant and equipment are depreciated systematically on a straight-line basis over an asset's economic and technical useful life, meaning the estimated period for which the Company believes the asset will be used, starting from the time it becomes available for use. If items of property, plant and equipment are made up of several significant components, depreciation is charged for each separate component. The depreciable amount consists of the carrying amount less any residual value, being the amount the Company expects to obtain on selling an asset at the end of its useful life, provided that this amount is significant and can be reasonably determined. Land is not depreciated even if acquired together with a building.

Costs incurred for routine and/or periodic maintenance and repairs are expensed as incurred. Expenditure on extending, modernizing or improving structural items owned or used by third parties are capitalized to the extent this responds to the requirements for being separately classified as an asset or part of an asset. Assets recognized as leasehold improvements are depreciated over the shorter of the contract term or the asset's specific useful life.

The indicative estimated useful lives of the different categories of property, plant and equipment are as follows:

Asset category	Useful life (years)
Buildings	30
Plant and machinery	4 – 12
Production and commercial equipment	5 – 7
Other assets	4 – 8

The useful lives of property, plant and equipment is reviewed and updated, where necessary, at least at the end of every year; to this end, please note that during the year the useful life of "Buildings" and "Light constructions" were reviewed, as were those of radio broadcasting apparatus in the category "Machinery and equipment".

Rights of use for leases

Lease contracts correspond to contracts that assign the exclusive right of use of an asset, identified or identifiable, and that assign the substantial right to obtain all the economic benefits deriving from its use for a determined period of time in exchange of a fee. Contracts, or elements of complex contracts that have these characteristics, are recognized in the financial statements through the posting of a liability represented by the present value of the payments due for the lease into the statement of financial position, as defined in the valuation criteria for Lease liabilities. At the same time a post offsetting the liability is recognized under assets for the correspondent right of use for lease, amortized/depreciated on a straight line basis through the duration of the lease contract or the relative economic-technical useful life of the asset, if lower. The lease term is the non-cancellable period of the counterparty for which there is a right of use to the underlying asset.

The following types of contracts stipulated by the Company fall under this accounting treatment:

- rental of properties;
- car rental.

Typically contracts for the rental of property for industrial use include automatic renewal on expiry, for a term of the same duration: subsequently each renewal represents a new right of use representative of a new agreement (even if automatic) made between the parties.

On the date of expiry of the lease, the cost of the asset represented by its right of use includes:

a) the amount of the initial recognition of the lease liability;

b) the payments due for the lease made on the date or before the expiry date;

c) the initial direct costs (e.g. brokerage fees);

d) in the presence of current obligations for the dismantling, removal of activities and the restoration of sites, the recognition value includes the estimated (discounted) costs to be incurred when the structures are abandoned, offset by a specific provision for non-current risks and charges. For the 2018 year these costs are not yet included in the item "Property, plant and equipment".

The amount in a), offsetting entry for the lease liabilities, includes:

- the fixed instalments;
- the variable payments depending on an index or a rate (e.g. the ISTAT adjustment index);
- the price for the exercise of the purchase option, if there is a reasonable certainty of exercising the option;
- the penalty payments for the termination of the lease, if the duration of the lease takes into account the exercise of the option to terminate the lease.

In the case that the lease contract includes the possibility to exercise the option to buy and there is a reasonable certainty that the option will be exercised, the right of use is recognized under Property, plant and equipment in the corresponding asset class and is depreciated throughout the useful life of the asset.

The Company avails itself of the option granted by IFRS of recognizing as costs for services the payments due for short-term leases (of duration of less than 12 months) and for leases where the underlying asset is of modest value (indicatively less than € 5,000).

Intangible assets

Intangible assets are identifiable assets without physical substance that are controlled by the Company and able to produce future economic benefits. The requirement to be identifiable is generally met when the intangible asset arises from a legal or contractual right or can be sold or licensed separately or as part of other assets. Control consists in the Company's power to obtain the future economic benefits flowing from the asset together with the possibility of preventing or restricting the access of others to those benefits.

Intangible assets are recognized at cost, determined using the criteria stated for property, plant and equipment.

Intangible assets with a finite useful life are systematically amortized over their useful lives, meaning the estimated period during which they will be used by the Company. The Company uses the same approach to determine the amortizable amount and the recoverability of the carrying amount described for "property, plant and equipment". Intangible assets with an indefinite useful life (Goodwill) are not automatically amortized but at least annually undergo the impairment test as required by IAS 36. Any write-downs for these assets cannot be subsequently recovered.

Impairment of property, plant and equipment and intangible assets

Testing is carried out at each balance sheet date to assess whether there is any indication that a property, plant and equipment or intangible asset may be impaired. Internal and external sources of information are used to make this assessment. The following are considered for the former (internal sources): the obsolescence or physical deterioration of an asset, any significant changes in the use of an asset and the economic performance of an asset compared to that expected. For external sources the following are considered: changes in the market price of an asset, any technological, market or legislative discontinuities, changes in market interest rates or in the borrowing costs used to value the investments.

If the presence of such indicators is identified, an estimate is made of the recoverable amount of the assets, with any impairment loss compared to book value being recognized in profit or loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, with the latter being the present value of the future cash flows expected to be derived from the asset.

In calculating value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money over the period of the investment and the risks specific to the asset. If an asset does not generate cash flows that are largely independent, the recoverable amount is determined for the cash-generating unit (CGU) to which that asset belongs, meaning the smallest identifiable group of assets that generates independent cash flows.

Independently of any of the mentioned indicators for the impairment, intangible assets with an indefinite useful life (Goodwill) that are not automatically amortized must at least annually undergo the impairment test as required by IAS 36.

An impairment is recognized in the income statement when the book value of the asset or the relevant CGU to which it is allocated is higher than its recoverable value. Reductions in value of CGUs are recorded against the respective assets in proportion to their book value and within the limits of the recoverable value thereof. If the conditions for an impairment previously recognized no longer exist, the asset's book value, with the exception of goodwill, is restored and recorded in the income statement, within the limits of the net accounting value that the asset would have had if the reduction had not been made and if the relevant amortization had been performed.

Cash and cash equivalents

Cash and cash equivalents consist of, cash, deposits on demand and financial assets with an original maturity date of up to 90 days, readily convertible into cash and subject to an immaterial risk of a change in value.

Elements included in the item "Cash and cash equivalents" are valued at fair value.

Receipts are recognized as per the date of the bank transaction, while payments also take into account the order date.

Inventory

Inventories of raw materials, ancillary materials and consumables, mostly technical materials, are measured at the lower of cost, determined on a weighted average cost basis, and market value at the balance sheet date. Stocks of raw materials, ancillary materials and consumables that can no longer be used in the production cycle are written down.

Work in progress, typically relating to the adaptation of the transmission and broadcasting network to the requirements of Rai under the "Contract for the provision of transmission and broadcasting services" (hereafter also the "Service Contract") entered with Rai on 5 June 2000 and valid, in the version subsequently supplemented and amended on several occasions, until 30 June 2014 and renegotiated on 31 July 2014 with effect from 1 July 2014 (reference should be made to the paragraph Related party transactions - note 41 for this matter), are measured on the basis of the costs incurred in relation to the progress of the works, determined using the method of the cost incurred (cost-to-cost).

Trade receivables, other financial assets and other assets

Taking account of their contractual characteristic and the business model adopted for their management, trade receivables, financial assets and other assets are classified under the following categories: (i) financial assets valued at amortized cost; (ii) financial assets valued at fair value through other comprehensive income; (iii) financial assets at fair value through profit or loss.

If they exclusively generate contractual cash flows representative of capital and interest and if managed according to the business model whose objective is to hold the asset to receive the above-mentioned cash flows, trade receivables, financial assets and other assets are initially recognized at adjusted fair value net of directly attributable transaction expenses and subsequently valued with the amortized cost criterion on the basis of the method of effective interest rate (or the rate that makes the actual value of expected cash flows and recognition value equal at the initial recognition time), suitably adjusted for any impairments, through the recognition of a provision for bad and doubtful debts.

Trade receivables, financial assets and other assets having the above-mentioned contractual characteristics, if managed according to a business model whose objective is both to hold the asset to benefit from the contractual cash flows represented by the repayment of capital and of interests accrued and to realize investments through disposal, are subsequently valued at fair value through other comprehensive income.

Financial assets whose contractual cash flows are not representative solely of the payment of capital and interests, are valued at fair value through profit or loss with the exception of financial derivatives designed as hedge for financial flows that are valued at fair value through other comprehensive income.

Trade receivables, other financial assets and other assets are classified as current assets, other than those having a contractual settlement date of more than twelve months after the balance sheet date which are classified as non-current assets.

Impairment of financial assets

At each of the financial statements reference dates, all financial assets other than those valued at fair value through profit or loss are analyzed to ascertain if there is objective evidence that a financial asset or group of financial assets has suffered or might suffer an impairment according to the "expected loss" model.

The Company values expected losses on trade receivables in relation to their overall duration on the basis of the weighted estimate of the probability that such losses might occur. To this end, the Company uses information and quantitative and qualitative analyses, based on historical experience, suitably integrated with provisional valuations with regard to the expected development of circumstances. Losses are measured as the actual value of all the differences between financial cash flows contractually due and cash flows that the

Company expects to receive. The discount is implemented by applying the financial asset's effective interest rate.

For assets other than trade receivables (financial assets, other assets, cash and cash equivalents), the Company estimates losses on a temporary basis corresponding with the duration of each financial instrument if the credit risk (or default risk along the expected life of the financial instrument) has increased significantly from the date of initial recognition. For financial assets represented by debt securities to which a low credit risk was assigned at the reference date of the financial statements, losses are estimated on a time period of 12 months. In line with the Parent Company, the Company considers that debt securities have a low credit risk when the rating is equivalent or higher to at least one of the following: Baa3 for Moody's, BBB- for Standard&Poor's and Fitch.

To determine if the credit risk of a financial asset other than trade receivables has significantly increased after the initial recognition, the Company uses all relevant and reasonable information that is adequately supported and available without excessive expense or effort.

Impairment losses relative to financial assets are recorded separately in the income statement.

If the impairment value of an asset recognized in the past is reduced, and the decrease can be objectively linked to an event occurred after the recognition of impairment, this is credited again to the income statement.

Derecognition of financial assets and liabilities

Financial assets are derecognized when they meet one of the following conditions:

- the contractual right to receive cash flows from the asset has expired;
- the Company has essentially transferred all risks and benefits linked to the asset, disposing of its rights to receive cash flows from the asset or assuming a contractual obligation to pay cash flows received to one or more

beneficiaries linked to the asset by a contract in compliance of the requirements of IFRS 9 ("pass through test");

- the Company has not essentially transferred nor retained all risks and benefits linked to the financial asset but has surrendered its control.

Financial liabilities

Financial liabilities are initially recognized at fair value excluding any directly attributable accessory costs and are subsequently measured at amortized cost using the effective interest rate method. If there is a change in the estimate of expected cash flows, the carrying amount of the liability is recalculated to reflect that change on the basis of the present value of the new expected cash flows and the effective internal rate initially determined. Financial liabilities are classified as current liabilities, other than those having a contractual due date of more than twelve months after the balance sheet date and where the Company has an unconditional right to defer settlement for at least twelve months after the balance sheet date.

Financial liabilities are recognized at the trading date of the transaction and are derecognized when they are extinguished and when the Company has transferred all the risks and expenses relating to the instrument.

Lease liabilities

They represent the present value of payments due for lease contracts (as defined in the paragraph "Right of use for leases" above) and are recognized at the start date of the leases contract.

The present value of payables is calculated by using the lease implicit interest rate or the lessee marginal financing rate, applicable at the start date of the lease contract, if the lease implicit interest rate is not readily available. The marginal financing rate corresponds to the interest rate that would have been applicable to access financing with an analogue cash profile and the same collateral guarantees of the lease contract (so called Incremental Borrowing Rate).

After the start date, the lease liability, measured by applying the amortized cost criterion, is increased to take into account the interest expenses accrued, and is decreased due to the effect of the payments made. It can also be redetermined to take into account any new lease contract valuations or amendments. In cases where the amendments relate to the duration of the lease or the valuation of an option to purchase the underlying asset, the lease liability is redetermined used a discounting rate reviewed at the time of the amendment.

Derivatives

A derivative is a financial instrument or other contract with the following characteristics:

- its value changes in response to changes in an underlying such as an interest rate, a share price or a commodity price, a foreign exchange rate, an index of prices or rates, a credit rating or another variable;
- it requires no initial net investment or an initial net investment that is smaller than would be required for contracts having a similar response to changes in market conditions;
- it is settled at a future date.

