Our way, new opportunities

ANNUAL FINANCIAL REPORT

2020

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Index

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

Managed and coordinated by RAI - Radiotelevisione Italiana S.p.A.
The Company does not have any branch offices.

Corporate Bodies and Committees[1]

Board of Directors

President
Giuseppe Pasciucco

Chief Executive Officer
Aldo Mancino

Directors
Stefano Ciccotti
Riccardo Delleani
Annalisa Raffaella Donesana
Barbara Morgante
Umberto Mosetti
Donatella Sciuto
Paola Tagliavini

Secretary to the Board
Giorgio Cogliati

Control and Risks Committee and Sustainability
Paola Tagliavini (President)
Barbara Morgante
Donatella Sciuto

Board of Statutory Auditors

President
Silvia Muzi

Statutory Auditors
Maria Giovanna Basile
Massimo Porfiri

Substitute Auditors
Nicoletta Mazzitelli
Paolo Siniscalco

Auditing Company
PricewaterhouseCoopers S.p.A.

Remuneration and Appointments Committee
Riccardo Delleani (President)
Annalisa Raffaella Donesana
Umberto Mosetti

1 In office at the date of this report.
For information on the Company's governance system, reference should be made to the Report on corporate governance and ownership structures for the year 2020 published on the Company's website (www.raiway.it), where it is also reported that the Company will adopt the Corporate Governance Code (new edition of the Self-Regulatory Code) for Listed Companies in 2021 and, in this context, the above-mentioned new name assumed by the Control and Risks Committee.

Letter to Shareholders

Dear Shareholders,

2020 was a year marked by a crisis of global dimensions, caused by the gradual spread of Covid-19 from the Asian continent to the rest of the world, which led to an unexpected standstill in global growth. In this context, Rai Way showed the strong resilience of its business model, which allowed the Company to close the year with an improvement in both revenues and net profit.

In March, the new Industrial Plan was approved, outlining the strategic guidelines and objectives that will guide us until 2023 and which envisages significant growth in development investments, already clear in 2020. The new plan is going to welcome the challenges of the market in the coming years; in addition, during the year a buy-back plan was also finalised for an amount of approximately € 20 million through the use of distributable reserves.

For the first time in the Company's history, the new industrial Industrial Plan also includes specific forecasts aimed at sustainable development objectives in relation to ESG issues, in the belief that the creation of value cannot disregard initiatives aimed at improving aspects linked to the environment, social issues, governance and innovation.

During the year, commercial activity was intense. Within the framework of the existing contract with Rai, work on various additional services carried on and, more specifically, with reference to the extension of coverage of MUX 2, 3 and 4, the renewal of satellite platforms and the extension of the contribution network. Revenues from hospitality services on our towers confirmed the trend of recent years, with growth in the fixed wireless access, broadcast and corporate segments, which was substantially offset by the negative impact of turnover from mobile operators.

Within a strategic framework of enhancing the value of human resources intended as a determining factor for corporate growth, in 2020 the lines of action concerning our personnel were characterised by the adoption of an emergency agile work model enabled by tools and equipment which, thanks to the experimentation started in 2019, made it possible to safeguard the continuity of corporate operations, protecting the health of all the employees.

During the last part of the year, functional analyses were also carried out for the Company's adoption of the new Corporate Governance Code for listed companies, approved by the Corporate Governance Committee as the new edition of the Corporate Governance Code and applicable from 2021, consistent with our commitment to ensure governance practices in line with the best benchmarks.

From an economic perspective, Rai Way's revenues reached € 224.5 million in 2020, up by € 3.1 million compared to the previous year; Adjusted EBITDA amounted to € 136.1 million up by € 4.8 million compared to the value at 31 December 2019, with a profitability for the first time exceeding 60% on an annual basis, benefiting from a reduction in overall costs due mainly to the contraction of some variable costs following the impacts related to the spread of the Covid-19 virus. Rai Way's 2020 financial year closed with a net profit of € 64.0 million, with a more moderate

growth than that of Adjusted EBITDA due to the increase in depreciation and amortisation, determined by the high amount of development investments, which stood at € 44 million, more than double the value recorded in 2019.

Confirming our key role in the reference market and Rai Way's important contribution to a more efficient reorganization of the national broadcasting networks, thus favouring the development of 5G in the country, development investments mainly concerned activities relating to the so-called refarming process and, more specifically, the project to extend the networks for the digital terrestrial television broadcasting service, which will guarantee an improvement in population coverage for the Public Service's thematic television channels, with an increase in the number of users reached.

The investments for the refarming process, together with the investments foreseen in the next few years for the numerous initiatives illustrated in the Industrial Plan, will provide Rai Way with a state-of-the-art technological infrastructure, which will be crucial to best meet the challenges ahead of us in the near future.

On behalf of the Board of Directors
The Chairman
Giuseppe Pasciucco

Rai Way's activities

Rai Way[2] (hereafter the Company) is a leading provider of integrated networks infrastructures and services for broadcasters, telecommunication operators, public companies 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, using 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 previously 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 centres and avails itself of a highly specialized workforce.

2 Rai Way has joined the simplification regime provided for by articles 70, paragraph 8, and 71, paragraph 1-bis, of Consob Regulation No. 11971 of 14 May 1999 and subsequent amendments and integrations. (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.

The services offered by the Company include:

(i) Broadcasting services, meaning services for the terrestrial and satellite transmission of television and radio signals, through the network infrastructure, to the final users within a geographical area;
(ii) Transmission services, for the transmission of radio and television signals via the dedicated network (radio links, satellite, fibre optic) and in particular the provision of Contribution Services, meaning one-directional transport services;
(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 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 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 adjusted for non-recurring income/expenses.
- Net operating income 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: 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.
- Operational Investments: 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). This item does not include opportunistic investments and rights of use for leases (reclassified as Other investments), as well as increases in financial fixed assets.

Summarized economic and financial data

The following is a summary of the economic data of Rai Way at 31 December 2020 compared to the results at 31 December 2019.
In addition, figures are also provided for the Company's Net Financial Position and Net Invested Capital at 31 December 2020 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.

(Figures in millions of Euro; %)	2020	2019	Delta	Change %
Key income statement figures				
Core revenues	224.5	221.4	3.1	1.4%
Other revenues and income	0.5	0.9	(0.4)	(42.9)%
Other operating costs	(43.5)	(45.8)	2.3	5.1%
Personnel costs	(45.5)	(45.3)	(0.2)	(0.4)%
Adjusted EBITDA	136.1	131.2	4.8	3.7%
EBIT	89.4	90.1	(0.7)	(0.8)%
Net income	64.0	63.4	0.6	1.0%
Key balance statement figures				
Capital expenditure	56.3	35.3	21.0	59.4%
of which maintenance	12.3	18.1	(5.8)	(32.0)%
Net Invested Capital	210.9	193.7	17.1	8.8%
Shareholders' Equity	164.8	184.2	(19.4)	(10.5)%
Net Financial Position (NFP)	46.1	9.5	36.5	382.5%
Indicators				
Adjusted EBITDA / Core revenues (%)	60.6%	59.3%	1.3%	2.3%
Net income / Core revenues (%)	28.5%	28.6%	(0.0)	(0.4)%
Maintenance Capex / Core revenues (%)	5.5%	8.2%	(2.7%)	(32.9)%
Cash conversion (%)	91.0%	86.2%	4.7%	5.5%
NFP / Adjusted EBITDA (%)	33.9%	7.3%	26.6%	365.3%

- Core revenues amounted to € 224.5 million, up € 3.1 million compared to the values at 31 December 2019.
- Adjusted EBITDA is equal to € 136.1 million, and shows an increase of € 4.8 million compared to the 31 December 2019 value. The increase is mainly due to higher core revenues and a reduction in operating costs. The Company defines this measure as EBITDA adjusted for non-recurring expenses.
- The ratio between Adjusted EBITDA and core revenues was 60.6% compared to 59.3% at 31 December 2019.
- The Operating Result (EBIT) is equal to € 89.4 million, down by 0.8% compared to the figure recorded as of 31 December 2019.
- The Net Profit was € 64.0 million, up 1% compared to 31 December 2019.
- Capital expenditure of € 56.3 million relates to the maintenance of network infrastructure and development projects.
- The Net Invested Capital is equal to € 210.9 million, with a Net Financial Position of € 46.1 million and a shareholders' equity of € 164.8 million.

Core revenes

€ **224.5** mln
+1.4%

Adjusted EBITDA

€ **136.1** mln
+3.7%

EBIT

€ **89.4** mln

Operating Result

€ **64** mln
+1%

Capital expenditure

€ **56.3** mln

Net Invested Capital

€ **210.9** mln
+8.8%

Report on 2020 operations

Report on 2020 operations

General indications and the overall performance of the economy[3]

According to the latest OECD estimates available, the Covid-19 pandemic would have produced a drop in global GDP of 3.4% in 2020, leading to an unexpected halt in global growth that had already been showing progressive signs of slowing since 2018, also due to rising international geopolitical tensions. It was mainly advanced economies that suffered, where actions to contain the health emergency and the economic and monetary stimuli operated by governments and central banks allowed the gradual recovery of activities in most productive sectors only from the second half of the year, at the end of the strict lockdowns imposed by the authorities since March, along the lines of that of Wuhan, the Chinese city where the virus was first detected in the last days of 2019. Several sectors of activity, including those related to tourism and recreational services - strongly impacted by the measures to prevent and restrict people's mobility - were affected throughout the year in almost all countries affected by the virus.

In the second half of 2020, the rapid development of effective vaccines in China, Russia, the United States and Europe and the subsequent launch of vaccine campaigns in the closing months of the year led to an improved outlook for the recovery of the global economy in the medium term, although the intensity and expected timing remain uncertain and dependent on the impacts of new waves and the speed of vaccine administration. An exception is China, where infections have been almost zero since spring thanks to impressive measures to combat the virus and the 2020 GDP is even estimated to grow by 2.3% (compared to +6% in 2019). In general, emerging countries have shown greater resilience in the face of the pandemic than advanced countries whose economies have been harder hit.

In the USA, the pandemic interrupted an expansionary phase that had lasted 11 years, leading to a drop in GDP of 3.5% in 2020 and serious repercussions in economic and employment terms. The countermeasures adopted by the central institutions in terms of fiscal and monetary stimuli have made it possible to limit the damage, in anticipation of a rebound in the economy expected in 2021 and more moderate growth in 2022, also thanks to the progressive improvement in economic conditions in the main export markets and the positive developments of the trade agreement with China signed in 2020. These factors should also allow the partial re-absorption of unemployment generated by the pandemic crisis, one of the main objectives of the new administration led by President Biden, elected in November.

The Eurozone economy suffered an even greater fall in GDP over the twelve months, equal to 6.8%, with projections of a more modest recovery in the coming years (3.9% in 2021 and 3.8% in 2022 according to the latest OECD estimates). In the face of the serious health emergency that has hit the continent, the European institutions have provided a decisive response with a mix of liquidity injections and purchases by the ECB and other instruments to support employment and economic recovery - including the € 750 billion Next Generation EU (NGEU) plan - developed by the Commission and the European Council, for the benefit of member States. Indeed, new waves of the virus and related containment measures will continue to hamper economic activity until a vaccine is widely disseminated, resulting in a slow recovery of investment and private consumption, which are held back by high unemployment, modest wage growth and precautionary saving.

3 OECD, Interim Economic Outlook Forecasts, marzo 2021; Banca d'Italia, Bollettino Economico 1 / 2021

In December 2020, more than four years after the referendum on Brexit, the EU and the UK reached an agreement that nevertheless leaves many open questions on which the parties will continue to grapple in the coming years.

Since the end of October 2020, oil costs have returned to values close to $50 per barrel, after plummeting below $20 at the height of the pandemic shock. Contributing to the rise, according to analysts, was the release of encouraging news on vaccines, the overcoming of uncertainty over the US election and Brexit, and the resilience of Asian demand, with future prospects inevitably affected by developments in the pandemic.

In the major advanced economies, inflation fell below pre-Covid-19 levels due mainly to weak demand, with an expectation of an up-tick in the medium to long term after positive news about the effectiveness of vaccines. In particular, consumer prices in the Euro area fell by 0.3% over the twelve months, weighed down by the weakness of prices for services related to tourism and transport. The latest Eurosystem forecasts point to inflation of 1.0% in 2021, 1.1% in 2022 and 1.4% in 2023.

With regard to monetary policies, the expansive measures taken by central banks characterized the course of the year, with the Federal Reserve which, after cutting interest rates to 0%-0.25%, announced in December that it would continue to purchase securities until the objectives of maximum employment and price stability were achieved. The ECB also recalibrated its monetary policy instruments in an expansive manner to ensure favourable financing conditions (zero base rate) throughout the crisis period and extended securities purchases until March 2022 as part of the € 1,850 billion Pandemic Emergency Programme (PEPP).

In Italy, economic activity, which was severely penalised by the severe measures of the spring lockdown, showed definite signs of recovery over the summer months, but fell back in the last quarter of the year with the resurgence of the pandemic: the latest ISTAT estimates quantify the contraction in GDP over the year at 8.9%. The decline was most pronounced in sectors such as trade, transportation, hotels and restaurants, and recreational and cultural services, while it was more marginal in manufacturing, where companies appear confident about increased investment spending in 2021.

In 2020, the change in consumer prices was negative (-0.3%), reflecting the dynamics of energy prices and price trends in the sectors most affected by the crisis. Analysts and companies' inflation expectations continue to be very low over the next twelve months, with an expected price change of between 0.4% and 0.6% in 2021.

On the labour market, the reopening of activities suspended during the first wave of contagion drove employment growth in the third quarter of the year and reduced the use of wage supplementation tools; however, the worsening of the pandemic after the summer slowed down the creation of new jobs and led to an increase in requests for redundancy payments, amid the continuation of the freeze on lay-offs, which even made it possible to reduce the unemployment rate to 9% from 9.6% in 2019 (ISTAT figure).

In terms of credit supply, banks continued to meet demand from businesses with relaxed supply conditions and low rates, also thanks to monetary policy and government measures to support liquidity.

The outlook for the Italian economy remains closely dependent on both the evolution of the pandemic and the developments of the vaccination campaign: assuming that the health emergency gradually returns under control by the first half of 2021 (and is therefore completely overcome by 2022) and that the support of the Government's budgetary policy continues, strengthened by the effective use of European funds (€ 209 billion available under the NGEU), Italian GDP could return to growth of 4.1% in 2021 and 4% in 2022, once the unfavourable knock-on effect of the downturn recorded in the final part of 2020 has been exhausted.

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),
- OTT (broadband),
- 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 reduced extent of the use 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 OTT (France). The solid positioning of DTT in the Italian broadcasting scenario is further supported by the absence of cable TV (at a European level operators capable of providing television services via cable usually represent the strongest competitors on the market, as regards both television and broadband) and the still undeveloped penetration of OTT.

Regarding the Italian radio market, programs are transmitted in both analogue and digital format (DAB - Digital Audio Broadcasting) and no expiry dates have been set for a switch-off of the analogue signal, in line with many other European countries.

As a consequence of the features of its network, Rai Way is able to provide its customers with Tower Rental services.

DTT (Digital Terrestrial Television)

DTH (satellite)

OTT (broadband)

Cable TV

DAB (Digital Audio Broadcasting)

Rai Way on the financial markets[4]

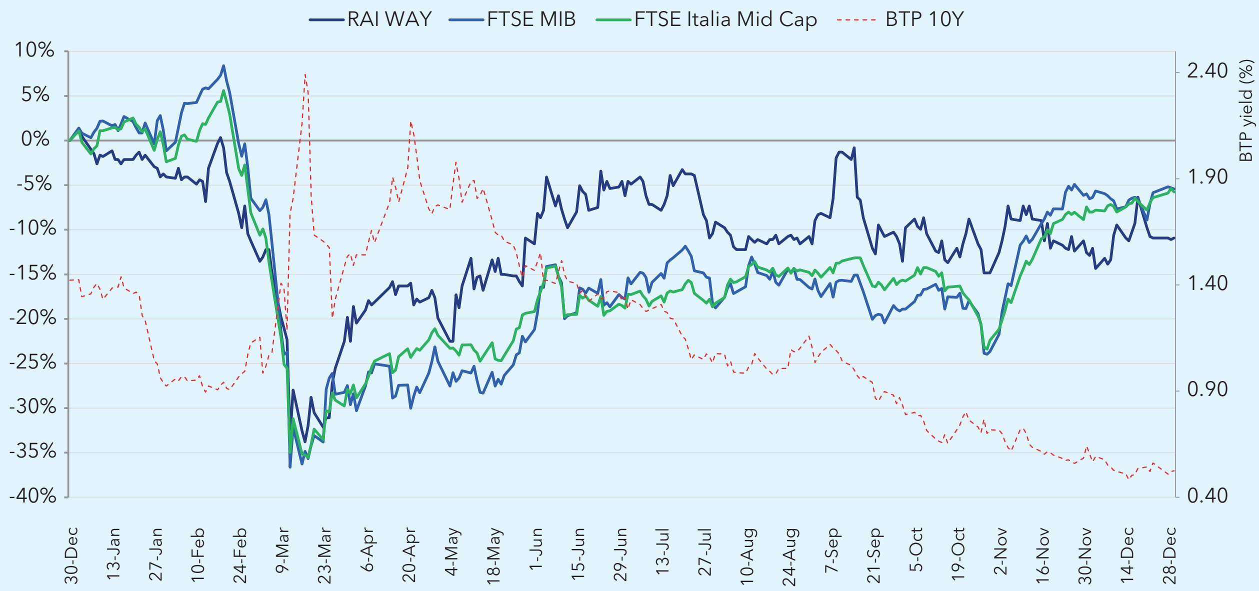
After a positive 2019, 2020 saw a general downturn in economic activity due to the impact of the Covid-19 pandemic. To deal with the emergency, governments have taken a series of measures to support public health and the economy (e.g. the Next Generation EU with a budget of € 750 billion, of which € 209 billion in total for Italy) while central banks have reinforced their accommodating monetary policies, some of which were already in place (e.g. the € 1,850 billion government bond purchase programme (PEPP) implemented by the ECB). These, together with widespread optimism over the effectiveness of vaccines and the removal of uncertainty over the US election, led to improved conditions in international financial markets in the latter part of the year, with prices nevertheless remaining vulnerable to developments in the pandemic.

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

In this context, investors' concern have penalised stock markets in Europe and Italy, where the pandemic impact has been intense and widespread, particularly in the first three quarters of the year. In 2020, the FTSE Italia All-Share index recorded a contraction of 5.6%, substantially in line with that of the FTSE Mid Cap (-5.8%).

