

The Rai logo consists of the word "Rai" in a white, bold, sans-serif font, centered within a solid blue square. The background of the entire page is a complex geometric composition of overlapping shapes in shades of blue, teal, grey, and olive green, creating a modern, abstract design.

**Rai**

Reports and Financial  
Statements  
as at **31 December 2018**



# Reports and Financial Statements as at 31 December 2018





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# Introduction

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# Corporate Officers

## BOARD OF DIRECTORS

<b>Chairperson</b>	<i>until 26 July 2018</i> Monica Maggioni	<i>as of 27 July 2018</i> Marcello Foa <sup>(1)</sup>
<b>Chief Executive Officer</b>		Fabrizio Salini
<b>Directors</b>	Rita Borioni Arturo Diaconale Marco Fortis Carlo Freccero Guelfo Guelfi Giancarlo Mazzuca Franco Siddi	Rita Borioni Beatrice Coletti Igor De Biasio Riccardo Laganà Giampaolo Rossi
<b>Secretary</b>	Anna Rita Fortuna	

## BOARD OF STATUTORY AUDITORS

<b>Chairperson</b>	Biagio Mazzotta
<b>Standing auditors</b>	Roberto De Martino Anna Maria Magro
<b>Alternate auditors</b>	M.M. Assunta Protopapa Pietro Floriddia

## GENERAL MANAGER

<i>until 26 July 2018</i> Mario Orfeo
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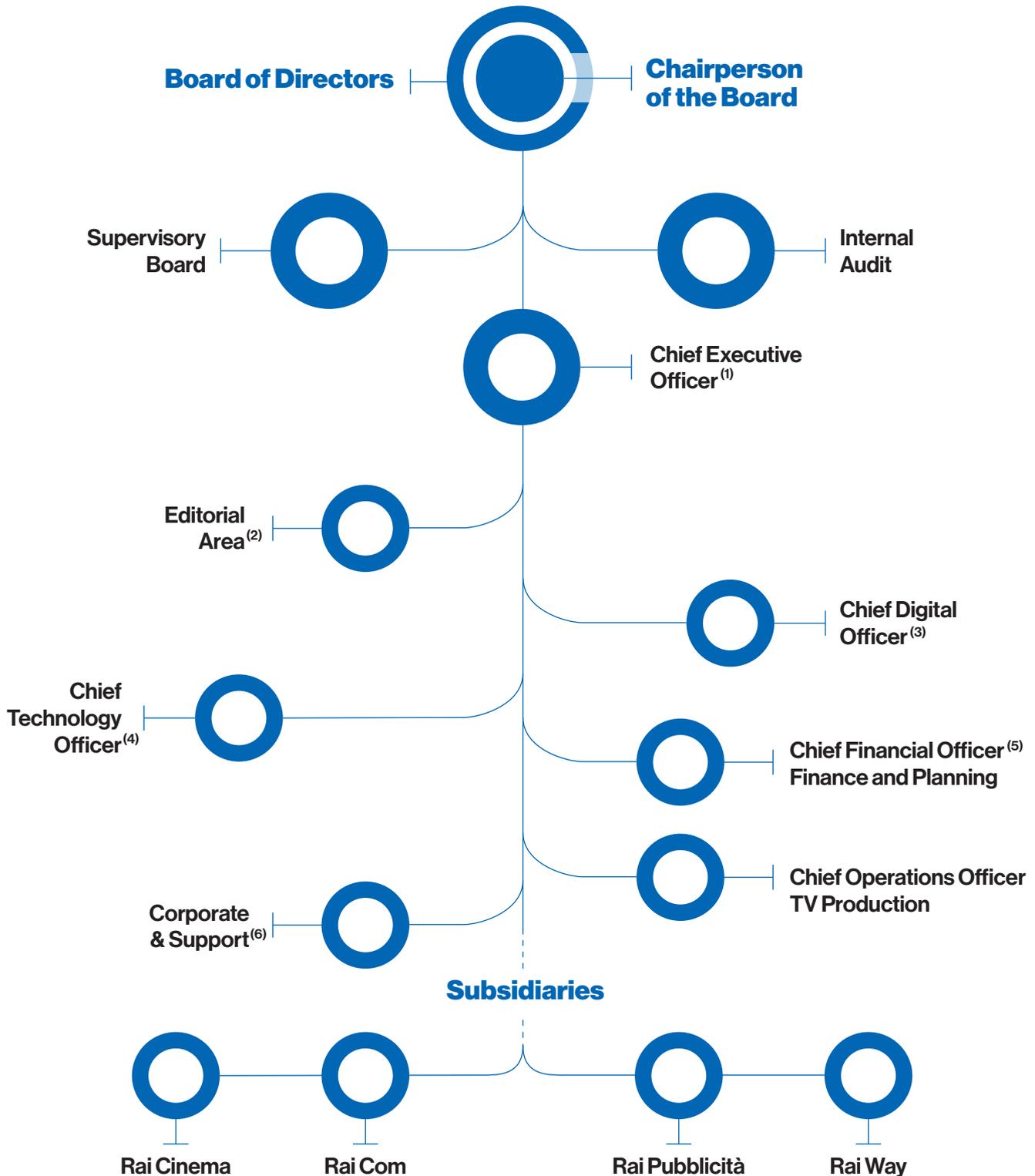
## EXTERNAL AUDITOR

PricewaterhouseCoopers
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<sup>(1)</sup> Assumed the office of Chairperson of the Board of Directors as 26 September 2018.

# Organisational Structure

(summary)



<sup>(1)</sup> Includes, *inter alia*, Governance and the Corporate Secretariat, covering the Chief Executive Officer's Staff and the Board & Corporate Secretary.

<sup>(2)</sup> Includes: the Editorial Board for Information Programmes, Editorial Coordination for Television Scheduling, Mastheads, TV Channels and Genres, Creative Division, and Radio.

<sup>(3)</sup> Reporting to the Chief Digital Officer are: Digital, Teche and Public Service.

<sup>(4)</sup> Reporting to the Chief Technology Officer are: CTO's staff, Coordination of Standardization Activities and Special Projects, Quality and Planning, Technological Innovation and Testing Research Centre, Broadcast Services and Frequencies Management, Platforms and Distribution, ICT, Safety & Security, Real Estate Assets and Services.

<sup>(5)</sup> Reporting to the Chief Financial Officer are: Strategic Planning & Management Control, Administration & Finance, TV Licence Fees, Tax Affairs, Methodological Legal Support, and PMO.

<sup>(6)</sup> Includes, *inter alia*, Communications, External, Institutional & International Relations, Human Resources & Organisation, and Legal & Corporate Affairs.

# Letter to the Shareholders from the Chairperson of the Board of Directors

Dear Shareholders,

Rai ended the year 2018 with positive results all in all.

In terms of profit and loss, the reduction in the different sources of revenue was offset by an attentive and widespread rationalisation of operating costs that resulted in a break-even result. Net financial position deteriorated compared to 31 December 2017 but remained at sustainable levels.

From the editorial viewpoint, Rai continued its leadership of the domestic television market and its prominent position in the radio sector. In line with the strategic indications of the 2016-2018 Business Plan, Rai also made further steps forward to strengthen its presence in the digital environment.

Rai's production output achieved important goals in 2018, demonstrating an ability not to simply placate the audience's existing tastes, but also to encourage viewers towards higher and more sophisticated levels of quality.

In the television sector, the success of TV series continued and, like in past years, monopolised the rankings of the most watched titles. However, even more importantly, it attained the highest ever level on the Qualitel index, which reached an average value of 8.1/10. Rai's domestic offering is successful because it is competitive and influential internationally, which translates into strong and identifiably Italian projects in terms of content, settings, events and, overall, the celebration of the universal value of the stories and passions that fuel them. TV series also proved to be the content most viewed by the audience of regular Internet users in the Rai Play platform area.

Quality, innovation and high audience scores were also a feature of cultural programming. On Rai 1 alone there were 9 dedicated prime time evenings more than the previous year. Worthy of special mention was Alberto Angela's programme *Meraviglie* that posted a 23.4% share and an average of 5.6 million viewers per episode. *Ulisse* enjoyed similar success, with a share of nearly 20% and an audience of almost 4 million.

Rai's news offering – the key element of its role in Public Service and as custodian of the country's cultural identity – was authoritative and securely anchored in the values of pluralism and impartiality. Also considering the legitimate expectations surrounding Rai as the essential player in forming the country's civil conscience, we are without doubt seeking to provide increasingly factual, reliable, complete and polyphonic information that is open to the world.

We have catered increasingly for younger children, inspired by the ambition of being their first media space for fun and knowledge. Our established and targeted offering is designed to accompany them, with a constant eye on innovation, as they discover themselves and the world around them, helping them to understand that they matter, that difficulties can be overcome, that others can be friends, and that choices and actions produce consequences. We are seeking to deliver this through an increasingly integrated linear and non-linear offer. An identical approach applies to our offering for older children, with a special commitment to helping boys and girls grow up as citizens, to developing understanding and a critical spirit, to rejecting discrimination and to promoting confidence in their abilities.

The breadth, quality and variety of Rai's editorial offer has seen it retain its leadership in the television market with 36.3% share over the entire day and 37.5% on prime time. Rai also retained its place at the top also of audience ratings for specialised stations, with a 7.1% share over the entire day. In 2018, Rai Play consolidated and improved its performance, and recorded almost 123 million unique browsers, with 11% growth over the previous year, reaching 529 million views (+15.4%). Rai radio stations achieved 11.05% of the market share.

Without a doubt the most important major event in terms of governance and regulation was approval of the Service Contract. On 7 March 2018, the first five-year Service Contract with the Ministry of Economic Development was published in the Official Gazette. The specific rights and obligations of Rai referring to the period 2018-2022 were identified in this document.

Rai will have many new commitments to meet and these will make a big impact on its offering and industrial profile. As required, these commitments were described in detail, point by point, in specific operational projects and were adopted in the 2019-2021 Business Plan approved by the Board of Directors during its 6 March 2019 meeting. Said document contains the Television Offer Editorial Plan, the Information Plan, the Project for creating stations dedicated to the Foreign and English language offering, the Institutional Information Plan and the Linguistic Minority Protection Plan.

Within the time span of the Plan, Rai should complete its switch-over from Broadcaster to Public Service Media by focusing on intercepting users – especially those under 35 that are not particularly fond of the TV as a medium of reference – on the platforms they choose by combining the principles of universality and authoritativeness with the innovation of styles, languages and digital stations.

The shifting of users' consumer habits to IP and mobile platforms and to non-linear use models is becoming increasingly evident, starting from the most dynamic users. Millennials consider the web and social media as the main means of accessing news, which is therefore becoming more and more digital native, multi-format and multi-platform in order to adapt to more complex media journeys. With the switch-over to online, the creative ability to generate strongly identifiable content becomes an important competitive differential, to the detriment of the ability of mere aggregators / distributors to package content.

The media digitalisation process has caused a radical change in the competitive scenario, with the entry of large Internet players that have enormous financial resources to invest in content and with traditional players' searching for scale. In 2018 alone, three large M&A transactions that altered the relative strengths of the different competitors were finalised: the acquisition of Time Warner by AT&T, the acquisition of the majority stake in Fox by Walt Disney, and the acquisition of the controlling interest of Sky by Comcast.

In this global context, the Public Service Media – having, on the other hand, to bow to the peculiar obligations set to protect cultural identity and to protect the local media supply chain – must adapt their offer to the audience's new expectations, firstly by opening up to the scope for customisation allowed by the analysis of big data and by predictivity.

In order to best fulfil the mission of digital public service media companies (revised in light of the new market trends and people's habits) and to retain its status as the irreplaceable cultural ecosystem of Italy, Rai will therefore have to first of all refine its understanding of users' needs so that it can also offer innovative and distinctive content for digital platforms. Among its other priorities, Rai should profoundly revise its digital news offering in order to bring it into line with domestic and international best practices.

All the key enablers should obviously be oriented in the same direction in order to facilitate the change, starting from an organisation that has to centre around users and content, and from the men and women that work at Rai by significantly strengthening their digital skills.

Rai is a Public Service concessionaire, an organisation with public law aspects and a company of general interest, and for all these reasons is regulated by multiple policy and control authorities, each for its own sphere of competence. However, Rai is not a "public administration" as this would inevitably affect the possibility to carry out the mission entrusted to it, which is first of all to broadcast quality content while observing the principle of universality.

Rai operates in an increasingly tough market with a very high technological innovation rate. Technology, seen both as the way and the ability to transport content and as the means of receiving it, must be able to satisfy the consumer habits of the range of users over the span of the same day. The ability to execute strategic decisions – and the speed with which they are executed – are therefore essential requirements for keeping pace with the most advanced competitors. Stable governance and adequate, secure financial resources over the long-term are fundamental requirements for this.

We therefore wish to thank the Shareholders and Institutions for their trust and support, which will continue to hold our Company in good stead, even as we prepare to face the new and important challenges that the market and our public mission place before us. We wish to do likewise with all of our other stakeholders. On our behalf, and on the behalf of all the men and women that work at Rai with professionalism and passion, I can say with conviction that we are making, and will continue to make, all efforts to further increase the prestige and importance of this significant asset of our community.

## Financial Highlights

### Rai SpA

#### INCOME STATEMENT

(€/million)	FY 2018	FY 2017	Change
External revenue	2,404.5	2,443.9	(39.4)
External costs	(1,330.7)	(1,357.9)	27.2
HR expenses	(911.8)	(888.7)	(23.1)
EBITDA	162.0	197.3	(35.3)
EBT	(78.3)	(25.0)	(53.3)
<b>Profit/(loss) for the year</b>	<b>(33.8)</b>	<b>5.5</b>	<b>(39.3)</b>

#### CAPITAL STRUCTURE

(€/million)	31.12.2018	31.12.2017	Change
Equity	767.6	808.4	(40.8)
Net financial debt	286.0	181.0	105.0
<b>Total Financial Position</b>	<b>1,053.6</b>	<b>989.4</b>	<b>64.2</b>

#### INVESTMENTS

(€/million)	FY 2018	FY 2017	Change
Investments in programmes	184.2	200.0	(15.8)
Technical investments	89.9	84.3	5.6
Equity investments	0.0	0.2	(0.2)
<b>Total investments</b>	<b>274.1</b>	<b>284.5</b>	<b>(10.4)</b>

#### PERSONNEL

(units)	31.12.2018	31.12.2017	Change
Permanent and fixed-term employees	11,591	11,850	(259)
of which fixed-term	439	795	(356)

## Rai Group

### CONSOLIDATED INCOME STATEMENT

(€/million)	<b>FY 2018</b>	FY 2017	Change
External revenue	2,578.0	2,624.0	(46.0)
External costs	(986.8)	(1,033.8)	47.0
HR expenses	(1,006.2)	(983.3)	(22.9)
EBITDA	585.0	606.9	(21.9)
EBT	(6.3)	24.0	(30.3)
<b>Profit/(loss) for the year</b>	<b>0.0</b>	<b>14.3</b>	<b>(14.3)</b>

### CONSOLIDATED CAPITAL STRUCTURE

(€/million)	<b>31.12.2018</b>	31.12.2017	Change
Equity	453.0	480.1	(27.1)
Net financial debt	286.5	209.0	77.5
<b>Total Financial Position</b>	<b>739.5</b>	<b>689.1</b>	<b>50.4</b>

### CONSOLIDATED INVESTMENTS

(€/million)	<b>FY 2018</b>	FY 2017	Change
Investments in programmes	433.2	443.7	(10.5)
Technical investments	118.0	112.3	5.7
Equity investments	0.0	0.2	(0.2)
<b>Total consolidated investments</b>	<b>551.2</b>	<b>556.2</b>	<b>(5.0)</b>

### GROUP PERSONNEL

(units)	<b>31.12.2018</b>	31.12.2017	Change
Permanent and fixed-term employees	12,811	13,058	(247)
of which fixed-term	511	858	(347)



# Separate Financial Statements at 31 December 2018

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# Directors' Report

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## Mission

By Decree of the Italian President of the Council of Ministers, published in the Official Gazette no. 118 of 23 May 2017, Rai was established as the exclusive concession holder of the Public Radio, Television and Multimedia Service for a period of 10 years, starting from 30 April 2017, and the outline agreement attached to the concession was approved.

The subject of the concession is the radio, television and multimedia Public Broadcasting Service to be considered as a general interest service, consisting in production and broadcasting activity on all distribution platforms for direct audiovisual and multimedia contents, including through the use of new technologies, ensuring complete and impartial information, as well as to encourage education, civil growth, progress and social cohesion, promote the Italian language, culture and creativity, safeguard the national identity and ensure socially useful services.

The Service Agreement for the five-year period 2018-2022, published in the Official Gazette of 7 March 2018, was therefore signed.

## Market scenario

In 2018, the global media market was characterised by three major Merger and Acquisition transactions that further redefined the competitive environment and changed the balance of forces of the various competitors. In the second half of 2018, the **AT&T group**, the largest telco operator in the world, the number one provider of landline telephone services and the number two for mobile telephony in the USA, purchased Time Warner (now WarnerMedia) for USD 85 billion; this transaction also allowed it to enter the market for video on-demand, produce audiovisual content and strengthen its position in the pay TV segment. **WarnerMedia** manages **HBO (pay TV and OTT service - HBO go)**, **Turner** (publisher of television channels such as **CNN, Boomerang, Cartoon Network**, etc.), **Warner Bros** (active in the production of content) and also owns 10% of the service **SVoD Hulu**, in a joint venture with 21st Century Fox, Comcast and Walt Disney, each with a share of 30%. For its part, **Walt Disney**, one of the world's largest media conglomerates, initiated the acquisition of a majority stake in **Fox**, a subsidiary of Murdoch Group's 21st Century Fox. After about a year of negotiations and regulatory procedures, the acquisition was officially completed in March 2019. Disney, already owner of **film and television assets (Walt Disney Pictures, Disney Animation, Pixar, Lucasfilm)**, active in the publishing, merchandising and theme park markets, will acquire approximately **300 Fox television channels, including ABC, ESPN, FX 'Networks', National Geographic, and an additional 30% of the streaming service Hulu**. Finally, **Comcast**, the largest cable operator and internet provider in the United States, owner of **NBC Universal**, which controls the **NBC television network** and the **Universal Pictures film production company, DreamWorks Animation**, a **30% stake in the SVoD Hulu service** and numerous theme parks, **took over 39% of the Sky stake held by Murdoch's 21st Century Fox**.

In general, the strategy of these new ecosystems is to vertically integrate the production, distribution and sale of content. This is the direction taken by **AT&T and Walt Disney** in their **upcoming launch of their own on-demand video platforms**. The former will include, in a single subscription, the HBO offer, Warner Bros. films and TV series and all of Turner's information, sports and children's/youth channels. The Disney+ platform, instead, will include the Disney, Pixar, Marvel, National Geographic and 21st Century Fox productions in its catalogue. The entry into the market of the two new on-demand streaming services

will inevitably lead to the non-renewal of the license agreements they have signed with third-party publishers and Netflix in particular. In this way, the catalogues of the two services will have a whole series of titles and valuable content to be conveyed exclusively on their respective proprietary platforms.

In this scenario, all operators are looking for new balances. The strategy implemented by **Netflix** is heading in this direction and, to compete with the new platforms, it has increased its investment in original productions: the USD 8 billion planned for the production of new content increased in the third quarter of 2018 to USD 12 billion, thus doubling investment in 2016. Despite the fact that the number of subscribers to the service are continuing to grow (137 million globally – +7 million vs. June 2018 – of whom 78.6 million outside the United States) in 2018 Netflix also recorded a negative cash flow of about -3 USD billion. The estimates made by the operator confirm this trend also for the next few years and therefore a consolidation process cannot be excluded, involving the acquisition of Netflix itself.

The perimeter of the competition to win the share of attention is increasingly expanding and being redefined also with the entry of players from neighbouring markets and in particular from the **online gaming** market where *Fortnite* by Epic Games is the undisputed leader. Launched in 2017, the game reached, in November 2018, over 200 million registered players (+60% compared to 125 million in June 2018), with 80 million active players on a monthly basis and a peak of 8.3 million users connected simultaneously in November 2018. In Italy, according to data from the Digital Trends 2018 study by Ergo Research, there are about 14 million gamers (+1 million vs 2017); of them, 10.2 million claim to play at least once a week, and just over 5 million daily.

Also in the Italian market, during 2018, agreements were concluded between national and international players and Internet giants. The agreement signed between Mediaset and Sky is heading in this direction, redefining the competitive framework of pay TV in Italy. Again with a view to maximising the accessibility of the offer of audiovisual content on all platforms, the agreement signed between Sky and Netflix is included; the deal will see them present, starting in 2019, the media box launched by Sky in Italy at the end of 2017 on the SkyQ platform. The service will initially be activated in the United Kingdom and Ireland and will then be extended to Germany, Austria and Italy. The agreement signed between Tim Vision and Amazon also falls within this context, thus

making the catalogue of the SVod Prime Video service accessible to telco users. These partnerships allow the OTTs to link their own customer base with those of the pay and telco operators, consolidating the overlapping area already in place and implementing strategies of complementarity and not of competition between services; for pay operators, it is a way to protect themselves against cordcutting processes.

For their part, OTTs are continuing to increase investments in content, especially in original productions, and to diversify the offer in order to be increasingly competitive and able to intercept the global market. Also from the results of the study by the Ampere Analysis Institute, in the last two years, there has been a significant growth in content for SVoD services (+40%, in the twelve countries considered, including Italy), which reached 160 thousand titles in 2018.

The on-demand video market is still expanding, driven by digital innovation, with a strong impact on both the supply side – production and distribution – and the demand side. This innovation process is inevitably changing the behaviour and habits of consumers, who are increasingly oriented, in the choice of service, by the content proposed. Users are asking operators to be guided in their choices, to live engaging user and navigation experiences, captivating content made available on multiple platforms, effective recommendations and a constant development of new features and technologies.

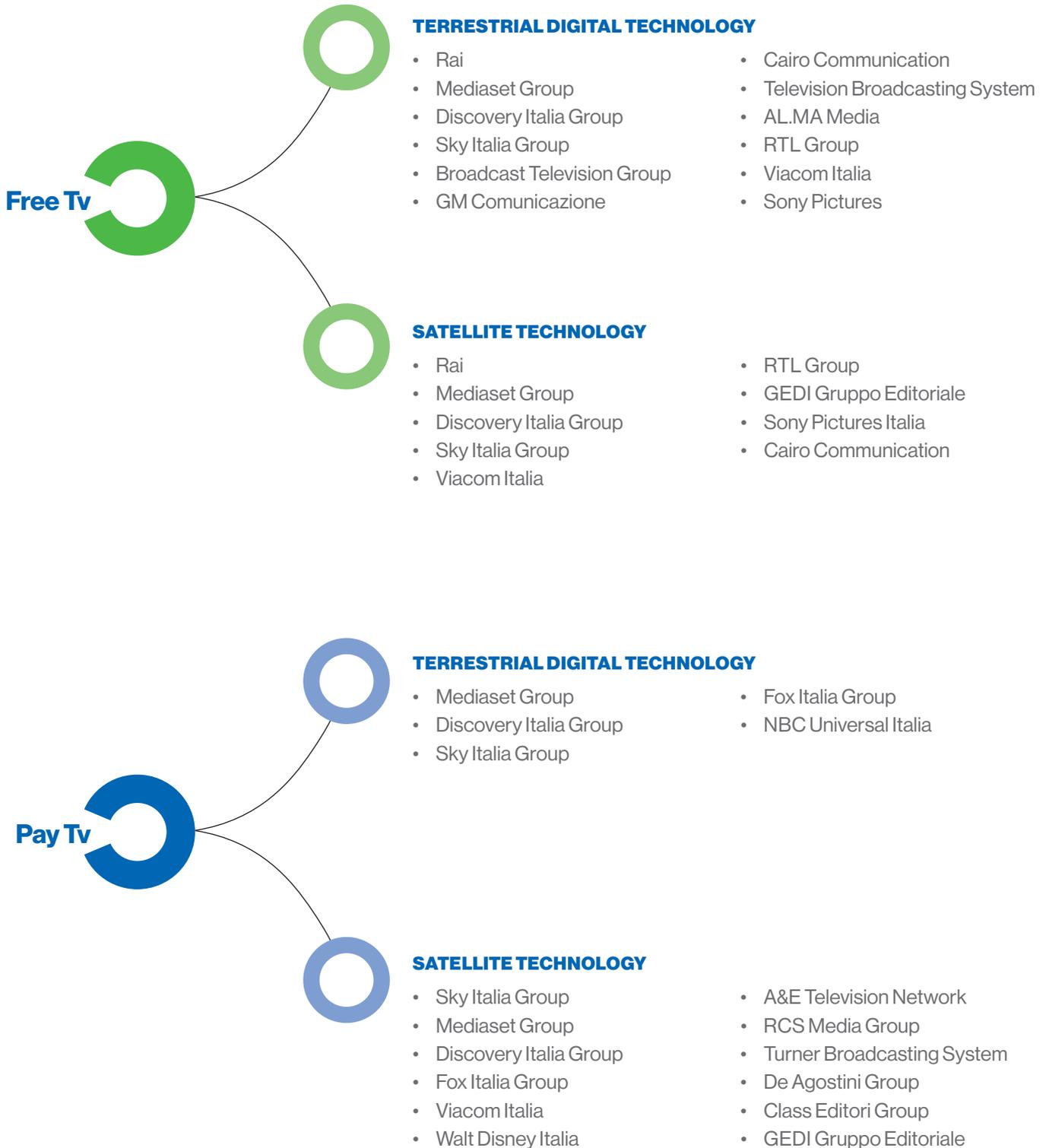
According to the most recent study by Ergo Research and Ampere Analysis, in Italy the *mean time budget* (average day) is 6 hours and 24 minutes, of which 60% (3 hours and 50 minutes) is dedicated to video consumption: of these, 77% are in *linear* mode (free and traditional pay TV) and 23% in *non-linear* mode (SVoD/TVoD/EST, Catch up/AVoD and on-demand Pay TV).

Compared to the use of the various devices, there was an increase in almost all devices, for use in *non-linear mode*, in particular for the smartphone (+2.8%), which reaches the connected TV at 7%.

The percentage breakdown by gender and age group shows that *non-linear* consumption tends to be prevail more among males (27% vs. 19% women – 15+ individuals) and younger; the phenomenon of *de-linearization* is growing with decreasing age, with more than 50% of the 15-24 year olds claiming to enjoy video content mainly in *non-linear* mode and on the other hand more than 85% of people over 55, who claim to enjoy content mainly in *linear* mode.

## MAIN TELEVISION OPERATORS WITH REGISTERED OFFICE IN ITALY

(source: Confindustria Radio TV)



The process of *de-linearization* does not determine an abandonment of the traditional television content, but rather an extended, *multi-device* and multi-platform fruition. In this sense, in 2018 there was a 6% increase in the number of individuals (15+) who benefited from a TV/AVoD Catch up service in the average day, reaching 5.2 million; users of SVoD services are also growing by 22%, from 3.7 million in 2017 to 4.5 million in 2018, again on an average day. Users using Pay TV in non-linear mode (Sky on-demand) reached, again on an average day, 3 million, with significant overlapping areas. It is estimated for 2018 that a pool of 1.9 million families have a subscription to traditional Pay TV and an SVoD service at the same time. With regard to Tv/AVoD Catch-up services, the catch-up function is confirmed: 59% of the sample declared to use television contents within one week of broadcast.

As regards the competitive scenario of on-demand video in Italy, in addition to the aforementioned TV/AVoD Catch-up services of national broadcasters, there are multiple SVoD service offerings, characterised by different business models: subscription proper Netflix, Infinity and Now TV; embedded services (which complement/integrate another offer/service) TIMVision and VodafoneTV; a different case is that of Prime Video which is not the subject of a direct subscription, since the service one subscribes to is that of delivery with short delivery times (*Amazon Prime*), which includes, at no additional cost, a VoD platform (*Prime Video*), which is therefore perceived as being free of charge. Compared to the number of subscribers, in June 2018, Netflix had 2.8 million active households, followed by Prime Video 2.1 million, TIMVision 1 million, Infinity 760 thousand, Now TV 365 thousand and Vodafone TV 135 thousand.

In addition to these platforms, since July 2018, the DAZN service has been available; it is the first international live streaming and on-demand service entirely dedicated to sport, owned by the Perform Group. In September 2018, based on the analyses carried out by Ampere Analysis, it had around 520 thousand subscribers, with a 2% penetration in Italian households.

Among the different catchment areas of users of Tv/AVoD Catch-up and SVoD services, there are large overlapping areas, where the content and a satisfying user experience compete for the share of attention.

For the audio world, the equivalent of video on-demand is represented by podcasts, the technology that allows you to access audio content via the Internet through any connected device (PC, Smartphone, Tablet and Smart Speaker). According to the findings of a Nielsen survey (2018) on the audio market in Italy, *United States of Podcast - Le parole incontrano il digitale*, there are 2.7 million Italians who use it regularly, or 14% of individuals over 18 years of age, up 217% compared to 2015 (850 thousand). Among the podcasts most listened to, those of the musical genre (45%) rank first, followed by those concerning news (36%), entertainment/in-depth programmes (28%), reports (21%), language courses (20%), and self-help (13%). Home is the preferred place to listen to them (66%), followed by the car (28%), public transport (18%), the workplace (9%), during sports (9%), at the home of friends/relatives (7%), at school (4%), or at the library (4%). As regards the profile of the typical podcaster, for men, the average age is 25-40 years, with a good education, looking for in-depth sports news and business content; for women, the average age is 18-30 years, always with a good level of education, interested in emotional storytelling.

Among the other developments and innovations brought by technological progress are the already mentioned smart speakers, voice assistants based on artificial intelligence and machine learning that are able to interact with people through voice commands. By means of special algorithms, these devices are able to recognise a person's voice and commands by activating a series of actions and refining their skills, thanks to machine learning. Voice assistants, according to the study *Digital News Report 2018* by the Reuters Institute for the Study of Journalism (University of Oxford) are mainly used to listen to music (77%), search for weather forecasts (67%), ask for information in general (61%), set alarms (47%), access news (43%), do shopping (18%) and listen to podcasts (14%).

In October Amazon launched, also in Italy, *Alexa*, a cloud-based voice service. The e-commerce giant was anticipated by Google which, in spring 2018, began to market the *GoogleHome* and *GoogleMini* devices active with the *Assistant* system.

The *Amazon Echo* smart speaker can be enriched with skills, i.e. with additional features, which the *Alexa* assistant can use, for example, to play music, to provide news, sports results and weather forecasts. The main operators in the media sector that are investing in *Echo*

also include Rai, which has created the skills *GrRadio* and *GrSport*, while the Mediaset group has made available that of TGC24. Among the operators of the "ex" printed press, there is the 24 Ore group with the skills *ilsole24ore.it* and *Radio24*, which provide news on the economy, finance and politics and the Gedi group, with the skill *repubblica.it* and *Radio DeeJay*, which offer news and music.

Based on official Nielsen figures, the advertising market reported a drop in 2018 of 0.2% compared to 2017 in Italy, from €6.252 billion to €6.238 billion. Considering also the Search and Social component, according to Nielsen estimates, the advertising investment market grew by 2% from €8.248 billion to €8.411 billion.

As regards the breakdown of advertising revenues among the various media, TV recorded a slight growth compared with the previous year (+0.6%), Radio continued its positive trend with +5.5%, and the Digital Advertising segment grew by 4.5% (+8% including Search and Social). By contrast, the printed segment is still down: -6.2% for newspapers and -8.2% for magazines. The negative trend also continued for the Outdoor (-8.6%) and Direct mail (-6.6%) segments; on the other hand, advertising sales for Cinema (+6.4%), Transit (+11.8%) and GoTV (+16.1%) were up.

In the **television market**, in terms of advertising revenue by individual publisher, Rai recorded a 3.3% drop, La7 an 8.8% increase, Sky a 2.5% increase, Discovery a 1.2% increase and Mediaset a 0.8% increase.

Again in the advertising market, based on the data presented by the Internet Media Observatory (2018) of the Politecnico University of Milan, considering the mode of purchase of advertising space, Programmatic Advertising (purchase and sale of individual impressions in real time through technologically automated platforms, with or without auction assignment models) continued to show a positive trend, though weaker compared to previous years, reaching a total of €482 million in 2018 (+18% compared to 2017), accounting for 26% on total Display Advertising and 16% on total Digital Advertising. A strong boost came from *Video*, which in 2018 accounted for 40% of the entire segment.

According to the analysis of the Politecnico University of Milan, another type of advertising that is growing strong is represented by Native Advertising, present in all Digital Advertising segments (Display, Search, Classified and Email). A format can be defined native if it rests on two pillars: consistent content, i.e.,

the advertising space is consistent with the context in which it is placed and features a message similar to that of the page of the website or application; consistent form, i.e., the advertising space is graphically and stylistically consistent with the context in which it is placed (website or App). The following formats fall into this category: in-feed units, in the form of content feeds (which are inserted within the fruition of the content and are consistent with the look-and-feel of an editorial site), social feeds (which are the spaces within the feed of a Social platform) and promoted feeds (which are found on sites that do not have an editorial content structured, such as classified ads sites or eCommerce), recommendation widgets (spaces that are usually placed at the end of an online editorial content and that offer users a series of possible links of interest, included sponsored links, to its possible users) and the entire *search* world. The overall Native market is registering, year on year, significant growth (+31% vs 2017) reaching a value of €49 million in 2018 compared to €38 million last year.

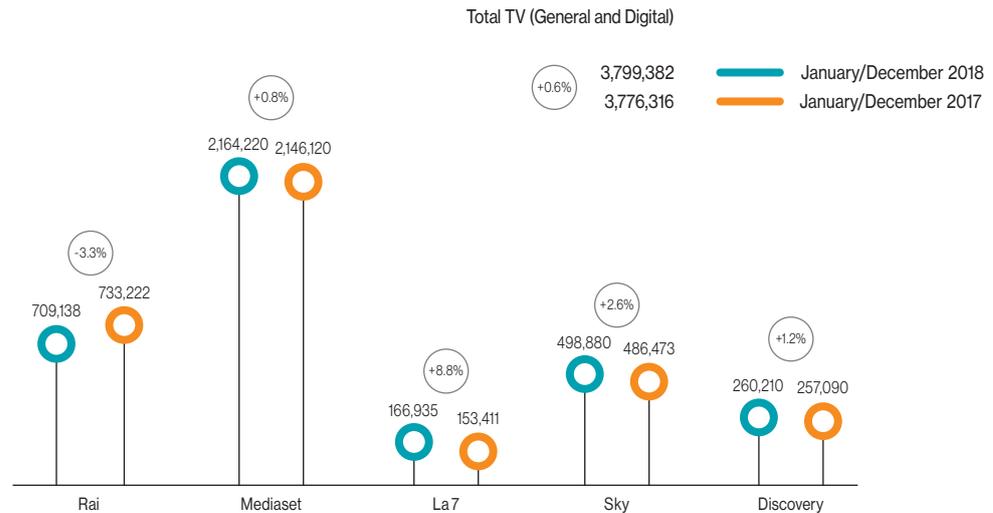
The main publishers continued their portfolio diversification in 2018, creating highly specialised channels, while players from other editorial sectors, platforms or other markets (Telecommunications and Internet Giants) continued to expand their offering often overlapping that of traditional television broadcasters.

Compared with the satellite platform, the share of Sky subscribers is slightly down, reaching a value slightly below 4.3 million households (which do not include the share of households subscribing to Sky through DTT).

Also among pay-TV services, Mediaset Premium, broadcast via DTT, is said – according to independent market surveys (Ergo Research) – to have a value of slightly over 1.4 million subscribers. On the other hand, there was an increase in the use of the free satellite platform TivùSat, which in the period under consideration reached 3.4 million active smart cards (+13% compared to 2017) and more than 2.3 million users (operator data).

**ADVERTISING MARKET ESTIMATES - TV (NET FIGURES)**

(source: Nielsen, €/’000)



The following changes occurred in 2018 in terms of the competition framework:

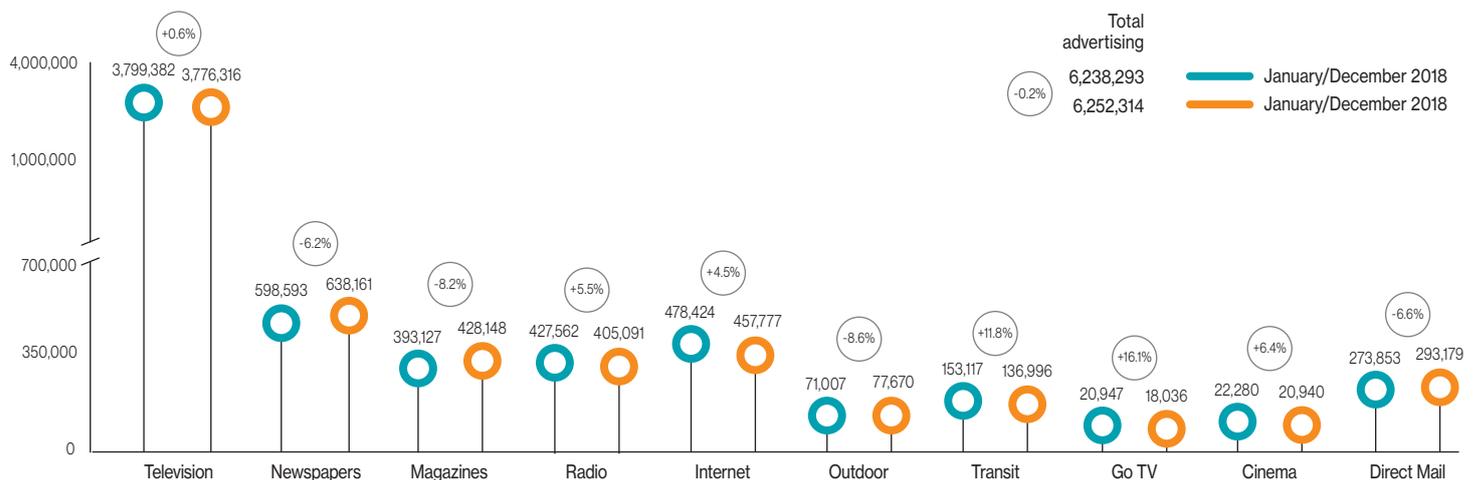
- January: DeeJay TV returns to DTT free in position 69;
- April:
  - Mediaset Channel 20 starts broadcasting;
  - Mediaset launches a brand restyling of the free offer on digital terrestrial technology;
  - Rai launches RaiPlay Yoyo dedicated to children and families, available for free for iOS and Android;
  - Mediaset re-brands Canale 5;
  - Italia2 is only visible on LCN 120 and no longer on LCN 35 (DTT free), where Mediaset placed the Focus channel, dedicated to cultural dissemination. The

position previously occupied by Focus (LCN 56 DTT free) is occupied by the new Discovery Motor Trend channel;

- May: Sky/Mediaset agreement;
- June: Rai launches two specialised digital radio channels, Rai Radio1 Sport and Rai Radio2 Indie, spin-offs of the two generalist channels;
- July: the DAZN SVoD service of the Perform group was launched in Italy as well;
- September: Mediaset repositions Rete 4;
- October: Alma Media launches Pop Economy on DDT channel 224;
- November, after purchase by the Mediaset group (RadioMediaset), the Virgin Radio TV channel is launched on DTT (LCN 157).

**CHANGES IN ADVERTISING REVENUE BY MEDIUM - NET OF INTERNET DESK (SEARCH AND SOCIAL)**

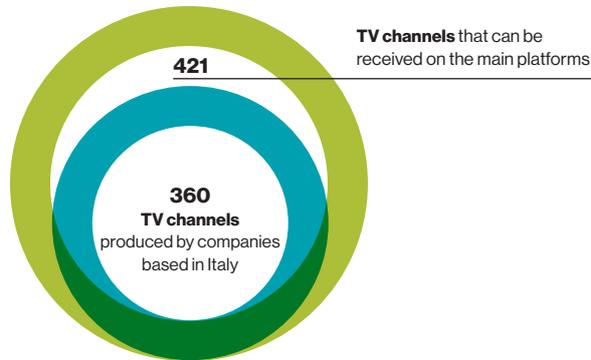
(source: Nielsen, €/’000)



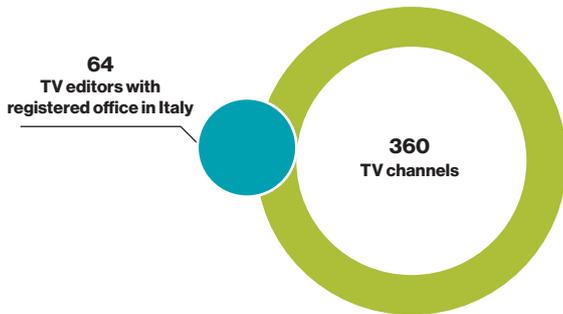
As of December 2018 there was a total of 360 TV channels under TV editors – net of any duplications – available on DTT, DTH or both platforms; of these, 53 are available only on the DDT terrestrial platform, 231 only on satellite (free and pay) and 76 are available on both platforms. In terms of the business model, a total of 138 free channels are available, 76 of which can be seen on the TivùSat platform; 222 channels net of duplications, of which 210 are visible only on Sky, 10 exclusively on the Mediaset Premium platform and 2 channels visible on both pay services. There is an increase in the offering of HD channels, which reach 112 channels (31% of the total), net of overlapping on the various platforms. HD channels are mainly present on satellite (110 channels).

## TV channels in Italy

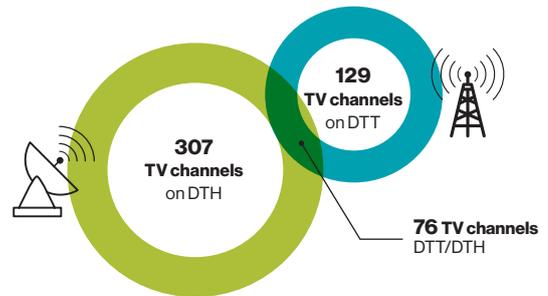
(source: Confindustria Radio TV)



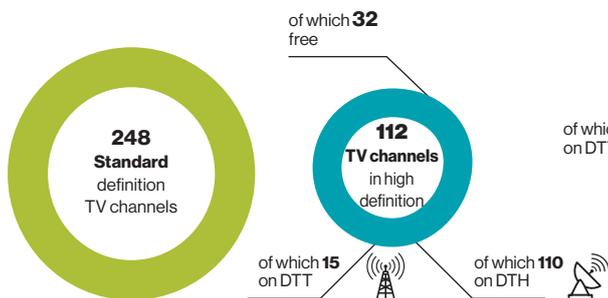
### Editorial Groups and TV channels



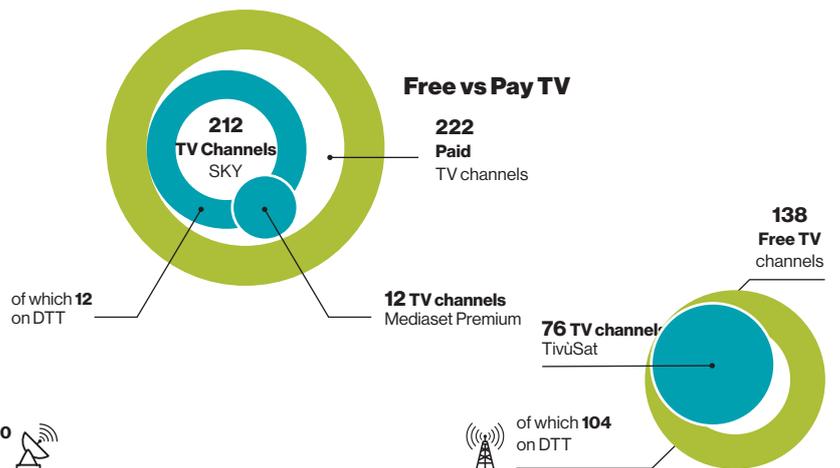
### Technology Platforms



### HD and others

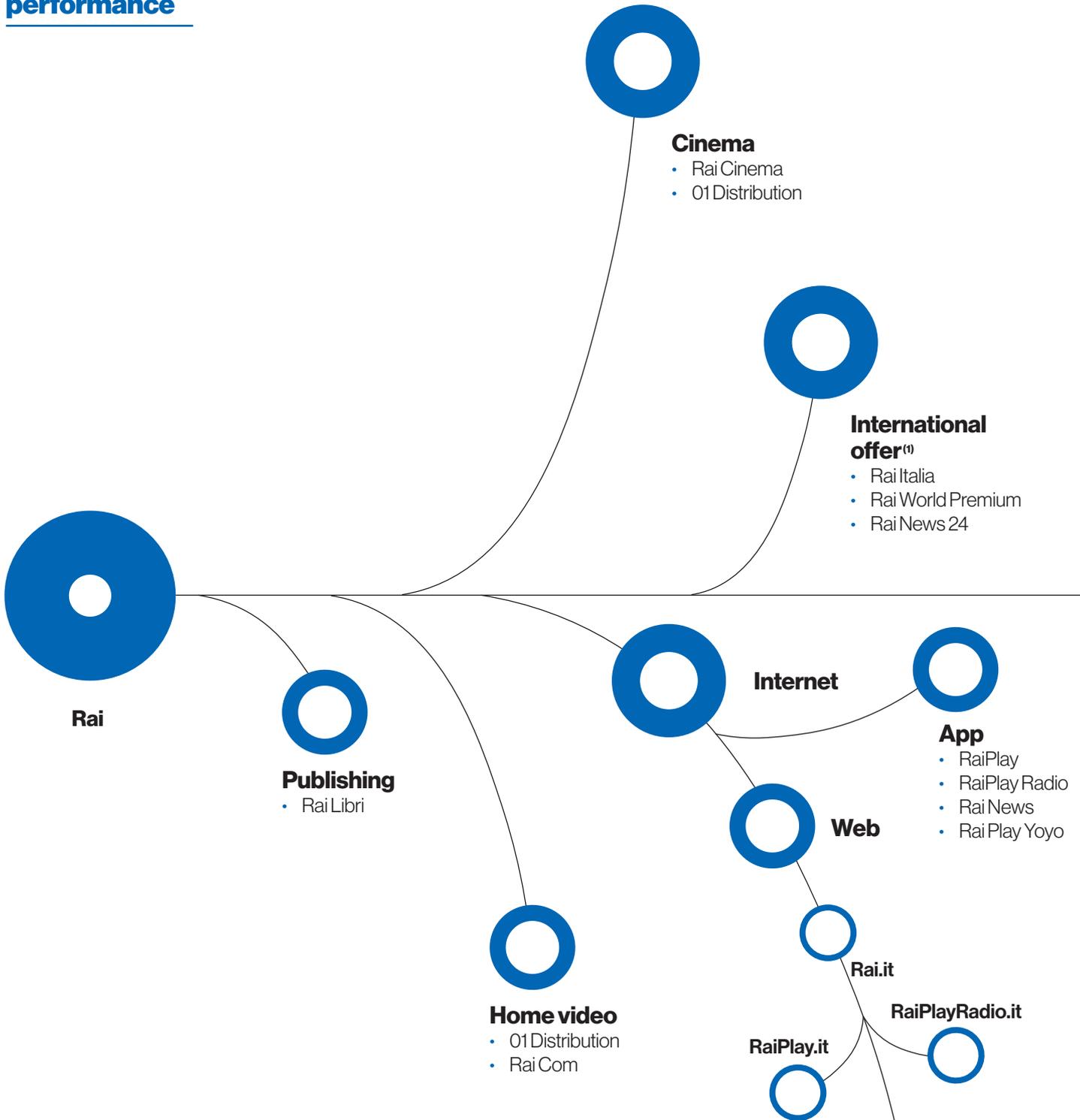


### Free vs Pay TV



# The Rai product offer and performance

## Map of the offer



Note:

<sup>(1)</sup> Rai's offering is enhanced by the re-proposal of some national channel broadcasts with different procedures, based on the region world.

<sup>(2)</sup> The radio offering is also available on digital terrestrial and satellite TV, on the web and on RaiPlay Radio app. The specialised channels (Rai Radio Tutta Italiana, Rai Radio Classica, Rai Radio Techetè, Rai Radio Live, Rai Radio Kids, Rai Radio 1 Sport and Rai Radio 2 Indie) are only available on digital terrestrial and satellite TV, Dab+, the web and the RaiPlay Radio app.

<sup>(3)</sup> The television offering is available on DTT, satellite and RaiPlay.

<sup>(4)</sup> Can only be viewed on Tivù Sat.

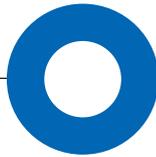
<sup>(5)</sup> Visible on DTT in areas reached by MUX5 and on Tivù Sat.



### Radio<sup>(2)</sup>

- Rai Radio 1
- Rai Radio 1 Sport
- Rai Radio 2
- Rai Radio 2 Indie
- Rai Radio 3
- Rai Isoradio
- Rai Gr Parlamento
- Rai Radio Tutta Italiana
- Rai Radio Classica
- Rai Radio Techeté
- Rai Radio Live
- Rai Radio Kids

### Television<sup>(3)</sup>



#### Generalist channels

- Rai 1
- Rai 2
- Rai 3
- Rai 1 HD
- Rai 2 HD
- Rai 3 HD



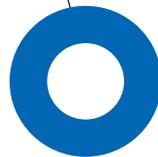
#### Semi-generalist channels

- Rai 4
- Rai 5
- Rai Movie
- Rai Premium
- Rai 4 HD<sup>(5)</sup>
- Rai 5 HD<sup>(4)</sup>
- Rai Movie HD<sup>(4)</sup>
- Rai Premium HD<sup>(5)</sup>



#### Special-interest channels

- Rai News 24
- Rai News 24 HD<sup>(4)</sup>
- Rai Storia
- Rai Storia HD<sup>(4)</sup>
- Rai Scuola
- Rai Scuola HD<sup>(4)</sup>
- Rai Sport
- Rai Sport+HD
- Rai Gulp
- Rai Gulp HD<sup>(4)</sup>
- Rai YoYo
- Rai YoYo HD<sup>(4)</sup>



### Information

- TG1
- TG2
- TG3
- TGR
- Rai Parlamento
- Rai Sport
- Rai News 24
- Teletvivo
- Giornale Radio Rai
- Gr Parlamento

### Rai offer

The Rai Group ensures a vast and diversified Public Broadcasting Service offering, present on all platforms, able to address the public in all its forms, in line with the provisions of the 2018-2022 Service Agreement, which commits Rai to expanding its activities and diversifying its television, radio and multimedia offering.

A series of important initiatives, promoted by Rai, concerns the complex theme of audience surveys and systems for measuring television, radio and digital audiences. In this context, the Group's commitment to promoting transparent audience measurement systems, inspired by international best practices, shared as much as possible among all operators in the sector and in line with the requirements of the Communications Authority, continued in 2018. The Company sustains and promotes an audience measurement approach through the *Joint Industry Committee* or the like, as in the case of Radio, which currently measures the audiences of TV and Digital and includes editors and associations that combine advertising investors and communication operators (UPA, Assap/Assocom). In the case of radio, Rai has maintained its leading role within the Tavolo Editori Radio, a *Media Owned Committee* that brings together all national editors and associations representing local broadcasting, working for the consolidation and implementation of the survey system; the 2019 survey will be carried out following on with the plan adopted for the year 2018.

The technical and methodological innovations developed in 2018 therefore specifically

concerned the systems for measuring television audience and online publishing.

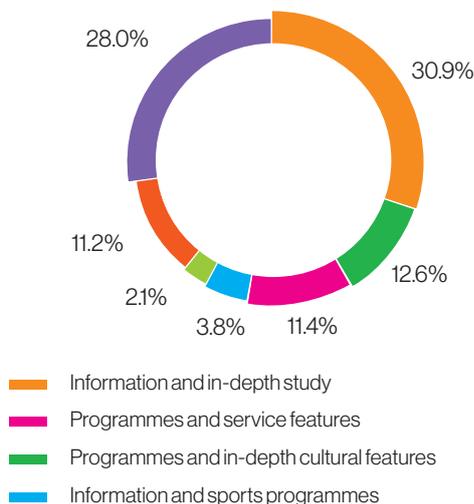
In detail, as regards the television audience survey, **Auditel** is continuing its multi-year evolution plan centred on the **"Total Audience"** project for measurement and integration within the Auditel standard of audiences of TV content delivered via the web and used on digital devices (PC, Tablet, Smartphone and Smart TV).

Similar to the approaches from the international scenario, the measurement of digital use will be based both on the use of census data, collected with the active collaboration of publishers (therefore with measurement of all consumption), and on the survey via panel, necessary for the socio-demographic profiling of the users of the specific online contents. As regards the measurement panel, since August 2018 Auditel has had the largest continuous measurement sample in the world compared to the population represented – equal to households and including about 43 thousand individuals over 4 years of age – to which it could potentially draw for the extension of the survey to uses in the digital environment. The ultimate goal is to identify a single set of measurement indicators covering all modes for viewing video content: live streaming, deferred and on-demand.

It is also worth noting Rai's active role at Auditel, as well as in any other similar body, to ensure verification and compliance with all issues related to both the processing of personal data of users collected on the property of publishers and the assignment of processing roles for the purposes of GDPR legislation.

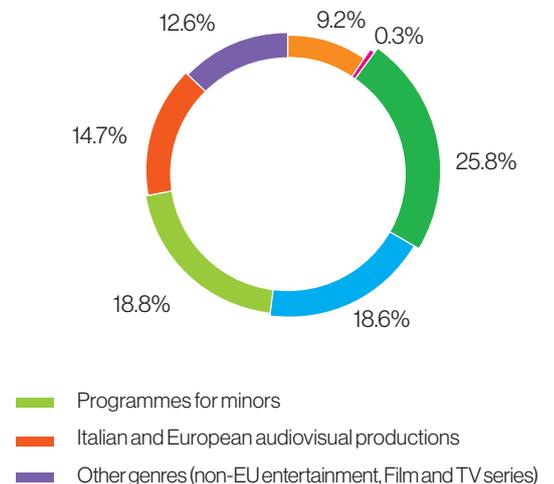
### PROGRAMMING BY GENRE ON GENERALIST NETWORKS

(Source Rai)



### PROGRAMMING BY GENRE ON SPECIALISED NETWORKS

(Source Rai)



These data protection aspects will be the subject of specific definitions in the context of the survey contract of new audiences that Auditel is developing with the help of all interested publishers and with the support of the respective Data Protection Officers. This need originates from the technology used for the measurement of census data, based on the installation by publishers of a software, called SDK, in their video players being surveyed. The SDK "reads" the behaviour of users on the properties thus "tooled" (start of the fruition of a video, stop, etc.) and transfers the consumption data collected by the servers of the publishers/advertising concession holders to those of Auditel and its technological partners, always and only for purposes of accurate measurement of digital audiences and individual programmes.

As far as the survey of digital audiences in general is concerned, in June 2018 **Audiweb** started the production of audience data with the new methodological system called *Audiweb 2.0*, the result of an intense study carried out in the previous two years to overcome the shortcomings of the survey conducted up to then. The new system, in line with the general trend of the market, makes it possible to produce audience data more quickly (on a daily/weekly basis), measure the total audience of Publishers for PC/Mobile use, consistently attribute the consumption deriving from content distribution platforms (such as Google AMP and Facebook Instant Article) to publishers, extend the video survey to mobile use, distribute a richer and more stratified planning tape, with the addition of new levels of profiling (identification of the person responsible for the purchase, presence in the family of children aged 0-2 years).

Audiweb 2.0 was designed to provide a much more timely and accurate representation of the new ways of consuming editorial content online (not specifically on the programming of broadcasters, a task entrusted to Auditel), increasingly used on the move, especially by younger population groups; this is a useful representation for a market characterised by a large number of national publishers and the presence of major international players (such as Google and Facebook) who, because of their ability to collect large amounts of traffic, are not very interested in developing surveys based on methodologies shared with national publishers and with the advertising investors represented by UPA.

As in the case of Auditel, with regard to privacy issues, for Audiweb too Rai has been actively involved in Fedoweb (the trade association

of online publishers to which the Company belongs and through which it is represented in the corporate bodies of Audiweb), promoting verification activities on the processing of personal data of users through the SDK, the preparation of adequate documentation in this regard in the Policy (the document distributed through the industry authority that constitutes an obligation of transparency for the Company on the methods used), consultation of Audiweb with the Privacy Authority, including the analysis of the roles of persons involved in personal data processing.

Finally, with regard to the survey of radio audiences, in 2018 the survey of listeners conducted by TER went fully into operation, the first edition of which was carried out in 2017 with some problems due to operational delays in the start-up phase, highlighted during the survey, which had led to a revision of the measurement periods and a delay in the timing of data dissemination for the same year.

### Digital terrestrial and satellite television

Rai, among the operators active on the market, proposes the largest offer on the DTT platform with 14 nationally broadcast channels:

- 3 generalist networks: Rai 1, Rai 2, Rai 3 available both in SD and HD;
- 11 semi-generalist or specialised networks: Rai 4, Rai 5, Rai Movie, Rai Premium, Rai News 24, Rai Storia, Rai Scuola, Rai Sport, Rai Sport +HD, Rai Gulp and Rai Yoyo. Of these, Rai 4 and Rai Premium are also available in HD.

Digital satellite has a complementary function and makes it possible to reach parts of the population not covered by DTT. Based on the model of experiences in other countries, Rai – along with, Telecom Italia, Confindustria Radio Tv and Aeranti-Corallo – contributed to create the free TivùSat platform. Fourteen Rai channels are available on that platform, including in HD mode. In addition to and to support the linear television offer, Rai proposes interactive applications and on-demand video services via internet that can also be used on connectible TVs (Smart TV or through certain types of interactive decoders).

From an editorial point of view, in keeping with the scenario described above, Rai has operated taking inspiration, also in 2018, from the parameters of innovation, diversification and originality of its products.

The Rai offer is aiming increasingly to make prime time "events," international serial co-productions and sport.

For the latter, in particular, since 2018, the rights to broadcast the Champions League matches have been acquired and the men's and women's volleyball world championship has been scheduled.

Throughout the year, special attention was paid to the issue of women, violence on women and equal opportunities, both in entertainment and drama productions and in the information containers.

The winning theme of the year was "innovation in the footsteps of tradition," interpreted differently by and in line with the identity of the three generalist networks:

- Rai 1 brought back, after seven years, the format *La Corrida* with success;
- Rai 2 re-proposed Renzo Arbore and his winning style of making shows and music on TV, innovating forms of expression and expanding its audience;
- Rai 3 succeeded in the long-awaited operation of reinventing *La Tv delle ragazze* (The girls' TV), putting long-established actresses and female comedians with those of the new generation on the screen.

In 2018, drama exalted Italian culture, history and literature through an exciting and engaging language for the whole family. In addition to these themes, it also developed crime stories and biopics, genres capable of attracting wider audiences (in particular for series programmed on Rai 1) and specific targets (for the other networks/broadcasting platforms).

The year 2018 also confirmed, thanks to co-productions, the consolidation of Rai in the global market. After the important agreements concluded in recent years with HBO and Netflix (e.g., *I Medici* and *Suburra*), Rai continued this strategy by co-producing *L'amica geniale* with HBO and will continue to do so in 2019 with the long-awaited series *Il nome della Rosa*, a Rai co-production with AMC and Tele München, as well as with *Leonardo*, which sees the involvement of France Télévisions and Zdf. In addition to having obtained very high linear ratings, Rai's drama, thanks to titles such as *L'amica geniale*, *Rocco Schiavone* and *Il cacciatore*, has been a premium product for RaiPlay and has also obtained important results on third-party platforms such as Prime Video and Netflix. The innovative format of *Il Paradiso delle Signore - daily*, in addition to having renewed Rai 1's afternoon slot, has created a growing loyalty of public becoming the programme that on average gets more weekly views on RaiPlay (about 1 million).

**Rai 1** has confirmed its ability to know how to create and reinvent the top event par excellence of the Italian media market: the *Festival di Sanremo*.

The 68th edition of the Festival, with a 52% share, recorded the best result since 2005; this success, not at all obvious and even less so "automatic" since, in the course of its long life, this brand has also experienced challenging moments, which have made it consider a downsizing or even a possible interruption (as happened to other brands such as *Miss Italy*). In recent editions, however, there has been an unprecedented escalation of successes, until the result of 2018, which places it among the most watched in history.

*The Sanremo Festival* was not the only great musical programme on the network. In 2018, there was still a strong presence of music and dance in prime time, thanks to events dedicated to Claudio Baglioni, Roberto Bolle and Pino Daniele with the tribute concert *Pino è*.

Again as regards the entertainment genre, as mentioned above, Rai 1 has followed the international trend of "innovation in the footsteps of tradition" with the revival, after seven years, of *La Corrida*. The title, exploited for a long time and partly deteriorated by imitations and spin-offs, was offered in a new guise, obtaining excellent results for all six episodes, with an average share of 24.5%.

In June the Network experimented with a new musical format, *Ora o mai più* (Now or Never), which, thanks also to the hosting style of Amadeus, was very successful (21.6% share). Particularly noteworthy, both in terms of audience results (+1.5% compared to last year) and in terms of image, are the prime-time events linked to culture. Specifically, with *Stanotte a Pompei* (Tonight in Pompeii) and *Meraviglie*, Rai 1, with Alberto Angela, once again succeeded in making the mainstream public passionate about historical and cultural topics.

Also from the sporting point of view, the flagship network presented great new features. Since September 2018, as mentioned, the UEFA Champions League has returned to Rai 1 again after more than twenty years of absence, thus providing an additional free premium service to its viewers and totalling ratings that exceeded the average share of 19% (for the six games aired in 2018) with peaks of 24% for the Juventus-Manchester United match on 7th November.

Rai 1 is also the "window on the world of Italians," the reference point for information even in the case of major current events and news. On 14th August, for the collapse of the Morandi bridge in Genoa, the network was covered the site of the catastrophe, providing details and information, acting as an information compass for the entire country.

## THE MOST VIEWED PROGRAMMES (TOP 3)

(source: Auditel - For the programs with various episodes, the audience of the most viewed episode is shown)

	Title	Channel	Date	Audience	Share
Film	1 Quo vado?	Canale 5	08/01/2018	6,296,000	24.8%
	2 Cinderella (by K. Branagh)	Rai 1	05/01/2018	5,651,000	23.6%
	3 Mary Poppins	Rai 1	28/12/2018	4,859,000	22.4%
Italian TV dramas	1 Il commissario Montalbano	Rai 1	12/02/2018	11,783,000	45.6%
	2 Don Matteo 11	Rai 1	11/01/2018	8,475,000	30.7%
	3 La mossa del cavallo - C'era una volta Vigata	Rai 1	26/02/2018	8,190,000	32.6%
Entertainment	1 68 <sup>th</sup> Festival di Sanremo	Rai 1	10/02/2018	12,207,000	58.3%
	2 Sanremo start	Rai 1	10/02/2018	10,941,000	42.9%
	3 Striscia la notizia	Canale 5	27/02/2018	6,994,000	24.3%
Sports special features	1 Uefa Champions League matches	Canale 5	11/04/2018	5,096,000	25.0%
	2 Balalaika - verso la finale	Canale 5	06/07/2018	3,111,000	19.1%
	3 Tiki Taka Russia	Italia 1	26/06/2018	2,633,000	14.5%
Sports	1 Football World Cup matches	Canale 5	15/07/2018	11,689,000	66.2%
	2 Uefa Champions League	Canale 5	11/04/2018	10,926,000	38.8%
	3 Coppa Italia matches	Rai 1	09/05/2018	10,585,000	39.0%
Religion	1 Tgt: Fabrizio Frizzi's funeral	Rai 1	28/03/2018	5,178,000	42.6%
	2 Rito della Via Crucis	Rai 1	30/03/2018	4,473,000	19.0%
	3 Angelus	Rai 1	01/01/2018	3,213,000	23.6%
Service	1 La notte di Andrea Bocelli	Rai 1	09/09/2018	3,907,000	21.5%
	2 Festa di Natale - una serata per Telethon	Rai 1	15/12/2018	3,160,000	16.1%
	3 La partita del cuore (Charity football match)	Rai 1	30/05/2018	3,127,000	14.5%
Cartoons	1 Sleeping Beauty	Rai 1	27/12/2018	5,261,000	21.3%
	2 Cinderella	Rai 1	26/12/2018	5,105,000	21.0%
	3 Snow White and Seven Dwarfs	Rai 1	25/12/2018	4,685,000	21.3%
Science and environment	1 Linea Verde	Rai 1	25/02/2018	3,725,000	20.7%
	2 Super Quark	Rai 1	04/07/2018	3,090,000	16.1%
	3 Linea Bianca	Rai 1	03/03/2018	2,471,000	12.5%
Culture	1 Meraviglie - La penisola dei tesori	Rai 1	17/01/2018	5,937,000	24.0%
	2 Ulisse - il piacere della scoperta	Rai 1	20/10/2018	4,534,000	22.6%
	3 Stanotte a Pompei	Rai 1	22/09/2018	4,394,000	24.8%
Investigations	1 Porta a porta speciale	Rai 1	26/03/2018	3,808,000	25.0%
	2 Di martedì	La7	29/05/2018	3,014,000	14.0%
	3 Il massacro silenzioso dei cristiani	Rai 1	30/03/2018	2,898,000	13.0%
Current events	1 Message from the President	Unified network	31/12/2018	10,423,000	61.3%
	2 Che tempo che fa	Rai 1	04/03/2018	4,789,000	18.0%
	3 La vita in diretta	Rai 1	26/03/2018	3,005,000	23.6%

The network's day time saw great and important new features. Mara Venier's return to *Domenica In* brought Rai 1's festive afternoon back into vogue, reaching levels of audience that had not been recorded in at least five years. In addition, thanks to a complete overhaul, it was possible to achieve a brilliant growth of audience in the time bracket from 2 p.m. to 4:30 p.m..

In 2018 the tendency to "create events" in programming also started for Rai 2. This trend is being consolidated with the new 2019 schedule thanks to the use of current events and anniversaries to present themes, events or monographs related to a particular situation or historical moment.

From the entertainment point of view, in 2018 Rai 2 continued to offer comedy, entertainment and music by Renzo Arbore, with a new and refurbished look, obtaining an excellent success with the public (13.6% share, well above the average of the channel). With *Guarda Stupisci*, the network obtained the best prime time result of the year, surpassing even the excellent ratings of *Rocco Schiavone*. Also the 2018 edition of *The Voice of Italy*, hosted by Costantino della Gherardesca and the new coaches (Al Bano, Francesco Renga, Cristina Scabbia and the return of J-Ax) contributed to the success of the Network's entertainment genre, with eight episodes totalling 9.5% of average share, a significantly high value if we consider that the average age for the programme was 52 years, well below the channel's prime time average.

On the drama side, Rai 2 continued to offer narrative models and stories alternative to those present on the Rai flagship. The products are strongly linked to the network's identity, offering crime titles that, while having a strong Italian identity on the one hand, are linked in style to international series on the other. *Rocco Schiavone*, (also present on the foreign market and on pay OTT platforms) together with *L'ispettore Coliandro* and *Il Cacciatore* (with Francesco Montanari winner of the *Best Performance award at Canneseries 2018*) demonstrate the vitality of the crime genre on the network; they also performed well among the most commercially attractive targets, attracting an audience with an average age of 57 years.

Rai 2 continues to be the reference sports network, achieving important results both from the point of view of audience and image. In particular, the decision to broadcast the men's volleyball world championships in prime time was a rewarding one, with the network achieving an average share of 10.4%.

Rai 2 also scheduled six evenings dedicated to athletics in prime time (9.8% share). The peak in share for sports events was achieved by women's volleyball, aired in day time, with escalating ratings as the position of the Italian national team rose, reaching a peak share of 35.9% and over 6 million viewers between 12:30 p.m. and 3:00 p.m., for the final against Serbia.

On the cultural side, 2018 for Rai 2 also saw a great return: Licia Colò returned to Rai after five years to present a new documentary programme, *Niagara*. The programme was positively received by the public, with results that were close to a share of 6%.

**Rai 3** was the Rai general channel that did the best in 2018 compared to the previous year, with a growth of 0.4% over the whole day, ranking fourth among the most viewed channels in prime time.

The Network has continued to experiment with new languages, styles and contents. It has always proven to be rooted in the contemporary world, even when it has re-proposed stories from a recent past, through the story of everyday life of ordinary people.

Rai 3 almost doubled the number of productions linked to entertainment (from 5 to 8 titles). Like the other two generalist Networks, it focused on the trend of "innovation in the footsteps of tradition" through the revival of *La Tv delle ragazze*, thirty years after its first broadcast. The formula of *La Tv delle ragazze - Gli Stati Generali 1988-2018* kept most of the historical protagonists of the programme (authors and actresses) side by side with the new generation of comedians, succeeding in restoring its value and refreshing a great success of the past with a modern twist.

The Rai 3 Network is also culture and dissemination. Thanks to *Ulisse* and the new programme *Città Segrete*, the network was able to attract important audiences on topics that were generally difficult for the general public, with an 8.6% share for the three-part programme by Corrado Augias and an average 7.8% share for the sixteen episodes of *Ulisse*. It is worth noting the increasingly strong presence and the female point of view for many of the Network's productions, from the historical ones (*Agorà*, *Geo*, *Carta Bianca*, *Chi l'ha visto*, *Amore criminale*, *Storie Maledette*, etc.), whose host has always been a woman, to the new programmes such as *Le ragazze* and the already mentioned *La Tv delle ragazze - Gli Stati Generali 1988-2018*. There are also two drama productions with an innovative style (*I topi* and *La linea verticale*) and the continued success of *Chi l'ha visto*, the leading programme of the Network, with an average share of 10.4%.

Finally, development and experimentation continued on Rai's semi-generalist and specialised channels.

## Radio

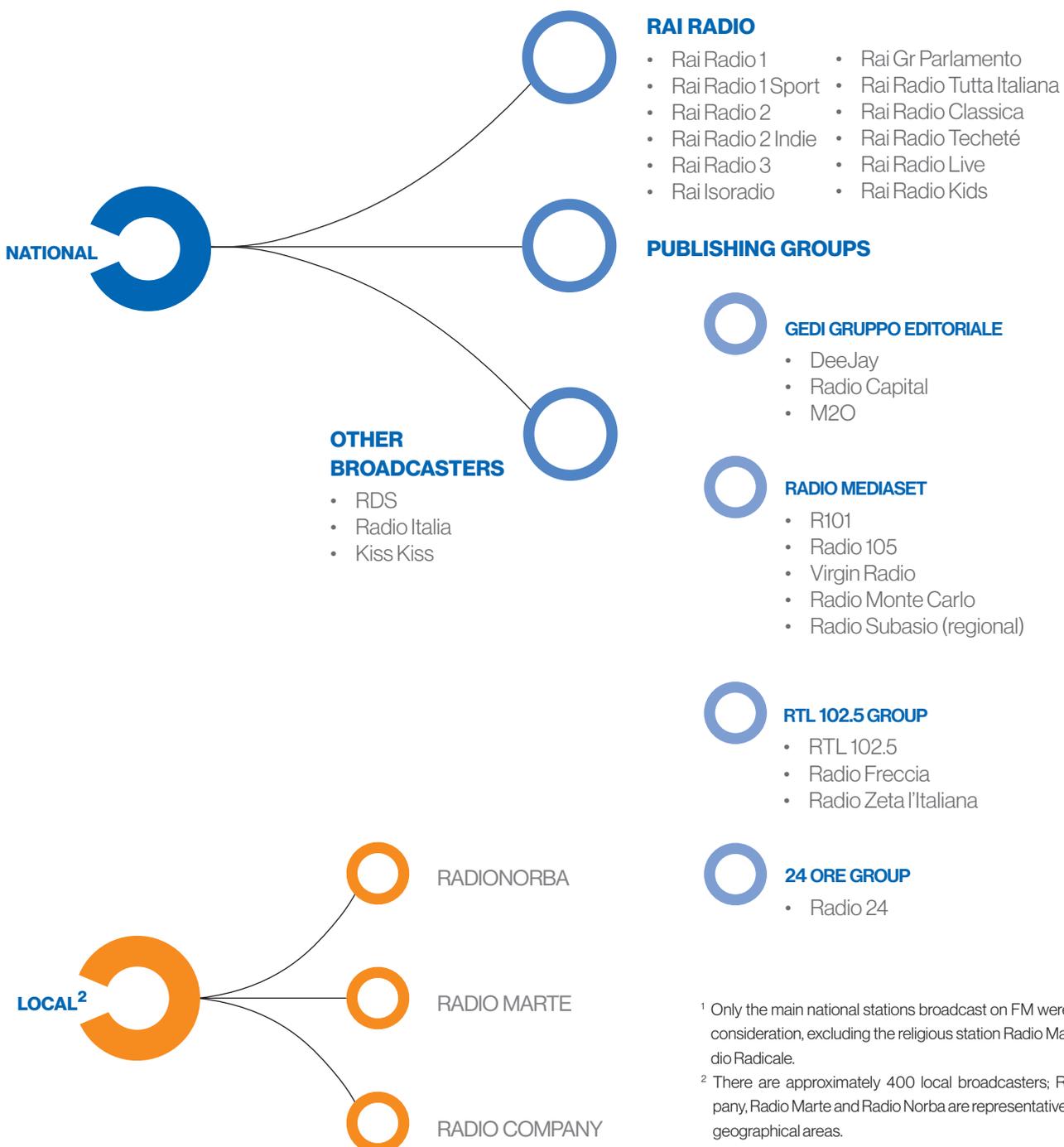
Radio is a media immersed in society from its origins and maintains this distinctive trait even today, while technological evolution is disseminating Radio productions through multiple accesses, devices and formats: from Smartphone to TV, from tablet to podcasts, from analogue frequency to DAB+, from apps

to car systems. This dematerialization is a symptom of pervasiveness and resilience, as confirmed by opposite signals, such as the new visual dimension and the vintage design of DAB+ receivers.

The Radio has been personal and mobile since the age of the transistor; with live phone calls, it gave life to interactivity; with multiple shooting, it went beyond the confines of the channel; with listening groups, it anticipated the online communities, adding non-linear fruition and social media to its schedule.

## MAIN OPERATORS ACTIVE IN THE RADIO MARKET<sup>1</sup>

(Source Rai)



<sup>1</sup> Only the main national stations broadcast on FM were taken into consideration, excluding the religious station Radio Maria and Radio Radicale.

<sup>2</sup> There are approximately 400 local broadcasters; Radio Company, Radio Marte and Radio Norba are representative of different geographical areas.

All this increases its being rooted in everyday life and reaffirms its authentic vocation for proximity.

The proliferation of content, formats and technology also characterise the Rai radio service, which is able to interpret the fluid identity of sound in all its versions and claim a place at the centre of the digital scenario. Radio Rai operates in a complex and dynamic market scenario, with the primary objective of fulfilling the commitments set out in the Concession and Service Agreement.