Derivatives are classified as financial assets or financial liabilities depending on whether their fair value is positive or negative and are further classified as "held for trading" and measured at fair value through profit or loss, except for those designated as effective hedges.

Derivatives are designated as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the hedge is expected to be highly effective; the effectiveness of a hedge is verified on a regular basis. When derivatives hedge the exposure to variabilities in the cash flows of the hedged item (cash flow hedges) such as in the case of hedging the variability in cash flows arising from assets/liabilities due to fluctuations in foreign exchange rates, the changes in the fair value of derivatives considered effective are initially recognized in the shareholders' equity reserve relating to other components of Consolidated comprehensive income and subsequently reclassified to the Consolidate income statement in line with the economic effects arising from the hedged transaction. Changes in the fair value of derivatives that do not qualify as hedges are recognized directly in profit or loss.

Employee benefits

Short-term benefits consist of wages, salaries, the related social charges, compensated annual leave and incentives in the form of bonuses payable within twelve months of the balance sheet date. These benefits are recognized as personnel costs in the period in which employees render the related service.

In defined benefit programs, which also include the severance pay due to employees pursuant to article 2120 of the Italian Civil Code (the "TFR"), the amount of the benefit to be paid to employees can only be determined after the completion of employment and is linked to several factors such as age, years of service and remuneration. The cost is accordingly recognized in the income statement on the basis of an actuarial calculation. The liability recognized for defined benefit plans corresponds to the present value of the obligation at the balance sheet date. Defined benefit plan obligations are calculated on an annual basis by an independent actuary using the projected unit credit method. The present value of a defined benefit plan is determined by discounting the future cash flows using an interest rate determined by reference to high quality corporate bonds issued in Euros, consistent with the term of the related pension plan. The actuarial gains and losses arising from these adjustments and changes in actuarial assumptions are recognized in comprehensive income.

From 1 January 2007 the so-called Financial Law 2007 and corresponding implementation decrees introduced significant changes to regulations for the TFR, including permitting an employee to choose the destination of the accruing entitlement. More specifically, from that date an employee is able to decide whether the new TFR flows should be transferred to a selected supplementary pension fund or retained within the company. In the case of transfer to an external pension fund, the Company usually pays over a defined contribution to the fund, and from that date the portion of accruing TFR has the nature of a defined contribution plan and is not therefore subject to actuarial valuation.

As far as redundancy incentives are concerned, if the retirement incentive is not included as part of the restructuring programs the liabilities and the cost relating to the benefits due as the result of the termination of the employment relationship are recognized when the Company can no longer withdraw its offer for the benefits payable as a result of the termination of the employment relationship. More specifically, if the decision to terminate is made by the employee, the Company may no longer withdraw the offer of such benefits when the first of the following occurs (i) the employee accepts the offer, (ii) a restriction on the ability of the Company to withdraw the offer comes into force. Conversely if the Company decides to terminate the employment relationship, it may no longer withdraw the offer of such benefits when it has communicated a detailed retirement incentive plan to those concerned and when the steps required to be taken to complete the plan imply that it is improbable that significant changes will be made to such. If it is expected that such benefits will be fully settled within twelve months after the end of the year in which such benefits are recognized, the requirements for short-term employee benefits are applied, while if this is not expected to be the case the entity applies the requirements for other long-term employee benefits.

Provisions for risks and charges

Provisions for risks and charges are recognized for losses and charges of a specific nature whose existence is certain or probable but for which the amount and/or date of occurrence cannot be determined.

The liabilities linked to tax disputes and uncertain tax treatments in relation to income taxes are allocated to the item Liabilities for income taxes.

Provisions are only recognized when the Company has a present obligation, legal or constructive, arising from past events, for the future outflow of economic benefits and it is probable that such outflow will be required to settle the obligation. The amount recognized as a provision is the best estimate of the expense required to settle the obligation.

Where the effect of the time value of money is material and the date of settling the obligation can be reliably estimated, the amount of the provision is the present value of the expected expense discounted using a rate that reflects market conditions, the change in the time value of money and the risks specific to the liability. The increase in the carrying amount of a provision reflecting the change over time of the cost of money is recognized as financial expenses.

Risks for which the likelihood that a liability will arise is only possible are disclosed in the section of the notes on contingent liabilities and no provisions are recognized.

Trade payables and other liabilities

Trade payables and other liabilities are initially recognized at fair value, excluding directly attributable accessory costs, and are subsequently measured at amortized cost using the effective interest rate method.

Recognition of revenues and income

The recognition of revenue is based on the following five steps:

1. identify the contract with a customer;
2. identify the separate performance obligations in the contract (meaning the contractual commitment to transfer goods and/or services to the customer);
3. determine the transaction price;

4. allocate the transaction price to the performance obligations identified on the basis of the standalone sales price for each good or service; and
5. recognize the revenue when each performance obligation is satisfied.

On underwriting each contract with customers in relation to promised goods or services, the Company identifies as a separate obligation each promise to transfer goods, service, a series of assets or services or a combination of distinct goods and services.

Revenues are valued according to fair value of the consideration due, inclusive of any variable components, when it is believed it is highly probable that this will not be reversed in future.

The Company recognizes revenues due for the fulfilment of each separate obligation at the time the control on services rendered, rights conceded or goods supplied is transferred to the buyer.

Revenues are recorded in the financial statements net of any discounts or rebates, payments made by customers without correspondence to the purchase of the Company's distinct goods or services as well as the estimate of customer returns.

The Company recognizes a contractual asset or liability in function of the fact that the service has a ready taken place, but that the relative compensation is yet to be received, or as a contractual liability when obligations assumed are yet to be fulfilled but the compensation has already been received.

For each of the main revenue flows identified, a short description is given below of the recognition, measurement and valuation process applied.

Revenues deriving from Supply Contracts for turnkey services with the Parent Company relate to the performance of all activities necessary to guarantee transmission and broadcasting, in Italy (on the frequencies assigned to Rai) and abroad, of the radio and television signals relating to Rai’s audio and visual contents and the ordinary fulfilment of obligations pertaining to the Concessionary of the public radio and television service. Under the scope of the Contract are also included “New Services”, meaning extension of already operational services, and "New Services", which refer instead to services relating to completely new standards/technologies, not yet known or expected today.

The nature of the obligation assumed, which is satisfied over time, involves the recognition of relative accrued revenues through the period in which the obligation was fulfilled.

Revenues from equipment and apparatus hospitality services are recognized from the time the customer obtains access to the sites where the equipment and apparatus are destined to be placed. Such revenues are recognized in a linear manner throughout the duration of the hospitality contract, irrespective therefore of the temporal distribution of compensation.

Financial income is recognized in the income statement in the year in which it accrues.

Recognition of costs

Costs are recognized in the income statement on an accrual basis. Financial expenses are recognized in the income statement in the year in which it accrues.

Government grants

Government grants, including non-monetary contributions valued at fair value are recognized when there is reasonable assurance that the Company will comply with all the conditions attaching to the receipt of the grants and that the grants will be received.

The benefit of public funding at an interest rate lower than market rate is treated as a public subsidy. The funding is initially recognized at fair value and the public subsidy is measured as the difference between the initial accounting value and the funding received. The funding is subsequently valued in accordance with the provisions for financial liabilities.

Operating grants are recognized as a positive component of the income statement, under the item Other revenues and income.

Public grants received for the purchase, construction or acquisition of fixed assets (property, plant and equipment or intangible) are recognized as a direct reduction of the relative purchase or production cost or recognized in the income statement in relation to their relative useful life, on the basis of the amortization and depreciation process for the assets for which the grants were received.

Taxation

Current taxes are recognized under current income tax liabilities net of any advances paid, or under the item current tax assets when the net balance is in credit. Current taxes are determined by multiplying the taxable income estimate for the applicable tax rates. Both the estimated taxable income and the tax rates used are based on the applicable or essentially applicable tax regulations at the reference date.

This item also includes the estimated charges that may affect the group in relation to current tax disputes and uncertain income taxes treatment recognized against current or non current income tax liabilities if the time estimated for the resolution of the underlying dispute or of uncertainty is over 12 months.

Deferred tax assets and liabilities are recognized for all the differences between the carrying amount of an asset or liability and its tax base and are measured at the tax rates that are expected to apply to the period when the difference is realized settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. For the portion not offset by deferred tax liabilities, deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which they can be recovered.

Current taxes, prepaid and deferred taxes are recognized under the item "Income tax" in the income statement, apart from taxes relating to items recognized in comprehensive income and those relating to items directly charged or credited to equity. In these latter cases, deferred taxes are recognized in comprehensive income and directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority, the Company has a legally enforceable right to set off the recognized amounts and the Company intends to settle on a net basis.

Other taxes that are not based on income, such as indirect taxes and duties, are recognized under the item “Other costs” in the income statement.

Together with Rai the Company has opted for domestic tax consolidation. The economic relationships, as well as the mutual responsibilities and obligations, between Rai and the other companies of the same group that opted to join the tax consolidation are defined in the “Agreement for the exercise of the option for the domestic consolidation in accordance with article 117 and following of the Consolidated Income Tax Act”, under which:

- subsidiaries that transfer a taxable profit to Rai also transfer the amounts required to settle the additional tax liability due as the result of their participation in the domestic consolidation;
- subsidiaries that transfer a taxable loss to Rai are compensated to the extent of the respective tax saving achieved by Rai when this saving is realized or could have been realized by the subsidiary transferring the loss.

Accordingly the related tax net of any advances paid, withholding tax and tax credits in general is recognized as a receivable from or payable to the Parent Company.

Earnings per share

Basic earnings per share is calculated by dividing the Company’s net profit by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the Company’s net profit by the weighted average number of ordinary shares outstanding during the year. In order then to calculate diluted earnings per share the weighted average number of ordinary shares outstanding during the year is adjusted by assuming that all the holders of rights that potentially have a dilutive effect exercise those rights, while the Company's net profit is adjusted to take into account any effect, net of taxes, of exercising those rights.

Effects deriving from the first application of IFRS 16

IFRS 16 requires that all lease contracts, defined as contracts that assign the right of use of an asset, identified or identifiable, for a determinate period of time in exchange for a compensation, are recognized in the financial statements of the lessee through recognition in the statement of financial position of a liability, represented by the present value of future payments – calculated using the implicit lease interest rate or the marginal financing rate of the lessee if the implicit lease interest rate is not readily available – with at the same time recognition in the income statement of the corresponding "lease right of use". Therefore, the lessee will recognize in the income statement the amortization of the right of use and interest accrued on the liability, in place of the operating lease payments recognized under service costs in accordance with the provisions of IAS 17 applicable until the 2018 year. In the cash flow statement, the payment of fees to repay the above-mentioned liability will be recognized under cash flows from financing activities; therefore, with reference to lease contracts classified as operating leases in accordance with IAS 17, the application of IFRS 16 will involve a change in the net cash flow from operating activities and the net cash flow from financing activities.

Therefore, IFRS 16 overcomes the previous distinction between operating and finance leases from the lessee's point of view. However, from the point of view of the lessors, the differentiation between operating and finance leases is retained, as well as their recognition in accordance with IAS 17.

Analysis carried out by the Company has highlighted the inclusion, in the context of the application of the standard, of the following types of contract:

- rental of properties;

- car rental.

With the first-time application of IFRS 16, the Company has chosen to:

- apply a simplified retrospective method with recognition, for leases previously classified as operating leases, of the lease debt and the corresponding value of the right of use measured on residual contractual payments at the date of transition discounted on the basis of the marginal financing rate applicable to the Company on 1 January 2019, that is, the interest rate the Company would have paid to put in place a financing operation with a similar cash profile and the same lease contract collateral guarantees in question (Incremental Borrowing Rate);
- make use of the option granted by the standard to continue to recognize payments for short-term leases (with a duration of less than 12 months) and for leases where the underlying asset is of modest value;
- make use of the option of not re-examining each outstanding contract at 1 January 2019, applying IFRS 16 only to the contracts previously identified as leases (pursuant to former IAS 17 and IFRIC 4);
- assess the recoverability of right of use assets at 1 January 2019 on the basis of the valuation, carried out at the time of the drafting of the financial statements at 31 December 2018, with regard to the burden of lease contracts in compliance with the provisions of IAS 37;
- not include at the transition stage leases with a residual duration of less than 12 months at 1 January 2019 under short-term leases.