During the year, the Rai Way stock, listed on the Italian Stock Exchange, recorded a 10.9% decrease (-7.1% adjusted for the distribution of the dividend), confirming its defensive nature during the most acute period of the pandemic and recording a more limited recovery compared to the indices in the last part of the year, which saw the market favour more cyclical sectors in the face of expectations of economic recovery following the positive trial of vaccines.

Rai Way ended 2020 with a market capitalization of € 1,485 million.



The following table sets out key market figures::

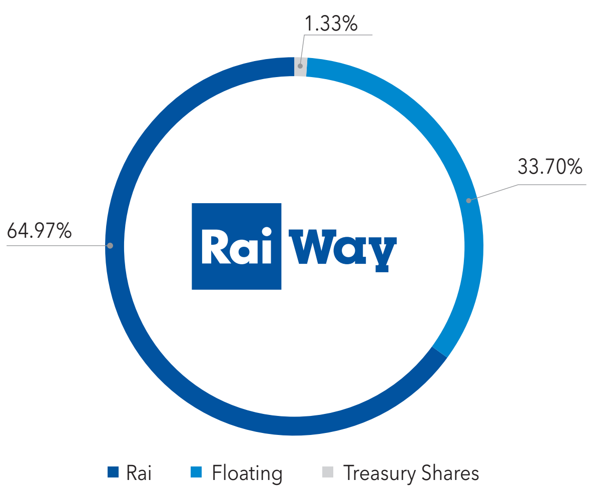
Key market data

General data	ISIN	IT0005054967
	Shares	272,000,000
	Floating	33.70%
Price (Eur, %)	Price on placement (19/11/2014)	2.95
	Price at 31/12/2019	6.13
	Price at 31/12/2020	5.46
	Performance at 31/12/2020 vs. placement	+85.1%
	Performance at 31/12/2020 vs. 31 December 2019	-10.9%
	Maximum price (closing) in 2020	6.20
	Minimum price (closing) in 2020	4.06
Volumes ('000)	2020 average volume	191,199
	2020 maximum volume	2,514,906
	Minimum volumes in 2020	11,379
Capitalisation (Eur million)	Capitalization on placement (19/11/2014)	802.4
	Capitalization at 31/12/2019	1,667.4
	Capitalization at 31/12/2020	1,485.1

Shareholding structure

During 2020 the percentage of Rai Way's share capital held by RAI - Radiotelevisione Italiana S.p.A. remained stable.

Following the purchase of 3,625,356 treasury shares made by the Company during 2020 (equivalent to approximately 1.33% of the share capital), the free float is now 33.70% (compared to 35.03% as at 31/12/2019).



Trading performance

In 2020 Rai Way's commercial initiatives focused, in continuity with past years, on supporting its main client RAI - Radiotelevisione italiana S.p.A. (hereinafter referred to as Rai) and on the analysis and scouting of new potential markets, with a view to expanding services and diversifying the offer.

Within the framework of the Rai - Rai Way Contract, the installation of systems continued in relation to the project to extend the coverage of MUX 2, 3 and 4, which led to an increase in turnover, only marginally mitigated by the slowdown of certain activities due to the emergency linked to the spread of the Covid-19 virus, which led to a reduction in the volume of certain services offered to the Parent Company, in relation, for example, to the postponement of the main sports events (European Football Championship and the Olympics). Despite the impacts related to Covid-19, there have been numerous service evolution initiatives. A number of services were upgraded on the main broadcasting platforms (EPG, audio description, subtitling, geographic cellularization of the RDS-TMC service), satellite platforms for DTH broadcasting were renewed and Rai's offer was expanded. Projects were also launched to extend the contribution network and create a POC (*Proof of Concept*) for a new hot spot at the Olympic Stadium in Rome. Contribution services were also provided during the year for the Venice Film Festival and the opening of the season at La Scala in Milan, for the transport of dedicated signals from football stadiums.

During 2020, the Tower Rental market was impacted by the consequences of the Covid-19 pandemic which, on the one hand, continued to favour the adoption of policies to contain operating costs by the main MNOs *(Mobile network operators)* and, on the other hand, accelerated the development of networks in the *Fixed Wired Access* (FWA) market, determined by the need to increase broadband coverage due to the impulse given by smart-working and distance learning; in this context, FWA operators further consolidated the development of workstations at Rai Way sites. In 2020, growth in revenues from broadcast and corporate customer hospitality will also continue.

In the last quarter of 2020, as part of the transaction to acquire ownership of an important transmission site in northern Italy, Rai Way also completed the acquisition of the entire capital of Sogepotel S.r.l. (hereinafter also referred to as "Sogepotel"), a company that managed its commercial use through a lease agreement. With effect from 30 December 2020, the entire business owned by Sogepotel was transferred to Rai Way, which then acquired the related commercial contracts.

Lastly, it should be noted that the Company, leveraging on its many years of know-how in the management of broadcast networks and services, took part in 2020 in the procedures for the assignment of rights of use of frequencies for the digital terrestrial service at local level called by the Ministry for Economic Development, winning in November 2020 the rights of use for the 1st level N2 network in the Lombardy and Eastern Piedmont Technical Area 3 and for the 2nd level N1 network in the Western Piedmont Technical Area 1.

Significant events

The significant events were as follows:

- On 12 March 2020, the Board of Directors approved the 2019 draft financial statements, which closed with a profit of € 63.4 million, and a proposal to distribute a dividend of € 0.2329 per share, for a total of € 63,348,800.00.
- On the same date, the Board of Directors approved the 2020-2023 Industrial Plan.
- On 18 March 2020, the Board of Directors, in consideration of the provisions contained in Art. 106 of Law Decree no. 18 of 17 March 2020, resolved to convene the Shareholders' Meeting to approve the financial statements at 31 December 2019, in the first or only call, on a date between 15 and 26 June; subsequently on 20 April 2020, they established the date for the Shareholders' Meeting to be convened on 24 June 2020, at the Company's registered office.
- On 21 April 2020, Anna Gatti – non-executive and independent Director and Chairperson of the Remuneration and Appointments Committee – resigned from her position as Director of the Company, effective immediately.
- On 6 May, the Company's Board of Directors appointed Paola Tagliavini, non-executive and independent Director, as a member of the Remuneration and Appointments Committee, to replace Anna Gatti. Also in replacement of the latter, the Board of Directors appointed Joyce Bigio, a non-executive and independent Director who is a member of the Remuneration and Appointments Committee, as Chairperson of the Committee.
- On 14 May 2020, the Board of Directors of Rai Way S.p.A., examined and approved the Interim Financial Report at 31 March 2020.
- On 24 June 2020, the Shareholders' Meeting, among other things:
  - approved the financial statements of the Company at 31 December 2019 and the distribution of a dividend as proposed by the Board of Directors;
  - approved the first section (relating to the remuneration policy for 2020) and voted in favour of the second section (relating to compensation for 2019) of the prepared Report on the remuneration policy and compensation paid;
  - approved the proposal of the Board of Directors regarding the purchase and disposal of treasury shares, at the same time revoking the authorization approved at the meeting of 18 April 2019;
  - resolved on the renewal of the Board of Directors for the years 2020-2022, i.e. until the approval of the 2019 financial statements, appointing Giuseppe Pasciucco as Chairperson.
- On 24 June 2020, the Board of Directors, which met after the Shareholders' Meeting, appointed, among other things, engineer Mr. Aldo Mancino as Chief Executive Officer and renewed the Control and Risks Committee and the Remuneration and Appointments Committee, both always composed solely of independent Directors, made up as follows:
  - Control and Risks Committee: Paola Tagliavini (Chairperson), Barbara Morgante, Donatella Sciuto,
  - Remuneration and Appointments Committee: Riccardo Delleani (Chairperson), Annalisa Raffaella Donesana, Umberto Mosetti.
- on 30 July, Rai Way's Board of Directors approved the launch of a treasury share purchase program which has provided, *inter alia*, for a maximum total investment of € 20 million.
- on 29 October 2020, the Company signed a new loan agreement with a pool of financial institutions consisting of Mediobanca - Banca di Credito Finanziario S.p.A., Banca Nazionale del Lavoro S.p.A., Unicredit S.p.A. and Cassa depositi e prestiti S.p.A. The new loan agreement, with a duration of three years, provides for the granting of a term credit line of up to € 120 million and a revolving credit line of up to € 50 million, both to be used through cash disbursements and with a maturity date of 27 October 2023.
- on 27 November 2020, the plan for the purchase of treasury shares was concluded. The Company acquired 3,625,356 treasury shares at an average price of € 5.509531 per share and a total value of € 19,974,010.41; these shares represent approximately 1.3329% of the share capital.

The initial months of 2020 saw the start of the spread of the Covid-19 virus, with the issue of various regulatory provisions to tackle the health crisis. As a result of the pandemic, during 2020, the Company did not experience any significant impact on its business performance as reported in the following paragraphs. It should also be noted that the Company has benefited from the tax relief measure provided by the Relaunch Decree on IRAP.

Results for the year

The Company earned net income of € 64.0 million in 2020 representing an increase over the previous year corresponding figure of € 0.6 million (+1.0%).

A summary of the Company's income statement for the years ended 31 December 2020 and 31 December 2019 is set out in the following table:

Income statement

(Figures in millions of Euro; %)	2020	2019	Delta	Change %
Revenues from Rai Group	191.3	188.2	3.1	1.7%
Revenues from third parties	33.2	33.2	(0.0)	(0.1)%
Core revenues	**224.5**	**221.4**	**3.1**	**1.4%**
Other revenues and income	0.5	0.9	(0.4)	(42.9)%
Personnel costs	(45.5)	(45.3)	(0.2)	(0.4)%
Other operating costs	(43.5)	(45.8)	2.3	5.1%
Adjusted EBITDA	**136.1**	**131.2**	**4.8**	**3.7%**
EBITDA Margin	*60.6%*	*59.3%*	*1.3%*	*2.3%*
Adjustments	(1.0)	(0.1)	(0.8)	(600.0)%
EBITDA	**135.1**	**131.1**	**4.0**	**3.1%**
Depreciation and amortisation	(45.3)	(42.2)	(3.1)	(7.4)%
Bad debt provisions	(0.0)	(0.2)	0.2	N.M.%
Provisions	(0.3)	1.5	(1.8)	(121.6)%
EBIT	**89.4**	**90.1**	**(0.7)**	**(0.8)%**
Net financial expenses	(1.1)	(1.3)	0.2	12.1%
Pre-tax profit	**88.3**	**88.8**	**(0.5)**	**(0.6)%**
Taxation	(24.3)	(25.5)	1.2	4.6%
Net income	**64.0**	**63.4**	**0.6**	**1.0%**
NET INCOME margin	*28.5%*	*28.6%*	*(0.1%)*	*(0.4)%*

Rai Way's revenues amounted to € 224.5 million, an increase of € 3.1 million compared to the previous period (+1.4%) despite a temporary slowdown in the execution of certain development projects starting from the middle of March following the progressive spread of the Covid-19 virus in Italy.

The activities carried out for the Rai Group generated revenues of € 191.3 million, an increase of 1.7% compared to the same period of the previous year.The increase of € 3.1 million derived from new services requested by the customer (known as "new services"), referring primarily to extending the MUX coverage. With regard to commercial relationships with other customers, revenues from third parties were € 33.2 million, basically in line with the prior period (-0.1%).

The item Other revenues and income shows an reduction of € 0.4 million compared to the previous year, deriving from the sale of a corporate site no longer in use for the provision of services.

The income statement item Personnel costs amounted to € 45.5 million, with an increase of € 0.2 million compared to the previous year. The average headcount of the Company was 607 in 2020, down by 5 compared to 2019.

"Other operating costs" – which consist of consumables, services and other costs net of non recurring items – amounted to € 43.5 million, down by € 2.3 million over the previous period. The reduction is mainly due to the reduction in several variable costs following the spread of the Covid-19 virus and in part to the impact of the new electricity supply contract effective from the second quarter of the year. Other operating costs do not include non-recurring expenses related to retirement incentive initiatives that are not included in the calculation of Adjusted EBITDA.

Adjusted EBITDA amounted to € 136.1 million, an increase of € 4.8 million over the figure for 31 December 2019, representing a margin of 60.6%.

EBITDA amounted to € 135.1 million, an increase of € 4.0 million compared to the value of the previous year, notwithstanding greater costs of € 1.0 million, given by the expenses for the retirement incentive plans.

The Operating Result, equal to € 89.4 million, recorded a reduction of € 0.7 million compared to 2019, also determined by the one-off effect in 2019 of the release of a provision of € 1.5 million, following the favourable outcome of some disputes in the Cosap (rent for occupation public land), and an increase in depreciation of € 3.1 million.

Financial expenses closed with a balance of € 1.1 million, an improvement of € 0.2 million over the previous period, also due to the effect of lower interest expense on lease contracts.

Net profit amounted to € 64.0 million, an increase of € 0.6 million over the same period in 2019.

Capital expenditure and Other Investments

During 2020, Operating Investments were made for € 56.3 million (€ 35.3 million in the same period of 2019), of which € 12.3 million referred to the maintenance of the Company's network infrastructure (€ 18.1 million in the same period of 2019) and € 44 million relating to the development of new commercial initiatives, a sharp increase compared to the previous year (€ 17.2 million).

The item does not include increases in financial fixed assets, for opportunistic initiatives and for leasing rights.

(Figures in millions of Euro; %)	2020	2019	Delta	Change %
Maintenance Investments	12.3	18.1	(5.8)	(32.0)%
Development Investments	44.0	17.2	26.8	155.4%
Total Capital expenditure	**56.3**	**35.3**	**21.0**	**59.4%**
Other investments	10.3	1.2	9.1	742.9%
Total Investments	**66.6**	**36.5**	**30.1**	**82.3%**

Maintenance investments, aimed at ensuring the highest levels of reliability and availability of the service, regarded the modernization of the transmission network, the replacement of equipment dedicated to the radio service and the renewal and upgrading of IT systems. Development investments amounted to a total of € 44.0 million, of which € 36.9 million concerned activities relating to refarming and, in particular, the project to extend the networks for the digital terrestrial television broadcasting service, as well as the launch of the digital transformation project aimed at implementing a new integrated IT platform in Rai Way.

During the year, Other Investments amounted to € 10.3 million, of which € 6.5 million for IFRS16 leases and € 3.8 million (including capitalised ancillary expenses) for the purchase of a strategic transmission site for broadcasting coverage located in Valcava, in the province of Bergamo, including land and buildings, a 114-metre high metal lattice tower and a bridge tower.

Statement of financial position

(Figures in millions of Euro; %)	2020	2019	Delta	Change %
Fixed assets	251.4	229.4	21.9	9.6%
Net working capital	(13.8)	(8.0)	(5.8)	(72.0)%
Provisions	(26.6)	(27.7)	1.0	3.7%
Net invested capital	**210.9**	**193.7**	**17.1**	**8.8%**
Shareholders' Equity	164.8	184.2	(19.4)	(10.5)%
Net Financial Position	46.1	9.5	36.5	382.5%
Total funding	**210.9**	**193.7**	**17.1**	**8.8%**

Net Invested Capital at 31 December 2020 was € 210.9 million. Fixed assets include the rights of use for leases in application of the IFRS 16 accounting standard for € 29.8 million down by 0.8 million compared to 2019, net of the dismantling and restoration provision. The increase in fixed assets compared to 2019, is primarily due to the high amount of Operating Investments, only partially offset by depreciation and amortization for the year. Net Working Capital showed a reduction due to the improvement of receivables from third parties. The Net Financial Position amounted to € 46.1 million and included leases financial liabilities in application of the IFRS 16 accounting standard for a value of € 35.4 million. Further details may be found in the section "Current and non-current financial assets and liabilities" in the notes to the financial statements (note 21).

Human Resources and Organization

Rai Way had a workforce of 566 people at 31 December 2020 employed on a permanent basis: 23 executives, 165 middle managers, 368 technicians or office staff and 10 workers. 14 other workers with fixed-term employment contracts and 24 apprentices are to be added to the above.

In order to better represent the company's workforce, a table containing details of the composition and age of the staff in service is attached.

	Executives		Managers		Employees and technicians		Manual workers	
Years	2019	2020	2019	2020	2019	2020	2019	2020
Men*	17	18	127	135	349	337	13	11
Women*	5	5	24	26	82	78	0	0
Average age	52	53	51	52	42	44	60	60

*Annual average values.

In 2020, the lines of action concerning personnel were declined as follows, within a strategic framework of enhancing the value of human capital as a strategic factor for the company's growth, with a view to favouring the creation of value and the achievement of the strategic objectives of the Industrial Plan, ensuring sustainability of results and full *engagement*:

- safeguard of the optimal and coherent size of the workforce;
- development of the Company's organisational model in order to control the technological and business challenges currently under way, also through the implementation of *virtual organisation* models;
- constant appreciation of results and behaviours 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;
- promotion of *recruiting* paths, including digital ones, inspired by criteria that, while respecting equal opportunities and diversity, ensure pluralism of professionalism;
- attention to staff *engagement*, also through the promotion and development of internal climate surveys aimed at periodically surveying staff satisfaction, monitoring the results in correlation with the requests expressed;
- qualified investment both in technical and in management training;
- protection and valorisation of diversity and equal opportunities;
- a continuous process of industrial relations at national and local level, in order to seek appropriate and shared solutions;
- consolidation of the openness to the social dimension of business, in addition to the active paths with universities, aimed at encouraging targeted internship and school-to-work experiences.

In the face of the pandemic, Rai Way – with a view to reconciling the need for business continuity with the higher demands of guaranteeing and safeguarding the health of workers – has implemented an articulated line of action to cope with the Covid-19 emergency, which has resulted, in broad terms, in the creation of the Rai Way *Task Force* for the management of issues related to the emergency and with actions aimed at combining continuity, efficiency and effectiveness of the company's performance with the primary objectives of protecting the health and safety of workers, translating the risks related to such a significant change in environmental and operational conditions into opportunities, in terms of work organisation models and supporting tools (capitalisation of the positive experience of smart working experimentation through the rapid conversion to the emergency agile work model), enabling the achievement of the expected objectives.

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.

We note the implementation of the Company's Results Bonus, for the three-year period 2019-2021, which allows the Company's non-executive personnel, with permanent and fixed-term contracts, to benefit from an economic incentive specifically linked to the Company's results, with objectives based on the Company's own technical-production and competitive positioning specificities.