The offer is organised into 12 channels, broadcast on 8 technological platforms, diversified based on editorial mission and reference target, all active online and on social media:

- three generalist radio stations: Rai Radio 1, Rai Radio 2 and Rai Radio 3;
- two special-interest channels: Isoradio (infomobility) and GR Parlamento (institutional);
- seven specialised digital channels: Rai Radio Tutta Italiana, Rai Radio Classica, Rai Radio Live, Rai Radio Kids, Rai Radio Techetè, Rai Radio1 Sport and Rai Radio2 Indie.

The editorial profile of the generalist channels is divided into the quotas of the genres set out by the Service Agreement (a minimum quota of 70% for Rai Radio 1 and Rai Radio 2 for the genres News, Information, Culture, Society, Music, Service and Public Utility). As regards Rai Radio 1, News and Information exceed 56% of the broadcast hours; this is followed by music at 22%, concentrated in the late evening time slot and society with 15%. As regards Rai Radio 2, the main genres are music (34%), the aggregate genres Variety and Entertainment (44%) and Society (14%); for Rai Radio 3 the genres Music (54%) and Culture (27%) are followed by Information (9%); lastly, the genre

Public Utility, which includes Traffic (216 weekly updates) and Weather (118), distributed on all channels and mainly on Isoradio.

In 2018 Rai Radio 1 confirmed its informative, reliable and authoritative vocation; information is provided by 25 daily editions of the Gr1, in-depth programmes and specials that promptly tell what is happening in Italy and around the world: from current political (*Radio anch'io* and *Zapping*) and economic news (*Gr1 Economia*) to news topics, from employment and labour to respect for human rights, as well as the fight against crime, corruption, gender violence (*Italia sotto inchiesta*, *6 su Rai Radio 1*, *Le storie di Radio 1*, *Fuorigioco*, *Numeri primi*, *Obiettivo Radio 1*, and *Giorno per giorno*). Then again the environment (*Coltivando il futuro*, *Gr1 Economia*, *Fuorigioco*) and social issues (*Le storie di Radio 1*, *Giorno per giorno*). In addition, all programmes are committed to supporting and listening to the campaigns promoted by the Rai social secretariat.

In 2018, the focus was on the political situation in the country, with several specials on the general and regional elections; other events, such as the dramatic collapse of the Morandi bridge in Genoa, were also widely covered. Important appointments for the *Giorno della Memoria* (Holocaust Remembrance Day), the *Giornata contro la violenza verso le donne* (Day against Violence against Women) and the Anniversary of the Racial Laws.

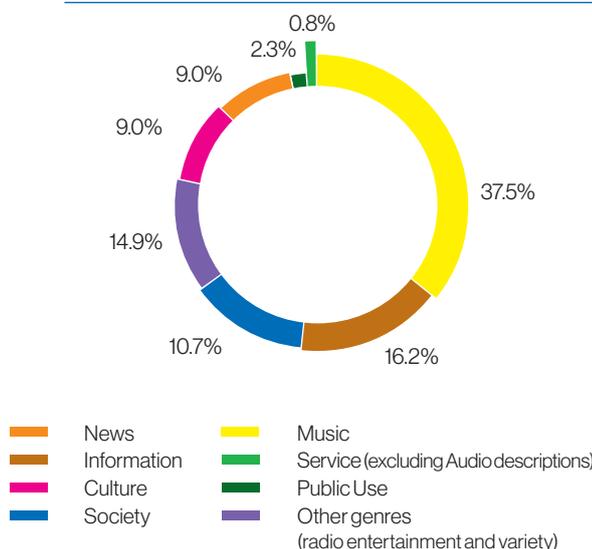
Sports remains a mainstay of Rai Radio1 and Gr, with a wide range of sports: from football to Formula 1, from MotoGP to basketball, from volleyball to rugby, from athletics to swimming, told through very successful programmes such as the historic show *Tutto il calcio minuto per minuto*. Among the sports competitions told during the year, in addition to the Football World Cup in Russia 2018, the Giro d'Italia, the Internazionali di Tennis d'Italia, the European Athletics and Swimming Championships, the Women's Volleyball World Cup.

In addition to sport, Rai Radio 1's programme schedule also includes sections dealing with a wide range of themes: health (*Life*), technology and innovation (*Eta Beta*), foreign affairs insights (*Inviato speciale*, *Voci dal mondo*, *EstOvest* e *Caffè Europa*), travel and tourism (*Vieni via con me* and *I viaggi di Radio 1*), agriculture and environment (*Coltivando il futuro*), art (*Te la do io l'arte*), motors (*Top car*), culture (*Sciarada*), religion (*Babele*, *Culto evangelico*, *Il cielo sopra San Pietro*).

Many media partnerships were confirmed. In 2018, Rai Radio 1 is the official radio of festivals and important events and brings its broadcasts to the territory. Among the main events

**RADIO PROGRAMMING BY GENRE**

(Source Rai)



that characterised the year were: Vinitaly; Golden Gala di Atletica leggera; le giornate di primavera del FAI – i luoghi del cuore; the Internazionali di Tennis d'Italia and the Salone del Libro.

As regards social networks, Rai Radio 1 encourages interaction on all its Facebook, Twitter and Instagram profiles.

The YouRadio function of the app is being tested and will allow registered users to create their own personalised radio news programme.

In 2018, **Rai Radio 2** carried out multi-platform publishing projects, focusing on the central role of music, live events, local stories, social awareness campaigns and brand visibility through cross-media.

The on-air offer, with the precise purpose of intensifying the “distinctive” identity of the broadcaster, has seen a consolidation of programming presented in previous seasons and is divided into programmes that have always met with the approval of the public and with new projects.

The Network's main programmes were confirmed, including: *Il Ruggito del Coniglio*, *Caterpillar*, *610*, *Decanter*, *Radio2 Social Club*, *Musical Box*, *Gli Sbandati*, *Black Out*; new programmes were launched, including *La Versione delle Due e Numeri Uni*.

The strategy developed around the LIVE concept has continued to grow and was again one of the Station's strong points: LIVE and “special meetings” from the studios in Via Asiago on air and streaming on RaiPlayRadio.it/Radio2, live on Facebook, on the channel Youtube Rai and with special content on Twitter and Instagram @RaiRadio2.

Radio 2 is also on the international scene. In Barcelona with “Primavera Sound”, the Spanish

festival which combines the best of the international music scene, “Sonar”, the annual event with electronic music and multimedia art, and Berlin with the “Woodworm Festival”. In addition to the impressive production effort for major events, such as the *Festival di Sanremo* and *Giro d'Italia*, the network has activated numerous editorial synergies with Rai television programming, such as for example for the *David di Donatello* and the *Eurovision Song Contest* on Rai 1, for *The Voice of Radio 2* of Rai 2, for the *May 1st Concert* on Rai 3, and for the *70th Emmy Awards* on Rai 4.

Rai Radio 2 made sure to involve its community in social campaigns to raise awareness of major current issues.

The multimedia contents of Rai Radio 2 programmes – photos, videos, exclusive backstage programmes – are also available on RaiPlay, Facebook, Twitter and Instagram and on Rai's YouTube channel.

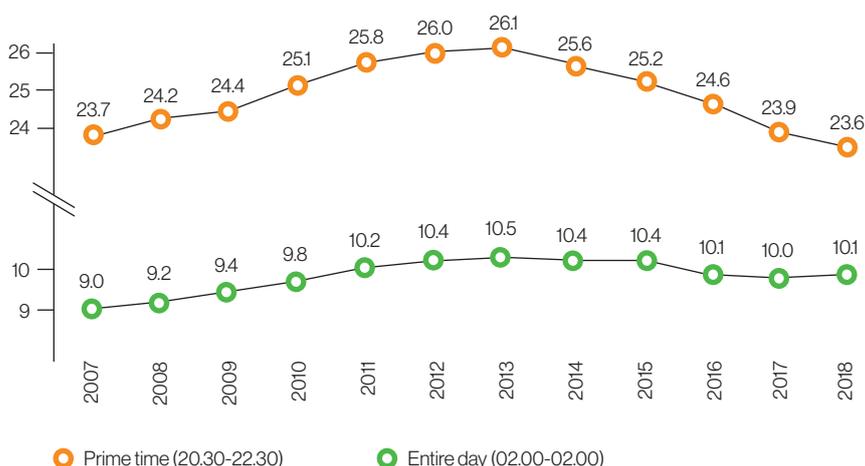
In 2018, **Rai Radio 3** devoted particular attention to the major issues of cultural and civic debate and consolidated the breadth and quality of its musical offer by broadcasting 565 concerts of different musical genres as well as numerous live performances by the main Italian theatres (Teatro alla Scala, for both the opera and symphonic seasons, Regio of Turin, Comunale in Bologna, Fenice in Venice, Teatro dell'Opera in Rome, and San Carlo in Naples). The Rai National Symphony Orchestra was a constant presence with Symphony Season concerts and cycles of Rai Nuova Musica, devoted to contemporary music. The Quirinale concerts of Rai Radio 3 continued and the Euroradio concerts, coming from the main world institutions, were confirmed, which allowed the network to offer prestigious orchestras.

There were many broadcasts and appointments that reminded us of personalities, events and significant dates in Italian history. For example, the special evening from the Teatro Goldoni on the occasion of the *Giorno della Memoria* (January 27th), the programming dedicated to the fiftieth anniversary of 1968 (13 episodes of the show *Pantheon* titled *Il Sessantotto in 13 books*), the Grand Gala live from the via Asiago, on the occasion of the 150th anniversary of the death of Gioacchino Rossini and the week of programming dedicated to the theme of violence against women.

Throughout 2018, Rai Radio 3 also confirmed its attention to culture in local communities, through the live coverage of the most important cultural events (such as, among others: the *Fiera internazionale dell'Editoria*,

## EVOLUTION OF THE AVERAGE TELEVISION AUDIENCE

(source Auditel, figures in millions)



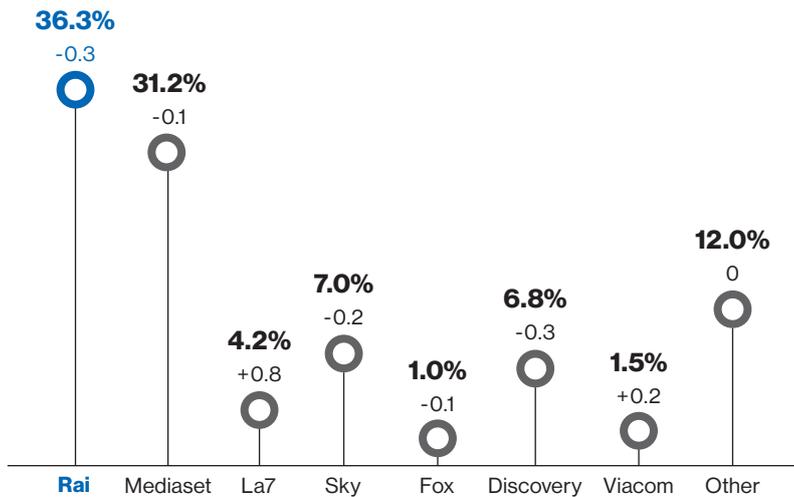
## SHARE FOR TO PERIOD 1 JANUARY - 31 DECEMBER 2018 (source: Auditel)

## TOTAL INDIVIDUALS (YEARS 4+)

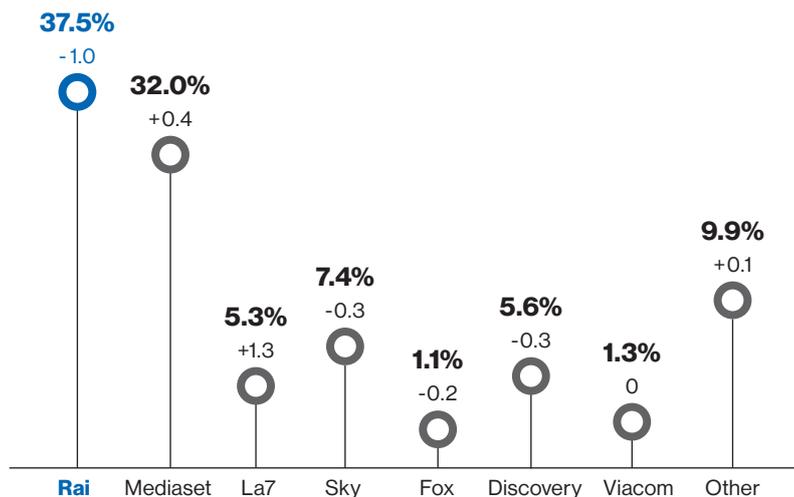
		<b>ENTIRE DAY</b> (02:00–02:00)		<b>PRIME TIME</b> (20:30–22:30)
	2018	2017	2018	2017
<b>Rai 1</b>	16.70%	16.67%	19.16%	18.92%
<b>Rai 2</b>	5.82%	6.08%	6.25%	6.64%
<b>Rai 3</b>	6.69%	6.32%	5.73%	6.16%
<b>Rai Generalist</b>	<b>29.20%</b>	<b>29.07%</b>	<b>31.14%</b>	<b>31.72%</b>
<b>Rai 4</b>	1.41%	1.47%	1.44%	1.64%
<b>Rai Premium</b>	1.22%	1.13%	1.18%	1.16%
<b>Rai Movie</b>	1.05%	1.09%	1.23%	1.28%
<b>Rai 5</b>	0.43%	0.41%	0.46%	0.43%
<b>Rai Storia</b>	0.25%	0.26%	0.30%	0.29%
<b>Rai Scuola</b>	0.03%	0.02%	0.04%	0.03%
<b>Rai Yoyo</b>	1.23%	1.51%	0.81%	0.93%
<b>Rai Gulp</b>	0.35%	0.47%	0.32%	0.41%
<b>Rai Sport</b>	0.44%	0.44%	0.34%	0.34%
<b>Rai News 24</b>	0.64%	0.57%	0.20%	0.21%
<b>Rai Specialised</b>	<b>7.05%</b>	<b>7.43%</b>	<b>6.34%</b>	<b>6.77%</b>
<b>Total Rai</b>	<b>36.25%</b>	<b>36.50%</b>	<b>37.48%</b>	<b>38.49%</b>
Canale 5	15.46%	15.60%	15.53%	15.25%
Italia 1	4.99%	5.01%	5.62%	5.31%
Rete 4	3.82%	3.94%	4.06%	4.14%
<b>Mediaset Generalist</b>	<b>24.27%</b>	<b>24.54%</b>	<b>25.21%</b>	<b>24.70%</b>
<b>Mediaset Specialised</b>	<b>6.95%</b>	<b>6.78%</b>	<b>6.83%</b>	<b>6.93%</b>
<b>Total Mediaset</b>	<b>31.21%</b>	<b>31.32%</b>	<b>32.03%</b>	<b>31.63%</b>
<b>Total La7</b>	<b>4.19%</b>	<b>3.41%</b>	<b>5.25%</b>	<b>3.98%</b>
<b>Total Sky</b>	<b>7.00%</b>	<b>7.20%</b>	<b>7.43%</b>	<b>7.71%</b>
<b>Total Fox</b>	<b>1.01%</b>	<b>1.15%</b>	<b>1.06%</b>	<b>1.27%</b>
<b>Total Discovery</b>	<b>6.83%</b>	<b>7.16%</b>	<b>5.56%</b>	<b>5.84%</b>
<b>Total Viacom</b>	<b>1.51%</b>	<b>1.35%</b>	<b>1.29%</b>	<b>1.29%</b>
<b>Other channels</b>	<b>12.00%</b>	<b>11.91%</b>	<b>9.90%</b>	<b>9.79%</b>
<b>Total Tv</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**AVERAGE DAILY SHARES OF TV GROUPS - Generalist and specialised channels**

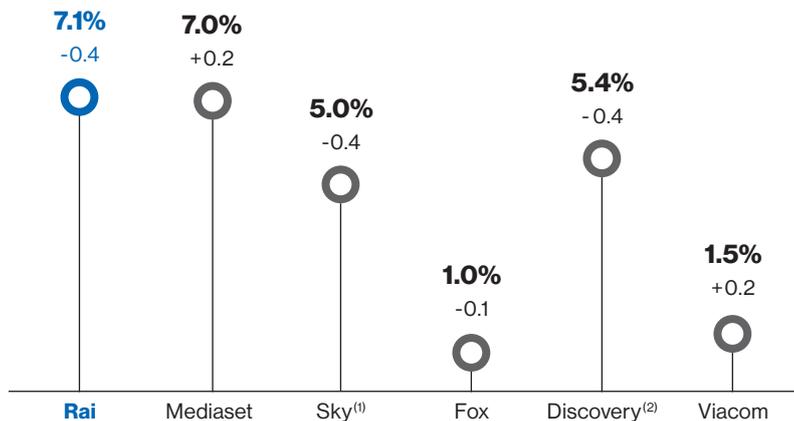
(time bracket 02:00 - 02:00, source Auditel)

**PRIME TIME SHARES OF TV GROUPS - Generalist and specialised channels**

(time bracket 8:30 p.m. - 10:30 p.m., source Auditel)

**AVERAGE DAILY SHARES OF TV GROUPS - Specialised stations**

(time bracket 02:00 - 02:00, source Auditel)



(1) Sky values for not include the channel TV8.

(2) Discovery values for not include the channel Nove.

*Tempo di libri* (Milan), the *Festa del libro e della lettura* (Rome) and the most prestigious film festivals (Cannes, Venice, Locarno, Berlin, Turin and Rome).

There is a constant focus on new formats and the needs of an audience that, along with traditional broadcasting forms, is more and more likely to select deferred listening to programmes. Special care is taken in packaging contents that can be listened to again in streaming or downloaded as podcasts, a popular choice with users, as demonstrated with the results obtained by the broadcasts of *Ad Alta Voce* and *Wikiradio*. The offer of films, images, e-books and non-traditional contents for a radio station has been broadened through the use of social networks, especially video streaming activity, above all for special initiatives.

Compared to two special-interest channels:

- **Isoradio** confirmed its streaming programming in 2018: traffic news, urban and suburban traffic and music 24 hours a day, every day of the year. The daily reports with the Highway Police, Società Autostrade per l'Italia, ANAS, port authorities, airports, railways and the Local Police headquarters of major cities have been confirmed to ensure continuous and accurate information on the state of traffic and mobility in general. In addition, 12 connections a day, every day, with the Italian Air Force for weather forecasts. Music programming has also played an important role in the daily schedule, with in-depth shows and monographs on artists;
- **GR Parlamento**, the institutional channel of RadioRai, deals mainly with the parliamentary activities of the Senate of the Italian Republic and the Chamber of Deputies and tells the story of Italian society through institutional dynamics: political current affairs, as well as the economy, environment, labour, respect for human rights, the fight against crime and corruption, and social issues. Information is guaranteed by five daily parliamentary news broadcasts, by an extensive press review and by in-depth reports, both daily.

The seven specialised digital channels join the generalist and special-interest radios in providing a complete offer aimed at intercepting diversified audiences. They can be received in DAB/DAB+, with the RaiPlay Radio app, via the web and on DTT and satellite with the numbering dedicated to radio channels. Since 2018 they have been broadcasting a news bulletin produced by the *Giornale Radio* programme, with news and thematic appointments.

In detail:

- *Rai Radio Tutta Italiana*: channel dedicated exclusively to Italian music since the 1960s;
- *Rai Radio Classica*: channel dedicated to Italian and international serious music, from ancient to contemporary music. The schedule includes the opera, musicals, operetta and orchestra repertoire: a space dedicated to the Orchestra Sinfonica Nazionale Rai and Rai orchestra seasons from the historical archive;
- *Rai Radio Live*: channel dedicated to the promotion of Italy through the story of events, the description of villages, the world of food and wine, entertainment and music;
- *Rai Radio Kids*: channel that offers music, readings, insights on environment, science and technology with a schedule entirely dedicated to children under 10 years of age;
- *Rai Radio Techetè*: channel that retraces and re-proposes the radio of the past following the three strands of variety, sport and fiction;
- *Rai Radio1 Sport*: channel dedicated to all sports, starting with football, in partial simulcast with Rai Radio 1;
- *Rai Radio2 Indie*: channel dedicated to independent music, with ample space reserved for live events and musical insights. It is the channel of future trends, of the new independent rock and alternative scene, but also of the new Italian pop music and exclusive live events.

The breakdown of the national radio offer is marked by the co-presence of important multimedia editorial groups, vertically integrated including in terms of advertising revenue: Rai Group (Rai Pubblicità SpA); Mediaset Group (Mediamond SpA); Elemedia/Gedi Group (A. Manzoni & C. SpA) and 24 Ore Group (System 24). In addition to these, independent native radio companies operate around the country: RTL 102.5 (which also includes Zeta and Radio Freccia), Radio Dimensione Suono, Radio Italia and Radio Kiss Kiss. The industrial consolidation of the Mediaset Group, which currently controls Radio101, Radio105, Virgin, Radio Montecarlo and Radio Subasio, is important.

In the local and area radio sector, according to the latest available data (source: CRTV, July 2018), there are about 1,000 radio stations, with levels of signal coverage (from municipal to multi-regional areas) and extremely variable audience results.

Overall, a local station is able to attract a significant audience share, thanks to its strong roots in the area, and the level of editorial proposal which, for many stations, is competitive even in relation to national networks.

## Digital

The year 2018 closed with a Rai offer mainly composed of:

- *Rai.it*, the portal, divided into 5 areas (News, Sport, TV, Radio and Corporate);
- *RaiPlay.it*, the multimedia portal dedicated to the video offer that gives access to Rai's video content in live streaming mode (14 TV channels) and on-demand, also available in an App version;
- *RaiPlayRadio.it*, the multimedia portal dedicated to the radio offer, also available in App version;
- *Rainews.it/TGR web*, the portal through which you can access all Rai information, also available in App version;
- *RaiPlay Yoyo*, the app dedicated to children's entertainment, available from April 2018, which allows you to enjoy all the content of the channel Rai Yoyo (live and on-demand) in total safety and without advertising.

Among the main novelties in the Digital area it is worth noting:

- in August, the launch of the new Rai Gulp portal, with graphic restyling and a new editorial offer, aimed at integrating the channel in the RaiPlay platform. Integration allows you to explore, in a simple and intuitive way, the entire catalogue of series and cartoons, as well as to show users in a straightforward way the wide range of the channel, thousands of videos, with the high quality guaranteed by the RaiPlay standard;
- between July and September, the new regional information sites, built on a simple and modular graphic interface, flexible in the composition of the pages, both for users and editors, dedicated to the specific needs of the world of online news. The new digital offer of TGR, launched after a long process of training in the use of digital and social devices, has been designed to meet the needs of users who want greater insight into local news and for whom immediate consultation is an essential value. The renewed editorial offices are: Tuscany, the Veneto, the editorial offices of Italian Trieste and Slovenian Trieste, Sicily, Puglia, the provinces of Trento and Bolzano and their linguistic groups;
- in the second half of the year, the development of the new Rai Cultura portal, with a graphic interface entirely redesigned in terms of navigation and exhibition structure, to improve content exploration and the user experience in general. The portal aims to make the cultural offer of Rai accessible and usable online with dedicated content and services. The new offer,

expected to be launched in the first half of 2019, will be fed by the original content produced by the web editorial staff of Rai Cultura, by the television programming, both special-interest and generalist, as well as by the great heritage of Teche Rai. The offer online at present will therefore be rationalised with the creation of a single aggregating portal with individual thematic areas: Art, Literature, Philosophy, History, Music (cultured, music icons, OSN), Cinema and Theatre/Dance. The "Culture" portal will be included in the menu of the website Rai.it alongside News, Sport, TV, Radio and Corporate.

Again in 2018, Radio Rai consolidated and rationalised its official presence on the main social networks (Facebook, Instagram and Twitter), aimed at intercepting an increasingly vast user pool, younger and more technologically skilled, as well as to position its corporate brand and single product brands in a cleared and more effective manner overall and organised based on social platforms.

An innovation process involving TV and radio was continued along these lines for both the instruments and formats used. Among other things live broadcasts were tried on Facebook and Instagram – allowing Rai's talents and faces to dialogue with the audience – and the main profiles have become piratically constant and structured, along with the communication of on air contents and referral activity, i.e. referral to Rai digital platforms and app downloading. New formats have also been developed exclusively for social platforms with the aim of increasing user involvement and strengthening the positioning of the channel brand with a view to promoting the offer.

Rai's offer was further focused on the enhancement of video content, through a dual strategy, that of the long form publication on proprietary platforms (RaiPlay) and that of clips on third platforms (YouTube, MSN). The key tool of user registration is fully implemented: currently there are about 9.4 million registered users of RaiPlay, of whom almost 7.5 million are active.

Rai Radio's vast offer is present on interactive digital terrestrial televisions and decoders certified with the DgTvi Gold and Platinum sticker with the services Rai Play, TGR, Rai News Rai Sport and Telecomando and on Tim Vision.

In addition to the promotion of Rai's brands, products and digital platforms on social networks, a caring strategy was consolidated

in 2018 in a real area of Customer Care for digital platforms, also to respond to the request, provided for in the Service Agreement, to activate direct communication with users to encourage their participation and contribute to the improvement of the offer, as well as to collect reports and any complaints, through the most appropriate technological platforms.

### International offer

Rai Com SpA is entrusted with the distribution and marketing of Rai channels on the international market. The latter handles the European distribution of broadcasting rights for television and radio channels (Rai 1, Rai 2, Rai 3, Rai Storia, Rai Scuola, Rai News 24 and Rai Radio 1, Rai Radio 2, Rai Radio 3), as well as for the non-EU distribution of the channels: Rai Italia (a best of Rai programmes plus the presence of original programme production for Italians abroad, including a new programme in English and, in some continents, 3 Serie A football matches a week), Rai World Premium (the channel that broadcasts original TV series produced by Rai) and Rai News 24. The non-EU Rai offer is completed with Rai Radio 1, Rai Radio 2 and Rai Radio 3.

The offer of channels is performed through local television platforms – via cable, satellite or new media platforms – with different modes, both free and pay.

In the United States, Canada, Australia and Europe the channels are offered to subscribers in "Package" or "Premium – A La Carte" plans. The subscribers – to view Rai channels – pay a monthly fee, in addition to their subscription with their operator; in Asia, the Rai Italia is in free to air mode; in Latin America and Africa the channels are offered in "Basic" or "Extended Basic" mode, where the subscribers only pay the monthly subscription price to the operator, with no additional costs.

In 2018, Rai Com laid the foundations for a series of activities aimed at strengthening the generation of revenue from this year onwards. In Europe, in addition to the consolidation of commercial relations with operators in the areas of greatest economic interest (Switzerland, Belgium, France, Germany) with which the agreements have been renewed under better conditions, the development of new strategies in selected countries has been boosted. For example, in Austria, previously managed indirectly, and in Russia, a complex area for regulation and bureaucracy, the first contracts for Rai 1 have gone into effect with very important operators in terms of number of subscribers.

In the non-EU area, the contract with the US satellite operator Dish Network, to which Rai Com had assigned the exclusive rights to rebroadcast the channels via satellite and OTT in 2015, was not renewed.

The operator's request to maintain exclusivity was one of the elements that led to the discontinuation of the relationship. At the same time, non-exclusive agreements were signed with DIRECTV USA (satellite and OTT operator) and FUBO TV (OTT operator) for the rebroadcasting of the channels Rai Italia, Rai World Premium, Rai News 24 and Radio Rai 1.

## Offer performance

### TV offer performance

In 2018, the average number of viewers who followed television throughout the day was 10.1 million (+160 thousand), up compared to 2017; down to 23.6 million in prime time (-247 thousand).

The Rai Group confirmed its market leadership with 36.3% of the share for the entire day (-0.2 percentage points compared to 2017) and 37.5% for prime time (-1.0 points); Mediaset reached a 31.2% share (-0.1%) and 32.0% in prime time (+0.4%) throughout the day. Despite the fact that Mediaset scheduled, for the first time ever, the Football World Cup, Rai has managed to maintain its leadership.

Overall, the traditional generalist networks (Rai 1, Rai 2, Rai 3, Canale 5, Italia 1, Rete 4 and La7) recorded a 0.7% increase in share on a daily basis, from 56.5% in 2017 to 57.1% in 2018; in prime time, the increase rose to 1.2 percentage points, rising from 60% to 61.2%. The semi-generalist networks increased less, reaching 9.1% for the whole day (+0.4%) and 9.2% in prime time (+0.5%). The opposite trend was seen in the specialised channels, which lost 1% throughout the day, from 34.8% to 33.8% and 1.7% in prime time, from 31.3% to 29.6%.

In detail:

- Rai 1, with 16.7% share over the whole day (unchanged compared to 2017) and 19.2% in prime time (+0.2% over 2017) confirmed its position as the most viewed Network, maintaining a good margin compared to the Mediaset flagship, Canale 5, which recorded, over the whole day, a share of 15.5% (-0.1%) and 15.5% (+0.3%) in prime time;
- Rai 2 dropped to 5.8% (-0.3 points) for the entire day and to 6.3% (-0.4 points) in prime time;
- Rai 3 grew throughout the day, with a share of 6.7% (+0.4%) while it recorded a decline of 0.4 percentage points in prime time, from 6.2% to 5.7% in 2018.

In terms of the performance of the competition's main channels during the period in question, the following results are reported: Italia 1, throughout the day, achieved a 5.0% share (stable compared to 2017) and in prime time 5.6% (+0.3%); Rete 4, was stable compared to 2017 at 3.8% for the entire day and 4.1% in prime time; La7 achieved a 3.7% share (+0.8%) over the day and 4.8% (+1.3%) in prime time; TV8 achieved a 2% share (+0.2%) over the day and 2.3% (+0.3%) in prime time; Nove was stable at 1.44% over the day and prime time.

With regard to the semi-generalist and specialised networks, there was a slight decline in the performance of the Rai channels (-0.4% for the whole day vs 2017; -0.4% in prime time), against stable audience figures for the Mediaset channels (+0.2% and -0.1%). For the other semi-generalist channels (TV8, Nove, Cielo, Real Time, DMax and Sky Uno), there were very small variations in performance, with the exception of TV8, which grew in terms of share by 0.2% over the whole day and by 0.3% in prime time. Channel "20", launched in April 2018 and owned by the Mediaset Group, was included among the semi-generalist channels, with an average daily share of 0.9% and 1.2% in prime time. Compared to 2017, the other specialised channels were essentially stable.

### Radio offer performance

In 2018, radio penetration was 65.5%, with an average time spent per day of 3 hours and 25 minutes; slightly less than 6.4 million average viewers in the 06:00-24:00 time bracket, total medium.

In terms of audience share (06:00-24:00) of the main groups, Rai Radio, with its four main channels (Radio1, Radio2, Radio3 and Isoradio) stood in third place in the ranking of publishers with an average audience of 706 thousand listeners and a share of 11.05%; Radio Mediaset (R101, Radio 105, Virgin Radio and RMC) reported an average audience of around 970 thousand users with a share of 15.18%; the RTL 102.5 Group (RTL 102.5 and Radio Freccia) reported an average audience totalling 770 thousand individuals and a 12.05% share; Gedi (Radio DeeJay, Radio Capital and M2o), reported an average audience of 703 thousand individuals and a share of 11%. For Radio Mediaset, the calculation of the average audience and share does not include the local radio station Radio Subasio, mainly active in central Italy, which recorded an average audience of 164 thousand individuals, equal to a 2.6% share; for the RTL group, on the other hand, the Radio Zeta is not included in the performance calculation, which recorded an average audience of 58 thousand listeners, equal to 0.9% of the share.

Rai Radio's four main channels recorded the following results in terms of average-share audience (6:00-24:00 range) and position in the ranking:

- Rai Radio 1, 307 thousand individuals for 4.81% (6th place);
- Rai Radio 2, 222 thousand individuals for 3.47% (8th place);
- Rai Radio 3, 125 thousand individuals for 1.96% (12th place);
- Isoradio, 52 thousand listeners for 0.81% (17th position).

The first five positions in the ranking are occupied by the following channels of the main competitors:

- RTL 102.5, 684 thousand individuals for 10.71%;
- Radio105, 523 thousand individuals for 8.19%;
- RDS, 474 thousand individuals for 7.42%;
- Radio DeeJay, 458 thousand individuals for 7.17%;
- Radio Italia, 414 thousand individuals for 6.48%.

### Digital and social offer performance

The year 2018 closed with a total digital audience that reached over 32 million unique users in December on the average day (source Audiweb 2.0). There are 10.3 million Italians (2+) who access the Internet on an average day via PC; almost 28 million (18+) via Mobile.

During 2018 (April-December, the last data available, in view of the methodological change) an average of 42.3 million individuals, or about 70% of Italians, connected to the Internet at least once a month. Users who browsed from PC were 29 million; those who connected to the Internet from mobile totalled almost 35 million. Users who connected at least once a month to one of the various Rai sites or apps in 2018 (April to December) totalled 8.6 million (20% of the digital population).

The main activity performed by online users is watching videos: 36 million individuals used them in 2018, equal to 85% of the digital population. In the 2018 ranking of the main online groups active in Italy, Rai – with an average of 8.6 million unique users, again according to Audiweb data – ranks 38th; Mediaset, in 11th position, averaged 18.7 million. The big international players Google, Facebook and Amazon confirmed their position on the podium, followed by Italiaonline and some of the main "former" press publishers such as Mondadori (5th position) and the Gedi group (6th). Rai News, the Rai information portal, with a monthly average of 3.1 million unique users, is lagging behind its main competitors (Corriere.it 21 million, Repubblica.it 19 million and TgCom 15 million). With regard to video portals, RaiPlay, between April and December 2018, averaged 4.9 million unique users a month; among its main competitors, Mediaset Play recorded 6 million, Sky 5.8 million and La7 1.7 million.

As for the details of the multimedia offer of video contents, 2018 was, like the previous year, a positive year for Rai. According to internal census data from Webtrekk, RaiPlay consolidated and improved its performance by recording a total of almost 123 million individual

browsers, with a growth of 11% on 2017, for 529 million views (+15.4%).

In the Top 10 of the year, drama was the most viewed genre with 41% of total views in on-demand mode.

Among the novelties of the year, particularly significant were the performances of *L'amica geniale* with 5.3 million views, *The Good Doctor* with 4 million and *Meraviglie - La penisola dei tesori* with 1 million. The results of live sporting events were excellent: 1.4 million views for the 2018 Pyeong Chang Winter Olympics; about 3 million for the *Giro d'Italia* - 101st edition; 1.6 million for the Tour de France; 2.9 million for the 2018 European Championships considering the dedicated offer on RaiSport and RaiPlay; 2.4 million for the World Men's and Women's

Volleyball Championships; lastly, 1.3 million views for the six matches of the Champions League 2018/2019, broadcast on Rai 1. The offer of Rai content on YouTube generated a total of 819 million views.

The three main Rai applications for mobile (RaiPlay, RaiPlay Radio, Rai News) reached, at the end of 2018.

Audiweb 2.0 research data are derived from a new survey methodology and are not comparable with the data produced by the previous version used until March 2018. Thanks to the use of 4 data sources (new basic search, metered panel of people, advanced census data via tag/SDK, big data), Audiweb 2.0 ensures a sounder detection of

**Digital Audience per month (unique users)/000**

(Source Audiweb)



Audiweb 2.0 research data are derived from a new survey methodology and are not comparable with the data produced by the previous version used until March 2018. Thanks to the use of 4 data sources (new basic search, metered panel of people, advanced census data via tag/SDK, big data), Audiweb 2.0 ensures a sounder detection of consumption resulting from both traditional browsing (PC and Mobile) and platforms previously not considered (browsing on Facebook mobile app and Instant Articles, Google AMP).

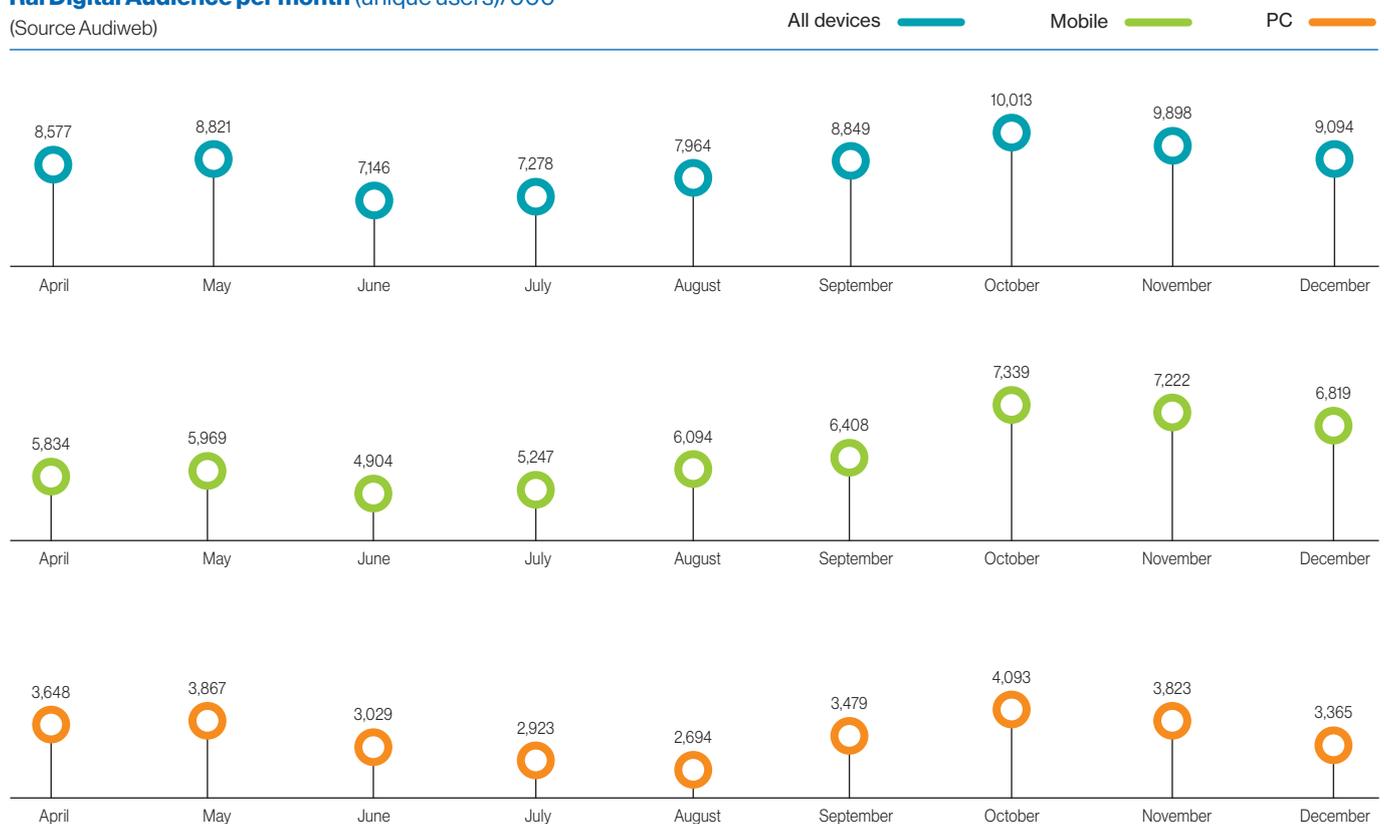
consumption resulting from both traditional browsing (PC and Mobile) and platforms previously not considered (browsing on Facebook mobile app and Instant Articles, Google AMP). 19.3 million downloads, broken down as follows: 15.5 million (including Rai TV updates) for RaiPlay; 2.4 million for RaiPlay Radio (including Radio Rai updates) and 1.4 million for Rai News. The already mentioned RaiPlay Yoyo, an app dedicated to children's entertainment, without advertising interruptions and with the possibility – by parents – to exercise, through a management area, real control over access times, recorded 491 thousand downloads since its launch. The contents on the RaiPlay Yoyo

app have generated, since April 2018, 45.7 million views.

In 2018, the roughly 500 Rai profiles present on the Facebook, Twitter and Instagram platforms exceeded a total of 31.7 million fans and followers (21 million on Facebook; 8.7 million on Twitter and about 2 million on Instagram, gross data). In the year, the share of Facebook, Twitter and Instagram interactions related to Rai programming was equal to 25% of the total generated by television programming on a national scale (not including sports events), with 59 million total interactions. With this share, Rai is the second editor for number of generated interactions.

### Rai Digital Audience per month (unique users)/000

(Source Audiweb)

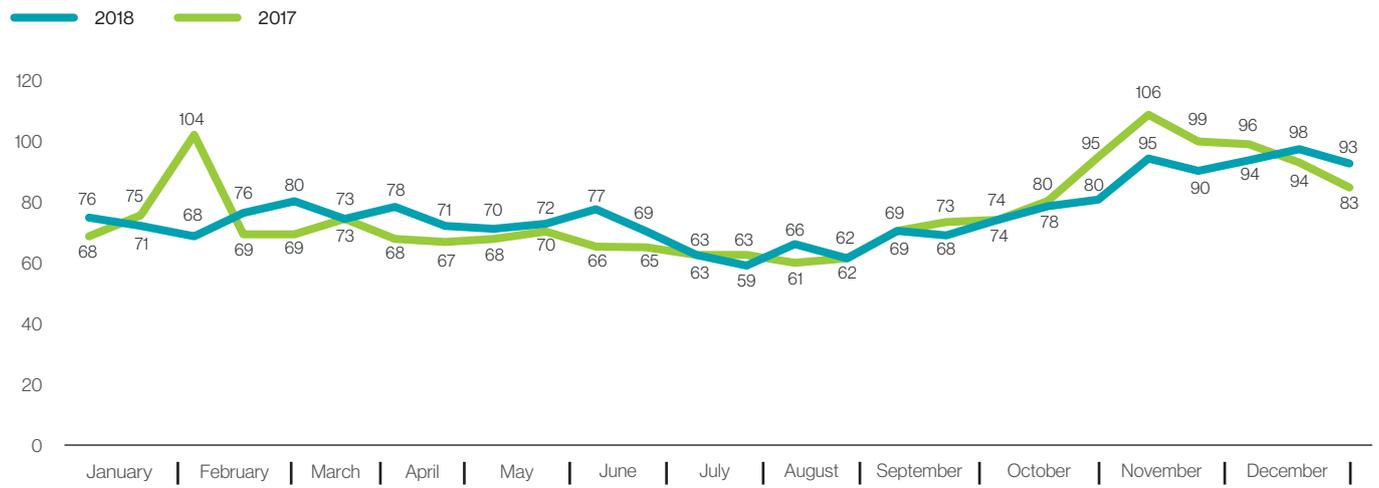


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Directors' Report

**RAI INTERNET TRAFFIC** (millions of pages viewed)

(Source Webtrekk)



# Activities

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**Rai 1**



AVERAGE DAILY CONTACTS

22.457



MINUTES SEEN PER DAY

104



SHARE IN 24 HOURS

16.7%

PRIME TIME SHARE

19.2%

## Television

### Generalist channels

#### Rai 1

Rai 1 offers the public an inclusive story, capable of ensuring full legitimacy as a Public Broadcasting Service and producing a positive impact in the country at a socio-cultural level through informative, cultural and entertainment content.

In line with the statements of the European Broadcasting Union (EBU), the core Public Broadcasting Service values that Rai 1 is inspired by are:

- universality: to reach and offer our content to all segments of society, with no-one excluded. Everyone, everywhere;
- independence: to be trusted and trustworthy programme-makers. To make our choices and operate only in the interest of our audiences;
- excellence: to act with high standards of integrity and professionalism and quality. To strive to create benchmarks within the media industry.

When we talk about Rai we can't help but mention Rai 1. A large part of the company's image and reputation relies on the flagship

network, which has been given a highly responsible role in defining its perception and values.

In the competitive landscape, Rai 1 preserves its image as a prestigious and authoritative channel, representing the national identity and supporting people's everyday life.

This channel has the ability to unify and attract a very wide audience, acting as a warm and secure port of call.

The public recognises the network's reliability and institutional standing and especially welcomes the company's commitment to social activities. Rai 1 is also able to excite with its exclusive events, to entertain with engaging and familiar formats and to create information focused on the most relevant issues from the national and international point of view. It is the channel of drama, great sporting events, smart entertainment and cultural dissemination through credible and elegant hosts that are able to generate a strong impact on society and the country thanks to the large number of viewers.

Precisely because of its ability to involve such a wide audience by harmonising quality, values and ratings, the network today plays an important role in the overall corporate strategy and has a decisive civic responsibility in the cultural landscape of the entire country.

1. Festival di Sanremo 2018
2. La mossa del cavallo
3. The good doctor
4. Danza con me
5. La Corrida
6. Meraviglie
7. L'amica geniale



To this end, Rai 1, in consolidating its position as market leader, does not neglect fostering creativity and cultural excellence and supporting citizens and civil society, promoting the development of knowledge. Rai 1 brings Italy to the world and the world to Italy.

Again in 2018, Rai 1 has confirmed its leadership both in terms of audience and of the completeness and plurality of its offer. The 16.7% share for the whole day and 19.2% in prime time – in line with 2017 for the whole day, up 0.3% for prime time –, a growth in prime time share for younger audiences (individuals aged 4-24 years 12.3%, +0.3% vs 2017) and university graduates (18.5%, +1.0% vs 2017), demonstrates the aggregating force of a network that has the know-how to create an editorial proposal able to attract new audiences and at the same time ensure the stability of the share in an increasingly competitive and fragmented context.

Rai 1's strength is based on programming that covers diverse television genres and is characterised by the quality of its contents able to ensure a shared and universal use.

The continual evolution of the channel is a key feature, at the same pace as the country and with the world it covers. Fundamental added

value assets such as uniqueness, transversal nature, authoritativeness, excellence, elegance, civil commitment, are organised in a decisive manner, with varied and contemporary language for as vast an audience as possible.

The evolution of programming has continued along the path of innovation of new genres, formats and languages in a continuous search for contents increasingly in line with the Public Broadcasting Service mission.

The TV drama season has seen exceptional results: the 104 evenings broadcast achieved an average of 21.9% share, equal to over 5 million viewers.

Production continued with the model of a balance between returning series of well-known products, the proposal of new programmes, and events linked to the history of Italy and civil commitment. The 11.1 million, or 43.9% of the share reached with the new episodes of *Il commissario Montalbano* (average of the two episodes), marked the historical record with peaks among young people aged 15 to 24 (40% share) and university graduates (54% share). Also the first TV film based on the historical novels by Andrea Camilleri *La mossa del cavallo* (about 8 million viewers and over 32% share) and the eleventh season of *Don Matteo* (6.6 million, 27.9% share) were a huge success.



Among the new features, *Nero a metà* and *La vita promessa* exceeded a share of 25%. An extraordinary sequence of successes culminated in the autumn with the great international co-production *L'amica geniale*, which closed with an average 29.5% share, equal to 6.9 million viewers, and exceptional results among girls aged 15-24 (33% share). A similar success was recorded for the miniseries *Fabrizio De Andrè - Principe Libero* that fully achieved the dual objective of quality and audience: 6.1 million and 24.9% of television share, records in cinemas and, finally, the nomination for three David di Donatello awards.

As regards entertainment, consolidated programmes such as *Ballando con le stelle* and *Tale e quale show* found new life combining sobriety, elegance and the ability to excite. The year 2018 was also a year of experimentation with new entries such as *La Corrida* – the variety show dedicated to amateurs – and *Ora o mai più* – a song contest that rewards the winner and is also gratifying, with a return in terms of popularity, for all participants. Both programmes entertained the public with excellent audience results.

Of course, there were also major events capable of generating amazing successes: Rai 1 opened the year 2018 with the evening *Danza con me* (21.5%, equal to 4.9 million viewers) by Roberto Bolle who won the Rose d'Or, an award dedicated to TV and radio programmes of the EBU. How can we not mention the *Festival di Sanremo* hosted by Claudio Baglioni, Pierfrancesco Favino and Michele Hunziker, which set the record for the last 13 years on television (52.3% share for 10.9 million viewers) and the best results ever on digital media.

Quality, innovation and high ratings also characterised the cultural offer, which included 19 prime time events – 9 more than 2017 –, becoming a pillar and strength of Rai 1's programming.

In particular, in January Alberto Angela's new programme, *Meraviglie*, recorded 23.4% share and 5.6 million viewers as an average of the four episodes, while the arrival of *Ulisse* on Rai 1 totalled 3.9 million individuals with an average share of 19.8%. Finally, the Alberto Angela's extraordinary night visit represented a major Rai creative and productive undertaking and was able to reach more than 4.2 million viewers, a 24.3% share of the entire audience and 32.9% of university graduates.

Cinema and international series also took a leading role in the network's prime time schedule. The first season of *The Good Doctor* was the most watched purchased series in Italy in the last 10 years.

Rai 1 has always stood for authoritative information.

In addition to Tg1, continuing the journalistic analysis of news, politics and manners in the late evening *Porta a Porta* programme, reinforcement of *Petrolino* and the daily live broadcasts of *Uno Mattina* and *La vita in diretta*, Rai 1 again devoted very special attention to major events in Italy and the world, promptly adopting its schedule to make room for live analysis and breaking news and thus becoming the point of reference, as far as news was concerned, for the entire TV offer, as in the case of the news events in Corinaldo and Brussels.

For sports fans, in addition to the exclusive matches of the Coppa Italia and the national football team, Rai 1 also broadcast the best Champions League matches on Wednesday evening for the 2018/2019 season.

Moreover, the Network continued its gradual renewal and consistent language and contents programme in the daytime as well with an editorial policy that places priority on a direct relationship with the audience and shows with a strong Public Broadcasting Service mission, without neglecting fun and quizzes, for example *Reazione a catena*, *Eredità* and *I Soliti Ignoti 3*, which have been an unquestionable success in the strategic and important afternoon and pre-prime time slots.

*“Rai 1, in a continually changing scenario, aims at confirming its authoritativeness and at the same time experimenting with new products, genres and languages in order to involve all audiences and meet the needs and expectations of a constantly changing public.”*

# Rai 2



AVERAGE DAILY CONTACTS

15.979



MINUTES SEEN PER DAY

51



SHARE IN 24 HOURS

5.8%

PRIME TIME SHARE

6.3%

## Rai 2

**A Network with a strong experimental and innovative vocation both in terms of language and content. Eclectic, stimulating, exciting, light-hearted, courageous, fresh and attentive to aesthetics: Rai 2.**

Overall, in 2018 the average daily contacts were about 16 million with an average viewing time of 51 minutes, a share of 5.8% over 24 hours and 6.3% in prime time. During the year Rai 2 played its role as Public Broadcasting Service also by making its programming available to institutional communication on the occasion of the general elections of 4 March 2018, with press conferences, debates and the political talk show *Kronos*. The Network also associated its brand with sport, in particular by giving maximum visibility and diffusion to the World Men's and Women's Volleyball Championships.

During prime time, numerous consolidated and very successful titles were proposed, as well as new products and experiments.

*Un boss in incognito*, aired between March and April 2018 with a new conductor, told once again new stories of managers, who, in getting involved, reveal the human and professional sides of their employees, which are often surprising and unsettling. The programme reached a 6.3% share, with an average of 1.6 million viewers who watched the five episodes.

After the success of recent seasons, *Stasera tutto è possibile* did not disappoint expectations compared to the previous edition, achieving an average share of 7.9% with 1.9 million viewers. The autumn series of the comedy show that entertains guests in the studio and the public at home attained results in line with those of the spring.

The year 2018 also saw the return, after a two-year break, of *The Voice of Italy*, the music talent show that was able to maintain its position in a much more competitive TV scenario than 2016, with a share of 9.6% equal to an average audience of 2.1 million viewers and an average age of 51.4 years.

However, Rai 2's prime time 2018 also included talk shows such as *Nemo-Nessuno Escluso*, a programme that investigates reality through stories, putting the protagonists at the centre, without any mediation. The programme was able to make the viewer live events in the country, telling the facts, problems, opinions and contradictions of current affairs where everyone can participate in the story thanks to their direct experience. *Nemo-Nessuno Escluso* was able to win over an audience of high socio-economic and educational level, who, with an average age of 55.2 years, confirmed it as the youngest information programme on the television scene of last season.

Among the new prime time productions, there was *Il supplente*, Rai 2's new factual show. In five episodes, famous people replaced teachers to tell about Italy today and listen to young Italian secondary school students as they share experiences from school and their lives. Very special surprise lessons, given by equally special substitutes: a celebrity, a talent scout, and a great journalist. It is a programme that was able to particularly interest the younger age groups (8-24 years and 25-45 years) and bring together parents and their children.

In autumn *Niagara - Quando la natura fa spettacolo* made its debut; it is the six-part popular programme that told the story of planet Earth from spectacular places, which offered the masterpieces of nature and still uncontaminated places to the amazement of

1. *Quelli che il calcio*
2. *Stasera tutto è possibile*



the general public, reflecting “on Earth as a living being,” on its wonders and on its state of health.

The offering of purchased series was characterised by the usual and appreciated mix of consolidated programmes such as the *NCIS* franchise, now in its fifteenth year, *NCIS: Los Angeles*, *NCIS: New Orleans*, the exotic *Hawaii Five-0* on the one hand and new programmes, among which *Bull* and the action series *SWAT* stand out for their innovative language. The offer also included two lines of TV movies on Saturdays and Sundays (*Il difficile mondo delle donne* and *Nel segno del giallo*) that entertained viewers over the summer, along with new episodes of the series *MacGyver*, *Rosewood* and the legendary series made in Germany, *Squadra speciale Cobra 11* now in its 23rd season.

1. *Nemo – Nessuno Escluso*
2. *L'ispettore Coliandro*

The autumn programme was characterised by the presence of the Men's and Women's World Volleyball Championships.

The combination of Rai 2 and Italian volleyball made it possible to enhance the value of the world championships and, thanks to the excellent sporting results of Italy's athletes, attained considerable ratings. An average of 1.7 million viewers, an average share of 9.4% and a coverage equal to 22.7 million viewers for the men's tournament; an average of 1 million viewers, an average share of 12.1% and a coverage equal to 20.2 million viewers for the women's tournament;

A consolidated and rewarding relationship between Rai 2 and sport, which also involved cycling and football and is intended to be further strengthened, characterising Rai 2 as the network of great world sport.

As for docu-reality entertainment, in autumn *Pechino Express – avventura in Africa*, offered the longest trip ever, more than fifteen thousand kilometres from north to south, from the desert to the ocean. In this edition of the adventure game, competing couples landed in Africa in a spectacular journey through the beauties and cultures of countries very distant and different from each other: Morocco, Tanzania and South Africa. Ten episodes made of nature and civilisation, tall mountain peaks and white beaches, breathtaking landscapes, canyons, wildlife reserves and cliffs overlooking the ocean that won 1.7 million viewers with an average share of 7.7% and noteworthy social media results, as is now customary.

The offer of prime time entertainment saw – after the great success of 2017 of *Indietro tutta 30 e lode* – the return of the trio Arbore, Frassica, Delogu with *Guarda... Stupisci. Modesta e Scomiccherata Lezione sulla Canzone Uморistica Napoletana*. Two-evening event dedicated to the celebration of the great repertoire of Neapolitan humoristic songs with surprise guests and the accompaniment of the Orchestra Italiana. A new great success for critics and audiences with an average share of 13.7% and an audience of about 2.5 million viewers.

The year 2018 was also important for the Rai 2 TV dramas. In the first part of the year, *Il Cacciatore* (The Hunter) made its debut, a series inspired by the true history of the magistrate Alfonso Sabella (among the authors of the drama), a member of the anti-mafia pool of Palermo in the early nineties, immediately after the Capaci and Via D'Amelio attacks. The events of his autobiographical novel *Cacciatore di mafiosi* intrigued the audience for six weeks.



It was such a success with critics that a second season will be produced.

However, the year 2018 saw the second season of *Rocco Schiavone* (with a 12% share equal to 2.8 million viewers with results well above average among the highest socioeconomic and educational groups) and the seventh season of *L'ispettore Coliandro* with 2.5 million viewers for a share of 10.8%. They are two very different crime stories that share the same innovative language, the quality of writing and the charisma of the main characters.

In the late evening, in addition to the consolidated *Night Tabloid* – information and in-depth analysis of politics, economy, future, technologies, society and trends – and the wild *Sbandati* – one of the most irreverent TV programmes – new titles and new formulas of the offer were experimented. Among these was *Lo squadrone - Cacciatori di Calabria*, which, with the stories, private life and motivations of the Red Basques, i.e., the men of the Squadrone Eliportato Carabinieri Cacciatori of Calabria based at the Military Airport of Vibo Valentia, followed a real squad while fighting an incredible daily war against the 'ndrangheta criminal organisation. But there was also *Eroi di strada*, the story of metropolitan suburbs through the stories of characters who have succeeded in changing their lives, without forgetting their origins.

1. *Detto/Fatto*
2. *The Voice of Italy*

In the day time stands out a great success of Rai 2 with the infotainment of *I fatti vostri*, a traditional staple appointment for years for a wide audience: news, current affairs, comments on the news of the day, and weekly features, without forgetting the traditional space to give voice to citizens for appeals, requests and thanks. Then there were also *Detto Fatto*, which, now in its seventh season and with a new host, is now a well-established staple for the young-adult female audience, and *Quelli che... il calcio* that conformed its success thanks to the trio Luca, Paolo and Mia Ceran who hosted the programme in access time, from Monday to Friday, with *Quelli che... dopo il TG*.

Rai 2 is obviously also present on the web where the audience is younger and the languages are different, and where it adopts a cross-media strategy that offers a stable digital schedule perfectly integrated with the television schedule and capable of both increasing the catchment area on new web/social platforms and of ensuring support for programmes broadcast on linear television.

On the main social networks Rai 2 is present with 1.4 million users who have subscribed to the official page on Facebook (in addition to the total of more than 2 million subscribers of the Facebook pages of individual programmes), 220 thousand on Twitter and 175 thousand on Instagram. To date, considering also the users registered with the network's pages and



accounts and those of the programmes, these results have made Rai 2, in terms of registered users, Rai's largest social network.

These results were also made possible by the development of new and specific products. Among these, promotional products such as, in particular, only web/social spots and backstage material shot specifically, with the creation of videos, gifs and cards. Then there are also meta-products that, through the publication of video material immediately on social media and the web during the television broadcast, offer users a real second screen experience, especially on Twitter.

At the same time, the introduction of meta-products such as gif, memes and cards has allowed to activate further viral trend mechanisms on the Twitter and Instagram channels, providing diversified and appropriate content based on the specific social platform.

In addition, independent production for the web and social media has been enhanced with the introduction of specific formats, created internally and distributed independently on the Internet. These are products that aim at a web/social target, also unrelated to the television programming, but functional to attract users within the network. These include:

- *Natale a Roccaraso*, the first Italian web film aimed at the teens target that obtained 1.6 million views over the Christmas period on Youtube;
- *TradiRai*, the first gossip feature on Twitter with the influencer Valentina Vignali who obtained 600 thousand views per episode with her Instagram stories;
- *Techesai*, the first quiz broadcast live exclusively on social media, every day from Monday to Friday on Rai 2's Facebook page from 7:45 p.m. to 8:30 p.m.;
- *I Supererotici*, a feminine look at eroticism of four glamorous correspondents to discover

a hidden but real world, through interviews with the protagonists, organizers and users;

- *Le missioni Impossibili*, the heroes of cheer who, with their basic language, embody the average Italian in a comic and original way;
- *Dianetti pensiero*, an always present and awkward alter ego that, with an ironic and impertinent language, aired every Friday on Instagram.

*“With a balanced combination of innovation and tradition, Rai 2 is consolidating its offering by continuing to win over viewers and the attention of younger generations.”*

1. *Pechino Express - avventura in Africa*
2. *Guarda... Stupisci. Modesta e Scombiccherata Lezione sulla Canzone Umoristica Napoletana*



# Rai 3



AVERAGE DAILY CONTACTS

16.566



MINUTES SEEN PER DAY

57



SHARE IN 24 HOURS

6.7%

PRIME TIME SHARE

5.7%

## Rai 3

**Inform, narrate, disseminate, entertain, and innovate: these are the key words of the mission of Rai 3, the channel with a strong identity, a real integrated system of values, a Network with a great appeal and programming capable of alternating long-standing programmes and new products.**

Historically, two macro-values have inspired the Rai 3 publishing project: to be a Public Broadcasting Service and to be inclusive. This value system is fed by a multiform narrative capacity that covers the entire offer in all genres.

Narrative, in all its forms, is therefore the core content of Rai 3, built through different codes and languages that characterise the genres of information, investigation, in-depth features, cultural and scientific dissemination, entertainment and public broadcasting service programmes. Rai 3 has a duty to cherish this precious positioning, which tells of the changes in society, giving an interpretation of the contemporary world also through memory, in-depth analysis, and reports, continuing to disseminate and create knowledge.

Rai 3 strongly believes in editorial experimentation, but also that innovation must follow a precise editorial project. Consistent with this strategy, in 2018 Rai 3 followed six editorial guidelines on which 35 new titles were built; these were proposed in balanced schedules and ensured the continuity of use of long-standing brands for the public at different times of the year and in all programming slots.

This redefinition of strategies and selection of genres and products, design and promotion of the offer has allowed the channel to renew its identity in line with the public's expectations.

In summary, the strategic drivers of 2018 were:

- **consolidation of the information offer:** Rai 3 explores, investigates, tells about reality and the contemporary world, creates topics, interviews the most important protagonists of the political, economic and social scene, and delivers a Public Broadcasting Service. The Network is always punctual and rigorous in proposing information, in all its variants both in prime time and in day time: from *Agorà*, also present in the summer schedule with the *Agorà Estate* version, to *Presadiretta*, from *Report* to *#Cartabianca*, from *1/2 in più* to *Chi l'ha visto?*;
- **evolution of the entertainment offer in prime time:** Rai 3 has always stood out for its unique ability to create forms of smart entertainment, a genre that has allowed the channel to create an alternative to the rest of the programming, whether Rai or of competitors. Since January, new declinations of the genre have been proposed launching products such as *Cyrano - L'amore fa miracoli*, and, in the fall of 2018, after having brought Gloria Guida to TV as the host of *Le ragazze*, the Network has successfully focused on light entertainment with the celebratory evenings of *La TV delle ragazze - Gli stati generali*, an all-female comedy programme that has been able to combine the comedy of the "historical

1. *Report*
2. *TVTalk*
3. *#Cartabianca*



girls” with the brilliance of the “today’s girls”, telling how the life of women has changed (if it has changed) in these years;

- **a Saturday-evening educational presence** in 2018, quality solutions were put in place to cover the educational genre with a coherent and varied offer. Between November and December 2018, two important new features were proposed for the Saturday evening prime time: *Il borgo dei borghi* and *Città segrete*, which met considerable success with the public allowing the Network to successfully maintain control of a key piece in the publishing offering;
- **“feminisation” of the Sunday evening offer:** during 2018 Rai 3 launched the new and winning line-up of prime time women’s products such as *Amore Criminale*, *Le ragazze*, *Storie Maledette*, which, combined with a series of consistent accesses and late evening products such as *Sopravvissute* and *Dottori in corsia - Ospedale Pediatrico Bambino Gesù*, have given continuity to a compact and demographically consistent block covering the schedule from 8:00 p.m. to midnight. In a few months, this strategy and positioning on emotional storytelling have become an exclusive feature of Rai 3, capable of attracting a valuable audience for Rai from an editorial perspective;
- **late evening experiments:** in 2018, late evening was the schedule in which Rai 3 concentrated the highest rate of experimental programmes, with the aim of

expanding the type of profiles involved and increasing the number of viewers. This strategy has led to propose very innovative titles such as *Brunori Sa*, *Prima dell'alba*, *Lessico Familiare*, *Storie del genere*, *I miei vinili* and *Rabona*;

- **storytelling in access prime time:** the narrative is the Network’s real backbone and particular attention has always been paid to social issues, discussed with a variety of styles in programmes strategically placed in access prime time both on weekends with *Le ragazze del '68*, *Fuori Roma*, *La difesa della razza*, and *I dieci comandamenti*, and during the week with absolutely new features such as *Senso Comune*, *Non ho l'età*, *Be happy*, *La tegola e il caso*, and *Alla lavagna*. On Saturdays, the programme *Le parole della settimana* (Words of the Week) which quickly became one of the most popular and appreciated products on the Internet, was confirmed.

During 2018 there was no lack of event evenings: Friday, 16th March, *Il condannato - Cronaca di un sequestro*, the documentary film that, exactly 40 years later, told the story of the 55 days that shocked Italy, those of Aldo Moro’s kidnapping; on Monday, 30th April, an exceptional prime-time event dedicated to Patty Pravo – to celebrate her 70th birthday – a biopic titled *In arte Patty Pravo* in which the artist retraced her long career full of successes and anecdotes in an interview; in June, the documentary *Così in terra* dedicated to the figure of Don Ciotti was broadcast; on July 30th, a re-edition of the special dedicated to Anna Marchesini.

1. *Chi l'ha visto?*
2. *Prima dell'alba*
3. *Kilimangiaro*



The public's approval has been confirmed by both quantitative and qualitative indicators. The results have been more than positive in terms of ratings, which, in the 2018 ranking of generalist channels, confirmed Rai 3 as the third largest channel over the whole day, with a share of 6.7%; the figure for weekly day time was significant, with a 7.5% share. As regards qualitative indicators, the Qualitel approval rating grew, reaching a very positive result for the entire Network offer (7.6/10).

During 2018, several Rai 3 products received important awards at prestigious national and international festivals and television shows. In February, *Report* won the thirteenth edition of the "Elio Botti - Come Acqua Saliente" Award for communication for the two reports "Un buco nell'acqua" and "Goccia a goccia" dedicated to different aspects of a topical issue such as water consumption on a global and national scale. The documentary "Lontano dai occhi," an intimate journey into the odyssey of migrants who cross the Strait of Sicily and land in Lampedusa, won the prize for best documentary at the "Festival del Cinema - Città di Spello ed i Borghi Umbri". In May, five Rai 3 programmes received awards at the "Imperia Video Festival": *PresaDiretta*, *Per un pugno di libri*, *Radici* and *Report*, for the episode "Il patrimonio," received the "Quality TV" award; *I dieci comandamenti* was awarded the prize for the best current affairs report with "Il danno," which provided an account of the environmental and social emergency of the "land of fire".

In June, *PresaDiretta* received the special prize of the jury of the "Food Film Festival" in Bergamo for the report *La rivoluzione agricola*, dedicated to the economic and environmental impacts of current food production systems. In September, another *PresaDiretta* report "La guerra di Chicago", dedicated to the theme of security in Italy and the story of a great American urban reality characterised by a high number of weapons, won the "television report" section of the "Goffredo Parise" Reportage Award.

As regards the web and social offer, in 2018 the digital creative factory developed a set of positioning strategies on multimedia platforms with the aim of producing and publishing cross-media content, live-tweeting, video content and leased graphics, and live and extra projects, to tell about the programmes live and launch them also on Raiplay.

Rai 3's Network includes about 50 channels and open profiles (Network and programmes) on the three social media of reference (Facebook, Twitter and Instagram, as well as

experiments on other SN, such as Spotify, and currently has a total user pool that breaks down as follows:

- Facebook: 4.6 million likes (top page: *Report* 1,280 million, *Rai 3* 700 thousand, *PresaDiretta* 461 thousand, *Kilimangiaro* 329 thousand, *Chi l'ha visto* 389 thousand);
- Twitter: 2.29 million followers (top profile: *Report* 1.26 million, *Rai 3* 260 thousand, *PresaDiretta* 183 thousand, *TvTalk* 108 thousand);
- Instagram: 445 thousand followers (top profile: *Rai 3* 104 thousand, *Un posto al sole* 110 thousand, *Kilimangiaro* 92 thousand).

As for the offer of videos on social networks, in addition to excerpts from the programmes on the air, a key activity in 2018 was the production of premium videos dedicated to events, anniversaries, characters and themes that fit into a broader narrative of the contemporary world, such as those made for the anniversaries of historical events (Piazza Fontana, Capaci, Via d'Amelio, etc.), or the anniversary of the birth or death of great personalities (Lucio Battisti, Gian Maria Volontè, Pier Paolo Pasolini, Bernardo Bertolucci) or to tell about important issues (Franca Viola on violence against women, etc.).

There were also numerous live streaming activities on social platforms, with Q&A experiments with the community of each programme: in 2018, the schedule included about 15 live social events (among the programmes involved: *Tutta Salute*, *Report*, *Quante storie*, *Mi Manda Raitre*, *Tv Talk*, etc.) and special initiatives.

*"A spirit of public service and inclusiveness that follow on the values of the offer, innovative choices and the development of narrative styles, constant balancing between old and new titles according to the wishes of the public, and an editorial laboratory nourished with ideas and skills within the Network have allowed to increase the appeal of Rai 3: a brilliant scenario to consolidate."*

Rai 4

 /MLN
AVERAGE DAILY  
CONTACTS

4.964

MINUTES SEEN  
PER DAY

41



SHARE IN 24 HOURS

1.4%

## Semi-generalist and special interest channels

### Rai 4

From action to crime/thriller, from science fiction to horror, from epic to fantasy. Exactly ten years after its debut on the screen, Rai 4's editorial mission has been confirmed as effective and current: to capture changing scenarios and television languages with a particular look at certain genres of contemporary production.

The first to make its debut among the semi-generalist channels, Rai 4 confirms its audience results with an annual share for 2018 of the total number of individuals of 1.41% over the whole day, and 1.44% in prime time, despite the presence of new competitors and a less favourable overall television scenario. As for the reference 15-44 years target group, there was a share of 1.74% over the whole day with physiologically higher ratings in the 35-44 years, reflecting the composition of the audience.

Among the movies, the action/crime movie with Denzel Washington *The Equalizer: Il vendicatore* was confirmed as the audience champion with 3.78% of the share. Excellent results also for the action noir with Jason Statham *Parker*, for the epic and fantastic movie *Il mistero di Ragnarok*, a Norwegian production, and *Outlander: L'ultimo vichingo*. But there were also premier thrillers including *I segreti del settimo piano*, a Spanish-

Argentinean co-production and *The Oath: Il giuramento*, an Icelandic production. Lots of action stars, too: Jackie Chan, with *The Medallion*, Jason Statham, with *Chaos*, and Jean-Claude Van Damme, with *Double Team: Gioco di squadra*.

There were also numerous immediate rerun programmes from Rai 2 or Rai 3, with blockbusters such as *Gods of Egypt*, *The Last Witch Hunter* and *Il monaco* that enriched Rai 4's editorial proposal, with an essential look at the mainstream of the genres of reference.

But Rai 4 is also TV series. The careful blend of exclusive products and reruns of mainstream and cult programmes, and major and independent productions, characterised the programming of series. Suffice it to mention the prime time offer of the rich "serial killer" genre. On the one hand, two premiere series with a dense horizontal plot: *The Fall: Caccia al serial killer*, a perfect example of European quality TV, and *The assassination of Gianni Versace: American Crime Story*, a true crime story with bold narrative choices. On the other hand, the evergreen *Criminal Minds*, a classic investigative series with self-contained episodes, repackaged in the new editorial format of the *Real Criminal Minds* cycle: a review of episodes from various seasons all inspired by real news cases.

Other forms of the crime macro-genre are continuing to meet with the favour of the public. First of all, let's mention the high-tech investigations of the *Scorpion* team, proposed

1. The APB crime series



in prime time for the first time and in “strip” reruns in the afternoon, and of *APB*, a free adaptation from a videogame inspired by the classic *Robocop* model.

Still in prime time, the second reruns, after being aired on the generalist networks, *Elementary*, *MacGyver* and the queen of Italian crime series, *Gomorra* (prime time average 2.22%, with a peak of 674,779 viewers equal to 2.93%).

As for movies, the epic genre is also characterised by serial programming, with good results with the public, starting with the cult *The Game of Thrones*, with the premiere of the seventh season, to continue with *Vikings*, with the premiere fifth season and the afternoon rerun of previous seasons. Also in the afternoon, the spy action *24* closed the daily programming of all its eight seasons with an average share of 1.33%. The rich imagery of science fiction B-movies finally inspired the premiere of *Falling Skies* and the great classic *X-Files*.

But Rai 4 is also special events and productions. All the fixed appointments of the network's calendar of musical events are

confirmed: the *Eurovision Song Contest* and the *Tomorrowland* electronic music festival, both in prime time, and the *BRIT Awards* in late evening.

As always live at night from Los Angeles, the *Emmy Awards* ceremony saw the triumph of three premiere series on Rai 4: *The assassination of Gianni Versace: American Crime Story*, *The Game of Thrones* and *The Americans*.

Three weekly late evening productions finally made their debut in the autumn: *Worktrotter*, an easygoing version of Travel & Adventure docu-reality, *The Dark Side*, a journey through mysterious and cursed places in the Italian hinterland and the weekly magazine *Wonderland*, back after almost three years of absence from the screens, to confirm the renewed centrality of the fantastic and crime genres in the network's editorial proposal.

1. *The assassination of Gianni Versace: American Crime Story*
2. *I segreti del settimo piano*
3. *Il mistero di Ragnarok*
4. The electronic music festival *Tomorrowland*

*“Original formats and special events enhance our programming that has always been dedicated to film and TV series fans.”*



## Rai Movie

MLN

AVERAGE DAILY  
CONTACTS

5.300



MINUTES SEEN  
PER DAY

28



SHARE IN 24 HOURS

1.1%

### Rai Movie

The Rai cinema only Network. Genre films, comedies, action films, romance films, thrillers and westerns on a channel capable of putting the viewer's favourite genre at the centre.

Despite the increasingly competitive context that sees the constant expansion of the film offer on new digital channels and streaming platforms and accessibility and usability for users through multiple devices, Rai Movie maintains its firm position in the television landscape thanks to thorough and skilful programming that is able to arouse the interest of the public with a varied and never trivial offer.

Without losing sight of the obligations of programming Italian and European products and the attention to quality cinema that is one of the central missions of the Public Broadcasting Service, in 2018 Rai Movie confirmed its ratings with a share over the whole day of 1.1% and 1.23% in prime time.

Among the most proud results for the channel is the success of two auteur prime time evenings: *Novecento* by Bernardo Bertolucci, an unprecedented event rewarded with a share of 1.90% in October 2018 (followed by the rare documentary *Bertolucci secondo il cinema* by Gianni Amelio), and *L'albero degli zoccoli* by Ermanno Olmi, broadcast the day after the Maestro's death, with a 2.03% share.

With the spread of an undifferentiated cinema offer, the Network aims to be a beacon offering the public reasoned guidance in the labyrinth of programming, thanks to a programme schedule articulated into precise and recognisable genres, themes and time slots. And if the western continues to be the flagship genre of the channel, any proposal, not just prime time, is designed to satisfy a particular audience segment.

In the early months of 2018, Rai Movie celebrated the return to Rai of the *David di Donatello* award ceremony with a rich cycle of 100 films awarded in previous editions, all presented on video by some of the best young Italian critics.

A specific cycle was also dedicated to *Fuorinorma*, an exhibition curated by Adriano Aprà and dedicated to the most experimental and independent Italian cinema. Rai Movie's focus on short features, intended as a training ground for new talents, has been reflected in the programming, in collaboration with Videocittà, of a selection of short features participating in the 48 Hour Film Project 2018.