In order to determine if, at the date of transition, after the first recognition of the asset represented by the right of use and of the financial liability, the conditions for the recognition of the deferred tax assets and liabilities meet the provisions of IAS 12, the Company has intended to consider these assets and liabilities, although recognized in the financial statements at the same time, as two distinct elements. This interpretation of the transaction has meant that the Company was able to avail itself of the exemption for the recognition of the deferred taxation pursuant to paragraphs 15 and 24 of IAS 12. The changes subsequent to the temporary differences in respect of which, by reason of the above mentioned exemption, no deferred taxation was initially recognized do not need to be recognized, as they represent the absorption of the above mentioned differences.

To recognize the effects deriving from the application of the new standard, the statement of financial position was modified with the introduction of the following items:

- "lease rights of use", recognized as non-current assets;
- "lease liabilities" recognized as current and non-current liabilities in relation to the due dates of the liabilities (respectively within and more than 12 months).

The main impacts on the Company's financial statements can therefore be summarized as follows:

- statement of financial position: increased non-current assets for the recognition of "lease rights of use" and "lease liabilities" for an amount at 1 January 2019 equal to approximately € 40 million;
- income statement: different nature, quantification, qualification and classification of costs (amortization of the "lease rights of use" under "Amortization, depreciation and other write-downs" and "lease interest expense" under "Financial expenses" compared to the previous classification of rental costs under "Cost of services") with a positive impact on gross operating income. Furthermore, the combination of straight-line amortization of the "lease rights of use" and the effective interest rate method applicable to lease liabilities normally involves (with the exception of situations characterized by decreasing lease payments through the duration of the contract) greater costs recognized in the income statement in the first few years of the lease contract and decreasing costs in the last few years compared to IAS 17.

The effects of the application of the new accounting standard on the economic and financial position at 1 January 2019 are summarized in the table below, which also highlights the reclassification of the values relating to “Dismantling and restoring” from the item “Property, plant and equipment” to the item “Right of use”:

RAI WAY STATEMENT OF FINANCIAL POSITION

Effects deriving from the application of the IFRS 16 on the opening balances at 1 January 2019.

(amounts in millions of Euro)	**31/12/2018**	**IFRS 16**	**Reclass. Adjustments**	**01/01/2019**
Non-current assets				
Property, plant and equipment	180.9		(4.6)	176.3
Lease rights of use	-	40.1	4.6	44.7
Intangible assets	12.9			12.9
Deferred tax assets	3.3			3.3
Other non-current assets	1.3			1.3
Total non-current assets	**198.4**	**40.1**	**-**	**238.5**
Current assets				
Inventory	0.9			0.9
Trade receivables	71.5			71.5
Other current receivables and asset	5.8			5.8
Current financial assets	0.1			0.1
Cash and cash equivalents	17.2			17.2
Current tax receivables	0.1			0.1
Total current assets	**95.6**	**-**	**-**	**95.6**
Total assets	**294.0**	**40.1**	**-**	**334.1**
Shareholders' equity				
Share capital	70.2			70.2
Legal reserve	14.0			14.0
Other reserves	37.1			37.1
Retained earnings	59.5			59.5
Total shareholders' equity	**180.8**	**-**		**180.8**
Non-current liabilities				
Non-current financial liabilities	0.4			0.4
Non-current lease liabilities	-	26.6		26.6
Employee benefits	15.1			15.1
Provisions for risks and charges	17.0			17.0
Other non-current payables and liat	0.3			0.3
Total non-current liabilities	**32.8**	**26.6**	**-**	**59.4**
Current liabilities				
Trade payables	45.6			45.6
Other current payables and liabilitie	33.9			33.9
Current financial liabilities	0.3			0.3
Current lease liabilities	-	13.5		13.5
Current tax payables	0.6			0.6
Total current liabilities	**80.4**	**13.5**	**-**	**93.9**
Total liabilities and shareholders' equity	**294.0**	**40.1**	**-**	**334.1**

(*) Schedule prepared in accordance with the International Financial Reporting Standards issued by he International Accounting Standards Board and adopted by the European Union ("IFRS").

Recently issued accounting standards

Accounting standards adopted by the European Union but not yet applicable

- The document "Amendments to References to the Conceptual Framework in IFRS Standards" was adopted with Regulation no. 2019/2075 issued by the European Commission on 29 November 2019. The amendments are intended to update the various accounting standards and interpretations relating to the previous framework, replacing them with references to the reviewed framework. The amendments discussed in this document are effective for annual periods beginning on or after 1 January 2020.
- The document "Definition of Material (Amendments to IAS 1 and IAS 8)" was adopted with Regulation no. 2019/2104 issued by the European Commission on 29 November 2019. The document clarifies the definition of "relevant" in order to make it easier for enterprises to form opinions on relevance and to improve the relevance of the information in the notes to financial statements. The amendments discussed in this document are effective for annual periods beginning on or after 1 January 2020.

The Company has determined that the amendments reported above will not have a significant impact on the Financial statements for the year.

Accounting standards not yet adopted by the European Union

- On 18 May 2017, the IASB issued IFRS 17 "Insurance Contracts", which regulates the accounting treatment of insurance contracts issued and of reassurance contracts held. IFRS 17 is effective for annual periods beginning on or after 1 January 2021.
- On 22 October 2018, the IASB issued the document "Amendments to IFRS 3 Business Combinations". The objective of this document is to improve the application of the definition of "business" in order to resolve difficulties that

arise in practice when an entity determines whether they have acquired an asset or group of assets. The amendments discussed in this document are effective for annual periods beginning on or after 1 January 2020. Their early application is allowed.

- On 26 September 2019 IASB issued the document "Amendments to IFRS 9, IAS 39 AND IFRS 7: Interest Rate Benchmark Reform". The objective of the amendments is to prevent the interruption of hedging relations due to uncertainties linked to the transition of IBOR rates subsequent to the review process introduced by the European Financial Benchmark Regulation, in particular due to the inability to meet the specific requirements for the accounting treatment of hedging transactions prior to the transition. The amendments discussed in this document are effective for annual periods beginning on or after 1 January 2020. Their early application is allowed.

The Company is currently analyzing the above standards and assessing whether adoption will have a significant effect on its financial statements.

Segment Information

IFRS 8 Operating Segments defines an "operating segment" as a component of an entity: (a) that engages in business activities from which it may earn revenues and incur expenses, (b) whose results of operations are regularly reviewed by the entity's chief operating decision maker, which for Rai Way is the Board of Directors, to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available. The Company has identified only one operating segment, for which information on operations is prepared and made available to the Board of Directors on a periodic basis for the above-mentioned purposes, considering the business conducted by Rai Way as a single group of activities; accordingly no disclosures by operating segment are provided in the financial statements. Disclosures on the services rendered by the Company, the geographical area in which it carries out its activities (which almost entirely corresponds to the state of

Italy) and its main customers are provided in the notes to these financial statements, to which reference should therefore be made.

Transactions between Rai and Rai Way

The incorporation of the Company and the completion of the transfer by the Parent Company Rai of the business unit "Transmission and Broadcasting Division" are part of a much broader streamlining project being carried out by the Rai Group which resulted in the formation of a number of subsidiaries tasked with handling specific business sectors ancillary to the Public Service for broadcasting radio and television programs previously performed by Rai. Under this transfer, which took place on 1 March 2000, the Company became the owner of the business unit tasked with performing the planning, design, installation, construction, operation, management, maintenance, implementation and development of the systems, of the stations, of the connections and in general of the network for transmitting and broadcasting Rai's voice, video and data signals. The ownership of the equipment needed for Rai's television and radio transmission and broadcasting was therefore transferred to the Company, in addition to the employment relationships with approximately 600 engineers and technicians specialized in the transmission and broadcasting of radio and television signals.

On 5 June 2000, Rai and the Company signed the Service Contract under which the latter engaged the Company to provide services on an exclusive basis for the installation, maintenance and operation of telecommunications networks and the performance of services for the transmission, distribution and broadcasting of radio and television signals and programs. The above mentioned Contract remained effective until 30 June 2014.

On 31 July 2014, with effect from 1 July 2014, to replace the above mentioned Contract, Rai and Rai Way signed a Service Contract, by effect of which Rai assigned the Company, on an exclusive basis, a set of services that allow Rai to: (i) regular transmission and broadcasting in Italy and abroad through the MUX that were assigned to it on the basis of applicable regulation; and (ii) regular fulfilment of its Public Service obligations.

Reference should be made to the paragraph "Related party transactions" for further details about transactions between Rai and Rai Way.

Financial risk management (note 4)

The financial risks to which the Company is exposed are managed in accordance with the approach and procedures included in a specific policy approved by Rai Way's Board of Directors, which is directed at risk minimization in order to maintain the value of the business as a whole and in particular economic and financial value.

The main risks identified by the Company are as follows:

- market risk, deriving from the exposure to fluctuations in interest rates and foreign exchange rates arising from financial assets and liabilities respectively owned/originated and assumed;
- credit risk, deriving from the possibility that one or more counterparties may be insolvent;
- liquidity risk, deriving from the Company's inability to obtain the financial resources necessary to fulfil short-term financial commitments;
- capital risk, deriving from the Company's ability to continue ensuring capital soundness.

Market risk

Market risk consists of the possibility that changes in interest and exchange rates, or the rating of the counterparties with whom liquidity is deposited, may negatively affect the value of assets, liabilities or expected cash flows.

The Company has adopted its own specific financial policy, whose features are described in the following and whose aim is to minimize risk and maintain the value of the business.

- Interest rate risk: the policy requires that interest rate risk, which derives from possible fluctuations in the interest rates applicable to the long-term loans granted to the Company (for significant amounts), be managed through the use of the hedging instruments available on the market such as IRSs, options, etc., with pre-set minimum cover percentages.

  During the 2018 financial year the term loan credit facility was settled and so were the relative hedges and therefore the financial position at 31 December is positive for € 30.2 million, so that exposure to the interest rate risk is reduced in relation to the Company's cash and cash equivalents revenues; in fact, applying a variation of 50 bps upwards there would a positive economic impact on financial revenues, gross of the tax effect, of around € 0.2 million, while a possible reduction in the rates of 50 bps would give rise to a negative economic impact, gross of the tax effect, of around € 0.2 million.

- Exchange rate risk: the Company's operations in currencies other than the Euro are extremely limited and accordingly its exposure to exchange rate risk does not lead to significant effects on its financial position, results from operations or cash flows. The Company nevertheless monitors its exposure in currency to be ready to take the initiatives deemed necessary by its policy to manage any significant risk positions (over € 2.5 million) which may emerge from a changed exposure to exchange rate risk. In these cases the policy requires a gradual hedging approach to be taken by means similar to those envisaged for interest rate risk described above.

- Risks connected with the investment of liquidity: for risks connected with the investment of liquidity, in the case of temporary excesses of cash the Company's policy requires the use of low-risk market-based financial instruments with counterparties having a high rating or with the Parent Company.

Credit risk

The Company's main customer is its Parent Company Rai, which generated Group revenues net of marginal costs of € 188,186 thousand (approximately 85% of total revenues) and € 184,643 thousand (approximately 85% of total revenues) in the years ended 31 December 2019 and 2018 respectively. The Company's other customers are mainly telephone operators, broadcasting companies, entities of the public administration and other corporate customers with which the Company enters multi-year service agreements. The Company is therefore exposed to the risk of concentration of revenues and credit deriving from the possibility that its trade counterparties will be unable to fulfil their obligations, either for business and financial reasons such as business instability, the inability to collect the necessary capital for the performance of their activity or those related to the general trend towards the reduction in operating costs, or else for technical-commercial reasons or legal reasons connected with the performance of the services by the Company, such as complaints relating to the services provided or the customers' inclusion in bankruptcy proceedings that make it more difficult or impossible to recover the receivables.

A breach by one of the Company's trade counterparties to fulfil its obligations may result in negative effects on its economic and financial position.

With regard to counterparty risk, formalized procedures for assessing and accepting trade partners have been adopted for credit management purposes. The assessment is carried out on overdue items and may lead to formal notice of default being served on the parties involved. The lists of overdue items analyzed are sorted by amount and by customer, updated to the analysis date, in order to highlight the items requiring greater attention and the need to send reminders or carry out other collection procedures as required by business policies.

The Company sends informal payment claim notices to debtors owing amounts relating to overdue items. If this activity does not remedy the situation, after formally placing the debtors in default the Company assesses the possibility of filing for an injunction.

The following table provides an ageing of trade receivables at 31 December 2019 and 2018, with figures stated net of the provision for bad and doubtful debts.