Within this framework, as further confirmation of the achievement of corporate objectives and of the effectiveness of the policies and lines of action adopted for the various reference areas, there is also the ISO9001:2015 Certification, obtained by Rai Way for the first time in 2016 in relation to the Quality Management System. During 2020, the Company renewed its certification with the following purpose: "Provision of services for the design of systems and networks for broadcasting and transmission of radio and television signals. Provision of coordination and planning services for the routine maintenance of plants and networks for the transmission and broadcasting of radio and television signals. Provision of network infra- structure and services for telecommunications operators". In 2020, the Company confirmed its ISO certification, following an in-depth audit of internal processes, which included support activities in the scope of analysis.

Rai Way also confirmed, also for this financial year, the Top Employers Italia certification, as *Employer of Choice*, as a consolidation of a path of attention and development in an innovative key of HR policies and processes.

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 ISO 45001 regulations, with regard to health and safety in the workplace.

As required by the two sets regulations, the entire process was reviewed during 2020 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 ISO 45001:2018 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".

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 discussed in summary form 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 clientèle, any problem arising in trading relationships with the Company's main customers could have an adverse effect on its financial position, results of operations and cash flows.

The Company's largest customers are Rai and the main MNOs (Mobile Network Operators) in Italy with whom it enters into framework agreements for Tower Rental services, generally for several years. 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 will be unable to fulfil their obligations.

The interruption to 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 results of operations, financial position and cash flows.

Risks related to the Service Contract with Rai

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 designated as the exclusive concessionaire of the public radio, television and multimedia service for the ten-year period from 30 April 2017 to 30 April 2027.

The renewal of the concession took place in compliance with Article 9 of Law No. 198 of October 26, 2016 (the so-called Publishing Law) which, by amending Article 49 of L.D. No. 177 of July 31, 2005, entitled "Testo unico dei servizi di media audiovisivi e radiofonici", prescribed a new procedure for the concession of public radio, television and multimedia services. If the concessionary agreement between the Italian government and Rai is terminated or not renewed on expiry, or if a renewal s stipulated under terms and conditions that differ from those currently existing, there could be material negative effects on the Company's results of operations, financial position and cash flows. 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 Agreement, the expiry and/or failure to renew the concession is an institutional modifying event which entitles Rai to withdraw from it.

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 Agreement on 11 January 2018, published in the Official Journal on 7 March 2018.

However, uncertainty persists as to future technical requirements relating to the provision of the Public Service which could result in the Company incurring liabilities.

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

The Company's customers defined as Broadcasters, a category that also includes network operators and national and local radio and television players, including Rai, may own frequencies. 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, financial and capital situation 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 also partial withdrawal by Rai from the New 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 2019 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 favour 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 MUX1 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 favourable 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 requirement for Rai Way to provide certain information necessary in accordance with the regulation and general operational guidelines.

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 assumption of certain corporate resolutions by the Company or the acquisition of certain shareholdings relevant to the control of the Company by parties outside the European Union could be limited by the special *powers* of the State (so-called "*golden powers*") provided for by the Legislative Decree. March 15, 2012, no. 21, converted with amendments into Law no. 56 of May 11, 2012, which governs the special powers of the State regarding, *inter alia*, strategic assets in the communications sector, as identified by art. 3 of Decree Law March 25, 2014, No. 85.

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 results of operations, financial position and cash flows.

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 29 October 2020, the Company signed a new loan agreement with a pool of financial institutions consisting of Mediobanca - Banca di Credito Finanziario S.p.A., Banca Nazionale del Lavoro S.p.A., Unicredit S.p.A. and Cassa depositi e prestiti S.p.A. The new loan agreement, with a duration of three years, provides for the granting of a term credit line of up to € 120 million and a revolving credit line of up to € 50 million, both to be used through cash disbursements and with a maturity date of 27 October 2023.

This loan provides for general commitments and *covenants* of the Company, including negative ones, which, although in line with market practice for loans of a similar amount and nature, could limit its operations.

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 currently 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 results of operations, financial position and cash flows.

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 centres, 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 results of operations, financial position and cash flows.

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 results of operations, financial position and cash flows.

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 results of operations, financial position and cash flows.

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 results of operations, financial position and cash flows.

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 ISO14001:2015 of 2008 and OHSAS 18001:2007 of 2011 and ISO 45001 of 2020.

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 results of operations, financial position and cash flows.

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 results of operations, financial position and cash flows.

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 the world of the Covid-19 virus could have negative effects on the Company's economic and financial situation, also considering the application of restrictive measures by the competent authorities. 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, in addition to those already implemented since March 2020, the beginning of the pandemic.

Financial risks

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

- currency risk: over 2020 the currency risk was not significant as the Company's operations are mainly concentrated in the European Union;
- interest rate risk: in 2020 interest rate risk mainly arose from 2 loan agreements:
  - a medium-term loan agreement stipulated with a pool of banks and relating to a credit line (so-called revolving), for a maximum amount of € 25 million, extinguished on 30 September 2020;
  - a medium-term loan agreement stipulated with a pool of banks and relating to a Term credit line of a maximum of € 120 million, of which € 15 million was used as of 31 December 2020 and a Revolving credit line of a maximum of € 50 million, not used as of 31 December 2020;

- 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. In order to meet these commitments, the Company has provided, as indicated in the previous point, with a revolving credit facility, called Revolving, in addition to the term one, with the proper purpose of using it to support working capital and for general cash requirements. To this end, it should be noted that the Company is able to meet its financial commitments thanks to the generation of liquidity from operating activities and to cover any short periods of extra demand with the loans it has taken out.

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, the Company dedicated facilities 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.

As far as the most significant initiatives of 2020 are concerned, participation in the MISE project for the experimentation of 5G technology in the 3.7-3.8 GHz band in the areas of Bari and Matera was concluded, with a final report to the MISE that concerned, for Rai Way, the *use cases* related to the television contribution and the monitoring and control services of the movements in the port of Bari using the 5G network and other innovative technologies.

Consistent with the lines of development included in the Business Plan, feasibility studies and analyses of synergy with respect to the company's assets in relation to possible new services with reference, in particular, to *edge* infrastructures, have been launched. Furthermore, technology scouting has been carried out in a number of fields in which technology is developing faster and more profoundly and which are of interest to Rai Way, including a PoC (*Proof of Concept*), which is expected to be completed in 2021, of a radio infrastructure for the command and control of large autonomous drones piloted in BVLoS (*Beyond Visual Line of Sight*) mode.

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 2020 and 2019, identified on the basis of IAS 24 Related Party Disclosures, are provided in the paragraph "Related party transactions" (note 41).

Treasury shares

Following the authorization resolved by the Shareholders' Meeting of 24 June 2020, the Company launched, as of 5 August 2020, a share buyback programme, the main contents of which were the subject of a specific communication to the market.

The programme was aimed at investing medium and long-term liquidity, optimising the structure of the share capital as well as providing a portfolio of treasury shares available for uses deemed to be in the Company's interest, including for any share incentive plans or in the context of the assignment of free shares to shareholders.

The purchases, made on the MTA market of Borsa Italiana S.p.A., took place in the period between 5 August 2020 and 27 November 2020 (extremes included), resulted in the acquisition of a total of 3,625,356 treasury shares, for an average price of € 5.509531 per share and a total countervalue of € 19,974,010.41. The aforementioned shares, corresponding to all those held by the Company as at today's date, amount to approximately 1.3329% of the share capital. It should also be noted that no shares in the Company are held by companies controlled by it.

Events subsequent to 31 December 2020 (note 40)

There are no significant events to report.

Business outlook

On the basis of the information available to date on the evolution of the Covid-19 emergency and in a scenario that assumes the management of 3 MUXes for the Rai customer following the refarming process, the Company expects for 2021:

- adjusted EBITDA growth supported by higher revenues, although limited by an increase in operating costs resulting from the expected reduction in the effects recorded in 2020 due to the pandemic emergency and the implementation of new services;
- maintenance investments in relation to core revenues above the 2020 value and growth development investments due to refarming activities.

Management and coordination

The Company is subject to the management and coordination of RAI - Radiotelevisione Italiana S.p.A. 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 2019. It should be noted that the Parent Company Rai draws up the Group's consolidated financial statements.

For an adequate and complete understanding of the financial position of RAI - Radiotelevisione Italiana S.p.A. at 31 December 2019 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 S.p.A. - Financial Statements at 31 December 2019
Summary report of essential data
Balance sheet at 31 December 2019

(in thousand of Euro)	Financial year at 31 December 2019
Tangible assets	893,886
Rights of use for leases	54,876
Intangible assets	403,482
Equity investments	919,026
Non-current financial assets	3,298
Other non-current assets	7,068
Total non-current assets	**2,281,636**
Total current assets	**860,943**
Total assets	**3,142,579**
Share capital	242,518
Reserve	542,396
Retained earnings (losses)	(71,887)
Total shareholders' equity	**713,027**
Non-current financial liabilities	303,890
Non-current lease liabilities	40,257
Employee benefits	400,924
Provisions for non-current risks and charges	162,863
Deferred tax liabilities	32,289
Other non-current payables and liabilities	550
Total non-current liabilities	**940,773**
Total current liabilities	**1,488,779**
Total liabilities	**2,429,552**
Total shareholders’ equity and liabilities	**3,142,579**

Comprehensive income statement

(in thousand of Euro)	Financial year at 31 December 2019
Total revenues	2,483,378
Total costs	(2,596,389)
EBIT	**(113,011)**
Financial income	62,419
Financial expenses	(16,966)
Result of equity investments valued with the equity method	285
Profit before tax	**(67,273)**
Income taxes	32,245
Result for the financial year - Profit (loss)	**(35,028)**
Components of the comprehensive income statement	(19,546)
Overall result for the financial year	**(54,574)**

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. In the Company's opinion though, although it is subject to the management and coordination of Rai, it works 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:

- 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;
- the requirement for Rai Way to inform the Parent 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;
- the requirement for Rai Way to provide certain information necessary in accordance with the regulation and general operational guidelines.

Set out below are details of the relationships between Rai and Rai Way after 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 specific operational activities and transactions, determined and drawn up independently 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 jeopardize uniform 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 above, the Company continues to periodically report to the Parent Company all the information necessary or useful for the purposes of

exercising management and coordination activities in accordance with the regulations, including the information necessary for the preparation of the consolidated financial statements pursuant to art. 43 of Legislative Decree April 9, 1991, no. 127, the report on operations pursuant to art. 2428, paragraph 1, of the Italian Civil Code, as well as the periodic information 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.

- Staff 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.

It should also be noted that the Company has a Control and Risk and Sustainability Committee which also performs the functions of the Committee for Related Parties, and a Remuneration and Appointments Committee composed exclusively of Independent Directors in accordance with the criteria set out in article 148, paragraph 3, of Legislative Decree. no. 58/1998, the Corporate Governance Code of Borsa Italiana S.p.A. and art. 16 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 article 123-bis of the Consolidated Finance Act may be consulted on the Company's website www.raiway.it.

Declaration of Non-Financial Nature

As an Entity of Significant Public Interest (EIPR), the Company prepares and submits the "Declaration of Non-Financial Nature", in the form of a "separate report", as provided for in Article 5 Placement of the declaration and disclosure regime of the Legislative Decree. 254/2016 concerning the disclosure of non-financial and diversity information by certain undertakings and large 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, 18 March 2021

On behalf of the Board of Directors
The Chairman
Giuseppe Pasciucco

Financial Statements

Financial Statements

Income statements - Rai Way S.p.A. (*)

(Figures in Euro)	Note (**)	12 months at 31.12.2020	12 months at 31.12.2019
Revenues	6	224,462,645	221,387,606
Other revenues and income	7	539,565	945,035
Purchase of consumables	8	(909,887)	(1,186,716)
Cost of services	9	(39,676,677)	(42,167,693)
Personnel costs	10	(46,470,551)	(45,326,405)
Other costs	11	(2,863,443)	(2,579,412)
Write-downs of financial assets	12	(37,063)	(245,901)
Depreciation, amortisation and other write-downs	13	(45,324,321)	(42,191,710)
Provisions	14	(314,978)	1,458,146
Operating profit		**89,405,290**	**90,092,950**
Financial income	15	43,141	8,306
Financial expenses	15	(1,145,619)	(1,262,068)
Total net financial income/(expenses)		**(1,102,478)**	**(1,253,762)**
Pre-tax profit		**88,302,812**	**88,839,188**
Income taxes	16	(24,294,759)	(25,478,215)
Income for the period		**64,008,053**	**63,360,973**

Statement of comprehensive income - Rai Way S.p.A. (*)

(Figures in Euro)	Note (**)	12 months at 31.12.2020	12 months at 31.12.2019
Income for the period		**64,008,053**	**63,360,973**
Items that will not be recognised in the income statement			
Actuarial Profit / (Loss) for employee benefits		(94,012)	(335,529)
Tax effect		22,563	80,527
Comprehensive income for the period		**63,936,604**	**63,105,971**

(*) Schedule prepared in accordance with the *International Financial Reporting Standards* issued by the *International Accounting Standards Board* and adopted by the European Union ("IFRS").
(**) The notes refer only to the items commented upon in these Explanatory Notes.

Statement of financial position - Rai Way S.p.A. (*)

(Figures in Euro)	Note (**)	12 months at 31.12.2020	12 months at 31.12.2019
Non-current assets			
Tangible assets	17	200,934,674	177,638,308
Rights of use for leases	18	32,466,103	36,241,596
Intangible assets	19	15,891,578	14,286,790
Equity investments	20	500,000	-
Non-current financial assets	21	352,433	1,659
Deferred tax assets	22	2,845,768	2,688,561
Other non-current assets	23	1,207,578	1,267,760
Total non-current assets		**254,198,134**	**232,124,674**
Current assets			
Inventories	24	868,975	885,247
Trade receivables	25	62,553,246	74,794,689
Other current receivables and assets	26	4,245,263	5,036,384
Current financial assets	21	664,820	260,089
Cash and cash equivalents	27	4,052,690	30,167,740
Current tax receivables	28	62,196	62,196
Total current assets		**72,447,190**	**111,206,345**
Total assets		**326,645,324**	**343,331,019**
Shareholders' equity	**29**		
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		63,494,365	62,906,561
Treasury shares		(19,974,011)	-
Total shareholders' equity		**164,810,524**	**184,196,731**
Non-current liabilities			
Non-current financial liabilities	21	15,088,305	260,807
Non-current lease liabilities	31	23,926,023	26,263,200
Employee benefits	32	13,198,256	14,433,918
Provisions for risks and charges	33	16,286,025	15,906,106
Total non-current liabilities		**68,498,609**	**56,864,031**
Current liabilities			
Trade payables	34	45,545,566	54,278,159
Other debt and current liabilities	35	35,987,626	34,105,085
Current financial liabilities	21	327,206	182,986
Current lease liabilities	31	11,452,429	13,269,690
Current tax payables	36	23,364	434,337
Total current liabilities		**93,336,191**	**102,270,257**
Total liabilities and shareholders' equity		**326,645,324**	**343,331,019**

(*) Schedule prepared in accordance with the *International Financial Reporting Standards* issued by the *International Accounting Standards Board* and adopted by the European Union ("IFRS").
(**) The notes refer only to the items commented upon in these Explanatory Notes.

Statement of changes in shareholders' equity - Rai Way (*)

(Figures in Euro)	Share capital	Legal reserve	Other reserves	Retained earnings	Own shares	Total
At 1 January 2017	**70,176,000**	**10,070,018**	**37,024,606**	**44,263,862**		**161,534,486**
Income 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**
Income for the period				59,745,563		59,745,563
Actuarial gains and losses (**)				330,094		330,094
Retained earnings/losses from first-time 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**
Income for the period				63,360,973		63,360,973
Actuarial gains and losses (**)				(255,002)		(255,002)
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**
Income for the period				64,008,053		64,008,053
Actuarial gains and losses (**)				(71,449)		(71,449)
Distribution of dividends				(63,348,800)		(63,348,800)
Purchase of treasury shares					(19,974,011)	(19,974,011)
At 31 December 2020	**70,176,000**	**14,035,200**	**37,078,970**	**63,494,365**	**(19,974,011)**	**164,810,524**

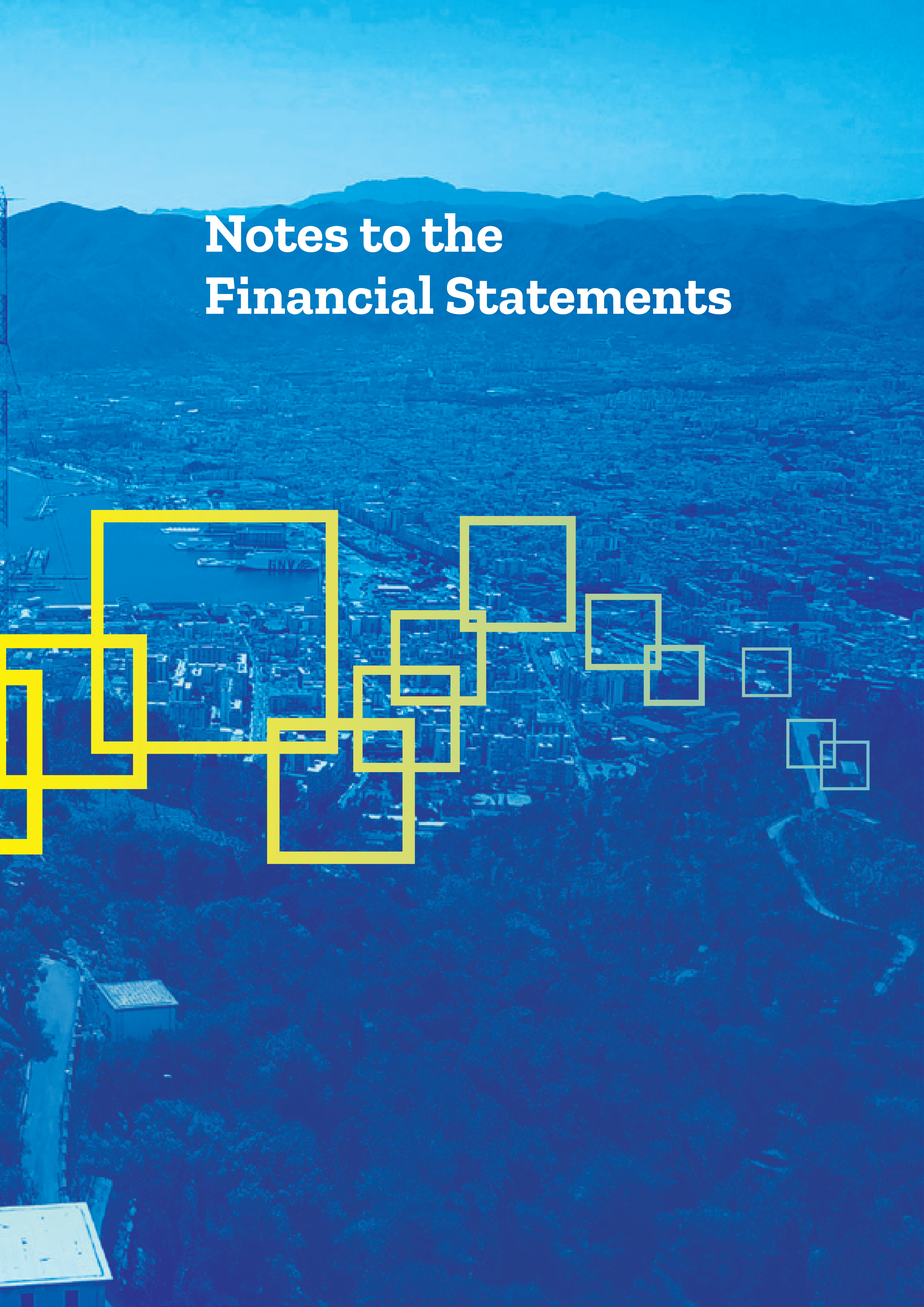
(*) Schedule prepared in accordance with the *International Financial Reporting Standards* issued by the *International Accounting Standards Board* and adopted by the European Union ("IFRS").
(**) These items are listed net of relative tax effects.
(***) The change is shown net of the related tax effects; in 2018 the change eliminated that Reserve.