Again in 2018, on the occasion of the *Salone Internazionale del Libro* of Turin (10-14 May) the channel programmed a cycle of around thirty films taken from books, dedicating ample space to the Salone and its initiatives in the Magazine and on social media.

Specific broadcasts were dedicated as customary every year to the *Giornata della*

1. *The Imitation Game*
2. *Novecento*  
by Bernardo Bertolucci
3. *Padri e figli*
4. *Una famiglia all'improvviso*
5. *L'albero degli zoccoli*  
by Ermanno Olmi



*Memoria* on 27th January, 8th March for *Giornata della Donna*, *Giornata della Legalità* on 21th March and *Festa della Musica* on 21th June.

Rai Movie has always paid great attention to the quality of the copies it airs. In fact, great care is always put into philological research and the quality of the materials, pursuing maximum respect for the original formats and the best possible definition. In addition, where possible, foreign films are broadcast in "double audio" mode, i.e., with the original language proposed on the second DDT audio channel.

Rai Movie has always been attentive to giving national productions significant space and during the year it has consolidated the programming of Italian productions by doubling the prime time cycle *Un martedì italiano* and scheduling the Italian auteur films in the late evening.

The productions, always in line with the programming, consolidate the identity of the television network dedicated to cinema. *Movie Mag*, now in its fourth season, is confirmed as the channel's flagship production, dedicated to current events and in-depth features, with particular attention to Italian productions. Films coming out or being made, awards and festivals, events, the history of cinema and interviews with its protagonists: these are the ingredients of the magazine, which added the renewed collaboration with Anica during 2018. Based on an agreement with the Italian National Association for the

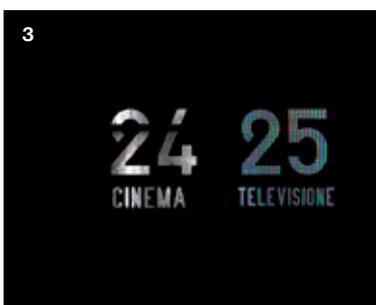
Cinema and Audiovisual Industry (Anica), *Movie Mag's* editorial staff creates a weekly news programme that focus on current national production and distribution topics. During 2018, *Movie Mag* confirmed its average ratings, both on Rai Movie and on Rai 1, a network on which a night-time rerun is broadcast.

The collaboration with the *Centro Sperimentale di Cinematografia* was renewed on the occasion of the second season of *Off Stage*, led by Carla Signoris. Every Tuesday, in the late evening, the actress spoke with the public's favourite Italian actors in front of an audience of students of the Centre's acting course: a new and personal story in an engaging atmosphere of intimate and easy-going exchange between those who made it and those who dream – one day – of making it.

Again in 2018 Rai Movie confirmed its role as official television of the most prestigious Italian festivals: the Venice, Rome and Turin film festivals were guests in the daily analyses devoted to them with the daily formula, the daily specials transmitted during the events, among which it is worth noting the success with the public of the live coverage of the award ceremony of the Venice International Film Festival.

Rai Movie was the only Italian television channel to offer full coverage of the EFA-European Film Awards, whose awards evening was broadcast via live streaming from Seville.

1. *Vera Cruz*
2. The interviews of *Movie Mag*
3. *24/25 - Il fotogramma in più*
4. Salone internazionale del libro of Turin
5. The cycle *100 film per il David*



The year 2018 also marked the return of the *David di Donatello* award on Rai's Networks and, in collaboration with the broadcasting of the award ceremony on Rai 1, Rai Movie broadcast an hour of live coverage conducted by Livio Beshir from the red carpet with international guests, experts and the biggest names in Italian cinema.

With monographic specials, Rai Movie continues to act as a producer of a line of documentaries dedicated to major personalities and the most important cinema themes. In 2018 *Il gusto della libertà - Cinema e '68*, dedicated to the influence that the years of protest had on filmmakers of the time, found space at the Turin Film Festival and *24/25 - Il fotogramma in più*, an investigation into the technical and aesthetic relationships between cinema and television, was presented in competition in the Classics section of the Venice International Film Festival.

Rai Movie supports the programming of the television schedule with in-depth features and interactive exchange with its users through the Network's website and the official social profiles on Facebook, Twitter and Instagram, the latter opened on the occasion of the 75th Venice International Film Festival.

Social media activity contributes in an increasingly effective manner to the channel's identity, proposing it as an important and reliable point of reference for cinema fans. With real time updates, the social network activity is articulated daily into reports, proposals and viewing recommendations, and

is intensified during some important film events around Italy, with live streaming of the Red Carpet, press conferences and TV-calls with the protagonists. In addition, the live streaming of the full award and opening ceremonies of the most important Festivals are offered exclusively.

Finally, the *SnapMovie* feature is continuing; it is a series of short videos designed specifically for the web and social media, in which members of the editorial staff, young critics and the best editors of specialist magazines, *Ciak*, *FilmTv* and *La Rivista del Cinematografo*, alternate to tell viewers about interesting fact and anecdotes about the films on schedule. In particular, in 2018, on the occasion of the return to Rai of the *David di Donatello* and the contemporary cycle of *100 films per il David*, a line of snap presentations dedicated to the prize awarded by the Italian Academy of Cinema, was created.

*"Rai Movie is the channel of every movie genre, with a wide offer, devoted both to TV programming and to the new opportunities offered by the internet and social networks."*

1. *Il gusto della libertà - Cinema e '68*
2. Steven Spielberg at the *David di Donatello* ceremony



## Rai Premium

MLN

AVERAGE DAILY  
CONTACTS

3.735



MINUTES SEEN  
PER DAY

46



SHARE IN 24 HOURS

1.2%

### Rai Premium

Rai Premium is the channel of the best Italian and foreign TV drama and comedy works and of the most notable entertainment successes of the present and recent past to make viewers think, laugh and thrill.

The channel has always been attentive to its traditionalist audience who are fond of the product that made up its original core: Italian TV dramas. The offering of short-term reruns of generalist TV shows is appreciated by television audiences, comforted by the possibility of finding what they missed or seeing again what they loved, whether dramas or prime time entertainment. A rich and diverse offer of programming, which never disappoints the expectations of the public and always meets with results that are always rewarding.

In fact, 2018 also closed for Rai Premium with the confirmation of the positive trend of the results of previous years. In fact, the channel recorded daily averages that exceeded 1.2% share several times and particularly positive days that saw peaks of 1.5-1.6%.

Titles such as *L'amica geniale*, the second series of *L'allieva* and *I bastardi di Pizzofalcone*, the third series of *Una pallottola nel cuore* and *L'ispettore Coliandro* confirmed the public's approval in watching or seeing their favourite TV drama again. In 2018, Rai Premium also offered the new fully restored HD version of *La Bibbia*, offered exclusively by the channel.

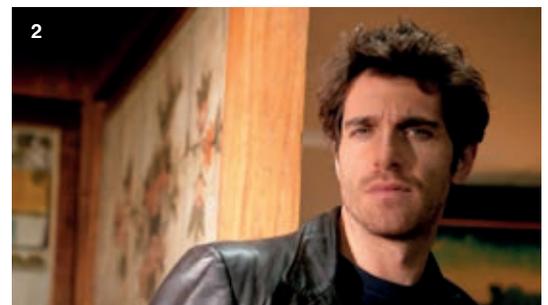
1. *I bastardi di Pizzofalcone* 2
2. *L'ispettore Coliandro* 3
3. *L'allieva* 2

Among the new productions of the year that were particularly appreciated by the public was the Rai premiere of *Isabel*, a historical series dedicated to Isabella of Castile, a powerful woman who left her mark on the history of Europe.

Excellent results also for TV movies and international series that have joined the offering of Italian products. Among the foreign fictions, *Velvet*, a Spanish product that has been able to involve the public with a skilful mix of glamour and melodrama.

The reruns of the best and most popular dramas continues to be the most popular choice in the Saturday and Sunday offering with the "marathon" formula, with the rebroadcast of products already aired during the week to allow the public to view cult series, such as *Un medico in famiglia*, *Il maresciallo Rocca*, *Ho sposato uno sbirro*, and *Provaci ancora prof!*, over the weekend. Then there was also *Il paradiso delle signore daily*, which also allowed Rai Premium to successfully propose the episodes broadcast daily by the generalist television again in important time slots, such as the Saturday afternoon marathon and the Sunday late evening.

But Rai Premium is not just TV drama. The channel's offer is rich in entertainment programmes, both proposed with the formula of the immediate rerun after broadcasting on generalist channels – including *Tale e quale show* and *Ballando con le stelle*, which entertained and thrilled the audience with the



## Directors' Report

most famous and beloved faces of the Italian television scene, and original productions. Among the latter, *Brava*, with a hosting style that, with elegance and professionalism, is aimed primarily at women, but without neglecting the presence of men in everyday life, and *Uniche*, dedicated to great women of the Italian art scene, to what makes them absolutely unique and special, women who have told about their personal and artistic journey between the scene and behind-the-scene, the evolution of their character, their image and their personality.

Rai Premium is continuing – especially through social networks such as Facebook – to bring closer that part of its audience that is still distant from the digital world, helping many adult viewers to improve their understanding and interaction between different media.

*“TV dramas and entertainment of yesterday and today for an adult audience that is still distant from the digital world and that loves excitement and has fun with the quality of Rai products.”*

- 1 *Una pallottola nel cuore 3*
- 2 The HD version of *La Bibbia*
- 3 *Stasera tutto è possibile*
- 4 *Made in sud*
- 5 *Ballando con le stelle*
- 6 *Tale e quale show*
- 7 *Isabel*
- 8 The Spanish drama *Velvet*
- 9 *Un medico in famiglia*
- 10 *Provaci ancora prof!*
- 11 *Il paradiso delle signore daily*



## Rai Italia

### Original programmes and the best of Rai productions for Italians abroad: to feel at home even when you're away from home.

Rai Italia, the channel for Italians abroad and the promotion of the Italian language, culture and business in the world, is divided into three schedules, based on the main time zones of the non-European continents of destination: Americas, Africa, Asia/Australia. The latter, on weekends, is split into a version for Australia and one for Asia, depending on the sports programming.

Rai Italia is broadcast via satellite platforms, cable, lptv and OTT, in encrypted and pay mode, in the Americas, Africa and Australia, while it is broadcast directly and free of charge throughout Asia. The catchment area of reference counts 5 million Italians living abroad (registered with the AIRE), 60 million Italian descendants and about 250 million so-called "Italics," people variously linked to Italy by kinship, interests, or passions, who appreciate and follow the Italian way of life and share its basic values. With the technological methods indicated, and based on its presence both in the basic offers of the operators to whom the channel is sold and in the on-demand offers (an option mainly in North America), Rai Italia reaches over eighteen and a half million households worldwide.

It is a generalist and stream channel, 24 hours a day. It offers a best of Rai Networks, immediately after the national broadcast, and offers all the top titles that characterise the present-day offer of Italian television: big events (from Bolle to Bocelli), TV dramas (from *Montalbano* to *I Medici*), soap operas (from *Un Posto al sole* to *Il Paradiso delle signore*), daytime and evening entertainment (from *La Prova del cuoco* to *Ballando con le stelle*), game

shows (from *I Soliti ignoti* to *L'Eredità*), cinema (from *Jeeg Robot* to *Suburra*), information talk shows (from *Porta a porta* to *Carta Bianca*), in-depth analysis (from *Report* to *Presadiretta*, from *Petrolio* to the specials of the newsrooms), education (from the evenings of science and art with Piero and Alberto Angela to those on the country's beauties such as *Geo* and *Linea Bianca*), and sports (from the Football Championship to cycling with *il Giro d'Italia*).

Sport plays an important role in the programming. "Serie A" matches are one of the major highlights for the audience of Rai Italia that schedules them live with Italian-language commentary in collaboration with Rai Sport. Since August 2018, they have also been the first broadcasts of the channel to be aired in high definition. *La giostra dei gol*, an original production of Rai Italia, a historical Sunday programme that also outlines the highlights of all the fields of the day not available live, is built around the appointment with football.

Another cornerstone of the programme are the live news, with the major editions of Tg 1, Tg 2, Tg 3 and Rai News 24, in addition to two regional editions a day chosen on a rotating basis from the TGR territorial map.

The same live opportunity is adopted for *Cristianità*, a large weekly container that talks about faith in an international perspective, with interventions and contributions from all over the world. The live broadcast has the prerogative of spreading, in addition to Sunday Mass, the Angelus and the blessing of the Pope, with subsequent return to the studio for the final comments of the guests and the hostess, Sister Myriam Castelli.

If Rai Italia has the flavour of a mainly anthological offer that unites fellow Italians who are far away in a concrete feeling of

- 1 The religious culture programme *Cristianità*
- 2 *La giostra dei gol*



closeness to Italy through the multicoloured filter of what is being seen on television in their country of origin, the channel also cultivates loyalty through a dedicated programme: *L'Italia con voi*, ninety minutes of daily immersion from talk shows to music, from reports to service features.

A new format and language container programme, with expressive methods that match the large productions of a similar format that Rai offers to the public in Italy, *L'Italia con voi* (Italy with you) was born from a long video-message by the President of the Republic, Sergio Mattarella, to Italians abroad, expressly wishing Rai Italia and the programme all the best.

The reports produced for the programme come together weekly in a special (*L'Italia con voi - Le storie*) broadcast also on a national generalist network, to contribute to the much-boasted "return information," which fellow Italians – not only those who emigrated long ago – yearn for the maximum dissemination of the Italian contribution to the growth of host countries and for the spread of Made in Italy.

The features of the programme include: *Made by Italics*, an editorial full of ideas, anecdotes, and statistical notes on the cultural fertility of being Italian around the world; *L'Italia con voi*, appointment with the linguists of the Dante Alighieri Society; *Di Bella dal Mondo*, perspectives from current events that have to do with the Italian spirit, with Antonio Di Bella.

Collaborations also with Radio Rai (with *Hollywood Party* by Rai Radio 3 and with *Era Ora. Il lato C della musica* by Rai Radio Live) with super-guests of the show who dialogue

with Italians around the world, interviewed in video on the occasion of radio recordings.

The year 2018 also saw the creation of another original production: *Soldati d'Italia*, a series of cinematic documentaries dedicated to the seven thousand soldiers involved in peace missions. Nominated for the Los Angeles Emmy Awards, the film version of the reportage series was presented for the first time at the Rome Film Festival and was the video contribution of the National Day of the Armed Forces to the Economic and Financial School of the Italian Finance Police, in the presence of the top military leaders.

During the year, two television events of extraordinary value and emotional impact were also broadcast, starring Pope Francis. Two interviews – on the prayer of the Our Father and on the figure of Mary – of the usual form for television but a first time for a Pope: in the form of conversations with face-to-face shooting, the Pope has a long dialogue with viewers with the typical closeness of the foreground and a rare visual confidence.

In the first part of 2018, on the occasion of the elections on 4th March, the channel was characterised by an innovation in electoral communication with an important editorial Public Service initiative. In addition to institutional commercials to inform about "how to vote", Rai Italia created a special awareness campaign – for the first time ever in these terms in the history of Italian TV – entitled *Io voto*, collecting the testimonies of personalities from entertainment, culture and sport, who accepted the proposal of declaring their intention to go to vote on election day in front of a camera – or even with a smartphone selfie.

Since autumn 2018, Rai Italia's original productions have been available in Italy and Europe on the Rai Play platform.

1 *L'Italia con voi*



*"Rai Italia is the generalist channel for Italians in the world: sport, news, drama, special events, entertainment. To be close even when you're far away."*

## Rai Cultura

Rai Cultura produces, distributes and fosters the circulation and multi-platform reuse of cultural content, cultural entertainment, history and quality education formats. A schedule which combines narrative force and rigorous scientific verification and speaks the language of today, with the capacity to override outdated scheduling concepts and which also travels through networks and social media on mobile devices and in on-demand mode.

In addition to delivering the multi-platform offer of the three TV channels Rai Storia, Rai 5 and Rai Scuola, the vertical themed portals (culture, art, literature, economics, sciences, Italian language, philosophy and media) and of the Rai National Symphony Orchestra, Rai Cultura occupies daily or weekly programming slots in the schedules of Rai's generalist channels through its productions such as: *Italiani (History specials)*, *I grandi della Letteratura italiana*, and *I grandi discorsi della storia* on Rai 1, *Memex*, *Digital World* and *Viaggio nell'Italia del Giro* on Rai 2, and *Passato e Presente* (daily with rerun on Rai Storia), *Diario Civile*, *Provincia Capitale*, *Tv Storia*, and *Save the date* on Rai 3.

Also broadcast on Rai 1 and Rai 3, *Sembra ieri cronache e storia* produced in collaboration with Rai News.

Rai Cultura is also the centre of expertise for the production of classical music for the Company. In fact, exclusive events and prestigious concerts are produced by Rai Cultura and broadcast by the generalist Networks. Among the main events that characterised 2018 were: the *Concerto di Capodanno from Vienna* and the *Concerto di Capodanno from the Teatro La Fenice di Venezia* directed by Myung-Whun Chung with Eleonora Abbagnato, the *Concerto dell'Epifania from Naples* performed by the Orchestra Partenopea di Santa Chiara and directed by Maestro Renato Serio, the *Concerto di Pasqua from the Cathedral in Orvieto*, *Concerto della Polizia di Stato per il 26° anniversario della strage di Capaci from the Teatro Massimo in Palermo*, and the *Concerto per le celebrazioni del 71° Anniversario della Festa della Repubblica* from the Sala dei Corazzieri at the Quirinale, the live broadcast of the inauguration of the season at La Scala on 7th December with the *Attila* by Giuseppe Verdi.

In 2018, Rai 5 proposed more than 800 hours of classical music and ballet performances, devoting ample space (about 370 hours) to the broadcast of operas, many of which in prime time, as well as 220 hours of theatre performance.

The digital offer of Rai Cultura was organised into 3 horizontal portals linked to the corresponding

thematic television channels (Rai 5, Rai Storia, Rai Scuola) and 6 vertical thematic video portals (Rai Arte, Rai Letteratura, Rai Filosofia, Rai Scienze, Rai Italiano, Rai Economia).

This organisation of the platform has made it possible to achieve results that currently make Rai Cultura one of the most significant channels on the Italian scenario, leading it to experiment with great audience feedback and major attention from the media and industry operators - creating cross-media projects, hundreds of web only contents, webdoc, thematic analysis specials and cloud instruments for students and teachers.

In particular, in 2018, webdocs were developed for the 50th anniversary of 1968 and the centenary of the end of the Great War, as well as dozens of specials on the most important anniversaries, events and cultural figures.

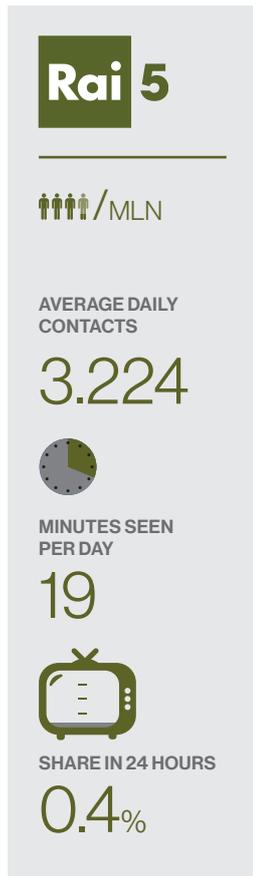
This work was further reinforced consolidated in 2018 thanks to the upgrade of all portals and by expanding the offer of the Rai Scuola portal aimed at creating a large educational media library with contents, services and instruments suitable for intercepting a wide range of the world of young people and teachers.

In this regard, during the year important media partnerships were started with CEPELL (Centre for Books and Reading), the Forum del Libro, Ministry of Cultural Heritage and Activities and Tourism (MIBACT), MIUR (Ministry of Education, Universities and Research), the most important national museums and festivals (MAXXI, MACRO, M9, Festival dei due Mondi of Spoleto, Festival della Comunicazione of Camogli, Festival dell'Economia of Trento, la Storia in Piazza in Genoa, etc.), to realise and tell about the most important initiatives and projects that involved the world of schools and culture in 2018.

The main Italian cultural events have also been described on the web and social networks by live streaming and through the creation of special events dedicated to the main protagonists of the national and international cultural scene with numerous interviews.

Moreover, Rai Cultura's social media accounts are followed by more than 1.6 million people who are involved daily with *ad-hoc* products and information on television programming and on cultural events. In particular, in the last quarter of 2018 innovative formats were tested on the Facebook, Twitter and Instagram accounts in view of the online launch – during 2019 – of the new portal [www.raicultura.it](http://www.raicultura.it).

In the second half of 2018, it was decided to favour the Instagram platform, which is seeing a growth trend of more than 20,000 users a month for the Rai Cultura account, and to open the Facebook groups for classical music and literature.



## Rai 5

The cultural entertainment channel devoted to music, nature, art, literature and theatre with a special focus on large-scale productions, innovation and experimentation in the field of music, art and the theatre.

Items that stood out in the 2018 schedule included: *I silenzi di Vermeer*, a journey into the fascinating world of the great Flemish painter, guided by Tomaso Montanari; *Nessun dorma!* (whose new season dedicated a special to 1968), i.e., the musical forays of Massimo Bernardini from classical music to jazz through folk and opera; the live broadcast of the *Premio Campiello* and the *Notte della Taranta*; the concert in memory of the victims of the Capaci attack on the twenty-fifth anniversary of the killing of Judge Falcone, his wife and his security detail; the series *L'altro Novecento*, dedicated to the great Italian writers of the second post-war period who have been unfairly neglected (Flaiano, Testori, Banti, Levi, Bertò), enriched by the proposal of a film inspired by one of their novels; the series *Italia. Poeti e navigatori*, where the pages that European writers (and not only) have dedicated to the *Grand Tour* in Italy are illustrated with contemporary videos from Google and YouTube.

There were also plenty of great documentaries on literature and art: suffice it to mention the biographies of Tolkien, the author of *The Lord of the Rings*, or of Roald Dahl, Saint-Exupéry and Etgar Keret; to the forays into the world of celluloid with the biographies of Warren Beatty, Roger Vadim and Alain Delon. In-depth features on the themes of art, painting and sculpture were offered through the series *This is Art*, *The Art Show*, *Art of...Australia*, prime time monographic documentaries such as *Rodin*, *Divino Inferno*, *Douanier Rousseau, un pittore nella giungla*, *Gustave Courbet* or *Alessandro Dobici - 20 anni di fotografia*, *David Bailey: il fotografo delle star*.

- 1 The documentary about David Gilmour, *Wider Horizons*
- 2 *I silenzi di Vermeer*

As regards theatre, theme cycles and monographic reviews paid tribute to the artistic careers and biographies of well-known actors and directors: examples are the cycle *Donne* (Francesca Reggiani, the Macaluso sisters and Ambra Angiolini among others), the monographic cycles dedicated to Marco Baliani (including the show *Corpo di Stato* proposed for the 40th anniversary of Aldo Moro's death), Leonardo Manera, Alessandro Baricco, Marco Paolini, and Ascanio Celestini. Nor should we forget the special edition of *In scena* dedicated to the Festival dei Due Mondi in Spoleto. Also worth mentioning is the cycle dedicated to Greek theatre, with two productions by the INDA Foundation for the Festival del Teatro Greco in Syracuse: *Eracle* by Euripides directed by Emma Dante (which opened the 2018 edition of the Festival) and *Le supplici* by Aeschylus directed by Moni Ovadia.

To close the year of theatre on Rai 5, there was the cycle dedicated to the amazing shows of the *Cirque du Soleil*, the legendary Canadian acrobatic circus company that since 1984 has made spectators all over the world dream with its creations.

Not to be forgotten, moreover, is the new series *Apprendisti stregoni*, which gave voice to six well-known actors (Stefano Accorsi, Giuliana Lojodice, Carla Signoris, Valeria Solarino, Francesco Montanari, and Luca Bizzarri) who covered the main stages of their artistic and professional "apprenticeship" and their career.

Rai 5 also meant nature, environment, travel and exploration, with a strong anthropological focus both in day time and prime time: in 2018, international documentaries were proposed such as *Wild Philippines*, *Planet Sand*, *Dogs - An Amazing Animal Family*, as well as original productions such as *Fuori binario* and *Lungo il fiume e sull'acqua* (produced by Rai Italia).



As regards classical music and the opera, Thursday prime time programming was completely dedicated to this genre: from the concerts of the Orchestra Sinfonica Nazionale Rai to the new series dedicated to the rehearsals and performances of Maestro Riccardo Muti with the young musicians of the Orchestra Giovanile Luigi Cherubini, not to mention the live concert by Maestro Muti in Norcia, on the anniversary of the earthquake of August 2016.

Among the events proposed in prime time were *La Bohème* by Graham Vick, directed by Michele Mariotti from the Teatro Comunale of Bologna; *Il Rigoletto* in Palermo, directed by John Turturro, as part of the initiatives for Palermo as the Italian Capital of Culture; the ballet *Le Corsaire*, a new production of the Teatro alla Scala, and *Apollon Musagète*, performed by Roberto Bolle with the Orchestra Sinfonica Nazionale Rai.

Among the appointments of the Rai Orchestra broadcasted by Rai 5 in 2018, it is worth mentioning the concert of the enfant prodige Alexander Malofeev directed by Myung-whun Chung, the one with the mezzo-soprano Michelle Breedt, the cycle of symphonies by Johannes Brahms conducted by James Conlon and the live broadcast of the opening concert of the 2018-2019 Season.

Among the proposals of classical music, there was also the homage to Leonard Bernstein on the 100th anniversary of his birth (25th August 1918) with two documentaries and a concert. Finally, the programme dedicated to Gioacchino Rossini for the celebrations of the 150th anniversary of the composer's death throughout 2018 is also important. Among the Thursday prime time proposals were *Otello*, directed by Amos Gitai; the *Stabat Mater* conducted by Ivor Bolton at the head of the Accademia di Santa Cecilia; the cycle of works dedicated to the *Rossini Opera Festival* including *Ricciardo e Zoraide*, the title that opened the 2018 edition of

the Festival (which was also dedicated a special of the programme *In scena*).

The homage to Rossini completed the offering with three cycles of Rossini's works broadcast during day time. On Thursday, in the late evening slot, Rai 5 also proposed the new edition of *Prima della prima*, the historic programme that tells the "behind the scenes" of the great opera productions.

Rai 5 also aired impressive live broadcasts of operas, concerts and ballets from the main Italian theatres and opera houses; not only those of La Scala (*Don Pasquale*, *La finta giardiniera*, the concert for Milan from Piazza Duomo, in June), but also, among others, the opening of the Festival Verdi in Parma with the *Macbeth*.

As for the cinema, the appointment with great auteur films, with the proposal of the most significant and original recent international productions and more, including the Rai premiere of the film *La prima luce* with Riccardo Scamarcio, was confirmed also in 2018.

Space for Italian cinema was also given with the cycle *Nuovo cinema Italia*, which from October hosted the first and second works by emerging Italian authors of the new millennium, in the spirit of the new law on the reform of audiovisual production for the enhancement, promotion and protection of Italian film production.

Last but not least, there was pop, rock, jazz and world music. In addition to the traditional summer appointment live from Melpignano of *La notte della taranta*, Rai 5 also featured a rich offer of documentaries, series and concerts offered in prime time and during the night: from the Beatles in *A Long and Winding Road* to David Gilmour - *Wider Horizons*, from David Bowie in the new production *Bowienext* to *The Seven Ages of Elvis*, from the Pink Floyd with *Pink Floyd Behind The Wall* to Janis Joplin with *Janis*:

- 1 *Apollon Musagète* performed by Roberto Bolle
- 2 *Il Rigoletto* directed by John Turturro



*Little Girl Blue*, up to the new cycle of the series *Variazioni sul tema* with Gegè Telesforo (in late evening).

In the first half of the year, films were shown that evoked, on the 50th anniversary, the musical season of 1968. Since September, the story of the great protagonists of rock, pop and jazz music was accompanied by biopics dedicated to celebrities from the world of cinema and entertainment, such as the aforementioned Roger Vadim, Alain Delon and Cary Grant, as well as a tribute to Stanley Kubrick on the anniversary of his birth with the documentary *S Is For Stanley*.

One of the production highlights was the weekly show *Save The Date*, the Rai 5 magazine that presents the most important and original appointments on the Italian cultural scene. In 2018, in addition to its traditional weekly appointment, in 2018 the programme followed up with special edition and monographic episodes on significant events such as the anniversary of 1968, the *Torino Jazz Festival*, the 54th edition of the *Festival del Teatro Greco of Syracuse*, the 100th anniversary of the *Teatro Eliseo in Rome*, and the 2018 edition of *Roma Europa Festival*.

Also worth mentioning is the new edition of *Terza pagina*, the weekly magazine dedicated to the cultural insights of major newspapers, which in 2018 was completely redesigned. It is hosted by the writer Licia Troisi and the regular participation of Emanuele Bevilacqua, professor of media economics, and Alessandro Masi, art historian and Secretary General of the Dante Alighieri Society.

Among the documentaries, it is worth mentioning the programme *In scena*, which in 2018 presented, with dedicated episodes, the concert that every year the city of Bologna dedicates to the memory of the victims of the massacre of 2nd August 1980, the *MiTO* music festival held between the cities of Milan and Turin, and the 2018 edition of the *Festival di Spoleto*. For the review *Auditorium!*, the cultural magazine that narrates the events held at the *Auditorium Parco della Musica of Rome*, Rai Cultura in 2018 followed *Roma - Le collezioni dall'antichità all'Ottocento* and *Libri Come*. Lastly, of note the documentary which recounted the 2018 edition of the *Festival di letteratura e cultura ebraica* and the closing concert of *Prix Italia 2018*.

*“Rai 5's productions cover all genres of performing arts from music to theatre and from ballet to opera and focus particularly on broadcasting events live at the same time providing cultural entertainment in an up-to-date and contemporary language.”*

## Rai Storia

**The quality channel which presents history, shows great documentaries, talks about Italy and reflects on our past, present and future history.**

Rai Storia performs duties of multi-channel and multi-platform production, selection, management and distribution of historical analysis content, with the aim of bringing its audience to all over the world and to any time, talking about facts, places, personalities, civilisation, lifestyles, cultural trends, political processes and social achievements. It is a channel with a mainly production-oriented vocation, a radio/television and cross-media Public Broadcasting Service that covers the entire spectrum of social media and networks that becomes a memory bank for everyone, and can be used on any screen.

In addition to the regular appointments of the day such as *Passato e Presente* with Paolo Mieli (broadcast on both Rai 3 and Rai Storia), *Mille papaveri rossi* and *Il giorno e la storia*, during 2018 the thematic make-up of the offer in prime time was consolidated.

The narration of history and places characterised programmes like *Cronache dall'Antichità* and *Cronache dal Medioevo*, the successful series that takes viewers to the places and events of the ancient world and Medieval period. The offering was consolidated with the new series *Cronache dal Rinascimento* with the most important facts and figures of one of the most beautiful and dramatic moments in Italian history.

*a.C. d.C.*, the programme that tells history “from homo sapiens to Napoleon”, was confirmed with new episodes dedicated to different figures including *Alexander the Great*, *Marco Polo*, *Dr. Livingstone*, *the Neanderthals*, and *Conquistadores*, a series of six episodes on the discovery and conquest of the Americas, confirmed their success.

In addition to the new series *Italia, viaggio nella bellezza* (a journey through Italy's more or less famous jewels, a journey through the incomparable richness of Italian history, art and culture, through all the regions), the extraordinary historical and artistic heritage of Italy was the protagonist of two new programmes: *Siti Italiani del Patrimonio Mondiale Unesco*, which, in collaboration with MIBACT, accompanied viewers on a journey to Italian Unesco sites, through thematic and conceptual routes, to spread the knowledge of the Italian cultural and natural heritage, and *Voci di una terra: Basilicata*, produced

# Rai Storia

MLN

AVERAGE DAILY  
CONTACTS

1.445



MINUTES SEEN  
PER DAY

24



SHARE IN 24 HOURS

0.3%

in agreement with the Basilicata Region, to tell the cultural background of the European Capital of Culture in 2019.

Finally, the places of the country involved in the pink jersey race were the protagonists of *Viaggio nell'Italia del Giro*, broadcast during the day time on Rai 2 with reruns on Rai Storia and Rai Sport.

Spaces dedicated to the main male and female protagonists of the past were confirmed and even broadened: from the biographies of *Italiani* with introduction by Paolo Mieli (among the new episodes were those dedicated to Emilio Sereni for the anniversary of his death, Joyce Lussu, Francesco Saverio Nitti, Grazia Deledda and Matilde Serao), to the portraits of *Grandi donne*, dedicated to women who in the most diverse fields have made Europe and the world great, making their voices heard thanks to their passion and vitality, such as Eleanor Roosevelt, Gertrude Bell, Anne Morgan, Marie Curie and for the cinema Brigitte Bardot.

Ample room was also given to inquiring into important issues such as legality, justice, the fight against organised crime and terrorism. The documentaries of *Diario Civile* told about the mafia organisation *Sacra Corona Unita*, the story of *Don Pino Puglisi*, on the occasion of the 25th anniversary of his murder, the bosses of the *Casalesi* family, the most powerful and ferocious clan in Campania, the story of the magistrate Bruno Caccia, killed by the *'ndrangheta* in 1983 and the story of the maxi-trial *Isola felice*, during which the existence of a mafia-type criminal association well rooted in the territory of the province of Varese was acknowledged for the first time.

In October, the six-episode docufiction *Il Maxi Processo a Cosa Nostra*, that is, the story of the most impressive trial against the mafia ever held, was presented: an original narration that combined the events, documented by the repertoire of the court hearings (thousands of hours of audiovisual material, digitised, catalogued and studied in depth), with moments of reconstruction (fiction).

Space was also given to the commemoration of important events celebrated by offering dedicated broadcasting on the given day, such as *Giorno della Memoria commemorating the Shoah* (27th January), *Giorno del ricordo in memory of the victims of the Foibe massacres* (10th February), *International Women's Day* (8th March), *Giornata della Memoria e dell'Impegno in memory of the innocent victims of Mafia criminal organisations* (21st March) and the *Anniversary of Italian Liberation* (25th April). The *50th anniversary of 1968*, the year that changed the world, was celebrated with an extensive programme and a series of 12 episodes to tell month by month the year that marked a turning point for all humanity.

Rai Storia also commemorated the 50th anniversary of the killing of Aldo Moro with the special *Il condannato* and *Cronache di un sequestro* and the Capaci attack with *C'era una volta a Palermo...Falcone e Borsellino*.

During the summer period *I-TIGI a Gibellina* was proposed to remember Ustica, a theatrical tale conducted by Marco Paolini not far from the place where the tragedy took place, and *Cantiere 2 Agosto*, a choral tale in which the lives of the 85 victims of the Bologna massacre were told.

During the year, the *Speciali Storia* also found their place in the programme schedule: on 3rd April *Un uomo nel mirino - Martin Luther King e l'FBI*, on the occasion of the 50th anniversary of his assassination; *1948: gli Italiani nell'anno della svolta* on the occasion of the anniversary of the general elections on 18th April 1948; *30th May Robert Kennedy - sogno infranto* on the occasion of the 50th anniversary of his assassination on 6th June 1968; on 19th June, on the occasion of the 100th anniversary of the shooting down of his plane, a special on the aviator *Francesco Baracca*.

In addition, ample space was given to the centenary of the end of the First World War with dedicated programming. In September, *'14-'18 La Grande Guerra 100 anni dopo*, the series in 20 episodes that traces the five years of war following the premises, developments and consequences of an event that involved millions of men, was re-proposed.

1. History "from homo sapiens to Napoleon" with a.C.d.C.
2. *Cronache dal Rinascimento*
3. *Il Maxi Processo a Cosa Nostra*



On the occasion of the commemorative day of 4th November, Rai Storia dedicated an entire week of programming of *Passato e presente* to the Great War. Finally, the programming was concluded with two specials: *4.11.18. FINE – L'armistizio, la vittoria e gli sconfitti della Grande Guerra*, a story that starting from the Battle of the Solstice in June 1918, tells about the last months of the war with the resistance on the River Piave and Mount Grappa that turned into the victorious advance on Vittorio Veneto and the liberation of Trento and Trieste, and Armando Diaz, a biography of the Duke of the Victory, for the cycle *Italiani*.

The offering of *Contemporanea* was confirmed in prime time on Saturday in the second half of the year to change from “narrating history” to “narrating the present” through a selection of major documentaries on current events, providing the public with a glimpse of contemporary affairs which will be the history of tomorrow.

Among the series it is worth remembering: *Sopravvissuti*, the story of six major disasters in the last 100 years through six untold stories of people involved in those disasters; *Genius*, another new series that told the story of rival geniuses and the great strength of the competition between the most brilliant minds ever who were ready to fight to secure a place in history, such as the story *Colt vs Wesson* for the invention of the gun, or *Edison vs Tesla*; *1918 –1939 La pace fragile* that followed the lives of men, women and children in France, Germany, Italy, Great Britain, Austria, Ireland, Sweden, Poland and Russia, through diaries, letters and memories, to tell the story of the two decades between the two world wars.

As regards in-depth programmes, it is worth mentioning *TV Storia*, the current affairs programme hosted by Massimo Bernardini, which combines the rigour of the historiographic approach with the liveliness of TV narration, and *Geostorie*, the programme of Rai Storia and Rai News which tells the story of the great scenarios of the contemporary world.

*“Great institutional activities, the most important anniversaries, events in the past that are to be remembered, all become televised and cross-media events in Rai Storia which are vital elements in the narration of our country's culture.”*

## Rai Scuola

**The channel dedicated to school and training confirmed and renewed its television and online offer dedicated to science, promotion and knowledge of scientific subjects, to support the choice of their study, to inform and guide toward the knowledge of the changes in the world of labour and the digital evolution of the globalised economy, to raise literacy on digital technologies, to provide training in the educational use of coding and robotics, and to the knowledge of English.**

All the programmes are designed and produced in modules that can be used on the website, as short contributions, for thematic blocks, and as materials for *Lesson plans*.

The structure of the schedule is divided into a thematic programming strip from Sunday to Saturday in order to be more easily accessible and recognisable as an appointment.

Rai Scuola confirmed its great attention to issues related to the scientific world by expanding the offer of *Memex*, with *Galileo*, the magazine for scientific and technological dissemination that helps to understand how and when science affects daily life. In autumn *Memex - Vita da ricercatore* followed with the experiences of young Italian researchers chosen from among those who have received international funding for their research; *Memex - Donne di scienza*, which tells about the professional life and aspirations of Italian women scientists; *Memex - CambiaMenti*, the documentary programme through which to discover the continuously changing scientific and technological world and analyse the effects on society and on our relationship with the world.

Scientific programming continued with in-depth studies, documentaries and specials made to tell about the major events in the field of scientific dissemination.

Ample late evening space was given to in-depth documentaries of a didactic-educational nature related to current events, including: ecology, science, nature, environmental sustainability, legality, interculturalism and integration.

The programme dedicated to the teaching of the English language continued; it is worth recalling: the second edition of *Dr. Jack Hill and Mr. Speech*, dedicated to teaching the most used idiomatic expressions in English; *Non è mai troppo presto*, a programme dedicated to educators that illustrates the basics of

glottodidactics and provides advice to help children learn a second language; *Edgar Allan Poe-The last four days*, dedicated to the great American writer.

In the first half of the year, the second series of the *Invito alla lettura* was presented: an educational course dedicated to the promotion of reading, carried out in collaboration with CEPELL (Center for Books and Reading) – MIBACT, aimed at secondary school teachers and educators.

Programmes on innovation continued.

The new series of *Tool Box*, dedicated to the problems and situations of everyday life: teaching coding and computational thinking, strengthening cross-cutting cognitive skills such as language, expressive and creative abilities, the concept of European citizenship. Then there was also *Digital world*, dedicated to innovation: a “social” programme to investigate and reflect on the changes linked to digital technologies and on how technological innovations have numerous repercussions on various sectors such as schools, society, the environment, health and information.

The attention to philosophy was confirmed with the continuation of the programme *Zettel Debate - Fare Filosofia*, in collaboration with the MIUR Commission for new orientations on the teaching of philosophy in schools and the studio debate stimulated and conducted by professors Maurizio Ferraris and Felice Cimatti.

The appointments of the *Rai Scuola Speciali* continued, dedicated to the story of important events for the world of schools such as *Il giorno del ricordo*, *La giornata della memoria*, *La giornata della Legalità*; the issues of scholastic and vocational guidance and school-work alternation, with the most interesting experiences of collaboration promoted by the MIUR; good

practices in schools and excellence in which teachers and students are the protagonists.

*“Rai Scuola has confirmed and expanded the operational links with schools, universities, the leading cultural institutions and the most active persons and entities in the sphere of scientific and technological research.”*

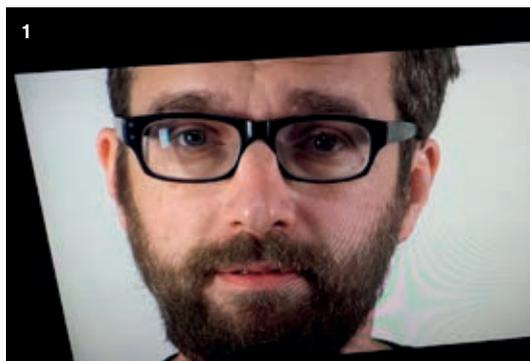
## Rai Orchestra Sinfonica Nazionale

Also in 2018, the activity of the Orchestra Sinfonica Nazionale Rai was among the finest on the Italian music scene, both for the quantity of productions presented and for their quality. In particular, it included:

- 46 concerts of the Symphonic Season with subscription;
- 5 extraordinary concerts;
- 4 concerts of the series *Rai Nuovamusic*;
- 9 concerts around Italy and 1 abroad;
- 3 recordings of sound tracks for Rai TV series;
- 6 chamber concerts in the Auditorium and 17 at other venues.

The concert season continued on the stage of the Auditorium Toscanini. The most significant events to be remembered in 2018 include: the concert of the former principal conductor Juraj Valcuha and the soprano Manuela Uhl in the performance, among other things, of pages from Richard Strauss's *Salome*; the performance of *Alle vittime senza nome*, conducted by Peter Eoetvoes, commissioned by the Orchestra Rai, Filarmonica della Scala, Orchestra del Maggio Musicale Fiorentino and Accademia di Santa Cecilia; Brahms' *symphonies no. 2 and 4*, conducted by James Conlon, then repeated in Pavia, at the Teatro Fraschini; Michel Tabachnik who at the last minute replaced Mirga Grazynite Tyla, because she was unable to conduct, for the 21st concert of the season which included famous pages by Debussy, Chopin and Bartok, then repeated in Pordenone, at the Teatro Verdi, on 12th May;

1. *Digital World*
2. *Galileo*



the memorable oratorio version of Richard Wagner's *Flying Dutchman* conducted by James Conlon; an exceptional performance of Beethoven's *Symphony No. 3* conducted by the great master Myung-Whung Chung; the opening concert of the season 2018/2019 in a programme that included the *Symphony No. 1 The Titan* by Gustav Mahler; Verdi's *Requiem* with the participation of exceptional soloists such as Anna Pirozzi, Marianna Pizzolato, Saimir Pirgu and Dmitri Beloselskyi and the Choir of the Teatro Regio in Parma; the *Concerto di Natale* at the end of a year full of activities and successes with the performance of the complete ballet of Cajkovskij's *Nutcracker*.

The traditional festival of contemporary music *Rai Nuovamusic* continued with the participation, among others, of the famous violinists, Patricia Kopatchinskaya, Akiko Suwanai and Viktoria Mullova, in the performance of concerts by Ligeti, Salonen and Pascal Dusapin. The latter's concerto for violin, cello and orchestra *At swim-Two birds* received its Italian premiere.

The second half of the year saw the famous Swiss composer, oboist and conductor Heinz Holliger engaged in a programme that included pages of some of the greatest Hungarian modern composers: Kurtag, Ligeti and Bartok. As soloist Pierre-Laurent Aimard, who performed Ligeti's *Piano Concerto*, a concert then repeated on 19th November at the Teatro alla Scala during the Milano Musica Festival.

With Stravinsky's *Apollon Musagète*, the success of the experimental debut of the ballet in the Auditorium with the choreography by Balanchine performed by Roberto Bolle and conducted by John Axelrod was huge.

There was also the traditional and appreciated *Concerto di Carnevale* which saw the famous

duo of extraordinary musicians/comedians/actors Igudesman & Joo on stage and John Axelrod on the podium.

From 7th to 28th June there was the *Stagione di Primavera*, entirely dedicated to Rossini. In the first of the four concerts James Conlon conducted the famous *Stabat mater*, with a high-profile company that included Carmen Giannattasio, Marianna Pizzolato, Edgardo Rocha and Kristinn Sigmundsson, and the excellent participation of the Choir of the Accademia di Santa Cecilia. For the second concert, Maestro Fabio Luisi conducted the Orchestra in the performance of pieces by Rossini, Beethoven, and Britten inspired by Rossini. Enrico Dindo animated the third concert alternating between the conduction of the orchestra in the performance of several opera symphonies by Rossini and the solo performance of *Une larme* on the cello.

The last concert probably created a "genre". In fact, the *Barber of Seville* was performed in a semi-staged form in which the Orchestra played a leading role on stage, surrounded by the various characters who animated its representation. The performance was, however, led not only musically by Pietro Mianiti, but also by Francesco Micheli, who interrupted the action and played with the singers explaining to the public with irony and participation not only the story, but also the relationship between Rossini and his time, between the story told by Beaumarchais and the political situation in Europe at the time. All with a mixture of scenic ideas of great intelligence and inventiveness.

Rossini was once again the protagonist of the summer of the Rai Orchestra, which participated with great success for the second time at the *Rossini Opera Festival* in Pesaro from 27th July to 28th August,

1. The Rai Orchestra
2. The Rai Orchestra directed by James Conlon

There was also the traditional and appreciated *Concerto di Carnevale* which saw the famous



playing in four performances of the *Barber of Seville* and four of *Ricciardo a Zoraide*, as well as the *Petite Messe Solennelle* for the final concert.

The activity of the chamber groups continued with the *Concerti del Quirinale*, the concerts of the *Domeniche dell'Auditorium*, a presence of a string quintet at the Foyer of the Teatro Regio for *Cartoons on the Bay*, in collaboration with Rai Com, and the performance of two concertos for piano by Beethoven in the version accompanied by string quintet with Andrea Bacchetti as soloist in Milan for the *Serate Musicali*.

The summer appointments saw the Orchestra participate in the *Ravenna Festival*, with a programme including pages by Bernstein, Britten and Dvorak, and in the *Estate Reale* in Turin, with a concert in the Piazzetta Reale with music by Dvorak and Rossini.

In September came the traditional appointment in Turin and Milan for the Festival *MiTo SettembreMusica*, followed by a concert in Ascona, Switzerland for the *Settimane Musicali*.

In the autumn the collaboration with the *Museo del Cinema in Turin* for the exhibition *Soundframes* dedicated to the relationship between music and cinema saw the production of three concerts at the Auditorium Toscanini with the projection and live performance of the soundtrack of three films by Buster Keaton: the two "shorts" *One Week* and *Sherlock Junior*, and Keaton's masterpiece *The General*. In between the shows, there was a concert dedicated to the pieces of the symphonic repertoire used in Stanley Kubrick's films, with the projections of frames taken from the corresponding films, and directed by Maestro Min Chung.

The participation in *Soundframes* was also articulated through five concerts of chamber ensembles that were held at the Museo del Cinema, with pieces used in the cinema and also taken from the traditional repertoire, and arrangements of pieces belonging to famous soundtracks.

On 22nd November the Orchestra was present at the Teatro Donizetti in Bergamo to perform pieces from the belcanto repertoire, and on 25th November at the *Moncalieri Jazz Festival*, in a project entirely dedicated to the figure of Nelson Mandela.

At the end of the year, the traditional Christmas concerts: the *Concerto di Natale in Assisi*, broadcast on Rai 1 and with José Carreras as guest of honour, and the *Concerto di Natale* in

the Hall of the Italian Senate, with the soprano Ekaterina Bakanova.

In 2018, 14 concerts were filmed and aired on Rai television networks, 9 of which from the Auditorium Arturo Toscanini and 5 at other venues (from Pesaro on the occasion of the Rossini Opera Festival, from the Cappella Paolina del Quirinale, from the Teatro alla Scala for Milano Musica, the Christmas Concerts from Assisi and the Senate).

All the seasonal concerts are broadcast live on Radio 3 (also in audio streaming), some even in *Eurovision* for the *Euroradio* circuit. In addition, the Orchestra Sinfonica Nazionale Rai broadcast live or deferred on Rai 5 and streamed on RaiPlay at [www.raisplay.it/dirette/rai5](http://www.raisplay.it/dirette/rai5).

During 2018, through the platform *web 2see* of the *Euroradio* circuit, 4 live streaming events of concerts filmed by Rai Cultura were proposed.

On the institutional website of the Orchestra at [www.orchestrasinfonica.rai.it](http://www.orchestrasinfonica.rai.it) all the institutional information relating to concerts, competitions, programme, professors and conductors of the Orchestra are published; all of the season's librettos in digital format are offered to the public on a weekly basis.

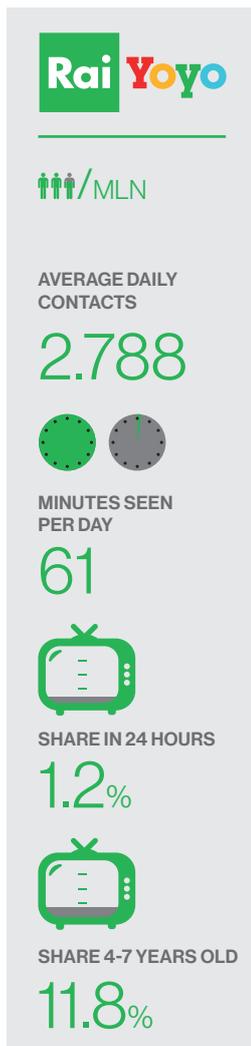
The Orchestra is present with official pages on the social networks Facebook, Twitter and Instagram where the public can follow and comment on all its activities: concerts, backstage, tours, insights and curiosities, presentations and reviews of events.

The Instagram profile, created in 2017, has almost doubled the number of registered users, from 1,600 to 2,900 followers (81% from Italy, 19% from the rest of the world) and is used mainly by a young audience: 59% of followers are under 35 years of age.

There are 41,000 users who follow the Facebook page of the Orchestra, of whom 8,000 outside Italy (with a prevalence of fans from Brazil, Mexico, Spain, the United States and Germany).

Only 13% of the Italian users who follow the Orchestra are from Turin; 10% live in Rome, slightly less in Milan and then Naples, Palermo, Bologna, Florence, Genoa, Catania and Bari, testifying to a following spread throughout Italy, thanks to the continued presence on television – especially on Rai 5 – and Radio 3.

Twitter has almost 4,000 followers. On average there are 34 thousand views per month, with values two times the average in August, during the Rossini Opera Festival.



## Rai Ragazzi

The proposal of a new, rich and innovative editorial offer for children and young people, is one of the qualifying elements of Rai's strategy, a promoter of a culture where childhood finds more and more space and reception.

In this context, Rai Kids is the driving force and instrument of an editorial commitment of the Public Broadcasting Service, with three main guidelines:

- editorial responsibility to the audience of children and young people and their families;
- involvement of the best talents and national audiovisual companies for cartoons and programmes for young children;
- search for new forms, styles, languages and interaction methods in line with the time.

## Rai Yoyo

**Rai Yoyo is the television for pre-school age children, their first channel, calling card of a Public Broadcasting Service that wants to immediately become your friend. A Network without advertising that only wants to offer, asking for nothing in return.**

The Rai offering for pre-school children, structured based on a solid and accurate narrative foundation, is to help them to discover themselves and the world around them, and understand that there is also a place for them, that difficulties can be overcome, that others can be friends and that decisions and actions have consequences. The affection of family members is a keystone, but friendship is just as important and becomes narrative.

Rai Yoyo proposes stories, worlds, colours and different techniques, broadening languages to stimulate a more complete sensitivity in children, breaking the laziness of wanting to watch and rewatch the same programme a thousand times.

With the increase in channels and platforms, the offer for little ones has tended to become more and more specialised (infant TV, preschool, upper preschool or bridge): during all of its schedule Rai Yoyo hosts and organises a series of different programmes, combining general fun storytelling with valuable learning, programmes, specific curricula, language learning, art, history, science and maths.

Rai Yoyo's audience changes from watching colours on TV to playing with their parents' smartphones and to become immersed in tablet touchscreens. It is for this reason that Rai Yoyo's programming started out integrated from the beginning with the non-linear offer of the website and RaiPlay, centred around popular shows, but always varied and multiple.

Products proposed by the station are divided into:

- Studio entertainment productions (such as *La Posta di YoYo*, *Bumbi*, *L'Albero Azzurro*);
- purchased series (such as *Peppa Pig*, *PJMask*, *Masha e Orso*, *Bob Aggiustatutto*, and many others);
- co-productions (from the recent success of the cartoon series *44 Gatti* to *Topo Tip*, from *Minicuccioli to*, *Giulio Coniglio*, through the very popular *Pimpa*, and more).

The portal [www.raiyoyo.rai.it](http://www.raiyoyo.rai.it) accompanies the Network offering, hosting not just replays of broadcast series, but also ad hoc videos and informative contents to involve children and their parents in all the channel's programmes and initiatives.

*"Rai Yoyo is at present an excellence at national and international level which has succeeded in establishing itself as the favourite and most watched channel for children and their families."*

1. *L'Albero Azzurro*
2. *Bing*
3. *44 gatti*



## Rai Gulp

Rai Gulp is the TV channel that aims to guide children in the transition from childhood to adolescence.

Rai Gulp is a channel for school aged children, from elementary school to the early teen years. These are children who are discovering school, reading, autonomy and differences. They start to see television channels for children, in an increasingly expanded and personalised menu and to watch prime time TV. They have smartphones and tablets, start interacting on social media and gradually find all sorts of content on web – directly or through classmates or older siblings.

The Public Broadcasting Service offer opens to all languages: cartoons, TV series, in studio programmes, documentaries and films. In an increasingly close connection between the television channel and the online and social media offer.

A special commitment is dedicated to helping children to grow as citizens, develop insight and a critical spirit, reject discrimination and promote confidence in themselves and in their own abilities.

This does not just involve rejecting stereotypes (which come in massive doses from the web, advertising and the persistence of archaic cultural beliefs), but performing a positive action to devalue them in an intelligent and respectful manner.

Special focus is devoted to two mainstays which occasionally overlap: the rejection of bullying and stereotypes in general. The objective is to offer programming that fights them, discourages them with intelligence and demonstrates their inconsistency and uselessness.

Channel programmes can be divided into:

- entertainment studio productions (such as *Gulp Music* or *Sport Stories*);
- bought series (live series such as *Soy Luna* or cartoons including *Kung Fu Panda*, *Peter Pan*, *Vita da Giungla*, *Spiderman*);
- co-productions, which represent the main component of the Network offer (cartoons such as *Geronimo Stilton*, *Zorro* or *Lupo*, to live series such as *Sara e Marti*, *Alex and Co.* and *Maggie e Bianca Fashion Friends*).

The portal [www.raigulp.rai.it](http://www.raigulp.rai.it) proposes contents filled with educational ideas, able to offer children the possibility to have fun by always interacting directly with the channel. This is achieved through tailored productions, a strong presence on social media, constant interaction with the public and with the possibility of reviewing broadcasts on Rai Play.

*“Rai Gulp’s characteristic is that it is a smart, educational entertainment offering which uses themes and trends which are particularly dear to young people in order to convey positive values and elements in an entertaining and light-hearted vein, which is a valuable aid in young viewer’s formative process, making them aware of the issues they met in their everyday life and of the complexity of their times.”*

# Rai Gulp

MLN

AVERAGE DAILY CONTACTS

1.383



MINUTES SEEN PER DAY

35



SHARE IN 24 HOURS

0.4%



SHARE 8-14 YEARS OLD

2.9%

1. *Gulp Music*
2. *La stella di Andra e Tati*
3. *Soy Luna*



## Rai News 24

MLN

AVERAGE DAILY  
CONTACTS

3.094



MINUTES SEEN  
PER DAY

29



SHARE IN 24 HOURS

0.6%

### Rai News 24

The all news channel of Rai always live, every day of the year. Transparent and timely information that brings news into the homes of Italians as events happen.

With a continuous flow of information, in-depth analyses, interviews, reports and reviews, Rai News 24 works in continuous synergy with regional offices and correspondents from abroad to bring current events and political and economic news from Italy and the world to viewers.

Born in 1999, first all news channel in Italy, first live simulcast on the internet, first news on mobile phones: in its almost two decades of life Rai News 24 has experimented with styles, technologies, and production models that have become Rai's heritage and more.

Also in 2018 Rai News 24 confirmed the audience trend of recent years with a 0.6% share, the first all-news channel on digital terrestrial. Between 6:00 a.m. and 9:00 a.m., prime time for all-news channels is steadily above a 3.0% share.

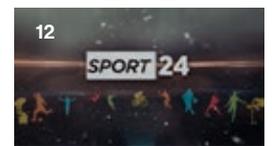
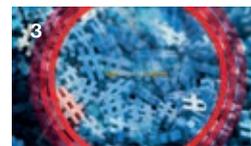
Rai News 24 is also broadcast in simulcast on Rai 1, from 5:15 a.m. to 6:35 a.m., reaching 10.2% of share and on Rai 3, from 2:30 a.m. to 7:00 a.m., with a 4.9% share.

The channel offers continuous information enriched by sections and insights, commemorations, and original documents, with an obviously flexible and modifiable scheme depending on current events. Of course, the main structure is composed of the news bulletins: every hour, a 24-minute news broadcast, always live, even at night, followed by a brief update and, then, space for features and insights.

The offering is distinctive and recognisable, at fixed times, without blocking though the schedule, which must always be flexible and ready to change in case of news events to favour the live account of current events: the editorial machine is always ready with extraordinary and special editions and connections to follow every event.

With its 5,000 hours of news and reports a year, and hundreds of hours of live coverage, features and in-depth analyses, Rai News 24 is dedicated to the uninterrupted reporting and analysis of current events: news, politics, and economy in Italy and abroad, in synergy with the other Rai newsrooms, in particular the TGR, and correspondents and offices abroad. A collaboration that distinguishes the channel as a Public Broadcasting Service from competitors. A great productive and organisational effort made to cover live big,

1. *Amarcord*
2. *#Bastalasalute*
3. *CheHashtagcheffa*
4. *Frammenti D'Arte*
5. *Cronache Italia*
6. *Cronache Mondo*
7. *Economia 24*
8. *Mordi e Fuggi*
9. *Il Sabbatico*
10. *La Bussola*
11. *Meteo 24*
12. *Sport 24*
13. *Newsroom Italia*
14. *Oggi in Prima*
15. *Sembra ieri*
16. *Pillole di Fisica*
17. *Sabato-Domenica 24*
18. *Vroom*
19. *Telegram*
20. *TuttiFrutti*
21. *Headlines*



institutional and news events, in Italy and around the world.

News and press reviews, as well as many features: *Studio 24*, every day live insights with guests, reports and connections, dedicated to the analysis of the fact of the day; *Cronache italiane* and *Cronache dal Mondo* tell what happens and will happen not only in Italy, but in Paris, Berlin, London, as well as in Cairo, Jerusalem, Beijing and the Far East; *Newsroom Italia*, a window of analysis on the news and political current events; *La Bussola*, which sums up the political and parliamentary day; *Telegram*, conducted live by the director, to take stock of the events of the day in the collective account of colleagues in Italy and abroad.

But the schedule of Rai News 24 also includes sports – on Mondays, in collaboration with Rai Sport, to take stock of the championship and the most important sporting events of the weekend – economy, entertainment, food and drink, health, cinema, etc. with dedicated features.

During 2018 the project *Non solo 8 Marzo* was started and consolidated. Every eighth of each month, the project tells about the extraordinary lives of normal women throughout the day. In addition, in the last months of the year, the feature *Futuro24* was launched: a journey into the science and technology of tomorrow together with young Italian researchers and beyond.

Rai News 24 is also on the web: the Rainews.it portal, full of news, updates, photos, videos, webdocs and latest generation multimedia products, is continuing its growth: in 2018 the monthly unique users were 3.5 million with an increase of 12.5% compared to 2017. The number of pages viewed increased by +11.6% in 2018 on an annual basis, with 327 million pages viewed in the 12 months of the year.

On Facebook the Rainews.it page reached 410,000 affiliated users (365,000 in 2017), with an average monthly coverage of 1,800,000 people reached by posts. On Twitter there were 963,000 followers with a daily average of 240,000 content views of tweets. The Instagram account @rainewsofficial rose from zero to 30,000 followers in about a year of life.

Teletext continues to be a simple and timely tool that Italians recognise as authoritative, fast and reliable (Censis 2017 data). In line with 2017, penetration, the type of use (news, weather, TV programming) and user satisfaction, also thanks to applications

for smartphones that have expanded opportunities for use by the audience.

*“Transparent and timely information 24 hours a day, Rai News enhances the treasure of experience, builds new offers and looks to new challenges and new goals that can address the changing audience, the media system, and the ways and times of delivering information. Because an all-news channel can't just be an all-news channel, that is, a never-ending news broadcast.”*

# Rai Sport

MLN

AVERAGE DAILY  
CONTACTS

2.157



MINUTES SEEN  
PER DAY

27



SHARE IN 24 HOURS

0.4%

## Rai Sport

Where there is sport there is also Rai, with its live broadcasts and its in-depth analyses. From the Olympics to great football, from cycling to alpine skiing, without ever forgetting the minor sports, Rai Sport brings sport to the homes of all Italians.

Over 9,500 hours of sports programming on Rai 1, Rai 2, Rai 3 and Rai Sport +HD, of which 400 hours of news, 2,700 hours of features and almost 6,500 hours of commentary. All this is Rai's sports in 2018.

The sports offer of the year opened with the Winter Olympic Games in PyeongChang with the programming of Rai 2 and Rai Sport +HD adapted to the need to give the audience maximum live coverage of the events on the South Korean snow and ice.

The opening ceremony, with 91 nations participating, was broadcast live on Rai 2 from 12 o'clock Italian time and lasted over 2 hours under the slogan *Peace in motion*. The commentary was able to take advantage of Paolo Mieli's collaboration, given the exceptional political importance of the event. The average audience was over 1.5 million with a share of 11.3%. A total of 137 thousand interactions (likes, comments, shares, etc.) on the platforms Facebook, Twitter and Instagram. Overall, in the Olympic period, from 9th to 25th February, the views were 1.4 million and the interactions were close to a million.

Rai accompanied the Olympic games with the presence of its correspondents in South Korea who interviewed the protagonists live and then offered exclusive images and comments to the news of the various Networks, bringing to the fore sports that are unfairly considered to be of secondary importance with respect to more popular sports. This is also a matter of fact and a merit of Public Service broadcasting.

Great football was not missing in the Rai offer despite the absence, for the first time, of the World Championships – also because the Italian national team did not qualify – an event covered with punctual and recurrent information spaces from 7:30 in the morning until midnight, meeting with great success in terms of share and appreciation.

The year 2018 was the year of the Champions League, European Super Cup, and the qualifications of the Italian National Football Team at the European Championships in 2020 and for the World Championships in 2022. It is an increasingly rich offering that consolidates the ancient bond that unites Rai and the Italian national football team, as evidenced by the ratings of the matches broadcast on Rai 1 and despite the failure of the Azzurri team to qualify for the 2018 Russian championships.

Confirming its successful bond, the pairing Rai and Italian national team has found, or rediscovered, its proper place with the excellent results during the four friendly matches of Mancini's team (against France, Holland, Ukraine, and USA) and especially with the launch of the

1. UEFA Super Cup
2. Magazine Champions
3. The opening ceremony of the PyeongChang Paralympic Games
4. L'altra DS



Nations League, the new UEFA competition for National teams (55 participants), which saw the debut of the Azzurri on 7th September in Bologna, against Poland, with an average of more than 7 million viewers, a result confirmed in the remaining three matches, all broadcast live and exclusively on Rai 1 and Rai Play with spaces and insights after the match on Rai Sport +HD.

Another highlight of the football offering was the Coppa Italia, an event that, also thanks to the visibility it has had in recent years on Rai Networks, has now reached an absolute technical level and a growing popularity among fans.

Rai Sport worked to give maximum coverage to the matches in the various phases of the tournament, in synergy with the general interest channels, with audience share results that repaid the production and journalistic effort. The final at the Olimpico Stadium in Rome between Juventus and Milan had an average of almost 10.6 million viewers with a share of 39.0% and a peak of 41.1%. Among the semi-final matches, the one between Lazio and Milan stood out with 6.3 million viewers and a 24.2% share. Overall, the Coppa Italia matches broadcast on Rai 1 had an average audience of around 6 million and a share of just under 20%.

Excellent results were also obtained with the Champions League, back on Rai Networks after 6 years, with Wednesday in exclusive prime time. And above all: Juventus-Manchester with a 24% share and 6.4 million viewers and over 2 million viewers, equal to a 12% share for the *Magazine Champions* at the end of the match. The numbers (17.1% share or 2.4 million viewers) that, despite the absence of Italian teams, were recorded on the evening of 15th August with the final of the European Super Cup between Real Madrid and Atletico Madrid were also significant.

In the international sports offer of the highest level, the World Women's Volleyball Championship in Japan (from 29th September to 20th October on Rai 2 and Rai Sport +HD) was a huge success thanks also to the great performance of the Italian national team, with a silver medal after the final lost against Serbia, with audience and share peaks never recorded before: 8 million and 43% in the final stages. The results of the matches played against Japan (1.8 million or 13.4%) and against China at 9:10 in the morning (1.1 million or 18.7%) also had a significant effect.

As for the viewers who followed the Men's World Championship, 28.1 million contacts overall and about 25.3 million for the matches of the Italian team who arrived just a step short of the semifinals.

A love that does not show any sign of yielding is what the public shows for cycling. The *Giro d'Italia* – an unmissable event for Rai – has always been live from the first kilometre of each stage. In 2018, the organisation of the broadcasts and correspondents was renewed, with a further increase in the quality of the equipment and technologies available to best follow each stage of the race and beyond.

There was also the traditional appointment with the *Processo alla tappa* after each stage, with interviews, behind the scenes facts, analyses and comments. An effort rewarded once again by the attention and appreciation of the public: the average audience of *Giro all'arrivo*, i.e., the final and crucial moments of the stage, was 1.8 million viewers with a share of 15.5%; the average audience of each stage as a whole was 1.3 million viewers with a share of 10.3%.

It was followed by the Tour de France with detailed reports and live stories, also through the representation of the beautiful scenery of the various locations. Also for the Tour de France, rather high averages (1.1 million viewers, from 7 to 18% share).

But the cycling on Rai is also the Road World Championship in Innsbruck with the in-line race followed by 1.1 million viewers or 12.7% share, not to mention the Giro di Lombardia, which involved, thanks to Nibali's marvelous second place, 1.3 million viewers with a share of 11%.

Athletics had its showcase in August with the European Championships in Berlin (9% share) on Rai 2 and Rai Sport +HD. But the lion's share was mainly accounted for by the marathons in Venice, Turin and New York, and the 12 stages of the Diamond League.

Finally, in August, swimming with the European Championship in long course in Glasgow reached peaks of 12% thanks to the 22 podiums, including 6 gold medals (3 thanks to Simona Quadarella), won by the Italian team and aired between Rai Sport +HD and Rai 2.

In December, the World Championship in short course in Hangzhou was an exclusive on Rai Sport +HD: 7 blue medals and 3 silver medals. World Championship broadcast in the late morning because of the time zone with China, a rather unusual time slot, but nonetheless rewarded by more than satisfactory share results.

*“Rai Sport is a constant presence with a wide range of disciplines, with a rich offer that combines traditional platforms with styles and communication tools that are close to the spirit and habits of millennials. This is Rai's mission in sports.”*

**EDITION  
AUDIENCE**

(SHARE)

**EVENING  
EDITION AUDIENCE**

(SHARE)

**Information****Tg1**

For 66 years now, Tg1 is Rai's historical news programme, putting the citizen-viewer in contact with the world of institutions, politics, society, religion, economy and culture.

Created in 1952 with the experimental Italian TV broadcasts under the name of *Telegiornale*, Tg1 is the unquestioned leader in informing the country in terms of audience and image and perfectly in line with the values of universality, quality and reliability of its programmes and has been covering all the most important events for more 60 years.

Tg1's top audience ratings make it Italy's number one news programme. The main edition at 8 o'clock in the evening has an average share of 23.6%. The 1:30 p.m. edition grew, earning 0.5% and achieving a share of 22.6%. The main edition at 8 o'clock in the morning has an average share of 23.1%.

The reason for the success of Tg1 also lies in the full schedule containing three main editions of half an hour each, six flash editions, one in sign language, one of "sixty seconds" and a long night news. Total daily programming 3 hours for 12 editions.

The collaboration between Tg1 and Rai 1 in the programme *Unomattina* was historic

and long-lasting: reports and in-depth studies from Italy and the world on current political and international affairs, economics, culture, manners and society, with features and connections to the morning editions of the news. Monothematic broadcasts and special events alternate with weekly features *Camere con vista* – dedicated to politics – and *Cinemattina* and moments of daily in-depth analysis related to social news for security, legality, the stories of volunteering and civil commitment, etc..

There were numerous extraordinary editions during 2018: Marchionne's death, political reporting linked to the problems to form a government after the elections on 4th March, the war in Syria, and the tragedy of the disco in Corinaldo.

In addition, there were 22 Institutional live broadcasts – for a total of about 30 hours – and 22 live broadcasts of the Pope for about 36 hours of broadcasting. It is worth noting the weekly insight analyses of *Tv7* – of which 33 episodes were produced with 246 features for over 35 hours of broadcast – and *Special Tg1* – 60 episodes, of which 12 live, for a total of almost 61 hours of broadcast – and the other numerous thematic features. These include *Tg1 Economia*, a daily report providing information on Italian business and *Tg1 Billy*, the "vice of reading", the online library open to readers with videos, readings, interviews and comments.

1. Live coverage from the Morandi bridge in Genoa
2. The Tg1 Special
- 3-4. The institutional live broadcasts



But also *Tg1 Dialogo*, which, with the collaboration of the Franciscan friars of Assisi, aims to be a space for discussion on life to build bridges and relationships between different identities, with stories and testimonies from the street and in the studio.

Then it is worth remembering the show business discussion programme *DoReCiakGulp*; *Tg1 Fa' la cosa giusta*, a page of good practices, rights and solidarity; medical news in *Tg1 Medicina*; *Tg1 Motori* on the world of cars and *Tg1 Persone* with its filmed and spoken portraits of men and women whose lives reflect the main themes in our times.

*“The correct presentation of a multiplicity of news, the selection of news, care in the transmission of images, the credibility of the narrative and rigour in contents are the factors that make Tg1 a reliable news programme, a window on the world for all Italians and a mixture of tradition and innovation.”*

## Tg2

**Pluralism, the checking of sources and the truthfulness of the news. The Tg2 confirmed its identity based on widespread information in step with the processes of change among the public and in society.**

During 2018, Tg2 cut out an increasingly recognisable role through in-depth analysis, innovation and experimentation: a commitment that was rewarded by the loyalty of its audience with a stable trend in ratings. Almost one thousand hours of broadcasting, divided into the three main daily news editions, 14 features, and 34 special and extraordinary editions and commentaries: also in 2018, Tg2 provided timely information coverage on all issues thanks to a widespread presence on the territory with envoys, crews and ultra-light broadcasting systems for live connections.

The magazine ensured the truth of the facts and the news, giving voice to the stories and their protagonists. The constant editorial, content and technical work, aimed at achieving the maximum, reached its peak during special events for which special and extraordinary editions and live dossiers were produced, as in the case of the dramatic collapse of the Morandi bridge in Genoa or for the general election in March.

1. Live from Paris, to follow the protests of the Yellow Vests
2. Live coverage of the 63rd Regatta of the Ancient Maritime Republics
3. Live from Strasbourg
4. Live broadcast of the Italian Armed Forces Festival in Trieste



The information offer told about Italy and the world by combining voices, emotions and images. The narration covered national and international news, as well as topics related to trends, institutions, events and cultural figures: ample space, with features, reports and live broadcasts to constantly provide the latest news. Investigative reporting rich in evidence and consistent with the truth about the facts on the infrastructure emergency, school buildings, exploitation of unreported labour, drug trafficking, and organised crime were at the forefront in 2018.

Many extraordinary and special editions were produced on the occasion of the dramatic news events that took place during the year, but also commentaries and special editions on the general election and the election of the Presidents of the Chamber and Senate. In the foreground also foreign news, climate change, terrorism, with extraordinary editions on the attacks in Germany, in Strasbourg and on the attack in Syria.

There was an increase in live coverage of events such as the report of the Governor of the Bank of Italy, the opening of the judicial year of the Court of Auditors, the Consob report, that of the Authority for Children, the extraordinary meeting of the Constitutional Court, and the award of Alfieri del Lavoro certificates of honour.

But also the live broadcast of the Festival of the Italian Police in Ostia and that of the Armed Forces in Trieste, which reached an average share of over 12%. And again, the 63rd regatta of the Ancient Maritime Republics of Genoa and the historic regatta of Venice, the latter further integrated with live stations from the city's landmarks, with guests, experts and features that told about Venice as a protagonist in various art genres. It was a live broadcast rewarded by viewers with a share of about 6%.

Maximum coverage also for events regarding society and culture such as the *Festival di Sanremo* and the various film festivals.

In 2018, Tg2 increased its web-based information offering, continuing to develop its website with continuous news updates, strengthening the loyalty of social users and a constant implementation of digital strategies. The web has also made it possible to share campaigns, live events and important editorial events: a work of continuous growth thanks also to the *cross-media push* with the display of accounts on the news.

On 1st January 2018 the users of the Facebook profile of Tg2 were 44,205; of them, 43,286 expressed appreciation through "likes".

At 31st December, the number of people who follow the Facebook profile rose to 71,205 and 69,105 were those who expressed their "likes". On Twitter, at 1st January 2018, there were 61,300 followers, 74,600 at 31st December 2018.

The features are unique to the magazine, and in 2018 they consolidated the public's appreciation. These include: *Dossier*, weekly focus on the most important events; *Dossier storie*, stories of life and personalities, brand new stories; *Mizar*, events and figures of art and culture; *Achab Libri*, on literary production; *Cinematineé*, a space dedicated to cinema; *Tg2 Lavori in Corso* (later called *Frankenstein*), a daily feature on the territory, art, and fake news; *Costume e società*, a traditional feature which offers a national and international view on trends in society; *Medicina 33*; *Eat Parade*, on Italian food and wine excellence; *Si viaggiare*, a journey among beauties of art and archaeology, mainly Italian; *Tg2 punto di vista*, weekly focus, often live, on weekly events; *Tg2 motori*, the most popular feature with a 9.5% share; *Tg2 Divino*, dedicated to the culture of wine.