	Financial Year ended at 31 December	
(in thousand of Euro)	**2019**	**2018**
Expiring	64,930	66,783
Past due 0-30 days	955	240
Past due 31-60 days	569	91
Past due 61-90 days	3,103	64
Past due more than 90 days	5,238	4,289
Total	**74,795**	**71,467**

All trade receivables are due within 12 months.

Liquidity risk

Liquidity risk is the inability for the Company to obtain the funding it requires to meet its operational requirements for investments, working capital and debt servicing. Rai Way believes that cash flows from operating activities and its outstanding loans (see the section on "Current and non-current financial assets and liabilities") are amply sufficient to meet its needs. At 31 December 2019 the Revolving Facility for the amount of € 25 million has not been used and the financial parameters established in the relative contract (covenants) have been fully respected.

The following tables set out the expected cash flows for future years arising from the Company's outstanding financial liabilities, trade payables and other liabilities at 31 December 2019 and 2018.

At 31 december 2019 (in migliaia di Euro)	Within 12 months	Between 1 and 5 years	Over 5 years
Current and non-current financial liabilities	176	262	
Trade payables	54,278		-
Other payables and liabilities	34,105		-

At 31 december 2018 (in migliaia di Euro)	Within 12 months	Between 1 and 5 years	Over 5 years
Current and non-current financial liabilities	260	432	
Trade payables	45,585	-	-
Other payables and liabilities	33,939	312	-

Capital risk

The Company's capital management objectives aim at safeguarding its ability to continue to ensure optimal capital soundness. More specifically, the ratio between the Company's financial liabilities and own funds continues to be 0 at 31 December 2019, as it was at 31 December 2018. The fair value of trade receivables and other financial assets, trade payables, financial liabilities (measured at amortized cost) and other payables recognized as "current" in the statement of financial position does not significantly differ from the carrying amounts of these items at 31 December 2019, as they mainly relate to assets arising from commercial transactions for which settlement is expected in the short term.

Non-current financial assets and liabilities are settled or measured at market rates and their fair value is considered to be broadly in line with their present carrying amounts.

Since 1 January 2019, due to the effect of the adoption of the new IFRS 16 accounting standard, lease liabilities amounted to € 39,533 thousand at 31 December 2019.

Measurement of financial instruments at fair value

Financial instruments carried at fair value in the statement of financial position consist of financial hedging derivatives that are measured by means of a financial model that uses generally accepted market formulae as well as the following inputs provided by Reuters: Euribor and IRS rate curves and the volatilities and credit spreads of the various banking counterparties and of the securities issued by the Italian state. The fair value of derivatives represents the net position of asset and liability values.

Please note that at 31 December 2019 the Company is not party to any derivative finance contract, having fully repaid the Term loan and the relative hedges during 2018.

Estimates and Assumptions (note 5)

The preparation of financial statements requires the directors to apply accounting principles and methods which, in certain circumstances, depend upon difficult and subjective measurements and estimates based on historical experience and assumptions that at the time are considered reasonable and realistic with respect to the relative circumstances. The application of these estimates and assumptions affects the amounts reported in the financial statements, the statement of financial position, the income statement, the statement of comprehensive income and the cash flow statement and the disclosures. The final results of the items in the financial statements for which the above estimates and assumptions have been made could differ from those recorded in the financial statements, as these recognize the effects of the event estimated, due to the uncertainty inherent in the assumptions and conditions on which the estimates are based.

The following paragraphs provide a brief description of the areas which require greater subjectivity to be used by the directors in arriving at their estimates and for which a change in the conditions underlying the assumptions could have a significant effect on the reported figures.

Contingent liabilities

A liability is recognized for risks arising from disputes and litigation when an outflow of funds is considered probable and the amount can be reliably estimated. If an outflow of funds is considered possible but the amount of that outflow cannot be determined, this fact is disclosed in the notes to the financial statements. The Company is the defendant in legal cases (of an administrative and fiscal nature and relating to labor law) on a variety of issues. The Company constantly monitors the status of these pending litigations and engages the services of legal advisors. The related provision is accordingly based on the directors' best estimate at the date of preparation of the financial statements.

Revenues (note 6)

The item breaks down as follows:

	Financial Year ended at 31 December	
(in thousand of Euro)	**2019**	**2018**
Revenues from RAI Group (*)	188,186	184,643
Revenues from third parties	33,202	33,084
- Fees for equipment hosting and devices	*29,839*	*30,533*
- Other	*3,363*	*2,551*
Total revenues from sales and services	**221,388**	**217,727**

(*) Revenues are shown net of marginal costs of € 23,036 thousand (€ 23,537 thousand at 31/12/2018)

"Revenues" includes revenues accruing in the year from the provision of services that are part of the Company's normal business operations.

At 31 December 2019 Revenues rose by € 3,661 thousand compared to the previous period in 2018, from € 217,727 thousand in 2018 to € 221,388 thousand in 2019.

"Revenues from the Rai Group" amounted to € 188,186 thousand or 85% of total revenues for the year ended 31 December 2019 (€ 184,643 thousand for the year

ended 31 December 2018), and have increased by € 3,543 thousand compared to the same period in 2018. This increase mainly derives from the adjustment of the fixed consideration to the rate of inflation and from the increase in turnover relative to new services supplied to Rai (so called new services).
"Revenues from third parties" mainly includes revenues generated from the services of (i) tower rental, (ii) broadcasting, (iii) transmission, and (iv) network services, that the Company provided to third parties other than Rai and Group's companies. These revenues were up by € 118 thousand with respect to the same period in the previous year.

Other revenues and income (note 7)

The item breaks down as follows:

	Financial Year ended at 31 December	
(in thousand of Euro)	**2019**	**2018**
Operating grants	10	68
Compensation for damages	35	32
Other income	900	47
Total other revenues and income	**945**	**147**

"Other revenues and income" amounted to € 945 thousand, an increase of € 798 thousand compared to 31 December 2018, due mainly to the capital gains (of € 805 thousand) realized from the disposal of a no longer operational site.

Purchase of consumables and goods (note 8)

The item breaks down as follows:

(in thousand of Euro)	Financial Year ended at 2019	2018
Vehicle fuel purchase	754	740
Fuel purchase	109	131
Various tools purchase	323	79
Stocks of technical materials	1	6
Total consumables and goods	**1,187**	**956**

"Consumables and goods" of € 1,187 thousand recorded an increase of € 231 thousand compared to the values at 31 December 2018. Costs for "Consumables and goods" mainly include consumables such as fuel for electro-generator groups and heating.

Cost of services (note 9)

The item breaks down as follows:

	Financial year ended at 31 December	
(in thousand of Euro)	**2019**	**2018**
Services of independent workers	2,299	2,404
Other services	1,937	2,834
Travel expenses, business trips and accessory personnel cost	2,055	1,953
Intercompany service agreement costs	6,748	10,437
Maintenance and repairs	5,113	4,359
Transport and similar	241	235
Utilities	14,772	13,303
Leasing and rentals	9,003	14,800
Total costs of services	**42,168**	**50,325**

"Cost of services" decrease by € 8.157 thousand (-16.2%) from € 50,325 thousand at 31 December 2018 to € 42,168 thousand at 31 December 2019. Set out below are the main changes in the above cost items and a description of the principal factors that led to these:

- "Other services" of € 1,937 thousand decreased by € 897 thousand over the 2018 figure, due mainly to lower consulting and external services. This item included, among others, fees relating to the year for the legal audit of the annual accounts amounting to € 79 thousand.

- "Travel expenses, business trips and accessory personnel costs" of € 2,055 thousand were up by € 102 thousand from the 2018 figures owing to an increase in travel costs.
- "Intercompany service agreement costs" include passive services with the Parent Company; the comparison between 2019 and 2018 shows a decrease of € 3,689 thousand mainly due to the effects deriving from the application of the new IFRS 16 accounting standard adopted from 1 January 2019, as illustrated in the paragraph Summary of Accounting Principles (note 3) - Effects deriving from the first application of the IFRS 16;
- "Maintenance and repairs" includes network infrastructure maintenance costs; it has a balance of € 5,113 thousand, an increase of by € 754 thousand compared to the previous year owing mainly to an increase in activities relating to maintenance of transmission systems and building infrastructure;
- "Utilities" amounted to € 14,772 thousand at 31 December 2019 and principally include the costs incurred for electricity, telephone expenses and various utilities. The increase compared to 2018, of € 1,469 thousand, is mainly due to the increase in prices compared to the previous period and to higher operational activities consumption;
- "Leasing and rentals" consist mainly of the cost of rentals and leases not included in the application of the IFRS 16 accounting standard with respect to buildings, plant and equipment, transmission circuits and motor vehicles. The decrease recorded in 2019 compared to the previous financial year, of € 5,797 thousand, is mainly attributable, as in the case of the item "Intercompany service agreement costs", to the effects deriving from the application of the new IFRS 16 adopted from 1 January 2019 (Summary of Accounting Standards - Effects deriving from the first application of the IFRS 16 - note 3).

The details of costs for services rendered by the company tasked with the statutory audit of financial statements and of companies belonging to the same network are given below.

Information pursuant to art. 149-duodecles of Consob Issuers' Regulations
(in thousand of Euro)

Type of task		**Fees for the 2019 financial year**
External audit	PricewaterhouseCoopers S.p.A.	58
Half-yearly Financial Report	PricewaterhouseCoopers S.p.A.	21
Sustainability Report	PricewaterhouseCoopers S.p.A.	38
Other services required by law from subject tasked with statutory audit	PricewaterhouseCoopers S.p.A.	3
Total costs of services		**120**

Personnel costs (note10)

The item breaks down as follows:

	Financial year ended at 31 December	
(in thousands of Euro)	**2019**	**2018**
Wages and salaries	36,433	34,934
Social security contributions	10,541	10,303
Severance indemnity	2,202	2,080
Pension costs and similar liabilities	788	786
Redundancy incentives	-	699
Other costs	(476)	31
Capitalised personnel costs	(4,162)	(2,763)
Total personnel costs	**45,326**	**46,070**

"Personnel costs" amounted to € 45,326 thousand in 2019, a decrease of € 744 thousand in spite of the increase in the average number of employees by 11 units, from 601 to 612 resources. The cost for the higher average number of resources employed compared to the previous year was more than offset by lower charges for redundancy incentives and higher capitalized costs.

Capitalized personnel costs amounted to € 4,162 thousand at 31 December 2019 (€ 2,763 thousand at 31 December 2018), an increase of € 1,399 thousand mainly due to the effect of a higher volume of investments compared to 2018.

Further details on the economic effects arising from the accounting treatment for employee benefits may be found in note 31 "Employee benefits".

The following table sets out the average number of the Company's employees during the year and the number at year end:

	Average number of employees (*) for the financial year ended at		Number of employees for the financial year closed as at	
(in units)	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**
Executives	22	21	23	21
Managers	150	138	163	138
White-collar workers	427	420	416	438
Blue-collar workers	13	22	13	18
Total	**612**	**601**	**615**	**615**

(*) Please note that the average values in the table include part-time.

Other costs (note 11)

The item breaks down as follows:

	Financial Year ended at 31 December	
(in thousand of Euro)	**2019**	**2018**
Contribution to Supervisory Authorities	327	330
LOCAL PROPERTY TAX/IMU/TASI	629	1,123
Taxes on production and consumption	1,145	1,148
Others indirect taxes, duties and other charges	332	337
Other	146	476
Total other costs	**2,579**	**3,414**

"Other costs" decreased by € 835 thousand (-24.5%) from € 3,414 thousand at 31 December 2018 to € 2,579 thousand at 31 December 2019 mainly because of lower IMU (€ 494 thousand), lower compensation for damages (€ 99 thousand) and lower costs for previous financial years (€ 133 thousand).

Write-downs of financial assets (note 12)

"Write-downs of financial assets" posted a balance of € 246 thousand at 31 December 2019, a decrease of € 78 thousand compared to the € 324 thousand at 31 December 2018. This decrease is mainly due to lower receivables write-downs during the financial year of € 45 thousand and greater use of the Bad Debt Provision for € 33 thousand.

Amortization, depreciation and other write-downs (note 13)

"Amortization", included in the item "Amortization, depreciation and write-downs", was € 42,192 thousand at 31 December 2019 (€ 32,926 thousand at 31 December 2018). As of 1 January 2019, due to the adoption of IFRS 16, this item includes the value of amortization on lease rights of use, totaling €9,726 thousand. Compared to the previous financial year, therefore, the increase in the item "Amortization, depreciation and other write-downs" of € 9,266 thousand was mainly determined by the application of the above mentioned new accounting standard of € 8,786 thousand (net of depreciation for "Dismantling and restoring" of € 941 thousand already present in 2018, for the same amount, under Property, plant and equipment), of € 329 thousand for higher amortization relative to software licenses and of € 151 thousand for higher depreciation of property, plant and equipment due to the contraction of the useful life fixed at 30 June 2022 of digital DVB-T TV broadcasting equipment (€ 4,437 thousand) offset by the extension of the useful life of industrial buildings (€ 1,199 thousand), light constructions (€ 2,055 thousand) and radio broadcasting equipment (€ 677 thousand).