Cash flow statement - Rai Way S.p.A. (*)

(Figures in Euro)	31.12.2020	31.12.2019
Pre-tax profit	**88,302,812**	**88,839,188**
Adjustments for:		
Depreciation, amortisation and write-downs	45,361,384	42,437,610
Provisions and (releases of) personnel and other funds	5,074,966	2,350,510
Net financial (income)/expenses (**)	891,343	1,043,413
Other non-monetary items	319,803	(708,169)
Cash-flows generated by operating activities before changes in net working capital	**139,950,308**	**133,962,552**
Change in inventories	16,272	681
Change in trade receivables	12,476,558	(3,573,371)
Change in trade payables	(8,733,058)	8,693,094
Change in other assets	794,939	797,550
Change in other liabilities	1,968,243	(389,647)
Use of risk fund	(2,609,462)	(1,192,029)
Payment of employee benefits	(3,500,820)	(3,209,846)
Change in current tax receivables and payables	(335,578)	249,437
Paid taxes	(24,034,298)	(24,595,812)
Net cash flow generated by operating activities	**115,993,103**	**110,742,609**
Investments in property, plant and equipment	(55,738,203)	(32,257,063)
Disposals of property, plant and equipment	-	858,950
Investments in intangible assets	(4,317,999)	(3,044,972)
Purchase of company branch (***)	(500,000)	-
Change in non-current financial assets	(350,774)	-
Changes in equity investments	(500,000)	-
Change in other non-current assets	60,182	50,478
Interest received		
Net cash flow generated by investment activities	**(61,346,794)**	**(34,392,606)**
(Decrease)/increase in medium/long-term loans	14,827,498	(167,422)
(Decrease)/increase in current financial liabilities	137,669	(789,261)
Repayments of lease liabilities	(11,212,279)	(2,288,834)
Change in current financial assets	(390,858)	(205,360)
Net interest expense for the period	(800,579)	(193,700)
Purchase of treasury shares	(19,974,011)	-
Dividend paid	(63,348,800)	(59,731,200)
Net cash flow generated by financing activities	**(80,761,359)**	**(63,375,777)**
Change in cash and cash equivalents	**(26,115,050)**	**12,974,225**
Cash and cash equivalents at the beginning of the period	30,167,740	17,193,515
Cash and cash equivalents of newly consolidated companies	-	-
Cash and cash equivalents at the end of the period	**4,052,690**	**30,167,740**

(*) Schedule prepared in accordance with the *International Financial Reporting Standards* issued by the *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.
(***) The item includes investments in tangible assets amounting to € 39,000.

Notes to the Financial Statements



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 2020 and compared with the figures at 31 December 2019 (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.

It should also be noted that on 1 March 2017, the Company acquired the company Sud Engineering S.r.l., which carried out activities in the field of maintenance and installation of radio and television systems, providing on 20 June 2017 the subsequent merger by incorporation whose legal effects took effect from 22 June 2017 with the backdating of the accounting and tax effects to 1 March 2017. The purpose of the merger was to simplify the current corporate structure in which Sud Engineering S.r.l. was the only subsidiary of Rai Way S.p.A., allowing the latter to directly carry out the activities of the former, with greater functionality from an economic, managerial and financial point of view. 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".

According to international accounting standards, intangible assets with an indefinite useful life, such as goodwill, are not subject to amortisation but to an annual impairment test, as provided for by IFRS 36. The natural consequence of a different statutory/accounting and tax "regime" (where, in the latter, the principle of neutrality applies and, therefore, of irrelevance of the values recorded in the accounts) is the generation 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 recognise (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.

On 19 November 2020 the Company acquired ownership of the entire share capital of Sogepotel S.r.l., a company which on that date leased a transmission site at Torre de Busi in the province of Bergamo (acquired on the same date from Rai Way) and managed its commercial operations.

The business owned by Sogepotel comprised a series of assets, liabilities and legal relations that were necessary and sufficient to configure the company as an autonomous and functional unitary complex. In particular, with reference to the above-mentioned site, the business offered hospitality services (also including ancillary activities) to its customers represented by television and radio broadcasters, mobile phone operators and other customers. On 29 December 2020, with effect from the following day, Rai Way acquired the above business unit from Sogepotel.

At 31 December 2020 Sogepotel was therefore not operational and its financial position and results of operations were objectively small compared with those of Rai Way (Sogepotel's total assets amounted to € 0.6 million, including the consideration received for the sale of the business unit, compared with Rai Way's assets of € 326.6 million).

Despite the fact that, from a formal point of view, Rai Way holds a controlling interest in Sogepotel, taking into account the purpose of financial statements set forth in the IAS/IFRS international accounting standards – in particular, in relation to the provisions of IAS 1 and the Framework issued by the IASB, which refer to the concepts of relevance and materiality of financial statement disclosures – and the aforementioned characteristics of Sogepotel – also with reference to the values of the related financial statements – at 31 December 2020, the Company believes that there are no elements that would make it necessary for Rai Way to prepare not only financial statements for the year, but also consolidated financial statements for 2020.

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. (hereinafter referred to as "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 favour 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 fibre 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

The following is a brief description of the most significant accounting policies and measurement bases used to prepare the Financial Statements, which are unchanged from those used for fiscal 2019.

Tangible assets

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 and Towers	30
Plant and machinery	4 - 12
Production and commercial equipment	5 - 7
Other assets	4 - 8

The useful lives of assets are reviewed and revised, where necessary, at least at the end of every year.

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: consequently, each renewal constitutes a new right of use representing the new (albeit tacit) agreement reached 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 provisions for non-current risks and charges. For the 2018 year these costs are still included in the item "Property, plant and equipment".

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

- 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 of these assets cannot be reversed subsequently.

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 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. With regard to external sources, the following shall be 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.

Inventories

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 "Agreement for the provision of transmission and broadcasting services" (hereafter the "Service Agreement") 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 recognised at adjusted fair value net of directly attributable transaction expenses and subsequently valued with the amortised 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 realise 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 analysed 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 derecognised 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 Consolidated 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.

As of 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 retirement 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 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 recognises 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 recognises 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 "Evolutionary 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 recognised from the time the customer obtains access to the sites where the equipment and apparatus are destined to be placed. Such revenues are recognised 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. Operating grants are recognised as a positive component of the income statement, under the item Other revenues and income.

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 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.

Recently issued accounting standards

Accounting standards adopted by the European Union but not yet applicable

Regulation no. 2020/2097 issued by the European Commission on 15 December 2020 endorsed the document "Amendments to IFRS 4 "Insurance Contracts" – IFRS 9 deferral". The amendments to IFRS 4 are intended to address the temporary accounting consequences of the time lag between the effective date of IFRS 9 "Financial Instruments" and the effective date of the future IFRS 17 "Insurance Contracts". Entities with predominantly insurance operations are permitted to defer the application of IFRS 9 from 1 January 2021 to 1 January 2023. The Company has assessed that these changes will have no impact on its financial statements.

Regulation 2021/25 issued by the European Commission on 13 January 2021 endorsed the document "Reform of Interest Rate Reference Indices – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 1" to take into account the consequences of effectively replacing existing interest rate reference indices with alternative reference rates. These amendments provide for a specific accounting treatment to allocate over time changes in the value of financial instruments or leasing contracts due to the replacement of the reference index for determining interest rates, thus avoiding immediate repercussions on the profit (loss) for the year and unnecessary terminations of hedging relationships following the replacement of the reference index for determining interest rates. The amendments discussed in this document are effective for annual periods beginning on or after 1 January 2021. The Company has assessed that these changes will have no impact on its financial statements.

Accounting standards not yet adopted by the European Union

- On 18 May 2017, the IASB issued IFRS 17 "Insurance Contracts", which was subsequently amended by "Amendments to IFRS 17" issued on 25 June 2020. The standard addresses the accounting treatment of insurance contracts issued and reinsurance contracts held. IFRS 17 is effective for annual periods beginning on or after 1 January 2023.

- On 23 January 2020 and 15 July 2020, respectively, the IASB issued "Amendments to IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-current" and "Classification of Liabilities as Current or Non-current – Deferral of Effective Date" to clarify the requirements for classifying liabilities as current or non-current. More precisely:
  - the amendments specify that the conditions existing at the end of the reporting period are those that must be used to determine whether there is a right to defer the settlement of a liability;
  - management's expectations regarding events after the balance sheet date, for example in the event of a breach of a covenant or in the event of early settlement, are not material;
  - the amendments clarify the situations that are considered as a settlement of a liability.

  Due to the Covid-19 pandemic, the IASB proposed to defer the effective date of the document to 1 January 2023, to give companies more time to implement any classification changes resulting from the amendments.
- On 14 May 2020 the IASB issued the documents "Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020". The package of documents contains amendments restricted to three standards as well as annual improvements and they clarify the wording or correct oversights or conflicts between the requirements of the standards. The amendments to IFR 3 "Business Combinations" update a reference to the conceptual framework for financial reporting without changing the accounting requirements for business combinations. The amendments to IAS 16 "Property, Plant and Equipment" prohibit a company from deducting from the cost of property, plant and equipment, income from the sale of items produced while the company is preparing the asset for its intended use. Income from sales and related costs should be booked to the income statement. The amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" specify which costs should be included in assessing whether a contract is in deficit. The annual improvements make minor amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and the illustrative examples accompanying IFRS 16 "Leases". All amendments shall enter into force on 1 January 2022.

The Company is currently analysing 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 Service Agreement remained effective until 30 June 2014.

On 31 July 2014 Rai and Rai Way executed the New Service Agreement, effective 1 July 2014, replacing the aforementioned Service Agreement, under which Rai engages the Company on an exclusive basis to provide a set of services that enable Rai to carry out the following: (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 interest rate risk, resulting from the possible fluctuations in interest rates applied on medium/long-term loans to the Company, is managed, in the presence of significant amounts, through the hedging instruments available on the market such as IRS and other derivative instruments, with predetermined minimum hedging percentages. In October, a new Loan Agreement was formalised for a total of € 170 million (€ 120 million for the Term Line and € 50 million for the Revolving Line) with a duration of

3 years; taking into account the methods of disbursement of the amounts (if necessary) and repayment, as well as the limited amount used as at 31/12/2020, equal to € 15 million, no interest rate hedging transactions were carried out. It should be noted that a possible variation of plus or minus 50 bps in the Euribor would have entailed a gain or loss, quantifiable, gross of tax effects, of approximately € 0.06 million for every Euro +-10 million of capital used.

- Exchange Rate Risk: the Company's operation in currencies other than Euro is extremely limited and therefore the exposure to exchange rate risk does not have any significant effect on the financial situation. 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.
- Liquidity-related Risks: 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 € 191,293 thousand (approximately 85% of total revenues) and € 188,186 thousand (approximately 85% of total revenues) in the years ended 31 December 2020 and 2019 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 results of operations, financial position and cash flows.

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 analysed 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 2020 and 2019, with figures stated net of the provision for bad and doubtful debts.

(in thousand of Euro)	Financial year at 31 December	
	2020	2019
Becoming due	56,628	64,930
Past due by 0-30 days	561	955
Past due by 31-60 days	262	569
Past due by 61-90 days	114	3,103
Past due by more than 90 days	4,988	5,238
Total	**62,553**	**74,795**

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 2020, the Term line was used for € 15,000 thousand, while the Revolving line for a total amount of € 50 million was not used and the financial parameters provided for in the related financing contract (*covenants*) were widely 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 2020 and 2019.

(in thousand of Euro)	At 31 December 2020		
	Within 12 months	Between 1 and 5 years	Over 5 years
Current and non-current financial liabilities	327	15,316	-
Trade payables	45,546	-	-
Other debt and liabilities	35,988	-	-

(in thousand of Euro)	At 31 December 2019		
	Within 12 months	Between 1 and 5 years	Over 5 years
Current and non-current financial liabilities	176	263	-
Trade payables	54,278	-	-
Other debt and liabilities	34,105	-	-

Capital risk

The Company's capital management objectives aim at safeguarding its ability to continue to ensure optimal capital soundness. Specifically, the Company's debt to equity ratio, continues to be 0 at 31 December 2020 as it was at 31 December 2019. 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 2020, 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 € 35,378 thousand at 31 December 2020.

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, volatility and credit spreads of the different banking counterparties and securities issued by the Italian State. The fair value of derivative instruments represents the net position of asset and liability values.

It should be noted that as of 31 December 2020, the Company has no derivative finance contracts.

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 labour law) on a variety of issues. The Company constantly monitors the status of these pending litigations and engages the services of legal advisers.

Revenues (note 6)

The item breaks down as follows:

(in thousand of Euro)	Financial year at 31 December	
	2020	2019
Revenues from Rai Group (*)	191,293	188,186
Revenues from third parties	33,170	33,202
- Hospitality fees for equipment and apparatus	*29,516*	*29,839*
- Other	*3,654*	*3,363*
Total Revenues from sales and services	**224,463**	**221,388**

(*) Revenues are shown net of marginal costs of € 21,754 thousand (€ 23,036 thousand at 31 December 2019).

"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 2020 Revenues rose by € 3,075 thousand compared to the previous year in 2019, from € 221,388 thousand in 2019 to € 224,463 thousand in 2020.

"Revenues from Rai Group" amounted to € 191,293 thousand, equal to 85% of total Revenues for the year ended 31 December 2020 (€ 188,186 thousand, for the year ended 31 December 2019) and increased by € 3,107 thousand compared to the same period in 2019. This increase derives mainly from additional services provided to the Parent (so-called evolutionary services), in particular relating to the extension of the coverage of the population with reference to the digital terrestrial television broadcasting service.

"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 down by € 32 thousand with respect to the same period in the previous year.

Other revenues and income (note 7)

The item breaks down as follows:

(in thousand of Euro)	Financial year at 31 December	
	2020	2019
Operating grants	7	10
Compensation for damages	490	35
Other revenues	42	900
Total Other revenues and income	**539**	**945**

The income statement item "Other revenues and income" amounted to € 539 thousand with a decrease of € 406 thousand compared to 31 December 2019 determined mainly due to the lower income for capital gains from site disposal (€ 805 thousand in 2019) balanced only in part by the higher compensation for damages obtained in 2020 (€ 490 thousand).

Purchase of consumables and goods (note 8)

The item breaks down as follows:

(in thousand of Euro)	Financial year at 31 December	
	2020	2019
Motor fuel purchase	638	754
Fuel purchase	64	109
Purchase of tools	192	323
Change in inventory	16	1
Total Consumables	**910**	**1,187**

The income statement item "Consumables and goods" amounting to € 910 thousand recorded a decrease of € 277 thousand compared to the values as at 31 December 2019 mainly due to lower purchases of tools and lower fuel consumption as a result of the temporary slowdown in activities in the second part of the first half of the year following the start of the spread of the Covid-19 virus in the national territory.

Cost of services (note 9)

The item breaks down as follows:

(in thousand of Euro)	Financial year at 31 December	
	2020	2019
Services of independent workers	1,902	2,299
Other services	2,976	1,937
Travel expenses, business trips and accessory personnel costs	1,030	2,055
Intercompany service agreement costs	6,285	6,748
Maintenance and repairs	5,298	5,113
Transport and similar	251	241
Utilities	13,734	14,772
Leasing and rentals	8,201	9,003
Total Costs of services	**39,677**	**42,168**

The item "Costs for services" recorded a decrease of € 2,491 thousand (-5.9%), from € 42,168 thousand at 31 December 2019 to € 39,677 thousand at 31 December 2020. The main changes in the above cost items and a description of the main factors that determined them are shown below:

- the item "Other services" of € 2,976 thousand decreased by € 1,039 thousand over the 2019 figure, due to general services and lower recoveries of expenditure. This item included, among others, fees relating to the year for the legal audit of the annual accounts amounting to € 80 thousand.

- the item "Per diem, service travel and ancillary personnel costs" amounting to € 1,030 thousand recorded a decrease of € 1,025 thousand compared to the 2019 values due to the aforementioned temporary slowdown in activities following the spread of the Covid-19 virus in the national territory;
- the item "Services from intercompany service contract" which includes services payable with the Parent Company recorded a decrease in the comparison between 2020 and 2019 of € 463 thousand mainly due to lower canteen costs and use of spaces and services.
- the item "Maintenance and repairs" includes the maintenance costs of the network infrastructure; it shows a balance of € 5,298 thousand substantially in line with the 2019 value (€ 5,113 thousand) with an increase of € 185 thousand.
- the item "Utilities" amounted to € 13,734 thousand (€ 14,772 thousand at 31 December 2019) and principally includes the costs incurred for electricity, telephone expenses and various utilities. The decrease compared to 2019, amounting to € 1,038 thousand, is mainly due to the new tariffs resulting from the renegotiation of the energy supply contract and the reduction in ancillary charges;
- the item "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 balance amounted to € 8,201 thousand with a decrease of € 802 thousand compared to the value recorded in 2019 (€ 9,003 thousand), due to the renegotiation of the lease agreement for transmission capacity and fibre optic connections.