*"Tg2 has consolidated its position thanks to a modern, quality offer, to the timely coverage of the news, conquering an increasingly recognisable role through deepening, innovation and experimentation."*

### Tg3

**Tg3 is the news programme that tells the facts of real life live and helps to understand why they happen and provides the news while offering the viewer the keys to understanding.**

In 2018, the average share for the 7:00 p.m. edition was 11% with almost 1.8 million viewers, an increase on the previous year.

The main edition of Tg3 is characterised by the offer of insights around the keyword of the day to provide everyone, with understandable language and the means to form their own opinion.

The news offer starts at noon with the only Rai news programme produced in Milan, the first of the morning time slots, many live connections with network correspondents and reporters around Italy to report the events that unfold during the day.

The Tg3 of 2:20 p.m. with a share of 11.4% is particularly sensitive to the daily problems of families.

But the offer of Tg3 is not only news: ample space is dedicated daily to in-depth analyses. *Linea Notte*, steady above 5.5% share, is once again a favourite venue for comment and analysis.

The balance for *Tg3 nel Mondo* was again positive, a weekly show on foreign affairs that provides a view of the international situation with live participation from guests from all over the world.

With more than 860 hours broadcast between news and features, Tg3 has consolidated the relationship of trust with its viewers, further strengthened in the last part of the year thanks to the adoption of weekly campaigns that have particularly met with the approval of

the public on issues such as innovative start-ups, forgotten wars, reconstruction after the earthquake, disability, etc..

Public service information was completed with *LIS*, the news in sign language, and *Fuori Tg* which recorded a share of 7.1% and consolidated its bond with viewers who take part in each instalment live.

The news offer is completed with many weekly features including: cultural analysis was featured on *Fuori Linea*, which airs on Sunday after the noon news programme from an artistic venue, a museum, a historical spot, an exhibition or a theatre; *Chi è di scena* that is aired Saturday night and deals with live shows, dance and theatre; *Agenda del Mondo* a foreign affairs reportage related through the stories and everyday life of the protagonists, who represent their realities; *Pixel* that talks of innovation concerning developments from web and technologies linked to new sources of energy and environment; *Persone* that on Saturday, after the noon news, proposes personal life stories, which are interesting due to their originality and curiosity.

Tg3 put considerable effort into using social media and the internet: all the news editions and special features can be seen again online. Tg3 was the first news programme to use social networks and is number one in terms of growth, views and shares. It is present on Facebook, Twitter and Instagram with numbers that are rising all the time.

*“Tg3 is a news programme on the rise and has a recognisable brand and an audience that wants news analysis.”*

1. *Linea Notte* conducted by the journalist Maurizio Mannoni
2. Maria Cuffaro at the helm of Tg3



## TGR

**The TGR, the Rai news programme devoted by vocation to local news linked to the territory and citizens.**

With its twenty-four editorial offices spread throughout Italy, the TGR is the backbone of information produced by the Public Broadcasting Service.

The main objective is therefore to provide viewers with news and insights of public interest, fully embodying the spirit pervading Rai's public information service by its own very nature. Thanks to a widespread network of relationships with the communities, economic, social and cultural realities of the various territories of Italy, and equipped with a digital framework now tested and strengthened over the years that ensures the various regional editorial offices an almost undisputed leadership in terms of visualizations on social networks and the network in this area, the TGR provides daily services and insights both at regional and national level.

The 2:00 p.m. news broadcast had a 15.7% share in 2018 (+0.4 compared to 2017), while the 7:30 p.m. news broadcast had a 12.4% share (+0.7). Stable, with 12.3%, *Buongiorno Regione*, the in-depth programme related to current events in the area, broadcast since 2009 with reports, guests and features that vary from region to region.

Together with the three editions of the regional news broadcasts, TGR provides citizens with an overview of the country thanks to *Buongiorno Italia*, the morning programme of

news, weather, road conditions, press review, all live from Italy's regions. The programme has exceeded share peaks of 15%, in a time slot full of fierce competitors, establishing itself as a real reference point at the national level.

Also important is the look that the TGR directs outside the country with *RegionEuropa*, providing a crucial focus to understand the political, economic and social dynamics of Europe. Great attention is also paid to culture and science with the long-standing features *Petrarca* and *Leonardo*, which tell about an Italy of excellence and great professionalism.

*"In 2018, TGR provided quality information at regional and national level, increasing in terms of views on various social networks, and offering viewers the opportunity to access information and insights on both new platforms and traditional media."*

1. Live broadcast from the 70th Prix Italia



## Rai Parlamento

**Rai Parlamento is the news programme that informs citizens about the activities of the Italian Parliament and the European Parliament, in close connection with developments in political activity.**

In 2018, Rai Parlamento, the direct interlocutor of Italian parliamentary institutions, played a leading role in following the March 4th general elections, holding, according to instructions of the Parliamentary Supervisory Commission on Rai, a rich cycle of political debates with 37 daily appointments on television and radio including press conferences, debates, interviews, debates for foreigner voters and features for Italian voters in the world. In addition, there were 22 appointments dedicated to self-managed messages for the lists that competed in the elections. A total of about 35 hours of broadcast time allowed citizens to learn about the programmes and political positions of each party competing in the 2018 elections.

In addition, since the start of the new legislature, there have been about 500 editions of the Rai Parlamento news programme dedicated to the activities of the Lower and Upper Houses of the Italian Parliament, which, in the last part of the year, were broadcast live and enriched by numerous contributions by correspondents at the Italian Senate and Chamber and at the European Parliament.

Also significant were the live broadcasts and specials for the new Parliament and for the vote of confidence for the new Government, with an average share of 8.9%. There was

a total of 35 live broadcasts from Palazzo Madama and Montecitorio for institutional events or final explanations of vote on the most important measures.

In 2018, there were also more in-depth analyses with new features during the night edition of the news for a total of over 100 appointments.

The positive growth trend in ratings of the historic weekly feature of Rai Parlamento *Settegiorni* – which, in its 43 episodes dedicated to current political and social events, recorded an ever-increasing share with an average of over 15% – also continued, as did the 43 episodes of the weekly feature *Punto Europa*, dedicated to the European Union and to parliamentary proceedings in Brussels and Strasbourg.

The usual live broadcasts from the Senate and Chamber for *Question Time* were confirmed, with 35 appointments in all, which have taken on a stable weekly rhythm and are important appointments for a direct debate between government representatives and the political forces represented in parliament.

Finally, with the establishment of the Committee for Access of the Parliamentary Supervisory Commission, the airing of *Spaziolibero*, the Rai Parlamento dedicated to the world of associations and heir to the access programmes, was resumed and was profoundly renewed with a new studio, new graphics, and new approach to the services. It has been a production effort of great importance that has marked a 1.5% increase in share, reaching, on Rai 3, peaks of 7.4%.

1. Special General Election 2018
2. The feature *Filo Diretto*
3. Special electoral debate
4. The feature *Mattina in piedi*
5. The weekly feature *Punto Europa*
6. The weekly feature *Settegiorni*



## TV series

Rai Fiction is responsible for producing TV drama and comedy works for the general interest and specialised channels.

The commitment to encouraging Italian and European audiovisual production is one of the linchpins of its mission as a Public Service broadcaster in recounting contemporary and historical Italy, in fostering talent and the Italian audiovisual industry, in supporting innovation and in helping to have Italian work shown in other countries.

In 2018, Rai 1 broadcast 104 evenings of premiere TV drama with an average share of 21.9% and an average audience of 5.1 million viewers.

In particular, the comparison between the data for autumn 2018 and those for the same period in 2017 confirms an increase in the audience of the Rai drama and, in particular, of the younger female targets (women 15-24: +1% vs 2017) and those with a high level of education (secondary education: +3.1% vs 2017; graduates: +4.5% vs 2017).

If, on the one hand, during the period considered, the high level of appreciation shown for Rai drama in the macro area south and islands remained unchanged (+0.4% compared to 2017), on the other hand, a positive trend was recorded in the north (+1.9% compared to 2017) and especially in central Italy (+3.5% compared to 2017). These results have rewarded the commitment of the Public Broadcasting Service to tell – through drama – of the country in all its entirety and complexity.

Reruns were broadcast on 36 evenings in 2018, with positive audience figures. The rerun shows

totalled a share of 18.9% and average audience of 3.6 million confirming the value of rerunning TV series.

Rai 1's result makes this channel not only the leading TV drama and comedy broadcaster in Italy in terms of offer and audience, but one in the very front rank at European level, and to this Rai 2 must be added, which broadcast 14 evenings of original TV dramas, with an average audience of 2.4 million viewers and an average share of 10%.

Rai 3 aired 7 première evenings and 249 episodes of the daily soap opera **Un Posto al Sole**, which had an average daily share of 7.2% and made a significant contribution to consolidating this Network's prime time.

As in previous years, once again in 2018, the top ten of Italian TV series was solely composed of Rai labelled productions.

**Il commissario Montalbano** was confirmed the most viewed programme of the flagship Network (excluding *Festival di Sanremo*) with an average total audience of 11.5 million viewers and a 44.5% share.

Second place went to the event TV movie **La mossa del cavallo**, from Andrea Camilleri's best seller (8.2 million viewers and 32% share), confirming the success of a story that is popular and capable of reaching all audiences.

It was followed by **L'amica geniale**, the first major co-production of HBO-Rai in Italian. The series event – based on Elena Ferrante's best-selling novels – debuted with record ratings: 7.1 million viewers and 29.9% share.

1. *Don Matteo 11*
2. *Aldo Moro - Il professore*
3. *Rocco Schiavone*, new episodes
4. *I bastardi di Pizzofalcone*



1. *La mossa del cavallo*
2. *Il cacciatore*
3. *Il paradiso delle Signore, daily*
4. *Il commissario Montalbano*
5. *In punta di piedi*
6. *La linea verticale*
7. *L'allieva 2*
8. *I topi*
9. *L'amica geniale*
10. *L'ispettore Coliandro – Il ritorno*

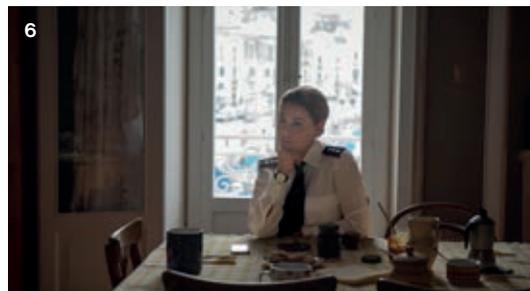


## Directors' Report

1. *Nero a metà*
2. *Non dirlo al mio capo 2*
3. *Romanzo familiare*
4. *Rocco Chinnici - È così lieve il tuo bacio sulla fronte*
5. *I Medici. Lorenzo il Magnifico*
6. *Il capitano Maria*
7. *Prima che la notte*
8. *I nostri figli*
9. *Fabrizio De Andrè - Principe libero*

It was a success cutting across all targets and, in particular, the youngest female audience (women aged 15-24 years: 32.9%) and that of the middle-high socio-economic class (high: 32.8%; middle-high: 29.8%; middle: 29.6%).

In addition to these figures, there are also those of the Rai Play platform, where the series totalled over 5.3 million media views. The fruit of a worldwide publishing case, performed in archaic Neapolitan subtitled in Italian, with unknown protagonists, *L'amica geniale* – acclaimed by



critics and audiences alike – marked a turning point in the production of Italian TV drama: a very fine example of storytelling and of the strength that writing can have, if blended with a truth perceptible in its sincerity.

Even for audiences who subscribe to satellite Pay TV, the top ten TV series by share are composed solely of Rai shows. First position was held by *Il commissario Montalbano* (43.3%), followed by *La mossa del cavallo* (27.4%) and the event miniseries *L'amica geniale* (23.7%). The figures demonstrate that even with a rich offer such as that of satellite Pay TV, Rai Fiction's proposals continue to satisfy the tastes and expectations of the most demanding audience.

Drama was also the content most viewed by Internet users, even in the context of the offer of the new Rai Play platform. Out of a total figure of more than 529 million media views, TV series accounted for 42% of the total VOD offer with more than 165 million media views (+35% yoy), followed by the "TV programme" category with 92.7 million media views. On the podium of the most viewed programmes, in first place was *Un posto al sole* with over 15 million media views, followed by *Il Paradiso delle Signore* (13.9 million media views) and *Don Matteo* (12.9 million media views). It should be noted that – with the exception of the *Festival di Sanremo* and the cartoon *Masha e Orso* – all the contents in the top ten belong to the drama genre.

From the point of view of the composition, Rai 1's offer maintained its multifaceted character by combining different formats and genres to satisfy the broad general public, blending seriality with classic products, successful sequels and innovative high concepts.

Starting with the classics, in addition to the return of the series event *Il commissario Montalbano*, there was a new season of *Don Matteo*, which with an updated formula managed to maintain intact the ability to engage a broad audience (6.8 million viewers and 28.1% share).

In addition to *L'amica geniale*, 2018 was also the year of *I Medici. Lorenzo il Magnifico*. Co-produced by Lux Vide in collaboration with Rai Fiction, Big Light and Altice Studio, the series recorded good ratings on free TV (4.2 million viewers and 18% share) and on the Rai Play platform (over 2.2 million media views). Sold in over a hundred countries, *I Medici Lorenzo il Magnifico* is distributed by Netflix in all English-speaking countries under the brand name Netflix Original.

A great popular story was *La vita promessa* (5.7 million viewers and 25.3% share), the latest extraordinary story of the unforgettable Laura Toscano directed by Ricky Tognazzi. A flamboyant melodrama that tells the story of a Sicilian family that emigrated to the United States during the years of prohibition and the 1929 crisis, with at its centre the strength of a courageous woman.

As far as sequels are concerned, the second season of the crime drama *I bastardi di Pizzofalcone*, from the novels by Maurizio De Giovanni, obtained an average audience of more than 5.5 million viewers with a 23.4% share.

The performance of the crime-romance series on Thursdays *Non dirlo al mio capo 2* (4.9 million viewers and 21.8% share) and *L'allieva 2* (5.3 million viewers and 22.2% share) was also very good and promising among the young women target group.

There were also new episodes for a product falling under the Public Broadcasting Service offer: *La Mafia Uccide Solo d'Estate*, taken from the film of the same name by Pif, which in the second season continued the narrative in Palermo in the 1980s with the murder of the judges Terranova and Costa and the President of the Sicily Region Piersanti Mattarella.

An original programme for the family genre – in addition to the return of *Questo nostro amore*, È arrivata la felicità and to the third season of *Tutto può accadere* – and *Romanzo familiare* by Francesca Archibugi (5.3 million viewers and 21% share). A variety of contrasting emotions related to an unexpected and premature pregnancy: that of a teenager at her first love experience who unintentionally relives the experience of her mother, who got pregnant at the same age.

As for crime dramas, there were two novelties: *Il capitano Maria* (6.2 million average audience and 25.4% share), with Vanessa Incontrada struggling with the difficulties of combining the role of mother and the emergency in the role of Carabinieri captain; and *Nero a metà* (5.6 million viewers and 23.9% share), with Claudio Amendola as an intolerant policeman, accompanied by a young colleague who is handsome, brilliant, exuberant and black.

Among the stories that illustrate the lives of personalities linked to Italian popular culture, there was the miniseries event *Fabrizio De André - Principe libero*, a biopic dedicated to the greatest poet in Italian songwriting (over 6.4 million viewers and 25.4% share).

The range of the offer for Rai 1 did not lack programmes inspired by topical social issues: **I nostri figli** (5.5 million viewers and 24.4% share) – based on a true story – which deals with the drama of children orphaned after a femicide; **In punta di piedi** (5 million viewers and 20% share), the struggle of a brave mother to free her daughter from the horror of crime and give her the chance of a new life.

As for the civic programmes of great institutional value, **Prima che la notte** – from the homonymous work by Claudio Fava and Michele Gambino – the story of the last years of the journalist Pippo Fava; **È così lieve il tuo bacio sulla fronte** - **Rocco Chinnici**, a biopic of one of the main protagonists of the fight against the mafia, taken from the homonymous work by Caterina Chinnici; **Aldo Moro – Il professore**, a docu-fiction that reconstructs the experience of the great Italian statesman as a university professor and his special relationship with students, portraying him under a totally new light.

From the point of view of programming, the autumn of 2018 was marked by a major change in the afternoon: the daily version of a successful series, *Il Paradiso delle Signore*. Starting in September, with an average of 10.6%, *Il Paradiso delle Signore* reached a total share of over 13% in the last few weeks of the year, with over 1.5 million viewers. This was an important growth if we consider viewing habits in the time slot in question.

As far as the prime time of Rai 2 is concerned, an excellent result was recorded for **Il Cacciatore**, from the book by Alfonso Sabella, a story inspired by the real story of a young judge on the front line in the hunt for mafia criminals after the massacres of Capaci and via D'Amelio.

The series began with an average audience of 2.5 million viewers and a 10.4% share, a significant result for a challenge that focused on an innovative language, quality and the talent of young professionals. It is a product of excellence that has met with success among the finest international TV series and received prestigious awards such as the award to Francesco Montanari in the Best Performer category at the CanneSeries Festival.

The four new episodes of **Rocco Schiavone** – from the novels and short stories by Antonio Manzini – confirmed the success of the brand reaching an average audience of 3 million viewers and a 13% share. In particular, the graduates target group (19.3%) and the high socio-economic class (19.7%) recorded very positive results.

In addition to these results, there were those of Rai Play, equal to 1 million media views.

There was also confirmation of the affection for **L'ispettore Coliandro**, whose new episodes – reinvigorated in the style thanks to more intense action – were watched by 2.5 million viewers with a share of 10.8%.

On Rai 3, innovation continued thanks to intense experimentation in genres and formats. An example of this was the medical series **La linea verticale**, a dramedy written and directed by Mattia Torre, in an original 30-minute episode format. The series, which follows the daily life of an oncological urology ward of an Italian hospital from the point of view of patients in an ironic, moving and at times surreal tone, has received considerable public and critical acclaim.

Another novelty was **I topi**, sitcom that marked the return of Antonio Albanese on Rai 3 and his debut in TV series. Six 30-minute episodes that tell, in the surreal tones that have always characterised his comedy, the life of a fugitive mobster and his family in a technologically advanced fortified villa.

The appointment with the soap opera *Un posto al sole*, the longest running Italian series, is a must. Every day it talks about feelings and social themes to a loyal and passionate audience of all ages and has obtained a particularly high Qualitel rating (8.4).

In the framework just summarized, characterized by excellent performance in terms of audience, internationalization is now a structural condition. Rai Fiction has proven to be able to compete at an international level, in terms of ideas and production quality, with projects that have attracted the attention of large public and private players. Rai's TV dramas have demonstrated how Italianness is a living source of ideas, creativity, values and stories.

Major international co-productions such as *I Medici*, *L'amica geniale* or **Il nome della rosa** (in post-production) – the adaptation of Umberto Eco's novel of the same name co-produced with AMC Networks and TeleMünchen Group – are programmes that put Rai in the major league of international TV dramas. It is a goal that has been reached and from which to start again that opens up new and exciting prospects to bring the universal value of the Italian cultural, literary and artistic heritage into the mainstream of international series.

A natural consequence of this work was the agreement with France Télévisions and ZDF that aims to develop co-productions in Europe to produce quality series that can compete abroad and in particular with the OTT. It is an opportunity not only for co-production, but also for sharing information on ongoing projects, developed by the broadcasters involved, and for evaluating possible financial support.

## Cinema

Again in 2018, Rai Cinema continued its activity to acquire films and TV series, with the aim of enhancing Rai's schedule from a quality and quantity standpoint.

Moreover, the company maintains a leading role in national and European film production activity and in the commercial exploitation activity through the O1 Distribution division.

## Acquisition

With regard to the procurement for its Networks, on the Majors side, it is worth noting the packages negotiated with 20th Century Fox International Television, Sony Pictures Television Distribution, The Walt Disney Company and the implementation of the 2018 agreement with CBS.

Rai has purchased 84 films and 9 series from Fox since 2018: among the unpublished titles were *The Shape of Water*, *Three Billboards Outside Ebbing, Missouri*, the remake of *Murder on the Orient Express*, the new film by Tim Burton *Miss Peregrine's home for peculiar children* and the latest chapter in Ridley Scott's saga, *Alien Covenant*.

Rai purchased the continuation of the series *The good doctor* and *S.W.A.T.*, 54 films, four TV movies, a current series and a library from Sony: among the unpublished titles, the latest *Blade runner*, *Call Me by your name*, *Baby driver*, *Jumanji - Welcome to the Jungle*, *Insidious the last key*, *Flatliners*, and *Proud Mary*.

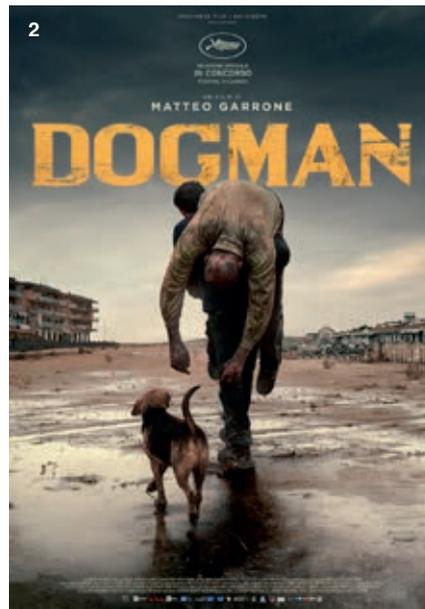
The package formalised with The Walt Disney Company includes current films and libraries, first-run series and renewals produced for the channels dedicated to children, covering the needs for the years 2018 and 2019 of all Rai Networks.

Among the current titles *Beauty and the beast*, *Finding Dory*, and *The Avengers: age of Ultron* and *Captain America: the civil war*. Among the library titles were the animated films *Cinderella*, *Snow White* and *Sleeping Beauty*, all scheduled with renewed success during the 2018 Christmas season and the evergreens *Pretty woman*, *Sister Act*, *Sister Act 2* and *Mary Poppins*.

Finally, Rai purchased the series presented at the LA Screenings in May 2018 from CBS under the agreement in place, the new seasons and renewals of licenses for the continuing series, to complete the programming of the new seasons produced.

Procurement of quality cinema from independent Italian distributors, such as Notorious Pictures, Lucky Red, Bim, Adler,

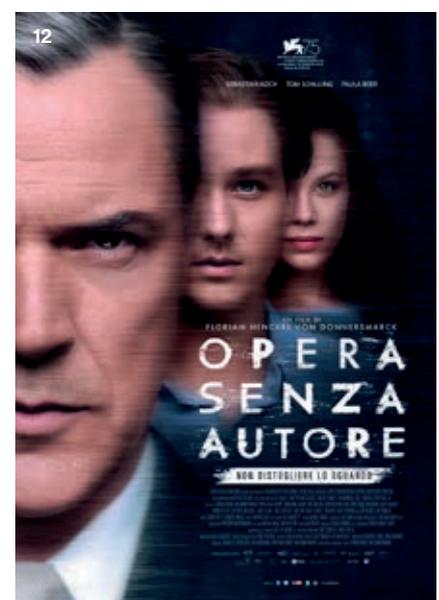
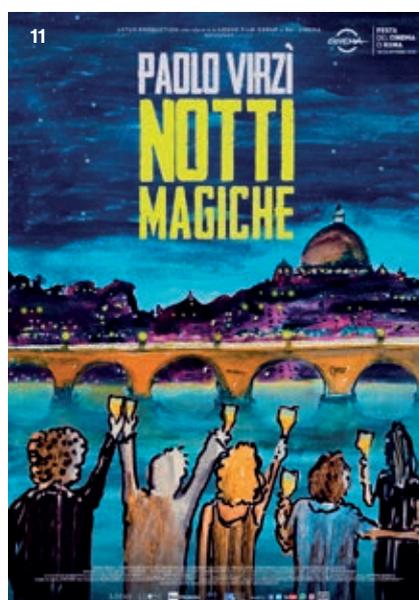
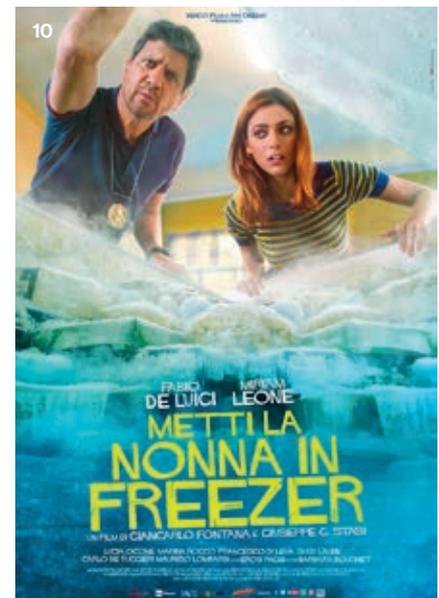
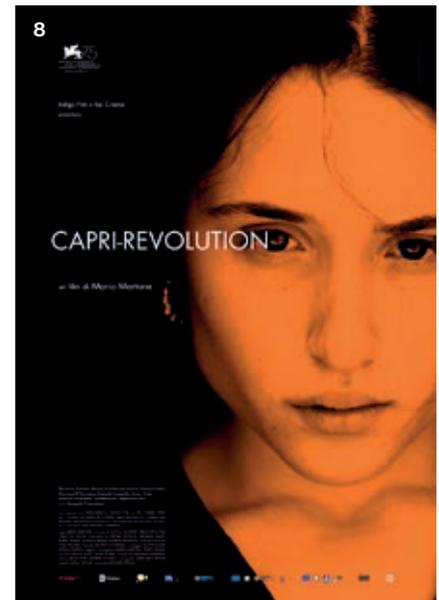
## Directors' Report



1. A casa tutti bene
2. Dogman
3. Ella & John
4. Il ragazzo invisibile. Seconda generazione
5. Io sono Tempesta
6. The Post



7. Arrivano i prof
8. Capri-Revolution
9. Euforia
10. Metti la nonna in freezer
11. Notti magiche
12. Opera senza autore



Koch Minerva and Blue Swan, continued in order to integrate the film offer on all Networks.

With regard to more specifically TV products, a wide selection came from the companies Beta and ZDF for programming of all bands (TV movies/collections and first-run mini-series). Also worth mentioning was the acquisition of some TV movies required for the day time of Rai 1 and to cover the summer prime time cycles of Rai 2, the packages formalised with BBC (the first 3 seasons of the series *The Durrells* and the first unpublished season of the light crime series *Shakespeare & Hathaway*) and from E-One the unpublished US series *The rookie*, starring Nathan Fillion.

With reference to the international product for distribution, the titles purchased for the next 01 Distribution lists were: *Anna* by Luc Besson; *355* by Simon Kinberg with Jessica Chastain, Penelope Cruz, Marion Cotillard and Lopita Nyong'o, an all-female spy story; *After*, based on the international best-selling novel by Anna Todd; Oscar-winning Michael Hazanavicius' *The Lost Prince* with Omar Sy and Béatrice Bejo; Paul Feig's *A Simple Favor* with Anna Kendrick and Blake Lively, already released in December.

Finally, Rai purchased *The Translators*, a psychological thriller on the world of publishing with an international cast, from the French company Wild Bunch.

### Movie production

Again in 2018 Rai Cinema helped to make a very large number of movies which make up a widely diversified range of products.

**The films completed, in post-production or about to complete shooting include:** *Ricordi?* by Valerio Mieli, sentimental story told through the memories of her and him; *I villeggianti*, fourth film by Valeria Bruni Tedeschi; *Drive Me Home*, first work by Simone Catania, a road movie on the meeting of two childhood friends who are coping with crises and their aspirations; *Il mangiatore di pietre* by Nicola Bellucci, a story of mourning, revenge and smuggling; *Il primo re* by Matteo Rovere, an epic movie on the fratricidal competition between Romulus and Remus; *Non ci resta che il crimine*, a comedy by Massimiliano Bruno, in which three friends suddenly find themselves caught in the criminal scene in Rome in the 1980s; *Momenti di trascurabile felicità* by Daniele Luchetti, from the novel of the same name by Francesco Piccolo; *Il campione*, first work by Leonardo D'Agostini, a tender and entertaining story of the bond created between a disillusioned former professor and a young

footballer; Fausto Brizzi's *Modalità Aereo*, on the use of social networks; *Un'avventura* by Marco Danieli, a musical that, through Lucio Battisti's famous songs, reconstructs the path of a love between Puglia and Rome; *Il signor Diavolo*, fascinating and disturbing Po valley horror movie by Pupi Avati; *Flesh out* by newcomer Michela Occhipinti, about the young Mauritanian Verida; *35° parallelo - Pietro Bartolo, Il medico di Lampedusa* by Maurizio Zaccaro, on some episodes in the life of the now famous doctor; *Dafne*, second work by Federico Bondi, is the story of a girl with Down Syndrome, her elaboration of mourning for her mother and her relationship with her father; *Se ti abbraccio non aver paura*, the new film by Salvatores, a road movie about the story of a father and a son; *Il traditore* by Marco Bellocchio, inspired by the figure of Tommaso Buscetta; *Freaks Out*, the new film by Gabriele Mainetti, set in Rome occupied by the Nazis, among circus performers and individuals with superpowers; *Cinque è il numero perfetto*, directorial debut of Igor Tuveri, a world famous comic artist, with the film adaptation of one of his most famous graphic novels; *Martin Eden*, debut in pure drama by Pietro Marcello who tries his hand at the classic by Jack London, set in Naples in the 1980s; *Il sindaco del rione Sanità*, by Mario Martone; *Last Words* by Jonathan Nossiter, a dystopian story that combines ecological philosophy and post-apocalyptic visions; *Viver* by Francesca Archibugi, on family relationships, marital crises, and the world of teenagers; *Il libro delle visioni*, first work of Carlo Hintermann, an international production that tells, between the past and present, the personal problems and scientific discoveries of a medical researcher; *Appena un minuto* by Francesco Maria Mandelli, story of a man who is able to go back a minute in time whenever he wants; *Tutta un'altra vita* by Alessandro Pondi, about a taxi driver who manages to change his life for a few days, passing himself off as a rich entrepreneur.

**Among the projects being filmed:** *In buona compagnia* by Cristina Comencini, the story of a woman who returns to Naples to her parents' house for her father's funeral and relives a trauma long removed; a debut also for Ginevra Elkann with the film *Magari*, the story of three brothers, children of separated parents; *Il Cattivo poeta*, debut of Gianluca Iodice, about the last months of D'Annunzio's life.

**Among the films co-produced by Rai Cinema and distributed by third-party companies in 2018:** *Nome di donna* by Marco Tullio Giordana, on the discrimination and abuse that women are forced to endure in the workplace; *Quanto basta* by Francesco

Falasci, a comedy on the world of cooking contests; *Dei*, the first work by Cosimo Terlizzi, about the story of a country boy in search of himself; *Resina*, Renzo Carbonera's first work; *Hotel Gagarin*, first feature by Simone Spada, on the tragicomic adventures of a shabby film crew; *Hannah* by Andrea Pallaoro, the story of a woman who has to learn how to handle the private anguish of an unspeakable secret; *La terra dell'abbastanza*, debut movie by the very young Fabio and Damiano D'Innocenzo that tells the story of the downward spiral of two boys living in the suburbs of Rome; *San Valentino Stories*, romantic Neapolitan comedy in three episodes, directed by three newcomers (Emanuele Palamara, Sergio Panariello, and Antonio Guerriero); *Nato a Casal di Principe* on the desperate search of a family whose son disappeared into thin air at the hands of the camorra; *Tito e gli Alieni*, second work by Paola Randi, a fantasy with surreal overtones; *Blue Kids*, the debut work of Andrea Tagliaferri, a portrait of young people on the run without reference points or values; *Favola*, Sebastiano Mauri's debut as director, taken from the play of the same name; *Al massimo ribasso* by Riccardo Jacopino, on the issue of rigged tenders; *Due piccoli italiani* by Paolo Sassanelli, a heart-warming story of the escape of two mentally ill people; *Finalmente Sposi* by Lello Arena, a story of the couple of the Artetecas; *Ci vuole un fisico* by Alessandro Tamburini, the story of a chance meeting between a man and woman. *Troppa Grazia* by Gianni Zanasi, a "mystical comedy" about a young woman who begins to have strange visions; *Un giorno all'improvviso*, by Ciro D'Emilio at his debut as director, a bildungsroman about a young talented football player; *La befana vien di notte* by Michele Soavi, a children's film about the Befana; *Tutti lo sanno* by the Oscar-winning director Asghar Farhadi, about a mysterious kidnapping; *Menocchio*, the new film by Alberto Fasulo, the

story of a Friulian miller of the late sixteenth century; *Il bene mio* by Pippo Mezzapesa, which tells of a man who does not want to leave his small town destroyed by an earthquake.

## Documentary production

As regards the cinema of reality and documentaries, 42 projects were started, in line with its editorial policy and the mandate to support independent authors and producers.

Alongside new projects by well-known directors (Giancarlo Soldi, Fabrizio Corallo, Davide Ferrario, Valentina Pedicini, Eugenio Cappuccio, Giovanni Donfrancesco, Alex Infascelli, Roberto Salinas, Ruggero Gabbai, Michele Mellara and Alessandro Rossi), Rai Cinema has invested in the debut of new talents such as Daniele Barraco, Elettra Pierantoni, Massimiliano Pacifico, Maria Tilli, Leandro Picarella, and Sara Fgaier.

Among the other projects: *La mia amica geniale* by Clarissa Cappellani, *The Rossellinis* by Alessandro Rossellini, *Voglia di perdere* by Simone Isola and Fausto Trombetta, *Fellini degli spiriti* by Anselma Dell'Olio, *Viaggio in Italia, la Corte Costituzionale nelle carceri* by Fabio Cavalli (meeting between the judges of the Constitutional Court and the prisoners of some Italian prisons, Rebibbia in Rome, San Vittore in Milan, and the juvenile prison of Nisida, Marassi in Genoa, Terni and Lecce).

## Festivals

The year 2018 was also filled with success in Italy and abroad.

Four films were shown at the Berlinale: *figlia Mia*, in competition, by Laura Bispuri; in the Panorama section *Land* by Babak Jalali and *La*

## DOCUMENTARIES PRODUCED BY RAI CINEMA - PERFORMANCE IN 2018

Title	Channel	Audience	Share %	Contacts
Vita di Marzouk	Rai1	712,788	6.40	2,905,699
Aperti al Pubblico	Rai1	534,628	6.77	1,714,569
Borsalino, un cappello a Hollywood	Rai1	627,085	7.45	1,938,343
The Remnants	Rai1	633,991	7.23	2,255,778
Fede e Libertà	Rai1	513,808	6.83	1,756,647
La botta grossa	Rai1	575,596	7.97	1,637,281
1938. Quando scoprimmo di non essere più italiani	Rai1	628,079	7.93	1,871,529
Camorra	Rai3	228,501	4.15	775,459

The documentaries aired on Rai 1 were proposed within the Speciale Tg 1.

*terra dell'abbastanza*, the first work by the very young D'Innocenzo brothers, the documentary *Lorello e Brunello* by Jacopo Quadri in the Culinary Cinema section.

The presence at the Cannes Film Festival was significant and diversified. Two films in competition, *Dogman* by Matteo Garrone and *Lazzaro felice* by Alice Rohrwacher, both awarded: Best male performance by Marcello Fonte (*Dogman*) and Best Screenplay, written by the director herself, for *Lazzaro felice*. Alongside these, *Euforia* by Valeria Golino, *Troppa grazia* by Gianni Zanasi, *La strada dei Samouni*, the two shorts *La lotta* by Marco Bellocchio and *Così in terra* by Pier Lorenzo Pisano and the opening film, *Todos lo saben* by Oscar winner Asghar Farhadi.

Several awards were received after Cannes: 19 David di Donatello, of which 5 to *Ammore e malavita* by the Manetti Bros, as Best Film, 5 Globi d'Oro, including Best Film to *L'intrusa* by Leonardo Di Costanzo, and 22 Nastri d'Argento, of which 8 to *Dogman* by Matteo Garrone, winner in the Best Film category.

Rai Cinema participated at the Venice Film Festival with 20 titles including films, 3 of which in competition: *What are you gonna do when the world's on fire?* by Roberto Minervini, *Opera senza autore* by the Oscar winner Florian Henckel von Donnersmarck and *Capri-Revolution* by Mario Martone.

In the final part of the year, Rai Cinema was present at the Rome Film Festival with 20 works, including *Notti magiche* by Paolo Virzi, and at the Turin Film Festival with 13 films, including, in competition, *Ride*, debut by Valerio Mastandrea as director. The year ended with the EFAs: three awards to *Dogman* (including Best European Actor for Marcello Fonte) and Best European Short Film for Sara Fgaier's *Gli Anni*.

Finally, *Dogman* competed as Italian candidate in the category of Best Foreign Language Film at the 2018/2019 Oscars.

## Distribution

In 2018 Rai Cinema distributed 34 films with a total box office take of €61 million, more than 10 million tickets sold, reaching 5th place in the ranking of distributors – the top Italian distributor after the major American studios – with a market share of 11.51% of presences.

The best box office performances were recorded by *A casa tutti bene* by Gabriele Muccino, with a box office of over €9 million and *The Post* by Steven Spielberg, with over €6 million; followed by *Ella e John*, Paolo Virzi's

“American” film, *Metti la nonna in freezer*, with Fabio De Luigi and Miriam Leone, the two international works *Resta con me* by Baltasar Kormákur and *Il mistero della casa del tempo* by Eli Roth, all with box office grosses over €3 million.

On the home video market, 01 Distribution reported a 12% drop in sales (compared to 20% recorded by the market), despite the excellent performance of some products such as *Wonder*, *Valerian* and *The Post*. As for domestic productions, the best performances came – for new productions – from *Dogman*, *A casa tutti bene* and *Ella & John*, and – for the catalogue – from *La pazza gioia*, *Veloce come il vento*, *Suburra* and *La La Land*.

## Commercial agreements

2018 confirmed the growing trend in sales activities in the various channels in which distribution is carried out following the exploitation of theatrical and home video rights.

As regards the world of OTTs, the marketing of SVOD/Pay rights is continuing through agreements with Amazon, Netflix, Vodafone and RTI for the Infinity platform.

Agreements were also confirmed with the major digital platforms for the distribution of products in TVOD and EST modes such as iTunes, Chili, Timvision, Google Play, Sony, Xbox of Microsoft and Wuaki and a new partnership was signed with Huawei.

As regards the more traditional channels (newsstands, airlines, etc.), relations with Mondadori for newsstand sales, Alitalia and Trenitalia continued.

## Web

The commitment on the web with the usual support of Rai Cinema Channel to the promotion of all films produced and co-produced by Rai Cinema continued.

RCC documented the previews of Steven Spielberg's *The Post* and Gabriele Muccino's *A casa tutti bene* and was at the forefront of the major film festivals and most important events in the movie industry and society: with the coverage of the Venice Film Festival alone, 500,000 people were reached.

Rai Cinema continued to award web-oriented Italian short films in numerous prestigious festivals and dedicated for the first time an award to the best short film shot in virtual reality.

## Radio

Radio, as already mentioned, is a media immersed in society from its origins and maintains this distinctive trait even today, while technological evolution is disseminating radio productions through multiple accesses, devices and formats: from smartphone to TV, from tablet to podcasts, from analogue frequency to DAB+, from apps to car systems.

This dematerialization is a symptom of pervasiveness and resilience, as confirmed by opposite signals, such as the new visual dimension and the vintage design of DAB+ receivers.

The radio has been personal and mobile since the age of the transistor; with live phone calls, it gave life to interactivity; with multiple shooting, it went beyond the confines of the channel; with listening groups, it anticipated the online communities, adding non-linear fruition and social media to its schedule. All this increases its being rooted in everyday life and reaffirms its authentic vocation for proximity.

The proliferation of content, formats and technology also characterise the Rai radio service, an innovative segment which is able to interpret the fluid identity of sound in all its versions and claim a place at the centre of the digital scenario.

Rai Radio works in a complex and dynamic market context with the main goal of complying with the commitments set out in the Public Broadcasting Service concession and Service Agreement.

The offer is organised into 12 channels, broadcast on 8 technological platforms, diversified based on editorial mission and reference target, all active online and on social media: the generalist channels Rai Radio 1, Rai Radio 2 and Rai Radio 3; special interest channels Isoradio and Gr Parlamento; specialist channels.

The editorial profile of general interest stations is organised into genre shares defined by the Service Agreement: news, information, culture, society, music, service and public utility.

**Rai Radio 1.** News and information exceed 56% of the broadcast hours; followed by music at 22%, concentrated at night, and society at 15% (the Service Agreement requires a minimum of 70% for Rai Radio 1 and Rai Radio 2).

**Rai Radio 2.** The main genres are music (34%), variety and entertainment (44%), and society (14%).

**Rai Radio 3.** The prevalence of music (54%) and culture (27%), followed by information (9%) that describe a station that fully guarantees the 90% required by the Service Agreement.

The genre Public Utility includes Traffic (216 weekly updates) and Weather (118), distributed on all channels and mainly on Isoradio.

### Generalist channels

#### Rai Radio 1

Rai Radio 1 has confirmed its informative, reliable, credible and authoritative mission.

The newsrooms produce more than 41 daily editions between Gr1 (25), Gr2 (10) and Gr3 (6), lasting from two to twenty minutes. An intense and fascinating job, to recount the complex dynamics of politics, economy, trade union life, finance, news, foreign events, social upheaval, the land, cultural events and performances.

Information is characterised by live connections, specials, radio news programmes every hour and in-depth programmes that tell about what is happening in Italy and around the world real time from current political (*Radio anch'io* and *Zapping*) and economic news (*Gr1 Economia*) to news topics, from employment and labour to respect for human rights, as well

1. *Giorno per giorno*
2. *Radio 1 Sport - Lo studio*



as the fight against crime, corruption, gender violence (*Italia sotto inchiesta, 6 su Radio 1, Le storie di Radio 1, Fuorigioco, Numeri primi, Obiettivo Radio 1, and Giorno per giorno*).

Then again the environment (*Coltivando il futuro, Gr1 Economia, Fuorigioco*) and social issues (*Le storie di Radio 1, Giorno per giorno*). In addition, all programmes are committed to always supporting and listening to the campaigns promoted by the Rai social secretariat.

In the first half of 2018, the focus was on the political situation in the country, with several specials on the 2018 elections. However, attention was also given to recurring events such as the *Giorno della memoria*, May 1st, the *Giornata del ricordo*, the Day against Violence against Women, the anniversary of the racial laws, or news stories such as the murder in Macerata or the collapse of the Morandi Bridge.

During the electoral period that characterised the first six months of 2018, from the electoral campaign to the creation of the government, Rai Radio 1 followed the entire political debate very closely, both with in-depth analyses of traditional programmes and radio newspapers, and with *ad-hoc* changes to the programme schedule: in particular, an editorial experiment that was very popular with the public was carried out: *Gioco a Premier*, a political in-depth analysis included in the morning programming.

Sports remains a mainstay of Rai Radio 1 and Gr, with a wide range of events: from the Italian football championship to the Champions league, from Formula1 to MotoGp, plus basketball, volleyball, rugby, track and swimming. A major container of free sports broadcasting rights. And above all: *Tutto il calcio minuto per minuto*, the historical broadcast that is approaching its 60th anniversary. Then, a great commitment with the main sporting events of 2018: the Football World Cup in Russia 2018, the Giro d'Italia, the Internazionali di Tennis d'Italia, the European Athletics and Swimming Championships, the Women's Volleyball World Cup.

During the weekend, in addition to sport, plenty of space is dedicated to in-depth analysis features.

On Saturday mornings with: health (*Life*), technology and innovation (*Eta Beta*), foreign affairs insights (*Inviato speciale, Voci dal mondo, EstOvest and Caffè Europa*), travel and tourism (*Vieni via con me and I viaggi di Radio 1*), agriculture and the environment *Coltivando il futuro*, art (*Te la do io l'arte*), motors (*Top car*),

culture (*Sciarada*), the sea (*Radio di bordo*) and other programmes dedicated to the story of Italy from past to future (*Il pescatore di perle, Le storie di Radio 1, Mary Pop, Donne in prima linea*). There is also ample room for religion and paths of faith with: *Babele, Culto evangelico, Il cielo sopra San Pietro*.

Many media partnerships were confirmed in 2018: Rai Radio 1 is the official radio of major festivals and brings its broadcasts to the territory. Assiom forex (Verona); Vinitaly (official radio); Un campione per la vita (a traveling event to 8 Italian cities); Vivicittà (event in various cities of Italy); Musicultura (Macerata); LINK, Premio Luchetta incontra (Trieste); Golden Gala di Atletica leggera (Rome); le giornate di primavera del FAI – i luoghi del cuore; the Internazionali di Tennis d'Italia (Rome); The Salone del Libro (Turin); È Storia (Gorizia); the Festival dell'Economia in Trento; Rome Cup; the charity event Con il cuore 2018, in conjunction with Rai 1 (Assisi). In addition, as every year, Rai Radio 1 was present at the Festival del Giornalismo in Perugia.

Rai Radio 1 encourages interaction on all its social profiles: Facebook, Twitter, and Instagram also with live social and additional content.

At the beginning of January 2018 the new Studio G1A was inaugurated, which allows live streaming as well as the creation of TV connections.

On the occasion of the World Cup in summer 2018 in Russia, the new digital channel **Rai Radio 1 Sport** was created. After an initial experimental period it started broadcasting online on the website and on the RaiPlayRadio app, on TV on the digital terrestrial platform (DTT), on digital terrestrial radio (DAB+) and also via satellite.

Eight hours of programming each day, plus various moments of simulcasting with the rich sports offer of Rai Radio 1.

After the experience of the World Cup (in which Radio Rai was the only company to follow the event), Rai Radio 1 Sport continued to offer its listeners a very rich menu: Serie A and Serie B, the Giro d'Italia, the World Volleyball Championships and the Europa League, Formula 1, Moto GP, the Tour de France, the Volleyball and Basketball Championships, athletics (the Golden Gala) and tennis, as well as Paralympic sports. With the aim of giving the right space to all sporting events that do not find their place in the programming of Rai Radio 1.

## Rai Radio 2

Multi-platform production projects, focus on music, live events, local coverage, social campaigns, brand visibility through cross-media, plus strong increase of on-field and online activity, open microphones and cameras on even at night and big news in the studios, completely renovated, for a radio that you can listen to, see and share: these are the elements that characterized the Rai Radio 2 offering in 2018.

An exceptional project closed the first half: the official launch of **Rai Radio 2 Indie**, a digital channel entirely dedicated to the most innovative music with a sophisticated and particular playlist of Italian and international songs, with live performances by emerging artists and music programmes by the protagonists.

An original offer based on research work in the new independent rock and alternative scene, but also in the new Italian and foreign pop music and in the most exclusive live events, for uninterrupted listening.

The on-air offer, with the precise intention of intensifying the station's recognisable identity, experienced an action of consolidation of the programming presented in previous seasons divided into long-standing favourite programmes and new projects.

The Network's main programmes were confirmed: *Il Ruggito del Coniglio*, *Caterpillar*, *Caterpillar AM*, *610*, *Decanter*, *Radio 2 Social Club*, *Non è un Paese per Giovani*, *Me Anziano* *You TuberS*, *Back2Back*, *Musical Box* and the new programmes *La Versione delle Due* and *Numeri Uni* were launched. Extended live programming thanks to *I Lunatici*, broadcast until dawn from Monday to Saturday.

On the weekend, *Senti che Storia*, *Gli Sbandati di Radio 2*, the historical programme *Black Out*, *Il Programmone*, *Italia nel Pallone* and two newcomers – in simulcast with Rai 2 – that

arrived in autumn: *B Come Sabato* and *Quelli che il Calcio*. The former was brand-new and accompanied the public on a light and fun afternoon dedicated to the matches of the Serie B Championship and the folklore of the Italian hinterland; the latter – in the radio version *Quelli che ... Radio2* is a long-standing programme and has returned to tell of the most beloved sport in Italy with a mix of information, comedy and irony.

Rai Radio 2 is also on the international scene. In Barcelona with Primavera Sound, the Spanish festival which combines the best of the international music scene, Sonar, the annual event with electronic music and multimedia art, and Berlin with the Woodworm Festival.

The strategy developed around the live concept has continued to grow and was again one of the Station's strong points:

- **live and 'special meetings' from the studios in Via Asiago** on air and streaming on RaiPlayRadio.
- it/Radio2, live on Facebook, on the channel Youtube Rai and with special content on Twitter and Instagram @RaiRadio2: Selton, Ghali, Nic Cester, Giorgia, Max Gazzè, Gizmodrome, The Kolors, Negramaro, Emma Marrone, Laura Pausini, Colapesce, Zen Circus, Alvaro Soler, Motta, Frah Quintale, Germanò, Bud Spencer Blues Explosion, Biagio Antonacci, I Ministri, Luca Carboni, Ultimo, Le Vibrazioni, La Municipal, Pop X, Claudio Baglioni, Raffaella Carrà, LP, Elisa and Mihail;
- **mini live** with musical and sound exhibitions by young trendy groups in the *Rock and Roll Circus* and *Babylon*;
- **events throughout the country** live from the Radio 2 truck from squares and theatres with a summer tour full of activities aimed at increasing the interception of an audience of fans and connoisseurs at local level. Events, concerts and outdoor parties that make Rai Radio 2 a station increasingly open

1. *Non è un Paese per giovani*
2. Live concert on Rai Radio 2 Indie



to the many languages of good music, often thanks to media partnerships: M'illumino di Meno, Festival di Sanremo, Vinitaly, May 1st concert (Rome), Giro d'Italia, Biografilm Festival, the CaterRaduno, Rock in Roma, Notte Rosa in Riccione, VIVA Festival della Valle D'Itria, Siren Festival in Vasto, Salone del Gusto in Turin, Prix Italia in Capri, Spring Attitude Festival, La Barcolana, Tennis & Friends, Lucca Comics & Games, Festa della Rete, Club to Club and Monza Rally Show 2018. On the occasion of major events, the Network has dedicated an impressive production commitment. Suffice it to mention that on the occasion of the 101st edition of the Giro d'Italia, more than 50 hours of live coverage and more than 4,000 covered by the stage-truck, which was based in all the Italian cities touched by the Giro, were achieved.

As regards the synergies in terms of editorial content with TV programming:

- **Rai 1** - *David di Donatello, Eurovision Song Contest, La Partita del Cuore, Wind Music Awards, Pino è, Il Ruggito del Coniglio* with daily connection with *Uno Mattina*, *Fede* and *Tinto* of *Decanter* as judges of *La prova del cuoco*, *La Notte* by *Andrea Bocelli*, *Baglioni Al Centro*, *Sanremo Giovani*, *Fede* of *Decanter* host of *Linea Verde* with mutual exchange of visibility between the two programmes;
- **Rai 2** - *The Voice of Radio2*, *Cesare Cremonini: una notte a San Siro*, *B Come Sabato*, *Quelli che il Calcio*, *Guarda... Stupisci*; Rai Radio 2 takes care of the theme song and playlist of the television program *Frigo*, hosted by one of its talents;
- **Rai 3** - *May 1st Concert*;
- **Rai 4** - *70th Emmy Awards*;
- **Rai News 24** - *Caterpillar* to *Telegram*.

Rai Radio 2 made sure to involve its community in social campaigns to raise awareness of major current issues. February saw the 14th edition of "M'illumino di meno", the Energy Saving Day launched and supported by *Caterpillar*, which for years has represented the

largest radio awareness campaign on energy consumption and sustainable mobility. The project – organised on air, on the web and on social media – was again sponsored in 2018 by the highest authorities of the State and participation from the main Italian and European monuments, as a symbolic gesture of energy saving.

The multimedia contents of Rai Radio 2 programmes – photos, videos, exclusive backstage programmes – are also available on RaiPlay, Facebook, Twitter and Instagram and on Rai's YouTube channel.

### Rai Radio 3

Throughout 2018, Rai Radio 3 devoted particular attention to the major themes of the cultural and civil debate and consolidated the breadth and quality of its musical offerings.

It is worth recalling the live broadcasts from Teatro alla Scala, for both the opera and symphony seasons, from the Regio of Turin, Comunale of Bologna, Fenice of Venice, Teatro dell'Opera of Rome and San Carlo of Naples.

The Rai National Symphony Orchestra was a constant presence with Symphony Season concerts and cycles of *Rai Nuova Musica*, devoted to contemporary music. Radio3's *I concerti del Quirinale* continued, a prestigious series of musical events produced live every Sunday morning, which, in 2018, now in its nineteenth year, witnessed increased audience participation.

The *Euroradio* concerts, which allowed the Network to propose prestigious orchestras, were confirmed to enrich the morning and Sunday afternoon programmes. Furthermore, there were works from the opera seasons of major theatres.

In 2018, Rai Radio 3 consolidated the breadth and quality of its music offering by broadcasting 565 concerts, of different musical genres and distributed in various broadcasts.

1. The Festa di Rai Radio 3 in Cesena - from 25 to 27 May 2018. Three days of events, debates, music and shows on the theme "Tyranny and Freedom"
2. Rai Radio 3's live broadcast of the 70th Prix Italia



In addition to concerts, the proposal of in-depth analyses was constant thanks to *Wikimusic* and the popular *Lezioni di Musica*.

There are many programmes and events that recalled important dates in Italian history, such as 27th January, when a live broadcast from Livorno told about the *Giorno della Memoria*, with a special evening from the Teatro Goldoni, through the voice of the witnesses of the Shoah.

Great attention was paid to themes and forms of expression during the special days: 8th March with a play dedicated to Margaret Atwood's *The Handmaid's Tale*, with readings by the actress Viola Graziosi; on the World Poetry Day (21st March), which coincides with the "Day of Remembrance and Commitment in Memory of the Innocent Victims of the Mafia" promoted by the association Libera, the two souls of the Network came together during the programming with 20 poems on the issue of the fight against the Mafia and civic commitment.

On 28th March, with a Grand Gala live from Sala A in via Asiago, Rai Radio 3 celebrated Gioachino Rossini on the occasion of the 150th anniversary of his death. It was a celebration that saw the participation of some of the major Rossini interpreters of the moment and that opened a series of initiatives in honour of the master that culminated in a special day and a live party, on 13th November, with the major performers of Rossini.

Also worth mentioning among the initiatives dedicated to Rossini were: in the week from 26th to 30th March, the programme *Qui comincia* dedicated a daily space to Rossini; *The Péchés Rossiniens Tre sguardi sul mondo di Rossini* during *Radio 3 Suite* offered listeners three moments of reflection on Rossini's figure and music.

In 2018, part of the programme was dedicated to the fiftieth anniversary of 1968, its culture and all the different disciplines that have been touched: science, music, books, art, and theatre. In addition, from 3rd March to 26th May every Saturday at 6:00 p.m., the 13 episodes of the programme *Pantheon* titled *Il Sessantotto in 13 libri* were aired.

Throughout 2018, Rai Radio 3 also confirmed its attention to culture in local communities, through the live coverage of the most important cultural events: in March from the Fiera internazionale dell'Editoria Tempo di libri in Milan, from Libri Come, Festa del libro e della lettura in Rome, and from Book Pride in Milan; in May from the Turin Book Fair,

Venice Art Biennale in May, from the Festival dell'Economia in Trento in June to those in the month of September: the Philosophy festival in Modena, the Literature festival in Mantua, the International Festival in Ferrara, the Prix Italia, the book fair Più libri più liberi in Rome with the usual and prestigious proclamation of the book of the year by *Fahrenheit*.

With the programme *Hollywood party* all major film festivals were broadcast live: Cannes, Venice, Locarno, Berlin, Turin and Rome. Festivals organised directly by Rai Radio3 were particularly significant and included the fourth edition of the Festa di Radio 3 in Romagna. These are opportunities to make the topics which have always been the focus of broadcasting even more attractive and to meet the audience live. With the eighth edition of *Materadio* in September, Rai Radio 3 accompanied the city of Matera with a celebration until its proclamation as European City of Culture for 2019.

Eighty years after the promulgation of racial laws, Rai Radio 3 chose 12th September as the symbolic date for the *Primo giorno di (non) scuola* - first day of (non-)school. On that day all the programmes aired clips with the testimonies of Jewish children, who in 1938 were expelled from Italian schools. Throughout the week, broadcasts explored the various aspects of the racial laws of 80 years ago.

The 22nd of October was the #GiornataProGrammatica with the involvement of 13 schools from different regions and towns with connections and broadcasts. This year's theme was *L'Italiano e la rete, le reti per l'Italiano* - Italian and the network, networks for Italian. Videos were made with the most common grammar errors that have become viral both on social networks and on whatsapp, to experiment with their use on this occasion.

From 19th to 25th November (International Day for the Elimination of Violence against Women), Rai Radio 3 chose to dedicate not only one day, but the whole week, to programmes that can raise awareness among listeners on this serious and unfortunately always topical issue.

November, as every year, was completely dedicated to the *Teatro di Radio 3* – Radio 3 Theater – with the season of *Tutto Esaurito*: every evening of the whole month featured a theatrical performance, which hosted great actors and directors, but also young talents.

There is increased focus on new formats and the needs of an audience that, along with traditional broadcasting forms, is more

and more likely to select deferred listening to programmes. Special care is taken in packaging contents that can be listened to again in streaming or downloaded as podcasts, a popular choice with users, as demonstrated with the results obtained by the broadcasts of *Ad Alta Voce* and *Wikiradio*. The offer of films, images, e-books and non-traditional contents for a radio station has increased through the use of social networks, especially video streaming activity, above all for special initiatives.

## Special-interest channels

### Isoradio

Characteristic of Isoradio is the flow programming: traffic news, urban and suburban traffic and music broadcast 24 hours a day, every day of the year. The daily reports with the Highway Police, Società Autostrade per l'Italia, ANAS, port authorities, airports, railways and the Local Police headquarters of major cities have been a regular presence to ensure continuous and accurate information on the state of traffic and mobility in general. In addition, 12 connections a day, every day, with the Italian Air Force for weather forecasts.

An important role in the daily schedule was also played by the music programming, which is always present with in-depth analyses and monographs of artists who are often hosted live in Isoradio's studios.

Among the editorial initiatives that characterised 2018 were: *Notte sicura con Isoradio*, a radio happening with two hosts with music and news dedicated to those who travel at night and safety on the streets; *Viaggiare in sicurezza con Isoradio e la Polizia Stradale*, in connection with the officers of the Highway Police that answer questions from listeners; *Studenti a Isoradio*, the weekly live space dedicated to middle and high school students on the themes of education and road safety; *Le cinque giornate di Sanremo*, a special schedule

on the festival dedicated to those who are traveling.

Then there was also *La strada è di tutti*, a campaign on road safety, by ASAPS: "Instructions for use" on medical, sporting, professional, civic, traffic, and driving issues and the campaign *Motivi di sicurezza. Sulla strada*, space dedicated to the world of road transport; *I Viaggi di Isoradio*, unusual itineraries to discover the country; *Arrivi e Partenze*, events, characters and places to discover up close; *Scuola guida international*, world news on the world of mobility; *La dolce vita*, personalities exemplary for their professional and social commitment.

### Gr Parlamento

Gr Parlamento is the Radio Rai institutional channel that mainly deals with the parliamentary activities of the Senate and Chamber, with live broadcasts of sessions from the Houses and selecting, if there is more than one at the same time, the sessions of greatest collective interest based on the themes discussed and topicality of the subjects and the deferred broadcast of the other sessions.

GR Parlamento follows, describes and tells the story of Italian society through institutional dynamics: political current affairs, as well as the economy, environment, labour, respect for human rights, the fight against crime and corruption, and social issues. This is done by following and broadcasting the proceedings of the Parliamentary Committees, conferences, initiatives, appointments and press conferences that take place in institutional venues and that are of public interest.

Information is ensured by five daily news programmes (one on Saturday and Sunday) and an ample daily press review. There are many daily in-depth features with the participation of MPs, political leaders, commentators, experts in the specific subjects, always ensuring the informational pluralism typical of the Public Broadcasting Service.

1. Isoradio
2. Gr Parlamento - Live broadcast from the Lower House of the Italian Parliament



Some features – such as *Italia che va*, *Federalismo solidale*, *No Profit*, and *Parlamento 2.0* – deal specifically, always with an institutional vision, with rights, diversity, social issues and the third sector for a total of seven weekly appointments.

There were numerous specials on the occasion of events of particular political/parliamentary importance or in case of commemorations, thus enhancing the channel's information offering.

### Specialised stations

Launched in 2017, they work alongside general interest radios to make up a complete offer aimed at intercepting diversified audiences. Audiences can listen in DAB+, on television, on the web and with the RaiPlay Radio app. Since 2018 they have been broadcasting a news bulletin produced by the *Giornale Radio* programme, with news and thematic appointments.

#### Rai Radio Classica

A point of reference for Italian and international classical music, both ancient and contemporary, it is the channel on which opera, musicals, operettas and orchestral repertoire find their place.

For fans of ancient music, compositions from the Middle Ages to late Baroque, as well as arias, duets, trios and scenes from the opera repertoire, chamber music, the great Romantic Age repertoire, the *Concerti del Quirinale*, and the music of soundtracks.

In addition to digital devices, Rai Radio Classica can be heard on FM in Rome, Milan, Naples, Ancona, and Turin.

In 2018, a series of live productions with very high profile concerts was started: in June and December, two events in the Church of Sant'Agnes in Agone, a concert in Punta Tragara (Capri) on the occasion of the Prix Italia, as well as two concerts in the Rai offices

of Bologna and Palermo. In addition, it was a radio partner of the Euyo Foundation, of which it broadcast the opening concert.

In collaboration with Rai Radio Tutta Italiana, it organized the live concert of Gabriele Ciampi, aired from room A of via Asiago.

#### Rai Radio Kids

It offers fun, music and participation for children.

*Big Bang*, the talk with Armando Traverso and the puppets Lallo, Lella and Dj, finds inspiration to tell about the events of everyday life and also hosts composers of children's songs. The world of readings includes the great classics and more and more often original productions, even with readings of texts written by very young writers.

On the site there are recipes for children and insights on the environment, science, tourism, and technology. The *highlight* event of 2018 was *Radio Kids for Kids*: a charity evening at the Teatro Olimpico in Rome – the proceeds of which were donated to the Fondazione Bambino Gesù – with some of the dearest characters to children and the most favourite soundtracks.

The other initiatives included: *Operazione Astronauta*, in collaboration with ESA, the European Space Agency, and the participation of the astronauts Luca Parmitano and Paolo Nespoli; *Speciale musei* and *Speciale ambiente*; the complete reading of *Manolito*, the best seller of Spanish literature for children; over twenty episodes of *Big Bang live* organised throughout Italy.

#### Rai Radio Live

It offers a tour of Italy through the story of events, the description of villages, the world of food and wine, entertainment, and music, followed daily by *Fronte del Palco*.

1. Capri 70th Prix Italia
2. Artù at Rai Radio Live



In addition, musical interviews of *Era ora*, the C side of music and colloquial ones of *Questioni di Stilo*. On the weekend, *Vita da Strada*, to discover ancient towns, wine and food shows and events related to the world of literature.

Quality music, rock and pop are the leitmotiv throughout the programming. There are numerous media partnerships with events that are strongly rooted in the territory, such as Meraviglioso Modugno or the Premio Lunezia and Macro Asilo, the new museum concept launched in Rome.

Radio Live followed Rai Radio events live: the conferences *La Radio digitale finalmente*, *C'era una volta l'autoradio*, and the *Prix Italia*.

Present at the *Festival di Sanremo*, it produced a series of interviews with the singers in competition.

### Rai Radio Techeté

It retraces and re-proposes the radio of the past following the three strands of variety, sport and fiction, with original documents. A different way for promoting the best of Italian radio from post-WWII to the present: the varieties of the past, the emotions of sport told by historical radio reporters, the musical performances, the commemorations told through archive materials, programmes and dramas re-proposed in full version.

In 2018, Rai Radio Techeté produced two special live shows from the Rai offices in Bologna and Palermo; it commemorated anniversaries or significant events in the country's history, such as 8th September 1943, celebrated 75 years later with the original content of Radio Bari; the unmissable fiftieth anniversary of 1968, retraced with the sound documents of the *Giornale Radio*. Finally, the new variety space *Facce ride*, a virtual ring between two great protagonists of the illustrious Italian comic tradition.

### Rai Radio Tutta Italiana

It stands out for its easy listening, with evocative features such as *Mi ritorni in mente*, a calendar of events that include *Cantare è d'amore*, the love sung in the last fifty years, and over 120 profiles dedicated to the big names in music, from Umberto Bindi to Tiziano Ferro. And there is plenty of space for emerging singers and new trends.

In 2018, the format *Una serata Tutta Italiana* was inaugurated: concerts throughout the country, from the live of Peppino di Capri, through the *Prix Italia*, to the Premio Parodi in Sardinia, from the live of Edoardo Bennato in Aosta to the Concerto di Natale in Alessandria.

Radio Tutta Italiana followed the *Festival di Sanremo* with interviews to singers behind the scenes, also in a video version for the web and social media.

### Strategic Projects

**Terrestrial digital technology (DAB+).** Rai is at the forefront of the network's extension and promotion of digital terrestrial technology and the new infrastructure have increased national coverage to 55%. Numerous international conferences and communication campaigns are awaiting the World Dab Forum in Turin in 2019.

**Radioplayer Italia.** Rai leads the project of a common IP aggregator for Italian radio. A systemic operation to strengthen and protect radio as "common good" on the web, a boost to the process of computer literacy. The implementation phase will unfold in 2019.

**EUYO European Union Youth Orchestra.** Since 2017 the historic building in Via Asiago in Rome is the official seat of the first European youth orchestra, founded by Claudio Abbado. In 2018, 600 candidates were auditioned in the Rai offices in Milan and Florence, the number of Italian musicians in the orchestra was increased and on 30th March a live concert was held on Radio Classica.

1. Renzo Arbore guest at Rai Radio Techeté
2. Peppino di Capri at Prix Italia on Rai Radio Tutta Italiana



**Digital studios.** There is a great commitment to the technological and scenographic renewal of studios and control rooms, from the large halls, with digital installations that are modular according to the type of programme and audio-video-web-social control rooms.

**RaiPlay Radio.** The RaiPlay Radio homepage is a showcase for content, institutional initiatives and social programming. It develops strategic projects and promotes special projects, conferences, awards, partnerships and fundraising campaigns. The app provides universal access to radio, streaming and on-demand channels, as well as additional audio, video and social content.

### Special initiatives

**Prix Italia 70.** For 2018 edition a series of events related to the 70th anniversary was organised: concerts, shows and DJ sets in various locations on the island of Capri, in addition to the usual presentation of autumn schedules, followed by a musical show offered to investors advertising. The Prix Italia was awarded to Rai Radio 3 for the Radio Documentary and Reportage section.

**Regional programming.** A significant portion of territorial programming aired on Rai Radio 1 confirms its vocation as a radio close to local realities, communicating information through the 3 TGR regional news editions and programmes under conventions broadcast in the Regions with an autonomous status to ensure local independence and protection of linguistic minorities: Valle d'Aosta, Trentino, Autonomous Province of Bolzano, Friuli Venezia Giulia, Sardinia and Sicily. In 2018, a line of touring productions was also developed at several Regional Offices.

**Radio for social affairs.** The institutional and social radio programme schedule promotes and plans social communication on all 12 stations, both generalist and specialised, enhancing the role of the Public Broadcasting Service for issues of collective interest and fundraising. The objective is to enhance awareness campaigns, institutional communication, fundraising, the promotion of initiatives and activities of the Third sector.

In 2018, 44 fundraising campaigns, 21 awareness campaigns, 86 institutional campaigns of the Italian Prime Minister's Office and announcements for Public Broadcasting Service and Supranational Agencies were planned. Among the most significant social projects of 2018:

- *Festival italiano dello Sviluppo Sostenibile* (22nd May - 7th June), a project by ASviS, the Italian Alliance for Sustainable Development,

the great network of civil society to spread the culture of sustainability;

- *AIRC 2018* (4th-11th November). For a week Rai Radio was the voice of cancer research. The programming involved all stations, with a widespread promotion in support of scientific dissemination and oncological research;
- *#Antonio uno di noi* (20th December). To commemorate Antonio Megalizzi, the EuroPhonica reporter and Rai collaborator killed in the Strasbourg attack, Rai Radio broadcast the Union's anthem during his funeral;
- *Telethon 2018* (15th-22nd December). For the third year in a row, the radio marathon was marked by the time signal sponsored by Telethon, with the new invitation to donate to the children of the Foundation, repeated 700 times on all stations, in addition to the programming spaces, the RaiPlay Radio homepage and the social profiles of Rai Radio;
- *Audio descriptions for the visually impaired.* The service is broadcast on Rai Radio 1 in medium wave: the most important TV drama and comedy shows and series have become accessible to those with sensory disabilities. A total of 550 hours was broadcast in 2018.

## Digital

The total digital audience (source Audiweb 2.0, data from December 2018), i.e., the audience active on all digital devices, reached 42.5 million users, 71% of Italians aged two years and over.

In the average day 32 million Italians were online and surfed from smartphones 27.7 million (61.9% of Italians between 18 and 74 years) and from tablets over 5 million (11.3% of Italians between 18 and 74 years). The online time per person during the average day was 3:10:27.

In this context, in December, Rai property reached 36th position in the ranking with 9.1 million active users, and with time spent per person on the text pages of 1:20:14 and 00:55:31 on videos.

In 2018, the strategy of previous years was continued, with the RaiPlay multimedia offering distributed on all platforms (desk, mobile, connected TV).

The offer was enriched by two new products, one dedicated to radio, RaiPlay Radio launched at the end of 2017, which completely renewed Rai Radio's offering in the digital landscape, and one for children, RaiPlay Yoyo available from April 2018, a product unique in its kind, with an offer designed for children. In addition, the Replay TV offer, with programmes broadcast in the last seven days, increased from nine to ten channels with the addition, in July, of Rai Storia.

As part of this strategy, Rai has adopted a single registration process, through which the user identifies for free with the digital services of RaiPlay, RaiPlay Radio and RaiPlay Yoyo and,

with his own account, accesses on-demand content and additional services available for the three product lines.

In line with the requirements of the new European Privacy Regulation, Rai has created *Il Tuo Account*, an area from which users can quickly and easily access their data in the Rai database and independently manage all authorisations or requests.

In 2018, Rai made the following offering available to its users:

**RaiPlay.it:** the multi-platform environment for access, through an advanced and adaptive graphical interface, to a selected video offer of Rai that is made available on non-linear platforms.

The offer consists of:

- live streaming of 14 TV channels;
- live streaming of one or more web-only channels for exclusive products or special events;
- live streaming of one or more *web-only* channels for exclusive sports products;
- Replay TV service, which provides on-demand access to the offer (covered by rights) aired in the last seven days of ten of the Rai channels;
- access on-demand, a rich video offer from TV channels, in addition to contents exclusive to the web from the Teche Archives and Rai productions ordered by genres and re-proposed through specifically theme-related selections. In particular, the catalogue offer is broken down into sections relating to Programmes (most of the television offering of the 14 TV channels), TV drama and comedy (the vast repertoire



of quality drama and comedy produced by Rai), Films (a rich catalogue of about one thousand films from the 1930s to the present), Young and Older Children (all contents for viewers aged under 18 years of age), Theatre (a selection, divided by genre, of theatrical performances of the current television offer and works from the archive), Documentaries (the best of international production), Music (with numerous musical or documentary content representing most musical genres, from classical to jazz, with performers of international renown), and Teche Rai (a vast selection of programmes from the last 60 years, Italy's true multimedia legacy).

With a view to enhancing the value of the posters in the catalogue, a process of evolution has been initiated with the inclusion of logos and logotypes, which, together with constant optimisation in the retouching and graphic design, improve their quality and perceived richness.

The YouTube platform has firmly entered the distribution assets. This has allowed, together with MSN, to increase the offer modes that, starting from the central role played by RaiPlay, has made it possible for the Rai brand to reach, free of charge, an increasingly large audience of users, especially in the world of young people. The MHP (Multimedia Home Platform) and the connected TV apps are well covered and continuously evolving in order to make use of the contents also on traditional but evolved media.

Constant attention is also paid to the integration of live streaming and on-demand content with television broadcasting for an

increasingly complete user experience. The creation of the Design System Language (DSL) linked to the RaiPlay world has been started: a set of rules and useful components, in graphic design and development, to ensure harmony and consistency in the digital product ecosystem, allowing users to have an optimal brand experience on all platforms.

A study has been carried out on the improvement of the current platforms and apps, with the possible introduction of new features that improve the ease of use and user experience.

The first field of application of RaiPlay's DSL is the design of new apps for connected TVs, in HBB-TV, Tizen, Android TV and Apple TV environments.

**RaiPlay Radio:** the portal of the Rai radio world has added another two digital stations, Radio1 Sport and Radio2 Indie, with selections and specific programmes related to the core of the channel to the live coverage of the 10 radio channels – 5 on air and 5 digital.

The offer clearly shows the identities of the radio networks with the network portals and programmes, within which you can find a rich offer of content in streaming, AOD and podcast mode.

**RaiPlay Yoyo:** the latest born at Rai is an app completely dedicated to children in a secure digital environment, without advertising, with parental control, free and available for iOS and Android operating systems.

Through a study on the use of mobile devices by children, a simple and intuitive interface has been created that allows children to find all the



animation series and television programmes broadcast by the Rai Yoyo channel on RaiPlay Yoyo to watch live or on-demand (only those for which Rai has the relevant VOD rights). The programme schedule is organized in a simple and intuitive way even for children who, thanks to their characters, can recognise the programme they want to see. There is also the possibility to use a convenient internal search engine or access content through the sections "last seen, favourite and downloaded".

Access does not require registration, but it gives parents greater control over their child's browsing, because it allows the activation of additional services and options, such as customisation of the offer by selecting the content that a child can view, downloading programmes and the functions of protection and monitoring. Within the same account, parents can also create a dedicated profile for each child, to gauge an offer customised by age.

**RaiGulp.it:** the new Rai Gulp portal has been active since 1st August 2018 with a completely revised graphic layout, adapted to the colours of the Network, and with a new editorial offer aimed at integrating the channel in the RaiPlay platform. Integration allows exploring the entire catalogue of series and cartoons, as well as showing users in a straightforward way the wide range of the channel, with thousands of videos in high quality, guaranteed by the RaiPlay standard.