The item breaks down as follows:

(in thousand of Euro)	**Financial year ended at 31 December**	
	2019	**2018**
Amortization/depreciation		
Property, plant and equipment		
buildings	717	5,015
plant and machinery	28,654	25,060
production and commercial equipment	1,186	1,274
other assets	255	252
Total property, plant and equipment depreciation	**30,812**	**31,601**
Rights of use		
buildings	9,213	
other assets	513	
Total right of use depreciation	**9,726**	**-**
Intangible assets		
software	1,443	1,114
other	211	211
Total intangible assets amortization	**1,654**	**1,325**
Total amortization/depreciation	**42,192**	**32,926**
Others write-downs	-	-
Total depreciation, amortization and other write-downs	**42,192**	**32,926**

Please also note that following the adoption of the IFRS 16, the values relative to "Dismantling and restoring" have been reclassified from 1 January 2019 from the item "Property, plant and equipment" to the item "Right of use - buildings". For the 2018 financial year these costs remain included in the item "Property, plant and equipment".

Provisions (note 14)

The item "Provisions" has a negative balance (positive income element) of € 1,458 thousand due to the effect of a predominant release of some items from the civil disputes provision (of € 1,596 thousand) with respect to the provisions for risks and charges. This amount mainly refers to the release of provisions originated by the definitive outcome in favor of the Company of some disputes concerning

COSAP (rent for occupation of public land). At 31 December 2018 this item had a balance of € 71 thousand (negative income component) for provisions for charges. For the corresponding comments please refer to the item "Provision for risks and charges", note 32.

Financial income and expenses (note 15)

The item breaks down as follows:

	Financial Year ended at 31 December	
(in thousand of Euro)	**2019**	**2018**
Interest revenues from banks	2	3
Profit on currency exchange	4	(6)
Other interest revenues	2	6
Total financial income	**8**	**3**
Interests on employee benefit obligations	(135)	(179)
Foreign currency exchange losses	(42)	(20)
Interest expense to banks and other lenders	(30)	(515)
Interest expenses on hedging transactions rates	-	(43)
Interests on adjustments to dismantling and restoration provision	(210)	(206)
Interest expenses on lease agreements	(607)	-
Other, fees and charges	(238)	(278)
Total Financial expenses	**(1,262)**	**(1,241)**
Net total financial income	**(1,254)**	**(1,238)**

"Financial income" amounted to € 8 thousand, an increase of € 5 thousand compared to 31 December 2018.

"Financial expenses" amounted to € 1,262 thousand, an increase of € 21 thousand compared to the same period of the previous year (€ 1,241 thousand as at 31 December 2018). The balance at 31 December 2019 includes financial expenses on lease agreements equal to € 607 thousand, recognized as a result of the application of IFRS 16. Therefore, net of this item, financial expenses declined significantly due to the full repayment of the term loan during the previous year.

Income tax (note 16)

The item breaks down as follows:

(in thousand of Euro)	Financial year ended at 31 December	
	2019	**2018**
Current taxes	24,740	24,030
Deferred taxes	713	(1,084)
Substitute taxes	62	-
Taxes related to previous years	(37)	(143)
Total	**25,478**	**22,803**

"Current taxes" amounted to € 24,740 thousand, an increase compared to the previous period of € 710 thousand due to the effect of a higher profit before income tax and of the adjustments made to the accounting result following the adoption of the new IFRS 16 (Leases) accounting standard, offset by the savings on the IMU tax following the new land registry reclassification of sites pursuant to Italian Legislative Decree no. 33/2016 and the greater deductibility for IRES purposes.

This item consists of:

- IRES (corporate income tax) of € 20,670 thousand;
- IRAP (regional production tax) of € 4,070 thousand.

Deferred taxes amounted to € 713 thousand, an increase of € 1,797 thousand compared to 31 December 2018 mainly due to the effect of the instalment payments of the capital gains for the disposal of a no longer operational production site and of the release of non-tax-deductible items in previous years.

Deferred taxes consist of:

- movements on deferred tax assets of € 559 thousand;
- Deferred tax liabilities of € 154 thousand.

The following table provides a reconciliation between the theoretical tax charge and the effective tax charge for the years ended 31 December 2019 and 2018.

	Financial year ended at 31 December			
(in thousand of Euro)	**2019**		**2018**	
Profit before income taxes	**88,839**		**82,549**	
Theoretical taxes	21,321	24,0%	19,812	24.0%
Substitute taxes	62		-	
Taxes related to previous years	(37)		(143)	
Permanent differences	62		(786)	
IRAP	4,070		3,920	
Total	**25,478**	**28.7%**	**22,803**	**27.6%**

Property, plant and equipment (note 17)

This item and changes during the year may be analyzed as follows:

(in thousand of Euro)	Land	Buildings	Plant and machinery	Production and commercial equipment	Other assets	Property, plant and equipment in progress and prepayments	Total property, plant and equipment
Accounting values at 1 January 2019							
Cost at 1 January 2019	12,014	99,783	728,896	28,927	2,231	12,679	884,530
Depreciation provision at 1 January 2019	-	(79,428)	(597,909)	(24,960)	(1,253)	-	(703,550)
Bad Debt Provision at 1 January 2019	-	(7)	(35)	-	-	-	(42)
Net accounting value at 1 January 2019	**12,014**	**20,348**	**130,952**	**3,967**	**978**	**12,679**	**180,938**
2019 changes							
Capital expenditure		**476**	**10,895**	**239**	**9**	**20,638**	**32,257**
First application of IFRS 16							
Historical cost		(8,755)					(8,755)
Depreciation provision		4,160					4,160
	-	(4,595)	-	-	-	-	(4,595)
Depreciation for the year	**-**	**(718)**	**(28,682)**	**(1,186)**	**(255)**	**-**	**(30,841)**
Bad debt provision							
assets in use			29				29
on disposed assets			-				-
	-	**-**	**29**	**-**	**-**	**-**	**29**
Disposals							
Cost	(4)	(253)	(9,505)	(80)			(9,842)
Depreciation provision	-	248	9,365	79			9,692
Net accounting value	**(4)**	**(5)**	**(140)**	**(1)**	**-**	**-**	**(150)**
Reclassifications	**-**	**596**	**7,302**	**1,335**	**3**	**(9,236)**	**-**
Transfers							
Cost			(169)		169		-
Depreciation provision			153		(153)		-
Net accounting value	**-**	**-**	**(16)**	**-**	**16**	**-**	**-**
Accounting values at 31 December 2019							
Cost at 31 December 2019	12,010	91,847	737,419	30,421	2,412	24,081	898,190
Depreciation provision at 31 December 2019	-	(75,738)	(617,073)	(26,067)	(1,661)	-	(720,539)
Bad debt provision at 31 December 2019	-	(7)	(6)	-	-	-	(13)
Net accounting value at 31 December 2019	**12,010**	**16,102**	**120,340**	**4,354**	**751**	**24,081**	**177,638**

"Property, plant and equipment" amounted to € 177,638 thousand at 31 December 2019, down by € 3,300 thousand compared to the previous financial year. This deviation is mainly due to the combined effect of reductions for depreciation, amortization and adjustments deriving from the IFRS 16 accounting standard for a total of € 35,436 thousand, partially offset by increases for new investments for € 32,257 thousand. Please note that the adjustments deriving from the application of the IFRS 16 accounting standard refer for an amount of € 4,595 thousand to the reclassification of the item "Dismantling and restoring" from the "Buildings" category to the "Right of use for leases" category. The reclassified items are those relative to the present value of the estimated costs that the Company expects to incur in the future to restore the areas, acquired under an operating lease, to their original state prior to the construction of the infrastructure built thereon.

"Property, plant and equipment" includes the costs that may be capitalized as leasehold improvements.

Please note that an analysis of internal and external indicators did not produce any elements jeopardizing the recovery of the values of the assets and therefore the corresponding impairment test was not carried out.

Rights of use for leases (note 18)

The value of rights of use for leases, newly introduced in relation to the provisions of the IFRS 16 accounting standard, amounted to € 36,242 thousand, broken down as follows:

(in thousand of Euro)	Land and buildings	Other assets	Total
Accounting values at 1 January 2019			
Cost at 1 January 2019	-	-	-
Depreciation provision	-	-	-
Net accounting value at 1 January 2019	**-**	**-**	**-**
2019 changes			
First application of IFRS 16:			
Historical cost	47,671	1,233	48,904
Dismantling and restoration depreciation provision	(4,161)		(4,161)
Increases and capitalizations	1,011	214	1,225
Depreciation for the year	(9,213)	(513)	(9,726)
Net accounting value at 31 December 2019			
Historical cost	48,682	1,447	50,129
Depreciation provision	(13,374)	(513)	(13,887)
Net accounting value at 31 December 2019	**35,308**	**934**	**36,242**

The increases and capitalizations of € 1,225 thousand refer to property rental and transport vehicle hire contracts with effect in the financial year.

Costs for short-term leases or leases of modest value are included under Costs for services (note 9).

Revenues from sublet assets determining the recognition of a right of use amounted to € 4 thousand.

Intangible assets (note 19)

Intangible assets amount to € 14,287 thousand, an increase of € 1,392 thousand compared to 31 December 2018 due primarily to investments made in the financial year (of € 3,046 thousand), partially offset by amortization for the period (of € 1,654 thousand).

Even in the absence of internal and external indicators showing losses in value in relation to the item "Goodwill", an impairment test was performed that nevertheless confirmed the recoverability of the value recorded in the financial statements, in line with IAS 36 by making recourse to the following assumptions: as Rai Way does not have any cash generating units ("CGU"), the recoverable amount was determined using the cash inflows anticipated by the 2020-2023 business plan. The recoverable amount was compared with the Company's net capital invested at 31 December 2019.

A WACC of between 5.4% and 6.6%, a growth rate (g) of between 1% and 2% in the long term, has been used for the discounting of the cash flows. For the purposes of the calculation of the terminal value the following are included, among other things:

- The ratio between the maintenance expenditure (IFRS 16 investments excluded) and revenues of 6% in accordance with the assumptions of the business plan without any development investments;
- Amortization and depreciation equal to maintenance expenditure;
- Change in net working capital and of provisions of zero.

The recoverable amount is comfortably higher than the value object of the test. The impacts relative to a potential expansion of infrastructures and/or alternative uses of the existing infrastructure are not included for this purpose.

The following table sets out movements for the year:

(in thousand of Euro)	**Software**	**Goodwill**	**Other**	**Intangible assets in progress and prepayments**	**Total intangible assets**
Accounting values at 1 January 2019					
Cost at 1 January 2019	4,646	4,970	3,350	2,249	15,215
Amortization provision at 1 January 2019	(1,923)		(397)		(2,320)
Net accounting value at 1 January 2019	**2,723**	**4,970**	**2,953**	**2,249**	**12,895**
2019 changes					
Capital expenditure	**2,376**			**670**	**3,046**
Amortization for the year	**(1,443)**	-	**(211)**	-	**(1,654)**
Disposals					
Cost					-
Amortization provision					-
Net accounting value	**-**	-	-	**-**	**-**
Reclassifications	**1,764**			**(1,764)**	**-**
Transfers					**-**
Accounting values at 31 December 2019					
Cost at 31 December 2019	8,786	4,970	3,350	1,155	18,261
Amortization provision at 31 December 2019	(3,366)	-	(608)	-	(3,974)
Bad debt provision at 31 December 2019	-	-	-	-	-
Net accounting value at 31 December 2019	**5,420**	**4,970**	**2,742**	**1,155**	**14,287**

Current and non-current financial assets and liabilities (note 20)

The following table sets out details of "Current financial assets" and "Non-current financial assets":

	At 31 December	At 31 December
(in thousand of Euro)	**2019**	**2018**
Receivables from parent company	252	-
Other financial receivables	8	55
Total current financial assets	**260**	**55**
Accrued income and prepaid expenses	2	2
Total non-current financial assets	**2**	**2**

Current financial assets amounted to € 260 thousand, an increase of € 205 thousand compared to the previous financial year (€ 55 thousand at 31December 2018) mainly due to the item "Receivables from Parent Company", which at 31 December 2018 had a negative balance and is therefore reported under current financial liabilities.