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 Article 149-duodecies of Consob Regulation on Issuers

(in thousand of Euro)		Remuneration for the 2020 financial year
External audit	PricewaterhouseCoopers S.p.A.	58
Half-yearly Financial Report	PricewaterhouseCoopers S.p.A.	21
Non Financial Disclosure	PricewaterhouseCoopers S.p.A.	37
Other services required by law from subject tasked with statutory audit	PricewaterhouseCoopers S.p.A.	5
Total Costs of services		**121**

Personnel costs (note10)

The item breaks down as follows:

(in thousand of Euro)	Financial year at 31 December	
	2020	2019
Salaries and wages	36,744	36,433
Social security contributions	10,668	10,541
Severance indemnity	2,066	2,202
Retirement pensions and similar	795	788
Redundancy incentives	980	-
Other costs	15	(476)
Capitalized personnel costs	(4,798)	(4,162)
Total personnel Costs	**46,470**	**45,326**

"Personnel costs" amount to € 46,470 thousand in 2020, an increase of € 1,144 thousand, mainly due to redundancy incentive charges of € 980 thousand.

Capitalized payroll costs amounted to € 4,798 thousand at 31 December 2020 (€ 4,162 thousand at 31 December 2019), an increase of € 636 thousand mainly due to the higher volume of investments compared to 2019.

Further details on the economic effects arising from the accounting treatment for employee benefits may be found in note 32 "Employee benefits".

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

(in units)	Average number of employees (*) for the financial year ended		Precise number of employees for the financial year ended	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Executives	23	22	23	23
Managers	161	150	165	163
Employees	412	427	406	416
Manual workers	11	13	10	13
Total	**607**	**612**	**604**	**615**

(*) The average values in the table include part-time employees.

Other costs (note 11)

The item breaks down as follows:

(in thousand of Euro)	Financial year at 31 December	
	2020	2019
Contribution to Supervisory Authorities	319	327
ICI/IMU/TASI	585	629
Taxes on production and consumption	1,099	1,145
Other indirect taxes, fees and levies	343	332
Other	518	146
Total Other costs	**2,864**	**2,579**

The income statement item "Other costs" recorded an increase of € 285 thousand (+11.1%), from € 2,579 thousand at 31 December 2019 to € 2,864 thousand at 31 December 2020 mainly due to higher capital losses on disposal of property, plant and equipment and lower refunds of indirect taxes and local taxes obtained compared to the previous year.

Write-downs of financial assets (note 12)

The item "Write-downs of financial assets" posted a balance of € 37 thousand at 31 December 2020, a decrease of € 209 thousand compared to the € 246 thousand at 31 December 2019. This decrease is due to the combined effect of lower impairment losses on receivables during the year of € 366 thousand and the absence of releases of the Allowance for doubtful accounts (€ 157 thousand at 31 December 2019).

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

The item "Amortization", included in the item "Amortization, depreciation and write-downs", was € 45,324 thousand at 31 December 2020 (€ 42,192 thousand at 31 December 2019). It should be noted that as a result of the adoption of the IFRS 16 accounting standard, which came into force on 1 January 2019, this item includes the value of the amortization of the rights of use for leases and, in addition, the values relating to "Dismantling and restoration" were reclassified from "Tangible assets" to "Rights of use-fabricated". Compared to the previous year, the increase in the item "Depreciation and other write-downs" equal to € 3,132 thousand is due to higher depreciation of tangible assets for € 1,422 thousand, of rights of use for € 481 thousand and of intangible assets for € 1,229 thousand.

The item breaks down as follows:

(in thousand of Euro)	Financial year at 31 December	
	2020	2019
Depreciation and amortisation		
Tangible assets		
buildings	734	717
plant and machinery	29,903	28,654
production and commercial equipment	1,330	1,186
other assets	267	255
Total property, plant and equipment depreciation	**32,234**	**30,812**
Rights of use		
buildings	9,662	9,213
other assets	545	513
Total right of use depreciation	**10,207**	**9,726**
Intangible assets		
software	2,672	1,443
other	211	211
Total intangible assets amortization	**2,883**	**1,654**
Total amortization/depreciation	**45,324**	**42,192**
Other write-downs	-	-
Total amortization/depreciation and other write-downs	**45,324**	**42,192**

Provisions (note 14)

The item "Provisions" shows a positive balance (negative income component) equal to € 315 thousand due to provisions for € 360 thousand and absorption of funds for € 45 thousand. Among the provisions, the main item concerns charges for past leases (€ 260 thousand). At 31 December 2019, the item had a negative balance of € 1,458 thousand (positive income component) due to a prevailing release of certain items from the provision for civil litigation risks following favourable rulings on Cosap (public land occupation fee) amounting to € 1,596 thousand.

Financial income and expenses (note 15)

The item breaks down as follows:

(in thousand of Euro)	Financial year at 31 December	
	2020	2019
Interest revenues from banks	-	2
Exchange gains	34	4
Other interest receivables	9	2
Total financial income	**43**	**8**
Interest on the obligation for employee benefits	(84)	(135)
Exchange losses	(39)	(42)
Interest expense to banks and other lenders	(57)	(30)
Interests on adjustments to dismantling and restoration provision	(211)	(210)
Interest expenses on lease agreements	(553)	(607)
Other, fees and charges	(201)	(238)
Total financial expenses	**(1,145)**	**(1,262)**
Net total financial income	**(1,102)**	**(1,254)**

"Financial income" amounted to € 43 thousand, an increase of € 35 thousand compared to 31 December 2019.

"Financial expenses" amounted to € 1,145 thousand, an increase of € 117 thousand compared to the same period of the previous year (€ 1,262 thousand as at 31 December 2019). With reference to the loan agreement with a pool of financial institutions consisting of Mediobanca - Banca di Credito Finanziario S.p.A., Banca Nazionale del Lavoro S.p.A., Unicredit S.p.A. and Cassa depositi e prestiti S.p.A, signed on October 29, 2020 for a total of € 170,000 thousand and divided into a Term Credit Line and a Revolving Credit Line, both medium-term and respectively for a maximum amount of € 120,000 thousand and Euro 50,000 thousand, at 31 December 2020, interest on the requested draw downs of € 15,000 thousand amounted to € 20 thousand, while undrawn fees amounted to € 68 thousand.

Income tax (note 16)

The item breaks down as follows:

(in thousand of Euro)	Financial year at 31 December	
	2020	2019
Current taxes	24,670	24,740
Deferred taxes	(135)	713
Substitute taxes	62	62
Taxes relating to previous financial years	(303)	(37)
Total	**24,294**	**25,478**

The item "Current taxes" is equal to € 24,670 thousands with a decrease compared to the previous period of € 70 thousands mainly due to a lower tax burden for IRAP purposes following the adhesion of the Company to the tax relief measure provided by the "Decreto Rilancio". This measure generated a zero balance for IRAP 2019, resulting in an extraordinary income for accounting purposes and a lower advance payment of IRAP 2020, within the maximum limit granted for State aid at group level, to be considered all-inclusive of all State aid available in 2020.

This item consists of:

- IRES (corporate income tax) of € 21,140 thousand;
- IRAP (regional production tax) of € 3,530 thousand.

Deferred taxes show a negative balance of € 135 thousand with a decrease of € 848 thousand compared to 31 December 2019 mainly due to the net effect between the uses/absorptions and provisions of the items recovered for taxation.

Deferred taxes consist of:

- Prepaid taxes of € (98) thousand;
- Deferred tax liabilities of € (37) thousand.

Taxes relating to previous financial years show a negative balance (positive income component) equal to € 303 thousand and include, among other things, the cancellation of the IRAP balance following the Relaunch Decree equal to Euro 108 thousand.

The following table provides a reconciliation between the theoretical tax charge and the effective tax charge for the years ended 31 December 2020 and 2019.

(in thousand of Euro)	Financial year at 31 December			
	2020		2019	
Pre-tax profit	**88,303**		**88,839**	
Theoretical taxes	21,193	24.0%	21,321	24.0%
Substitute taxes	62		62	
Taxes relating to previous financial years	(303)		(37)	
Permanent differences	(188)		62	
IRAP	3,530		4,070	
Total	**24,294**	**27.5%**	**25,478**	**28.7%**

Property, plant and equipment (note 17)

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

(in thousand of Euro)	Land	Buildings	Plant and machinery	Production and commercial equipment	Other assets	Intangible assets in progress and prepayments	Total intangible assets
Accounting value at 1 January 2020							
Amortisation provision at 1 January 2020	12,010	91,847	737,419	30,421	2,412	24,081	898,190
Net accounting value at 1 January 2020	-	(75,738)	(617,073)	(26,067)	(1,661)	-	(720,539)
Bad debt provision at 1 January 2020	-	(7)	(6)	-	-	-	(13)
Net accounting value at 1 January 2020	**12,010**	**16,102**	**120,340**	**4,354**	**751**	**24,081**	**177,638**
2020 changes							
Investments	**5**	**4,719**	**30,157**	**620**	**136**	**20,141**	**55,778**
Depreciation for the year	**-**	**(735)**	**(29,908)**	**(1,330)**	**(267)**	**-**	**(32,240)**
Bad debt provision							
assets in use			6				6
on disposed assets			-				-
	-	**-**	**6**	**-**	**-**	**-**	**6**
Disposals							
Cost	-	(390)	(5,590)	(916)	(242)		(7,138)
Amortization provision	-	233	5,523	893	242		6,891
Net accounting value	**-**	**(157)**	**(67)**	**(23)**	**-**	**-**	**(247)**
Reclassifications	**-**	**769**	**20,447**	**697**	**20**	**(21,933)**	**-**
Transfers							
Cost							-
Amortization provision							-
Net accounting value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Accounting values at 31 December 2020						-	
Cost at 31 December 2020	12,015	96,945	782,433	30,822	2,326	22,289	946,830
Amortization provision at 31 December 2020	-	(76,240)	(641,458)	(26,504)	(1,686)	-	(745,888)
Bad debt provision at 31 December 2020	-	(7)	-	-	-	-	(7)
Net accounting value at 31 December 2020	**12,015**	**20,698**	**140,975**	**4,318**	**640**	**22,289**	**200,935**

"Property, plant and equipment" amounted to € 200,935 thousand at 31 December 2020, up by € 23,297 thousand compared to the previous financial year. This deviation is mainly due to the combined effect of reductions for depreciation, amortization for a total of € 32,240 thousand, and increases for new investments for € 55,778 thousand.

"Property, plant and equipment" includes the costs that may be capitalized as leasehold improvements.
Despite the fact that the analysis of internal and external indicators does not reveal elements that put the recoverability of the values of tangible assets at risk, the Company has carried out an impairment test. For further details, reference should be made to the paragraph on intangible assets (note 19).

Rights of use for leases (note 18)

The value of rights of use under leases, which totalled € 32,467 thousand, is broken down as follows:

(in thousand of Euro)	Land and buildings (*)	Other assets	Total
Accounting values at 1 January 2020			
Cost at 1 January 2020	48,682	1,447	50,129
Depreciation provision	(13,374)	(513)	(13,887)
Net accounting value at 1 January 2020	**35,308**	**934**	**36,242**
2020 changes			
Increases and capitalizations	6,175	523	6,698
Depreciation for the year	(9,662)	(545)	(10,207)
Disposals:			
Cost	(162)		(162)
Amortization provision	89		89
Net value	(73)		(73)
Cancellations	(193)		(193)
Net accounting value at 31 December 2020			
Historical cost	54,502	1,970	56,472
Depreciation provision	(22,947)	(1,058)	(24,005)
Net accounting value at 31 December 2020	**31,555**	**912**	**32,467**

(*) Land and Buildings also includes "Dismantling and Restoration".

The increases and capitalizations of € 6,698 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 € 7 thousand.

During the year, the Company did not benefit from any suspension of payments due on leases, granted as a direct result of the Covid-19 pandemic, which fall within the scope of the amendment to IFRS 16 "Concessions on Covid-19 related lease payments".

Intangible assets (note 19)

Intangible assets amount to € 15,892 thousand, an increase of € 1,605 thousand compared to 31 December 2019 due primarily to investments made in the financial year (of € 4,488 thousand), partially offset by amortisation for the period (of € 2,883 thousand). Investments include € 170 thousand relating to the value of goodwill deriving from the acquisition of the entire holding in Sogepotel.

It should be noted that even in the absence of internal and external indicators showing impairment losses in relation to the item "Goodwill", an impairment test was carried out which in any case confirmed the recoverability of the value entered in the balance sheet, also in compliance with the international accounting principle IAS 36, using the following assumptions: since Rai Way does not have any cash generating unit ("CGU"), the recoverable amount was determined using forecast cash inflows. The recoverable amount was compared to the Company's net invested capital at 31 December 2020.

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 provisions to zero.

The recoverable amount is significantly 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 shows the changes in intangible assets:

(in thousand of Euro)	Software	Goodwill	Other	Intangible assets in progress and prepayments	Total intangible assets
Accounting values at 1 January 2020					
Cost at 1 January 2020 (*)	7,504	4,970	3,350	1,155	16,979
Amortization provision at 1 January 2020	(2,084)	-	(608)	-	(2,692)
Net accounting value at 1 January 2020	**5,420**	**4,970**	**2,742**	**1,155**	**14,287**
2020 changes					
Investments	3,822	170		496	4,488
Depreciation for the year	(2,672)		(211)		(2,883)
Reclassifications	1,155			(1,155)	-
Accounting values at 31 December 2020					**-**
Cost at 31 December 2020 (**)	12,481	5,140	3,350	496	21,467
Amortization provision at 31 December 2020	(4,756)	-	(819)	-	(5,575)
Bad debt provision at 31 December 2020	-			-	-
Net accounting value at 31 December 2020	**7,725**	**5,140**	**2,531**	**496**	**15,892**

(*) Value net of assets fully depreciated in the years 2018-2019 amounting to € 1,282 thousand.
(**) Including € 1,653 thousand for software that was fully amortised in 2020.

Investments (note 20)

Investments amounted to € 500 thousand at 31 December 2020 (€0 at 31 December 2019) and relate to the acquisition of shares representing the entire share capital of Sogepotel S.r.l., a company that was leasing a transmission site located in the province of Bergamo (acquired on the same date from Rai Way), the commercial use of which it managed. As of 30 December 2020, following the transfer to Rai Way of the entire company compendium owned by Sogeptel S.r.l., the latter is no longer operational.

Reference should be made to the paragraph Foreword (note 1) for further details.

Current and non-current financial assets and liabilities (note 21)

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

(in thousand of Euro)	At 31 December 2020	At 31 December 2019
Receivables from Parent Company	450	252
Other financial receivables	215	8
Total current financial assets	**665**	**260**
Accrued income and prepayments	352	2
Total non-current financial assets	**352**	**2**

Current financial assets amounted to € 665 thousand and increased by € 405 thousand compared to the previous year (€ 260 thousand as at 31 December 2019) mainly due to increases of € 198 thousand in the item "Receivable from Parent Company" and € 207 thousand in the item "Other financial receivables" as a result of higher financial deferrals.

Non-current financial assets show an increase of € 350 thousand compared to 31 December 2019 (€ 2 thousand) due to higher financial deferrals.

The following table sets out details of "Current financial liabilities" and "Non-current financial liabilities" at 31 December 2020 and 2019:

(in thousand of Euro)	At 31 December 2019			
	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 thousand of Euro)	At 31 December 2020			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Payables to banks	190	15,049	-	15,239
Payables to other lenders	78	39	-	117
Other financial payables	59	-	-	59
Total	**327**	**15,088**	**-**	**15,415**

With regard to "Bank borrowings", it should be noted that on 29 October 2020 the Company signed a loan agreement with a pool of financial institutions comprising Mediobanca - Banca di Credito Finanziario S.p.A., Banca Nazionale del Lavoro S.p.A., Unicredit S.p.A. and Cassa depositi e prestiti S.p.A. for a total of € 170,000 thousand, Unicredit S.p.A. and Cassa depositi e prestiti S.p.A. and divided into a Term Credit Line usable in several instalments and a Revolving Credit Line usable in cash, both medium-term and for a maximum amount of € 120,000 thousand and € 50,000 thousand respectively. The principal of the Term Credit Facility will be repaid in a lump sum on the final maturity date of 27 October 2023. Drawings under the Revolving Credit Facility will be repaid on the due date of the relevant interest period.

"Payable to banks" also includes the balance outstanding at 31 December 2020 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 2020 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% notes to the Financial Statements.

The Company's Net Financial Position, calculated in compliance with the requirements of paragraph 127 of the recommendations contained in ESMA Document No. 81 of 2011, implementing Regulation (EC) No. 809/2004, is presented below.

(in thousand of Euro)	At 31 December 2020	At 31 December 2019
A. Cash	9	8
B. Bank and post office checks and deposits	4,043	30,160
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	**4,052**	**30,168**
E. Current financial receivables	**665**	**260**
F. Current payables to banks	(190)	(98)
G. Current portion of non-current debt	-	-
H. Other current financial payables	(137)	(84)
I. Current lease liabilities	(11,452)	(13,270)
J. Current financial debt (F) + (G) + (H) + (I)	**(11,779)**	**(13,452)**
K. Net current financial debt (J) - (E) - (D)	**(7,062)**	**16,976**
L. Non-current payables to banks	(15,049)	(144)
M. Non-current lease liabilities	(23,926)	(26,263)
N. Other non-current payables	(39)	(117)
O. Non-current financial debt (L) + (M) + (N)	**(39,014)**	**(26,524)**
P. ESMA net financial debt/Net Financial Position	**(46,076)**	**(9,548)**
Excluded effects of IFRS 16-Lease liabilities:		
Q. ESMA net financial debt/Net Financial Position IFRS 16 (P) - (I) - (M)	**(10,698)**	**29,985**

Deferred tax assets and liabilities (note 22)

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 2020	At 31 December 2019
Balance at start of the financial year	**2,689**	**3,321**
Effect on income statement	135	(713)
Effect on comprehensive income statement	22	81
IFRS 15 effect		
Balance at the end of the financial year	**2,846**	**2,689**
Of which:		
- deferred tax receivables	2,979	2,859
- deferred tax liabilities	(133)	(170)

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

Changes in deferred tax assets may be analysed as follows:

(in thousand of Euro)	Provision for risks and charges	Employee benefits	Other items	Total
Balance at 31 December 2019	**2,060**	**501**	**298**	**2,859**
Effect on income statement	199	(23)	(78)	98
Effect on comprehensive income statement		22		22
Balance at 31 December 2020	**2,259**	**500**	**220**	**2,979**

Changes in deferred tax liabilities may be analysed as follows:

(in thousand of Euro)	Other items
Balance at 31 December 2019	**(170)**
Effect on income statement	37
Balance at 31 December 2020	**(133)**

Other non-current assets (note 23)

The item "Other non-current assets" amounted to € 1,208 thousand at 31 December 2020 (€ 1,268 thousand at 31 December 2019) with a decrease of € 60 thousand compared to the previous year mainly due to the use of the second instalment of the substitute tax resulting from the tax redemption of the merger deficit generated by the merger by incorporation of the company Sud Engineering which took place with effect from 22 June 2017. It should be noted that the Company has opted for the ordinary redemption regime, pursuant to Article 176, paragraph 2-ter, of the T.U.I.R. (Income Tax Consolidation Act) and that the accounting model adopted is that relating to the recognition of the substitute tax as an advance on current taxes amounting to € 852 thousand.