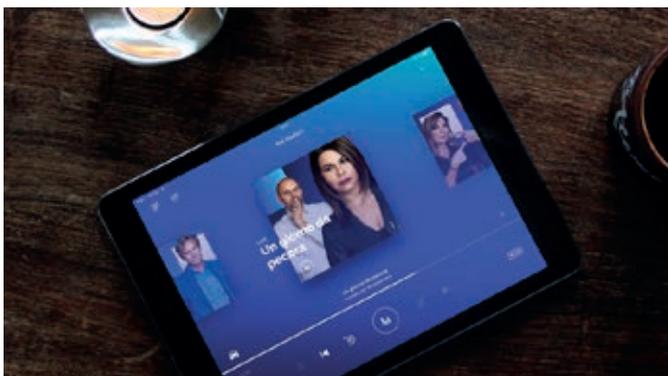
**TGR web:** between July and September, Rai launched the new regional information sites, built on a simple and modular graphic interface, flexible in the composition of the pages, both for users and editors, dedicated to the specific needs of the world of online news. The new digital offer has been designed to meet the needs of users who want greater insight into local news and for whom immediate consultation is an essential value. The renewed editorial offices are: Tuscany, the Veneto, the editorial offices of Italian Trieste and Slovenian

Trieste, Sicily, Puglia, the provinces of Trento and Bolzano and their linguistic groups.

**Rai Sport:** in 2018 a web special dedicated to the *Giro d'Italia* was created, replicating the experience made available for the first time last year, with a special site outside the RaiSport portal entirely dedicated to the event, and with social activities coordinated with those of web publication. In autumn, the World Men's and Women's Volleyball Championships were offered – the most watched sporting events both on Rai Sport's website and on RaiPlay – with exclusive live broadcasts and VOD coverage of the matches broadcast. The occasion of the World Volleyball Championship also coincided with the start of an organic programming activity of exclusive web broadcasts on RaiPlay, which aims at the full exploitation of the sports rights acquired by Rai and at the best use of the Rai Sport product.

**Rai.it:** the portal that is inclusive and makes the vast Group's web offer easily accessible. Rai.it promotes all the programmes on air and gives access to them, with their web available contents, from all TV networks and radio channels, as well as to information and multimedia content from all the news mastheads, directly reporting the most important news of Rai News and Rai Sport. The portal also proposes a series of services that are of great importance and interest to audience, such as the guide to the Rai programmes and the access to the corporate information. Rai.it includes the offer of the programme, channel and service websites.

**Rai Cultura:** the portal makes the cultural offer of Rai accessible and usable online with dedicated content and services. In 2018, a new graphic interface was designed, entirely revised in terms of browsing and exhibition structure, to improve the use of content and the user experience in general. The new offer, expected to be launched in 2019, will be fed by the original content produced by the web editorial staff of Rai



Cultura, by the television programming, both special-interest and generalist, as well as by the great heritage of Teche Rai.

The offer currently online will therefore be rationalised with the creation of a single aggregating portal divided into individual thematic areas: Art, Literature, Philosophy, History, Music (cultured, music icons, OSN), Cinema and Theatre/Dance. The portal will be included in the menu of the website Rai. It alongside News, Sport, TV, Radio and Corporate.

The project for **Meteo e Mobilità** (Weather and Mobility), which includes the creation of an app and a portal, is also being implemented. In 2018, aspects relating to the acquisition, pre-processing and processing of information sources were consolidated, intensifying the interaction with the various owners (Italian Air Force, CCISS, Civil Protection, etc.). Through an in-depth study of user experience, a graphic interface has been designed that, through card navigation, a simple and minimal design and a flat and essential colour palette, makes the experience of using the app simple and intuitive.

In 2018, the social and digital platform strategy (in terms of communication activities, both organic and paid) based on four main pillars was consolidated: Product promotion; User engagement; Creation of traffic to Rai's digital platforms; Monetisation.

To these, especially in the second half of the year, two other important areas were added: the development of faces and formats on social platforms to create ever greater opportunities for user involvement and to develop brands and talents that can then also serve TV and radio activities and the consolidation of monetisation activities through the tool of branded social content.

One goal above all is the effectiveness of organic communication activities on the *Festival di Sanremo*: in 2018, in the light of excellent results also on Rai's digital platforms (+140% video views compared to 2017 on RaiPlay, + 30% live streaming views), an absolute record was also set on social platforms, on which, for the entire week of the Festival, the interactions generated by Rai profiles were over 28 million with an increase of 25% compared to the already successful 2017 edition.

The Festival prime time, with a total of 6 million interactions, also set the record for the most commented television event on social networks in Italy.

Finally, social platforms have played a very important role in the launch of the new sites of the TGR offer, both in terms of the communication of the new offer and for the referral activity towards the sites. A significant percentage of incoming traffic on new TGR sites since the launch has been generated by communication activities on social platforms and detected through referral tracking (an average of 30%, with peaks of 50% in regions such as the Veneto).

The aggregated KPIs of the main TV, radio and news profiles of Rai (Sources: Nielsen Social Content Ratings and FanPageKarma) are as follows:

**Facebook.** In the second half of 2018, the channel's Facebook profiles managed to reach almost 35 million users; the number of shares reaching almost 1.9 million was also considerable. The number of fans grew in line with the first half of the year, reaching 6.9 million, and 3.9 million of post-click video views over 10 seconds. Rai 3 stands out for its ability to reach Facebook users virally, recording in the second half of the year a reach viral of 145 million.

**Instagram.** The growth of the followers of the channel's profiles almost doubled, from +155 thousand in the first half of 2018 to +303 thousand in the second half of 2018, reaching 900 thousand. The push came from the more consistent use of stories: in the first half of the year, 1,000 had been published, in the second 4,600 and they were shown over 35 million times.

**Twitter.** The channel profiles – with approximately 3.5 million followers and 40 thousand tweets – registered a million retweets and likes in the second half of the year.

The consolidation of Rai's digital marketing and traffic building activities is continuing. In 2018, the strategy was further developed to plan advertising campaigns on the main digital platforms with the aim of:

- increasing traffic on Rai websites and downloads of Rai apps;
- repositioning Rai's digital platforms in search engines, increasing discoverability and content prominence;
- reach new targets that are potentially far from Rai, with campaigns aimed, in addition to traffic building, also at brand awareness of core content for the company that is innovative or for a young audience.

These are the 2018 results, on the platforms Facebook, Instagram, Google and YouTube:

- impressions: 666,640,647;
- clicks to Rai platforms: 10,357,983;
- downloads of Rai apps: 714,576.

While on Facebook it is possible to carry out a year-on-year comparison, thanks to the homogeneity of activities, the same cannot be done on Google and Instagram because the perimeter of investment, activity and tracking would not be homogeneous.

These are the KPIs related to the comparison with 2017 on Facebook (Sources: Google Ads and Facebook Business Manager):

- impressions: +64.64%
- clicks to Rai platforms: +108.44%
- downloads of Rai apps: +85.64%

In 2018, the launch and maintenance campaigns for RaiPlay Radio, RaiPlay Yoyo, RaiPlay's summer offer, the promotion of new TGR sites, and major drama and sports events were developed with over 200 videos, gifs, graphics developed ad hoc for organic and paid campaigns for these platforms, as well as various campaigns for consumer and trade press.

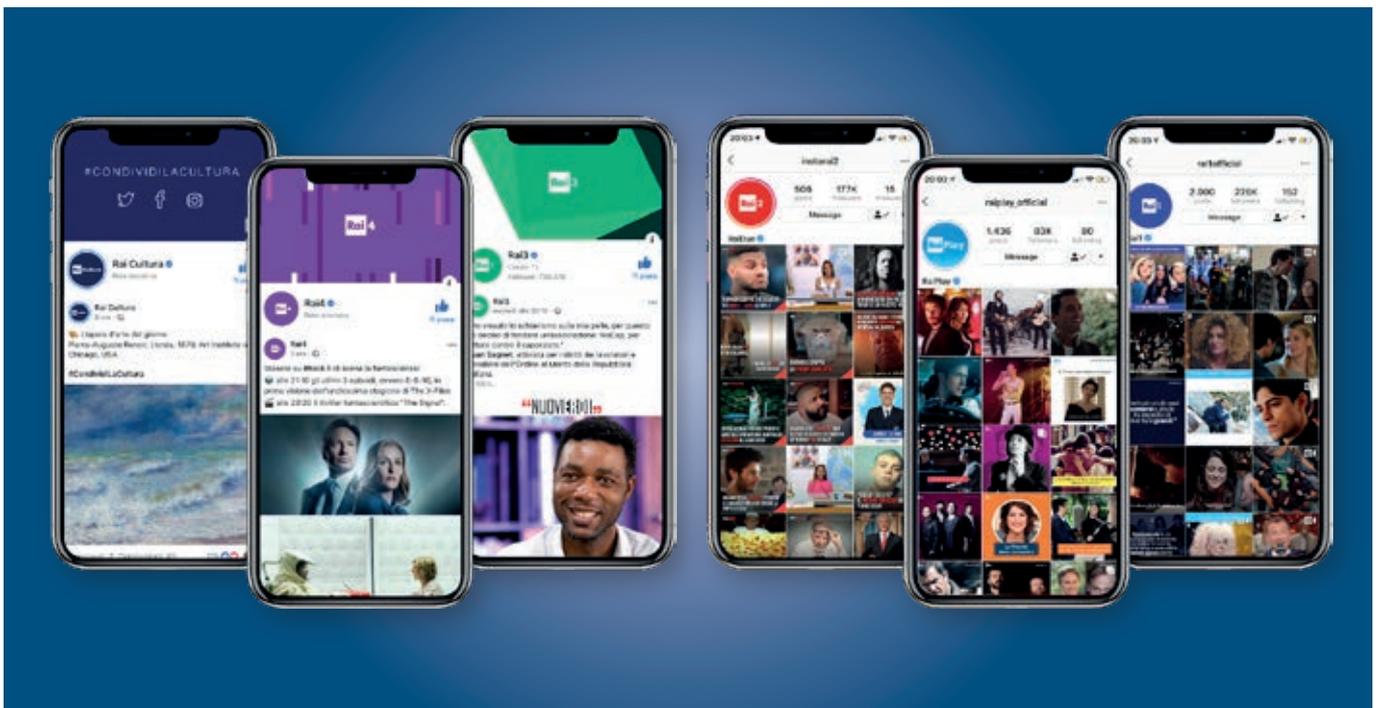
In addition to the promotion of Rai's brands, products and digital platforms on social networks, a caring strategy was consolidated in 2018 in a real area of Customer Care for digital platforms. The aim is to activate direct communication with users to encourage

their participation and contribute to the improvement of the offer, as well as to collect reports and any complaints, through the most appropriate technological platforms.

As regards caring activities towards users, the three RaiPlay profiles on Facebook, Instagram and Twitter responded to an average of 110 posts/ comments or tweets per day throughout 2018, which can be divided into two macrocontexts: technical reports (1/3), comments and editorial requests (2/3). In addition, around 130,000 user reports were recorded at the supporto@rai.it inbox, with an average of 10,793 monthly reports and 360 daily reports.

With a view to involving users directly, in 2018 strategic events were held in the area linked to important national events such as the Salone del Libro in Turin, the 13th Festa del Cinema in Rome and Più Libri Più Liberi held at the Rome Convention Center "La nuvola".

The presence on the territory is an opportunity for the communication of the RaiPlay brand and to consolidate its awareness. This type of activity is able to quickly reach a wide audience, bringing it closer to the product for the first time or retaining it through an empathetic and informal one-to-one relationship, thanks to the help of short questionnaires on Rai's digital product carried out by the team with the support of tablets. On the occasion of the 31st Salone internazionale del libro in Turin, the websites and apps of the RaiPlay family were presented





and promoted, in particular RaiPlay Yoyo, inaugurated just a few weeks earlier. About one thousand children were shown the new application during the 5 days of the fair.

For the 13th Festa del Cinema in Rome, the platforms of the RaiPlay family have always been at the centre of communication, with a focus on cinema and fiction. About 1,300 people were contacted during the 10 days of the event.

For Più Libri Più Liberi, the activity was carried out in a more informal way with a reduced physical presence, but with a great synergy with the activities carried out through the presence of the channels and radios (Rai Yoyo, Rai Radio 3 and Radio Kids). More than a thousand people were contacted in 5 days and about 500 users were administered a questionnaire on the liking and operation of Rai digital platforms.

In 2018, two major projects to upgrade the application infrastructure were launched:

- *Washi Content Management System*: the implementation phase of a new application architecture to support content management has begun. Using the new technologies

based on micro services, the system will make it possible to manage in a more efficient way the contents of the portals belonging to the RaiPlay publishing offer, to the RaiNews information and to the corporate one, also providing new functions;

- **RaiPlayer**: a new video player has been created for browsing (both from mobile devices and from PCs) that will allow adapting to the new video formats and enable the playback of videos with more audio tracks (e.g., Italian language, original language and audio description) and with more subtitles. In addition, it will ensure the possibility of applying rights protection systems (DRM) to video content, which are now mandatory when agreements are concluded with major American producers (Fox, Disney, etc.).

During 2018, the information accompanying the editorial content (metadata) was further detailed, with particular reference to video productions on the RaiPlay player and its derivatives. The census detection systems supplied (Webtrekk and YT Analytics) allow normalising, with respect to the added information, also the data on 2017, so – below – in order to provide the actual changes, the latter values have been normalised in the metadata while maintaining them in the analysis parameters (page views, individual browsers, visits, and Media Views or views). In 2018 (source Webtrekk and YT Analytics) the Rai product distributed on proprietary platforms recorded a total of about 4.1 billion page views (+14% vs 2017) and 740 million video views (+22% vs 2017), with a monthly average of 23.5 million individual browsers (+17% vs 2017) for 53.1 million visits (+22% vs 2017).

There are over 8 million registered users of the RaiPlay offer (RaiPlay, RaiPlay Radio, RaiPlay Yoyo) who have accepted the latest privacy policy at the end of 2018. In detail:

- **RaiPlay** recorded a total of approximately 625 million media views, with a monthly average of 11.7 million individual browsers and 30.3 million visits;
- **RaiPlay Radio**, the radio portal created at the end of the previous year, recorded a monthly average of 1 million individual browsers and a total of 51.4 million media (audio and video);
- **RaiPlay Yoyo**, the app dedicated to children, has recorded since its launch about 45.9 million video views and a monthly average of 130 thousand individual browsers;
- **RaiNews.it** recorded a total of 630.3 million page views and 41 million video views, with a monthly average of 9.3 million individual browsers;
- **Rai.it** generated a total of around 111 million page views and 2.4 million individual browsers averaged over one month.

The distribution of syndicated content in 2018 generated more than 874 million video views, bringing the Rai product in the digital area to an average of 134.5 million monthly views.

The most successful applications are (data net of updates):

- RaiPlay – more than 9.3 million downloads;
- RaiPlay Radio – more than 1.7 million downloads;
- RaiNews – with more than 1.4 million downloads;
- RaiPlay YoYo – more than 490 thousand downloads.

## Teche

Again in 2018 initiatives continued aimed at reinforcing the brand as a point of reference of the Public Broadcasting Service in the country's audiovisual history.

A result obtained in part thanks to the participation, through the supply of Rai repertoire materials, in many cultural initiatives that took place in Italy and abroad, and to the promotion of the production of some documentaries using almost exclusively with archival materials. Among the latter, in collaboration with Rai Cinema, the following have been produced: *Camorra* directed by Francesco Patierno, *Sexy Story* directed by Cristina Comencini and Roberto Moroni, *Aldo Moro, il lungo addio* directed by Luca Rea and *Leopardi Infinito 200* directed by Guido Morandini, author Davide Rondoni.

Among the most significant initiatives are the permanent exhibition M9-Museo del 900 in Mestre, the exhibition "I De Filippo" in Naples from 28th October 2018 to 24th March 2019, the presence at BIF&ST in Bari from 21 to 28 April with a retrospective dedicated to the work of Marco Ferreri, participation in the celebrations for the centenary of Carlo Cassola, and the virtual exhibition cinemacensura.com by MIBAC, participation in the Venice International Film Festival with the presentation of the TV film *Camorra* by Francesco Patierno as well as participation in the exhibitions organised by the Cineteca Nazionale and the Cineteca of Bologna, collaboration on exhibitions at the Palazzo delle Esposizioni in Rome and at MAXXI.

The important activity to promote and use the historic programmes of the archive by selecting and providing programmes for the RaiPlay platform also continued. The *I Favolosi* section was and is one of the most powerful sources of appeal for digital users.

The Teche Archives continue to making a vital contribution to networks and media outlets with its Multimedia Catalogue (MMC), which brought

available product hours up to 1.8 million for TV and 1.6 million for radio, with a substantial increase compared to the previous year.

The documents indexed in the Catalogue for television and radio are 75 million, 90 thousand books kept in the three Rai libraries in Rome and Turin and 45 thousand photographs, in addition to the photographs forming part of the photographic archive of Vito Liverani – about 1 million images – which was acquired by Rai in 2018 and that in the coming years will be digitised and documented.

The users registered to acquire archive material for reuse in programmes make an average of more than 2.2 million searches a month.

In October 2018, in collaboration with FIAT/IFTA (International Federation of Television Archives), Teche organised the "FIAT/IFTA World Conference 2018" in Venice, at the Rai headquarters; it was attended by more than 250 archivists of the major television broadcasters and archives in the world.

Again in 2018, the Teche Archives continued with the essential cultural activity of assisting in the promotion of Rai's records as a historical source and object of study for the whole country, increasing the extent to which they are used by public and private entities, museums, schools, universities and foundations, which avail themselves of this Public Broadcasting Service as a depository of first-class historical material for the celebration of all types of anniversaries of events that have occurred in modern times.

At present the Rai Teche Archives are present in many Italian and foreign Museums, Italian Cultural Institutes abroad, Universities and libraries.

## Public Broadcasting Service Function

Rai has numerous collaboration agreements in place with institutions and bodies for the acquisition and distribution of public broadcasting service content. In detail:

- In 2018, a memorandum of understanding was signed with the Civil Protection Department for the provision of information on the national civil protection service, with particular reference to critical/weather alerts and hydrogeological risk bulletins, prevention and communication campaigns, as well as civil protection drills and any activity related to the dissemination of a culture of prevention;
- cooperation continued with the Italian Air Force, which provides weather forecasts within Rai's schedules, and with the Ministry of Infrastructure and Transport for the provision of traffic information.

Many crisis tables were set up at the Central Department of Civil Protection (bad weather, tidal wave drill, Catania earthquake) in which Rai participated during the year.

### Weather and Traffic

New programming spaces in 2018 on Rai News 24, *Uno mattina* and *Agorà*.

The *Meteo Show* programme, broadcast on Rai News 24 from Tuesday to Saturday 3 times a day, was completely renovated, updated with studio interviews with Air Force officers and enriched with a new editorial coordination. Also on Rai News 24, the *Meteo LIS* weather forecast in sign language was introduced in the Tg LIS.

As part of *Buongiorno Region* coordination in the field of weather is continuing with Basilicata, Calabria, Campania, Molise, Umbria, Puglia, Sardinia, and recently Abruzzo.

As for the radio, an additional weather contribution was included in the regional radio news programmes at 7:18 a.m. from Monday to Saturday and the *Meteo Europa*, European weather forecast, is continuing to be broadcast with the usual focus on the cities where musical, theatrical and sporting events take place.

Since November the *Bolneve*, the weather forecast and avalanche bulletin, was resumed in collaboration with the Carabinieri Corps Forestry Service. The *Bolmare*, weather forecasts and notices to sailors in collaboration with the Coast Guard, now also broadcast on digital radios, returned in the autumn to its normal weekly scheduling on Sundays only. For digital radios, the production of integrated weather and mobility forecasts for the weekend continues.

Isoradio confirmed the production of two 5 minute traffic analysis programmes at 1:30 a.m. and 4:30 a.m. from Metropolitan Cities, with information supplied by the Municipal Police forces.



## Radio

### Onda Verde news programmes



- **216 editions per week** distributed in the schedules of the three radio networks;
- **14 radio appointments per week**, as part of the nightly information flow of the Isoradio channel;
- **6 editions per week** for the GR Lazio with appointment at 7:18 from Monday to Saturday.

### Meteo news programmes



- **118 editions per week** of weather bulletins from 6:00 to 23:30 in the schedules of the three radio networks that include:
  - **7 editions per week** of *Meteo Europa* on Rai Radio 1 and Rai Radio 3;
  - **4 editions per week** of *Bolmont* on Rai Radio 1, Rai Radio 2 and Rai Radio 3;
  - **2 editions per week** of *Bolneve* on Rai Radio 1;
  - **2 editions per week** of *Bolmare* on Rai Radio 1;
- **84 editions** per week with regular appointments, from 5:30 a.m. to 00:30 a.m., as part of the flow of information at night of the Isoradio channel;
- **47 weather forecasts** in the 7:18 regional radio news programmes of Abruzzo, Basilicata, Calabria, Campania, Molise, Umbria, and Sardinia.



## TV

### CCiSS news programmes



- **51 editions per week** from 5:55 a.m. to 7:30 p.m. distributed in the schedules of Rai 1, Rai 2, Rai 3, TGR and Rai News 24;

### Meteo news programmes



- **119 editions per week** with appointments over 24 hours a day distributed in the schedules of Rai 1, Rai 2, Rai 3, and Rai News 24.
- **280 editions** per week of automatic weather forecasts;
- **60 interventions** of the forecasters in *Buongiorno Regione*;
- **5 interventions** in *Buongiorno Italia* in the regions where the Rai Pubblica Utilità service is already provided.

Activity continued to develop new logistical and technological infrastructure to support radio and TV broadcasting and the spread of web and mobile platforms.

### Accessibility

The objectives of the new Service Agreement provide for more challenging obligations on behalf of Rai with even greater attention to ensure the inclusion of people with sensory disabilities. This has led to further increases in subtitled hours, audio descriptions and use of sign language.

In particular, in 2018 more than 16 thousand hours of Italian programmes were subtitled, available on general channels, and the

programming of subtitles on RaiPlay increased, integrating the genre subtitled TV Drama. The programming of audio descriptions (over 1,300 hours on the generalist networks and about 1,060 on Rai Premium) is now such as to cover three quarters of the programming of films and drama in prime time as provided for in the Service Agreement, while it is in line with the previous year the amount of television products subtitled in English equal to about 700 hours of programming.

The sign language broadcasting is present with three ad hoc daily editions of the news broadcast by the generalist channels, an edition of the news within *Buongiorno Regione* (broadcast from Monday to Friday at 7:30 a.m.), in the regions of Tuscany and Basilicata only, an edition of the Rai News 24 news programme at 9:30 p.m. and the *Meteo LIS*, mentioned above.

The New Year's Eve speech of the President of the Republic broadcast to Unified Networks was translated into sign language, as was, for the first time, the year-end press conference of the President of the Council of Ministers, which lasted about three hours.

The Rai Easy Web continued its editorial activity dedicated to sight impaired individuals, which includes the traditional offer of multimedia works and stories of an educational nature. The proposal of Easy Web *specials* completes the contents offer, containers created to offer reference users the possibility to consult an accurate selection of the company archive present on Rai portals in a simple manner. The following are currently planned: 10 different multimedia works interpreted and edited with effects and soundtracks; 50 great works of classical music or opera to listen to in addition to dozens of radio programmes of great cultural importance selected from the Rai archive and broadcast again with easy access; 32 specials on topical subjects and commemorations of relevant events (e.g., 40 years since the tragic death of Aldo Moro, Giornata della Legalità, etc.).

## National Televideo

### Environment



- **5,840 pages** distributed among the features: *Energie Rinnovabili, Riduci-Riusa-Ricicla, Sostenibilità Ambientale, Agenda Verde and Mobilità Sostenibile*;

### Social Inclusion



- **1,460 pages** distributed among the features *Audio-Descrizioni and Raccolta Fondi*;
- **18,980 pages** for *Accessibility - hearing disabilities*;
- **7,300 pages** for *Accessibility - sight disabilities*;

### Digital Literacy



- **730 pages** for the feature *Le parole del Web*;

### Books



- **4,745 pages** distributed among the features: *Pagine da Leggere, All'Ordine del Giorno and Scaffale*;

### Culture



- **3,650 pages** for the feature *Palermo Capitale Europea della Cultura 2018*.

## Regional Televideo

### Environment



- **15,330 pages** for the feature *Agenda Verde*;

### Territory



- **30,660 pages** for the feature *Borghi da Gustare*, whose contents, of particular cultural interest, were filmed as part of the programming of the digital channel Radio Kids and Radiocorriere.

### Teletext Services

The pages dedicated to Public Utility completely renewed. New features include an index on page 400 that guides users to the sections, which have been made clearer and more recognisable, and an Almanac in the form of a guide for readers. The offer of sections on the Environment, Social Inclusion, Digital Literacy, Books, Culture and Territory is confirmed, further enriched by the daily publication of more than 15 thousand pages between the National Teletext and the 21 sites of the Regional Teletext.

## Digital inclusion

In the field of innovation and digital culture, new technologies and education 4.0, in 2018, an intense activity of updating, studying and exploring the trends and issues related to digital transformation and its impact in different areas of life, starting from the needs of people, was carried out.

In view of the launch of the new native digital productions, the most effective and innovative international formats created for different distribution platforms and aimed at the target of young people under 30 were analysed. Strategies and new editorial solutions were developed for the dissemination of science, technology, innovation, skills and digital culture.

A plan of Rai's global offer for the near future was drawn up on the theme of innovation and digitisation and the formal elements necessary to launch new native digital productions, which can be distributed both through traditional Rai channels and through new platforms specifically created and managed, were prepared.

During the year, the network with institutions and public and private, national and international realities that share the company's objectives was consolidated and implemented. Stakeholders were then identified who, in the near future, will be able to contribute, in different forms, to the production and promotion of the new editorial lines related to education 4.0 and to the dissemination of science, technology, innovation, skills and digital culture.

## Sales activities

### Advertising

The sale of Rai advertising space – on generalist and specialised radio and television channels, on the Rai domain, on teletext and on other minor media – is managed exclusively by Rai Pubblicità, a wholly-owned subsidiary of Rai.

In an economic context in which, at a global level, there have been signals of a weakening economy and, in the Eurozone, growth has progressively slowed down, in 2018 the advertising market was stable overall compared to 2017.

For the Rai Group, 2018 was a year characterised by a weak market and aggressive competition. In fact, for the first time, a commercial broadcaster broadcast the entire World Cup soccer event for free with inevitable consequences on advertising revenue and important impacts on the perception of stakeholders. In addition, other publishers consolidated their thematic ranges, both in terms of content and through the launch of new channels.

In this context, the market has increasingly rewarded valuable commercial targets with respect to generic ratings. Nevertheless, the Rai Group's concession holder has pursued a strategy aimed at favouring profitability (particularly in prime time and special initiatives), succeeding in limiting the overall reduction in revenue.

The negative impacts were on generalist television and radio, both down on 2017. In

## Trend in advertising investments in billions of Euro

(source: Nielsen, net data)



contrast, on the other hand, the other media that recorded an increase in advertising revenues, in particular, product placement, specialised television, the web (with a significantly higher increase than that of the market) and cinema.

The breakdown by medium of the total advertising of the Rai Group – of which television is the leading medium – is shown in the graph below.

From an operational point of view, during the year the key business processes and organisational structure were updated to boost commercial and brand integration development. To this end, the procedures relating to pricing, discount brackets and advertising lists, the sale of advertising space, the management of credit lines and sales to foreign customers, the Media Centres, as well as product placement and branded content development strategies were updated. The ongoing digitisation project is also strategic, with the ambitious aim of preparing Rai Pubblicità for the implementation of the innovation plan for the coming years.

As regards forecasts for the near future, despite a generally weak advertising market – characterised by low visibility and high volatility – the Group's publishing offer is becoming the market leader, both in terms of audience and production quality, creating the conditions for an improvement in the concession holder's positioning.

**Sales**

Rai Group's sales activities are managed by the wholly-owned subsidiary Rai Com.

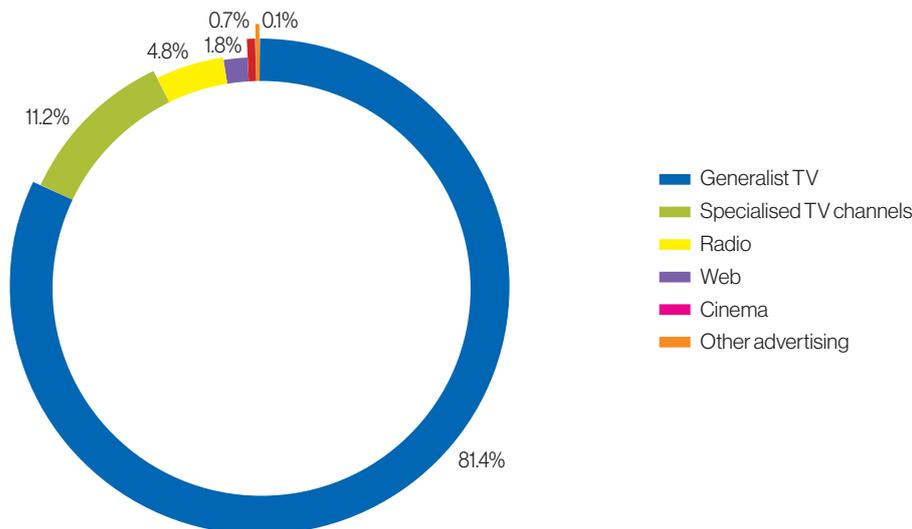
**Agreements with Public Authorities, Institutional Bodies and Non-profit Organisations**

One of the areas of commercial activity of the Rai Group is the conclusion and negotiation management of all agreements with the Local Public Administration, with institutional bodies and with private non-profit organisations, as well as contracts arising from obligations of the Rai/State Service Agreement with the exception of Ministries (an activity managed directly by the Parent Company). This also includes the management of contracts relating to the activities of the Orchestra Sinfonica Nazionale Rai, national and European calls for tenders and, from 2018, also the free agreements of Rai Pubblica Utilità for teletext and/or needs related to Rai programming from partners such as CNR, the Istituto Poligrafico e Zecca dello Stato, Trenitalia and Italo.

Despite the growing difficulties of local authorities in finding funds to invest in communication and the non-renewal of the agreement with Rete Blu, 2018 saw an increase in the total number of agreements thanks to an intense scouting activity aimed at expanding the number of institutional partners. In particular, new agreements were signed with ISTAT, ANAS and Leonardo.

At the same time, work continued on consolidating relations with the most strategic institutional partners. Among these were the Basilicata Region with which, in addition to

**ADVERTISING OF THE RAI GROUP - BREAKDOWN BY MEDIUM**



the increase in communication and promotion activities related to the celebrations for Matera European Capital of Culture 2019, the extension for a further year of the existing agreement is being considered.

The agreements with the Presidency of the Council of Ministers for the programming for the protection of French, Slovenian and Friulian-speaking minorities and for Italians abroad, the agreement with the Autonomous Province of Bolzano for the programming for the protection of German and Ladin-speaking minorities, those with non-profit organisations and the activities linked to the Orchestra Sinfonica Nazionale of Turin were established and consolidated.

### Sales of rights to foreign countries: cinema and television

As regards the distribution of TV and cinema content, 2018 recorded an upward trend.

Globally most revenue comes from Western and Eastern Europe.

The two new 2018 TV movies of *Il commissario Montalbano* confirmed the validity of the series as well as the sales in all the areas where the programme was already distributed. Among these, the greatest interest was seen in those countries acquired directly from the producer: Spain, France, United Kingdom, and Latin American. At the same time, the product was sold in countries distributed under mandate including Japan, the Usa, Finland, Croatia, Hungary and Portugal.

Very satisfying results were also recorded for the long series *Al Paradiso delle Signore* among the products of the line-up, as well as for catalogue series such as *Un medico in famiglia*, *Capri* and *Una Grande Famiglia*, sold again in Eastern Europe and Canada.

In particular, in long series, the industrialization of the series *Il Paradiso delle Signore* in the daily format of 180 episodes generated important developments: the operation allowed most customers to continue to successfully engage with proven programming slots in their linear programming with a considerable number of hours (Finland, Spain, Croatia, Greece and others).

The series with smaller volumes such as *La Vita Promessa*, *Scomparsa*, *L'Allieva* have found their place and success in relevant markets such as the Usa, Canada, and Western and Eastern Europe.

The detective genre continues to be a sure success: among the *crime* series that recorded the best results in terms of sales – in addition to *Commissioner Montalbano* – it is worth

pointing out: *Non Uccidere, l'Ispettore Coliandro* and *I Bastardi di Pizzofalcone*.

*L'amica geniale* also recorded gratifying results. Territorial tracking of the distribution already assigned to Fremantle International obtained, from the beginning, the expected results. Rai Com sold its première *day & date* in Russia, in line with all the other international premieres in the world, and pre-sold 90% of the territories acquired for distribution.

Thanks to new production agreements for documentaries, various commercial agreements were signed for the distribution of products such as *Meraviglie - La penisola dei tesori*, *Stanotte a Firenze* and *Stanotte a Venezia* in many countries including the United States, Mexico, Argentina, Greece and Cyprus, Middle East, Russia and Eastern Europe. The documentaries by Alberto Angela have also been distributed on airlines. Among other top programmes in 2018: *Ghost Town*, *Car Legends* and *Fumettology*.

With regard to theatrical cinema sales, the year was characterised by the important sales result for the film *Dogman* by Matteo Garrone. The film, in competition at Cannes and winner of the "Best Actor" award, was successfully distributed in 57 countries around the world. Considerable commercial results were recorded by Gianni Amelio's *La Tenerezza* (sold in Japan, China, Australia, Eastern Europe, New Zealand and Latin America), by *Ammore and Malavita* by the Manetti Bros (distributed in Japan, Portugal, China, USA and Latin America), by *Gatta Cenerentola* (sold in China, Germany, France, USA, Latin America and Portugal) and by *Una Storia senza nome* by Andò, not in competition at the Venice Film Festival (distributed in Eastern Europe and Japan).

The current revenue is composed of 70% fiction product, 25% cinema product and 5% other types of product composed of: documentary (2%), airline market (1%) and format (2%).

### Sales of rights to foreign countries: classical music

The year 2018 saw the achievement of the most challenging objective on the international opera scene with the production of Mozart's *La finta giardiniera* with NHK, the Japanese Public Television, at the Teatro alla Scala in Milan in October. The opera, co-produced in 8K, was created thanks to the intense collaboration and coordination of NHK, the RAI TV Production Centre in Milan, Rai Com and the Teatro alla Scala. The production, world premiere in 8K for opera, broadcast on the Japanese channel will then be distributed worldwide.

NHK also acquired the TV rights for the ballet *Le Corsaire* and for the Opening Night of La Scala, *Attila*, a world event for the opening of the 2018-2019 Scala opera season.

Japan, therefore, was an extremely fertile territory for the international distribution of music in 2018: also the thematic TV Tohokushinsha acquired the TV rights for the Concert of Maestro Riccardo Chailly in Piazza Duomo in June 2018, as well as another package of concerts and operas from the Teatro Comunale in Bologna and the Opera in Rome.

Significant partnerships were established with WDR for the live distribution of the New Year's Concert from the Fenice in Venice and with ARTE for the co-production of live events at the Teatro alla Scala, with particular reference to the premiere of *Attila*, which reached over a million viewers in France and Germany alone.

In Switzerland, too, the RSI broadcast live the Concerto di Natale at La Scala and the Opening Night at La Scala in December, while the opera *La finta giardiniera* was broadcast by deferred coverage.

Some important European public broadcasters in the Czech Republic, Slovenia, Hungary, Portugal and Austria presented the most important live events from La Scala and, for Christmas, the Concert from the Basilica of Assisi.

The international scenario in 2018 showed a very board penetration map: sVOD rights of operas and concerts in North Africa, Korea, Hong Kong and China were marketed for the first time.

The distribution of DVD rights worldwide was also positive. Although this market is declining, the demand for high quality productions is still present, in particular for works such as *La Damnation de Faust* directed by Maestro Gatti, for the inauguration of the Teatro dell'Opera in Rome, and *Il Ratto del Serraglio* of the Teatro alla Scala directed by Maestro Zubin Mehta, both distributed by the publisher C-Major all over the world.

Decca, a British record company, continued the production of DVDs of Puccini's works for the collection of operas directed by Maestro Chailly at the Teatro alla Scala.

During the year, an agreement was also concluded with Intesa Sanpaolo concerning the audio rights to the Concerto di Natale from the Basilica of San Francesco in Assisi for the production of a CD for international customers and the agreement for the production of a DVD and CD of the opera *Carmen*, produced in 4K in 2017 at the Terme di Caracalla, also not for sale but for internal promotional use.

The diffusion of works in cinemas was definitely important for the image of the Rai brand and confirmed the interest of the public in the use of the so-called "alternative content" in cinemas. In 2018 the works were presented in cinemas in Spain, the United Kingdom, France, Germany, Northern Europe, South America, Australia, Italy, Switzerland, and Latvia as well as in cultural institutes, auditoriums, museums and cultural centres.

### Rai channels marketing and distribution abroad

Rai channels are marketed and distributed throughout the world.

In Europe, the channels Rai 1, Rai 2, Rai 3, Rai News 24, Rai Storia, and Rai Scuola as well as the three radio channels are distributed through local television platforms and in hotels, according to a composition that varies from country to country according to the interest of individual partners.

The channels Rai Italia, Rai News 24 and Rai World Premium are distributed outside Europe. The channel Rai Italia, in particular, distributed in non-European continents with different schedules and broadcasting standards based on the countries of destination, has different schedules: for the Americas, Australia, Asia and Africa.

For the distribution activity contribution or direct broadcast satellites and one fibre optic link are used for the transport and transmission of television signals in countries of the five continents.

In 2018 in Europe, in addition to the consolidation of commercial relations with operators in Switzerland, Belgium, France and Germany, the development of new strategies was boosted in specific countries, such as Austria and Russia, where the first contracts for Rai 1 with operators of great importance in terms of number of subscribers were signed.

Outside of Europe, agreements were signed with DIRECTV USA (satellite and OTT operator) and FUBO TV (OTT operator) for the rebroadcasting of the channels Rai Italia, Rai World Premium, Rai News 24 and Radio Rai 1.

### Marketing and Business Development

As regards the TV magazine *Italiana*, the international commercial programme started in 2015 aimed at identifying new business lines connected with Italy's main assets (culture, food and tourism), negotiations were conducted in 2018 that consolidated distribution in China (The Travel Channel

International), Russia and the former Soviet Union (Vremija), Canada (Rogers), and the United States (MHZ), thus ensuring distribution in the areas of greatest interest for the partners of *Italiana*.

Another important business approach entailed agreements in the artistic and cultural world based on co-production partnerships with entities and important national and international market players. These include agreements with Artè and RSI for the development of co-production activities for international distribution and national programming.

During 2018 the partnerships with Artè and RSI saw the creation of documentaries and works of classical music. In particular, the following were produced: with Artè, *Attila* at the Teatro alla Scala, *Il Concerto al Duomo* of the Filarmonica della Scala, *Palermo Capitale della Cultura* and *Stanotte a Pompei*; with RSI, personalized versions of *Attila*, the *Concerto di Natale* and *La finta giardiniera*, all recorded at the Teatro alla Scala, *Il Mago dei Prodigii* and *Cercando Valentina* by Crepax.

Sports broadcasting rights

Existing agreements continued on the distribution of the thematic sports channel JTV in Italy with the SKY platform, on the distribution abroad of the thematic channels JTV, Roma Tv, Lazio Style Television and new agreements were signed for the marketing of archive rights in Italy and abroad of club libraries.

In addition, an agreement was reached with Juventus for three football seasons, the delegation for the 2018/2019 football season to the Lega Calcio of the television filming of the home matches of two Serie A clubs (ChievoVerona and Frosinone), and various archive images of various sports in the Rai archives were marketed.

## Italy Marketing

Music editions

In its capacity as music publisher, Rai Com develops and manages Rai's music catalogue and handles the acquisition and distribution of rights related to light music, contemporary music and classical music and prose works.

In 2018, to support Rai TV programming, 38 new television programme layouts were created, between editions and productions. There was an important synergy in the field of musical editions and productions of soundtracks in collaboration with television and film production companies.

Among the long series, it is worth mentioning programmes such as: *La Porta Rossa 2*, (broadcast in 2019) whose soundtrack, as for the first season, was recorded with the Orchestra Sinfonica Nazionale Rai, *L'allieva 2*, *Coliandro 3 il Ritorno*, *Il Paradiso delle Signore Daily*, (180 episodes broadcast in prime time on Rai 1), *La Compagnia del Cigno*.

Several music projects were also produced for TV movies such as, for example: *Tutto il giorno davanti*, *I nostri figli*, *Figli del Destino*, *L'amore il sole e le altre stelle*, *Non ho niente da perdere*.

In the second half of 2018, significant attention was given to theatrical projects such as *Modalità Aereo*, a comedy co-produced with Casanova Multimedia and Rai Cinema, and 5 projects in progress by great directors and famous and esteemed composers managed thanks to a renewed collaboration with the production company Itv Movies, among which suffice it to mention: *Momenti di Trascurabile Felicità* directed by Daniele Lucchetti and the *Traditore* inspired by Tommaso Buscetta and directed by Marco Bellocchio.

Among the musical projects there are also activities on documentary projects of a scientific, popular and historical nature, such as *Ulisse II Piacere della Scoperta*, *Superquark*, *Passaggio a Nord Ovest* and *Buongiorno Presidente*, the docu-fiction co-produced by the Anele Production Company in collaboration with Rai Storia.

The musical editions of contemporary music further enriched their catalogue and were present in Rai programmes (Radio 3 and Filodiffusione) and abroad (Radio France, SWR2, Deutschlandfunk Kultur, BBC3, BR Klassik, WDR3).

Rai Libri

The year 2018 saw the launch of new projects and new authors, inside and outside the Rai world, confirming the definitive renewal of Rai Eri, also through the redefinition of the brand that in October became "Rai Libri."

This renewal – which will also pass through a new organisational structure, a publishing house with a large catalogue, a well-defined profile and commercial objectives – will lead to the promotion of those television and radio artists who give prestige to the role and history of Rai and to the involvement of the most representative figures from the world of culture, entertainment, information, social and civil commitment and all those who can, in some way, represent success stories. Work was also done on scouting, in search of new authors with strong artistic, media and commercial potential.

The editorial and marketing strategy met with its greatest success at the beginning of the year, with the publication of *I dolci di casa* by Natalia Catellani, one of the most beloved members of *La prova del cuoco* cast. The synergy between television promotion within the programme, the popularity of the author's blog and social networks and a winning editorial launch strategy led to a bestseller with 5 reprints and over 20,000 copies sold. Rai Libri has thus demonstrated its ability to bring new faces to editorial success and the author has reconfirmed her commitment to publish two other books in 2019.

There was no shortage either of well-known names from the world of entertainment: in this regard suffice it to mention *Il jazzista imperfetto* by Danilo Rea and *Dix Libris* by Gioele Dix, famous authors with quality projects.

The commitment to enhance the faces and voices of Rai television and radio programming continued, with the entry among the authors of Alberto Matano with the book *Innocenti*, a selection of stories from his successful broadcast told with great narrative power, and Massimiliano Ossini who, from the experience of *Linea Bianca* told of his passion for mountains with *Kalipè. Lo spirito della montagna*, which reached its third reprint in just a few months.

Antonella Clerici's usual Christmas appointment in bookshops was confirmed with the story of her 18 years at the *Prova del Cuoco* with *Pane, Amore e Felicità*, while journalist Vincenzo Mollica tried his hand at the genre of aphorisms with a precious book in which he told about the flowers and thorns of everyday life. Another example of great quality was the book by Osvaldo Bevilacqua *Tesori e Segreti di Roma*, with an account of the capital in its lesser known aspects.

Research activities on the foreign market were intensified, with two projects based on current affairs: *La fine dell'onore*, a work of nonfiction narrative by Antonio Nicaso and Peter Edwards on the Italian mafia abroad, and *Il banchiere di Lucifero* by Bradley Birkenfeld, an investigative journalism book on the dirty secrets of merchant banks. The latter was at the centre of a successful launch, with important visibility in bookshops (book display stands and promotional video projected on video walls) and the author won two opening pages on the main Italian cultural supplement, *La Lettura* of *Il Corriere della Sera*, as well as engaging in a successful book tour.

The commitment to bring authors to local communities has been enhanced, with a view to the inclusion and involvement in the cultural

activities of the publishing house. As was the case in 2017, Rai was among the few publishers to be protagonists of both the great spring publishing events, *Tempo di Libri* in Milan and the *Salone del Libro* in Turin, where the presentations were crowded and attended by all the authors, in particular with a presentation of music and literature that saw Danilo Rea at the piano. Satisfactory sales were recorded at the stand.

Throughout the year, the authors of Rai Libri were invited to numerous festivals and cultural initiatives, in particular Gioele Dix for whom a successful tour was organized, and Osvaldo Bevilacqua who participated in *Librinsieme* and Massimiliano Ossini in *Una montagna di Libri*. The publishing house thus continued the work of positioning itself in the Italian cultural calendar, aware that the presence at events throughout the country is essential for the publisher as well as gratifying for the authors.

Great efforts have also been made on the parallel newsstand channel, with the launch of the series of guides to the regions of Italy by one of the most famous names of public television, and bestselling author, Osvaldo Bevilacqua. The guides were published in collaboration with Mondadori and distributed at newsstands together with *Tv Sorrisi e Canzoni*, achieving an excellent sales success and laying the foundations for future collaborations that will see the authors of Rai Libri programming at the centre.

### Library and consumer product

In 2018, the marketing of consumer product rights strategically settled on the sale of digital rights, including: Avod (advertising video on-demand), Svod (Subscription Video - on-demand) and the ancillary right of Commercial Video. The market confirmed its trust in Rai material through the sale of *Teche & Footage* and Home video products.

**Teche.** Rai archive and product material has confirmed its appeal and leadership in the broadcaster market through sales and framework agreements in Italy and abroad. Among the novelties of the year, the management of the theatrical rights for the product *Principe Libero*, organised in collaboration with Nexo Digital.

**Home Video Italia.** Despite the drastic reduction in sales of digital media, this year too it confirmed its leadership in the domestic market. The success of, among others, the series *Il commissario Montalbano*, which – despite the third consecutive year – continues to maintain stable sales figures, and the series *I Medici* including the first and second season, is undisputable.

The licensing sector continued its distribution activities for major sporting events (such as DVDs celebrating the 2018 Serie A championship victory) and television initiatives with great success among the public (*Principe Libero* and *Stanotte a...* by Alberto Angela).

**Normal Trade.** Distribution in specialised stores and bookshops confirmed its appeal. Despite a sharp market decline, excellent results were achieved thanks to recent productions (such as *Rocco Schiavone*, the unpublished episodes of *Il commissario Montalbano*, *I Bastardi di Pizzofalcone* and *Stanotte a Pompei*) and to evergreens such as the great dramas of the 1960s and 1970s (e.g., *Odissea* by Franco Rossi, 1968).

**Cultural Heritage.** The ticket office of the *Festival della Canzone Italiana* performed well, as did the marketing of television patents. Also for the activity of historical-artistic divulgation, such as, for example, *Le Mostre Impossibili*, in collaboration with private entities and foundations, there was increased interest both in Italy and abroad.

**Licensing.** The improvement and expansion of publishing activities also saw the publishing of products for children. The success of the line of activities dedicated to the characters of Rai *Yoyo Molang*, *Masha and Orso* and *PJ Mask* is worth noting.

The merchandising activity involves extremely heterogeneous targets both with the sale under licence of brands dedicated to children such as *Molang*, *I Gemellini YoYo*, and *Giulio Coniglio*, and with the sale under licence of historical and important brands such as *Pechino Express*, *The Voice of Italy*, and *Sanremo 2018*, confirming the collaboration with the companies of the group and with the major entertainment producers such as Talpa and Magnolia.

**Digital Rights.** The year 2018 saw the development and subsequent success of advertising activities, conducted with MSN and Google and the collaboration with Trenitalia for the transmission of content on monitors and portals on board Frecciarossa and Frecciargento trains.

The Svod market grew, with the signing of new commercial agreements with Amazon for the sale of television products (including premium products such as *Il Cacciatore*, *I Medici*, *Rocco Schiavone*) and with Netflix for the sale of cinema and TV products, and the EstVod market that benefits from agreements with the main transactional platforms in Italy (iTunes, Google, Chili, etc.).

## Agreements with the Central Government

Agreements with the Central Government are managed directly by the Parent Company. During 2018, the volume of these agreements was implemented both by the definition of new agreements and by the continuation of communication campaigns launched in previous years.

Among the most significant agreements underway or formalised in 2018 were:

- Ministry for Employment and Social Policies-Anpal. Communication activities continued on the themes of labour and social policies within the *Il Posto Giusto* programme, now in its fourth edition. Collaboration will continue with the production of a fifth edition;
- Ministry of Agricultural, Food, Forestry and Tourism Policies. Two agreements were formalised to promote the consumption of fresh milk and high-quality milk and dairy products and to carry out a communication campaign to limit food waste. In addition, communication initiatives were implemented to enhance the food industry and the PDO and PGI designations, including through *ad hoc* programs such as *Friigo* and *Signori del Vino*;
- Ministry of Cultural Heritage. The Rai Cultura programme *Invito alla Lettura 2* programme (which will continue with a third edition of the information campaign dedicated to promoting reading) continued to be broadcast and a communication initiative on the themes of conservation, safeguarding and enhancement of Italy's cultural heritage, registered by UNESCO as a World Heritage Site, was carried out through the production of five documentaries, 54 video and 54 bumpers;
- Ministry of the Interior. The 2018 edition of *Radici*, a programme on the socio-economic inclusion of migrants through the narration, on the one hand, of the realities and cultures of origin of the countries of origin and, on the other hand, of the integration pathways in Italy, through the direct and personal narration of life stories for the dissemination of existing good practices, was produced;
- Ministry of Education, University and Research. Airing of the animation docufilm *La stella di Andra e Tati* dedicated to the theme of the Shoah.

## Other activities

### Technological activities

#### Real Estate Assets and Services

Rai manages its real estate assets, enhancing them with both ordinary and extraordinary interventions to adapt them to the best quality and functional standards, and provides services related to buildings and office equipment.

Managed real estate assets total around 785,000 gross square metres, of which 667,000 Rai company property and 118,000 square metres on lease. The usable gross area, excluding common parts, totals around 450,000 square metres, composed of offices and editorial headquarters (37%), TV and radio studios (10%), other production technical areas (21%) and garages, warehouses and other service areas (32%).

The main purposes of use are linked to production activities in the four Production Centres in Rome, Turin, Milan and Naples (about 60% of the total), followed by the Regional Offices (21%) and the head offices in Rome and Turin (10% and 9% respectively).

Economic planning, process monitoring and reporting on the activities for which it is responsible is possible through the use of the Rai Real Estate Management Database (GPIRAI), which allows mapping all property and the relative documentation and is continuously updated and developed for integrated management of technical, administrative and managerial activities, with Geographic Information System (GIS) and Building Information Modeling (BIM) systems and applications.

In this regard, in collaboration with the Politecnico University of Milan, Rai has developed in recent years a project that provides for the progressive adoption of Building Information Modeling (BIM) technologies, a working methodology that allows the shared management of information during all phases of the construction process, also thanks to the integration of 3D models with the real estate database (GPIRAI).

The "Rai Guideline," validated on the pilot case of the Bologna Regional Headquarters, was used during 2018 for the modelling of the buildings of the Saxa Rubra Centre, and is used for building renovation projects. In the next few years it is planned to model the entire company's assets and to manage the works and services contracts in BIM mode in accordance with the specific regulations. The

goal is to digitise and optimise all processes of asset management, creating a collaborative working environment between all stakeholders in the process.

Among the properties owned by Rai: the Milan Production Centre in Corso Sempione was inaugurated in 1952 and designed based on a plan by Giò Ponti; it is an important node of the broadcasting network, with the bridge tower over 130 m tall, and a significant body of equipment for external footage; the Saxa Rubra Centre, dedicated to the production of TV, radio and web news, is by far the largest of the Rai complexes, with 10 buildings and over 50 television and radio studiosizes, and a population of over 3,000 employees, including journalists, technicians and employees.

The Florence Regional Office, built in 1968 according to a plan by the architect Italo Gamberini, is characterized by a rational layout and a careful study of materials and finishes, with some elements of great value, including the spiral staircase on a square plan in steel and glass that dominates the lobby.

A great effort, including economic, was made in 2018 to enhance and modernise the real estate assets. Among the main projects of the year: completion of the renovation and upgrading work of the Centro Studi Nomentano in Rome; seismic upgrading works on the facilities of the Regional Offices of Palermo and Cosenza; works to upgrade the building in Via Salaria 1041, which hosts the central mechanised warehouse for audiovisual material.

### Information and Communication Technology

Information technology and telecommunications products and services are provided centrally in an increasingly complex environment: digital technologies influence business models much more significantly than in the past, changing the timing and way services are used. It is therefore necessary that the innovation plans are designed and coordinated according to a systemic approach, focused on continuous collaboration and interaction with the company, to share the prospects for change whose impacts cannot be limited to the technological field, but also involve aspects of a cultural and organisational nature.

The 2018 action scenario supported measures aimed at:

- ensuring the digitisation of management and production processes according to a transversal logic of harmonisation and integration of the components based on a "business architecture" model, whose

- distinctive elements are modularity, scalability and flexibility;
- consolidating the on-premise infrastructure platforms within the Rai data centres and at the same time launching targeted paths to introduce the hybrid cloud paradigm into the company, assessing in advance technological, contractual and regulatory impacts;
  - increasing the use of mobile services;
  - operating on solutions that enhance the information assets through algorithms and Social Media Analytics, developed on Big Data;
  - contributing to the protection of the company's information assets by planning and implementing measures aimed at safety and compliance with the reference regulatory framework;
  - ensuring continuity and reliability in the provision of services.

The Project Portfolio developed in 2018 is a roadmap related to the Company's strategic vision and is centred on the following issues:

- **Digitisation of systems and dematerialisation of content**

In line with the digital agenda, the voting system for the member of the Board of Directors appointed by the Assembly of Rai employees was prepared. In addition, the diffusion of the new Raiplace and Rai Academy Portals – integrated tools for accessing and sharing information within the Company – and the management of electronic invoices were supported, contributing to the inversion of the relationship between unstructured communications (paper or electronic) and workflows supported by process systems.

The availability of innovative services on the UCC (Unified Communications and Collaboration) platform, which will be provided in a manner consistent with company policies on information security and the use of workstations, gives tangible form to an approach to communication that is enabling, since it integrates the use of devices of a different nature (PCs, landline phones, smartphones, mobile clients, videoconferencing, etc.) and offers extensive scenarios of use, in the perimeter within and outside the company, in particular for the sharing of audio-video content, storage, e-mail, holding meetings, and instant messaging.

In order to increase the use and enhancement of the company's audiovisual heritage, in addition to integrating the new version of the Multimedia Catalogue with new features and search databases, the current

MAM (Multimedia Asset Management) system will evolve toward solutions capable of increasing the levels of reliability and ensuring adequate support to the innovations offered by audio/video technologies.

- **Multi-platform and multi-network digital distribution**

The objective of facilitating, through the IP Network, the exploitation of new business models to make content and metadata available on diversified access and distribution platforms has prompted the consolidation of the infrastructure for the transport of digitised files to the production environments of all Rai offices.

- **Innovation of processes and business models**

The integration scenario currently being agreed upon for editorial, economic and production planning processes will make it possible to set up interoperability logics on the information systems that support them (On Air, SIP, Primsys), capable of ensuring the unambiguous nature of the plans in the budget formulation and budget adjustment phase, the correlation of workflows, and the availability of overall views summarising information pertaining to the individual areas.

The need for integrated product planning is also a key point in the digitisation of management and administrative processes in an evolutionary perspective that will allow a high level of automation and operational efficiency. The upgrade path in this field involves the industrial accounting systems, at the moment defined by the activities of internal production of television orders, economic planning and financial planning.

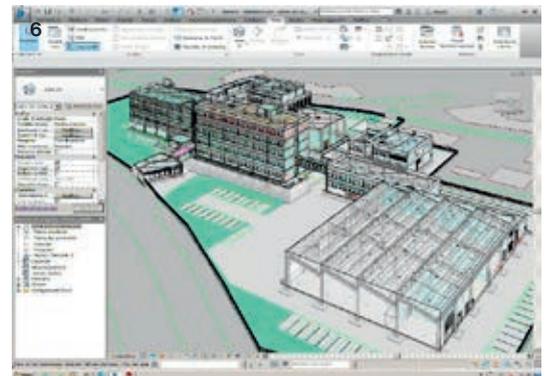
The objective of providing marketing analysts and editors with tools for research and in-depth analysis of social phenomena through the monitoring of the flow of information existing on the main social networks led to the availability of a cloud-based service that combines the traditional audience and share figures obtained from Auditel data and the sentiment on Rai programmes.

- **Quality, safety, continuity and reliability of services**

In the current digital revolution, the issue of security is central, also in view of the fact that Rai's communication systems and networks are considered critical infrastructure of national interest. The governance model of technological assets has allowed for investments to achieve an adequate level of protection against malware

## Directors' Report

1. Rai offices on Viale Mazzini in Rome
2. Saxa Rubra Centre in Rome
3. CPTV Rome - Via Teulada 66
4. Rai Production Centre in Milan - Corso Sempione
5. Florence Regional Office
6. BIM modelling of the Bologna Regional Headquarters
7. Auditorium Rai Arturo Toscanini of Turin
8. Palazzo Labia, Rai Regional Office for Veneto



risks, integrating new perimeter security services, identity management and access management.

The European Regulation on the protection of personal data (GDPR) called for the launch of a new service, called the "Security Center," and a "Risk Assessment" initiative to raise awareness of the risks and provide measures for "Information Security and Privacy".

Significant investments have been made to upgrade the platforms for the structured management of data and information, in particular in the areas of Business Intelligence, Big Data and SAP ERP.

The provision of services in accordance with the principles of IT Service Management (ITSM) has broadened the scope of action with mobile voice services, the control of which is governed through the monitoring of significant parameters on the infrastructure components.

As part of the Rai Porte Aperte project, numerous educational visits were proposed to illustrate the history, prospects and professional skills in the field of Information Technology, with the possibility of visiting the Data Center and the Control Room of the via Cavalli offices in Turin.

## Research and Development

The experimentation and implementation of new technological platforms aimed at broadcasting, telecommunications, television production and accessibility support are at the heart of Rai's research and development strategies and are essential prerequisites for the evolution of services in line with the requirements of the Service Agreement 2018-2022.

The technological evolution of the radio and television system is currently being driven:

- commercial availability of television screen with increasingly higher definition (HD, and Ultra-HD 4K) and better viewing quality (HDR) and progressively capable of reproducing new generation audio (NGA) services;
- the increasingly widespread possibility for users to use connected televisions and other devices to exploit contents in various modes (linear and on-demand);
- more and more intense interaction between the radio-television world and social media;
- the availability of new technologies, based on Artificial Intelligence methods and technologies including deep learning, to use in the area of analysis, indexing and processing of audio-video contents;

- the widespread deployment of fixed broadband and the introduction of new network technologies (4G to 5G) in mobile broadband.

In this scenario, it is indispensable to define new television and multimedia product types that are highly interactive and new promotional procedures based on the knowledge and profiling of users.

Considering the current transition to the **Full HD** video format in a scenario of reduced frequency resources and re-planning of digital terrestrial TV, in 2018 the study and evaluation of video quality related to available encoding techniques (*Mpeg-2*, *Mpeg-4*, *HEVC*) were carried out, in order to contribute to the definition of business strategies for the management of digital multiplexes.

Applicability studies also continued for encoding techniques based on profound neural networks, also aimed at contributing to the future technological-scientific development of international standards (MPEG, ISO-IEC, ETSI).

As regards the evolution of production systems, new technologies and appliances were developed and analysed able to handle very high quality television signals all along the production and distribution chain, paying particular attention to standardisation problems of new formats, also with a view to a pervasive transition to the IP technology. Study and experimental activities were performed aimed at understanding the maturity and concrete applicability of emerging standards, such as *SMPTE 2110*, including through laboratory tests and developments and the participation at events organised by international entities.

Support continued for the broadcasting of the experimental channel Rai 4K, both in terms of signal encoding and providing technical advice for the production of programmes in 4K format.

The study of and experimentation into **HDR (High Dynamic Range)** technology, which will allow high dynamic range imaging to be generated and transmitted and which is considered a basic feature of new TV formats, both Ultra-HD (4K) and HD continued.

On the occasion of the *2018 European Athletics Championships*, Rai participated, together with *EBU*, in an important experiment with the aim of testing the aggregation of the latest technologies: the event was filmed in Ultra-HD, HDR, HFR (High Frame Rate, 100 frames per second) with NGA audio contributions and was encoded for simultaneous transmission on DVB-T2 (the next

technology for digital terrestrial) and 5G (for mobile devices) channels.

As part of the **Teca Master digitisation** project, the digitisation systems of the Turin and Milan offices were launched for production. With specific regard to 35mm films, innovation activities were carried out for the processing of the most valuable material, digitised at 4k resolution and with a view to digital post-production.

Linked to this project are the studies on *Quality Control* and *Digital Preservation*. Compared to the former, in 2018, the testing of commercial products for the audio and video analysis of the master files produced was started, aimed above all at identifying defects potentially introduced by the digitisation process.

In the field of advanced content management systems, the first phase of experimental activities in the field of indexing and visual search of video content was completed. Experiments have been carried out on the correlation between finished programmes and raw archive materials and on visual research for marketing and advertising applications, allowing Rai to win the *Excellence in Media Management 2018* award from the International Federation of Television Archives (FIAT/IFTA). Experimental studies also continued in the field of automatic classification systems based on Deep Learning networks enabling documentation cost optimisation and increasing the potential for exploiting contents.

From 2018 the interactive platform available on new TVs in Italy is based on the HbbTV standard, which replaces the previous MHP standard. In this context, the configuration of interactivity on terrestrial and satellite diffusive channels was reorganised in order to introduce, alongside the transmission of MHP applications, also the transmission of the corresponding HbbTV applications. The new configuration has been aired by Rai Way since June 2018.

In the interactive application *Telecomando*, the virtual channel Rai 4K has been added, which allows to access in streaming the Ultra-HD programmes transmitted on the corresponding satellite channel.

The *slow motion TV* service for the main editions of the news on the RaiPlay platform was launched; it is a service proposed and developed by Rai that allows to improve the comprehensibility of speech for the elderly, foreigners and users with hearing problems.

The first project of an *Accessible Museum* was completed at the Radio and Television Museum in Turin, which provides for specific museum itineraries aimed at the inclusion of differently abled people. Study activities continued to be carried out for the creation, at the Auditorium Toscanini in Turin and the Auditorium in Via Asiago in Rome, of a service for the distribution of audio signals dedicated to deaf people with cochlear implants and hearing aids.

In collaboration with Rai Ragazzi, the preparatory phase of the ROB-O-COD programme has been launched. This programme was created at the Turin Production Centre and will be broadcast on Rai Gulp in 2019, a team game dedicated to middle schools that use programming techniques applied to robotics to challenge each other on increasingly complex race tracks.

During 2018 the industrialisation of the end-to-end production system called *Rai Bridge* continued; it is a system that allows linear TV to be enriched with synchronised content that can be used by the user through an Android application.

The first testing of the system, which involved a group of selected users, was *L'Elisir d'Amore*, aired on Rai 5 on 26 July 2018.

Activity continued aimed at the creation of a production platform geared towards Data Journalism, based on Hyper Media News and Concept Book systems, developed by the Rai Research Centre. In the second half of 2018, the system was industrialised and put into operation.

Development of a prototype *Hybrid Content Radio* application continued, offering content customisation functions, allowing linear radio and audio-on-demand to be merged, with use cases ranging from news at the start of a trip to targeted advertising.

As regards the DAB+ network, the digital radio service that is currently supporting FM frequency modulation broadcasting, technical solutions for continuous coverage in motorway tunnels have been implemented in the field and tested. In particular, two projects are active, one in the final phase with the company Autostrade per l'Italia (ASPI) and the other with the company Raccordo Autostradale Valle d'Aosta.

In the context of European Community plans that provide for the release by 2020/2022 of the frequencies of the 700MHz band currently used for television broadcasting, and according to the National Frequency Plan for Digital Terrestrial (PNAF 2018) which establishes

the transition to the new DVB-T2 standard, evaluation studies have been launched for the reorganisation and implementation of Rai multiplexes during the transition period and when fully operational. Work also continued on the study on the development of terrestrial distribution networks, with specific reference to the introduction of broadcast modes in next-generation 5G mobile technology.

There were also many studies in the field of DVB on WiB (Wide Band Frequency Reuse-1) as an alternative to conventional digital terrestrial television planning.

In the context of mobile filming, the commitment to the funded project *H2020 Multidrone* continues. Its aim is to develop an end-to-end system that uses fleets of drones for television filming, integrating advanced techniques of robotic automation, computer vision and telecommunications.

In addition, work continued on the *H2020 5GCity* project aimed at developing three test beds in the cities of Barcelona, Bristol and Lucca, to test certain essential functions of the 5G network infrastructure, such as edge computing and neutral host. Rai is leading the case of use for the distribution of video content and has started the creation of network services and some applications with immersive audio/video content (360° video and 3D binaural audio) and Ultra-HD in the town of Lucca.

The activities of the *H2020 MediaRoad* project continued. One of its main objectives is to support innovation processes in the traditional media sector in Europe, also through the introduction of start-up approaches.

In May 2018, Rai's work was completed with the *ESA SCORSESE* project for the study and development of an infrastructure, which allows the exploitation of satellites that are usually used to broadcast *linear* TV signals, including for the power supply of the nodes of broadband networks currently employed for multi-media services and video-on-demand to *connected* devices (PCs, tablets, smartphones).

## Broadcast and Frequency Management Services

The activity was developed along many guidelines in 2018.

Release of the 700 MHz band and Finance Law: prospects for a new National Frequency Assignment Plan

In 2018, a great effort was made to analyse and assess the impact on RAI of the provisions of the 2018 Finance Law (Law 205/17) on the release of the 700 MHz band, the timing and procedures for the new frequency planning of television operators. The significant criticalities that have emerged mainly concern the Public Broadcasting Service Mux1, the consequences on the level of coverage of the national population and the maintenance of service continuity by national operators.

To this end, Rai has participated in the consultations called by the Ministry of Economic Development on the roadmap for releases and activations and those of AGCOM on the criteria for conversion of rights of use of frequencies, with the aim of identifying corrective proposals.

Radio: improvement of digital service

During 2018, 15 systems were activated in the regions of Valle d'Aosta, Piedmont, Lombardy and Veneto and Campania for DAB+ radio broadcasting. These systems, in addition to the 18 existing ones, allow a total mobile outdoor coverage of more than 49% of the national population.

At the same time, the process was launched with the Ministry of Economic Development to obtain authorisations for the activation, scheduled for the coming months, of an additional 28 plants, planned to complete the coverage as far as Trieste along the A4 motorway and along the motorway route from Milan to Salerno, thus reaching over 57% of the national population in outdoor mobile reception.

The following page shows the graphic representations of Rai's DAB+ service.

### Relations with Rai Way

For activities connected with the management of the Turnkey Supply Service Contract between Rai and Rai Way, numerous job orders were performed. In particular, it is worth mentioning the one relating to the extension of the coverage of Mux 2, Mux 3 and Mux 4 up to 95% of the population and the network for the broadcasting of DAB+ digital terrestrial radio on the roads and territories most suited to tourism. Moreover, the operation of existing and new DAB+ infrastructure hitherto in place was assessed and two new radio channels were activated (Radio1 Sport and Radio2 Indie on the DTT, SAT, DAB+ platforms) and new DTT systems serving users who are particularly penalised in receiving digital terrestrial television services (e.g. the municipalities of Valsangone, Sanfrè and Verzuolo).

### National and international coordination

The activity consists in the evaluation of the interferential scenarios produced by the installation and/or modification of transport and diffusion infrastructure both in Italy and abroad. Specifically, international coordination of frequency entails a planning activity to ensure harmonisation and compatibility with the use of spectrum resources between the countries to have signed the various coordination agreements.

In the second half of 2018, around 70 frequency coordinations requested by MISE were managed.

### Broadcast Services Management

The project for the creation of an entire chain of tests and measurements for the transmission of contents on DTT networks is in the operational phase with the aim of examining in detail new types of modulation (DVB-T2), new coding schemes (HEVC) and new technical possibilities (PLP) in order to be fully aware of the very important technical changes that will necessarily have to be implemented in the coming years due to the change in the reference context (new PNAF).

### Quality and Coverage

A project was launched to improve the management of communications received by Rai with regard to technical problems relating to broadcasting.

In fact, Rai receives about 200 reports per year, both from private citizens and from organizations and institutions, and, thanks to the new initiative, it will be able to respond to each writer within a maximum of 15 days

and address initiatives for the resolution of problems reported better and more effectively than in the past.

Again with a view to improving the quality of service, local radioelectric coverage measurement campaigns continued, and a project was developed to further boost this activity.

### Platforms and Distribution

In light of the new scenarios deriving from the 2018 Finance Law and the new Service Agreement, the initiatives undertaken have been directed towards the development of multi-platform technology to support the innovation of Rai Networks and their natural evolution in the media company.

The initiatives underway and those planned for the next two years are dedicated to the design and definition of the principles and requirements of the multi-platform technology to support the transport of Rai content with the aim of ensuring the highest technical quality standards of the technological landscape.

The Full HD Satellite distribution plan for the Rai offer was completed and activities have begun to support the expansion of the satellite offer in UHD/4K technology. In particular, the 2018 offer led to the free viewing of four episodes of the scientific program *Ulisse: il piacere della Scoperta*, four episodes of the new series *I Medici*, the contribution on the archaeological site *Stanotte a Pompei* and the live sporting events of the UEFA Champions League.

Initiatives have also been launched that lead to the consolidation of broadcasting and production, through the integration of infrastructures and the completion of the necessary installations, through the definition of a technological system of daily 4K/UHD programming of offline and live events, with monitoring of the quality of content offered to the public.

In 2018, activities were carried out to identify evolutionary platform solutions through relationships with manufacturers of certified devices and the provision of programming information for the EPG in collaboration with TivùSat.

With the identification of the roadmap for the implementation of the last DTT reforming PNAF and with the obligations of 100% coverage set out in the current Service Agreement, the operations for the adaptation of the systems and the interfaces with the Ministry of

Economic Development, with AGCOM and with Confindustria Radio TV have started, for the distribution of the free Smart Card for users identified and certified as entitled by a Third-Party Certification Body identified by the MISE because not reached by the public television signal.

Given the significant increase in IP traffic volumes and the demand for non-linear services generated by Rai, the technical and commercial principles of a content delivery network for exclusive use have been set out to complete the current OTT platform in collaboration with the subsidiary Rai Way with a view to enhancing the company's assets.

The construction of the proposed infrastructure will allow to compete with the best solutions on the international market, and will provide for the opening to any future changes and technological extensions with the inclusion of targeted advertising services in order to ensure the enhancement of the group in the areas of e-marketing and provide a better personalised service to users.

The potential of 5G networks to support the design of the content delivery network was evaluated, for all types of services that require performance capabilities in terms of guaranteed bandwidth and latency, such as entertainment and educational services with virtual/augmented reality, automotive and health services, with distribution also in IoT environment.

Collaboration with all the company subjects involved, as well as with Rai Cinema, Rai Way and Rai Com has been crucial in the development of the strategy of distribution and diffusion of Rai channels in the world. The constant presence at international groups and tables, such as World DAB, HD Forum and HbbTV, ensures a constant alignment on technology trends and evolutions in the Telco, BroadCast and BroadBand markets.

### Security & Safety

Also in 2018 Rai continued its mission of protecting workers, the Company's tangible and intangible assets and the environment, through the following activities:

- review of operational processes aimed at ensuring that compliance with national and international safety regulations is maintained;
- monitoring of the maintenance of safety and security standards for all operators and third parties working in any capacity at the Company;
- continuous monitoring to ensure that workers have up-to-date information and

adequate training on occupational health and safety;

- reporting to the Supervisory Body of any process improvement event on health, safety and the environment.

With regard to health and safety in the workplace, the activity of prevention and protection among workers continued and was strengthened, also through constant cultural promotion to raise their awareness of the importance of individual behaviour for the prevention of accidents.

For the purposes of prevention and protection activities, risk assessment activities continued, without interruption, with respect to all contractual tasks and all internal and external production sites; in particular, the commitment to keep specific assessments constantly in line with new regulations is underlined.

With regard to the new types of risks that emerged in the workplace, the extension of the assessment to security risks with an impact on safety was completed, with particular reference to work missions, both transitory and permanent, abroad and in critical areas, through the definition of a method that makes it possible to identify a risk indicator for each destination country, constantly updated with developments in world events (terrorism, war, uprisings, environmental risks, health risks, etc.). A support service was also acquired and activated for the integrated risk management of personnel on mission abroad, whose platform applies a methodology validated by a primary reference body.

Finally, tangible collaboration with the Ministry of Foreign Affairs and International Cooperation was also reinforced with exchange of information to protect personnel on missions.

Pursuant to Legislative Decree no. 231/01, the necessary activities were carried out (internal and third-party audits with recording of the material evidence) to ensure the maintenance of certification in accordance with the BS OHSAS 18001:2007 standard, which will transit to the new ISO 45001 in the future.

The monitoring of the processes adopted by the operating structures at both the construction sites and those related to indoor and outdoor television productions continued. For these activities, the revision of the internal guidelines and procedures pursuant to the regulations on temporary and mobile construction sites is being finalised, also with a view to updating the Risk Assessment Document (DVR).

It should be noted that also in 2018, the profitable activity carried out in the field of worker health and safety (pursuant to Legislative Decree 81/08 as amended) resulted in company accident rates (relative frequency and seriousness) being lower than the INAIL average for companies with similar characteristics.

The good performance of the Safety Management System allowed the Company to obtain, in line with previous years, a reduction in the insurance premiums paid to INAIL with a consequent saving in terms of labour costs.

In terms of the environment, Rai is committed to ensuring objectives of protection; with this aim, the process for the implementation of the Environmental Management System (UNI EN ISO 14001 standard) has been managed, aimed at keeping the impacts of the company's activities on soil, air and water under control; the mapping of the current impact on the surrounding environment of the production activities carried out at the various facilities of the Rome Production Centre was completed. The mapping of the activities in the Regional Headquarters and in the other Production Centres has been planned.

The Company healthcare service continued its activities reinforcing the results obtained in previous years. It carried out healthcare surveillance for the protection of health required in workplaces by Legislative Decree 81/08, by performing almost 5,000 preventive and periodic check-ups, at Rai sites located throughout the country and complying with our requirements.

About 250 preventive interventions were activated at the Rome and Milan occupational medical centres to protect the health (check-up and vaccinations) for personnel sent abroad to geographic areas with a biological risk.

Preventive protection procedures were followed up required for workers assigned to job entailing specific risks for safety, injury and the health of others (alcohol and mood-altering substances).

Two preventive health protection interventions requested by public bodies for a TV Production Centre and a Regional Office were also managed.

17 healthcare plans were prepared for major production events performed in the country.

The activities were not just carried out for Rai but also for Group companies in compliance

with normative obligations and to standardise preventive interventions.

In this context, first aid training courses, including specific risks (pursuant to Ministerial Decree 388/03) were completed for Rai Way throughout Italy.