"Other Financial Receivables" of € 8 thousand (€ 55 thousand at 31 December 2018) refers to prepaid expenses relating to bank fees for loans.

Non-current financial assets include prepayments and accrued income of € 2 thousand and are in line with the previous year.

The following table sets out details of "Current financial liabilities" and "Non-current financial liabilities" at 31 December 2019 and 2018:

At 31 December 2018 *(in thousand of Euro)*	**Within 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**
Payables to banks	90	234	-	324
Payables to other lenders	78	194	-	272
Other financial payables	7	-	-	7
Payables to Parent Company	82	-	-	82
Total	**257**	**428**	**-**	**685**

At 31 December 2019 *(in thousand of Euro)*	**Within 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**
Payables to banks	98	144	-	242
Payables to other lenders	78	117	-	195
Other financial payables	7	-	-	7
Payables to Parent Company	-	-	-	-
Total	**183**	**261**	**-**	**444**

In relation to “Payable to banks”, please note that the Company has an outstanding loan granted signed with Mediobanca, BNP Paribas S.A., Intesa Sanpaolo S.p.A. and UBI Banca Società Cooperativa per Azioni. The above contract originally included the concession of a revolving credit facility of up to € 50 million with interest payable at Euribor + 120 basis points, renegotiated until 30 September 2020 for a maximum amount of € 25 million. At 31 December 2019 this credit facility had not been used.

The Loan Agreement contains a series of general requirements and covenants for which the Company is responsible, and events of default in line with market practice for loans of a similar amount and nature, but does not however include restrictions or limitations on the payment of dividends by the Company.

The covenants include a commitment to comply with the following parameters, with which compliance is checked on a six-monthly basis and with which the present financial statements comply:

- Net financial position/shareholders' equity, which must be less than or equal to 2.75; and
- Net financial position/gross operating margin, which must be less than or equal to 2.75.

“Payable to banks” also includes the balance outstanding at 31 December 2019 of the ordinary loan granted by Mediocredito Centrale in connection with the investments financed by Italian Law no. 488/92 (31st call for tender) which is repayable in six-monthly instalments and bears interest at an annual floating rate determined as the sum of the six-month Euribor rate plus an annual spread of 0.70%.

During the 2019 financial year there were no outstanding derivative instruments transactions.

“Payable to other lenders” consists mainly of the balance outstanding at 31 December 2019 of the subsidized loan granted by Cassa Depositi e Prestiti S.p.A. which is repayable in six-monthly instalments and bears interest at a subsidized rate of 0.50%.

The following table sets out the Company's net financial position, determined in accordance with paragraph 127 of ESMA document no. 81 of 2011 implementing Regulation (EC) no. 809/2004.

	(in thousand of Euro)	At 31 December 2019	At 31 December 2018
A.	Cash	8	9
B.	Bank and post office cheques and deposits	30,160	17,185
C.	Securities held for trading	-	-
D.	**Cash and cash equivalents (A) + (B) + (C)**	**30,168**	**17,194**
E.	**Current financial receivables**	**260**	**55**
F.	Current payables to banks	(98)	(90)
G.	Current portion of non-current debt		
H.	Other current financial payables	(84)	(167)
I.	Current lease liabilities	(13,270)	-
J.	**Current financial debt (F) + (G) + (H) + (I)**	**(13,452)**	**(257)**
K.	**Net current financial debt (I) - (E) - (D)**	**16,976**	**16,992**
L.	Non-current payables to banks	(144)	(234)
M.	Non-current lease liabilities	(26,263)	-
N.	Other non-current payables	(117)	(195)
O.	**Non-current financial debt (L) + (M) + (N)**	**(26,524)**	**(429)**
P.	**Net Financial Position**	**(9,548)**	**16,563**
	Excluded effects of IFRS 16-Lease liabilities:		
Q.	**Net Financial Position excluded lease liabilities (P) - (I) - (M)**	**29,985**	**16,563**

Deferred tax assets and liabilities (note 21)

The following table sets out changes in deferred tax assets and liabilities; for further details on the nature of deferred taxes see paragraph "Income taxes" (note 16):

(in thousand of Euro)	At 31 December 2019	At 31 December 2018
Balance at start of the financial year	**3,321**	**2,164**
Impact on income statement	(713)	1,084
Impact on statement of comprehensive income	81	(118)
Effect of IFRS 15		191
Balance at the end of the financial year	**2,689**	**3,321**
Of which:		
- deferred tax assets	2,859	3,337
- deferred tax liabilities	(170)	(16)

The balance of this item reports the amount of assets for deferred taxes net of relative liabilities.

Changes in deferred tax assets may be analyzed as follows:

	Provision for risks and charges	Employee benefits	Other items	Total
(in thousand of Euro)				
Balance at 31 December 2018	**2,566**	**451**	**320**	**3,337**
Effect on income statement	(506)	(31)	(22)	(559)
Effect on statement of comprehensive income		81		81
Balance at 31 December 2019	**2,060**	**501**	**298**	**2,859**

Changes in deferred tax liabilities may be analyzed as follows:

	Other items
(in thousand of Euro)	
Balance at 31 December 2018	**(16)**
Effect on income statement	(154)
Balance at 31 December 2019	**(170)**

Other non-current assets (note 22)

"Other non-current assets" at 31 December 2019 totaled € 1,268 thousand (€ 1,318 thousand at 31 December 2018), with a decrease of € 50 thousand compared to the previous year, mainly driven by the use of the first instalment of the substitute resulting from tax sheltering of the merger deficit generated by the merger by acquisition of the company Sud Engineering, which became effective as of 22 June 2017. In this regard, the Company opted for the ordinary regime provided by article 176, paragraph 2-ter of the Consolidated Income Tax Act, for which the substitute tax was recognized as a prepayment of current taxes of € 914 thousand.

"Other non-current assets" also includes guarantee deposits arising from agreements for leased assets and equipment hosting of € 353 thousand at 31 December 2019 (€ 342 thousand at 31 December 2018).

Inventory (note 23)

This item may be analyzed as follows:

	At 31 December	**At 31 December**
(in thousand of Euro)	**2019**	**2018**
Work in progress	226	226
Raw materials and consumables	659	660
Total Inventory	**885**	**886**

Inventory amounted to € 885 thousand, with no significant changes compared to the previous year. "Raw materials and consumables" relate to supplies and spare parts for the maintenance and use of technical business assets.

Trade receivables (note 24)

The item breaks down as follows:

(in thousand of Euro)	At 31 December 2019	At 31 December 2018
Receivables from parent company	68,984	66,491
Receivables from customers and other Group companies	8,369	7,289
Bad debt provision	(2,558)	(2,313)
Total Trade receivables	**74,795**	**71,467**

"Receivables from Rai" consist of the balances due to the Company from RAI under the Service Contract. The item shows an increase of € 2,493 thousand compared to the previous financial year. Further details may be found in the notes on "Revenues" and "Related party transactions".

"Receivables from customers and other Group companies" refer to services relating to (i) tower rental, (ii) broadcasting, (iii) transmission and (iv) network services rendered by the Company to third-party customers other than Rai; the item shows an increase of € 1,080 thousand compared to 31 December 2018.

The following table sets out changes in the provision for bad and doubtful debts:

(in thousand of Euro)	
Balance at 31 December 2018	**(2,313)**
Utilisations	1
Provisions	(403)
Releases	157
Balance at 31 December 2019	**(2,558)**

Other current receivables and assets (note 25)

The item breaks down as follows:

(in thousand of Euro)	At 31 December 2019	At 31 December 2018
Receivables from parent company for the tax consolidation	2,456	2,456
Receivables from Parent Company for the Group's VAT	21	48
Other tax receivables	618	579
Accrued income and prepaid expenses	548	1,799
Receivables from others	1,393	952
Total other current receivables and assets	**5,036**	**5,834**

“Receivables from the Parent Company for the tax consolidation” refer to the receivable arising from the application made for a refund of IRES corporate income tax regarding the deductibility of the IRAP regional production tax charged on personnel expenses.

As discussed in the section “Related party transactions”, the Company avails itself of the Group VAT offsetting procedure permitted by the Ministerial Decree of 13 December 1979 on the regulations for implementing the provisions of article 73, last paragraph, of Decree of the President of the Republic no. 633 of 26 October 1972, recognizing the following transactions with the Parent Company showing a balance of € 21 thousand under the item “Receivables from the Parent Company for the Group's VAT”. The item in question had a balance in 2018 of € 48 thousand.

“Other tax receivables” amounted to € 618 thousand (€ 579 thousand at 31 December 2018) and include receivable relating to VAT reimbursements not included in the above-mentioned procedure for € 345 thousand, receivables from tax authorities for Research and Development costs incurred in 2019 following new projects pursuant to Italian Law no. 190/14 for € 273 thousand. At 31 December 2018 the total amount of receivables for Research and Development costs was € 235 thousand.

“Accrued income and prepayments” mainly regards the portion of the rental costs for land, industrial buildings and roads, systems hosting and various other expenses which were recorded during the year but relate to future periods.

“Receivables from others” principally relate to amounts due from personnel for travel advances and receivables from social security organizations.

Cash and cash equivalents (note 26)

The item in question amounted to € 30,168 thousands (€ 17,194 thousand as at 31 December 2018) with an increase compared to the previous year of € 12,974 thousand deriving from the cash flow generated by operations offset by the payment of dividends and new investments as highlighted in the Statement Of Cash Flows to which reference is made for more information.

Current income tax assets (note 27)

The item breaks down as follows:

	At 31 December	At 31 December
(in thousand of Euro)	2019	2018
Substitute tax advance Goodwill	62	62
Total Current income tax assets	**62**	**62**

Current income tax assets amounted to € 62 thousand at 31 December 2019, in line with the previous financial year, and refer to the recognition of the substitute tax, for the current part, deriving from tax sheltering of the merger deficit as described in the previous paragraph for the item "Other non current assets".

Shareholders' equity (note 28)

Share capital

At 31 December 2019, Rai Way had a share capital of € 70,176 thousand consisting of 272,000,000 ordinary shares without nominal value.

Other reserves

"Other reserves" may be analyzed as follows:

	At 31 December	At 31 December	Note
(in thousand of Euro)	2019	2018	
Taxed extraordinary reserves	11,291	11,291	1,2,3
Reserves for advance depreciation/amortization	9,360	9,360	1,2,3
Reserve for realignment of statutory/fiscal values for corporate assets	8,938	8,938	1,2,3,4
Reserve for first adoption of IFRS	7,490	7,490	2
Total other reserves	**37,079**	**37,079**	

Legend
1 for share capital increase
2 for covering losses
3 for distribution to shareholders

4 in case of utilisation other than coveraing losses, the amount must be subject to IRES and IRAP

Earnings per share (note 29)

Basic and diluted earnings per share have been calculated as follows:

	At 31 December	At 31 December
(in thousand of Euro, unless otherwise indicated)	**2019**	**2018**
Profit for the year	63,361	59,746
Average number of ordinary shares	272,000,000	272,000,000
Earnings per share (basic and diluted) in Euro	**0.23**	**0.22**

Basic and diluted earnings per share have the same value as there were no dilutive items at the balance sheet date.

Proposal for allocation of profit

With regard to the profit for the year, equal to Euro 63,360,973.47, it is expected that it will be allocated according to the proposed resolution to the Shareholders' Meeting, set out below:

"Having examined the explanatory report of the Board of Directors, the Shareholders' Meeting of Rai Way S.p.A. resolves to allocate the net profit of the 2019 financial year, equal to € 63,360,973.47, to the distribution to the Shareholders, as a dividend, for a total of Euro 63,348,800.00 and to "Profit (Loss) carry forward", for the remaining Euro 12,173.47 and consequently to allocate a gross dividend of Euro 0.2329 to each of the ordinary shares in circulation, to be paid from 29 July 2020, with entitlement to payment, pursuant to article 83-terdecies of the Legislative Decree n. 58 of 24 February 1998 and art. 2.6.6, paragraph 2, of the Regulation of Markets organized and managed by Borsa Italiana S.p.A., on 28 July 2020 (the "record date") and upon detachment of the coupon n. 6 on 27 July 2020 ".

Current and non-current lease liabilities (note 30)

Lease liabilities, inclusive of the current part, amounted to € 39,533 thousand, as highlighted in the following table:

(in thousand of Euro)	At 31 December 2019 non-current portion	current portion	Total	At 31 December 2018 non-current portion	current portion	Total
Lease liabilities	26,263	13,270	39,533			-
Total lease liabilities	**26,263**	**13,270**	**39,533**	**-**	**-**	**-**

The value of current lease liabilities is uniquely represented by the current part of the non-current lease liabilities, as the leases of short-term assets are recognized through the income statement under the item costs for services and other costs.