"Other non-current assets" also includes guarantee deposits arising from agreements for leased assets and equipment hosting of € 355 thousand at 31 December 2020 (€ 353 thousand at 31 December 2019).

Inventory (note 24)

This item may be analysed as follows:

(in thousand of Euro)	At 31 December 2020	At 31 December 2019
Work in progress	226	226
Raw materials and consumables	643	659
Total Inventory	**869**	**885**

Inventory amounted to € 869 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 25)

The item breaks down as follows:

(in thousand of Euro)	At 31 December 2020	At 31 December 2019
Receivables from Rai	55,618	68,984
Receivables from customers and other Group companies	9,530	8,369
Provision for bad and doubtful debts	(2,595)	(2,558)
Total Trade receivables	**62,553**	**74,795**

"Receivables from Rai" consist of the balances due to the Company from Rai under the Service Contract. The item shows an increase of € 13,366 thousand compared to the previous financial year. Further details may be found in the notes on "Revenues" and "Related party transactions". "Receivables from customers" arise mainly from service revenues relating to (i) tower rental, (ii) broadcasting, (iii) transmission and (iv) network services which the Company renders to third party customers other than Rai; the item shows an increase of € 1,161 thousand compared to 31 December 2019.

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

(in thousand of Euro)	Provision for current bad and doubtful debts
Balance at 31 December 2019	**(2,558)**
Provisions	(37)
Balance at 31 December 2020	**(2,595)**

Other current receivables and assets (note 26)

The item breaks down as follows:

(in thousand of Euro)	At 31 December 2020	At 31 December 2019
Receivable from the Parent Company for the tax consolidation	2,456	2,456
Receivables from the Parent Company for the Group's VAT	94	21
Other tax receivables	376	618
Accrued income and prepayments	609	548
Receivables from others	710	1,393
Total Other current receivables and assets	**4,245**	**5,036**

"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 reported in the paragraph "Related Party Transactions", the Company makes use of the procedure for offsetting Group VAT provided for in the Ministerial Decree of 13 December 1979, containing the rules for implementing the provisions of Article 73, last paragraph, of Presidential Decree no. No. 633 of 26 October 1972, with the following transactions with the Parent Company showing a balance of € 94 thousand under the item "Receivables from Parent Company for Group VAT". The item in question had a balance in 2019 of € 21 thousand.

"Other tax receivables" amounted to € 376 thousand (€ 618 thousand at 31 December 2019) and include receivable relating to VAT reimbursements not included in the above-mentioned procedure for € 342 thousand, receivables from tax authorities for Research and Development costs incurred in 2020 following new projects pursuant to Italian Law no. 190/14 for € 34 thousand. At 31 December 2019 the total amount of receivables for Research and Development costs was € 273 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 27)

The item in question has a balance of € 4,053 thousand (€ 30,168 thousand at 31 December 2019), with a decrease compared to the previous year of € 26,115 thousand deriving from the cash flow generated by the operating activity more than offset by the payment of dividends, The purchase of own shares and new investments as outlined in the Financial statements, to which reference is made for more details.

Current income tax assets (note 28)

The item breaks down as follows:

(in thousand of Euro)	At 31 December 2020	At 31 December 2019
Substitute tax advance Goodwill	62	62
Total assets for current income taxes	**62**	**62**

Current income tax assets amounted to € 62 thousand at 31 December 2020, 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 29)

Share capital

At 31 December 2020, 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 analysed as follows:

(in thousand of Euro)	At 31 December 2020	At 31 December 2019	Note
Taxed extraordinary reserves	11,291	11,291	1,2,3
Reserves for advance depreciation/amortisation	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
Reserve for purchase of own shares	(19,974)	-	5
Total Other reserves	**17,105**	**37,079**	

Legend:
1 for capital increase;
2 for losses cover;
3 for distribution to shareholders;
4 in case of utilisation different from covering losses, the amount must be subject to IRES and IRAP;
5 this negative reserve adjusts previously indicated available reserves.

Earnings per share (note 30)

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

(in thousand of Euro, unless otherwise indicated)	At 31 December 2020	At 31 December 2019
Net profit	64,008	63,361
Number of ordinary shares outstanding	268,374,644	272,000,000
Earnings per share	**0.24**	**0.23**

It should be noted that the number of ordinary shares in circulation decreased compared to the previous year following the purchase of treasury shares during the year (for further details on the operation, see the paragraph "Treasury shares" in the Report on Operations).

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 € 64,008,052.96, 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 for fiscal year 2020 in the amount of € 64,008,052.96, to the distribution to the Shareholders, by way of a dividend for a total amount of € 64,007,352.59 and as "Retained earnings" for the remaining € 700.37, and taking into account the 3,625,356 treasury shares in the portfolio whose right to profit is proportionally allocated to the other shares pursuant to Art. 2357-ter of the Italian Civil Code, - a dividend of € 0.2385 gross to each of the outstanding ordinary shares, to be paid from 26 May 2021, with entitlement to payment, pursuant to article 83-terdecies of Legislative Decree. no. 58 of February 24, 1998 and Art. 2.6.6, paragraph 2, of the Markets Regulations organized and managed by Borsa Italiana S.p.A. (the Italian Stock Exchange) on 25 May 2021 (the so-called "record date") and subject to dividend no. 7 at 24 May 2021".

The above proposed resolution as well as the one provided for prior approval of the budget are attached hereto.

Current and non-current lease liabilities (note 31)

Lease liabilities, inclusive of the current part, amounted to € 35,378 thousand, as highlighted in the following table:

(in thousand of Euro)	At 31 December 2020			At 31 December 2019		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Lease liabilities	**23,926**	**11,452**	**35,378**	**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 € 11,212 thousand, in addition to interests for € 752 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 2020			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Current and non-current lease liabilities	**11,452**	**20,413**	**3,513**	**35,378**

Employee benefits (note 32)

This item may be analysed as follows:

(in thousand of Euro)	At 31 December 2020	At 31 December 2019
Balance at start of the financial year	**14,434**	**15,092**
Provisions	2,085	2,211
Interest on obligation	84	135
Utilisation	(1,378)	(1,116)
Transferred to other provisions/Other changes	(2,121)	(2,224)
Actuarial (profit)/loss	94	336
Balance at the end of the financial year	**13,198**	**14,434**

The item "Actuarial (profit)/loss" of € 94 thousand relates to the actuarial components for the valuation of defined benefit plans ascribed directly to Shareholders' equity and the relative deferred taxes of € 23 thousand recorded in the statement of comprehensive income.

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

(in thousand of Euro)	At 31 December 2020	At 31 December 2019
Severance indemnity	12,577	13,803
Other provisions	621	631
Total employees benefits	**13,198**	**14,434**

Compared to the previous year, the item shows a decrease of € 1,236 thousand.

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

(%;Years)	At 31 December 2020
Discount rate [1]	0.17%
Rate of inflation	0.80%
Average annual percentage of personnel leaving	8.80%
Annual probability of request of advance	1.50%
Duration (in years)	7.62

[1] Derived as a weighted average of the Eur Composite AA June 2019 curve rates for 30/06/2019 and Eur Composite AA 2018 curve rates for 31/12/2018.

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 € 12,425 thousand and € 12,709 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 € 479 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 € 456 thousand and € 505 thousand respectively.

Provisions for risks and charges (note 33)

Changes in this item may be analysed as follows:

(in thousand of Euro)	Balances at 1 January 2020	Provisions	Interest expense Discounting	Utilisation	Releases	Other changes	Balances at 31 December 2020
Civil and administrative disputes	778	52		(49)			781
Amounts accrued	2,209	2,680		(1,200)	(150)	-	3,539
Other provisions for risks and charges	2,192	308		(1,270)			1,230
Provision for decommissioning and restoration	10,727		211	(90)	(45)	(67)	10,736
Total provisions for risks and charges	**15,906**	**3,040**	**211**	**(2,609)**	**(195)**	**(67)**	**16,286**

The item shows an increase of € 380 thousand mainly due to the combined effect of provisions, uses and releases relating to accrued fees and provisions for risks and charges.

"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 2021, cannot be estimated with any certainty as they mainly depend on the time-scale 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.

Trade payables (note 34)

The item breaks down as follows:

(in thousand of Euro)	At 31 December 2020	At 31 December 2019
Payables to suppliers	43,520	49,415
Payables to Parent Company	2,026	4,863
Total Trade payables	**45,546**	**54,278**

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

The item "Payables to Parent Company" refers to trade payables to Rai and has a balance at 31 December 2020 of € 2,026 thousand with a decrease of €2,837 thousand compared to 31 December 2019. The item "Payables to suppliers" amounted to € 43,520 thousand at 31 December 2020, an increase of € 5,895 thousand compared to 31 December 2019.

Other current payables and liabilities (note 35)

The item breaks down as follows:

(in thousand of Euro)	At 31 December 2020	At 31 December 2019
Payables to the Parent Company for the tax consolidation	21,140	20,669
Other tax payables	1,482	1,505
Payables to social security institutions	3,753	3,764
Payables to personnel	7,913	6,253
Other payables	989	981
Other payables and accrued liabilities	711	933
Total Other current payables and liabilities	**35,988**	**34,105**

The item "Payables to the Parent Company for the tax consolidation" amount to € 21,140 thousand (€ 20,669 thousand at 31 December 2019) and consist of the IRES corporate income tax charge for the current year.

"Payables to personnel" amounted to € 7,913 thousand, a decrease of € 1,660 thousand compared to the previous financial year, mainly due to lower payables for redundancy incentives. For further information on relations with the parent company Rai regarding IRES and VAT consolidation, reference should be made to the paragraph entitled "Transactions with Related Parties", while tax payables that do not fall under the aforementioned procedures are shown in the following table (Direct taxes, IRAP).

Current income tax liabilities (note 36)

The item breaks down as follows:

(in thousand of Euro)	At 31 December 2020	At 31 December 2019
Direct IRAP taxes	23	123
Tax liability on Goodwill	-	311
Total Current income taxes liabilities	**23**	**434**

Current income tax liabilities amounted to € 23 thousand at 31 December 2020, down by € 411 thousand compared to 31 December 2019 due to a lower liability to the tax authorities for IRAP. In 2019, the third and last instalment of the substitute tax deriving from the tax enfranchisement of the merger deficit of the company Sud Engineering was paid as specified in the paragraph "Other non-current assets".

Commitments and guarantees (note 37)

Commitments referring only to technical investments amount to € 20.0 million at 31 December 2020 (€ 19.2 million at 31 December 2019).

Guarantees including assets with third parties at 31 December 2020 amounted to € 83,096 thousand (€ 63,750 thousand at 31 December 2019) 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 amounts recognized in the financial statements as provisions for risks and charges represent the Company'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 party to certain legal disputes pending before Regional Administrative Courts relating to the use of radio and television signal transmission frequencies. 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. Again, in relation to administrative disputes, the Company is involved in a dispute relating to a selection procedure appeal pursuant to Articles 4 and 15 of Italian Legislative Decree 50/2016.

Rai Way is also a party to a number of lawsuits of a civil and tax nature relating to the correct quantification of the fee due for the occupation of public space of installations owned by the Company.

With regard to the aforementioned lawsuits, 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 claimed that the Company considers it probable that it will be required to pay should it lose the cases.

The Company is also party to a very limited number of lawsuits brought by employees and former employees in relation to alleged faulty application of the current regulations governing employee agreements. The amounts recognized in the financial statements to provide against the risk of losing the litigation have been calculated by the Company 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.

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. Taking into account that such hospitality is ordinarily formalized through contracts or similar legal instruments (but not limited to: 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 financial statements becoming 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:

(in thousand of Euro)	12 months	
	2020	2019
Remuneration to Directors	631	666
Remuneration to Statutory Auditors	94	95
Total Directors and Statutory Auditors	**725**	**761**

Related party transactions (note 41)[5]

Details of the transactions the Company carried out with related parties in the years ended 31 December 2020 and 2019 are provided in the following; related parties are identified on the basis of IAS 24 Related Party Disclosures. The Company has relationships primarily of a commercial and financial nature with the following related parties:

- Rai (hereinafter the "Parent Company");
- 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.

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.

The following table sets out details of the Company's statement of financial position items with regard to related parties at 31 December 2020 2019:

(in thousand of Euro)	Parent Company	Senior Management	Other related parties	Total
Rights of use for leases				
At 31 December 2020	16,156		10	16,166
At 31 December 2019	19,957		22	19,979
Non-current financial assets				
At 31 December 2020	-		-	-
At 31 December 2019				-
Current financial assets				
At 31 December 2020	450		14	464
At 31 December 2019	252			252
Current trade receivables				
At 31 December 2020	55,618		315	55,933
At 31 December 2019	68,984		313	69,297
Other current receivables and assets				
At 31 December 2020	2,550		-	2,550
At 31 December 2019	2,477		-	2,477
Non-current lease liabilities				
At 31 December 2020	12,571		-	12,571
At 31 December 2019	16,343		12	16,355
Current financial liabilities				
At 31 December 2020	-		-	-
At 31 December 2019			-	-
Current lease liabilities				
At 31 December 2020	6,632		12	6,644
At 31 December 2019	7,677		12	7,689
Trade payables				
At 31 December 2020	2,026		-	2,026
At 31 December 2019	4,863		-	4,863
Other debt and current liabilities				
At 31 December 2020	21,140	507	1,394	23,041
At 31 December 2019	20,919	646	1,391	22,956
Employee benefits				
At 31 December 2020	-	129	122	251
At 31 December 2019	-	127	112	239

The following table sets out details of the Company's transactions with related parties in the years ended 31 December 2020 and 2019:

(in thousand of Euro)	Parent Company	Senior Management	Other related parties	Total
Revenues (*)				
At 31 December 2020	211,757		1,290	213,047
At 31 December 2019	209,951		1,271	211,222
Other revenues and income				
At 31 December 2020	9		-	9
At 31 December 2019	4			4
Purchase of consumables				
At 31 December 2020	-		-	-
At 31 December 2019	5			5
Cost of services				
At 31 December 2020	6,771		-	6,771
At 31 December 2019	7,184			7,184
Personnel costs				
At 31 December 2020	21	2,222	817	3,060
At 31 December 2019	26	2,237	797	3,060
Other costs				
At 31 December 2020	85		-	85
At 31 December 2019	25		-	25
Right of use depreciation and amortization				
At 31 December 2020	3,801		12	3,813
At 31 December 2019	3,801		12	3,813
Financial income				
At 31 December 2020	-		-	-
At 31 December 2019				-
Financial expenses				
At 31 December 2020	219		-	219
At 31 December 2019	262			262

(*) The amounts include the marginal costs towards the Parent for € 20,853 thousand (€ 22,135 thousand at 31/12/2019) and Other related parties for € 902 thousand (€ 902 thousand at 31/12/2019).

Parent Company

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

Please note that in the 2020 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.

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,
- Inter-company 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 favour transacted through the inter-company 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 ownership structures of the Company.

From the date of the listing, the Company has entered into a financing contract with a pool of banks and 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 2020 and 2019;
- cost of services of € 450 thousand at 31 December 2020 (€ 252 thousand at 31 December 2019).

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 contract was renegotiated on 31 July 2014, effective 1 July 2014. As a result of this agreement, the Company recognized revenues and receivables as illustrated in the "Revenues" and "Trade receivables" sections 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).

Service agreement with Rai and the rental agreement with related services

"The Rai service agreement" 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 agreement 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 "Agreement for leases and for the performance of connected services", 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 agreements the Company recognized:

- cost of services of € 6,771 thousand and € 7,184 thousand in 2020 and 2019 respectively;
- costs for amortization of rights of use for leases, following the new IFRS 16 accounting standard introduced in 2019, amounting to € 3,801 thousand at 31 December 2020 and December 31, 2019;
- costs for financial charges on leasing liabilities of € 219 thousand and € 262 thousand at 31 December 2020 and 2019 respectively;
- trade payables of € 2,026 thousand and € 4,863 thousand at 31 December 2020 and 2019 respectively.
- current and non-current leasing liabilities of € 19,203 thousand and € 24,020 thousand at 31 December 2020 and 2019 respectively.

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 € 21,140 thousand and € 20,669 thousand at 31 December 2020 and 2019 respectively and "Other current receivables and assets" of € 2,456 thousand at 31 December 2020 and at 31 December 2019.

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 2020 of € 94 thousand (€ 21 thousand at 31 December 2019).

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 2020 as also at 31 December 2019;
- personnel costs of € 2,222 thousand and € 2,237 thousand in at 31 December 2020 and 2019 respectively.

Other related parties

The Company has dealings of a commercial nature with other related parties, 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, 18 March 2021

On behalf of the Board of Directors
The Chairman
Giuseppe Pasciucco

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 2020.
- The assessment of the adequacy of the administrative and accounting procedures for the preparation of the annual financial statements for the year ended 31 December 2020 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 2020:
    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. agree 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 period as well as the issuer' s position, together with a description of the main risks and uncertainties to which it is exposed.

Rome, 18 March 2021

Aldo Mancino
Chief Executive Officier

Adalberto Pellegrino
Manager responsible for preparing the financial reports and corporate accounting documents

Proposals to the Shareholders' Meeting

Annual financial statements for the year ended 31 December 2020

"The Shareholders' Meeting of Rai Way S.p.A.

- having examined the Report on Operations of the Board of Directors;
- acknowledging 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 2020 prepared by the Board of Directors, which close with a net profit for the year of € 64,008,052.96;

resolves

to approve the annual financial statements for the year ended 31 December 2020."

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 for the 2020 financial year, equal to € 64,008,052.96, to the distribution to the Shareholders, by way of dividend, of a total of € 64,007,352.59 and to "Retained earnings", for the remaining € 700.37 and consequently to allocate - taking into account the 3,625,356 treasury shares in portfolio whose right to profit is attributed proportionally to the other shares pursuant to art. 2357-ter of the Italian Civil Code - a dividend of € 0.2385 gross to each of the outstanding ordinary shares, to be paid from 26 May 2021, with entitlement to payment, pursuant to article 83-terdecies of Legislative Decree. no. 58 of February 24, 1998 and Art. 2.6.6, paragraph 2, of the Markets Regulations organized and managed by Borsa Italiana S.p.A. (the Italian Stock Exchange) on May 25, 2021 (the so-called "record date") and subject to dividend no. 7 at 24 May 2021".