With regard to the protection of company assets, a review of the procedures relating to access management and the classification of premises according to the different levels of security required is in progress.

Operational support was also provided for radio and television events, including: the *68th Festival di Sanremo*, the Presentation of the Autumn-Winter TV Programming, the David di Donatello, *the Settimana della Legalità*, *Prix Italia* in Capri, *Le Teche* in Venice, the presentation of *I Medici* in Florence and *Sanremo Giovani*.

In this regard, the central role of the security activities, which covers the entire national territory, is confirmed, ensuring constant relations with the police and with all the institutional bodies responsible for the security system.

In order to protect information, a review of certain company guidelines was started, through the interaction of all the parties involved, in order to improve their effectiveness.

Collaboration and discussion with the main players in the field of information security continued and relations with the institutional bodies of reference in particular were consolidated.

### Technological planning

In 2018, technological activities continued to be planned over the medium term, with the design of a plan of activities for technical projects in order to obtain benefits for the products and services offered by the Company, both in terms of end-to-end quality and greater effectiveness and efficiency of business processes.

The progress of the programme and projects was also monitored through periodic and articulated quarterly progress reports.

With reference to the stipulation of the new Service Contract between Rai and the Italian Government, an accurate analysis of all the industrial obligations assigned to the Company was carried out, their classification into categories (offer development, upgrading of industrial assets, distribution networks, customer centres, technical quality and

innovation, processes and organisation, disaster recovery and business continuity, archives) and the definition of the macro-project initiatives consistent with the obligations and objectives set out in the Contract.

### Technical and institutional agreements

Numerous activities related to the promotion, finalisation and management of collaboration agreements with Institutions, Universities and Research Entities to implement special initiatives in the technological area, as well as to identify and develop, together with Rai Com, economic opportunities related to project financing.

In 2018 agreements were entered into with Universities, Research Centres, sector Trade Associations, with the objective of starting experimental projects aimed at improving the technical quality of the radio and TV programming of Rai towards its users. In the National Cluster Technology area, coordination of the project *La città educante*, which ended in November, was also assured.

Some of these initiatives concerned the production of films with a high technological standard, in close collaboration with Rai networks and channels and intended for television programming.

### Technical Quality Development

The ongoing improvement in the technical quality of the products and services offered by Rai is a key feature of its role as the Public Broadcasting Service Concession holder. In 2018 too, monitoring activities continued in this area, along the entire production and distribution chain, both from an objective point of view and from the point of view of the end user's perception. The main activities concerned the analysis of data made available by the EVA (Signal Quality Evaluator) system, the technology benchmarking of quality, a coordinated management of inefficiencies (aimed at taking any appropriate infrastructural countermeasure), as well as the coordination of operating standards and the correlated comparative evaluation.

The EVA system is used to control the technical quality of radio and TV signals and to manage corrective actions taken on IT systems and infrastructural projects, while ensuring a prompt and effective reporting of technical inefficiencies. In this context, operational measures were also taken for the development of digital radio, through the acquisition of specific probes for the reception

and measurement of DAB+ standard, which will be installed at the sites of regional offices.

The implementation of a system able to evaluate the quality of mobile reception of the radio service in frequency modulation (FM), from a user's point of view, was completed. The system is based on an original algorithm of objective quality evaluation that has been deposited at SIAE as "unpublished work".

Another original feature is the ability to record the entire radio spectrum in the MF broadcasting band (88-108 MHz) along the way and not only the frequencies considered of interest. It made it possible to assess the perceived quality of Rai radio programmes along the main roads and motorways of Italy and compare them with those of two of the major "competitors".

The first system was implemented able to evaluate the quality perceived by users of the Rai web TV services and that of its main competitors. This system can be used to plan specific comparative measurement campaigns of the live and/or on-demand service quality of any web portal and be able to summarise their many quality parameters (indicators) in an explanatory dashboard. As part of the same project, the testing of specific comparative measures on mobile devices was started.

In collaboration with La Sapienza University in Rome – Engineering Faculty, a system was implemented for the Full Reference objective measurement of the quality of a video HD and/ or UHD signal, through the definition of a QI (Quality Impairment) index for the determination of the deterioration of the end-to-end video content (from the transmission point to the user reception point). The QI was defined by using both internationally recognised metrics and metrics specifically produced for the requirements of Rai. The QI indexes were calculated in relation to the first UHD programmes broadcast by Rai.

Subjective quality assessments of 4K video content (encoded in HEVC) were then carried out.

The results of the subjective tests were used, again in collaboration with the University La Sapienza of Rome, to refine the index of evaluation of Full Reference video quality. The F.R.E.E. - Full Reference End to end Evaluation index - and the 4K subjective evidence database were filed with the SIAE as "unpublished works".

In collaboration with the Politecnico University of Turin, a prototype system for improving

the perception of audio quality reproduced by flat screen televisions was started for the best-selling models of television sets for the living room (37" - 47" screen) in Italy, in order to improve above all the intelligibility of speech. The hardware/software system, called R.A.I. (Received Audio Improvement) allows the systematic improvement of the technical audio quality of Rai programmes received from flat screen TVs, by means of a digital processor that acts on the audio signal starting from the Rai broadcasting points. This improvement is due to the fact that the new flat TVs, due to their reduced thickness, house miniaturised speakers almost without mechanical dynamics, resulting in impoverishment of the sound band, perceived quality and speech intelligibility.

In collaboration with the Politecnico University of Milan, a study has been launched to create a prototype hardware/software system called V.I.A. - Value for Intelligibility of Audio, which allows an objective evaluation (also based on the subjective evaluation of a listening group) of the audio quality perceived by the user. The system can also monitor, for example, audio quality in a radio or television studio by measuring the intelligibility of the audio, highlighting it, on-time, also to the host and/or other staff. For this purpose, V.I.A. also allows representing the value of intelligibility through a simple interface, such as the colours of a "traffic light" (associated with the quality of intelligibility of the audio in the studio) to visually warn the host (who may or may not use it therefore) how comprehensible what is going on the air is at home.

In collaboration with the University of Parma, an A.I.D.A. spin-off, a prototype of a hybrid 3D VMS virtual microphone, has been created. It is capable of further improving, during recording, the quality of audio signals (especially for low frequencies) relative to a given musical performance (theatre, auditorium, etc.) and of replacing, in many types of events (opera houses, symphonies, etc.), numerous microphones normally needed according to the number of instruments and their location on stage, with a consequent significant reduction in the complexity of the system and of the human and technical resources needed.

In collaboration with the University of Parma, *spin-off iThing3*, the design and development of a prototype wireless point-to-point communication system adaptable to 3D VMS audio systems has been started. In particular, the system will ensure a radio connection

from the 3D VMS microphone to the shooting/recording workstation in the shooting environment, in a protected mode that is secured against any type of interference, noise, etc., in order to ensure the absolute integrity of the quality of the audio shooting/recording without the need to use connection cables.

## Broadcasting activities

Rai Way is the company in the Rai Group that owns the infrastructure and systems for the transmission and broadcasting of TV and radio signals.

In the course of its activity, it manages more than 2,300 sites equipped with infrastructures and systems for the transmission and broadcasting of radio and TV signals in Italy. Its 23 operating offices are located throughout the country and it avails itself of highly skilled staff. The technology assets and specialist know-how are key resources for the present range of services, as well as for the development of new businesses.

The services provided by Rai Way are developed within the following areas:

- Broadcasting Services, to be intended as services for the terrestrial and satellite transmission of TV and radio signals, through the broadcasting networks, to the end users within a geographical area.
- Services for the transmission of radio and TV signals via the connecting network (radio links, satellites, fibre optic) and in particular the provision of Contribution Services, to be intended as one-way transport services:
  - between fixed sites and/or video/audio/data via analog or digital circuits;
  - of the radiofrequency signal from the satellite within a geographical area of a certain size, and connected services.
- Tower Rental Services, to be intended as:
  - services for the hosting of transmission equipment at broadcasting points (sites) related to radio, TV, mobile telephony and telecommunications signals; services for the management and maintenance of the transmission equipment hosted at our sites;
  - complementary and connected services.
- Network Services, which consist of a vast range of heterogeneous services which can be provided by the Company in relation to networks of electronic communication and telecommunications in general (design, construction, installation, maintenance and operation, as well as consultancy, monitoring and radio protection services, etc.).

The experience Rai Way has gained in operating transmission and broadcasting networks allow it to play a central role in its reference scenario, in a favourable position for also being able to explore markets related to the development of new generation telecommunication networks.

In 2018 Rai Way's commercial initiatives focused, in continuity with past years, on supporting **Rai as its main customer** and analysing and scouting for potential new

markets, with a view to expanding services and diversifying the offer.

The Service Agreement that was entered into between Rai and Rai Way in 2014 provides for the delivery of basic broadcasting and transmission services, as well as provides for and regulates the possibility for the parties to negotiate the provision of additional services should the customer have any additional requirements (so-called evolutive services). The year 2018 was also significant in terms of growth in the volume and value of services offered, and laid the foundations for further significant development over the next three years.

The most important activities carried out concerned contribution services for sports and institutional events, including the Winter Olympics in PyeongChang, the 2018 Football World Cup, the premiere of the Teatro alla Scala and the 2018-2019 Champions League, provided with technological solutions capable of providing a high level of reliability and, in some cases, also 4K coding and transport services.

Rai Way has also completed the first phase of a project to extend the coverage of the DAB+ digital terrestrial radio broadcasting service, which is expected to continue with particular reference to the main motorway routes.

As part of the preparatory activities for the release of frequencies for the launch of 5G services, the Company also completed the refarming activities on the portion of the network in radio link in the 3,600 MHz – 3,700 MHz bandwidth, and started the refarming of the portion of the 3,700 MHz – 3,800 MHz bandwidth already released at the end of the year.

Finally, as part of the process of improving the quality and expanding the Rai offer, preparatory activities were started to extend the coverage of thematic MUXs on the national territory following the conclusion of an important agreement that provides for 95% of the population to be reached, in line with the provisions of the Rai – MISE Service Agreement.

With regard to **third-party customers**, the market for Tower Rental services, the largest contributor to revenues, continued to experience pressure in 2018 due to the optimisation actions undertaken by MNOs in a competitive environment characterised by the launch of the commercial offer by the new entering operator and the investments made to acquire the frequencies to be used for 5G services.

During the year, Rai Way continued the progressive growth of commercial relations with other categories of customers, finalising new agreements and developing existing ones with new FWAP operators and with operators in other sectors with a positive impact on revenue. In particular, a contract was signed with a leading market operator that provides for the use of sites made available by Rai Way to cover areas with urban settlements isolated through the use of Fixed Wireless Access technology with a minimum transmission velocity of 30 Mbps, confirming Rai Way's willingness to make a concrete contribution to the development of demand for innovative digital services.

With regard to TV and Radio Broadcast customers, the company continued to work on initiatives aimed at developing services that evolve from the pure hospitality of equipment and antennas, promoting a commercial proposition aimed at providing an end-to-end service, typical of network operators.

In the field of consultancy services, it is important to point out the activities carried out for the Indonesian Ministry of Communications in relation to the switch-off process of analogue television; in particular, thanks to the experience gained in Italy, the company contributed to the regulatory aspects and the evolution of the business model of the entire sector to support the transition from analogue to digital television, confirming itself as a partner of international standing as regards knowledge and experience in the radio and television sector.

Leveraging the decades of know-how gained in the management of networks and broadcast services, a fundamental role is played by the innovative initiatives that have characterized the exercise, aimed at identifying business areas that can enhance the assets of Rai Way in the medium term and ensure the necessary support to growth.

Rai Way's **research, development and innovation activities** are multidisciplinary and are aimed at identifying, verifying and implementing suitable solutions for monitoring and improving the distribution and transmission network, through data collection and analysis of the factors that influence the quality of the service provided to customers and end users. To carry out this activity, Rai Way also avails itself of the collaboration of Rai's Research, Technological Innovation and Experimentation Centre.

In order to make its approach to innovation and research more structured, pervasive and effective, since 2017 Rai Way has had an *ad-hoc*

structure to prepare the company for change, acquire technological skills and new ideas, and develop new services and new business skills.

In the field of innovation and research, Rai Way pursues the objective of developing new services, processes, organisational models and business with which to ensure a competitive advantage to the company in order to adequately position the company also in relation to the impending challenges related to so-called disruptive technologies.

With regard to the most significant initiatives in 2018, testing continued in collaboration with TIM, Fastweb and Huawei of 5G technology in the 3.7-3.8 GHz band in the areas of Bari and Matera, also with the presentation of the user case relating to HD television contribution through the 5G network, in order to make a concrete contribution to the development of demand for innovative digital services. Moreover, Rai Way has coordinated a significant and complex technological scouting activity to identify possible solutions for the creation of CDN services that can guarantee high levels of QoE (Quality of Experience) also in a perspective of video and data traffic on the Internet that is growing both in terms of users and quality.

The Company has started testing activities with important partners in the civil aviation sector in relation to "out of sight" drone flights, analysing the most innovative technologies and services in this field with the aim of creating a "proof of concept".

## Communication and Public, Institutional and International Relations

There are many initiatives in place to consolidate Rai's image in its role as a public broadcasting service and media company in Italy, in a communication strategy in which the knowledge of the company and brand and reputation consolidation are pursued through the story of all activities and the different meanings of the product (television, radio, web, etc.) with the continuous comparison with all national and international realities/institutions.

More specifically, 72 communication plans and 78 events were implemented in 2018. The latter, in particular, saw a significant increase (about 44% more than in 2017) to encourage direct contact with the real makers of Rai's value.

Among the main events held annually are the presentation of the Rai offer to advertising investors (*Presentation of Rai programming*) and major events in the area, such as, for example, the *Salone del Libro in Turin*, which boasts a thirty-year presence of Rai to oversee the most important cultural event in the world of Italian publishing.

The Company, present with its own stand, offers the public the exhibition live events (on air and online) organised and conducted by Rai publishers present. The communication activities related to the launch of the most significant new programming, including the second series of the drama *I Medici*, the first series of the trilogy *L'amica geniale*, as well as the event related to the television production *David di Donatello* are extremely important.

Rai is also present at conferences, workshops, juries, meetings and events organized in coordination with international organisations such as the EBU, the ABU and COPEAM.

As for the promotion of Rai products in advertising spaces of media that are not part of the Company's radio and television and multimedia offer (static and dynamic billboards, video communication, daily and periodical press, web, radio), the following were created in 2018: 35 advertising campaigns; 39 weeks in cinemas; 37 press releases; about 20 million digital advertising impressions; 17 weeks of dynamic billboards; 12 weeks of static billboards; 4 weeks of video communication.

In addition, during 2018 Rai products participated in 108 different national and international awards and festivals: a total of 435 products were registered, 108 were nominated and 46 were awarded. The high number of participations and nominations is part of a more general process of developing the brand image and increasing the brand awareness of Rai: being present at major international events is synonymous with quality and innovation; being present in Italy, even in small festivals, means proximity to local communities, promoting the knowledge of the activity that the Public Broadcasting Service carries out daily. For the second year in a row, Rai won the Rose D'Or in the entertainment category with Roberto Bolle's programme *Danza con me*, acclaimed in Berlin by representatives of the major European television channels. An important accolade came at the first edition of Canneseries for the TV drama *Il Cacciatore* with the award for best male performance to Francesco Montanari, as well as the prestigious award won in London at the Focal Awards for the restoration of the film *La Lunga Strada del ritorno* by Alessandro Blasetti and the accolade received at the Diversity Media Awards for the Tg2 report *Festa di San Valentino* that tells about the day of all lovers from an LGBTI perspective and helps to promote inclusion in Italian society.

1. The Rai space at Tempo di Libri, in Milan from 8th to 12th March 2018
2. Presentation of the second series of *I Medici*



## AWARDS PRIZES WON IN 2018 IN ITALY

Festival	Prize	Winning Programme	Publisher
Cartoons on the Bay	Best TV Pilot	Munfie	Rai Ragazzi
Diversity Media Awards	Best news programme	Festa di San Valentino	Tg2
Fabrique du Cinema Award 2018	Best Italian short film	Mani Rosse	Rai Ragazzi
Festival del Cinema Città di Spello ed i Borghi Umbri	Best Documentary	Lontano dagli Occhi	Rai 3
Food Film Festival	Special Jury Award	Presadiretta "La Rivoluzione Agricola"	Rai 3
Imperia Video Festival	Best current affairs report	I dieci comandamenti "Il danno"	Rai 3
Imperia Video Festival	Best Documentary	L'Imbroglione	TG1 News Special
Imperia Video Festival	Quality TV Award	Presadiretta	Rai 3
Imperia Video Festival	Quality TV Award	Radici	Rai 3
Imperia Video Festival	Quality TV Award	Report	Rai 3
Imperia Video Festival	Quality TV Award	Wild Italy	Rai 5
Milano International Ficts festival	Daniele Redaelli "Sport and Solidarity" Award	Sports Stories	Rai Ragazzi
Milano International Ficts festival	Honourable Mention	Giro d'Italia - 100 Giri	Creative Direction
Milano International Ficts festival	Honourable Mention	Paralympics	Creative Direction
Milano International Ficts festival	Wreath of Honour	Il calcio che passione	Rai Gulp
Premio Acqui Storia	"La Storia in TV" Award	Grande Guerra	Rai Teche Turin
Premio ADI Lazio	Award for excellence in design in Lazio	Rai Rebrand	Creative Direction
Premio Areté sulla Comunicazione Responsabile	Premio speciale	Codice "Digital Humanities"	Rai 1
Premio Elio Botti - come Acqua Saliente	Communication Award	Report "Un buco nell'acqua"	Rai 3
Premio Elio Botti - come Acqua Saliente	Communication Award	Report "Goccia a goccia"	Rai 3
Premio giornalistico "Carlo Azeglio Ciampi"	Radio-TV and TV cameramen section	Nemo "Baraccopoli Messina"	Rai 2
Premio Giornalistico "Giustizia e Verità - Franco Giustolisi"	2018 "Franco Giustolisi" Special Award	Fuori dall'armadio	Tg1
Premio Giornalistico Raccontami l'Umbria	First Prize Video Category	Linea Blu "Trasimeno: il mare dell'Umbria"	Rai 1
Premio l'Anello Debole	Special Jury Award	A piedi nudi	Tv7
Premio per il Reportage Goffredo Parise	Television reportage section	Presadiretta "La guerra di Chicago"	Rai 3
Premio per il Reportage Goffredo Parise	Reportage section on the values of the Veneto	TGR Veneto "Venezia ad occhi chiusi"	TGR
Premio per la Cultura	Award to Sigfrido Ranucci	Report	Rai 3
Promax BDa Europe	Program Open/Titles Category Silver Medal	Spot - La Prima alla Scala	Creative Direction
Promax BDa Europe	Sports Program Spots Category Silver Medal	Spot Giro d'Italia: Past and Future	Creative Direction

## AWARDS PRIZES WON ABROAD IN 2018

Festival	Prize	Winning Programme	Publisher	Editore
Mountain & Adventure Filmfestival Graz	Austria	Special mention	14+1 Nives Meroi and Romano Benet	Rai Storia
"Cyber Sousa" Award of 2018 Xiamen International Animation Festival	China	Second prize as Best Short Animated Film	La stella di Andra e Tati	Rai Gulp
Canneseries	France	Best actor	Il Cacciatore	Rai 2/Rai Fiction
Toulouse Italian Film Festival	France	Student Jury Prize	Prima che la notte	Rai 1
Eyes&Ears 2018	Germany	Silver (Show & Entertainment category)	Ballando con le stelle	Direzione Creativa
Eyes&Ears 2018	Germany	Gold (Culture & Documentary)	Scala Première	Direzione Creativa
Circom	Netherlands	Commendation Award - Coproductions Category	Terra Mia	Rai News24
Focal Awards	United Kingdom	Best Archive Restoration and Preservation Title	La Lunga Strada del Ritorno	Rai Teche
Festival Mundi	Poland	Silver Lily Award	Mystery after mystery – il giubileo spiegato ai più piccoli	Rai 1
Ebu Eurovision Connect	Spain	Best Fictional Promotion	Spot Torino Film Festival	Direzione Creativa
Ebu Eurovision Connect	Spain	Best Sports Promotion	Spot Giro d'Italia: Past and Future	Direzione Creativa
Clio Awards	United States	Bronze	Scala Première	Creative Direction
Promax Global Excellence Awards	United States	Oro - Categoria Entertainment Program Campaign	Spot - Stasera a Casa Mika	Direzione Creativa
Promax Global Excellence Awards	United States	Gold - Entertainment Program Campaign Category	Spot - 100 Giri	Direzione Creativa
Promax Global Excellence Awards	United States	Gold - News Program Promotion Category	Spot- Prix Italia The Butterfly effects	Direzione Creativa
Promax Global Excellence Awards	United States	Silver - Channel Promo: Holiday or Special Event Campaign	Spot - La Prima alla Scala	Direzione Creativa
Promax Global Excellence Awards	United States	Bronze - Live Event Campaign Category	Spot - La Prima alla Scala	Direzione Creativa

Through the Contact Center, which answers the toll-free number 800.93.83.62 and the *Scrivere@i* service, the two-way direct line between Rai and its audience is always active. In 2018, 452,923 user contacts were managed, 420,015 of which were by telephone; 12,636 with *GiocheRai*; 12,961 user mails; 7,311 consultancy services provided by *ProntolaRai*.

In addition, around 400 media partnerships were set up (including *Cartoons on the Bay*, *Salone internazionale del Libro* (Turin), *Festival della TV e dei Nuovi Media*, *Festival dello Sviluppo Sostenibile*, *Napoli Città Libro*, *Festival dei due Mondi*, *Mostra internazionale d'Arte Cinematografica* (Venice), *Premio Campiello*, *Roma Europa festival*, *Barcolana*, *Rome MED Mediterranean Dialogues*, *Torino Film Festival*, *Più libri più liberi*), about 100 sponsorships and a hundred ceremonial events.

The leitmotif of these activities, though different from each other, is always to be focused on various aspects of the expression of the public broadcasting service offered by Rai. Priority is given to cultural, social, environmental and sports issues, also with an institutional and international scope, in line with current social phenomena and with the technological evolution that is changing customs and habits in Italy. In addition, space was given to initiatives on the themes of food, medicine, tourism and good practices and emphasis was given to events celebrating anniversaries such as the 80th anniversary of the racial laws.

From the *Salone del Libro* in Turin to the *Fiera della Piccola e Media Editoria* at La Nuvola in Rome, Rai was once again the protagonist of the most important events for the promotion of reading, such as those related to the world of cinema: Venice, Rome, Turin and Bari were the most significant appointments involving the editorial offices of TV, radio and the web.

The cinema dedicated to children and young people was also in the limelight with Rai's increasing presence at the *Giffoni Film Festival*.

Contemporary, classical and opera music is still in the foreground, and crossed networks and channels with dozens of initiatives and festivals: from the one in Spoleto to the opening of La Scala season to the indie and rock genre.

During 2018 the communication of major events was managed, such as *Sanremo* (which now lives with the dual formula of December, dedicated to young people, *Sanremo Giovani*), *David di Donatello*, *Cartoons on the Bay*, *Screenings*, sporting events (*Giro d'Italia*) and information initiatives on innovation, *Programming*, and *Prix Italia*.

In all, there were about 160 product and institutional press conferences throughout Italy (most in Rome, the rest in Milan, Sanremo, Turin, Venice, Capri, Florence, Naples, Matera and other locations) and about 90 photocalls. The presentation at the University of La Sapienza of the TV drama *Aldo Moro - Il professore* was particularly important; in Florence at Palazzo Medici for the second series of *I Medici*; in Naples at the archaeological site of Pompeii and then in Rome at the Roman Forum of the two productions by Alberto Angela; the presentation of the fiction *L'amica geniale* the presentation of the new digital channels of *RadioRai*.

Constant synergy with social networks and the web: the website of the press office <https://www.rai.it/ufficiostampa/> registered in the 12 months about 1 million visits from 958,983 unique visitors, with an average of 90 thousand visits per month and almost 2 million overall views. The Twitter *@Raiofficialnews* account now has over 160,000 followers, with tweet views ranging from 2.5 to 3 million a month with a peak of over 7.5 million in February at the *Festival di Sanremo*.

During the year, more than 10,000 Radio/TV, Corporate and Audience press releases were produced; *NewsRai*, one of the oldest Rai programmes, closed the year with over 55 issues to its credit (an average of five editions a month).

There is continuous dialogue with institutional bodies and an update effort on aspects and measures that affect the Company. In this context, 2018 was characterised in particular by the activities carried out in relation to the following topics:

- the March general and regional elections, the regional elections of April and May and the municipal elections of June, with a strong commitment to a timely verification of the monitoring data to ensure fairness and a substantial balance of positions in the field for an "orderly" conduct of election campaigns. There were also numerous coordination activities with the Supervisory Commission in view of the approval of the Regulation for the regional elections in Abruzzo in February 2019;
- the approval and application of the 2018-2022 Service Agreement, which came into force on 8 March 2018 after a long process for writing the text, which made it necessary to discuss it with several stakeholders (Ministry of Economic Development, Supervisory Commission, AGCOM). As a result of this approval, a large number

of activities will be carried out within the operational bodies provided for in the Agreement:

- the Joint Commission (provided for in Article 22), which has the objective of defining *“the most effective operational procedures for applying and developing the activities and obligations provided for in the Agreement in line with the evolution of the reference scenario, and the appropriate interventions to resolve any emerging difficulties of application and interpretation”*;
- the Audiovisual Rights Commission (provided for in Article 25(3)): which has a mandate to draw up *“operational guidelines to inspire agreements with the most representative trade associations”* with regard to the *“duration and scope of radio, television and multimedia exploitation rights”*;
- the Comparative Committee (provided for in Article 23) which has the task of implementing cultural promotion for the integration of disabled people and for overcoming disabilities. Pending the start of work, a working group has set up on the offer for people with disabilities, in order to achieve the objective of increasing the offer not only in quantitative terms but also in qualitative terms. Among the results obtained, the following can be reported:
  - o increase in the volume of subtitled hours by more than 1,500 compared to 2017, bringing the share of subtitled programming significantly above the contractual obligation limit (85%);
  - o increase in the volume of audio described hours quantifiable in almost a third compared to 2017;
  - o development of a new edition of the sign language TG news programme on Rai News 24 at 9:30 p.m., with innovative publishing methods;
  - o launch and progressive extension of the publication of subtitled products on Rai Play;
  - o launch of testing in the subtitling of the thematic offer and information of the TGR;
  - o study of forms for a better fruition of the commentaries and of sports radio commentaries;
  - o subtitling of the Olympic and Paralympic Winter Games in Korea.
- the definition of the 2019 Finance Law and other measures that determine significant impacts for Rai. In particular, the updating of the National Frequency Plan (PNAP), the stabilisation of the unit amount of the fee, the Rai Support Fund and the obligations of programming and investment in audiovisual

works. But also the adaptation of national legislation to the provisions of the European GDPR Regulation, the activation of the Public Register of cinematographic and audiovisual works and many other measures.

As for relations with associations in the area, as always there were many meetings aimed at maintaining a constructive dialogue with all stakeholders, starting with those accredited by the Ministry of Economic Development - CNCU (National Council of Consumers and Users of the MISE), and in particular with the Consumers' Association, ending with those not registered with the MISE.

The main objective is to consolidate relations between Rai and consumer associations by promoting and sharing common principles to ensure inclusion and involvement in the activities of the company and in terms of suggestions, requests and observations.

This includes the development of a dialogue process with the federative sports associations aimed at ensuring significant editorial attention to sport, through the creation and transmission of dedicated events or programs, with particular interest in minor sports and those played by people with disabilities.

The development of such a policy – capable of going beyond the mere contractual relationship for the acquisition of sports rights – has made it possible to recover the relationship with these important interlocutors. In this context, a digital monitoring system is being developed to measure the presence of consumer associations in Rai's programming.

Below are the main activities that characterised 2018:

- the hearing at the CNCU (National Council of Consumers and Users) on the activities implemented to promote the communication initiatives of Consumer Associations on the communication platforms of the Public Radio and Television Service;
- the development of an institutional campaign aimed at promoting financial, insurance and social security education. This project, requested by the Edu. Fin Committee, provides for the inclusion of the information campaign not only in in-depth programmes and journalistic features, but also within productions such as dramas and game shows;
- participation in the events of Associations, including: the Festival del Futuro- Altroconsumo Milan 28/29 September; Festival della Partecipazione-Cittadinanza Attiva L'Aquila 12/13 October; Thematic conference on fake news at UNIVAQ University; 17th CNCU/Regions programming session - *“Educazione e trasparenza*

*finanziaria un investimento per i cittadini/ utenti” (Education and financial transparency an investment for citizens/users).*

There is also a great commitment to supporting the initiatives proposed by the varied world of Italian associations and volunteers. The issues addressed are related to the preservation of the immense Italian artistic heritage, attention to the environment and the fight against pollution, scientific research in its many facets, gender-based violence, social integration, long-distance adoption, support for families who care for the terminally ill, drop-outs, new poverty, rare diseases, subsidiarity activities to support the expansion of material and residential services, and the fostering of people with disabilities. Wide support has also been given to the natural disasters that have hit Italy. More specifically, activity in 2018 concerned:

- Non-profit Associations and Foundations: 44 fundraising campaigns were carried out; 21 awareness campaigns; 24 Rai social commercials, 23 of which on TV and 1 on radio/TV, for a total of 618 runs; 6 Public Broadcasting Service commercials, 2 of which on TV and 4 on radio/TV, for a total of 216 runs; 2 supranational commercials of which 1 TV and 1 TV/radio for a total of 54 runs;
- social campaigns by the Presidency of the Council of Ministers: 94 campaigns were carried out on generalist channels with 14,259 TV and 8,294 radio runs; 25 campaigns on Rai News 24 with 1,925 runs;
- web: on the website [www.responsabilitasociale.rai.it](http://www.responsabilitasociale.rai.it) 62 campaigns with texts, photos and videos were published; 405 new audio descriptions for the blind were produced for a total of 2,205 audio descriptions, with over 400 thousand listeners; 88 new videos related to fundraising, awareness raising and Social Communication for a total of 754 published videos, with over 15 thousand views on Rai.it and RaiPlay; 1,238 posts on Facebook; on Twitter @RespSocialeRai: 9,317 tweets, 5,998 re-tweets (130,000 total tweets), 9,413,100 views, 18,917 likes, 11,164 photos and videos (27,900 total photos and videos), and 1,800 new followers (48,700 total followers).

As regards International Relations, the commitment to the consolidation of Rai's international dimension was boosted, amplifying the efforts to enhance the role of the Public Broadcasting Service.

On the European front, a contribution has been made to the finalisation of the main political and legislative dossiers of interest to the company (e.g., the Directive on Audiovisual Media Services – AVMS and

the Directive establishing the European Electronic Communications Code – ECC and supervised the implementation of the most sensitive ones (Copyright, Fake News, Privacy, Unfair practices of online platforms, whistleblowers, etc.).

The strengthening of Rai as an international player cannot ignore its presence also within international trade associations, which is instrumental to advancing a policy of cooperation and exchange of best practices and the development of strategic alliances that are the driving force of projects with an international scope. Hence the activity carried out during 2018 aimed at consolidating the role of Rai in the EBU, COPEAM, CIRCUM, CMCA, ABU, ASBU and CRI-Comunità Radiotelevisiva Italofona.

Great commitment was made as part of the EBU, with the process of activating Eurovision Services SA, an EBU subsidiary dedicated to commercial activities, together with the review of the strategy for services to Members, presented at the General Assembly in December 2018. The promotion of specific initiatives aimed at representing the value that “Public Service Media” offer the company continues, including the PSM Marketing Campaign (a pan-European communication campaign in support of public broadcasters) as well as Rai's participation in initiatives of great media impact, such as the *Eurovision Song Contest* and *Junior Eurovision Song Contest*.

From the technological point of view, in order to support the Company in a rapidly changing context, Rai has promoted some special EBU initiatives such as the Digital Transformation Initiative and the Non-Linear Scheduling workshop.

As part of CIRCUM (European Association of Regional Television), Rai participates in the co-production project *Citizenship 6* funded by the European Parliament, to which most European regional public broadcasters adhere; it is aimed at promoting issues of common interest such as youth unemployment, pollution, immigration, start-ups, etc..

Thanks to the synergies created within the international associations, to the work developed with the Ministry of Foreign Affairs and International Cooperation and with the Embassies and to the expansion of the network of contacts in various geographical areas considered strategic, several *Memoranda of Understanding* (MoU) have been formalised, such as those with KBS (Korea), TV CULTURA (Brazil), RTVC (Colombia), HRT (Croatia),

RTK (Kosovo), RTCG (Montenegro), TVRI (Indonesia), with the aim of promoting collaborative initiatives in the media sector.

On the Asian front, the increase in delegation visits, in particular from the Republic of Korea, the People's Republic of China, Japan and Indonesia, confirmed the quality of the relations built up with the Far East. In this context, on the occasion of the European Year of Cultural Heritage, the *ABU - Rai Days* Forum was organised for the first time in Rome, in collaboration with the ABU (Asia Pacific Broadcasting Union): *Innovation meets Culture-Digital Media and Cultural Heritage* where more than 100 delegates from the most important Asian and European broadcasters discussed global media trends, developments in digitisation, best practices and technological innovations applied to artistic and cultural heritage.

A course on cultural journalism was organised in Rome for public television stations in the Balkans and the Southern Mediterranean, in collaboration with the Italian Centre for Advanced Studies in Radio and Television Journalism of Perugia and COPEAM, in partnership with the Arab States Broadcasting Union (ASBU).

The PriMed Mediterranean Young People's Award – PriMed, International Festival of Mediterranean Documentary Film and Reportage – organised in Palermo in collaboration with the CMCA (Centre Méditerranéen de la Communication Audiovisuelle) and dedicated to quality documentaries, which has received numerous endorsements and particularly positive feedback, is also worth mentioning.

As part of the promotion of the Italian language and culture in the world, initiatives, events, seminars and radio co-productions have been activated through the CRI (Comunità Radiotelevisiva Italofona), aimed at enhancing Rai as the largest Italian cultural company.

Below are some other projects that characterised 2018:

- Projects for the Millennials target group**  
 The *Porte Aperte* project, launched in 2017 with the aim of bringing children and young people closer to Rai, opens its doors to all Italian students, from primary and secondary schools as well as university students, to show the many professions that make up its vast universe.

## Porte Aperte Project – Summary of activities in 2018 January-December

510

REQUESTS FOR INFORMATION



335

REQUESTS FOR VISITS  
(TOTAL OF 8,375 STUDENTS)



523

SCHOOL VISITS CARRIED OUT  
(TOTAL OF 13,075 STUDENTS)



14

SCHOOL-TO-WORK PROJECTS  
SELECTED AND IMPLEMENTED  
(300 STUDENTS THROUGHOUT ITALY)



1,184

INTERNSHIP APPLICATIONS RECEIVED  
192 INTERNSHIPS ACTIVATED



67,000

VISITS TO THE WEBSITE  
WWW.RAI.IT/PORTEAPERTE



6,330

PARTICIPANTS IN 18 SPECIAL EVENTS  
THROUGHOUT ITALY



19,897

TOTAL STUDENTS MET



To intrigue, interest and attract an audience of young people, to promote the internal professional skills and all the activities that Rai carries out every day with the ambition of creating a bridge between training and profession.

The table below provides a summary of the activities carried out in 2018.

In addition, 26 special meetings were held at trade fairs or events throughout the country, involving a total of 8,830 young people. These include:

- *Sanremo*, Forte Santa Tecla, 6th-10th February 2018;
- *Tempo Di Libri*, Fiera Milano City, 8th-12th March 2018;

1-4 Some photos of the participants in the *Rai Porte Aperte* project



- *Rai Radiokids*, Bologna, 9th April 2018;
- *Salone Del Libro Torino*, Lingotto, 10th-14th May 2018;
- *Rai Radiokids*, Palermo 17th May 2018;
- *Caterraduno*, Rai Radio 2, Senigallia, from the Radio 2 Truck, 29th June 2018;
- *Summer Tour*, Rai Radio 2, Riccione, from the Radio 2 Truck, 2nd-3rd July 2018;
- *Materadio*, Rai Radio 3 Matera, 21st-23rd September 2018;
- Bambino Gesù Children's Hospital, Rome, 30th-31st October 2018;
- *Romaeuropa Festival*, Kids Macro, Testaccio La Pelanda, 10th-25th November 2018;
- *Primed 2018*, Palermo, 13th-17th November 2018;
- *PMI Day*, Aosta, 16th November 2018.

animation, video art, video games, short films, etc..

The commitment of Rai, the main media & content partner of the event, involved Rai Cinema, Rai Fiction, Rai Movie, Rai Pubblicità, Rai Ragazzi, Rai Teche and Rai Storia in a wide and articulated programme of activities.

- **Internal communication activities and tools**

Many initiatives have also been taken to promote cohesion and build a sense of belonging within the Company. These include:

- the weekly newsletter *Settegiorni* distributed from 16th April 2018 with 33 issues for a total of 449 articles published;
- the communication plan of Rai Academy, the new training project for employees that offers the catalogue of the entire training offer divided into 5 thematic areas (Corporate Culture; Digital Inclusion; Vocational Training; Personal Effectiveness; Regulations, Safety and Environment) and provides access to the different types of training (compulsory, on request, open to all);
- the launch of Rai Place, the new corporate intranet portal created in April 2018, the Company's single point of access to information, knowledge and sharing and a place where dedicated applications and services are available. Improved operational efficiency, simplicity and usability, and mobile access are among the strengths of the new platform.

- **Videocittà**

Conceived by ANICA and spread throughout the country, Videocittà is the project that fosters different parts of Rome with creativity, transforming them into natural stages on which new languages are explored. It is a sort of out-of-show, complementary to the Rome Film Festival, which was held from 19th to 28th October and spread throughout Rome and its surroundings.

The main objective was to promote the professions linked to the world of the cinema, operating in different fields such as videomapping, virtual reality, fashion, music,

## Changes in the regulatory framework

2018 was characterised by a number of laws and regulations disciplining the radio and television sector as illustrated below.

### **National Service Contract between the Ministry for Economic Development and Rai - Radiotelevisione italiana SpA 2018-2022. Formation of Joint Commissions**

With the bulletin of the Ministry for Economic Development, the new National Service Contract between the Ministry and the Company for the five-year period 2018-2022 was published in the Official Gazette no. 55 of 7th March 2018. Within the framework of the Agreement (approved with Prime Ministerial Decree of 28th April 2017, containing "Assignment of the radio, television and multimedia Public Service concession and approval of the annexed draft agreement"), the Contract regulates the activity that the Company carries on for the purpose of carrying out the Public Service: in particular, the radio, television and multimedia services broadcast through the various platforms in all modes, the use of the necessary transmission capacity, the creation of editorial content, the provision of technological services for the production and transmission of the signal using analogue and digital technology, and the preparation and management of control and monitoring systems.

Following publication, the aforesaid Service Contract became effective starting from 8th March 2018.

With Ministerial Decree of 4th September 2018, the joint commission in charge of defining the method of application and of development of the activities and obligations of the Concessionaire and of identifying the operations for overcoming the difficulties of application and interpretation that may arise was set up pursuant to Article 22 of the Service Contract. With Ministerial Decree of 5th September 2018, pursuant to Article 25, paragraph 3 of the Contract, the Ministry also set up the joint commission in charge of drawing up the operational guidelines for directing the agreements with the trade associations mostly representative of the audio-video sector on the subject of duration and scope of the rights due to the audio-video producers.

### **Refarming of the so-called 700 band, planning of the frequencies and adoption of related deeds**

In implementing (EU) Decision 2017/899 relating to the use of the 470-790 MHz

frequency band in the Union, Art. 1, paragraphs 1026-1046 of Italian Law no. 205 of 27th December 2017 containing "State budget for financial year 2018 and multi-year budget for the 2018-2020 three-year period" regulated and set expiry dates for the process aimed:

- on the one hand, at assigning the frequencies in the 694-790 MHz band (currently primarily for the national and local television broadcasts) in the 2018-2022 five-year period to the terrestrial systems able to supply wireless broadband electronic communication services in order to undertake the initiatives necessary to develop fifth generation networks (5G networks);
- on the other hand, at giving the radio and television system on DTT platform a new structure on the basis of the supply of spectrum resources still available for the broadcasting service (from 174 to 230 MHz and from 470 to 694 MHz).

Article 1, paragraphs 1101-1111 of subsequent Italian Law no. 145 of 30th December 2018 containing "State budget for financial year 2019 and multi-year budget for the 2019-2021 three-year period", intervening on the above-mentioned guidelines of the budget law for 2018, contemplated the update by the Italian Communications Authority (hereinafter AGCOM) by 31st January 2019 of the National Frequency Assignment Plan for the terrestrial digital technology service already approved (with resolution no. 290/18/CONS, challenged by the Company before the Regional Administrative Court for Lazio) and the planning, to create a multiplex containing the regional information by Rai, of a network with decomposability by macro areas with frequencies in UHF band. The Authority performed the required update pursuant to Article 1, paragraph 1030 of Italian Law no. 205 of 27th December 2017, as amended by Article 1, paragraph 1103 of Italian Law no. 145 of 30th December 2018, with resolution 39/19/CONS, at the end of the proceedings started with Authority Chairman's Decree no. 1/19/PRES. With resolution no. 13/19/CONS, the Authority also starting the proceedings to adopt the national frequency assignment plan in III VHF band for the sound radio broadcasting service in DAB+ digital technology. Italian Law 145/2019 then defined a tender procedure to assign any additional broadcasting capacity available in Italy, to be called by the Ministry for Economic Development by 30th November 2019 in implementing procedures established by 30th September 2019 by the Authority. With resolution no. 128/19/CONS,

AGCOM started proceedings to define the aforesaid procedures for assigning additional broadcasting capacity.

Likewise, upon completion of the public consultation the Ministry for Economic Development issued the Decree – provided for by Article 1, paragraph 1032, of the aforesaid Budget law for 2018 – containing the national roadmap relating to the expirations of the timetable to implement the above-mentioned objectives of (EU) decision 2017/899, taking into account the need to set a transition period (from 1st January 2020 until 30th June 2022) in order to ensure the granting of the frequencies by all network operators holding user rights nationally and locally, and the restructuring of the multiplex containing the regional information by Rai. With the provision, also the disposal of the MPEG2 encoding in favour of the MPEG4 encoding on DVBT standard was ordered. The Budget law for 2019 set 15 April 2019 as the deadline for the update by the Ministry for Economic Development of the national roadmap in question. To this regard, the Ministry lastly started a specific public consultation.

The Ministry also established the “TV 4.0” Coordination Table made up of the representatives of the institutions competent in the subject, the television operators (including Rai) and the trade associations involved, aimed at standardising and coordinating the activities to release the 700MHz band, and to develop tools aimed at fostering the digital transformation of the television sector. With the later resolution no. 182/18/CONS, in implementing what was provided for by Article 1, paragraph 1031 of Italian Law no. 205/2017, AGCOM then started the procedure to define criteria for converting the user rights of the frequencies that the national network operators at the national level for the terrestrial digital technology service own at the date the aforesaid law takes effect into user rights of newly created national multiplex broadcasting capacity in DVB-T2 technology and to assign, at national level, user rights of the frequencies in 470-694 MHz UHF band planned by the 2018 PNAF for the terrestrial digital technology television service to the national network operators. The aforesaid criteria for converting and assigning user rights of the frequencies at national level planned by the PNAF, by virtue of the instructions pursuant to Italian Law 145/2019, were defined by the Authority with resolution no. 129/19/CONS for subsequent assignment by the Ministry by 30th June 2019.

A general application conventional conversion factor between the DVB-T and DVB-T2 networks of 0.5 was established. During 2018 the Ministry for Economic Development then started a consultation to revise the Frequency Distribution Plan (PNRF) and the tender procedure to assign user rights of radio frequencies for electronic communication services in two-way terrestrial mobile broadband in the 694-790 MHz, 3600-3800 MHz and 26.5-27.5 GHz bands (so-called “pioneer bands”) in implementing the provisions of the 2018 Budget law and on the basis of the rules defined by AGCOM with resolution 231/18/CONS.

The PNRF was adopted with Ministerial Decree of 5th October 2018 and published in Official Gazette no. 244 of 19th October 2018.

### **Contribution for meeting the public service obligations and “additional revenue”**

Article 1, paragraph 101 of Italian Law no. 145 of 30th December 2018 containing “*State budget for financial year 2019 and multi-year budget for the 2019-2021 three-year period*” recognised Rai a €40 million contribution for each of the years 2019 and 2020 in order to meet obligations established in the service contract, including those to develop digital programming. Paragraph 90 of the same Article established the provision, already in force for 2017 and 2018, according to which half of any higher revenues paid by way of Rai licence fee (so-called additional revenue) is paid to the Inland Revenue.

### **Setting of television licence fees**

Article 1, paragraph 89 of Italian Law no. 145 of 30th December 2018 (*State budget for financial year 2019 and multi-year budget for the 2019-2021 three-year period*) confirmed, under standard arrangements, the amount of €90 due for the private use television licence fee.

With reference to the special licence fee, Article 1 of the Ministry for Economic Development Decree of 21st December 2017 containing “*Special television licence fees for 2018*”, published in the Official Gazette of 9 February 2018, kept the amount of special licence fees due unaltered (compared to the measures established in tables 3 and 4 annexed to the Ministerial Decree of 29th December 2014), with effect starting from 1st January 2018: *i)* for the possession of radio receivers or television sets on non-household premises; *ii)* for the possession of radio receivers or television sets in cinemas, theatres and comparable premises.

### **Suspended payment of the Rai licence fee for the populations struck by the earthquake**

Article 1 of Italian Law no. 89 of 24th July 2018 converting Italian Law Decree no. 55 of 29th May 2018 into law with amendments, containing additional urgent measures for the populations of the areas of the Abruzzo, Lazio, Marche and Umbria regions affected by the earthquake events that occurred dating from 24th August 2016, sanctioned suspension of payment of the Rai licence fee until 31st December 2020 in the areas of the municipalities listed in annexes 1, 2 and 2-bis of Italian Law Decree no. 189 of 17th October 2016 converted, with amendments from Italian Law no. 229 of 15th December 2016. Payment of the amounts suspended will resume starting from 1st January 2021. The methods for repaying the amounts already paid in during the period falling between 1st January 2018 and the date the measure took effect will be regulated with the Inland Revenue director's measure.

### **Public contracts**

In following the gradual coming into force of the prescriptive and regulatory measures implementing Italian Legislative Decree no. 50 of 18th April 2016 (Public Contracts Code) as amended with Italian Legislative Decree no. 56 of 19th April 2017, Rai adjusted and kept updated the internal procedures for assigning contracts in the so-called ordinary sector, i.e. for assignments excluded from application of the Code.

The provisions concerning the new Rai Supplier List, which is the overriding identification tool in observance of the principle of rotating subjects participating in any tender procedures called by the Company both in the radio and television sector excluded from application of the new Public Contracts Code – if there are no specific prerequisites legitimating recourse to direct negotiation with a single operator – and within the scope of the tender by invitation procedures established by the new Public Contracts Code for the ordinary sector (i.e. contracts beneath the EU threshold) came into force on 1st February 2018.

The so-called BIM Decree (Ministerial Decree no. 560 of 1st December 2017) implementing Article 23, paragraph 13 of the Code that defines the methods and timetable of gradual introduction by the contracting entities and economic operators of the compulsoriness of the methods

and specific electronic tools (such as the modelling tools for the building trade and infrastructure during the design, building and works management and relevant inspection stages) and regulates the preliminary fulfilments of the contracting entities, which should adopt a personnel training plan, a plan for purchasing and maintaining hardware and software for managing the decision-making and information processes and an organisation document that explains the control and management process, the data managers and the handling of conflicts. The obligation to use electronic modelling methods and tools starts by progressive steps: from 1st January 2019 for works of an amount starting from €100 million; from 2020 for complex works over €50 million; from 2021 for complex works over €15 million; from 2022 for works over €5.2 million; from 2023 for works over €1 million; from 2025 for all new works. During 2018, the National Anti-corruption Authority published standard call no. 2 (relating to the assignment of cleaning services, to be entrusted with the criterion of the most economically advantageous bid) and adopted standard call no. 3 (for the assignment of engineering and architecture services of an amount equal to or higher than €100,000) and additional guidelines and regulatory documents implementing the Public Contracts Code regarding, among other things: assignment of the private security service; assignment of the legal services (the guidelines are not binding, as per Council of State opinion no. 2017 of 3rd August 2018); discipline of the Company clauses; instructions on the preliminary market consultations; update of the criteria for choosing tender commissioners and procedures for registering experts on the mandatory national List of members of judging commissions (now again placed under consultation and on which the Authority also issued specific instructions, also with reference to the dates of effectiveness of the List, eventually further extended from the date of 15th April 2019); update of the guidelines regarding use of the criterion for awarding the economically most advantageous bid; update of the guidelines on the procedures for assigning public contracts of an amount lower than the EU thresholds of significance, market surveys and training and management of the lists of economic operators (currently again placed under consultation) and general guidelines on assigning services pertaining to architecture and engineering.

In May 2018, the Ministry of Infrastructures and Works published its Decree no. 49 of 7th March 2018, filed "*Regulation containing:*

«Approval of the guidelines on methods of performing functions of site engineer and execution manager»”.

With its resolution of 13th June 2018, ANAC adopted the regulation on exercising powers pursuant to Article 211, paragraphs 1-bis and 1-ter of the Code, which legitimates its direct impugment of calls for tenders, other general documents and measures relating to contracts of significant impact, issued by any contracting entity if it deems that they violate the rules concerning public contracts for works, services and supplies (Article 211, paragraph 1-bis), and impugment subject to justified opinion (Article 211, paragraph 1-ter) of measures vitiated by serious breaches of the Code; in this case, the Authority issues a justified opinion to be sent to the contracting station and, if it does not comply by the assigned deadline, it may apply to the administrative judge.

Article 1, paragraph 912 of Italian Law no. 145 of 30th December 2018 containing “State budget for financial year 2019 and multi-year budget for the 2019-2021 three-year period” established that in the course of a total revision of the Public Contracts Code, until 31st December 2019, the contracting entities can assign works of an amount equal to or higher than €40,000 and lower than €150,000 by direct assignment subject to consultation, if they exist, of three economic operators and by way of negotiated procedure subject to consultation, if they exist, of at least ten economic operators, for work of an amount equal to or higher than €150,000 and lower than €350,000. The rule was repealed by Italian Law Decree no. 32 of 18th April 2019 (on which see infra), currently being converted; the amendments made by the Law Decree under Article 36 of the Code in fact overlap with the described derogatory discipline introduced, as regards the year 2019, by the Budget law.

The National Anti-corruption Authority then adopted resolution no. 10 of 9th January 2019 containing “Regulation on the subject of pre-litigation opinions pursuant to Article 211 of Italian Legislative Decree no. 50 of 18 April 2016”, which regulates the procedure for adopting pre-legislation opinions pursuant to Article 211, paragraph 1, of Italian Legislative Decree no. 50 of 18th April 2016, based on which the Authority gives its opinion following discussion, also on the initiative of the contracting entity, relating to questions arising during tender procedures, within 30 days from receipt of the request. This opinion requires the parties that have previously consented to abide by what is established in it. In the cases in which it is

binding, the opinion is impugnable before the appellate judge pursuant to Article 120 of the Code of Administrative Procedure. Among other things, the measure identifies the method for submitting the petition (single or joint), the cases of inadmissibility and of barring further proceedings of the petitions and of adopting the opinion with simplified procedure and concise grounds.

Article 5 of Italian Law no. 12 of 11th February 2019, “Conversion into law, with amendments, of Italian Law Decree no. 135 of 14 December 2018, containing urgent measures on the subject of support and simplification for companies and the Public Administration” finally dictated rules on the subject of simplification and acceleration of procedures in public contracts beneath EU threshold by intervening on Article 80 of the Code regarding reasons to exclude economic operators from public procedures by amending the relevant paragraph 5, replacing letter c) with three new letters. The amendment is operational with reference to the procedures whose calls or notices of tenders are published after the date the converted Law Decree comes into force (15 December 2018) and, in the case of contracts without publication of calls or notices, to the procedures in which invitations to submit bids have not yet been sent on the same date.

Italian Law Decree no. 32 of 18th April 2019 introduced “Urgent measures to relaunch the public contract sector, and to speed up infrastructure works, urban regeneration and rebuilding after earthquake events”. In particular, Article 1 contains Code amendments, also regarding: design; legal advertising of public contracts (intervening on the transparency obligations pursuant to Article 29); role and functions of the procedure manager; sub-threshold contracts (specifically intervening on the relevant assignment procedures); check of requirements; information on candidates and bidders; appointment of the judging Commissions; reasons for exclusion; certification by certifying bodies; contract award criteria; unusually low bids; subcontract. The measure also intervenes on Article 120 of Italian Legislative Decree 104/2010 (Administrative Process Code), focused on the procedure applicable to judges relating to the public procedures; Article 2 provides instructions on the assignment procedures in the case of company crises. Article 5 of the so-called “2018 European Law” lastly reformed the text of Article 113-bis of the Code on the subject of terms of payment in business transactions in the public procedures by fully replacing it.

## Protection of personal data

EU Regulation 2016/679 (so-called GDPR, *General Data Protection Regulation*) on the subject of protecting natural persons with regard to the processing of personal data and to the free circulation of said data has been applied in all EU member states since 25th May 2018.

Important principles and new obligations for data controllers were introduced, such as, by way of example but not limited to, the principle of accountability or of assumption of responsibilities, the principle of privacy by design and of privacy by default, data protection impact assessment (DPIA), checking and notification of data breach to the guarantor Authority and notification to the interested party in the most serious cases, the preparation and constant updating of a processing register.

The Italian legislator adapted domestic law to the general data protection regulations with Italian Legislative Decree no. 101 of 10th August 2018, which incisively changed, among other things, Italian Legislative Decree no. 196 of 30th June 2003 (Personal Data Protection Code).

With resolution no. 491 of 29th November 2018, the Data Protection Supervisory Authority adopted the Rules of Ethics regarding the processing of personal data in exercising journalistic activities.

## Electronic invoicing

Article 1, paragraph 909 of Italian Law no. 205 of 27th December 2017 containing "*State budget for financial year 2018 and multi-year budget for the 2018-2020 three-year period*" extended the obligation of electronic invoicing established for the Public Administration to private parties starting from 1st January 2019 in connection with all sales of assets and supplies of services made between subjects residing or established in Italy.

Subsequent Italian Law Decree no. 119 of 23rd October 2018 containing urgent tax and financial measures, converted with Italian Law no. 136 of 17th December 2018, also intervened on the sanction profiles during first activation of the obligation.

With Italian Legislative Decree no. 148 of 27th December 2018, (EU) directive 2014/55 of 16th April 2014 relating to electronic invoicing in public contracts was implemented. The Decree, in effect since 1st February 2019,

introduced the obligation to receive and process electronic invoices in public contracts starting from 2019 and, for the sub-central contractor administrations, from 2020.

## Dignity Decree

Italian Law Decree no. 87 of 12th July 2018 containing "*Urgent measures for the dignity of workers and companies*", converted into Italian Law no. 96 of 9th August 2018 with amendments, also introduced measures to fight the gambling disorder, to fight job insecurity and on tax and fiscal matters.

In particular, under the first profile Article 9 (*No gambling or betting advertising*), in the relevant text coordinated with the interventions brought in by the conversion law, without prejudice to the current regulation on the subject - carried by the so-called "Balduzzi Decree" and the 2016 Budget Law, to which the Company has already adapted its activity, also in connection with the instructions provided in Article 25, letter s) of the Service Contract and Article 3, paragraph 1, letter r) of the Agreement and with the exclusion of the national deferred drawing lotteries, similar local events pursuant to Article 13 of Italian Presidential Decree no. 430 of 26th October 2001 and logos on safe and responsible gambling of the Customs and Monopolies Agency, it sanctioned the prohibition of any form of advertising, also indirect, related to games or bets with money winnings, and gambling, in any form carried out and on any medium, including sports, cultural or artistic events, television or radio broadcasts, the daily and periodic press, publications in general, billposting and computer, digital, electronic channels and the social media.

Moreover, starting from 1st January 2019 the prohibition in question also applies to the sponsorships of events, activities, shows, programmes, products or services and to all the other forms of communication of promotional content, including visual and acoustic mentions and the overprinting of the name, trademark, symbols, activities or products whose advertising is prohibited pursuant to the rule. An administrative pecuniary sanction is associated with non-compliance with the prohibitions. With resolution no. 132/19/CONS, AGCOM adopted specific Guidelines on the methods for implementing aforesaid Article 9, with which it provided interpretation clarifications regarding the areas of application in subjective, objective and time terms of the measure, and offered to coordinate the new rules with the sector's discipline and with the principles of the constitution and of the European Union.

## Market abuse

With Italian Legislative Decree no. 107 of 10th August 2018, the Italian legislator adapted the domestic legislation to the provisions of the (EU) Regulation no. 596/2014 relating to market abuse, adopted to implement the delegation contained in Italian Law no. 163 of 25th October 2017 (2016-2017 European Delegation Law) and that contains measures to amend Italian Legislative Decree no. 58 of 24th February 1998 "*Consolidating Act concerning financial intermediation provisions*", particularly regarding the discipline of the broadcasters and sanctions.

The Decree designated CONSOB as the competent authority for the purpose of correct application of the MAR Regulation, identifying the methods for exercising functions and powers assigned to it and reshaped the apparatus of criminal and administrative sanctions imposed by the Italian Consolidated Law on Finance (TUF) for market abuse.

## 2018 Update to the National Anti-corruption Plan

With resolution no. 1074 of 21st November 2018, the National Anti-corruption Authority (ANAC) definitively approved the 2018 update to the 2016 National Anti-corruption Plan (PNA), which constitutes the first PNA adopted by ANAC following the reform pursuant to Italian Law Decree no. 90/2014.

## New directive on audio-video media services

(EU) Directive no. 2018/1808 of 14th November 2018 containing an amendment to directive 2010/13/EU relating to the coordination of certain legislative, regulatory and administrative provisions of the member states concerning the supply of audio-video media services (audio-visual media services directive) in consideration of the evolution of the market's situations was published in the Journal of the European Union of 28th November 2018. The member states should adopt the legislative, regulatory and administrative provisions necessary to comply with it by 19th September 2020.

The Directive contains new elements, particularly concerning: extension of application of the EU rules established for the audio-visual sector to also the suppliers of video sharing platforms; promotion of European works; limits of advertising crowding; protection of content integrity.

## Programming and investment in European works obligations

Article 1, paragraph 1142, letter a) of Italian Law no. 145 of 30th December 2018 containing "*State budget for financial year 2019 and multi-year budget for the 2019-2021 three-year period*" delayed until 1st July 2019 the deadline starting from which the suppliers of audio-video media services are required to comply with the specific programming obligations and investment in European works provided for by Italian Legislative Decree no. 204 of 7th December 2017 (*Reform of the legislative provisions regarding promotion of European and Italian works by suppliers of audio-video media services in accordance with Article 34 of Italian Law no. 220 of 14 November 2016*), adopted in implementing Italian Law no. 220 of 14th November 2016 containing "*Rules regulating cinema and the audio-video sector*".

With resolution no. 595/18/CONS of 12th December 2018, the Italian Communications Authority adopted the Regulation on programming and investment obligations in favour of European works and of works of independent producers, subsequently updated by resolution 24/19/CONS of 22nd January 2019 to adapt it to the postponements of deadlines described above (from 1st January to 1st July 2019).

Finally, the Authority, with resolution no. 74/19/CONS, adopted the "*Regulation regarding classification of the audio-video works created for the web and of the video games pursuant to Article 10 of Italian Legislative Decree no. 203 of 7 December 2017*", which on the other hand set up a technical co-regulation round table to adopt specific guidelines.

## Non-financial statement and social reporting

In compliance with Italian Legislative Decree no. 254 of 30th December 2016 regarding the reporting of non-financial information and information on diversity by some companies and some large groups (as implemented by Consob resolution no. 20267 of 18th January 2018), Rai has prepared the consolidated non-financial statement regarding 2017 and containing the specific contents required by the Decree (on environmental, social personnel, respect for human rights, fight against active and passive corruption topics with reference to which, if the entity does not practice policies, provides clear and well-structured grounds) and, to supplement them, the information specified in Article 12 of the Agreement and in Article 25, letter l) of the service contract regarding social reporting.

The appointment for certification of the completed preparation of the statement, and concerning the conformity of the information provided with the requirements set out in the Legislative Decree, also with reference to principles, methodologies and method of drafting was given to the external auditor PricewaterhouseCoopers SpA under a limited assurance engagement.

*If on the one hand this favoured the reduction of the evasion phenomenon, on the other recovery of the contributions from the licence fee otherwise not collected evidently offset only partly the lower revenue coming from reduction of the unit amount of the licence fee, set at €90 a year in 2017”.*

Article 1, paragraph 1073 of Italian Law no. 145 of 30th December 2018 containing “State budget for financial year 2019 and multi-year budget for the 2019-2021 three-year period” (subject matter of CONSOB’s attention drawn on 28th February 2018 to the DNFs that will be published starting from 1st January 2019) later established, in order to reinforce the reporting of non-financial information and information on diversity by certain companies, which not only the main risks generated or sustained connected with environmental, social, personnel, respect for human rights, fight against active and passive corruption are explained in the non-financial statement, but also the methods for managing them.

### **Integrated communications system**

With resolution no. 9/19/CONS, AGCOM explained the results of the process to assess economic dimensions for the year 2017.

What emerged from the analysis is that for 2017 no operator realised revenue higher than the limits pursuant to Article 43, paragraph 9 of the Consolidating Act concerning audio-video media services, i.e. 20 percent of total revenue of the integrated communications system.

The Authority reported for 2017 a 2.9% reduction of the value of the free-to-air audio-video media services compared to 2016. This trend “*arises from a negative change of both advertising sales (a little higher than €3 billion, -1% compared to 2016), which represents the main source of funding for the sector, and above all resources coming from the licence fee paid by the citizens for the possession of television sets (€1.7 billion, -6.8% on 2016). Specifically, the evolution of this latter revenue component expresses the changes introduced to the methods of collecting the licence fee and the unit amount (which was downgraded also in 2017). In this sense, already starting from 2016 the amount of the licence fee was included in the electricity bill.*

## Corporate Governance

### Election of the Board of Directors member by the employees' assembly. Renewal of the Board of Directors

The management body of the Company adopted the Regulation to elect the Board of Directors member designated by the Rai employees' assembly in observance of what is sanctioned in Article 49, paragraph 6 of the TUSMAR, as amended by the Rai Reform Law, and the organisation of the connected voting procedure, which provided for the appointment of an *ad hoc* Election Commission.

On 18th July 2018, the four members of the Board of Directors selected by the Chamber and the Senate were elected, and on 19th July 2018 voting was held to identify the internal member, with the consequent proclamation. On 27th July 2018, the Council of Ministers designated two members of the board of directors selected by the government upon the proposal of the Italian Ministry of Economy and Finance. On the same date the Annual Shareholders' Meeting appointed the Board of Directors of the Company.

The management body then appointed the Chief Executive Officer upon the proposal of the Annual Shareholders' Meeting and, after the prescribed opinion of the Parliamentary Commission for General Policy and Supervision of Radio and Television Services was delivered, appointed the Chairperson of the Board of Directors, giving him – pursuant to article 26.1 of the Articles of Association, authorisation in the international activities in the area of external and institutional relations and the supervision of internal control activities, without prejudice to the organisational placement of the Internal Audit Department directly under the Chairperson and in functional connection with the Chief Executive Officer.

### Personal data protection obligations

In compliance with the rules of EU Regulation 2016/679 (so-called GDPR, General Data Protection Regulation) Rai appointed its DPO, Data Protection Officer and defined the procedures for managing the obligations introduced by the EU regulation.

### Market abuse

Rai, issuer of financial instruments listed on the regulated Irish market, after having updated the regulations concerning management of the Register of persons having access to privileged information

and the relevant Regulation, formalised an internal operating procedure with reference to the methods of managing the aforesaid information and related flows of information in May 2018.

### Approval of the financial statements

The Annual Shareholders' Meeting of Rai approved the financial statements as at 31st December 2017, drawn up in compliance with the international accounting standards (IFRS) on 26th June 2018.

On the same date the Annual Shareholders' Meeting resolved to supplement the fees of the company PricewaterhouseCoopers SpA for its appointment to audit the accounts for the years 2015-2023 in connection with the expansion of the auditing activity on the annual financial statements of Rai and Group consolidated financial statements, and for the limited audit of the interim financial statements following the audit reform (applied starting from the year ended 31st December 2017).

### Executive responsible for financial reporting

During its meeting of 31st October 2018, the Board of Directors confirmed the Executive responsible already holding the position for the appointment for a period equal to the Board's term in office.

## Corporate Governance Report - the Control Model Governance of Rai and the Internal Control and Risk Management System

### The Internal Control and Risk Management System

Within the scope of the risk control and management tools there are structural similarities of the systems implemented in the various Group companies. The companies have fitted themselves out with their own Internal Control and Risk Management System (SCIGR) that in terms of structure, contemplated roles and operation mechanism appears similar in all associates, as required by the Code of Ethics and inspired by the system currently in effect in the Parent Company.

The SCIGR is “all the instruments, organisational structures, company rules and regulations that enable the company to be managed in a healthy, correct way consistent with company goals established by the Board of Directors, through a suitable process to identify, measure, manage and monitor the main risks, and by structuring suitable information flows to guarantee circulation of information”.

The SICGR is integrated in the most general organisational and corporate governance structures.

An efficient Internal Control and Risk Management system facilitates informed decisions and helps protect corporate assets, the efficiency and effectiveness of company processes, the reliability of financial information, compliance with laws and regulations and the Articles of Association and internal regulations.

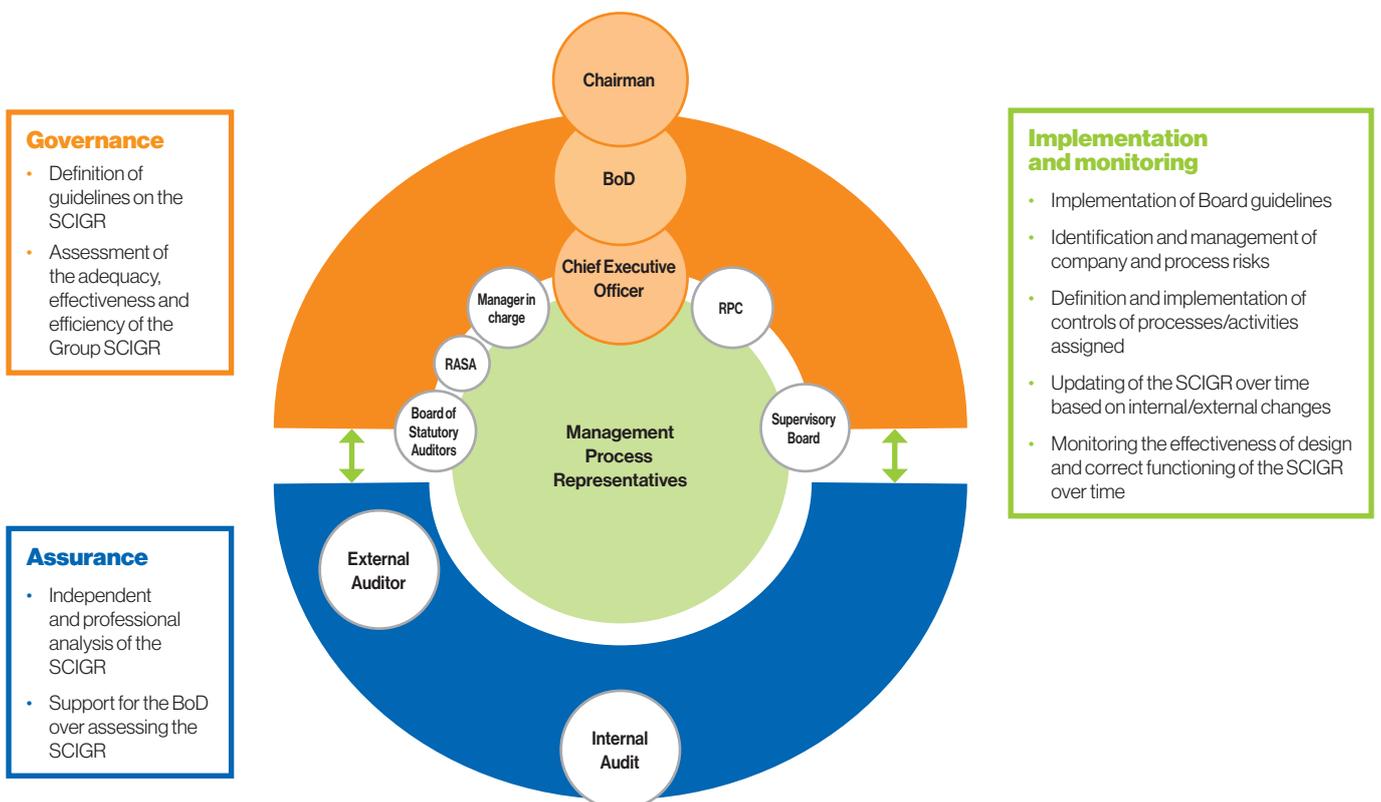
The goal of the System is to mitigate risk by managing it in each process. Rai uses the *Committee of Sponsoring Organizations Report* as its framework of reference, recognised both nationally and internationally for the implementation, analysis and assessment of the Internal Control System.

The internal control activities are broken down on three levels: Management (I level), Management with monitoring functions (II level), Internal audit (III level).

Also considering the noticeable organisational change started in 2017, with Rai becoming an integrated Media Company, during 2018-2019 the risk areas will be updated.

The regulatory framework and device of Rai's SCIGR is mainly represented by:

- Company Articles of Association;
- Service Contract;
- Code of Ethics;



RASA: Manager of the Register for the Contracting Entity  
 RPC: Corruption Prevention Manager

- Organisation, Management and Control Model, pursuant to Legislative Decree 231/2001;
- Three-year Corruption Prevention Plan;
- Regulatory, organisation and powers system of Rai SpA;
- Model for the management and processing of notification of potentially illegal, irregular or reprehensible facts;
- Internal disciplinary system;
- Guidelines on Internal auditing activities, integrating the Guidelines on the Internal control and Risk Management System;
- Regulation for the management and coordination activities performed by Rai on its subsidiaries.

It is also pointed out that during 2018 the main activities on the subject of Internal Control System were:

- optimisation of management of reports with a new procedure later approved in January 2019 by the BoD of Rai SpA;
- harmonisation between the Code of Ethics, Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001, Three-year Corruption Prevention Plan (PTPC) and Plan for Transparency and Company Communication (PTCA), with particular reference to the activities pertaining to revision of the *"Protocol on the awarding of collaboration tasks"* and harmonisation between the PTPC and the document *"Criteria and procedures for recruiting personnel and awarding collaboration tasks"* provided for by the Rai Reform Law, introduction of a new *"Protocol on the progress of personnel"* and definition of the *"guidelines for personnel rotation"* implementing the corresponding protocol, and the issue of the *"Criteria and methods for managing statements of non-awardability and incompatibility"*;
- training and sensitisation of management and employees, to reinforce the control structure and support ongoing improvement of management processes with stimulus for information and training activities concerning Legislative Decree 231/2001 and Law 190/2012 which involved the provision in 2016 and 2017 of E-Learning courses on anti-corruption and the Organisation, Management and Control Model, for all personnel, each lasting about 4 hours. During 2018, the training plan started before in earlier years continued, addressed to all Rai employees that, in addition to the above-mentioned E-Learning courses, entailed specific classroom course for new recruits (activity that will continue in 2019) and that regarded both changes in legislation and the update of the PTPC.

Through a periodic email (in the form of newsletter) the "Anti-corruption Representatives" and the "RPCs of the Group Companies" are brought up to date on the key internal activities/ initiatives undertaken on the subject of Anti-corruption and Transparency and the relevant new legislative and regulatory changes.

The classroom seminars and multimedia update segments were organised for mandatory use with attendance recorded. For more effective use, the classroom seminars generally regarded the Company's Control Governance Model and the major organisational adaptations that affected the Company and the PTPC. Furthermore, topics linked to protecting the employee that reports criminal acts (whistleblowing) and the conflict of interest topic were discussed in depth.

The path taken to reinforce Rai's SCIGR pointed to the need to have a unique methodology of reference and an integrated risk identification and management model that offers an overview of the Company's phenomena, their improved monitoring and attainment of an adequate overall risk profile.

Therefore, during the second half of 2018 an Integrated Risk Assessment project extended to an overview of the Company's risks (compliance and operational) was started up following the request of Top Management and is expected to end during 2019.

The Integrated Risk Assessment Project involves updating anti-corruption risk areas and those tied to observance of the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01.

Through this initiative, Rai further contributes to reinforcing the risk management culture through enhanced awareness of management and of the employees, and to the progressive structural strengthening of the SCIGR and the measures to prevent risks of corruption.

## The Code of Ethics

The Code of Ethics regulates all the rights, duties and responsibilities that Rai has with the stakeholders it interacts with when performing its activities. It is addressed to the corporate officers, the Chief Executive Officer, the senior managers, employees, collaborators and everyone that has business and/or financial relations of any type with Rai or that act on its behalf on the basis of specific mandates.

The Code of Ethics was drawn up for the entire Rai Group so is binding for all companies controlled directly or indirectly by the Parent Company. The Code is valid both in Italy and abroad, with any adjustments needed for the different situations of countries Rai operates in, also through its subsidiaries.

The Code of Ethics was updated in 2017 to highlight what was set forth in the Three-year Corruption Prevention Plan (PTPC); also establishing specific information flows between the Stable Committee for the Code of Ethics and the Corruption Prevention Manager.

The Code is broken down into three macro areas:

1. initially, to underscore its importance, eleven principles considered essential by the Group are set forth: correctness and transparency; honesty; observance of the law; pluralism; professionalism; impartiality; value of the human resources; integrity of the people; confidentiality; responsibility toward the community; fair competition;
2. afterwards the general principles of conduct are described, which in agreement with the principles above must tangibly guide Rai's activity: diligence; correctness; good faith and loyalty; information and transparency; protection of the Company's assets; respect for privacy; prevention of conflict of interest; strict policy concerning gifts and acts of courtesy;
3. lastly, the various areas deemed relevant and "critical" from the behavioural correctness viewpoint are specified, as well as specific methods of implementation and the supervisory programme.

In particular, the following are regulated in the Code of Ethics:

- the relationship with personnel, with special attention paid to promoting merit, equal opportunities, occupational safety and environmental protection;
- administrative and financial management, which emphasises the essential role of an internal control system;
- relations with the Public Administration with regard to conflict of interest, risk of corruption and abuse of power topics;
- the relationship with suppliers and collaborators, underscoring the obligations of transparency, correctness and discrimination when selecting the supplier and execution of the contract, and commitment to protecting the ethical aspects;

- the relationship with customers and users, particularly pointing out the obligations required by the Service Contract such as protection of minors and minorities, a socio-cultural function, a varied and quality programming;
- protection of the share capital and of the creditors;
- relations with the other interlocutors, highlighting the obligation of independence from critical subjects such as political parties and trade union organisations.