The total value of financial cash outflows for leases amounted to € 2,289 thousand, in addition to interests for € 158 thousand.

Interest expenses accrued on lease liabilities are recorded in the paragraph "Financial income and charges" (note 15) to which reference is made.

The maturity of lease liabilities (current and non current) are indicated below:

(in thousand of Euro)	At 31 December 2019 Within 12 months	Between 1 and 5 years	Over 5 years	Total
Current and non-current lease liabilities	13,270	22,699	3,564	39,533
Total current and non-current lease liabilities	**13,270**	**22,699**	**3,564**	**39,533**

Employee benefits (note 31)

This item may be analyzed as follows:

(in thousands of Euro)	Financial year ended at 31 December 2019	Financial year ended at 31 December 2018
Balance at the start of the financial year	15,092	16,443
Provisions	2,211	2,084
Interests on obligation	135	179
Utilisations	(1,116)	(1,062)
Transfer to other provisions/Other changes	(2,224)	(2,118)
Actuarial (profit) / loss	336	(434)
Balance at the end of the financial year	**14,434**	**15,092**

The item Actuarial (profit)/loss of € 336 thousand relates to the actuarial components for the valuation of defined benefit plans ascribed directly to Shareholders' equity and the relative deferred taxes of € 81 thousand recorded in the Statement of comprehensive income.

Changes in "Employee benefits" may be analyzed as follows:

(in thousands of Euro)	**At 31 December 2019**	**At 31 December 2018**
Severance indemnity	13,803	14,455
Other provisions	631	637
Total employees benefits	**14,434**	**15,092**

Compared to the previous year, the item shows a decrease of € 658 thousand.

The actuarial assumptions used in calculating the employee severance indemnity were as follows:

	At 31 December	
(%; Years)	**2019**	**2018**
Discounting rate	0.61%	1.21%
Inflaction rate	1.20%	1.50%
Average annual percentage of personnel leaving	8.10%	7.80%
Annual probability of request of advance	1.50%	1.50%
Duration (in years)	7.7	8.6

In using these assumptions the value was also calculated of the employee severance pay liability obtained from variations of +/- 50 bps in the discount rate used for the valuation, giving a result of € 13,419 thousand and € 14,216 thousand respectively.

The item "Other provisions" referred to the company supplementary pension fund and the senior management assistance fund. With reference to the Company's pension fund (of € 498 thousand), actuarial assumption calculations have highlighted the value of the liability obtained from variations of +/- 50 bps in the discount rate used for the valuation giving a result of € 474 thousand and € 526 thousand respectively.

Provisions for risks and charges (note 32)

Changes in this item may be analyzed as follows:

(in thousand of Euro)	Balances at 1 January 2019	Provisions	Utilisations	Releases	Balances at 31 December 2019
Civil and administrative disputes	2,404	48	(78)	(1,596)	778
Amounts accrued	1,655	1,890	(834)	(502)	2,209
Other provisions for risks and charges	2,382	90	(280)		2,192
Dismantling and restoration provision	10,517	210			10,727
Total provisions for risk and charges	**16,958**	**2,238**	**(1,192)**	**(2,098)**	**15,906**

The item shows a decrease of € 1,052 thousand mainly due to the release of some entries from the provision for civil disputes risks following the definitive outcome in favor of the Company issued by the Court of Cassation in relation to COSAP (rent for occupation of public land).

"Provisions for risks and charges" consist of accruals for costs and losses of a specific nature whose existence is certain but whose amount cannot be precisely determined, or whose existence is probable and whose amount can be reliably estimated. These provisions mainly regard the costs arising from civil and administrative judicial proceedings, from the provision recognized for the costs of dismantling and restoring transmission sites that are owned by other parties, and from previous costs relating to the renewal of title deeds for production sites.

Disbursements relating to this item, with the exception of the amounts accrued provision of which use will be made over the course of 2020, cannot be estimated with any certainty as they mainly depend on the timescale for judicial proceedings and strategic and/or legislative decisions on the composition and nature of the network for broadcasting radio and television signals which are currently not predictable.

Please note that the Company is party to a tax dispute relating to Tosap (tax for occupation of public land) with regard to the correct quantification of the duty for which, also taking into account the professional opinion formulated by specialist legal companies with respect to the outcomes of the same, has not recognized in the special provisions for risks and charges, the amounts required as a final negative outcome is considered by Senior Management to be unlikely.

Other non-current payables and liabilities (note 33)

At 31 December 2019 this item had a zero balance (€ 312 thousand at 31 December 2018). The item included the payable due to the tax authorities for the substitute tax deriving from tax sheltering of the merger deficit generated by the acquisition of the company Sud Engineering, as specified in the paragraph "Non-current assets". During 2019 the second instalment (of the 3 scheduled) relative to this tax was paid and therefore at 31 December of the current year the item has a zero balance as the last instalment has been reclassified under the item "Current income tax liabilities" (note 36).

Trade payables (note 34)

The item breaks down as follows:

	At 31 December	**At 31 December**
(in thousand of Euro)	**2019**	**2018**
Trade payables	49,415	42,738
Payables to Parent Company	4,863	2,847
Total Trade payables	**54,278**	**45,585**

Further details about transactions with the Parent Company Rai may be found in the section "Related party transactions".

There was a balance of € 4,863 thousand at 31 December 2019 representing an increase of € 2,016 thousand over 31 December 2018. "Payables to suppliers" amounted to € 49,415 thousand at 31 December 2019, with an increase of € 6,677 thousand compared to 31 December 2018 due to the effect of the recognition of higher levels of investments.

Other current payables and liabilities (note 35)

The item breaks down as follows:

	Financial year ended at 31 December	
(in thousand of Euro)	**2019**	**2018**
Payables to parent company for the tax consolidation	20,669	20,107
Payables to Parent Company for the Group's VAT	-	-
Other tax payables	1,505	1,431
Payables to social security institutions	3,764	3,782
Payables to personnel	6,253	6,556
Other Payables	981	1,079
Accrued expenses and deferred income	933	984
Total other current payables and liabilities	**34,105**	**33,939**

"Payables to the Parent Company for the tax consolidation" amount to € 20,669 thousand (€ 20,107 thousand at 31 December 2018) and consist of the IRES corporate income tax charge for the current year.

"Payables to personnel" amounted to € 6,253 thousand, a decrease of € 303 thousand compared to the previous financial year, mainly due to lower payables for redundancy incentives. Further details about transactions with the Parent Company Rai regarding the IRES and VAT consolidation may be found in the section "Related party transactions", while tax payables not forming part of this procedure are reported in the following table (IRAP and the third instalment of the substitute tax deriving from tax sheltering of the merger deficit as specified in paragraph "Other non-current assets".

Current income tax liabilities (note 36)

The item breaks down as follows:

	At 31 December	At 31 December
(in thousand of Euro)	**2019**	**2018**
IRAP direct taxes	123	163
Redemption of goodwill	311	416
Total current income taxes liabilities	**434**	**579**

Current income tax liabilities amounted to € 434 thousand at 31 December 2019, a decrease of € 145 thousand compared to 31 December 2018 due to the effect of lower payables to the tax authorities for IRAP and the substitute tax due on tax sheltering of the merger deficit, as specified in the section on "Other non-current assets".

Commitments and guarantees (note 37)

Commitments referring only to technical investments amount to € 19.2 million at 31 December 2019 (€ 11.9 million at 31 December 2018).

Guarantees including assets with third parties at 31 December 2019 amounted to € 63,750 thousand (€ 53,439 thousand at 31 December 2018) and mainly regard personal guarantees received for the obligations of other parties and guarantees of third parties pledged for the Company's obligations for liabilities and payables.

OTHER INFORMATION (NOTE 38)

Contingent liabilities

The Company is party to certain legal disputes pending before Regional Administrative Courts relating to the use of radio and television signal transmission frequencies. In particular, the issue in dispute is the interference that this causes with the radio and/or television signal transmitted by other industry operators. All disputes are constantly monitored by the Company's legal office, which to this purpose engages the support of leading law firms specializing in administrative disputes. The amounts recognized in the financial statements as provisions for risks and charges represent management's best estimate of the outcome of the pending disputes and have been calculated by taking into account the opinions of the external legal counsels assisting the Company.

The Company is also party to a number of law suits brought by employees and former employees in relation to alleged faulty application of the current regulations governing employee agreements. As previously noted, as far as this type of litigation is concerned the Company makes use of support provided by leading law firms specializing in labor law during the litigation proceedings as well as employing the services of its in-house legal department. The amounts recognized in the financial statements to provide against the risk of losing the litigation have been calculated by management by estimating, on the basis of the professional assessment of the external lawyers representing the Company in court, the probable cost to be borne by Rai Way, taking into consideration the present stage of the litigation.

Finally, Rai Way is a party to a number of lawsuits of a civil nature relating to the correct quantification of the fee due for the occupation of public space by the Company's owned installations is calculated.

Although it is arguing its case in the applicable courts, assisted in this by the support of specialized law firms, also taking into account the professional opinions formulated by these firms concerning the expected outcome of the pending disputes, the Company has not recognized in the provisions for risks and charges in its financial statements the amounts that Senior Management considers it probable that it will be required to pay should it lose the cases.

In order to provide supplementary information on the matters discussed above, it should forthwith be stated that in carrying out its ordinary operations the Company avails itself of the hosting services of third parties to position its installations on the land, buildings or structures of such parties. Since these hosting services are generally formalized through contracts or similar legal instruments (for example: transfers of surface rights, concessions of public spaces, etc.), the Company may have to incur costs for the removal of network infrastructures in the event that the contractual relationships with the third party hosts are not renewed or expire. A number of specific disputes are currently in progress on this matter, which could lead to the determination of these costs, at present not quantifiable, in the near future. The Company accordingly believes that the possibility exists that it may in the future have to incur costs to satisfy the claims it has received, and in this respect has created a provision for site decommissioning and restoration in the financial statements for this purpose.

If the circumstances discussed above should change in the future, with the likelihood of the Company having to incur costs that exceed the amount recognized in the site dismantling and restoration provision becoming more probable, all necessary measures will be taken to protect the Company's interests and adequately portray the changed situation in the financial statements.

Remuneration for Directors and Statutory Auditors (note 39)

The compensation payable to directors and statutory auditors, including travel expenses, is as follows:

	Financial year ended at 31 December	
(in thousand of Euro)	**2019**	**2018**
Directors remuneration	666	693
CStatutory auditors remuneration	95	89
Total Directors and Statutory Auditors	**761**	**782**

Related party transactions (note 41)[5]

Details of the transactions the Company carried out with related parties in the years ended 31 December 2019 and 2018 are provided in the following; related

[5] In compliance with the provisions of IAS 24, paragraph 25, Rai Way is exempted from the disclosures specified in paragraph 18 (according to which the Company must indicate the nature of the related party transaction, besides providing the information on these transactions and the outstanding balances, including commitments, needed by the users of the financial statements to understand the potential effects of these transactions on the separate Financial Statements) in the case of relations with another entity that is a related party because the same governing entity has the control, the joint control or a significant influence both on the entity that prepares the financial statements and on the other entity.

parties are identified on the basis of IAS 24 Related Party Disclosures. The Company carries out transactions mainly of a commercial and financial nature with the following related parties:

- Rai ("Parent Company" in the tables below)
- the Group's key management ("Senior Management");
- other subsidiaries of Rai and/or companies in which the Parent Company has an interest ("Other related parties").

Related party transactions are conducted under normal market conditions.