Report of the Independent Auditors

pwc

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
di Rai Way SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rai Way SpA (the Company), which comprise the income statement, statement of comprehensive income, the statement of financial position as of 31 December 2020, statement of changes in shareholders' equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Rai Way SpA as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Evaluation of the estimated economic and technical useful life and recoverability of property, plant and equipment *"Accounting policies" paragraphs "Property, plant and equipment" and "Impairment of property, plant and equipment and intangible assets" and Note 17 "Property, plant and equipment" to the financial statements as of 31 December 2020* The item "Property, plant and equipment" of the financial statements of Rai Way SpA as of 31 December 2020 amounted to Euro 200.9 million representing 61.5 per cent of total assets as of 31 December 2020. Property, plant and equipment, starting from the moment they are ready to be used for the purpose they were constructed, are systematically depreciated on a straight-line basis over their economic and technical useful life, namely within the period of time the Company expects these assets will be used. The estimated economic and technical useful life of property, plant and equipment is revised and, if necessary, updated by the Company's management at least at each balance sheet date, taking into account that the Company's core business is subject to changes, even significant, linked to the technology, regulatory and market environment. Should management analyses highlight any indication of impairment of these assets, their value is compared with the assets' recoverable amount, which is the higher of their fair value net of selling cost and value in use, that is the present value of the future cash flows expected to be derived from such asset. The evaluation of the estimated economic and technical useful life and the recoverability of the	As part of our auditing, we performed the following main procedures aimed at verifying the evaluations made by the Company with reference to property, plant and equipment: i) discussion with the management of Rai Way SpA about their conclusions reached on the non-existence of any impairment indicators for property, plant and equipment; ii) verification, on a sample basis, of the assets' economic and technical useful life estimated by the Company compared with that used by the other main operators in the sector, and review, on a sample basis, of the accurate and consistent determination of the depreciation charges entered in the income statement; iii) physical inventory of tangible assets on a sample basis selecting certain Company sites in order to ascertain the existence of any obsolete tangible fixed assets; iv) verification of the accuracy and completeness of the information provided in the notes to the financial statements.

tangible assets of Rai Way SpA represented a key audit matter at 31 December 2020 because of the significance of the value recognised in the financial statements, its incidence with respect to total assets and the complexity marking the estimates adopted by the Company's management.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No.38/2005 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the ability of Rai Way SpA to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Rai Way SpA or to cease operations, or have no realistic alternative but to do so.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, the financial reporting process of Rai Way SpA.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 4 September 2014, the shareholders of Rai Way SpA in general meeting engaged us to perform the statutory audit of the Company's financial statements for the years ending 31 December 2014 to 31 December 2022.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998

The directors of Rai Way SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Rai Way SpA as of 31 December 2020, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, with the financial statements of Rai Way SpA as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Rai Way SpA as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Rai Way SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Rome, 1 April 2021

PricewaterhouseCoopers SpA

Signed by

Pier Luigi Vitelli
(Partner)

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

Report of the Board of Statutory Auditors

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' ASSEMBLY (in accordance with Art. 2429, paragraph 2 of the Italian Civil Code, and Art. 153 of Legislative Decree no. 58/1998)

Dear Shareholders,

Rai Way is a leading provider of integrated network infrastructures and services for broadcasters, telecommunication operators, private companies and public administrations.

In 2020, a year marked by the well-known global pandemic crisis, Rai Way required greater industrial and commercial efforts. It approved a new Business Plan with strategic objectives up to 2023; for the first time, the Plan also includes sustainable development goals, in line with ESG concerns, aimed at implementing innovation, with attention to the environment and social issues, and sustainability in terms of both operations and governance.

The Board of Statutory Auditors of Rai Way S.p.A., pursuant to Art. 153 of Legislative Decree no. 58/1998 (hereinafter also the "TUF") and to Art. 2429, paragraph 2 of the Italian Civil Code, the Board of Statutory Auditors of Rai Way S.p.A. is required to report to the Shareholders' Assembly gathered in a meeting to approve the Financial Statements, in matter of supervisory activities performed during the year and any omissions and irregularities, as identified. The Board of Statutory Auditors is also required to make any necessary proposals regarding the Financial Statements and their approval, as well as other matters under the Board's purview. During the year 2020, the Board of Statutory Auditors carried out its institutional duties in compliance with the Italian Civil Code and the instructions provided by Consob by Communications DAC/RM/97001574 of 20 February 1997, and DEM 1025564 of 6 April 2001, later supplemented by Communication DEM 3021582 of 4 April 2003,Communication DEM 6031329 of 7 April 2006 and Communication DEM/0031948 of 10 March 2017, issued in continuity with DEM/0007780 of 28 January 2016 and DEM/0003907 of 19 January 2015.

The supervisory activity provided for by the law was also carried out according to the provisions of the July 2018 edition of the Corporate Governance Code of Listed Companies, in force in 2020 (January 2020 "Corporate Governance Code" of Listed Companies applicable to the 2021 financial year), approved by the Corporate Governance, to which Rai Way S.p.A. adheres, as well as by the Rules of Conduct provided by the National Council of Chartered Accountants and Accounting Experts ("CNDCEC"). With reference to the provisions of Legislative Decree 39 of 27 January 2010 39, and particular regard to Art. 19, the Board of Statutory Auditors also acts as the Internal Control and Audit Committee (“CCIRC”).

The statutory audit of the accounts is performed by the auditing firm PricewaterhouseCoopers S.p.A. (hereinafter also “PwC”) for the 2014 – 2022 financial years, in accordance with the resolution of the Shareholders’ General Meeting held on 4 September 2014.

The Board of Statutory Auditors acquired and verified the information illustrated below by participating in the meetings of the Shareholders’ Assembly, of the Board of Directors and of the Board Sub-Committees, as well as through a constant flow of information with the Independent Auditors, with the various corporate functions (including Finance, Legal, Audit and Enterprise Risk Management), and through an information flow with the Supervisory Body pursuant to Legislative Decree no. 231/2001 (hereinafter, the “Supervisory Board” or the “SB”).

Appointment and activities of the Board of Statutory Auditors

The Board of Statutory Auditors was appointed by the Shareholders’ Meeting of 23 April 2018 for the 2018-2020 financial years, and comprises: Ms. Silvia Muzi (Chair), Ms. Maria Giovanna Basile (Standing Auditor) and Mr. Massimo Porfiri (Standing Auditor). Substitute Auditors: Ms. Nicoletta Mazzitelli and Mr. Paolo Siniscalco. During the 2020 financial year, the Board of Statutory Auditors successfully verified that the independence requirements were met by its members, pursuant to the law and the Corporate Governance Code, and that no ineligibility or disqualification were applicable to them, pursuant to Art. 2399 of the Italian Civil Code and Art. 148, paragraph 3 of the T.U.F.; this due diligence was also performed in 2021, also with regard to the Corporate Governance Code. It also verified that the members complied with the office requirements, pursuant to Art. *144-terdecies* of the Issuers’ Regulations. The Board of Statutory Auditors has also carried out the self-assessment of its members, including verifying the adequacy of its composition and the effectiveness of its functioning, supplementing this assessment with the Q.1.1 Rule of Conduct for the Board of Statutory Auditors of listed companies, issued in May 2019 by the National Council of Chartered Accountants and Accounting Experts. The results of this self-assessment process were also communicated to the Board of Directors.

The Board has also prepared and presented to the Board of Directors (in the meeting of 11 March 2021) the document containing its guidelines to the Shareholders regarding the renewal of the Board itself, as required by the CNDCEC Code of Conduct in point Q.1.6.; thereafter, the Company published such guidelines along with the Report of the Board of Directors to the Shareholders' Assembly regarding its renewal and with the same procedures as the latter.

The activities of the Board during the 2020 financial year were carried out through regular periodic meetings - held in compliance with government provisions aimed at limiting the spread of the COVID-19 epidemic, the results of which were duly reported in the appropriate minutes.

The work performed in the various areas in which supervisory activity is carried out is illustrated below and in the order recommended by the aforementioned Rules of Conduct issued by the CNDCEC for listed companies.

Compliance with the law and Articles of Association

As regards governance aspects, the Company complied with the rules and regulations applicable to listed issuers, as well as with the provisions of the Corporate Governance Code. The Annual Report on Corporate Governance and Ownership Structures, drawn up pursuant to Art. 123-bis of the TUF, was approved by the Board of Directors on 18 March 2021. The Report illustrates, *inter alia*, the application of the recommendations of the Corporate Governance Code adopted by the Company. The recommendations formulated by the Corporate Governance Committee of Borsa Italiana in the letter received in December 2020 were also brought to the attention of the Board of Directors, as well as of the internal Board Committees, pertaining to matters under their respective purview.

The Board monitored compliance with the provisions of the law and the Articles of Association, as well as any other relevant regulations, through the participation and acquisition of information flows relating to the Shareholders' Assembly, the meetings of the Board of Directors, the meetings of the Remuneration Committee and Appointments and the Control and Risks Committee (called, in 2021, the "Control and Risks and Sustainability Committee"), also in relation to the functions performed by the latter pursuant to the provisions of the Procedure for transactions with related parties adopted by the Company. In the course of its audits, the Board of Statutory Auditors also met with the Oversight Board, the head of the Audit Department, the Corporate Accounting Documents Officer and the Independent Auditors PricewaterhouseCoopers S.p.A., (hereinafter "PwC"), the Chief Executive Officer and General Manager - also in his capacity as Director in charge of the Internal Control and Risk Management System - and the managers responsible for the different corporate departments.

During 2020, the Board of Statutory Auditors met 10 times and attended 12 meetings of the Board of Directors and 1 Shareholders' Meeting. It also took part in 11 meetings of the Remuneration and Appointments Committee and 11 meetings of the Control and Risk Committee, operating as indicated also by virtue of the functions assigned to it by the Company Procedure in relation to transactions with related parties.

Furthermore, the Supervisory Body provided the Board with information regarding the issues referred to in Italian Legislative Decree 231/2001 and reported on the activities carried out; the flow of information with the Supervisory Body was also constantly guaranteed, both by the diligent presence of the Audit Manager (who is also a member of the Supervisory Body) in meetings of the Board of Statutory Auditors, as well as by the fact that a member of the Board of Statutory Auditors is also a member of the Supervisory Body. It is acknowledged that in the meeting of 11 February 2021, the Board of Directors approved a new edition of the Organisation, Management and Control Model, pursuant to Legislative Decree 231/2001, which is updated on the basis of new regulatory provisions, and the Code of Ethics; an updated text of the Regulations of the Board of Directors was also approved, also having regard to the provisions of the Corporate Governance Code adopted by the Company, and in this context, among other things, the Control and Risks Committee was assigned additional tasks with respect to the issues relating to sustainability, while providing for the integration of the name of the same Committee, as already indicated above, in the "Control, Risk and Sustainability Committee.

It should be noted that the Company, in relation to cases contemplated by Law no. 190/2012, has adopted measures to supplement the Model pursuant to Legislative Decree no. 231/2001 contained in a "Corruption-Prevention Policy", which is intended as a continuation of the three-year Corruption-Prevention Plan (previously adopted and updated, although not required for listed companies) and provides greater integration with other tools adopted by the Company (231 Model and Code of Ethics).

Based on the supervisory activities carried out by the Board, the Company has complied with the obligations regarding regulated information, including the provisions regarding privileged information. Moreover, based on the monitoring activities carried out, each body or organisational structure of the Company has complied with the information requirements envisaged by applicable regulations.

On the whole, the internal and external information flows described and the flows resulting from the continuous exchange of information and documentation, also emerging from the minutes for the Board of Statutory Auditors' meetings, appear appropriate to offer proof of compliance of organisational structure, internal procedures and corporate documents and resolutions of the corporate bodies in accordance with the law, the Articles of Association and applicable regulations, as well as the codes of conduct to which the Company has confirmed its adherence. Therefore, there is no indication of any violation regarding compliance with the law, the Articles of Association and regulations nor are there observations worthy of note.

Corporate Governance

The Company has a governance system structured in accordance with the so-called “traditional model” and in line with the Corporate Governance Code. The Board of Directors currently in office was appointed by the Shareholders’ Meeting of 24 June 2020 and is made up of nine directors, of which six have declared themselves independent. The composition of the Board is consistent with the regulatory provisions on gender balance. Immediately following its appointment, and after assessing its independence of all its members, in accordance with both the law and the Corporate Governance Code, the Board of Directors set up two internal committees: the Remuneration and Appointments Committee and the Control and Risk Committee, which also performs the functions assigned to it by the Procedure for related party transactions adopted by the Company. Said procedure has been published on the Company’s website and is described in the main elements in the Report on Corporate Governance for the year 2020.

Therefore, in 2021, the Board of Directors successfully renewed the verification of the existence of the independence requirements of Directors qualified as “independent”, pursuant to the Corporate Governance Code, as well as on the basis of legal criteria, and the Board of Statutory Auditors took note thereof, also acquiring the relative declarations made by the Directors.

The Board of Statutory Auditors also had the opportunity to verify that the Board of Directors carried out, with reference to the 2020 financial year, the self-assessment of the size, composition and functioning of the Board itself and of the Committees established within it, and that an analysis of this process revealed an overall positive assessment both for activities and functioning, and size and composition of the Board itself and of the Committees (please note that following such a self-assessment process, carried out with reference to the 2019 financial year, the Board of Directors in office until the Shareholders’ Meeting of 24 June 2020, had formulated guidelines for shareholders on the qualitative and quantitative composition of the Board in relation to the renewal of the latter with the aforementioned Shareholders’ Meeting).

Since its listing, the Company has adopted a special Code on Privileged Information for the correct management of information flows and the processing of confidential or privileged information, subsequently revised and remaining in force also for the 2020 financial year.

Since listing, the Company also adopted an internal Code concerning Internal Dealing, subsequently amended (in accordance, in particular, with the provisions of EU Regulation no. 596/2014) by resolution of the Board of Directors in June 2018; such edition of the Code has been in force in the 2020 financial year.

With regard to the "Report on Remuneration Policy and Compensation Paid", prepared pursuant to Art. 123-ter of Legislative Decree no. 58/98 and the applicable regulatory provisions, the Board acknowledges that it was previously reviewed by the Remuneration and Appointments Committee and then approved by the Board of Directors on 18 March 2021. The First Section, which concerns the remuneration policy for the 2021 financial year, will be submitted to a binding vote of the Shareholders' Assembly, while the Second Section, relating to the remuneration recognised with reference to the 2020 financial year will be submitted to a non-binding vote.

With regard to the First Section, the Remuneration Report envisages, *inter alia*, the adoption, subject to approval by the Shareholders' Assembly, of a share-based long-term incentive plan aimed at aligning the interests of management and Shareholders with the requirements of implementation of the business plan. The Board of Statutory Auditors verified that the conditions of the Plan were described and detailed in the disclosure document prepared pursuant to Article 84-bis of the Issuers' Regulations issued by Consob, as well as pursuant to Article 114-bis of Legislative Decree no. 58/98. The same information document was made available to the public in the prescribed manner (including publication on the Company's website) and within the prescribed time.

Compliance with principles of proper administration and adequacy of the organizational structure

During 2020, the Board supervised the concrete implementation of the corporate governance rules provided for by the Corporate Governance Code by virtue of the provisions of Article 149, paragraph 1, letter c-bis of the TUF, also performing due diligence in reference to compliance with the provisions of Art. 16 of Consob Regulation 20249/2017 (Market Regulation).

The Board has received all the necessary and functional information for the performance of its control and supervisory tasks through: i) participation in the meetings of the Board of Directors, the Control and Risks Committee (also in relation to the functions performed by the latter by virtue of Procedure regarding transactions with related parties), and the Remuneration and Appointments Committee; ii) meetings with the top management of the Company and the managers of the corporate departments; iii) meetings with the company appointed to carry out the statutory audit and with the Supervisory Body.

During the year, the Board received periodic information from the Chief Executive Officer, at least every quarter, on the general management performance and its outlook. In the course of various board meetings, the Company's Business Plan for the years 2020-2023, the annual budget, as well as the information date with respect to the significant transactions carried out by the Company were approved.

As is evident from the Annual Financial Report, the most important events that affected the Company during 2020 were:

- on March 12, 2020, the Board of Directors approved the draft FY 2019 budget;
- on the same date, the Board of Directors approved the 2020-2023 Business Plan;
- on April 20, 2020, the Board of Directors resolved to convene the Shareholders' Meeting for June 24, 2020, providing for the participation of shareholders only through the Designated Representative, pursuant to the provisions of the regulations concerning the COVID-19 epidemiological emergency;
- in 21 April 2020, Ms. Anna Gatti - Non-Executive and independent Director and Chairperson of the Remuneration and Appointments Committee - resigned from her position as Director of the Company, effective immediately;
- on 6 May, the Company's Board of Directors appointed Ms. Paola Tagliavini, Non-Executive and independent Director, as a member of the Remuneration and Appointments Committee, to replace Ms. Anna Gatti. Furthermore, in replacement of the latter, the Board of Directors appointed Ms. Joyce Bigio, a Non-Executive and independent Director who is a member of the Remuneration and Appointments Committee, as Chairperson of the Committee;
- on 14 May 2020, the Board of Directors of Rai Way S.p.A., reviewed and approved the Interim Financial Report as of 31 March 2020;
- on 24 June 2020, the Shareholders' Meeting, among other things:

  a) - approved the Financial Statements of the Company as of 31 December 2019 and the distribution of a dividend as proposed by the Board of Directors;

  b) approved the First Section (relating to the remuneration policy for 2020) and voted favourably in support of the Second Section (relating to compensation for 2019) of the prepared Report on the remuneration policy and compensation paid;

c) approved the proposal of the Board of Directors regarding the purchase and disposal of treasury shares, at the same time revoking the authorisation approved at the meeting of 18 April 2019;

d) resolved on the renewal of the Board of Directors for the years 2020-2022, i.e. until the approval of the 2022 financial statements, appointing Mr. Giuseppe Pasciucco as Chairperson;

- on June 24, 2020, the newly appointed Board of Directors, which met after the Shareholders' Meeting, appointed, among other things, Mr. Aldo Mancino as Chief Executive Officer and appointed the Control and Risks Committee and the Remuneration and Appointments Committee, both always composed solely of independent Directors;
- on 30 July, Rai Way's Board of Directors approved the launch of a treasury share purchase program which provided, *inter alia*, for a maximum total investment of 20 million Euro;
- on October 29, 2020, the Company entered into a new loan agreement with a pool of financial institutions;
- on November 27, 2020, the buy-back plan for treasury shares was completed. The Company acquired 3,625,356 treasury shares at an average price of 5.509531 Euro per share and a total value of 19,974,010.41 Euro; these shares represent approximately 1.3329% of the share capital.