Monitoring effective compliance with the Code of Ethics and the will to contrast conduct that goes against its principles, formulating amendment proposals based on periodic updating of the Code and assessment of notifications received, are assigned to the Stable Committee for the Code of Ethics, which assures flows of information to the Rai Supervisory Body pursuant to Legislative Decree 231/2001 and periodic reporting on actions taken following notifications received and their results. The Committee also sends the Corruption Prevention Manager the reports received presumably pertaining to corruptive profiles, even only abstract in nature, and informs them of their result.

The Code also establishes that the Supervisory Body and the Corruption Prevention Manager provide observations on ethical problems and on presumed breaches of the Code of Ethics that could occur as part of their areas of responsibility and that they report any breaches of the Code of Ethics to the Stable Committee for the Code of Ethics.

Other significant aspects to point out are management of the reports (whistleblowing), the sanctions apparatus, communication and the training of personnel on the topic.

### **The Organisation, Management and Control Model**

All companies part of the Rai Group are formally autonomous in adopting their risk control and management mechanisms, and they are bound only to the Code of Ethics, which is valid for all Group companies. What is fundamental, however is the policy function that carries out the crime prevention system of the Parent Company, from which the other companies draw inspiration.

The Organisation, Management and Control Model (MOGC), adopted pursuant to Italian Legislative Decree no. 231 of 8th June 2001

on the subject of administrative liability of entities, contains the description of the procedure and responsibilities for approving, implementing and updating it and provides for control standards and measures in reference to the cases of crimes included in the category of Italian Legislative Decree no. 231/2001.

The Supervisory Body is entrusted with updating this Model and supervises its suitability and effective implementation. A specific team called "*Team 231*", was established in order to prepare the proposals for updating and/or adapting the Model. The most recent update to Model 231 was approved by the Board of Directors of the Parent Company in its meeting of 27th July 2017.

Control standards are prepared based on principles and indications in the Guidelines of Confindustria, and on the best international practices.

The Supervisory Body carries out specific interventions and monitoring in order to check the adequacy of the Model and to ascertain the level of effective implementation and efficiency of the prevention system, and also in-depth study and preliminary investigations on the subject of compliance with the provisions.

Special attention is reserved for the results of audits conducted by the Internal Audit Department and monitoring of the resulting corrective actions identified to improve company efficiency and strengthen controls established to prevent crimes.

Every six months, the Supervisory Body, collectively, sends the Board of Directors, the Board of Statutory Auditors and the Chief Executive Officer a Report on activities carried out and on the other information established by the Model, expressing its recommendations for the best suitability and effective implementation of the offence prevention system indicated in the regulation referred to.

The body currently has three members, of which one a company employee, and falls from office when the Board of Directors that appointed it expires.

During 2018 the Supervisory Body examined the flows of information and communications by the top managers and the reports of company employees and offices, third parties, or anonymous reports. Correspondence is passed in the special electronic mail box dedicated to the Body or by ordinary post.

The Supervisory Body met on a continuous basis and assessed the themes that emerged from the information received, and then took the appropriate measures. In some cases the in-depth studies were acquired by hearing senior managers/top managers of the Company.

The Supervisory Body reported to Top Management in connection with the activity carried out in 2018 with two interim reports. It particularly formulated some recommendations and observations on the main themes of prominence for the continual improvement of the offence prevention system pursuant to Italian Legislative Decree 231/2001 and promoted the start-up of *risk assessment* "231", which Rai then included in the broader integrated *risk assessment* project.

### Anti-corruption

Considering the heavily regulated context in which the Company operates and the business of reference, prevention and fight against corruption are significant themes for all of the Group's companies.

In particular, it is emphasised that Rai has acquired procedural and organisational tools over the years that are able to manage and monitor what is established by the current legislation on the subject, taking into account the variety and breadth of the activities and the mapping of the corruption risks also for their possible application to multiple areas (risks linked to personnel management, awarding works, services and supplies, managing revenues, sales, management of legal affairs, etc.).

Specifically, the monitoring of these themes is handled individually by each Group company: they indeed have their own Three-year Corruption Prevention Plan (PTPC) or an Anti-corruption Policy if integrated with the MOGC, and respectively a Corruption Prevention Manager (RPC) and/or one or more representatives of the Anti-corruption measures.. To this regard, Rai monitors to ensure that the subsidiaries meeting the obligations pursuant to Italian Law no. 190/2012 as far as applicable as part of its management and coordination activity exercised with the subsidiaries and in observance of the logics provided for by the regulation issued on 29th December 2014.

And so, since 2015 the Board of Directors of Rai, in compliance with Italian Law no. 190 of 6th November 2012 containing "*Provisions for preventing and repressing corruption and crimes in the Public Administration*",

appointed the Corruption Prevention Manager and adopted the 2015-2017 Three-year Corruption Prevention Plan (PTPC) of Rai SpA, then submitted to ANAC, which also indicates implementing principles and criteria for the subsidiaries.

During 2016-2018, the PTPC was updated, re-projecting structure, method and logic. The most important amendments introduced were made taking into account the progressive state of implementation of the planned initiatives, goals and priorities set by the Top Bodies, the instructions provided by ANAC and MEF or other Authorities, the changes in law, the business, organisational and procedural changes that took place in the Company's structure and specifying consequent measures to take, including any actions for improvement and implementation deemed advisable by the Corruption Prevention Manager, adapting the regulatory framework of reference with the Company's management autonomy.

The corruption risk identification, assessment and management process is clearly identified in the PTPC, published on the institutional website and to which the reader is referred for more details, and the possible areas of risk that can be linked and the probability and impact assessment indexes based on the Control Risk Self Assessment performed in 2015 are analytically listed in it.

Identification of the risk areas and of the related activities was periodically monitored within the scope of the Annual Information Forms drawn up by the single Anti-corruption Representatives during the years from 2016 to 2018 if it was requested to confirm the overall mapping for the areas of competence and related risk assessment. Moreover, in the perspective of monitoring these Areas on an interim basis, specific flows of information going to the RPC from the Representatives in charge were made operational.

In the period 2018-2019 an update of the anti-corruption risk areas was started and is in progress. This update was carried out as part of the overall Integrated Risk Assessment project, described previously, whose goal is to identify, assess and manage also the company risks tied to observance of the Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/01.

The goal is also that to implement an internal control and prevention system integrated

with other systems adopted by the Company, taking the opportunity, indicated in Italian Law no. 190/2012, to introduce new measures and/or strengthen existing ones through a coordinated action, to contrast corruption and illegality more effectively.

In particular, the PTPC currently adopts the following intervention tools supporting risk prevention:

- transversal control principles that apply to all processes and the Company areas;
- specific protocols for the "General Areas" set out in the PNA;
- anomaly indicators, identified on the basis of experience/knowledge and that can stimulate management to pay more attention to its activities.

During 2017, consistent with the organisational changes, the function of Anti-corruption Representative was reformulated. As of today, it is covered by the heads of Top Management organisational structures (those reporting directly to the Chairperson, the Chief Executive Officer, Chief Officers and all Management heads), the Heads of Regional Offices and of the Regional Editorial Offices of Regional News, the Heads for foreign Correspondence Offices and the Heads of the TV Production Centres of Rome, Milan, Naples and Turin. This function can be redefined by virtue of the organisational development.

To further enhance these roles and update them continuously, we have finalised a periodical newsletter system and a specific dedicated area on the Company intranet network containing important data, documents and information on anti-corruption and transparency, with a section reserved for managers and one accessible to all employees.

Moreover, during the year, several training sessions were held to cover the entire company population (also through e-learning) targeted at analysing corruption prevention and enabling personnel to understand the contents and updates of the aforementioned Three-year Plans.

For what concerns transparency, considered by the National Anti-corruption Plan as one of the main anti-corruption levers and measures available to the Company, Law 220/2015 on Reform of the Rai and the Public Broadcasting Service contained significant innovations on the subject of company transparency. Consequently, on 28 May 2016 Rai prepared and adopted the Plan for Transparency and Company

Communication establishing the criteria and methods for defining, publishing and updating the data, documents and information set forth in regulations in force and that assigns the role of Head of Transparency to the Chief Executive Officer. That data was published on the Company website in the section called "*Rai for Transparency*" as of 25th July 2016.

In April 2018, the Company updated the Plan for Transparency and Company Communication and the data and information required on at least an annual basis by Article 49-bis of Italian Legislative Decree 177/2005.

In 2018, no certified cases of corruption were found.

During its 24th January 2019 meeting, the Board of Directors approved the Three-year Corruption Prevention Plan for 2019-2021 (the one for the period 2018-2020 was approved at the meeting of 30th January 2018) and the update of the document "*Procedure for managing and processing whistleblowing (also anonymous reports)*", also in light of the new legislation introduced on the subject with Italian Law 179/2017 containing "*Provisions for protecting whistleblowers of offences or irregularities of which they become aware in their public or private employment*" (with reference to which, with its resolution 1033/2018, ANAC adopted the "*Regulation on exercising power concerning sanctions within the scope of employment pursuant to Article 54-bis of Italian Legislative Decree 165/2001*", later amended with resolution no. 312 of 10th April 2019).

### Identification and Management of Risk

The path taken to reinforce Rai's SCIGR pointed to the need to have a unique methodology of reference and an integrated risk identification and management model that offers an overview of the Company's phenomena, their improved monitoring and attainment of an adequate overall risk profile.

Therefore, during the second half of 2018 an Integrated Risk Assessment project extended to an overview of the Company's risks (compliance and operational) was started up following the request of Top Management and is expected to end during 2019. The Integrated Risk Assessment Project involves updating anti-corruption risk areas and those tied to observance of the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01.

Through this initiative, Rai further contributes to reinforcing the risk management culture through enhanced awareness of management and of the employees, and to the progressive structural strengthening of the SCIGR and the measures to prevent risks of corruption.

While waiting for completion of the mentioned project, for the purposes tied to identifying Environmental, Social and Governance (ESG) sensitive areas, note that on the basis of the information currently available, the following company processes might be impacted by ESG risks:

- Risk Management and Compliance;
- Management of Human Resources;
- Company Organisation;
- Purchasing;
- Communications, External and International Relations;
- Health, Safety and the Environment.

Identification was carried out on the basis of the information collected mainly within the scope of a broader project to define the Rai Group Value Chain and to map company processes, in which the main risks in connection with the different company processes were identified, including those already mentioned.

Also driven by compliance obligations, Rai implemented actions in each of the mentioned areas to guarantee that the operational management of the related activities can be considered adequate and in line with the risk parameters known at the time.

This information will be developed, analysed and assessed as part of the aforesaid Integrated Risk Assessment project in order to identify the best management procedures in connection with the level of risk that will be considered acceptable.



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## Other Information

### Human Resources and Organisation

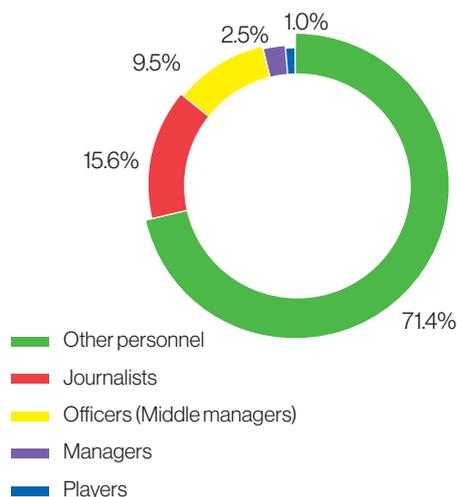
The strategies for managing and developing the Company's human capital, organisational structure, design and operation of the processes are implemented in line with the vision, value and culture of the Rai Group.

The human resources management, development and *compensation* activities and those connected with the management of the supplementary resources employed with artistic, self-employment and temporary contracts are implemented according to *performance management* models and in a *HR business partner* perspective, guaranteeing correctness of industrial relations and ensuring observance of the labour legislation and inspectorate functions.

The Human Resources activities concern the development of the organisational structure, design functions and operation of the processes, support computer systems, monitoring of the administration activities and management of the remunerations, labour cost dynamics and optimisation and control functions connected with the activities of the personnel. Furthermore, the training activities and the personnel search are carried out by Rai Academy, which works with the objective of developing the knowledge hub and of aligning development of the skills with the Company's strategies.

Analysing numerical details, the Rai workforce, including top management with fixed term contracts, went from 11,055 units at the start of the year to 11,152 at the end of December 2018. The graphs show the division by macro categories and gender.

#### Workforce by macro categories



Movements recorded 682 terminations of which 48 for having reached pension requirements, 6 for intra-group mobility, 603 for consensual termination, resignation and incentives, and 779 hired.

Those hired can be detailed by the following motives: 498 to stabilise fixed term personnel; 33 for intra-group mobility; 12 reintegrated following litigation; 236 (of which 215 with professional training apprenticeship) for entries aimed at reforming the workforce due to turnover, at strengthening several structures or due to new requirements.

During 2018, a redundancy incentive plan for middle managers, office staff and workers, and for orchestra musicians on a voluntary basis was started in a logic of continuity with the cost rationalisation and organisation streamlining process previously started with the plan set in place for executive personnel at an earlier date.

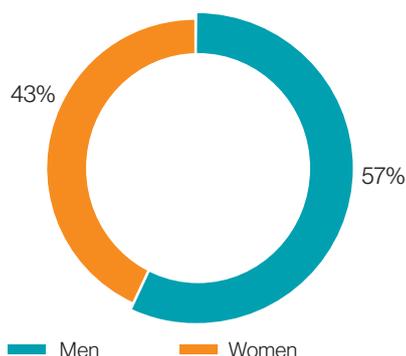
Approximately 800 employees showed interest in the initiative and 538 units joined the plan at the end of the process.

To meet the consequent headcount critical issues arising from the exits and from the prior production/organisational needs, selective initiatives for young diploma holders (office staff, programme assistants, production technicians, technicians and ICT technicians) and university graduates (in engineering and economics) and for production specialists were started up. Hiring started in the second half of 2018 with the professional training apprenticeship contract pursuant to Article 10 of the Rai collective labour agreement (CCL) for middle managers, office staff and workers. Additional initiatives will be later started up during 2019.

Residual recourse is made to fixed term contracts, limiting them to workers belonging to the mandatory placement category (units for which there are hiring obligations in a percentage of elements in service, and commitments taken with the signing of the agreement in April 2017 with the Metropolitan City of Rome) and to application of the so-called "widows/orphans" agreement providing for the hiring of widow(er)s and orphans of employees who died while employed, in the presence of specific situations.

In order to develop resources and in light of the recent regulatory amendments on the subject of temporary labour, the fixed term hiring of temporary workers belonging to the professional labour market (whose

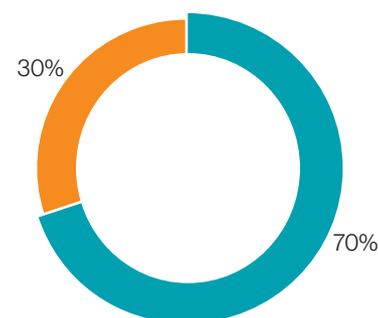
Division of workforce between men and women



Division of recruitment between men and women



Division of terminations between men and women



stabilisation was planned by the end of March 2019) were brought up to 2018 and the remaining workers profitably employed on a temporary basis in the Company are planned to be stabilised within the total 24 months of use.

In 2018 actions to rationalise resources continued; privileging internal mobility, even by use of job posting and the reconversion of professional profiles, depending on the specific production and organisational needs.

In the second half of the year, again with a view towards development, an assessment initiative for the FSupsers was started – similar to what was done in past years – with the goal of getting a mapping of the skills considered key in order to more effectively and profitably manage the future professional development of the resources involved.

As regards the **artistic resources**, the compensation levels relating to external collaborations were maintained, especially with reference to those that had been cut in past years.

During the second half of 2018 efforts continued to be put forth to tangibly apply the provisions contained in the BoD resolution of 14 June 2017 “*Comprehensive plan of criteria and parameters for the identification and compensation of contracts with services of an artistic nature*” in relations between Rai and the external collaborators with compensation higher than €240,000. In particular, the compensation accrued by the collaborators affected by the measure were monitored with a view to project future commitments in order to assess the feasibility of renewing contracts in observance of the annual compensation “threshold”.

As regards the casting activities, contestants, actors and columnists were selected for 16 television productions, as well as actors to be used for TV advertising on behalf of Rai Pubblicità. The Company has a database that increased in 2018 with the auditions of 7,408 potentially usable resources.

As for the **organisational structure**, in 2018 the technological section entrusted to the responsibility of the Chief Technology Officer was reorganised with the following operations:

- formation of the *Platforms and Distribution* Department coming from the former *Satellites Service*, with the scope of skills increased in order to ensure the integrated development of distribution over all the Networks, platforms and receivers to implement obligations arising from the Agreement and from the Service Contract according to the company positioning in the communication market objectives and the related need to monitor the switch-over strategies regarding the change from the current digital television broadcasting standard to DVBT2 planned for 2022;
- revision of the internal structure and responsibilities of the *Frequency Planning and Spectrum Management* Department, which took on the new name *Broadcast Services and Frequencies Management*, in connection with the need for an even more effective governance of the broadcast service contracts and a better ability to check the quality of the services provided;
- merging of the activities related to the mobile telephony services with the consistent updating of the organisational responsibilities assigned to the Department;

- revision of the general structure of the *Security & Safety* Department in order to guarantee integrated management of several themes by collecting security activities all together in a single line structure and an overall streamlining of the structure, together with renaming the Department *Safety & Security*;
- creation of two areas reporting to the Chief Technology Officer, *CTO's Staff and Coordination of Standardization Activities and Special Projects*, with the key goals of supporting the CTO for the activities of interfacing, coordinating, standardizing, technical support and consolidating activities and contributions of the Departments working in this area.

Please note, at a different level, more specific actions to optimise the organisational structure to both rationalise Departments and their organisational structures, and to complete the frameworks of the structures, missions, responsibilities and job descriptions. In particular, it is worth mentioning:

- the revision of the organisation and responsibilities of the Rai 1 Department in order to reinforce the *Economic and Media Planning* staff that supports the editorial staffs;
- the revision of the organisation and responsibilities of the *Regional News* in order to reinforce the mechanisms for monitoring and coordinating the job order and production resources budget, as well as for managing the programming and other support activities;
- the evolutionary revision of the organisational structure of the *Radio* Department concerning the *Radio Marketing, Radio Programming and General Affairs* areas for a more functional distribution of skills, and a more precise allocation and clarification of responsibilities;
- the update of the organisation and responsibilities of the Rai 3 Department that concerning the renaming of several programming and staff structures, creation of the *Information* structure, optimisation of the *Production Cores*;
- the reorganisation of the *Prix Italia* structure aimed at stating the responsibilities in a clearer and more detailed manner;
- the reallocation of the responsibilities pertaining to social reporting in the *Finance and Planning* Department at the *Social Reporting* structure, now directly reporting to the Chief Financial Officer - Head of Finance and Planning.

With reference to Italian Law 220 of 28 December 2015, the Rai Articles of Association and what was resolved by the Board of Directors on 31 July 2018, the structure and organisational responsibilities of the *Governance and Corporate Secretariat* Department, directly reporting to the Chief Executive Officer, were updated.

Again as regards the top management, please also note that positions directly reporting to the Chief Executive Officer for specialised technical support in editorial activities, communication, corporate activities and relations with the Mastheads were assigned and the mission of the *Chairperson's Staff* was extended.

The organisational responsibilities of *Digital Inclusion* in the Chief Digital Officer's area were defined.

As regards the corporation operation processes, during 2018 the activity to revise and improve the operation processes continued (such as management of payments of licence fees, concessions and administrative fees due by the RF and TV network operations, the games or prize competitions management procedure, the flow of the *Product Placement and Branded Content* process), as well as preparation of specific procedural specifications and operating instructions on the processing and protection of personal data (management of claims to exercise the rights of the interested parties, application of the *privacy by design* and *privacy by default* principle, *data breach* management and notification, methodological guidelines to conduct the *risk assessment* and *data protection impact assessment*) that fall under the set of initiatives to fulfil the provisions of the new EU Regulation no. 2017/79 (so-called GDPR).

Procedural support for defining the methods of managing the scheduling of works and purchases of supplies and services, technical extensions in the course of carrying out tender procedures, and statements provided to the media was also provided.

Lastly, the project to assess all corporate organisational positions on the basis of consolidated and internationally recognised methods was completed.

As for the *industrial relations*, the agreements for contractual renewal were signed following a lengthy negotiation with the trade unions representing Middle Managers, Office Staff and Workers, and Orchestra Musicians, on

28th February 2018 and 28th June 2018, respectively, both applicable for the 2014-2016 three-year period and, exceptionally for 2017 and 2018 as well.

With regard to the economic portion, a sign to the workers hired with a fixed term contract after 6th April 1995 was given for the first time in a solidarity perspective (and therefore, with two-year increases limited to 5) through a higher increase of the minimums; with reference to the regulatory portion, major institutions were updated to meet the regulatory changes that took place over the years (with particular attention to protection of parenthood, civil unions and illness). Particularly significant are the innovations introduced on the subject of personnel classification through: the reduction and simplification of professional profiles; the updating of all brief descriptions of the professional profiles, also in consideration of the evolutions linked to the technological innovations; the identification of the additional specialisations/activities in the editorial field and of the flexibilities mainly tied to use of the new technologies, both as elements for professional development and as tools to reduce contracts and collaboration agreements; the standardization of the development process for all non-worker profiles, tied to the required educational qualifications (diploma/university degree).

In the second half of the year, discussion was launched with the trade unions for the middle managers, office staff and workers within the scope of the "National Observatory" set up by the contractual renewal agreement to define applicative questions, and a new agreement on the subject of performance-related pay was signed on 13th December 2018.

On the journalistic front, on 13th March 2018 Rai – Unindustria Rome and Usigrai – FNSI signed the agreement to extend the Journalists National Labour Agreement to Rai and several specific agreements were signed in view of the subsequent discussion on renewing the Rai – Usigrai Addendum Agreement; also in this case, with reference to the minimums, the parties adopted a solidarity criterion in favour of the personnel hired after 6th April 1995.

With reference to the TGR, discussion on the project to provide regional information on the web and on the social network platforms continued by identifying additional editorial staffs in which testing can be started (Bolzano, Campobasso, Rome and Trento), as well as management of the online switch-

over in the Venice and Trieste editorial staffs at the end of the testing phase.

As regards the topic of journalism outside of the journalistic mastheads, a comprehensive analysis of the activity carried out in these contexts by resources employed with non-journalist contracts was made, and its results are currently being discussed with the trade union.

The methods of applying rules on the temporary labour agreements contained in Italian Law Decree no. 87 of 12th July 2018, converted with amendments by Italian Law no. 96, the so-called "*Dignity Decree*", of 11 August 2018 to workers already used on a temporary basis by Rai, with a fixed term stabilisation timetable set, were defined for all personnel categories in October with trade union agreements.

Furthermore, in July the Addendum Agreement for the executive personnel relating to the 2017-2019 three-year period, focused on implementation of a corporate welfare plan and definition of an MBO plan, was renewed in July.

As regards the **labour disputes**, 35 settlement reports were signed with the unions to close 21 cases pending and to prevent 14 potential disputes. Furthermore, support was given to settle 32 positions in court, assessing the settlement conditions of each applicant.

360 precautionary transactions were formalised with the same number of workers encouraged to leave (whilst defining 6 pending cases and 15 out-of-court claims), and then executing (most of which with career rebuilding) 27 final sentences, to avoid appeals as to *quantum*.

As part of the usual labour and welfare interpretation activity, in 2018 assistance was provided when drafting the new national labour agreement for several eminently regulatory subjects (illness, maternity, part-time, etc.) and instructions for applying the new discipline on the subject of using parental leave "by the hour" were provided. Other activities regarded the update of the provisions on employees using annual leave; the introduction of the innovative contractual format for smart working; the application of the new temporary labour agreement discipline ("*Dignity Decree*") and on the most important new changes regarding retirement.

Consultancy on the discipline of incompatibility and jobs of employees outside of Rai is constant.

Reporting on the processing of personal data for employees following the coming into force of EU Regulation no. 679/2016 on the subject of privacy was also adapted by reassessing, among other things, the criteria for keeping and filling the personnel file.

The complex interpretation and application work on the subject of the novelties introduced due to the interpretation put forward by INPS on extending the illness contribution, and related indemnity, to office staff and the like continued, with cases of general interest resolved and operating instructions for the personnel offices prepared.

As regards **internal communication** activities, in April 2018 the new portal of the RaiPlace company intranet was released with the goal of giving people greater centrality, partnering traditional corporate communication with a flow of information on professional opportunities, benefits, agreements, events and recreational activities.

As for **administration and systems**, the activities continued in observance of the rules set by regulatory – legislative and contractual – provisions – or by individual agreement; economic treatments were adjusted following management measures or execution of legal and/or settlement measures and the new payslip procedures relating to application of the 2018 Budget Law provisions, as well as the first institutions or lump sums provided for by the union agreements with renewal of the Collective Labour Agreement for Middle Managers, Office Staff and Workers and adoption of the Journalists National Labour Agreement.

Within **the scope of the personnel IT systems**, the *Rai For Me* project was implemented, involving over 1,800 employees as at 31 December 2018. This project based on a profound revision of the processes and work methods involves the digitalisation of the functions at the employee's disposal, first of all that of managing personnel presences and absences. The most immediate result consists of implementing the first totally digital corporate process, including the authorising signatures.

**Rai Academy** brought forward Rai's human capital potential growth process through the discovery, improvement and development of new talents, skills and professional competences.

The 2018 strategic plan was oriented by the following guidelines:

- **Attract, select and develop the best talents**  
During 2018 the Rai Academy selection activities concerned:
  - start-up of selection processes for different professional profiles;
  - the assessment of internal resources in a perspective of professional development and improvement;
  - execution of part of the activities contained in the employer branding plan;
  - integration of students with curricular internships and alternating school with work in the Company.

Five selection initiatives – by public notice – were started for different professional futures (technicians holding diplomas, technicians with university degrees, office staff and programme assistants, university graduates in economics, production specialists), to introduce into the Company with a professional training apprenticeship contract.

All in all, 18,858 candidacies were received, 5,566 candidates were called to a preliminary selection phase (by way of anonymous testing) and 1,192 were assessed. Found to be qualified were 160 technicians holding diplomas, 32 technicians with university degrees, 348 divided between office staff and programme assistants, 70 university graduates in economics and 43 production specialists. The selection activity carried out during the year in terms of volume (candidacies received, interviews held and qualified recruits identified) is comparable to the one carried out comprehensively over the 2015-2017 three-year period.

Related to obligations resulting from Law 68/99 "*Regulations for the disabled right to work*", we assessed 93 resources belonging to protected categories as office employees, programme assistants and production technicians, 64 of which were found qualified.

Several managerial and specialist personnel searches were also made through a head hunting company that generated a total of more than 18,000 candidacies, aimed at identifying two director programme compilers with specific skills in the area of accessibility for sensory disabilities and in the weather field, eight production technicians for the media factory of the Rome production centre, three auditors for Internal Audit, one executive and one data scientist for the Marketing Department, one top

executive for the Digital Department, one executive for Rai 1, three mechanics for the optical-mechanical laboratory of the Rome production centre.

The professional improvement activities for colleagues at TD or TI that were involved in job change processes (17 resources) continued a potential improvement initiative addressed to 29 senior officers was carried out.

As part of the employer branding activity, development of digital channels was started up by activating a page on the social network LinkedIn (achieving a 100% increase of followers during the year and reaching about 85,000 users) and by starting a study on restructuring the [www.lavoraconnoi.rai.it](http://www.lavoraconnoi.rai.it) website.

In parallel, the "in attendance" employer branding activity was carried forward by taking part in career days at several Italian universities (LUISS, Turin Institute of Technology, Bari Institute of Technology, Federico II University, La Sapienza University, Tor Vergata University, Ca' Foscari University, Cusano University) and in a specific contest reserved for management engineering students coming from 9 different faculties, organised at the Parthenope University of Naples. On these occasions the selection team was able to come into direct contact with a total of over 2,000 students and young university graduates.

The good level of attractiveness of the Rai brand towards the external market is confirmed not only by the thousands of acceptances in response to the announcements published, but also by the recognitions achieved during the year. Specifically, Rai appeared with two announcements in the classification of the ten job announcements of LinkedIn (Most Viewed Jobs) that received more candidacies from the over 12 million users in Italy.

Two awards from Universum Global, the Swedish company that is leader in employer branding, were also received. Every year the company conducts a search to identify the most sought-after employers based on the responses collected between over 40 thousand students of 44 Italian universities and between more than 11 thousand professionals that have already been working for at least two years. More precisely, in Universum Global's search Rai ranked second amongst those specialising in classical studies, fourth amongst law students and twenty-first amongst university student that have chosen

business study paths. It is an absolutely outstanding result since its ranking in 2017 was much lower (after the first hundred).

In collaboration with Communications, External, Institutional and International Relations, the *Rai Open Doors* project continued. The project is aimed at welcoming students of all ages so they can become familiar with the company and the professional competences inside it. In this area, 14 school and work alternation projects (Good School Law no. 107/2015) that were launched for the first time at Rai during 2017 were carried out. This initiative, which came to an end in May with a celebratory event held at the Rai Auditorium in Turin, involved 300 students coming from all over Italy, and generated a total of about 15,000 hours of educational workshops.

In October 2018 a new call was published for academic year 2018-2019, which 33 schools from all over Italy accepted and which will end during 2019.

Again within the scope of a view to bring the company and the Italian educational system closer together, please note that during the first half of 2018, 196 curricular interns coming from the major Italian universities (173 students) and from the schools of journalism recognised by the National Association of Journalists (23 students) were accepted.

- **Develop training and orientation actions that help people experience change as protagonists.**

The new training and development strategy features these key actions:

- definition of a catalogue of the training offer;
- creation of the digital training portal;
- definition of the rules for accessing the training activities;
- formulation of the skills model;
- mapping of the skills and knowledge that is already corporate equity through the *online curriculum vitae*.

The first quarter of 2018 was marked by the design and construction of the first Catalogue of the Training Offer, in which all courses planned for 2018 were collected. The visibility and circulation of the Catalogue were ensured by its publication in the web section of the RaiPlace intranet portal in April.

This Catalogue, which meanders through 5 main areas and 18 theme areas, presented a total of 172 courses at year-end 2018. Of these, 94 represent the remote training offer: beside the mandatory courses,

or those available upon request, online courses open to all and *videoclicks*, short informative videos covering the topics of the digital world, were introduced.

The 2018 training offer was, in fact, for the first time distinguished by its possibility to access the so-called microlearning, that is, short multimedia courses helpful for providing streamlined, easy to access and use contents that can be explored as one likes, with the purpose of providing a first learning set with notions, basic concepts and starting points for reflecting on the subjects discussed. Access to the courses, which owing to their format take the name of "training pills", was open to everyone in the company without any need for prerequisites; about 500 colleagues had already completed one or more "pills" by the end of 2018.

The launch of the *Login* campaign was the second big challenge for Rai Academy. *Login* is the path dedicated to personnel hired with an apprenticeship contract and is aimed at initiating the person to Rai and to the development of both basic and job-specific skills. It is a three-year path whose goal is the structured welcome of newly hired personnel, aimed at generating a sense of belonging and at conveying company values and culture, with the ambition of ensuring a unique and quality experience for the new colleagues. The programme was designed with the intention of promoting moments for the new recruit and the Company to exchange ideas and to discuss them.

During the second half of 2018, the apprentices were asked to take part in the *Welcome to Rai* event, during which they received the most important information about Rai, about the culture and the corporate organisation, and about key projects and activities from the highest placed managers and speeches by famous figures of the world of entertainment, who shared their company experience with the audience.

As part of the *Login* project at the end of 2018, over 3,000 training hours, to which more than 1,000 dedicated to training apprentices' tutors so they can all be given the proper tools for welcoming, training and assessing new recruits were added, had been provided.

The additional significant new initiatives of 2018 included the start-up of *Narration Gym*, a path in workshop mode for those colleagues participating in the ideation,

design and execution of the television programmes, with the goal of acquiring experience with the narration structures, inventing stories, writing and assessing cinema or television subjects, formulating television story models.

The path, which began on 26 September, also hosted "experts" of the language of image, such as Italo Moscati and Pupi Avati, in order to enrich the discussion and to settle questions through past professional experiences. 27 colleagues took part in the first edition launched in experimental format..

On the whole, beside the development of a vast online offer, about 55,000 hours of classroom training activities were provided. In this area, beside the usual support to the processes to implement and update computer systems adopted in the company, also the initiatives supporting introduction of new company procedures continued, such as the "collaborators system" and the procurement cycle.

2018 was also marked by several initiatives reserved for the top managers:

- a plenary session on the Rai MOGC pursuant to Italian Legislative Decree no. 231/2001 held by the members of the Rai Supervisory Body and the Internal Audit Department;
- four sessions for the heads, in their role of senior managers for safety, to offer an overview that would adequately take into account the position held and the resulting responsibilities.

As usual, the customary obligatory training activities were held, for example General Training on Safety, training of the First Aid operator teams, courses for Prevention and Protection Service and RLS operators.

In the regulatory area, the massive campaign addressed to all Rai employees on the subject of application and impacts on the routine work activities of the GDPR was noteworthy.

There were many customized initiatives for needs of specific company areas. They included: the training plan for the Internal Audit Department to retain certification of 13 auditors; the execution of ad hoc initiatives for the Purchasing Department in order to get ISO 9001 certification; support to the emerging Data Protection Officer area with targeted initiatives.

Lastly, worthy of note in the managerial training area are the fifth and sixth

editions of the PER.FOR.MA MM (Managerial Training Paths for Middle Management) course, addressed to a group of about 80 middle managers with the goal of developing and aligning common knowledge and methods of managerial action and of promoting people-oriented management approaches in the participants.

During 2018, a total of approximately 78,000 hours of training involving 89% of employees were provided: 26.5% took e-learning courses, 70% attended courses and 3.5% received on the job training.

- **Improve the knowledge of Rai's human capital and development potential**

Starting from 6th April 2018, a unique new online curriculum vitae replacing previous versions diversified by type and content was made available to all employees of Rai and its Associates on the RaiPlace portal. The tool was designed using technologies in line with the market trends and can be used on PCs, tablets and mobile phones, and is also accessible outside the Company.

The different sections of the CV are structured to contain information on the past, present and future of the person, with the goal of rebuilding their professional history, outlining their current profile and having information about their possible abilities and availability. Each employee can, on their own, record their professional experience and skills (both Rai and non-Rai), educational qualifications, certifications, publications, training courses, self-assessments on IT, digital and language skills, personal information and areas of company interest, and annex multimedia materials.

Today all personnel are aware of the tool: more than 10,000 employees have made at least one access, more than 4,600 employees have filled in at least 50% of the sections (of these, about 2,100 employees have completed filling in all basic sections).

The information collected in this manner can contribute toward improving the training plans and can already be used on business intelligence tools available to the Company's management structures.

Filling in the curriculum vitae is preparatory for being able to access the non-mandatory training, to take part in the job postings and for changing jobs.

## Intercompany Relations

In 2018 the Rai Group continued operations based on an organisational model foreseeing that some activities be performed by companies set up specifically.

Relations with subsidiaries and associates are based on normal contracts negotiated at current and market values.

For details on commercial and financial relations with Group companies please refer to what was said in note 18.4 "Transactions with Related Parties" in the explanatory notes to the Separate Financial Statements.

In connection with the company Rai Way, please note that its shares, listed on the screen-based Stock Exchange of Borsa Italiana since 19 November 2014 following completion of the Global Offer, recording a 14.6% drop during 2018 (10.6% adjusted for distribution of the dividend), with performance slightly higher than the market. Rai Way closed 2018 with capitalisation of €1,179.1 million. During 2018, the percentage of Rai Way share capital held by Rai SpA remained stable at 64.971%.

## Additional information

Related to technical needs connected to the obligation to draw up Consolidated Financial Statements, pursuant to art. 16 paragraph 4 of the Articles of Association, Rai avails itself of the right established in art. 2364 of the Civil Code which allows the ordinary Shareholders' Meeting to be called to approve the Financial Statements within 180 days from the end of the financial year.

Lastly, please note that the Company does not have sub-offices pursuant to Article 2197 of the Italian Civil Code, does not own any treasury stock, not even through trust companies or third parties and that, during the year the Company did not either purchase or sell those shares.

## Highlights of subsidiaries

### RAICINEMA

(€/million)	31 December 2018	31 December 2017
Revenue	311.5	321.1
EBIT	25.3	31.7
Profit/(loss) for the year	15.7	21.4
Total profit/(loss) for the year	16.0	21.4
Shareholders' equity	262.2	261.0
Net financial position	(163.4)	(160.4)
Investments	248.6	243.5
Workforce (in units)	151	140
<i>of which fixed-term</i>	19	9

### RAICOM

(€/million)	31 December 2018	31 December 2017
Revenue	49.8	52.1
EBIT	16.5	13.5
Profit/(loss) for the year	11.3	12.0
Total profit/(loss) for the year	11.3	12.0
Shareholders' equity	117.6	118.5
Net financial position	137.2	137.6
Investments	0.3	0.3
Workforce (in units)	105	106
<i>of which fixed-term</i>	4	10

### RAICORPORATION

(USD/million)	31 December 2018	31 December 2017
Revenue	-	-
EBIT	(4.6)	(0.1)
Profit/(loss) for the year	(4.6)	-
Total profit/(loss) for the year	(4.6)	-
Shareholders' equity	(4.6)	-
Net financial position	4.0	4.0
Investments	-	-
Workforce (in units)	-	-
<i>of which fixed-term</i>	-	-

**RAI PUBBLICITÀ**

(€/million)	<b>31 December 2018</b>	31 December 2017
Revenue	639.2	655.0
EBIT	12.1	4.0
Profit/(loss) for the year	8.1	0.5
Total profit/(loss) for the year	8.2	0.5
Shareholders' equity	37.7	29.8
Net financial position	5.6	(3.7)
Investments	1.0	1.8
Workforce (in units)	349	361
<i>of which fixed-term</i>	36	36

**RAI WAY**

(€/million)	<b>31 December 2018</b>	31 December 2017
Revenue	217.9	217.0
EBIT	83.8	81.4
Profit/(loss) for the year	59.7	56.3
Total profit/(loss) for the year	60.1	56.7
Shareholders' equity	180.8	176.4
Net financial position	16.6	(4.8)
Investments	27.0	26.2
Workforce (in units)	615	601
<i>of which fixed-term</i>	13	8

Directors' Report

**BALANCE SHEET TOTALS OF RAI SPA WITH SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES  
AS AT 31 DECEMBER 2018**

<b>Subsidiaries</b> (in €/000)	Rai Cinema	Rai Com	Rai Corporation in liquidation	Rai Pubblicità	Rai Way	Total subsidiaries
<b>Current trade receivables</b>						
As at 31 December 2018	2,522	83,795	-	178,998	2,847	268,162
As at 31 December 2017	3,134	85,422	-	180,812	4,262	273,630
<b>Current financial assets</b>						
As at 31 December 2018	165,677	-	-	-	82	165,759
As at 31 December 2017	161,199	-	-	3,694	-	164,893
<b>Other current receivables and assets</b>						
As at 31 December 2018	5,201	3,780	-	2,922	20,174	32,077
As at 31 December 2017	7,185	3,495	-	15,116	17,311	43,107
<b>Trade payables</b>						
As at 31 December 2018	(11,799)	(7,761)	-	(80)	(66,491)	(86,131)
As at 31 December 2017	(15,907)	(9,018)	-	(68)	(58,558)	(83,551)
<b>Current financial liabilities</b>						
As at 31 December 2018	(2,303)	(134,862)	(3,428)	(5,635)	-	(146,228)
As at 31 December 2017	(788)	(136,440)	(3,314)	-	(76)	(140,618)
<b>Other current payables and liabilities</b>						
As at 31 December 2018	(445)	(6)	-	(3,448)	(2,504)	(6,403)
As at 31 December 2017	(445)	(29)	-	(1,128)	(2,538)	(4,140)

<b>Joint ventures and associates</b> (in €/'000)	Auditel	San Marino RTV	Tavolo Editori Radio	Tivù	Total joint ventures and associates
<b>Current trade receivables</b>					
As at 31 December 2018	-	57	-	110	167
As at 31 December 2017	-	51	1	106	158
<b>Current financial assets</b>					
As at 31 December 2018	-	-	-	-	-
As at 31 December 2017	-	517	-	-	517
<b>Other current receivables and assets</b>					
As at 31 December 2018	-	-	-	-	-
As at 31 December 2017	-	-	-	-	-
<b>Trade payables</b>					
As at 31 December 2018	(1,977)	-	-	(415)	(2,392)
As at 31 December 2017	-	-	(477)	(416)	(893)
<b>Current financial liabilities</b>					
As at 31 December 2018	-	(70)	-	-	(70)
As at 31 December 2017	-	-	-	-	-
<b>Other current payables and liabilities</b>					
As at 31 December 2018	-	-	-	-	-
As at 31 December 2017	-	-	-	-	-

**INCOME STATEMENT BALANCES OF RAI SPA WITH SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES AS AT 31 DECEMBER 2018**

<b>Subsidiaries</b> (in €/000)	Rai Cinema	Rai Com	Rai Pubblicità	Rai Way	Total subsidiaries
<b>Revenue from sales and services</b>					
As at 31 December 2018	13	61,721	552,760	-	614,494
As at 31 December 2017	10	60,470	568,639	55	629,174
<b>Other revenue and income</b>					
As at 31 December 2018	3,686	3,984	3,534	10,654	21,858
As at 31 December 2017	3,625	4,279	3,407	11,041	22,352
<b>Costs for the purchase of consumables</b>					
As at 31 December 2018	-	-	-	-	0
As at 31 December 2017	-	(2)	-	-	(2)
<b>Costs for services</b>					
As at 31 December 2018	(278,014)	(8,384)	344	(206,905)	(492,959)
As at 31 December 2017	(284,993)	(10,988)	309	(203,340)	(499,012)
<b>HR expenses</b>					
As at 31 December 2018	1,020	968	1,106	364	3,458
As at 31 December 2017	1,188	600	1,629	565	3,982
<b>Other costs</b>					
As at 31 December 2018	-	(390)	-	-	(390)
As at 31 December 2017	-	(387)	-	-	(387)
<b>Impairment of financial assets</b>					
As at 31 December 2018	-	(23)	-	-	(23)
As at 31 December 2017	-	-	-	-	-
<b>Depreciation, amortisation and other write-downs</b>					
As at 31 December 2018	-	-	-	-	-
As at 31 December 2017	-	192	-	-	192
<b>Financial income</b>					
As at 31 December 2018	17,840	11,556	21	35,804	65,221
As at 31 December 2017	50,013	7,780	31	27,162	84,986
<b>Financial expense</b>					
As at 31 December 2018	(71)	-	-	-	(71)
As at 31 December 2017	(8)	-	-	(13)	(21)

<b>Joint ventures and associates</b> (in €/'000)	Auditel	San Marino RTV	Tavolo Editori Radio	Tivù	Total joint ventures and associates
<b>Revenue from sales and services</b>					
As at 31 December 2018	-	-	-	564	564
As at 31 December 2017	-	-	-	537	537
<b>Other revenue and income</b>					
As at 31 December 2018	-	22	7	45	74
As at 31 December 2017	-	25	7	45	77
<b>Costs for the purchase of consumables</b>					
As at 31 December 2018	-	-	-	-	-
As at 31 December 2017	-	-	-	-	-
<b>Costs for services</b>					
As at 31 December 2018	(7,930)	2	(661)	(1,660)	(10,249)
As at 31 December 2017	(7,937)	3	(477)	(1,663)	(10,074)
<b>HR expenses</b>					
As at 31 December 2018	-	170	-	-	170
As at 31 December 2017	-	169	-	-	169
<b>Other costs</b>					
As at 31 December 2018	-	-	-	-	-
As at 31 December 2017	-	-	-	-	-
<b>Impairment of financial assets</b>					
As at 31 December 2018	-	-	-	-	-
As at 31 December 2017	-	-	-	-	-
<b>Depreciation, amortisation and other write-downs</b>					
As at 31 December 2018	-	-	-	-	-
As at 31 December 2017	-	-	-	-	-
<b>Financial income</b>					
As at 31 December 2018	-	13	-	-	13
As at 31 December 2017	-	6	-	-	6
<b>Financial expense</b>					
As at 31 December 2018	-	-	-	-	-
As at 31 December 2017	-	-	-	-	-

## Important facts occurring after the financial year ended

### 2019-2021 Business Plan

In its meeting of 6th March 2019, the Board of Directors approved the Business Plan in which – in addition to the strategic initiatives that will guide the Company's evolutionary path being outlined – the evolution of the world of media and how these changes impact the future of Rai was extensively discussed.

The scenario in which Rai operates is profoundly changing and it is just as evident that Rai is a subject that cannot and must not make moves only based on market logics. Its Public Service nature, in fact, gives it a peculiar and delicate position not only for the importance that the programming quality holds, but also for the stimulus role that Rai is called upon to play in order to drive the entire audio-video production segment in Italy. Rai is given a number of challenging and fundamental objectives for its Public Service role: from protecting pluralism and minorities to social inclusion and its role of driving force of technological change.

The Business Plan, sent to the Ministry for Economic Development for its determinations, is therefore ambitious because it carries with it the duty to focus all the tasks entrusted to Public Service and at the same time because it plans to take Rai back to being protagonist also in the digital world in which by now new, important and aggressive competitors are operating.

The path of change awaiting Rai includes the need to win some essential challenges to redefine its positioning and the way it stays on the market: first of all, that of improving the understanding of the users' needs to best play its Public Service role. Intercepting the habits and interests of the young generations that are not particularly fond of TV as their media of reference is instead important for "winning over" the consumers of tomorrow and for bringing Rai's offer more into line with the expectations of this audience, steering them from the traditional offer in which Rai is leader to that digital offer in which we have to still grow.

Other major challenges are: the digitalisation of the offer in order to recover the gap in the market, particularly on the News Area; the formulation and production of innovative and distinctive contents specially studied for the digital platforms, in this way disengaging

ourselves from a culture until today not surprisingly focused on broadcasting; an organisational change that facilitates the path of change and optimisation of the resources; and lastly, in terms of return to the audience, management of the expansion of scope provided for by the Service Contract, resources being equal, by revising the production models and, in particular, the internal relationship between publisher and production.

In a nutshell, the Plan – on the basis of the many things that have been done in recent years, also in terms of digitalisation of the offer – meets the goal of managing Rai's switch-over as a Public Service media company to digital driver, focusing on 4 areas of transformation:

- a) *Focus on users and content* – groups the initiatives that aim at creating the operational and organisational preconditions for completely and effectively monitoring interaction with the users, at optimising investments in content and at making the production of national content an element differentiating us from the competition as regards what is offered by the international groups.
- b) *Fill the Digital Gap* – includes the initiatives that allow the News offer to be developed on the digital front and the editorial offer on the new digital platforms while innovating contents and technological functions of the digital distribution platforms.
- c) *Fund the transformation* – contains the initiatives that will contribute towards identifying the resources for funding all of the other strategic initiatives on which the development perspectives of the 2019-2021 Plan and compliance with the obligations of the Service Contract are based.
- d) *Monitor the qualifying factors* – is the container of strategic initiatives that in the plan will ensure the presence and effectiveness of all the resources (technological, real estate, human) necessary to allow Rai to start up and govern the transformations represented by the strategic initiatives.

The basic philosophy of the vision at the heart of the Plan therefore meets the need to change in order to continue to be the point of cultural reference of the country, by innovating local identities and needs for inclusion and for supporting the Italy system also abroad in observance of the limitations of the Service Contract.

### Setting of television licence fees

On 4th February 2019, the decree of the Ministry for Economic Development dated 28 December 2018 was published in the Official Journal, containing provisions for "Special television licence fees for 2019". The decree sets for the current year the amounts of special licence fees for the possession of radio receivers or television sets on non-household premises and of special licence fees for the possession of radio receivers or television sets in cinemas, theatres and comparable premises, in accordance with the amounts set forth in tables 3 and 4 annexed to the ministerial decree of 29th December 2014.

### Measures regarding Company personnel

When the management body of the Company gave its favourable opinion at the meeting of 24th January 2019, Rai updated criteria and methods for recruiting personnel and for giving external collaborators appointments.

Furthermore, in implementing Article 24 of the 2018-2022 Service Contract the Board of Directors approved the "Human Resources Management and Development Plan".

### Foreseeable evolution of management

Global economic activity has significantly weakened during the latest quarters as it was held back by trade tensions and therefore by fears tied to the protectionist orientation of trade policies, the slowdown of the Chinese economy and the drop in confidence of companies, namely by the assessments on conditions for investing.

The growth projections for the year in progress were revised downward in the major Eurozone countries; ECB estimates state that the reduction for the area as a whole is 0.6 percentage points between December and March. The cyclical phase is unfavourable above all in the manufacturing sector, particularly significant in Germany and, due to the inter-relations between the economies of the two countries, in Italy.

These economic trends have driven key observers to downscale the growth projections for this year to figures falling between -0.1 and 0.2 percent.

The most recent information provides a few signs of improvement. The good result of industrial production in February suggests that growth of the GDP might be resumed in the first quarter; other indicators however remain weak.

In this scenario, the Group economic-financial projections for the year 2019 as regards business continuity – taking into account an early estimate of the resources assigned to the start-up of implementation of the 2019-2021 Business Plan, including the obligations arising from the Service Contract, and also in the presence of benefits expected from widespread cost rationalisation interventions – point to a slight loss.

Debt should stay at sustainability levels, although it is on the rise due to the initiatives connected with execution of the Plan.



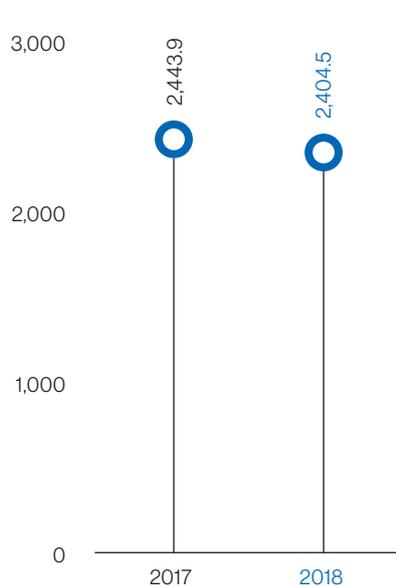
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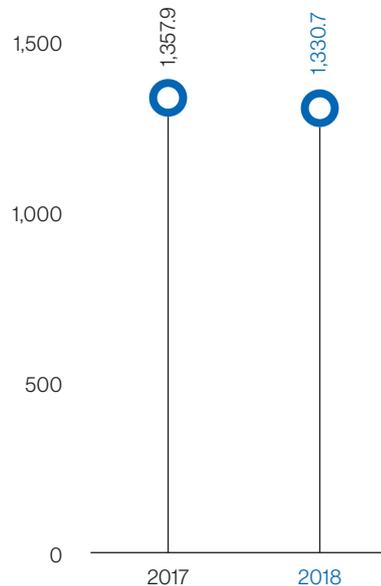
## Highlights

(€/million)

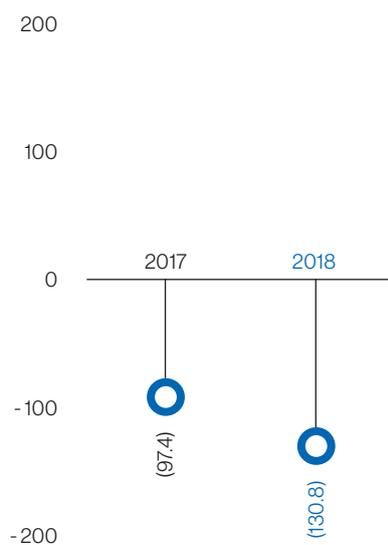
### EXTERNAL REVENUE



### EXTERNAL COSTS

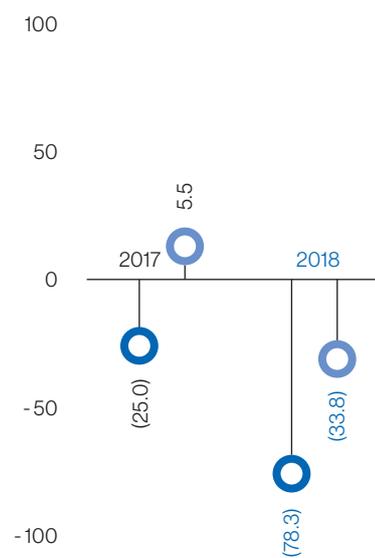


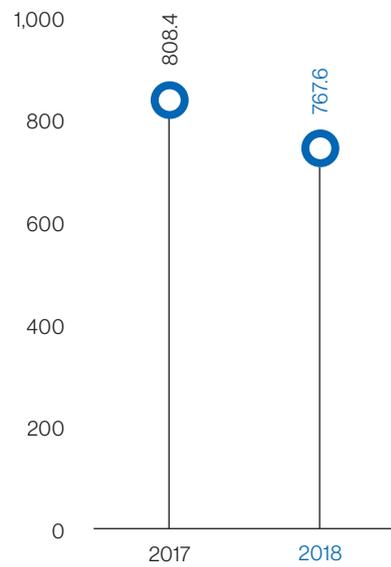
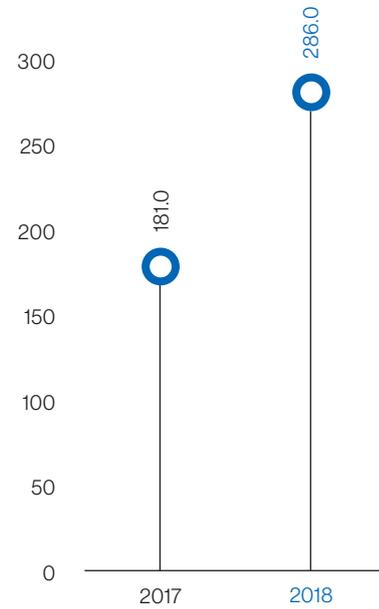
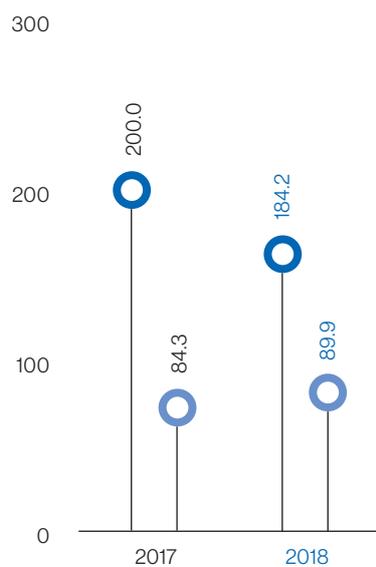
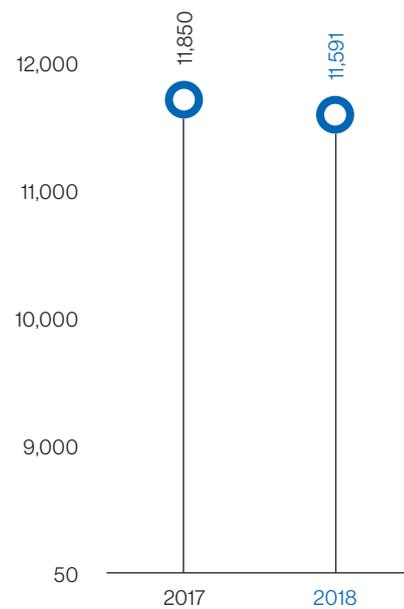
### EBIT



### EBT

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



**EQUITY****NET FINANCIAL DEBT****INVESTMENTS IN PROGRAMMES AND TECHNICAL INVESTMENTS****PERSONNEL AS AT 31 DECEMBER (IN UNITS)\***

\* Includes temporary personnel amounting to 795 units as at 31 December 2017 and 439 units as at 31 December 2018.

Rai SpA / Reclassified statements

## Reclassified statements

### INCOME STATEMENT

(€/million)	<b>FY 2018</b>	FY 2017	Change
<b>External revenue</b>	<b>2,404.5</b>	<b>2,443.9</b>	<b>(39.4)</b>
External costs net of Major sports events	(1,319.8)	(1,357.9)	38.1
Major sports events	(10.9)	0.0	(10.9)
<b>External costs</b>	<b>(1,330.7)</b>	<b>(1,357.9)</b>	<b>27.2</b>
<b>HR expenses</b>	<b>(911.8)</b>	<b>(888.7)</b>	<b>(23.1)</b>
<b>EBITDA</b>	<b>162.0</b>	<b>197.3</b>	<b>(35.3)</b>
Depreciation, amortisation and write-downs	(294.3)	(289.8)	(4.5)
Provisions	1.5	(4.9)	6.4
<b>EBIT</b>	<b>(130.8)</b>	<b>(97.4)</b>	<b>(33.4)</b>
Net financial income (expense)	52.4	72.9	(20.5)
Earnings from equity investments recognised under the equity method	0.1	(0.5)	0.6
<b>EBT</b>	<b>(78.3)</b>	<b>(25.0)</b>	<b>(53.3)</b>
Income tax	44.5	30.5	14.0
<b>Profit/(loss) for the year</b>	<b>(33.8)</b>	<b>5.5</b>	<b>(39.3)</b>
Other components of the total profit/(loss)	(3.6)	3.5	(7.1)
<b>Total profit/(loss) for the year</b>	<b>(37.4)</b>	<b>9.0</b>	<b>(46.4)</b>

### CAPITAL STRUCTURE

(€/million)	<b>31.12.2018</b>	31.12.2017	Change
Fixed assets	2,219.6	2,236.7	(17.1)
Net working capital	(603.4)	(633.6)	30.2
Provisions for risks and charges	(149.7)	(156.2)	6.5
Employee benefits	(412.9)	(457.5)	44.6
<b>Net invested capital</b>	<b>1,053.6</b>	<b>989.4</b>	<b>64.2</b>
Equity	767.6	808.4	(40.8)
Net debt (cash)	286.0	181.0	105.0
	<b>1,053.6</b>	<b>989.4</b>	<b>64.2</b>

## Summary of financial position as at 31 December 2018

### Analysis of the results of Rai SpA

The year 2018 ended with a net loss of €33.8 million compared to the profit of €5.5 million of 2017.

The reasons for this performance are analysed below with reference to the main items of the income statement and of the capital structure, with the most important justifications for the deviations compared to the figures of the previous year.

### Income statement

#### External revenue

This is made up of licence fees, advertising proceeds and other trade revenue.

They came to a total of €2,404.5 million, down by €39.4 million (-1.6%) and is broken down below.

#### TV licence fees

Revenue from licence fees amounted to €1,758.0 million, showing a decrease of €18.6 million (-1.0%) compared to 2017.

The decrease breaks down in the following items:

- *licence fees collected by enforcement order* (€-9.3 million), or licence fees paid in 2018 by users not up to date with their payments (so-called “delinquents”) on the strength of the role played referring to years prior to 2016. The decrease is attributable to the progressive reduction of the roles;

#### EXTERNAL REVENUE

(€/million)	FY 2018	FY 2017	Change
TV licence fees	1,758.0	1,776.6	(18.6)
Advertising	550.1	567.0	(16.9)
Other revenue	96.4	100.3	(3.9)
<b>Total</b>	<b>2,404.5</b>	<b>2,443.9</b>	<b>(39.4)</b>

#### TV LICENCE FEES

(€/million)	FY 2018	FY 2017	Change
Licence fees of the year - ordinary	1,634.1	1,633.3	0.8
Licence fees of the year - special	79.6	79.0	0.6
Licences fees collected by enforcement order	30.4	39.7	(9.3)
Contingencies on ordinary licence fees	13.9	24.6	(10.7)
<b>Total</b>	<b>1,758.0</b>	<b>1,776.6</b>	<b>(18.6)</b>

- *contingencies on ordinary licence fees* (€-10.7 million) that recognises the licence fees of the previous year paid to the State in the one afterwards, which became knowledgeable after the financial statements were drawn up.

The ordinary licence fees for the year, unchanged compared to 2017 in both unit amount (€90) and in method of determining the additional revenue 50% of which earmarked for Rai, are instead basically stable.

To this regard, taking into account the provisions of Law 190/2014 regarding the 5% reduction of the sums to be paid again to Rai, the 2016 Stability Law that sets aside 50% of the additional revenue for Rai, and the government licence tax and VAT, please note that based on the profit/(loss) for the year, the average unit licence fee actually attributable to Rai is €74.79 compared to the €90 amount the users paid.

## Advertising

In a macro economic context distinguished by a slow-down in growth during 2018, with family consumption and investments dropping, the advertising market showed substantial stability in 2018 compared to 2017 (-0.2%, Nielsen advertising investment figures).

To this regard, please note the positive change in TV advertising investments (+0.6%) for the media in which Rai is present, which is also a result of the FIFA World Cup. Also posting positive performance were the Radio (+5.5%), Internet (+4.5%, not including search and social media) media.

In this context, Rai's advertising proceeds, shown in detail in the table below, amounted to €550.1, down by €16.9 million compared to 2017 (-3.0%).

Television as a whole recorded a 2.8% decrease, with advertising on generalist channels dropping 4.1%, while the specialised stations rose by 7.5%.

With respect to several critical problems noticed with the release of the new TER survey (regarding the 2017 audience data), radio posted a 3.9% decrease.

Web went up, with a 10.0% increase in collections compared to the previous year.

## ADVERTISING

(€/million)	FY 2018	FY 2017	Change
Television advertising on general-interest channels:			
- air time	324.9	362.1	(37.2)
- promotions, sponsorships and other initiatives	132.4	114.7	17.7
	<b>457.3</b>	<b>476.8</b>	<b>(19.5)</b>
Television advertising on specialist channels	61.9	57.6	4.3
Radio advertising	26.8	27.9	(1.1)
Web advertising	6.6	6.0	0.6
Other advertising	0.2	0.3	(0.1)
Third parties' share	(2.2)	(1.5)	(0.7)
Contingencies	(0.5)	(0.1)	(0.4)
<b>Total</b>	<b>550.1</b>	<b>567.0</b>	<b>(16.9)</b>

## Other revenue

This item amounted to €96.4 million, down by €3.9 million (-3.9%) compared to 2017, as seen in the table below.

The principle changes compared to 2017 regard:

- *Sale of rights* (€+3.3 million), mainly due to the agreement finalised with a football team that provides for the retrocession of rights acquired by it to sell the library and recording of the internal matches;
- *Broadcasting with digital terrestrial technology services* (€-1.9 million) from the sale of the broadcasting service by another operator of a television station starting from July 2017;
- *Other* (€-2.5 million) mostly due to the decrease in the amount of the contribution to switching over to terrestrial digital and penalties receivable on supplies present in 2017 recognised in the income statement;

- *Contingencies*, (€-3.3 million) due to the presence in 2017 of integration to what was previously recognised in 2016 against special services under convention.

Related to the above revenue dynamics, the licence fee is 73.1% of revenue, with an upward incidence compared to the previous year to the detriment of advertising and other revenue, as indicated in the table below.

## Operating costs

These are made up of external costs and HR expenses, meaning both internal and external costs pertaining to the company's ordinary business except for those concerning financial management.

They totalled €2,242.5 million and, as a whole, are slightly lower than 2017 (€-4.1 million, -0.2%) despite the presence in 2018 of the costs associated with the Major sports events of (Winter Olympics) for €10.9 million.

## OTHER REVENUE

(€/million)	FY 2018	FY 2017	Change
Special services under convention	37.9	37.9	0.0
Service and other provision of services to investees	20.3	20.8	(0.5)
Sale of rights	10.5	7.2	3.3
Distribution and sale of channels	11.5	11.6	(0.1)
Sundry services, mainly for institutional purposes	8.5	7.4	1.1
Broadcasting with digital terrestrial technology services	0.0	1.9	(1.9)
Other	8.3	10.8	(2.5)
Third parties share on sales	(0.5)	(0.5)	0.0
Contingencies	(0.1)	3.2	(3.3)
<b>Total</b>	<b>96.4</b>	<b>100.3</b>	<b>(3.9)</b>

## % OF REVENUE

	FY 2018	FY 2017
TV licence fees	73.1	72.7
Advertising	22.9	23.2
Other revenue	4.0	4.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## OPERATING COSTS

(€/million)	FY 2018	FY 2017	Change
External costs net of Major sports events	1,319.8	1,357.9	(38.1)
Major sports events	10.9	0.0	10.9
<b>External costs</b>	<b>1,330.7</b>	<b>1,357.9</b>	<b>(27.2)</b>
<b>HR expenses</b>	<b>911.8</b>	<b>888.7</b>	<b>23.1</b>
<b>Total</b>	<b>2,242.5</b>	<b>2,246.6</b>	<b>(4.1)</b>

## External costs

These amounted to €1,330.7 million and included the purchases of goods and the supply of services necessary to produce programmes of immediate use (purchases of consumables, external services, artistic collaboration agreements, etc.), the sports event recording rights, copyrights, services supplied by subsidiaries, operating costs and other management-related costs (indirect taxes, user rights to digital TV frequencies and contributions payable to the control authorities, charges for environmental reclamation of company real estate, etc.).

Although the item included costs amounting to €10.9 million for the 2018 Winter Olympics (of which €10.0 million for acquisition of the

recording rights alone), the item decreased by €27.2 million (-2.0%).

The decrease concerns various components, as shown in the detailed table below.

The most sizeable decrease concerns the recording rights, down €23.6 million, mainly due to the football sports events - Coppa Italia (€-18.8 million) because of the different distribution of the matches during the two years, and the Formula 1 championship (€-21.9 million), not acquired in 2018 that, together with less important deviations regarding entertainment or other sports disciplines, offset the costs of the Champions League and the UEFA Super Cup of football, which totalled €16.4 million, acquired in 2018, in addition to the above-mentioned costs of the Winter Olympics.

## EXTERNAL COSTS

(€/million)	FY 2018	FY 2017	Change
<b>Purchases of materials</b>	<b>11.1</b>	<b>11.1</b>	<b>0.0</b>
<b>Costs for services:</b>			
Contractors	128.1	124.3	3.8
Services for programme acquisition and production	191.8	188.3	3.5
Service travel and accessory personnel costs	34.3	34.9	(0.6)
Signal broadcast and transmission – Rai Way	206.1	203.4	2.7
Maintenance, repairs, transport and similar	34.8	33.9	0.9
IT system documentation and assistance services	49.5	47.2	2.3
Other outsourced services (telephony, cleaning, supply services, postal, insurance, etc.)	80.1	78.2	1.9
Purchase of passages from subsidiaries	280.7	288.7	(8.0)
Rental expenses and rentals	43.9	50.9	(7.0)
Recording rights (basically Sports broadcasting rights)	132.7	156.3	(23.6)
Copyright	104.8	104.2	0.6
Recovery of expenses	(2.7)	(2.7)	0.0
Contingencies	(11.2)	(7.1)	(4.1)
	<b>1,272.9</b>	<b>1,300.5</b>	<b>(27.6)</b>
<b>Other costs:</b>			
Administrative fees and rights for use of frequencies	10.9	10.8	0.1
Prizes and winnings	6.0	6.6	(0.6)
Fee to Control Authority	5.2	4.6	0.6
TASI/ IMU tax	8.7	8.7	0.0
Other indirect taxes and other duties	8.4	8.6	(0.2)
Newspapers, magazines, books and publications	1.7	1.7	0.0
Membership fees	3.5	3.4	0.1
Losses on disposals	0.1	0.3	(0.2)
Other	2.2	2.2	0.0
Contingencies	0.0	(0.6)	0.6
	<b>46.7</b>	<b>46.3</b>	<b>0.4</b>
<b>Total</b>	<b>1,330.7</b>	<b>1,357.9</b>	<b>(27.2)</b>

Other considerable decreases regard the items purchase of passages from subsidiaries (€-8.0 million), mainly for works acquired by Rai Cinema, and rentals and leases (€-7.0 million), these later mostly referring to the lease of recording studios and rentals of assets used in television production.

### HR expenses

This item amounted to €911.8 million, up by €23.1 million (+2.6%) compared to 2017, as seen in the table below.

The performance is consequent to specific elements that negatively affected the comparison between the two years.

Most important of these were the provision in 2018 of the rewards system for office staff, workers, middle managers and senior managers and the positive effects on the previous year coming from the agreements signed in March 2018 to renew the labour agreement of office staff, workers and middle managers, and adoption of the national collective bargaining agreement of journalists; jointly, these effects form the major reasons for the increase in the wages, salaries and social security costs item (€+57.0 million, +7.1%).

Redundancy incentives amounted to €6.5 million, down compared to the €48.0 million

recognised in the previous year, which included the €40.0 million provision for the extraordinary voluntary redundancy incentive plan for middle managers, office staff and workers and for orchestra musicians, whose application led to the exit of personnel mostly during the last quarter of 2018.

**Current employees** as at 31 December 2018 consist of 11,152 units of personnel headcount and 439 units of temporary personnel. The increase of 97 units of personnel headcount compared to 31 December 2017 was caused by the exit of 682 units (of which 506 due to incentives) and by the hiring of 779 units (of which 498 to stabilise temporary personnel, 215 under new apprenticeship contracts, 12 due to reinstatement following lawsuits and 33 for entries from Group companies).

The **average number of current employees** during the year, including temporary personnel, was 11,607 units with 100 units less than 2017, caused by the decrease in permanent personnel (40 units) and temporary personnel (60 units).

### EBITDA

In connection with the changes shown above, EBITDA was positive and totalled €162.0 million, down €35.3 million compared to 2017.

## HR EXPENSES

(€/million)	FY 2018	FY 2017	Change
Wages, salaries and social security costs	862.2	805.2	57.0
Employee severance pay provision	40.0	39.8	0.2
Pensions and similar obligations	12.5	13.0	(0.5)
Other	11.5	13.5	(2.0)
	<b>926.2</b>	<b>871.5</b>	<b>54.7</b>
Redundancy incentives	6.5	48.0	(41.5)
Recovery of expenses	(4.6)	(4.8)	0.2
HR expenses capitalised	(13.0)	(16.8)	3.8
Contingencies	(3.3)	(9.2)	5.9
	<b>(14.4)</b>	<b>17.2</b>	<b>(31.6)</b>
<b>Total</b>	<b>911.8</b>	<b>888.7</b>	<b>23.1</b>

**Depreciation, amortisation and write-downs**

The balance of the item, whose value is highlighted in the table below and which refers to amortisation and depreciation of programmes and technical assets in addition to the write-downs of assets, was €294.3 million, up €4.5 million (+1.6%) compared to 2017.

The most significant changes referred to:

- a reduction in amortisation and depreciation of programmes (€-6.4 million) due to the revised useful life of cartoons, which changed from 3 to 5 years, with a positive effect of €6.5 million;

- greater write-downs (€+9.3 million) in connection with the reduced rerun potential of some TV series titles and for the allocation of the equity deficit of the company Rai Corporation in liquidation.

**Provisions**

The item, which recognises the provisions for risks and charges and any issues not classifiable in specific items of the income statement, shows a positive balance of €1.5 million (negative for €4.9 million in 2017) caused by issues of provisions set aside in previous years associated with the non-occurrence of the connected risk for €5.0 million and by provisions totalling €3.5 million mainly for the expenses tied to legal disputes and other management risks.

**DEPRECIATION, AMORTISATION AND WRITE-DOWNS**

(€/million)	FY 2018	FY 2017	Change
<b>Amortisation</b>			
Amortisation of programmes			
TV series	150.4	149.4	1.0
Film	0.0	0.1	(0.1)
Cartoons	5.9	12.9	(7.0)
Other	2.9	3.2	(0.3)
	<b>159.2</b>	<b>165.6</b>	<b>(6.4)</b>
Of property, plant and equipment:			
Buildings	11.7	11.8	(0.1)
Plant and machinery	48.6	50.2	(1.6)
Fixtures and fittings, tools and other equipment	1.7	1.4	0.3
Other assets	5.9	5.6	0.3
	<b>67.9</b>	<b>69.0</b>	<b>(1.1)</b>
Of intangible assets:			
Software	7.1	4.3	2.8
Other rights	0.1	0.2	(0.1)
	<b>7.2</b>	<b>4.5</b>	<b>2.7</b>
	<b>75.1</b>	<b>73.5</b>	<b>1.6</b>
<b>Total amortisation and depreciation</b>	<b>234.3</b>	<b>239.1</b>	<b>(4.8)</b>
<b>Write-downs (reversing impairment losses)</b>			
Of intangible assets:			
Programmes under amortisation	52.9	38.5	14.4
Programmes in progress	1.7	5.8	(4.1)
Other	0.0	3.0	(3.0)
	<b>54.6</b>	<b>47.3</b>	<b>7.3</b>
<b>Of investments valued at cost</b>	<b>4.0</b>	<b>0.1</b>	<b>3.9</b>
<b>Of other non-current assets</b>	<b>0.6</b>	<b>1.8</b>	<b>(1.2)</b>
<b>Of trade receivables and other current assets</b>	<b>0.8</b>	<b>1.5</b>	<b>(0.7)</b>
<b>Total write-downs</b>	<b>60.0</b>	<b>50.7</b>	<b>9.3</b>
<b>Total</b>	<b>294.3</b>	<b>289.8</b>	<b>4.5</b>

**EBIT**

The changes already explained regarding performance of the EBITDA, together with what is specified in the items depreciation, amortisation and write-downs and provisions, led to a negative EBIT of €130.8 million, worse than FY 2017 (€-97.4 million).

**Financial income (expense)**

The item was positive for €52.4 million (€72.9 million in 2017), down €20.5 million compared to 2017.

The following table shows the economic effects arising from distribution of the dividends by the subsidiaries, from recognition of the actuarial interest for employee benefits, and the effects of financial management, such as interest income/expense from banks, Group companies and bondholders, in addition to exchange rate charges/gains.

The most significant variances compared to the previous year concern:

- dividends from subsidiaries, down €19.3 million due to the lower dividend of Rai Cinema;
- net interest expense from banks, down €0.8 million due to the lower value of the average annual debt;
- net interest income from subsidiaries and associates, up €0.8 million in connection with the higher net credit balance due from Rai Cinema;
- greater net exchange rate expense for €0.7 million;
- other, up €2.2 million for the recognition of default interest income in 2017.

The average cost of loans made up of uncommitted credit lines, medium/long-term stand-by lines and the 2015-2020 bond issue came to 1.8%, up on the previous year (1.6%) in which short-term, lower rate loans were used against a greater average debt.