The following table sets out details of the Company's balances with related parties at 31 December 2019 and 2018:

(in thousands of Euro)	**Parent Company**	**Senior Management**	**Other related parties**	**Total**
Software licences				
At 31 December 2019	50			50
At 31 December 2018				-
Rights of use for leases				
At 31 December 2019	19,957		22	19,979
At 31 December 2018				-
Non-current financial assets				
At 31 December 2019	-			-
At 31 December 2018	-			-
Current financial assets				
At 31 December 2019	252			**252**
At 31 December 2018				**-**
Current trade receivables				
At 31 December 2019	68,984		313	**69,297**
At 31 December 2018	66,491		303	**66,794**
Other current receivables and assets				
At 31 December 2019	2,477			**2,477**
At 31 December 2018	2,504		10	**2,514**
Non-current lease liabilities				
At 31 December 2019	16,343		12	**16,355**
At 31 December 2018				**-**
Current financial liabilities				
At 31 December 2019				**-**
At 31 December 2018	82	-	-	82
Current lease liabilities				
At 31 December 2019	7,677		12	**7,689**
At 31 December 2018				**-**
Trade payables				
At 31 December 2019	4,863			**4,863**
At 31 December 2018	2,847			**2,847**
Other current payables and liabilities				
At 31 December 2019	20,919	646	1,391	**22,956**
At 31 December 2018	20,549	691	1,322	**22,562**
Employee benefits				
At 31 December 2019		127	112	**239**
At 31 December 2018		120	113	**233**

The following table sets out details of the Company's transactions with related parties in the years ended 31 December 2019 and 2018:

(in thousand of Euro)	Parent Company	Senior Management	Other related parties	Total
Revenues (*)				
At 31 December 2019	209,951		1,271	**211,222**
At 31 December 2018	207,060		1,120	**208,180**
Other revenues and income				
At 31 December 2019	4			**4**
At 31 December 2018				**-**
Purchase of consumables				
At 31 December 2019	5			**5**
At 31 December 2018				**-**
Cost of services				
At 31 December 2019	7,184			**7,184**
At 31 December 2018	10,895		12	**10,907**
Personnel costs				
At 31 December 2019	26	2,237	797	**3,060**
At 31 December 2018	30	2,207	798	**3,035**
Other costs				
At 31 December 2019	25			**25**
At 31 December 2018	123			**123**
Right of use depreciation and amortization				
At 31 December 2019	3,801		12	**3,813**
At 31 December 2018				**-**
Financial income				
At 31 December 2019				**-**
At 31 December 2018				**-**
Financial expenses				
At 31 December 2019	262			**262**
At 31 December 2018				**-**

(*) The amounts include the marginal costs towards the Parent Company for € 22,135 thousand (€ 22,755 thousand at 31 December 2018) and towards Other related parties for € 902 thousand (€ 782 at 31 December 2018)

Parent Company

The Company carries out transactions with the Parent Company that are mostly of a commercial nature.

Please note that in the 2019 financial year the Company initiated an operation of "major relevance" pursuant to the procedure relating to transactions with related parties (in compliance with the provisions of the Consob regulations "Transactions with related parties", resolution no. 17221 of 12 March 2010 as subsequently amended) with the Parent Company, as indicated below.

Financial agreements between Rai Way and Rai

Financial relationships between the Company and Rai were governed by the following agreements originally entered into on 16 July 2007 and tacitly renewed annually:

- Centralized treasury agreement
- Intercompany current account agreement
- Agency agreement
- Credit facility agreement

Under the centralized treasury agreement the Company's financial management was assigned to the Parent Company by a system of cash pooling. The Company had stipulated an agreement with Banca Intesa Sanpaolo under which at the end of each working day (at close of business) the bank transferred the outstanding balance on the Company's current account (the "Source Account") to the current bank account held by Rai; as a consequence of the agreement there was always a nil balance on the Source Account at the end of the day. The agreement did not provide for any charges to be borne by the Company but the debit or credit balances on the intercompany current account were remunerated by virtue of the agreement discussed below.

The intercompany current account provided for the automatic transfer of the positive and negative balances arising from the bank cash pooling and from the economic and financial transactions conducted between the Company and Rai to an intercompany current account set up for the purpose. The Parent Company applied interest on these balances at money market rates (Euribor) plus/minus a spread that was updated on a quarterly basis.

The agency agreement allowed Rai to settle and collect the payables and receivables due to or from the other companies of the Rai Group.

The credit facility agreement provided for the opening of a credit facility in the Company's favor transacted through the intercompany current account up to an amount of € 100 million. The facility varied, depending on the Company's cash requirements, within the limits of the financial plans approved by the Parent Company. Any balances arising from this arrangement, which had an original term of one year and was tacitly renewable, had to be repaid immediately if the centralized treasury agreement was terminated or if there were any changes to the current ownership structures of the Company.

As of the listing date the Company entered into a loan agreement with a syndicate of banks, discussed in the section "Current and non-current financial assets and liabilities". At the same time starting from the disbursement of this loan only the intercompany current account agreement and the agency agreement were novated with respect to the Company's operational and financial independence vis-à-vis the Parent Company. The centralized treasury agreement and the credit facility agreement were terminated as of 18 November 2014, while a new intercompany current account agreement was set up to deal with the residual balances.

The Company has recognized the following balances in its financial statements with respect to the intercompany current account:

- financial expenses with a zero balance for both 2019 and 2018;
- current financial receivables of € 252 thousand at 31 December 2019 and current financial payables of € 82 thousand in 2018.

Service Contract

The Service Contract executed on 5 June 2000 and valid until 31 December 2014 in the version subsequently supplemented and amended mainly regards the provision of services for the installation, maintenance and operation of telecommunications networks and services for the transmission, distribution and broadcasting of radio and television signals and programs for which a monthly consideration is paid which depends on the type of service provided (i.e. services that Rai Way renders using its own resources or those of third parties, investments requested by Rai, digital terrestrial television broadcasting services and other services established by the parties).

The above-mentioned Contract was renegotiated on 31 July 2014, with effect from 1 July 2014. As a result of this Contract the Company has recognized revenues and receivables as described in the sections "Revenues" and "Trade receivables" of these notes.

On 10 December 2019, the Company signed an agreement with the Parent company regarding the amendment of some terms and conditions of the Service Contract, with respect to which the parties waived their right to cancel the second seven-year period already provided for, effectively renewing it until 30 June 2028, without prejudice to the possible already planned continuation for a further seven-year period, except in the case of termination. As this is an transaction of "major relevance" pursuant to the procedures relating to transactions with related parties, the finalization of this agreement was published in a relative information document made available to the public with the procedures required by the current regulations (in particular able to be consulted on the Company's website).

Contract for the provision of services by Rai and the Lease and related services contract

The "*Contract for the provision of services by Rai*" entered into in 2006 mainly relates to the provision of the following services:

- personnel administration;
- general services;
- insurance policies;
- IT systems;
- administration;

- finance;
- research and technological innovation centre;
- advice and legal counsel.

The contract expired on 31 December 2010 and remained in force until 30 June 2014; it was then renewed on 31 July 2014 with effect as of 1 July 2014.

The "Lease and related services contract", relating to the lease of property and/or portions of property, including the flat roofs on which the systems for the transmission and/or broadcasting of radio and television signals stand, owned by Rai Way or third parties hosted by it, was originally executed on 19 April 2001 and had an original term of six years tacitly renewable for further six-year periods (the current term expires in 2025).

The fees for the above services, including the property rent and ancillary services, are identified on the basis of the valuation criteria for each service stated in the technical specifications. As the result of these contracts the Company recognized:

- cost of services of € 7,184 thousand and € 10,895 thousand in 2019 and 2018 respectively;
- expenses for amortization on lease right of use, following the new IFRS 16 accounting standard introduced in 2019, of € 3,801 thousand at 31 December 2019. During the 2018 financial year rental and lease costs and service contract costs were entirely recognized under costs for services;
- costs for financial expenses on the lease liabilities were € 262 thousand at 31 December 2019;
- trade payables of € 4,863 thousand and € 2,847 thousand at 31 December 2019 and 2018 respectively.
- Current and non-current lease liabilities amounted to € 24,020 thousand at 31 December 2019.

Tax consolidation

On the basis of the Consolidated Income Tax Act (article 117 and following of Presidential Decree no. 917/86) and in accordance with the provisions contained in article 11, paragraph 4 of the Ministerial Decree of 9 June 2004 as subsequently amended by Ministerial Decree of 1 March 2018 which reviews the "Provisions for the application of the domestic tax consolidation as per articles 117 to 128 of the Consolidated Income Tax Act", Rai Way applies the group tax regime governed by the "Agreement for the exercise of the option with Rai for the domestic tax consolidation". This agreement, which governs all the mutual obligations and responsibilities between the Parent Company and the Company, is effective for fiscal years 2019, 2020 and 2021.

As a consequence of the tax consolidation the Company recognized "Other current payables and liabilities" of € 20,719 thousand and € 20,107 thousand at 31 December 2019 and 2018 respectively and "Other current receivables and assets" of € 2,456 thousand at 31 December 2019 and at 31 December 2018.

The Group's VAT regime

The Company avails itself of the Group VAT offsetting procedure permitted by Ministerial Decree of 13 December 1979 on the regulations for implementing the provisions of article 73, last paragraph, of Decree of the President of the Republic no. 633 of 26 October 1972, recording in relation to the Parent Company under "Other current receivables and assets" a balance at 31 December 2019 of € 21 thousand (€ 48 thousand at 31 December 2018).

Senior Management

"Key management personnel" means key executives who have the power and direct and indirect responsibility for planning, managing and controlling the Company's activities, and among others includes the members of the Company's Board of Directors. The Company has recognized in its financial statements:

- cost of services had a € 0 thousand balance at 31 December 2019 as also at 31 December 2018;

- personnel costs of € 2,237 thousand and € 2,207 thousand in at 31 December 2019 and 2018 respectively.

Other related parties

The Company has dealings of a commercial nature with other related parties and in particular with:

- Rai Com S.p.A., to which the Company provides transmission services;
- San Marino RTV which provides hosting services and receives transmission services from Rai Way;
- supplementary pension funds for employees and executives.

Information relating to the provisions of Italian Law no. 124/2017 - Transparency on the system for the issue of public funds (note 42)

With reference to the provisions of art. 1, paragraphs 125-129 of Law no. 124/2017 "Annual law for the market and competition", subsequently supplemented by law decree "Safety" (no. 113/2018) and law decree "Simplification" (no. 135/2018), there are no significant events referable to these specific cases.

Rome, 12 March 2020

On behalf of the Board of Directors

The Chairman

Mario Orfeo

Declaration on the annual financial statements pursuant to art. 81-ter of CONSOB Regulation no. 11971 of 14 May 1999 and subsequent amendments

- The undersigned Aldo Mancino as Chief Executive Officer and Adalberto Pellegrino as Manager in charge of preparing the corporate documents of Rai Way S.p.A. certify the following, taking into account the provisions of article 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998:
  - the adequacy in relation to the characteristics of the business and
  - the effective application of the administrative and accounting procedures for the preparation of the Company's annual financial statements during 2019.

- The assessment of the adequacy of the administrative and accounting procedures for the preparation of the Annual Financial Statements at 31 December 2019 was performed on the basis of the process defined by Rai Way S.p.A., taking as reference the criteria established in the model "Internal Controls – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

- We also certify that:
  - the annual financial statements of Rai Way S.p.A. for the year ended 31 December 2019:
    i. have been prepared in accordance with the applicable international accounting standards adopted by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
    ii. agrees with the balances on the books of account and the accounting entries;
    iii. give a true and fair view of the financial position, results of operations and cash flows of the issuer;
  - the report on operations includes a reliable analysis of the performance and results for the year as well as the issuer's position, together with a description of the main risks and uncertainties to which it is exposed.

Rome, 12 March 2020

Aldo Mancino
Chief Executive Officer

Adalberto Pellegrino
Manager in charge of preparing the corporate documents

PROPOSALS TO THE SHAREHOLDERS' MEETING

Annual financial statements for the year ended 31 December 2019

“The Shareholders’ Meeting of Rai Way S.p.A.

- having examined the Report of the Board of Directors on Operations;
- having acknowledged the Report of the Board of Statutory Auditors and the Report of the External Auditors PricewaterhouseCoopers S.p.A.;
- having examined the draft Annual Financial Statements for the year ended 31 December 2019 prepared by the Board of Directors, which close with a net profit for the year of € 63,360,973.47;

resolves

to approve the annual financial statements for the year ended 31 December 2019.”

Allocation of profit for the year

“Having examined the explanatory report of the Board of Directors, the Shareholders’ Meeting of Rai Way S.p.A. resolves to allocate the net profit of the 2019 financial year, equal to € 63,360,973.47, to the distribution to the Shareholders, as a dividend, for a total of Euro 63,348,800.00 and to "Profit (Loss) carry forward", for the remaining Euro 12,173.47 and consequently to allocate a gross dividend of Euro 0.2329 to each of the ordinary shares in circulation, to be paid from 29 July 2020, with entitlement to payment, pursuant to article 83-terdecies of the Legislative Decree n. 58 of 24 February 1998 and art. 2.6.6, paragraph 2, of the Regulation of Markets organized and managed by Borsa Italiana S.p.A., on 28 July 2020 (the "record date") and upon detachment of the coupon n. 6 on 27 July 2020 ".