The actions resolved and implemented during 2020 comply with the principles of proper administration and are not manifestly imprudent, risky or in conflict with the resolutions passed at the Shareholders' Meeting, or such as to compromise the integrity of the corporate assets, nor have there been atypical or unusual transactions, carried out with third parties or with related parties or in conflict of interest.

The Company also has a solid organisational structure. In this regard, the Board of Statutory Auditors has received information and supervised, to the extent under its purview, the adequacy of the Company's organisational structure, compliance with the principles of proper administration, and the suitability of provisions issued by the Company.

On the basis of the information acquired, the Board of Statutory Auditors successfully completed its supervisory activities on the adequacy of the organisational structure, in terms of configuration, procedures, skills and responsibilities, as it pertains to the Company's size, nature and the methods of pursuing the corporate purpose.

Related-Party Transactions

In the Report on Operations and in the Explanatory Notes to the 2020 Financial Statements, the Directors, in accordance with the provisions of IAS 24 and Consob Communication no. 17221 of 12 March 2010, have provided an exhaustive illustration of the main transactions carried out with related parties. Reference should be made to these documents with regard to the type of transactions in question and the related economic and financial aspects, as well as to the procedural methods adopted to ensure that these transactions are carried out in compliance with the criteria of transparency and procedural and substantial correctness. In light of the due diligence performed, the Board can confirm that the related party transactions reported in the Company's Notes to the 2020 Financial Statements fall under the Company's business activities and are regulated at market conditions. It is acknowledged that the operations indicated therein were carried out in compliance with the methods set out in the specific Procedure, which is in compliance with the provisions of the Civil Code and Consob's implementing regulations.

Adequacy of Internal Control and Risk Management. Activities carried out by the Audit and Enterprise Risk Management Departments

The Board of Statutory Auditors also supervised the adequacy of the Internal Control and Risk Management System by:

a) reviewing the assessment of the Board of Directors, which formulated a positive evaluation on the adequacy and effective functioning of the Internal Control and Risk Management System;

b) reviewing the report of the Manager in charge of preparing the corporate documents;

c) reviewing the report of the Audit Manager, as well as periodic information on the status of audits and the results of monitoring activities on the implementation of the corrective actions identified following the audit activities;

d) reviewing the reports of the Control and Risks Committee, also with regard to the functions it performs pursuant to the Related Party Transaction Procedure;

e) reviewing the interim and annual financial reports, as well as the reports prepared regarding risk management activities, aimed at describing the main risks and related management plans.

The Audit Department constantly supported the activities of the Board of Statutory Auditors, and the head of the latter attended several meetings of the Board of Statutory Auditors, ensuring a continuous exchange of information and alignment of the respective supervisory and control activities, also in liaison with the Control and Risk Committee. On the whole, the activities carried out by the Head were effective and appropriate, in this regard the manager prepared, as indicated above, a Report on the Audit activities carried out for the year 2020. The above analyses did not show any significant risks or violations not addressed by corrective actions. The College also reviewed the 2021 Business Plan. The Board of Statutory Auditors also monitored the organisation of the Audit function, receiving organisational and procedural information. This review did not reveal evidence of events and/or situations that would need to be mentioned in this Report.

In view of the above, we can state that overall the Internal Control and Risk Management System and the information and communication procedures and mechanisms are adequate.

Adequacy and reliability of the administrative system to represent operational transactions

With reference to this activity, the Board of Statutory Auditors supervised the process of financial reporting and the adequacy of the administrative and accounting system. Following the verifications carried out, this was deemed to be adequate and able to correctly represent both operational transactions and the preparation of the financial statements and report on operations.

With reference to the 2020 financial year, the Chief Executive Director and the Manager responsible for the preparation of financial statements stated: (i) that they are adequate in terms of the characteristics of the business and the effective application of the administrative and accounting procedures for the preparation of the Financial Statements for the 2020 financial year; that the contents of said Financial Statements complies with the applicable international accounting standards recognised by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council, established on 19 July 2002; (iii) that the Financial Statements concerned are consistent with the records and accounting entries and provide a true and accurate representation of the Company's capital, economic and financial position; (iv) that the Annual Report includes a reliable analysis of the performance and the operating result, as well as of the Company's situation, together with a description of the main risks and uncertainties to which it is exposed. The above-mentioned certification also underscores the adequacy of the administrative and accounting procedures for the preparation of the 2020 Financial Statements.

The Company declared that it has prepared the Financial Statements for the year 2020 in accordance with IAS/IFRS recognised in the European Union pursuant to Regulation (EC) No. 1606/2002 and in effect at the close of the year 2020. Furthermore, the Company's 2020 Financial Statements were prepared on the assumption of going concern and applying the conventional criterion of historical cost, except for the valuation of financial assets and liabilities for which the application of the fair criterion is mandatory value. The Company's Notes to the Financial Statements provide an analytical description of the accounting standards and valuation criteria adopted. With reference to recently issued accounting standards, the Notes to the Financial Statements refer to (i) the accounting standards approved by the European Union that are not yet applicable and (ii) accounting standards not yet approved by the European Union.

The Board of Statutory Auditors of Rai Way S.p.A. has also:

a. verified that the Directors' Report on Operations for the 2020 financial year complies with current regulations, and is consistent with the resolutions adopted by the Board of Directors and with the facts represented in the Financial Statements;

b. verified the adequacy, in terms of method, of the sensitivity analysis process used to verify the absence of impairment on assets in the Balance Sheet;

c. acknowledged the content of the Interim Report as of 30 June 2020, without needing to make any observations, and ascertained that the latter had been made public in accordance with the procedures set out by the regulations;

d. verified that the Company complied with the obligations provided for by Legislative Decree no. 254/2016 and has arranged to draw up a Declaration of non-financial nature in compliance with the provisions of the above- mentioned Decree;

e. has noted that the Company has continue to publish on a voluntary basis intermediate management reports on 31 March and 30 September within the deadlines set by current legislation;

f. acted as the Committee for Internal Control and Audit (CCIRC), pursuant to Art. 19, paragraph 1, of Legislative Decree no. 39/2010, as amended by Legislative Decree no. 135/2016, concerning specific information, monitoring, control and verification functions provided therein, fulfilling duties and tasks indicated in the aforementioned legislation. For such purpose, the Board worked with the Control and Risks Committee to coordinate their respective responsibilities and to avoid overlapping of activities. The Board's participation in the Committee's activities facilitates coordination and information exchange between the two bodies;

g. reported that Rai Way S.p.A. is managed and coordinated by parent company RAI-Radiotelevisione italiana SpA, in accordance with legal obligations and, in particular, in compliance with the conditions set out in Art. 16 of the CONSOB Markets Regulation. Reference is made to a specific Regulation regarding the management and coordination role exercised by parent company RAI in relation to the Company (approved by the Board of Directors at its meeting on 4 September 2014 and effective as of the date on which the Company's shares were listed on Borsa Italiana's MTA market), which is also mentioned in the aforementioned Report on Corporate Governance and Ownership Structures.

The Board carried out the checks by obtaining information from the Administration, Finance and Control Department of the Company and from the Manager in charge of preparing the corporate accounting documents, as well as by reviewing the company documentation and the results of the work carried out by the Auditing Firm, in accordance with the provisions of Article 154 bis of the TUF.

The Board also verified compliance with the procedures for the publication and filing of the Financial Statements and interim reports, supervising the preparation and transmission of press releases relating to relevant financial information.

Relationship with the independent auditing firm pursuant to Article 150-bis, paragraph 3 of Italian Legislative Decree no. 58/98

During the course of the year, the Board of Statutory Auditors met regularly with the managers of the Independent Auditors appointed by PricewaterhouseCoopers S.p.A. ("PwC"), in order to exchange relevant data and information pursuant to Art. 150, paragraph 3, of Legislative Decree no. 58/1998, as well as of Legislative Decree no. 39/2010. In these meetings, the aforementioned Auditing Firm did not provide any facts or anomalies of such importance as to be reported to the Board of Directors or in this report.

With regard to the results of the Financial Statements for the year ended that ended as of 31 December 2020, appropriate technical analysis of the most significant items in the document were carried out in constant cooperation with the independent auditing firm, in compliance with the respective competencies and responsibilities. In application of the provisions pursuant to Art. 150, paragraph 3 of Italian Legislative Decree no. 58/1998, these meetings had the objective of exchanging information and opinions and to verify the correct use of accounting standards and their uniformity for purposes of the Financial Statements.

During the year, representatives from the independent auditing firm advised the Board about the audit plan they had prepared, its execution and the subsequent results; from these meetings, there emerged no events or situations, regarding either the audit or any failings of the internal control system, that need to be noted herein.

On 1 April, 2021,pursuant to Articles 14 of Legislative Decree no. 39/2010 and 10 of EU Regulation 537/2014, the Auditing Firm issued its Report certifying that:

a) the Financial Statements provide a true and accurate representation of the Company's capital and financial position as of 31 December 2020, as well as its economic result and cash flows for the year ending on that date, in compliance with International Financial Reporting Standards adopted by the European Union, as well as the provision implementing Art. 9 of Italian Legislative Decree no. 38/05;

b) the Report on Operations and some specific information contained in the Report on Corporate Governance and Ownership Structures, pursuant to Article 123-bis, paragraph 4, of Legislative Decree no. 58/1998, are consistent with the Financial Statements for the year that ended on 31 December 2020, and are prepared in accordance with the law;

c) the opinion on the Financial Statements expressed in the above-mentioned Report is in line with the supplementary Report prepared pursuant to Art. 11 of Regulation (EU) no. 537/2014, addressed to the Board of Statutory Auditors.

On April 1, 2021, the auditing firm PwC issued the Report containing the certification of compliance, pursuant to Article 3 of Legislative Decree no. 254/2016, and Article 5 of Consob Regulation 20267. In the Report, the Independent Auditors stated that no elements have come to its attention that would suggest that the individual non-financial statement relating to the year 2020 has not been drawn up, in all significant aspects, in compliance with the requirements of the aforementioned Decree and the selected GRI Standards.

The auditing firm has also sent to the Board of Statutory Auditors, in its role of Internal Control and Audit Committee, the supplementary Report, pursuant to Art. 11 of Regulation (EU) no. 537/2014, which highlights:

- the most significant aspects in the context of the audit of the 2020 Financial Statements;
- the audit methodology, the identification of significant risks and the significance applied;
- the failure to identify any shortcomings in the internal control system in relation to the process of financial reporting.

Furthermore, in the above-mentioned Report, the auditing firm confirmed its independence, pursuant to Art. 6, paragraph 2), point 4) of Regulation (EU) no. 537/2014, as well as the measures adopted by the auditing firm to limit such risks.

The auditing firm's Reports do not contain qualifications or disclosures, nor declarations pursuant to Art. 14, paragraph 2, letter e), of Italian Legislative Decree no. 39/2010.

Pursuant to Article 17-ter, paragraph 9 of Legislative Decree no. 39/2010, the Board of Statutory Auditors has verified the independence of the auditing firm and that there were no omissions, reprehensible facts or irregularities. Similarly, during the supervisory activities, no significant facts emerged such as to require notification to supervisory bodies or mention herein.

It is noted that, in reference to the 2020 financial year, the auditing firm PWC and its network were paid the following fees for the audit:

- Audit activities and Financial Statements 58,000 Euro
- Interim Financial Statements 21,000 Euro
- Individual declaration of a non-financial nature 37,000 Euro
- Certifications required by law 5,000 Euro

The Financial Report relating to the Financial Statements includes complete information on fees to the auditing firm, pursuant to Art. 149-duodecies of the Consob Issuers' Regulation to which reference is made.

During the 2020 financial year, on the basis of the information received from the auditing firm, Rai Way S.p.A. assigned tasks to entities in the PwC network (in particular, the auditing firm) for services related to the limited audit of the Declaration of non-financial nature.

The Board of Statutory Auditors, in its role as the Internal Control and Audit Committee, fulfilled the duties required by Article 19, paragraph 1, letter e) of Legislative Decree no. 39/2010, as amended by Legislative Decree no. 135/2016, and by Art. 5, paragraph 4 of Reg. EU 537/2014 on the subject of prior approval of the aforementioned assignments, verifying their compatibility with current legislation and, specifically, with the provisions of Art. 17 of Legislative Decree no. 39/2010 - as amended by Legislative Decree no. 135/2016 - as well as with the prohibitions set out in Art. 5 of Reg. EU 537/2014, referred to therein.

Furthermore, the Board has:

a) verified and monitored the independence of the Independent Auditors, pursuant to Articles 10, 10-bis, 10-ter, 10-quater and 17 of Legislative Decree no. 39/2010, and of Art. 6 of Reg. EU 537/2014, ascertaining compliance with the relevant regulatory provisions, and that the engagements for non-audit services conferred did not appear to be such as to generate potential threats to the auditor's independence and to the safeguards set out in Article 22-ter of Dir. EC 2006/43;

b) evaluated the transparency report and the additional report drawn up by the Independent Auditors in compliance with the criteria set out in Reg. EU 537/2014, noting that, based on the information acquired, no critical aspects emerged in relation to the independence of the Auditing Firm;

c) received written confirmation that the auditing firm has not rendered services other than the audit that are prohibited pursuant to Art. 5, paragraph 1, of Regulation (EU) no. 537/2014, confirming that the independence of the firm was maintained in executing the statutory audit.

The Financial Statements

The Board of Statutory Auditors reviewed the draft financial statements for the year that ended on 31 December 2020, which recorded a profit for the year of 64 million Euro, and do not present any derogations to the legal provisions.

As the function of the statutory audit was not assigned to this Board, it supervised the general approach of the financial statements and its compliance with the law as regards its formation and structure, without identifying aspects to report. In addition, the Board verified compliance with the legal provisions relating to the preparation of the Report on Operations, also in this case without objections raised. The Directors described the items that contributed to the economic result and the events that generated those items in the Explanatory Notes and the Report on Operations.

The Financial Statements of Rai Way S.p.A. As of 31 December 2020 were prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the related interpretations (IFRIC and SIC), adopted by the European Union by European Regulation (EC) no. 1606/2002, as well as pursuant to Italian Legislative Decree no. 38 of 28 February 2005, which governed the application of IFRS within the Italian regulatory framework. The accounting standards adopted reflect the full operations of Rai Way S.p.A. in the foreseeable future, applied under the going concern assumption, and comply with those applied in preparing the 2019 financial statements.

Declaration of a non-financial nature

The Company prepared the Individual Non-Financial Statement pursuant to Legislative Decree no. 254/2016 (Sustainability Report), in which, in addition to providing the information required by law and, in general, with regard to activities conducted in the area of sustainability, indications were given regarding the most important areas of activity and objectives relating to the sustainability issues set out in the Business Plan for the 2020-2023 period approved by the Board of Directors on 12 March 2020 and also aimed at an integrated and strategic approach to these issues. In this regard, on 18 March 2021, the Board of Directors approved a general policy and a multi-year operating plan on sustainability, consistent with the indications in the Business Plan.

Pursuant to Art. 3, paragraph 10, of Legislative Decree no. 254/2016, the Declaration of non-financial nature has been subject to assurance activities by PwC, the firm assigned to perform the statutory audit.

The Board of Statutory Auditors, pursuant to Art. 3, paragraph 7, of Legislative Decree no. 254/2016, the Board of Statutory Auditors supervised compliance with the provisions contained in that decree relative to the Declaration of non-financial nature and, in this regard, noted that the Company fulfilled the obligations envisaged therein for purposes of its preparation, in accordance with Arts. 3 and 4 of the aforementioned Decree, as well as Art. 5 of the Consob Regulation adopted by Resolution no. 20267 of 18 January 2018, and drafted in accordance with the standards and methodologies of the Core GRI standards selected by the Company.

The 2020 Declaration of non-financial nature, approved by the Board of Directors on 18 March 2021, is accompanied by the limited assurance issued by PwC on 01 April 2021.

Complaints pursuant to Art. 2408 of the Italian Civil Code and submission of complaints

In the financial year whose Financial Statements you are called to approve, the Board did not receive any complaints pursuant to Art. 2408.

In 2020, the Board issued opinions, without raising objections, with specific regard to:

- the remuneration for the office of Chairman of the Board of Directors and for the office of Chief Executive Officer;
- the remuneration of the Audit Manager, as well as the budget assigned to the Auditing Department;
- the Audit Plan;
- the proposal regarding the purchase and disposal of treasury shares resolved at the Shareholders' Meeting of 24 June 2020;
- the appointment of the Manager responsible for preparing the Company's financial reports.

Effects of the COVID-19 pandemic - Verification of safeguards against the spread of COVID-19

During the first months of 2020, Italy was the target of the spread of the COVID-19 virus. This event generated a series of limitations in daily activities starting from March, and prompted the Company to adopt specific measures aimed at preserving and safeguarding the health of employees, while at the same time guaranteeing the performance of activities, pursuant to the provisions detailed in the Decree of the President of the Council of Ministers 22 March 2020, which enabled continuation of activities. In this regard, the Board and the Supervisory Body received reassurances from the various department managers and the Board of Directors of the implementation of conditions ensuring health and safety in the workplace and, in general, rules adopted in compliance with provisions to fight the spread of the virus.

The Board of Statutory Auditors also constantly monitored, including through meetings with the Director of Human Resources and Organisation, the application of the aforementioned protocols, and supervised the actions taken by the Company to protect workers.

The Board found that the health emergency from COVID-19 had no significant impact on the Financial Statements submitted for approval by the Shareholders.

The Board of Statutory Auditors and the auditing firm continuously exchanged information, including in reference to the objective operational difficulties that arose during the final auditing stages, as a result of the worsening of the COVID-19 health emergency.

Conclusions

On the basis of the aforementioned activities and taking into account the considerations reported above, the Board of Statutory Auditors expresses its favourable opinion on the proposal to approve the Financial Statements for the year that ended on 31 December 2020, and to allocate the related profit for the year as recommended by the Board of Directors.

Rome, 01 April 2021

On behalf of the Board of Statutory Auditors

The Chair

Silvia Muzi

Rai Way S.p.A.

Registered office: Via Teulada 66, Rome

Fiscal code, VAT number and registration number
with the Register of Companies of Rome: 05820021003

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