**FINANCIAL INCOME (EXPENSE)**

(€/million)	<b>FY 2018</b>	FY 2017	Change
<b>Dividends</b>			
Rai Cinema	14.5	47.5	(33.0)
Rai Way	35.8	27.2	8.6
Rai Com	11.6	6.6	5.0
	<b>62.0</b>	<b>81.3</b>	<b>(19.3)</b>
<b>Other net financial income (charges)</b>			
Net bank interest/income (expense)	(0.6)	(1.4)	0.8
Net interest/income (expense) from subsidiaries and associated companies	3.3	2.5	0.8
Interest expense on bonds	(6.1)	(6.1)	0.0
Interest on employee benefit liabilities	(4.2)	(4.3)	0.1
Net exchange rate gains (charges)	(0.3)	0.4	(0.7)
Other	(1.7)	0.5	(2.2)
	<b>(9.6)</b>	<b>(8.4)</b>	<b>(1.2)</b>
<b>Net financial income</b>	<b>52.4</b>	<b>72.9</b>	<b>(20.5)</b>

### Earnings from equity investments recognised under the equity method

The item showed a gain of €0.1 million (€-0.5 million in 2017) brought about by valuation of the associated companies at net equity, as seen in detail in the following table.

### Income tax

This item presented a positive value of €44.5 million (€30.5 million in 2017) and is due to the balance between current and deferred taxes, as itemised in the following table.

Similar to 2017, no amount for current IRES and IRAP taxes was recognised in so far as the tax result was negative.

Deferred tax liabilities pointed to a positive economic effect of €1.9 million (same figure in 2017) due to recognition of the tax loss of the year, which offsets part of the income brought in by the Group companies during tax consolidation.

Deferred tax assets showed a positive economic effect of €42.6 million (€28.6 million in 2017) owing to recognition of the tax loss of the year, for the most part offset by the income brought in by the Group companies during tax consolidation.

## EARNINGS FROM EQUITY INVESTMENTS RECOGNISED UNDER THE EQUITY METHOD

(€/million)	FY 2018	FY 2017	Change
<b>Write-ups (Write-downs)</b>			
Euronews SA	(0.6)	(1.1)	0.5
Tivù Srl	0.7	0.6	0.1
<b>Total</b>	<b>0.1</b>	<b>(0.5)</b>	<b>0.6</b>

## INCOME TAX

(€/million)	FY 2018	FY 2017	Change
IRES	0.0	0.0	0.0
IRAP	0.0	0.0	0.0
Deferred tax liabilities	1.9	1.9	0.0
Deferred tax assets	42.6	28.6	14.0
<b>Total</b>	<b>44.5</b>	<b>30.5</b>	<b>14.0</b>

## Capital structure

### Fixed assets

This item amounted to €2,219.6 million, down €17.1 million compared to 31 December 2017, and is shown in the following table.

**Property, plant and equipment**, explained in detail in the table below, increased by €11.2 million.

**Assets in programmes**, down by €29.6 million and explained in detail in the table below, are mostly represented by the TV series, on which most investments were concentrated.

### FIXED ASSETS

(€/million)	31.12.2018	31.12.2017	Change
Property, plant and equipment	888.4	877.2	11.2
Assets in programmes	385.8	415.4	(29.6)
Long-term investments	922.1	923.8	(1.7)
Others	23.3	20.3	3.0
<b>Total</b>	<b>2,219.6</b>	<b>2,236.7</b>	<b>(17.1)</b>

### PROPERTY, PLANT AND EQUIPMENT

(€/million)	31.12.2018	31.12.2017	Change
Land	371.4	370.1	1.3
Buildings	302.2	300.3	1.9
Plant and machinery	128.3	125.1	3.2
Fixtures and fittings, tools and other equipment	5.6	4.8	0.8
Other assets	22.7	22.0	0.7
Assets under development and payments on account	58.2	54.9	3.3
<b>Total</b>	<b>888.4</b>	<b>877.2</b>	<b>11.2</b>

### ASSETS IN PROGRAMMES

(€/million)	31.12.2018	31.12.2017	Change
TV series	291.7	323.8	(32.1)
Cartoons	33.6	26.8	6.8
Rights of library use	60.5	64.8	(4.3)
<b>Total</b>	<b>385.8</b>	<b>415.4</b>	<b>(29.6)</b>

**Long-term investments**, consisting of company equity investments and other financial assets falling due beyond 12 months, showed a decrease of €1.7 million, mainly due to measurement of the fair value of the derivatives, which in 2017 was positive for €1.2 million.

The item is broken down in detail in the following table.

**Other assets**, explained in detail in the table below, increased by €3.0 million, due to the software.

2018 **investments**, broken down in the table below, amounted to €274.1 million, down €10.4 million (-3.7%) compared to 2017.

In detail:

- lower investments in programmes for €15.8 million (-7.9%) referring to the TV series genre;
- higher tangible investments for €4.5 million (+6.0%), due to recognition of the financial lease of a property used as regional office.

## LONG-TERM INVESTMENTS

(€/million)	31.12.2018	31.12.2017	Change
<b>Equity investments in subsidiaries:</b>			
Rai Cinema SpA	267.8	267.8	0.0
Rai Com SpA	107.1	107.1	0.0
Rai Way SpA	506.3	506.3	0.0
Rai Pubblicità SpA	31.1	31.1	0.0
Rai Corporation in liquidation	0.0	0.0	0.0
	<b>912.3</b>	<b>912.3</b>	<b>0.0</b>
<b>Equity investments in associated companies:</b>			
Auditel Srl	0.7	0.7	0.0
Euronews SA	0.6	1.2	(0.6)
Tivù Srl	2.4	2.0	0.4
San Marino RTV SpA	2.1	2.1	0.0
	<b>5.8</b>	<b>6.0</b>	<b>(0.2)</b>
<b>Other equity investments</b>	<b>0.9</b>	<b>0.9</b>	<b>0.0</b>
<b>Fixed-income securities</b>	<b>2.4</b>	<b>2.5</b>	<b>(0.1)</b>
<b>Derivative instruments</b>	<b>0.0</b>	<b>1.2</b>	<b>(1.2)</b>
<b>Other</b>	<b>0.7</b>	<b>0.9</b>	<b>(0.2)</b>
<b>Total</b>	<b>922.1</b>	<b>923.8</b>	<b>(1.7)</b>

## OTHER FIXED ASSETS

(€/million)	31.12.2018	31.12.2017	Change
Software	22.1	18.9	3.2
Commercial rights with football clubs	1.2	1.4	(0.2)
<b>Total</b>	<b>23.3</b>	<b>20.3</b>	<b>3.0</b>

## INVESTMENTS

(€/million)	FY 2018	FY 2017	Change
TV series	171.5	187.4	(15.9)
Cartoons	12.7	12.6	0.1
<b>Investments in programmes</b>	<b>184.2</b>	<b>200.0</b>	<b>(15.8)</b>
Tangible investments	79.7	75.2	4.5
Software	10.2	9.1	1.1
<b>Technical investments</b>	<b>89.9</b>	<b>84.3</b>	<b>5.6</b>
<b>Equity investments</b>	<b>0.0</b>	<b>0.2</b>	<b>(0.2)</b>
<b>Total investments</b>	<b>274.1</b>	<b>284.5</b>	<b>(10.4)</b>

## Net working capital

The most significant changes compared to 31 December 2017 regard the following items:

**Other receivables** up €76.1 million, mainly due to advances paid to suppliers for the future sports events such as the European Championships and other international football events.

**Trade payables** up €40.2 million due to higher payables to suppliers for €36.2 million.

**Other payables** up €12.8 million due to payables for TFR to pay to personnel under the incentive plan.

**Net deferred tax liabilities** down €14.8 million, mainly because of the greater receivables for deferred tax assets resulting from recognition of the tax loss that occurred during the year.

## Provisions for risks and charges

Despite the equity deficit provision of Rai Corporation mentioned above, the item provisions for risks and charges, which amounted to €149.7 million, shows a drop of €6.5 million compared to 31 December 2017, mainly because of fewer entries hedging legal disputes.

## Employee benefits

The item employee benefits, which amounted to €412.9 million, showed a €44.6 million decrease compared to 31 December 2017.

The change in the item is connected with actuarial valuation elements associated with financial and demographic assumptions, as broken down in Note "Employee benefits" of the Notes to the Separate Financial Statements.

The itemisation of the provisions and relevant changes compared to 31 December 2017 is provided in the table below.

## NET WORKING CAPITAL

(€/million)	31.12.2018	31.12.2017	Change
Inventories	0.1	0.2	(0.1)
Trade receivables	285.4	293.0	(7.6)
Other receivables	199.7	123.6	76.1
Trade payables	(591.1)	(550.9)	(40.2)
Other payables	(464.5)	(451.7)	(12.8)
Assets (liabilities) for deferred taxes	(33.0)	(47.8)	14.8
<b>Total</b>	<b>(603.4)</b>	<b>(633.6)</b>	<b>30.2</b>

## EMPLOYEE BENEFITS

(€/million)	31.12.2018	31.12.2017	Change
Employee severance pay	(204.2)	(236.3)	32.1
Supplementary company pension provision	(124.9)	(136.5)	11.6
Provision for former fixed substitute journalists benefits (former pay in lieu of notice to journalists)	(68.7)	(69.5)	0.8
FASDIR assistance provision for the retired	(14.6)	(14.6)	0.0
Other	(0.5)	(0.6)	0.1
<b>Total</b>	<b>(412.9)</b>	<b>(457.5)</b>	<b>44.6</b>

## Net financial position

The net financial position at year-end, calculated following the ESMA scheme, was negative for €286.0 million (showing a worsening of €105.0 million compared to 2017), as illustrated in the table below.

Contributing to the increase in net financial debt were:

- lower advertising collections (€20 million);
- higher disbursements for international sports events (Champions League and 2020 football European Qualifiers) and for the big events of the following year (Tokyo Olympics and 2020 European Championships) for a total of €40 million;
- lower intercompany dividends (€20 million);
- recognition of the previously mentioned financial lease regarding a property used as regional office (€5.7 million).

The average financial position is negative for about €47 million, sharply improved over 2017

(€-338 million) thanks to the lower debt of the beginning of the year and the improved overall financial profile of the year, which benefited from the new licence fee payment plan.

On 23 October 2018, Moody's published a rating action that confirmed the Long-Term Issuer Baa3 for Rai (Investment Grade), changing the outlook from negative to stable.

The analysis conducted based on equity and financial structure ratios pointed out that:

- the net invested capital coverage ratio, which is the ratio between net invested capital (net of the licence fee receivables) and equity, was 1.37 (1.22 as at 31 December 2017);
- the financial debt coverage ratio, which is the ratio between net financial debt (net of the licence fee receivables) and equity, was 0.37 (0.22 as at 31 December 2017);
- the liquid funds ratio, which is the ratio between current assets (inventories, working capital net of licence fee receivables, cash and cash equivalents and financial receivables) and current liabilities (working capital liabilities and financial payables) was 0.60 (0.66 as at 31 December 2017).

## NET FINANCIAL POSITION

(€/million)	31.12.2018	31.12.2017	Change
Liquidity	72.6	170.9	(98.3)
Current financial receivables:			
- due to subsidiaries and associates	165.8	165.4	0.4
- current financial assets on derivatives	0.6	0.0	0.6
- tied accounts	5.5	6.3	(0.8)
- other	0.3	0.3	0.0
	<b>172.2</b>	<b>172.0</b>	<b>0.2</b>
Current financial debt:			
- due to banks	(10.0)	(10.0)	0.0
- current financial liabilities on derivatives	0.0	(0.5)	0.5
- due to subsidiaries and associates	(146.3)	(140.6)	(5.7)
- finance lease payables	(5.7)	0.0	(5.7)
	<b>(162.0)</b>	<b>(151.1)</b>	<b>(10.9)</b>
Non-current financial debt:			
- due to banks	(15.0)	(25.0)	10.0
- bond issue	(348.7)	(347.8)	(0.9)
- non-current financial liabilities on derivatives	(5.1)	0.0	(5.1)
	<b>(368.8)</b>	<b>(372.8)</b>	<b>4.0</b>
<b>Net financial debt</b>	<b>(286.0)</b>	<b>(181.0)</b>	<b>(105.0)</b>
of which:			
- due to subsidiaries and associates	19.5	24.8	(5.3)
- due to third parties	(305.5)	(205.8)	(99.7)
<b>Total</b>	<b>(286.0)</b>	<b>(181.0)</b>	<b>(105.0)</b>

All ratios fall within the limits of reference.

The financial risks to which the Company is exposed are monitored with appropriate IT and statistical tools. A policy regulates financial management according to best practices, with the aim of preserving the Company's value through a stance adverse to risk, pursued with active monitoring of exposure and implementation of expedient hedging strategies, also on behalf of the Group companies (except for Rai Way).

Detailed information on the financial risks is provided in the specific section of the Notes to the Separate Financial Statements, to which the reader is referred.



# Financial Statements of Rai SpA

Financial Statements of Rai SpA

**STATEMENT OF FINANCIAL POSITION**

(in Euro)	Note	Year ended	
		31 December 2018	31 December 2017
Property, plant and equipment	12.1	888,324,485	877,146,991
Intangible assets	12.2	409,116,865	435,721,239
Equity investments	12.3	919,097,004	919,241,454
Non-current financial assets	12.4	3,045,681	4,586,270
Deferred tax assets	12.5	-	-
Other non-current assets	12.6	42,756,039	8,419,801
<b>Total non-current assets</b>		<b>2,262,340,074</b>	<b>2,245,115,755</b>
Inventory	13.1	117,483	187,079
Trade receivables	13.2	285,439,744	293,013,939
Current financial assets	13.3	172,186,380	172,046,067
Current income tax receivables	13.4	17,965,464	19,506,527
Other current receivables and assets	13.5	138,928,858	95,646,718
Cash and cash equivalents	13.6	72,583,049	170,900,452
<b>Total current assets</b>		<b>687,220,978</b>	<b>751,300,782</b>
<b>Total assets</b>		<b>2,949,561,052</b>	<b>2,996,416,537</b>
Share capital		242,518,100	242,518,100
Reserves		586,664,704	587,181,514
Retained earnings (losses)		(61,581,515)	(21,304,438)
<b>Total shareholders' equity</b>	<b>14</b>	<b>767,601,289</b>	<b>808,395,176</b>
Non-current financial liabilities	15.1	368,848,702	372,825,339
Employee benefits	15.2	412,894,232	457,462,102
Provisions for non-current risks and charges	15.3	149,650,733	156,203,189
Deferred tax liabilities	15.4	33,023,372	47,809,373
Other non-current payables and liabilities	15.5	1,161,492	1,968,570
<b>Total non-current liabilities</b>		<b>965,578,531</b>	<b>1,036,268,573</b>
Trade payables	16.1	591,055,807	550,891,320
Current financial liabilities	16.2	161,952,463	151,160,646
Current income tax payables	16.3	30,224,116	29,958,789
Other current payables and liabilities	16.1	433,148,846	419,742,033
<b>Total current liabilities</b>		<b>1,216,381,232</b>	<b>1,151,752,788</b>
<b>Total liabilities</b>		<b>2,181,959,763</b>	<b>2,188,021,361</b>
<b>Total shareholders' equity and liabilities</b>		<b>2,949,561,052</b>	<b>2,996,416,537</b>

**INCOME STATEMENT**

(in Euro)	Note	Year ended	
		31 December 2018	31 December 2017
Revenue from sales and services	17.1	2,378,078,140	2,414,640,838
Other revenue and income	17.2	26,439,576	29,279,513
<b>Total revenue</b>		<b>2,404,517,716</b>	<b>2,443,920,351</b>
Costs for the purchase of consumables	17.3	(11,110,446)	(11,105,971)
Costs for services	17.3	(1,272,870,487)	(1,300,494,346)
Other costs	17.3	(46,665,188)	(46,334,755)
HR expenses	17.4	(911,838,657)	(888,665,470)
Impairment of financial assets	17.5	(86,641)	-
Depreciation, amortisation and other write-downs	17.6	(294,280,862)	(289,801,775) [1]
Provisions	17.7	1,457,349	(4,852,062)
<b>Total costs</b>		<b>(2,535,394,932)</b>	<b>(2,541,254,379)</b>
<b>EBIT</b>		<b>(130,877,216)</b>	<b>(97,334,028)</b>
Financial income	17.8	65,717,462	87,043,596
Financial expense	17.8	(13,294,180)	(14,175,763)
Earnings from equity investments recognised under the equity method	17.9	155,052	(489,523)
<b>Pre-tax profit/(loss)</b>		<b>(78,298,882)</b>	<b>(24,955,718)</b>
Income tax	17.10	44,445,518	30,483,806
<b>Profit/(loss) for the year</b>		<b>(33,853,364)</b>	<b>5,528,088</b>

[1] the figure as at 31 December 2017 includes the write-down of financial assets calculated applying the forgoing IAS 39 standard. See Note 17.6 "Depreciation, amortisation and other write-downs".

Financial Statements of Rai SpA

**STATEMENT OF COMPREHENSIVE INCOME**

(in Euro)	Year ended	
	31 December 2018	31 December 2017
<b>Profit/(loss) for the year</b>	<b>(33,853,364)</b>	<b>5,528,088</b>
<b>Items that can be reclassified to the income statement:</b>		
Profit/(loss) on cash flow hedge	(6,334,097)	632,898
Tax effect	289,200	(123,919)
<b>Total</b>	<b>(6,044,897)</b>	<b>508,979</b>
<b>Items that cannot be reclassified to the income statement:</b>		
Recalculation of defined-benefit plans	2,442,478	2,888,452
<b>Total</b>	<b>2,442,478</b>	<b>2,888,452</b>
<b>Total profit/(loss) for the year</b>	<b>(37,455,783)</b>	<b>8,925,519</b>

**CASH FLOW STATEMENT**

(in €/’000)	Note	Year ended	
		31 December 2018	31 December 2017
<b>Pre-tax profit</b>		<b>(78,299)</b>	<b>(24,955)</b>
Adjustments for:			
Depreciation, amortisation and write-downs	17.6	294,368	289,802
Provisions and (issues) of personnel provisions and other provisions		58,722	7,320
Net financial charges (income)	17.8	(52,423)	(72,868)
Earnings from equity investments recognised under the equity method	17.9	(155)	490
Other non-monetary items		136	295
<b>Cash flow generated by operating activities before changes in net working capital</b>		<b>222,349</b>	<b>200,084</b>
Change in inventory		70	24
Change in trade receivables	13.2	7,052	264,131
Change in trade payables	16.1	40,164	(9,534)
Change in other assets and liabilities		(61,965)	251,268
Use of provision for risks	15.3	(29,849)	(40,194)
Payment of employee benefits and to external provisions	14.2	(62,874)	(70,597)
Taxes paid		-	(4,206)
<b>Net cash flow generated by operating activities</b>		<b>114,947</b>	<b>590,976</b>
Investments in property, plant and equipment	12.1	(79,730)	(75,160)
Disposal of property, plant and equipment	12.1	492	800
Investments in intangible assets	12.2	(194,479)	(209,138)
Disposal of intangible assets	12.2	60	-
Equity investments		(6)	(200)
Dividends collected	12.3	62,256	83,250
Interest collected		72	-
Change in financial assets	12.4 13.3	2	(61,166)
<b>Net cash flow generated by investment activity</b>		<b>(211,333)</b>	<b>(261,614)</b>
Long-term loan redemptions	15.1 16.2	(10,000)	(10,000)
Increase (Decrease in short-term borrowings and other loans)	16.2	10,738	(149,049)
Net interest paid (*)		(2,669)	(3,975)
<b>Net cash flow generated by financial activities</b>		<b>(1,931)</b>	<b>(163,024)</b>
<b>Change in cash and cash equivalents</b>		<b>(98,317)</b>	<b>166,338</b>
Cash and cash equivalents at the beginning of the year	13.6	170,900	4,562
Cash and cash equivalents at the end of the year	13.6	72,583	170,900

(\*) Referring to financial assets/liabilities.

Financial Statements of Rai SpA

**STATEMENT OF CHANGES IN EQUITY**

(in €/’000)	Share capital	Legal reserve	Other reserves	Retained earnings (losses)	Total shareholders’ equity
<b>Balances as at 1 January 2017</b>	<b>242,518</b>	<b>11,553</b>	<b>570,853</b>	<b>(25,455)</b>	<b>799,469</b>
Allocation of profit	-	213	4,053	(4,266)	-
Profit/(Loss) for the year	-	-	-	5,528	<b>5,528</b>
Statement of comprehensive income components	-	-	509	2,889	<b>3,398</b>
<b>Total profit/(loss) for the year</b>	<b>-</b>	<b>-</b>	<b>509</b>	<b>8,417</b>	<b>8,926</b>
<b>Balances as at 31 December 2017</b>	<b>242,518</b>	<b>11,766</b>	<b>575,415</b>	<b>(21,304)</b>	<b>808,395</b>
Effects arising from first application of IFRS standards 9 and 15	-	-	-	(3,338)	<b>(3,338)</b>
<b>Balances as at 1 January 2018 [1]</b>	<b>242,518</b>	<b>11,766</b>	<b>575,415</b>	<b>(24,642)</b>	<b>805,057</b>
Allocation of profit	-	276	5,252	(5,528)	-
Profit/(Loss) for the year	-	-	-	(33,853)	<b>(33,853)</b>
Statement of comprehensive income components	-	-	(6,045)	2,442	<b>(3,603)</b>
<b>Total profit/(loss) for the year</b>	<b>-</b>	<b>-</b>	<b>(6,045)</b>	<b>(31,411)</b>	<b>(37,456)</b>
<b>Balances as at 31 December 2018</b>	<b>242,518</b>	<b>12,042</b>	<b>574,622</b>	<b>(61,581)</b>	<b>767,601</b>

[1] The figures include the effects arising from the first application of the accounting standards IFRS 9 and IFRS 15, as explained in Note 5 "Effects arising from first application of accounting standards IFRS 9 and IFRS 15".

# Notes to the Separate Financial Statements as at 31 December 2018

# 1

## General information

Rai Radiotelevisione italiana SpA (hereinafter “Rai”, the “Company” or the “Parent Company”) is a joint-stock company formed and domiciled in Italy, with registered office in Rome at Viale Mazzini 14, and organised according to Italian law.

The Separate Financial Statements as at 31 December 2018 (hereinafter “Separate Financial Statements”), as described hereinafter, were prepared in compliance with the *International Financial Reporting Standards* (“IFRS”).

With Prime Ministerial Decree of 28 April 2017 containing “Assignment of the radio, televisions and multimedia Public Service concession and approval of the annexed draft agreement” (hereinafter “Public Service”), Rai was established as the concessionaire of the radio, television and multimedia Public Service on an exclusive basis for a decade, starting from 30 April 2017. That role is performed by the Company and its subsidiaries (jointly the “Group”).

On the strength of specific Italian and EU regulatory sources, the Parent Company is required to meet precise programming quality and quantity obligations that are described in detail in the Service Agreement (hereinafter “Agreement”) drawn up with the Ministry of Economic Development for the period 2018-2022, published in the Official Gazette on 7 March 2018.

The Agreement relates to the activity that Rai performs in order to carry out the Public Service and, in particular, the radio, television and multimedia services broadcast through the various platforms in all modes, the use of the necessary transmission capacity, the creation of editorial content, the provision of technological services for the production and transmission of the signal using analogue and digital technology, and the preparation and management of control and monitoring systems.

The capital of the Company is respectively held by:

- Ministry of Economy and Finance (99.5583%);
- SIAE Società Italiana Autori Editori (0.4417%).

The Separate Financial Statements are subject to auditing by the company PricewaterhouseCoopers SpA (hereinafter the “External Auditor”) to which the Rai Ordinary General Meeting of Shareholders, upon the proposal put forward by the Board of Statutory Auditors, assigned the appointment for the financial years until 2023 on 10 March 2016, in consideration of Rai’s acquisition of status of Public Interest Entity.

# 2

## Drafting criteria

In connection with the provisions of Legislative Decree 38 of 28 February 2005, the Company applies 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 pursuant to Art. 6 of (EC) Regulation 1606/2002 of the European Parliament and Council of 19 July 2002. IFRS herein refers to all international accounting standards (“IAS”) and all interpretations of the International Financial Reporting Standard Interpretations Committee (“IFRIC”), previously called “Standard Interpretations Committee” (“SIC”). In preparing these Separate Financial Statements, the Company provided complete information, applying the IFRS consistently to the periods stated in these Separate Financial Statements. Please note that on 1 January 2018 the accounting standards IFRS 9 “Financial instruments” (hereinafter, “IFRS 9”) and IFRS 15 “Revenue from contracts with customers” (hereinafter “IFRS 15”) became applicable. Related to that the Company availed itself of the right to recognise the effect connected to backdated recalculation of opening shareholders’ equity values of the current accounting year.

The structure of the Separate Financial Statements that the Company has selected provides for:

- the items in the statement of financial position to be classified as current and non current;
- the items in the income statement to be classified by kind;
- the statement of comprehensive income to be presented separately to the income statement and indicate the economic result integrated with income and expenses which through specific IFRS provision are recognised directly in shareholders’ equity;
- the cash flow report to be prepared according to the “indirect method”, rectifying the result (profit/loss before taxes) for the year of non monetary components; and
- the statement of changes to equity to present the total income (expenses) of the year, transactions with Shareholders and changes to equity.

This layout best reflects the elements that led to the economic result of the year, in addition to its financial and capital structure.

The Separate Financial Statements were drawn up applying the historical cost method, taking into account the value adjustments, where appropriate, with the exception of the items that according to the IFRS must be measured at fair value, as indicated in the valuation criteria and without prejudice to those cases where the IFRS provisions allow a different valuation criterion.

The Separate Financial Statements were prepared on a going concern basis since it is not believed that there are financial, operation or other type of ratios that might indicate critical issues regarding the Company's ability to meet its obligations in the foreseeable future, and more specifically in the next 12 months.

The description of the method applied by the Company to manage financial risks is contented in Note 8 "Management of financial risks".

The values presented in the tables in the statement of financial position, the income statement and the statement of comprehensive income are in Euro units; whereas the cash flow report, the statement of changes to equity and the Notes to the Separate Financial Statements, considering their importance, are in thousands of euro, unless indicated otherwise.

## 3 Measurement criteria

Below please find a description of the main accounting standards and the most important measurement criteria used to draw up the Separate Financial Statements, unchanged compared to those used for the Separate Financial Statements as at 31 December 2017; except for what is connected to the new standards IFRS 9 and IFRS 15 coming into force on 1 January 2018. Effects resulting from the first-time adoption are illustrated in Note 5 "Effects resulting from the first-time adoption of the accounting standards IFRS 9 and IFRS 15".

### Assets

**Property, plant and equipment.** Property, plant and equipment are recognised according to the cost criteria and are entered at their purchase price or at cost of production including all directly allocated accessory charges necessary to make the assets ready for use. In the presence of current obligations for the dismantling, removal of assets and recovery of sites, the registration value includes costs estimated (actualised) to be sustained when the structures are abandoned, recognised as a balancing item to a specific provision (please refer to what is indicated in Note 15.3 "Provisions for non-current risks and charges"). Property, plant and equipment cannot be revalued, not even when applying specific laws.

Costs for improvements, modernisation and transformation that increase the property, plant and equipment are recognised to assets when it is probable that they increase the future economic benefits expected from the use or sale of the asset.

Property, plant and equipment are amortised systematically at constant percentages during their useful economic-technical lifespan, intended as the estimate of the period in which the assets will be used by the company, period starting from the month use of the asset starts or could have started. When the property, plant and equipment consist of multiple significant components have different useful lives, depreciation is made for each component. The value to depreciate is represented by the book value reduced by the estimated net exit value at the end of its useful life. Land, even if purchased together with a building, works of art and property, plant and equipment held for sale are not subject to depreciation. Any amendments to the amortisation plan, resulting from a review of the useful life of the tangible asset, of the residual value or the way to obtain economic benefits from the asset, are recognised perspectively.

The estimated useful life of the main property, plant and equipment is the following:

	Useful life in years	
	Min	Max
Buildings	10	50
Plant and machinery	4	8
Fixtures and fittings, tools and other equipment	5.3	5.3
Other assets	4	8.3

Expenses for ordinary maintenance and repairs are recognised in the income statement in the year they are sustained.

**Intangible assets.** Intangible assets concern the identifiable assets without physical consistency, controlled by the Company and able to generate future economic benefits, as well as the goodwill when acquired against payment. Identifiability is defined with reference to the possibility to distinguish the intangible asset acquired from goodwill. This requirement is normally met when:

- the intangible asset can be traced back to a legal or contractual right; or
- the asset is separable, meaning it can be assigned, transferred, rented or traded autonomously or as an integral part of other assets.

The Company's control consists in the right to enjoy future economic benefits arising from the asset and in the possibility to limit its access to others.

Intangible assets are recognised at purchase or production cost, including directly allocated accessory charges necessary to make the assets ready for use. Revaluations cannot be made, not even when applying specific laws.

The intangible assets having a defined useful life are systematically amortised along their useful life meant as the estimate of the period in which the assets will be used by the Company, and are broken down into:

- Programmes: the costs for acquiring and producing programmes, made up of the external costs directly allocated to each production and the costs of the internal resources used for making single programmes, are represented according to the following criteria:
  - Costs referred to television productions with repeated utility are capitalised under intangible assets and, if those productions are ready to be used at year end, they are amortised with constant percentages, starting from the month the right is ready or available, with attention for the duration of presumable future use. If, on the other hand, these productions with repeated usefulness are not yet usable at year-end, their costs are deferred as assets under development and payments on account.

Taking into account the objective difficulties in identifying elements able to guarantee a correct correlation between revenue from advertising and licence fees and the amortisation of the rights, to which the indeterminableness of the varied methods of exploitation is added, the useful life of the programmes with repeated usefulness is shown in the following table:

	Useful life in years
TV series	3
Exploitation of football library rights	4
Cartoons	5

On this point, please note that, compared to 31 December 2017, the estimate of the useful life of programmes with repeated utility belonging to the cartoons type has changed from three to five years; the effects from that change are highlighted in Note 17.6 "Depreciation and other write-downs".

The costs referring to rights under concession for shorter durations are amortised on a straight-line basis corresponding to the period of availability. Should the rights have depleted the contractually available passages, the residual value is fully expensed.

- 2) Costs referred to television productions to be used straight away are attributed to the income statement in a single year, which usually coincides with the one of use. More specifically:
  - News reporting, light entertainment, documentaries, classical music, prose and the entire radio production. The costs are recognised during the year in which they are incurred, which usually coincides with the one in which they are broadcast.
  - Sports events. The costs are recognised in the year in which the event takes place.
- b) Software user licences are depreciated in three years starting from the month they become available for use, generally coinciding with the months when use starts.
- c) Trademarks are depreciated in ten years from when they are available for use, generally corresponding to the year in which use starts.

Goodwill and other intangible assets having an indefinite useful life are not amortised; the recoverability of their book value is checked at least once a year and in any case whenever events that lead to an assumption of impairment occur.

**Impairment of non-financial assets.** The non-financial assets are analysed on every reporting date in order to check whether there are indicators of any impairment. When events occur that lead to assuming a reduction in the value of non financial assets, their recoverability is checked comparing the recognition value with the relative recoverable value represented by the higher between fair value, net of disposal expenses, and value in use. The value in use is calculated based on reasonable and demonstrable assumptions representing the best estimate of future economic conditions that will occur in the residual useful life of the asset, giving importance to the information coming from the outside. When the reasons why the write-downs took place no longer exist, the asset's value is restored and the rectification is recognised in the income statement as a revaluation (recovery of value). The impairment loss is reversed at the recoverable value or the book value before the impairment previously made and reduced by the amortisation quotas that would have been allocated if the impairment had not been made, whichever is the least.

**Equity investments.** Equity investments in subsidiaries are recognised at adjusted cost when there are impairments. These impairments are quantified based on the recoverable value determined with reference to the cash flows that the investee company will be able to prospectively generate. The positive difference, emerging at the time of purchase, between purchase cost and the shareholders' equity share at current values of the investee belonging to the Company is, therefore, included in the carrying amount of the investment. Any write-downs of this positive difference are not restored in the subsequent periods, even if the conditions leading to the write-down cease to exist.

Equity investments in joint ventures and in associates are measured applying the equity method.

On applying the equity method, equity investments are initially recognised at purchase cost, attributing any difference between cost sustained and the interest share in the fair value of the identifiable net assets of the investee in a similar way to what is set forth in IFRS 3 "*Business Combinations*". The book value is then adjusted to take into account:

- the shareholder's portion of the economic results of the investee made following the date of acquisition;
- and the share belonging to the investor of the other statement of comprehensive income components of the investee.

The changes to shareholders' equity of an investee, other than the above, are recognised in the income statement when the substantially represent the effects of the sale of an interest share in the investee. The dividends that the investee distributes are recognised to reduce the book value of the equity investment.

When there is objective evidence of impairment, the recoverability is checked by comparing the book value with the relevant recoverable value calculated adopting the criteria indicated in the section "Impairment of non-financial assets". When the reasons for impairment no longer apply, the equity investments' value is restored within the limits of the impairments applied, attributing the effect to the income statement.

The sale of equity investments that implies a loss of the joint control or the considerable influence on the investee causes recognition in the income statement:

- any capital gain/loss calculated as the difference between the consideration received and the corresponding fraction of the book value of the transferred equity investment;
- of the effect of the revaluation of any residual investment kept to align it with the relative fair value;
- of any values recognised in the other statement of comprehensive income components related to the investee for which reclassification to the income statement is foreseen.

The value of any investment kept, aligned with the relative fair value at the date joint control or considerable influence is lost, represents the new entry value, hence the reference value for the subsequent measurement based on measurement criteria applicable.

After an investment measured applying the equity method, or a share of that investment, is classified as held for sale as it meets the criteria for that classification, the investment, or investment share, is no longer measured by the equity method. Any shares of that investment not classified as held for sale are measured applying the equity method until disposal of the investment share held for sale has been concluded. Any residual share kept after the sale is measured based on the applicable valuation criteria.

The other investments, recognised in non-current assets as they are not held for negotiation, are measured at fair value with balancing entry to the income statement. When the investments are not listed on a regulated market, where information available to measure fair value is not sufficient, it is felt that the cost represents an adequate estimate.

The shareholder's portion of any losses of the investee exceeding the book value of the equity investment is recognised in a special provision to the extent in which the shareholder is committed to fulfilling legal or implicit obligations of the investee, or in any case to covering its losses.

**Inventory.** The final inventory of technical materials are recognised at purchase cost, calculated using the weighted average cost formula, adjusted in connection with market performance and the estimated non-uses tied to obsolescence and slow turnaround phenomena.

**Trade receivables - Financial assets - Other assets.** Trade receivables, financial and other assets, considering their contractual characteristics and the business model adopted to manage them, are classified under the following categories: (i) financial assets recognised at amortised cost; (ii) financial assets recognised at fair value with balancing entry in the other comprehensive income components; (iii) financial assets recognised at fair value with balancing entry in the income statement.

Trade receivables, financial and other assets, if they only generate contractual cash flows representing capital and interest and if managed with a business model whose goal is to hold the asset to collect the aforementioned flows, are initially recognised at fair value rectified by directly attributable transaction costs and then recognised applying the amortised cost criterion based on the effective interest rate method (that is the rate that makes the current value of cash flows expected and the recognition value equal, at the time of initial recognition), suitably rectified to take any impairments into account, by recognition in the provisions for write-down of receivables.

Trade receivables, financial and other assets with the aforementioned contractual characteristics, if managed applying a business model whose goal is both to hold the asset to collect its contractual flows represented by the return of capital and interest accrued and to realise the investment through a sale, are recognised after initial entry, at fair value with balancing entry in the other comprehensive income components.

Financial assets whose contractual cash flows do not represent payment solely of capital and interest, are recognised at fair value with balancing entry in the income statement except for derivative instruments used to hedge financial flows, recognised at fair value with balancing entry in the other comprehensive income statement components.

Trade receivables, financial and other assets are included in current assets, except for those with contractual maturity exceeding twelve months compared to the financial statement date, classified in non-current assets.

**Impairment of financial assets.** At each financial statement reference date, all financial assets that are not those recognised at fair value with balancing entry in the income statement are analysed to check whether there is objective evidence that an asset or group of financial assets has suffered or could suffer a loss in value based on the expected losses model.

The Company measures the expected losses on trade receivables considering their entire duration based on a weighted estimate of the probabilities that those losses could occur. For this purpose, the Company uses quantitative and qualitative information and analyses, based on historical experience, suitably integrated with forecasts on the expected evolution of circumstances. Losses are measured as the current value of all differences between financial flows due contractually and cash flows the Company expects to receive. Actualisation is performed applying the effective interest rate of the financial asset.

For assets that are not trade receivables (financial assets, other assets, liquid assets and equivalent means), if the credit risk (that is the risk of non compliance along the expected life of the financial instrument) has increased significantly from the date of initial recognition, the Company estimates losses over a time horizon corresponding to the duration of each financial instrument. For financial assets represented by debt securities attributed a low credit risk at the financial statement reference date, losses are estimated over a twelve months time horizon. The Company believes that a debt security has a low credit risk when its rating is equal to or higher than at least one of the following levels: Baa3 for Moody's, BBB- for Standard&Poor's and Fitch.

To calculate whether the credit risk of a financial asset that is not trade receivables has increased considerably following initial recognition, the Company uses all pertinent information, considered reasonable, that is adequately supported and available with no costs or excessive efforts needed.

Impairment losses related to financial assets are presented separately in the income statement.

If the amount of a loss in value of an asset previously recognised drops and that reduction can objectively be connected to an event that occurred after the loss in value was recognised, it is re-credited to the income statement.

**Derecognition of financial assets and liabilities.** Financial assets are derecognised when one of the following conditions is met:

- the contractual right to receive the cash flows from the asset has expired;
- the Company has essentially transferred all risks and benefits connected to the asset, transferring its rights to receive cash flows from the asset or taking on a contractual obligation to bestow cash flows received to one or more possible beneficiaries through a contract complying with IFRS 9 requirements (so-called pass through test);
- the Company has neither assigned nor basically retained all the risks and benefits connected with the financial asset, but has transferred control.

In the case of factoring transactions basically involving transfer of the risks and benefits connected with the receivables assigned to the factor (therefore the Company remains exposed to the risk of insolvency and/or delayed payment – so-called non-recourse factoring), the transaction is assimilated to the opening of a loan secured by the credit being assigned. In that circumstance, the receivable transferred is still presented in the statement of financial position until collected by the factor and, as a balancing entry to any advance received from the factor, a financial debt is recognised. The financial cost for factoring transactions is represented by interest on the amounts advanced entered in the income statement pursuant to the accrual principle, and are classified under financial expenses. Commissions accruing on assignments are included amongst the financial expenses.

The financial liabilities are derecognised when they are extinguished, meaning when the contractual obligation is fulfilled, cancelled or barred.

**Offsetting financial assets and liabilities.** The Company offsets financial assets and liabilities if and only if:

- there is a legally exercisable right to offset the amounts recognised; and
- there is the intention to either offset on a net basis or to realise the asset and adjust the liability at the same time.

**Cash and cash equivalents.** Cash and cash equivalents comprise cash, demand deposits and financial assets with maturity originally equal to or less than three months, readily convertible into cash and subject to a negligible risk of change in value. Elements included in cash and cash equivalents are recognised at fair value. Collection operations are recorded by bank transaction date; the order date is also taken into account for payment transactions.

## Liabilities

**Financial liabilities - Trade payables - Other payables and liabilities.** Loans and payables are recognised when the Company becomes part of the relative contractual clauses and are initially recognised at fair value rectified by the directly attributable transaction costs.

They are afterwards measured with the amortised cost criterion, using the effective interest rate method.

**Provisions for risks and charges.** Provisions for risks and charges are those costs and expenses of a certain or probable nature and existence which, at the financial statements closing date are undetermined for amount and/or occurrence date. The allocations to these provisions are recognised when:

- the existence of a current, legal or implicit obligation arising from a past event is likely;
- fulfilment of the obligation being against payment is likely;
- the amount of the obligation can be reliably estimated.

Provisions are recognised at the value represented the best estimate for the amount that the Company will reasonably pay to settle the obligation or to transfer it to third parties at the financial statements closing date. When the financial effect of time going by is significant and the payment dates for the obligations can be estimated reliably, the allocation is decided actualising expected cash flows considering the risks associated with the obligation; the provision increase connected to time going by is recognised in the income statement under the items financial income or financial expense.

The costs the Company expects to sustain to implement reorganisation programs are entered in the year when the program is formally defined and the valid expectation that the reorganisation will take place has emerged in parties involved.

The provisions are periodically updated to reflect the changes in the estimates of costs, execution time and the discount rate; estimates reviewed are attributed to the same income statement item as the previous provision. Provisions for risks and charges are actualised when it is possible to reasonably estimate when the monetary outflows will take place. When the liability regards property, plant and equipment (e.g. dismantling and restoration of sites), the changes in provision estimate are recognised as a balancing entry for the asset to which they refer within the limits of the book values; any surplus is recognised in the income statement.

If it is expected that all the expenses (or a part of them) required to settle an obligation are repaid by third parties, the indemnity – when it is virtually certain – is recognised as a separate asset.

For contracts whose non-discretionary costs necessary for fulfilling the obligations undertaken are greater than the economic benefits expected to be obtainable from the contract (onerous contracts), the Company recognises a provision equal to the cost necessary for the fulfilment and any compensation or sanction arising from non-fulfilment of the contract, whichever is the lesser.

The existence of contingent liabilities, represented by possible but not probable obligations arising from past events whose existence will be confirmed only when one or more uncertain future events not totally under the Company's control occur, or not occur, will not give rise to the recognition of liabilities recorded in the financial statements, but is explained in a specific note contained in the Separate Financial Statements.

**Employee benefits.** Taking into account their characteristics, benefits following employment are either "defined-contribution" plans or "defined-benefit" plans. In the defined-contribution plans, the Company's obligation – limited to paying contributions to the State, to an estate or to a legally distinct entity – is determined based on the contributions due. Costs related to those plans are recognised in the income statement based on the contribution made in the year. In the defined-benefit plans, on the other hand, the Company's obligation is determined, separately for each plan, based on actuarial assumptions by estimating (in compliance with the projected unit credit method) the amount of the future benefits that the employees have accrued as at the date of reference. More specifically, the current value of the defined-benefits plans is calculated using a rate determined based on market performance as at the reporting date of the bonds of primary companies or, if there is no active market in which they are traded, government bonds. The liability is recognised on an accrual basis during the period the right accrues. The liability is measured by independent actuaries. If the assets servicing the plan exceed the current value of the relevant liability, the surplus is recognised as assets.

Net interest includes the component of return on assets servicing the plan and the cost for interest to be recognised in the income statement. Net interest is determined by applying the discount rate defined for the liabilities to the liabilities, net of any assets servicing the plan; The net interest defined-benefit plans is recognised in the income statement under financial income or financial expense.

Actuarial profits and losses resulting from actuarial recognition of the defined-benefit plans and the return of assets servicing the plan (net of any interest income) are recognised under the other statement of comprehensive income components. For the other long-term benefits, actuarial profits and losses are recognised in the income statement. If a defined-benefits plan should be modified or a new plan introduced, any welfare cost linked to the supply of past labour is recognised in the income statement.

**Derivative instruments.** A derivative is a financial instrument or another contract:

- whose value changes depending on the changes in an underlying parameter, such as interest rate, price of a note or goods, exchange rate in foreign currency, index of prices or rates, rating of a receivable or another variable;
- that requires a net initial investment equal to zero or less than what would be required for contracts with a response similar to the changes in market conditions;
- that is adjusted at a future date.

Derivatives are classified as financial assets or liabilities based on the positive or negative fair value and are classified as "held for trading" and recognised at fair value in the income statement, except for those designated as effective hedging instruments.

Derivatives are designated as hedging instruments when the ratio between the derivative and the hedged item is formally documented and the hedging effectiveness (periodically checked) is high. When derivatives hedge the risk of a change in cash flows of instruments being hedged (cash flow hedge: e.g. hedging the variability of asset/liability cash flows due to exchange rates fluctuating), the changes in fair value of derivatives considered effective are initially recognised in the equity reserve for the other comprehensive income statement components (cash flow hedge reserve) and then attributed to the income statement consistent with the economic effects produced by the transaction hedged. The changes to the fair value of derivatives that cannot be qualified as hedging are recognised in the income statement.

For currency options, the fair value suspended to the cash flow hedge reserve is formed by the intrinsic value and the time value. The intrinsic value is equal to the amount of the currency optioned (nominal value), multiplied by the difference between the exchange rate of the option exercised and the market exchange rate at the time of measurement (e.g. end of year exchange rate). In cases where the exchange rate of the option exercised is off market – that is exercising it is not advantageous considering market conditions at the time of measurement – the intrinsic value is null. The time value is a value proportionate to option duration and comes from the difference between the option's total fair value and the intrinsic value.

For the forward purchase of currency, the fair value suspended for cash flow hedge reserve is represented by the spot component, that is the amount of the currency purchased by the difference between the spot rate of the forward purchase transaction and the market rate recognised on the measurement day.

## Fair value measurement

Fair value measurement and the relative information is performed or prepared applying IFRS 13 "Measurement of fair value". Fair value is the price that would be received for the sale of an asset or that would be paid to transfer a liability during an ordinary transaction carried out by market operators, at the measurement date.

The measurement of fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the main market; that is in the market where the most volume and transaction levels for the asset or liability take place. Without a main market, one assumes that the transaction takes place in the most advantageous market to which the Company has access, that is the market susceptible to maximising the results of the transactions to sell the asset or to minimising the amount to pay to transfer the liability.

The fair value of an asset or liability is calculated considering the assumptions that market participants would use to define the price of the asset or liability, in the assumption that they act for the best economic interest. The market participants are informed independent buyers and sellers able to enter into a transaction for the asset or liability and motivated, but neither obliged nor induced, to make the transaction.

When measuring fair value, the Company considers the characteristics of specific assets or liabilities; in particular for the non-financial assets, the ability of a market operator to generate economic benefits by using the asset for its maximum and best use or selling it to another market operator able to use it for its maximum and best use. Fair value measurements for assets and liabilities are performed using techniques suited to the circumstances and for which there is enough data available, maximising use of observable inputs.

## Revenue

Revenues are recognised based on the following five steps:

- 1) identification of the contract with the customer;
- 2) identification of the performance obligations (i.e. the contractual commitments to transfer goods and/or services to the customer);
- 3) determination of the transaction price;
- 4) allocation of the transaction price to the performance obligations identified on the basis of the stand alone selling price of each good or service; and
- 5) recognition of the revenue when the relevant performance obligation is met.

When each contract is signed with customers, the Company, related to the goods or services promised, identifies as an obligation each promise to transfer goods, a service, a number of goods or services, or a distinct combination of goods and services to a customer.

Revenues are measured in a way that corresponds to the fair value of the fee due, including any variable components, where it is considered highly probable that they will not spill over into the future.

The Company recognises revenues due for each separate obligation when the control of services supplied, rights granted or goods sold is transferred to the purchaser.

Revenues are entered in the financial statements net of any discounts and rebates, payments made to customers which do not correspond to the purchase of distinct goods or services by the Company, and the estimate to customer returns.

The Company recognises a contractual asset or liability based on the fact that the service has already taken place but the relative fee still has to be received; or a contractual liability when, for fees already received, obligations undertaken still have to be fulfilled.

Here below, please find a brief description of the recognition, measurement and valuation process applied for each of the main revenue flows identified.

**TV licence fees.** As described in Note 1 “General information”, the Company performs, in order to exercise a Public Service, the activities established in the Contract. The fee for the service performed is represented by:

- ordinary licence fees, paid to the State, mainly by debiting the electricity bill, of the owners of a device that can receive the broadcasting signal and paid by the State, for its share, in ways established in the Contract in force in the months of January, May and September; and
- of special licence fees, paid to the Company directly by managers of a commercial activity that makes use of the Public Service available to the public through a device able to receive the broadcasting signal.

As the Company fulfils its obligation to provide a Public Service over time, the corresponding revenues from licence fees are recognised progressively as the broadcasting offer is transmitted.

**Advertising.** Contracts with advertisers establish that the Company, for a fee, undertakes to circulate the promotional messages of its customers on its multimedia channels. The Company recognises the advertising revenues when the promotional messages are effectively transmitted also considering the fee reductions deemed highly probable.

**Special services under convention.** This type includes revenues calculated by agreements obliging the Company to provide activities established in the contract for the production, distribution and transmission of audio-visual content abroad to add value to the Italian language, culture and companies as well as the production and distribution of radio and TV transmissions, and audio-visual contents, intended for some linguistic minorities, as well as activities connected to the management of broadcasting licence fees.

The type of obligation, normally satisfied over time, means that the Company acknowledges the relative revenues during the period in which the obligation is fulfilled. Moreover, the fee due is normally commensurate to the duration of productions transmitted.

**Sale of rights.** Contracts selling the rights to exploit audio-visual works normally acknowledge the possibility for customers to use the works granted through different multimedia means, for a limited period of time or for a pre-defined number of passages, in set territorial areas.

User licences normally acknowledge licensees the right to access audio-visual works as they are when the licence is granted; therefore, recognition of the relative revenue takes place when the licensee is able to start exploiting the rights granted; the fee due is calculated as a fixed, non-refundable amount. However, when contracts foresee an amount calculated based on the results from the distribution of the right, the revenue is recognised when the results are achieved.

When rights sold have shares owned by third parties, the expense resulting from the share due to them is recognised as a reduction of revenues.

**Distribution and sale of channels.** Contracts for the distribution and sale of channels oblige making the contents of an entire programme available to customers, for a limited period and to be broadcast on platforms and in contractually defined territories.

The type of obligation taken, normally satisfied over time, implies recognition of the relative revenues over the period in which the obligation is fulfilled; regardless of whether the fee could have been quantified as fixed and have been definitely recognised in advance.

## Public funding

Public funding, including non-monetary contributions measured at fair value, are recognised when it is reasonably certain they will be received and that the Company will comply with all conditions set for their allocation.

The benefit of a public loan at an interest rate lower than the market rate is treated as public funding. The loan is initially recognised at fair value and the public funding is measured as a difference between the initial book value and the amount received. The loan is afterwards measured in compliance with the provisions established for financial liabilities.

Public funding in the year is recognised as a positive income statement component, under the item other revenues and income.

Public funding received for the purchase, construction or acquisition of fixed assets (tangible or intangible) is recognised to directly reduce the relevant purchase or production cost or is recognised as income in connection with the relevant useful life, based on the amortisation process of the assets subsidised.

## Costs

Costs are recognised on an accrual basis when they concern services and goods purchased or consumed during the year or by systematic breakdown, or when their future usefulness cannot be identified.

Operating lease instalments are entered in the income statement for the entire duration of the contract.

The financial income and expenses are recognised in the income statement during the year in which they are accrued.

## Exchange rate differences

Revenues and costs relating to transactions in a currency that is not the functional one are recorded at the current exchange rate of the day on which the transaction is recognised.

Monetary assets and liabilities stated in a currency other than the functional one are converted into the functional one at the current exchange rate at the financial statement reference date and are entered in the income statement. Monetary assets and liabilities stated in a currency other than the functional one recognised at cost are recorded at the initial recognition exchange rate; when measurement is at fair value or at the recoverable or collection value, the current exchange rate at the date that value is calculated is adopted.

## Dividends

Dividends are recognised as at the date the General Meeting that establishes the right to receive payment passes the resolution except for when it is reasonably certain that the shares will be sold before the coupon date.

Dividends decided by the Shareholders' Meeting of the Company are entered as an equity movement in the year in which they are approved.

## Income tax

Current taxes recognised under current income tax payables net of prepayments made or under current income tax credits when the net balance is a credit, are calculated based on an estimate of taxable income and in compliance with tax laws, applying the percentages in force at the reference date.

Current taxes are recognised in the income statement, except for those related to items directly attributable to equity.

Deferred income tax assets and liabilities are calculated on the temporary differences between the asset values recognised and the matching values recognised for tax purposes, applying the rate in force as at the date on which the temporary difference will be paid, based on the rates expected as at the reporting date. A deferred tax liability is recorded for all taxable temporary differences, except for goodwill. Deferred tax assets on temporary differences, tax losses and credits not used are recognised if and when their recovery is probable foreseeing that positive taxable amounts can be achieved in future tax periods. When each year closes, a new measurement is made of whether deferred tax assets can be registered.

Deferred tax assets and liabilities are recognised in the income statement, except for those related to items directly attributable to equity.

As a result of applying regulations referring to the same tax authority, the deferred income tax assets and liabilities are offset if there is a legally exercisable right to offset the current tax assets with the current tax liabilities that will be generated at the time of their payment.

Deferred tax assets and deferred tax liabilities are classified under non-current assets and liabilities and are offset at the single tax jurisdiction level if referring to offsettable taxes. The offset balance, if receivable, is entered under deferred tax assets, if payable, under deferred tax liabilities.

## Related parties

Related parties are those that share the same parent with Rai, the companies that control it directly or indirectly, are subsidiaries or are subject to joint control and those in which the Company holds an investment that means it exercises a considerable influence. The definition of related parties also includes entities that manage the benefit plans following the end of a working relationship solely for Company employees (indicated specifically in Note 18.4 "Relations with related parties") and key management personnel, that is those with powers and responsibilities, direct or indirect, for the planning, management, control of Company activities, including Directors.

In compliance with IAS 24 "Financial statement information on transactions with related parties", paragraph 26, Rai is exempted of information requirements pursuant to paragraph 18 (according to which the Company has to indicate the kind of relationship with the related party, as well as providing information on those transactions and on existing balances, including commitments, needed for users of financial statements to understand the potential effects of that relationship on the Separate Financial Statements) if relations with another entity that is a related party because the same government entity has control of both the entity drafting the financial statements and the other entity.

## 4 Use of estimates

Application of the IFRS for drawing up the Separate Financial Statements entails making accounting estimates that are often based on complex and/or subjective assessments and on past experience and assumptions considered reasonable and realistic in connection with the information known at the time of the estimate. The use of these estimates reflects on the book value of the assets and liabilities and on the disclosure concerning the contingent assets and liabilities as at the date of the Financial Statements, and on the amount of the revenues and costs in the accounting period represented. The actual results might differ from those estimated because of the uncertainty characterising the assumptions and conditions on which the estimates are based. Estimates and assumptions are reviewed periodically and the effects of each change are reflected in the income statement.

For better understanding of the Separate Financial Statements, the most significant estimates of the process of drafting the Separate Financial Statements because they involve making considerable recourse to subjective opinions, assumptions and estimates related to uncertain matters owing to their nature are provided below. The changes in the conditions at the root of adopted opinions and assumptions might have a large impact on the subsequent results.

### Write-downs

Assets are written down when events or circumstances arising after their initial recognition lead one to believe that this value is not recoverable. The decision of whether to proceed with its write-down and quantification depends on assessments made on the basis of reasonable and demonstrable assumptions representing the best estimate of the future economic conditions that will take place in the residual useful life of the asset while giving importance to the information coming from the outside.

The write-down is calculated comparing the registration value with the relative recoverable value, represented by the highest between fair value, net of disposal expenses, and the value in use. The latter is determined by the use of the asset net the disposal charges and quantified in light of the information available at the time of the estimate on the basis of subjective opinions on the trend of future variables (such as prices, costs, demand growth rates).

### Recovery of deferred taxes

The Separate Financial Statements include registration of deferred tax assets connected to the recognition of tax losses that can be used in subsequent tax periods, whose amount is subordinate to the recoverability calculated by achieving future taxable incomes that are sufficient to absorb the aforementioned tax losses or up to the deferred tax liability. Management is required to give important opinions in order to determine the amount of the deferred taxes that can be recognised based on the time frame and the amount of the future taxable income. If, in the future, the Company should not be able to fully or partially recover the deferred tax assets recorded in the financial statements, the relative rectification will be attributed to the income statement.

### Employee benefits

A part of Company employees are registered with plans allocating benefits after employment has been terminated (such as employee severance pay plus supplementary pension schemes indicated in Note 15.2 "Employee benefits"). Quantification of the costs and liabilities associated with these plans is based on estimates made by actuaries, who use a combination of statistical-actuarial factors, including statistical data relating to past years and forecasts of future costs. Mortality and withdrawal rates, assumptions on the future evolution of discount rates, remuneration growth rates, inflation rates and the analysis of the trending index of healthcare costs are also considered as estimate components. What normally occurs is that when the balance of these liabilities is periodically measured, there are differences arising from, among other things, changes in the actuarial assumptions use, the difference between actuarial assumptions previously adopted and those that actually took place, and the different return on assets servicing the plan compared to what was considered in the net interest calculation. Measurement impacts are recognised in the comprehensive income statement for the defined benefit plans and in the income statement for the defined contribution plans.

## Litigation

The Company is respondent in several disputes concerning administrative, civil, tax and labour law matters. The nature of these disputes makes the final outcome of the matters objectively unforeseeable. Therefore, provisions were created to cover all significant liabilities for cases where it is felt that an unfavourable result is probable and it was possible to process a reasonable estimate of expenses resulting from any loss.

## Dismantling and restoration of sites

The Company recognised liabilities regarding the obligations to dismantle property, plant and equipment and to restore several areas under operating lease agreements at the end of the period they are used. Estimating future dismantling and restoration costs is a complex process and requires common sense and judgement in assessing liabilities to sustain many years later, and they are often not fully defined by laws, regulations or contractual clauses. The critical nature of the estimates of dismantling and restoration charges also arises (i) from posting these charges whose current value is initially recorded to increase the cost of the asset to which they refer and as a balancing entry in the provision for risks; and (ii) from the complexity and subjectivity of the valuation process to perform upon initial recognition and to update at least once a year in order to determine the discount rate to use.

## Measuring the fair value of financial instruments

The fair value of listed financial instruments is calculated observing prices identifiable directly on the market, whereas for non-listed ones specific measurement techniques are applied that use the greatest number possible of observable market inputs. In the circumstances in which this is not possible, management estimates the inputs while taking into account characteristics of the instruments being measured. Changes in assumptions made to estimate input data could have effects on the fair value recognised for those instruments in the financial statements.

## 5 Effects resulting from first-time adoption of the accounting standards IFRS 9 and IFRS 15

When the accounting standards IFRS 9 and IFRS 15 were first applied, the Company availed itself of the right to recognise the effect connected to backdated re-calculation of the opening equity values of the current accounting year. The differences in accounting values resulting from adoption of the new standards were therefore recognised amongst other reserves and amongst the profits carried forward as at 1 January 2018; consequently, balances as at 31 December 2017 are measured and entered in the financial statements as established respectively by the previous accounting standards IAS 39 and IAS 18.

Following introduction of accounting standard IFRS 9, a new item has been added to the income statement, impairment of financial assets. This recognises the impairment losses (including recoveries) of financial assets in the ampler meaning provided by IAS 32, that includes all assets of contractual origin that give a right to receive cash flows (thus including trade receivables). Related to the right applied to backdate recalculation of opening equity values for the current accounting year, reference values as at 31 December 2017 are measured and entered in the financial statements as established by the previous accounting standard IAS 39.

Effects on the statement of financial position as at 1 January 2018 resulting from application of the accounting standards can be found in the following table:

(in €/’000)	31 December 2017	IFRS 15	IFRS 9	1 January 2018	Notes
Property, plant and equipment	877,147	-	-	877,147	
Intangible assets	435,721	-	-	435,721	
Equity investments	919,241	-	-	919,241	
Non-current financial assets	4,586	-	-	4,586	
Other non-current assets	8,420	-	-	8,420	
<b>Total non-current assets</b>	<b>2,245,115</b>	<b>-</b>	<b>-</b>	<b>2,245,115</b>	
Inventory	187	-	-	187	
Trade receivables	293,014	-	(436)	292,578	[1]
Current financial assets	172,046	-	-	172,046	
Current income tax receivables	19,507	-	-	19,507	
Other current receivables and assets	95,647	-	-	95,647	
Cash and cash equivalents	170,900	-	-	170,900	
<b>Total current assets</b>	<b>751,301</b>	<b>-</b>	<b>(436)</b>	<b>750,865</b>	
<b>Total assets</b>	<b>2,996,416</b>	<b>-</b>	<b>(436)</b>	<b>2,995,980</b>	
Share capital	242,518	-	-	242,518	
Reserves	587,181	-	-	587,181	
Retained earnings (losses)	(21,304)	(2,670)	(668)	(24,642)	
<b>Total shareholders' equity</b>	<b>808,395</b>	<b>(2,670)</b>	<b>(668)</b>	<b>805,057</b>	
Non-current financial liabilities	372,825	-	-	372,825	
Employee benefits	457,462	-	-	457,462	
Provisions for non-current risks and charges	156,203	-	232	156,435	[2]
Deferred tax liabilities	47,809	(843)	-	46,966	[3]
Other non-current payables and liabilities	1,969	3,513	-	5,482	[3]
<b>Total non-current liabilities</b>	<b>1,036,268</b>	<b>2,670</b>	<b>232</b>	<b>1,039,170</b>	
Trade payables	550,891	-	-	550,891	
Current financial liabilities	151,161	-	-	151,161	
Current income tax payables	29,959	-	-	29,959	
Other current payables and liabilities	419,742	-	-	419,742	
<b>Total current liabilities</b>	<b>1,151,753</b>	<b>-</b>	<b>-</b>	<b>1,151,753</b>	
<b>Total liabilities</b>	<b>2,188,021</b>	<b>2,670</b>	<b>232</b>	<b>2,190,923</b>	
<b>Total shareholders' equity and liabilities</b>	<b>2,996,416</b>	<b>-</b>	<b>(436)</b>	<b>2,995,980</b>	

[1] increase in the provision for bad debts from Rai Com through application of the impairment model based on the expected loss.

[2] increase in the provision for the risks of recourse on Rai Com receivables through application of the impairment model based on the expected loss.

[3] effects from the different time distribution of advertising revenues.

Effects on initial shareholders' equity are registered in the following table:

(in €/000)	Share capital	Legal reserve	Other reserves	Retained earnings (losses)	Total shareholders' equity	Notes
<b>Balances as at 31 December 2017</b>	<b>242,518</b>	<b>11,766</b>	<b>575,415</b>	<b>(21,304)</b>	<b>808,395</b>	
Effects resulting from application of the new standards						
<b>IFRS 15</b>	-	-	-	(2,670)	<b>(2,670)</b>	[1]
<b>IFRS 9</b>	-	-	-	(668)	<b>(668)</b>	[2]
<b>Balances as at 1 January 2018</b>	<b>242,518</b>	<b>11,766</b>	<b>575,415</b>	<b>(24,642)</b>	<b>805,057</b>	

[1] Effects from the different time distribution of advertising revenues.

[2] Caused by the increase in the provision for write-down of bad debts and for the risks of recourse against Rai Com for application of the impairment model based on the expected loss.

Application of the new standards compared to what is established by the previous standards IAS 39 and IAS 18 causes the following effects on the income statement as at 31 December 2018.

(in €/000)	Year ended 31 December 2018	IFRS 15	IFRS 9	Year ended as at 31 December 2018 with application of the previous standards IAS 18 and IAS 39
Revenue from sales and services	2,378,078	(1,192)	-	2,376,886
Other revenue and income	26,440	-	-	26,440
<b>Total revenue</b>	<b>2,404,518</b>	<b>(1,192)</b>	<b>-</b>	<b>2,403,326</b>
Costs for the purchase of consumables	(11,110)	-	-	(11,110)
Costs for services	(1,272,870)	-	-	(1,272,870)
Other costs	(46,665)	-	-	(46,665)
HR expenses	(911,839)	-	-	(911,839)
Impairment of financial assets	(87)	-	87	-
Depreciation, amortisation and other write-downs	(294,281)	-	(87)	(294,368)
Provisions	1,457	-	-	1,457
<b>Total costs</b>	<b>(2,535,395)</b>	<b>-</b>	<b>-</b>	<b>(2,535,395)</b>
<b>EBIT</b>	<b>(130,877)</b>	<b>(1,192)</b>	<b>-</b>	<b>(132,069)</b>
Financial income	65,717	-	-	65,717
Financial expense	(13,294)	-	-	(13,294)
Result of investments measured with the equity method	155	-	-	155
<b>Pre-tax profit/(loss)</b>	<b>(78,299)</b>	<b>(1,192)</b>	<b>-</b>	<b>(79,491)</b>
Income tax	44,446	821	-	45,267
<b>Result for the year - Profit (loss)</b>	<b>(33,853)</b>	<b>(371)</b>	<b>-</b>	<b>(34,224)</b>

## 5.1 First-time adoption of accounting standard IFRS 9

### Classification of financial assets

The IFRS 9 accounting standard foresees that the entity check both the business model related to management of financial assets and the contractual characteristics of cash flows and, based on that analysis, classify them consistently.

When the financial asset is first recognised, if not designated as a financial asset measured at fair value with balancing entry in the income statement, it is classified as:

- asset at amortised cost, if managed based on a business model whose goal is to hold the asset to collect contractual flows and the relative contractual terms foresee allocation of financial flows represented solely by repayment of capital and by interest accrued on residual capital;
- asset measured at fair value with balancing entry in the other comprehensive income statement components, if managed based on a business model whose goal is to hold the asset to collect contractual flows, to realise the investment through the sale and the relative contractual terms foresee allocation of financial flows represented solely by repayment of capital and by interest accrued on residual capital.

When a shareholding investment not held for trading is first recognised, the entity may irrevocably choose to present the subsequent changes in fair value in the other comprehensive income statement components. This choice investment by investment.

The category of financial assets measured at fair value with balancing entry in the income statement includes all derivative instruments, except for those designated as hedging in a report on hedging the change risk of financial flows.

Considering the above, the following table compares the Company's financial assets classified in compliance with IFRS 9 categories and according to what was previous established by IAS 39. Please note that the new classification did not cause and effects on the value of financial assets as at 1 January 2018.

	Previous classification adopted in compliance with IAS 39	New classification adopted in compliance with IFRS 9
<b>Trade receivables</b>	Receivables and loans	Assets at amortised cost
<b>Current financial assets (a)</b>	Receivables and loans	Assets at amortised cost
<b>Cash and cash equivalents</b>	Receivables and loans	Assets at amortised cost
<b>Non-current financial assets (a)</b>	Receivables and loans	Assets at amortised cost
<b>Debt securities</b>	Financial assets held till maturity	Assets at amortised cost
<b>Hedging financial tools - Interest Rate Swap Forward Start</b>	Hedging financial tools	Financial assets measured at fair value with balancing entry in the other components of the comprehensive result
<b>Equity investments in other companies</b>	Financial assets measured at fair value with balancing entry in comprehensive income statement components (b)	Investments designated at fair value with balancing entry in the income statement (c)

(a) Excluding debt securities and hedging financial derivatives.

(b) For non-listed equity investments and whose fair value could not estimated reliably, they were recognised at cost rectified for loss of value.

(c) For investments in non-listed companies, if information available to measure fair value is not sufficient, it is felt that the cost represents an adequate estimate.

For the Company, debt securities are entirely made up of State securities expiring in May 2021, guaranteeing the Agreement and special services under convention with the State and are classified amongst assets at amortised cost because the Company intends to hold them until maturity to collect cash flows formed solely by payment of interest and capital.

The following table illustrates the effects as at 1 January 2018 from classification of financial assets and liabilities based on criteria set forth in IFRS 9:

(in €/’000)

IAS 39 classification	IFRS 9 classification	Assets and liabilities at amortised cost	Financial assets and liabilities at fair value with a balancing entry recognised to the income statement	Financial assets and liabilities measured at fair value with balancing entry in the other components of the comprehensive result	Total financial assets and liabilities
<b>Assets</b>					
Receivables and loans		638,399	-	-	638,399
Financial assets held for sale		-	-	-	-
Financial assets and liabilities at fair value with balancing entry in the income statement		-	506	-	506
Hedging financial instruments		-	-	1,205	1,205
<b>Total financial assets</b>		<b>638,399</b>	<b>506</b>	<b>1,205</b>	<b>640,110</b>
<b>Liabilities</b>					
Receivables and loans		(1,074,371)	-	-	(1,074,371)
Financial assets and liabilities at fair value with balancing entry in the income statement		-	(506)	-	(506)
<b>Total financial liabilities</b>		<b>(1,074,371)</b>	<b>(506)</b>	<b>-</b>	<b>(1,074,877)</b>

## Hedging relations

All hedging relations designated pursuant to IAS 39 as at 31 December 2017 satisfy the criterion to be recognised as hedging operations also in compliance with IFRS 9 as at 1 January 2018 so are considered as a continuation of the pre-existing hedging relations.

Following adoption of IFRS 9, the aligned time value of the optional structures of derivatives is registered separately as a hedging cost and recognised amongst the other components of the comprehensive result, to be accumulated in a reserve as “hedging cost” instead of being immediately recognised in the income statement, based on the previous standard IAS 39. That change had no significant effects as at 1 January 2018.

For a description of the management strategies and targets for risks being hedged, please refer to Note 8 “Management of financial risks”.

## Reduction in value of financial assets

IFRS 9 replaces the “sustained loss” impairment model in IAS 39 “*Financial instruments: recognition and measurement*” with an “expected loss” model. The new model is applied to financial assets measured at amortised cost and to investments in debt instruments measured at fair value with balancing entry in the other components of the comprehensive income statement, but not to investments in instruments representing capital.

The Company measures the expected losses in trade receivables and on the other financial assets using criteria described in Note 3 “Measurement criteria”.

Impairment losses related to financial assets are presented separately in the income statement.

Application of the standard only caused effects on trade receivables resulting from the measurement of the loss in value based on expected losses.

The Company decided, referred to 1 January 2018, a greater write-down of trade receivables from the subsidiary Rai Com for an amount of €436 thousand and a higher provisions for the risks of recourse related to the percentage already collected of Rai Com receivables for €232 thousand.

## 5.2 First-time adoption of accounting standard IFRS 15

Effects on equity as at 1 January 2018, from application of IFRS 15, amounted to €2,670 due to the different time distribution of advertising revenues, net of the tax component.

For the method used to recognise revenues, please refer to the Note 3 “Measurement criteria”.

### Recently issued accounting standards

#### Accounting principles approved by the European Union but still not mandatorily applicable

- International accounting standard IFRS 16 “Leasing” (hereinafter “IFRS 16”) was approved with Regulation 2017/1986 issued by the European Commission on 31 October 2017. IFRS 16 replaces IAS 17 “Leases” and relative interpretations (IFRIC 4 “Decide whether an agreement contains a lease”, SIC 15 “Operating leases—Incentives” and SIC 27 “Measurement of the substance of transactions in the legal form of lease”).

IFRS 16 establishes that all leases, established as contracts attributing a right to use an identified or identifiable asset, for a certain period of time in exchange for a fee, be recognised in the financial statements of the lessee by recognising a liability in the statement of financial position, represented by the current value of future instalments, calculated using the implicit lease interest rate or the marginal financing rate of the lessee if the lease’s implicit interest rate is not easy to calculate, with contextual recognition in assets of the corresponding “lease use right”. Therefore, the lessee will recognise depreciation for the use right and interest accrued on the liability in the income statement, in place of the operating lease instalments recognised in costs for services based on IAS 17 in force until 2018. In the financial report, payment of instalments repaying the aforementioned liability will be presented in cash flows from financing; therefore, referred to leases classified as operating leases in compliance with IAS 17, application of IFRS 16 will imply a change to the net operating cash flow and the net cash flow from financing. IFRS 16 therefore exceeds, in the lessee’s statement, the previous distinction between operating and financial leases. However, in the lessor’s statement, both the distinction between operating and financial lease is maintained as is the accounting established in IAS 17.

IFRS 16 is applied in a retrospective manner as of 1 January 2019.

The audit carried out by the Company highlighted inclusion, applying the standard, of the following contract types:

- property leases;
- car rentals.

The Company intends to avail itself of the option granted by the standard to continue recognising payment due for short-term leases as a cost (less than 12 months) and for leases where the underlying asset is of limited value.

At the first-time adoption date, the Company intends to avail itself of the possibility:

- to not re-examine each lease in force as at 1 January 2019, applying IFRS 16 solely to those previously identified as leases (ex IAS 17 and IFRIC 4);
- to check recoverability of assets for right of use as at 1 January 2019 based on the measurement, in these financial statements, related to the high cost of leases in compliance with provisions in IAS 37;
- not to assimilate, in the switch-over stage, leases with a residual duration as at 1 January 2019 of less than 12 months to short term ones;
- to adopt the practical expedient, granted by the standard, to apply the so-called simplified retrospective method with the measurement, for leases previously classified as operating, of the payable for lease and of the corresponding right of value in use measured on remaining contractual instalments at the switch-over date; actualised based on the marginal loan rate applicable as at 1 January 2019 that is the interest rate the Company would have paid to implement a loan transaction with similar cash profile and the same collateral guarantees of the lease being measured (so-called Incremental Borrowing Rate or Incremental rate).

The main impacts on the Separate Financial Statements can be summed up as follows:

- statement of financial position: greater non-current assets for registration of the “lease use rights” for an amount quantifiable as at 1 January 2019 in €57.4 million and of “lease liabilities” for an amount quantifiable as at 1 January 2019 in €56.9 million.  
The difference between the two values is caused by advances paid in 2018 for contractual instalments at the turn of the two years;
- income statement: different type, quantification, qualification and classification of costs (amortisation of the “lease use rights” in the row “amortisation and other write-downs” and “interest expense of leases” in the row “financial expenses” compared to the previous classification of costs for leases and rentals in the row “costs for services”) with resulting positive impact on gross operating profitability. Furthermore, the combination between amortisation in constant percentages of “lease use rights” and the effective interest rate method applied to lease payables imply compared to IAS 17, higher expenses in the income statement in the first lease years and decreasing expenses in the last ones.

The above quantification could change due to fine tuning the measurement process when IFRS 16 is first applied, in 2019 financial reports.

- Regulation 2018/498 issued by the European Commission on 22 March 2018 approved the amendments to the international accounting standard IFRS 9 “*Financial instruments – Early payment elements with negative compensation*”. Those amendments aim to clarify the classification of certain financial assets repayable early. These amendments are effective starting from the years beginning on or after 1 January 2019, allowing early application.  
The Company estimated that the amendment will have no impact on its Separate Financial Statements since the cases it regulates are not applicable to the Company’s situation.
- Regulation 2018/1595 issued by the European Commission on 23 October 2018 approved the IFRIC 23 interpretation “*Uncertainty over treatment for income tax purposes*”. IFRIC 23 specifies how to reflect the effects of uncertainty in posting income taxes if the tax treatment of a particular transaction or circumstance is not clear.  
The provisions of IFRIC 23 are effective starting from the years beginning on or after 1 January 2019.  
The Company assessed that above change will have no specific impacts on the Separate Financial Statements.

## Accounting principles not yet approved by the European Union

- On 18 May 2017, the IASB issued IFRS 17 “*Insurance Contracts*”, that regulates the accounting treatment of insurance contracts issued and reinsurance contracts held.  
The provisions of IFRS 17 are effective starting from the years beginning on or after 1 January 2021.
- IASB issued the amendments to IAS 28 “*Long-term Interests in Associates and Joint Ventures*” on 12 October 2017. The amendments clarify that a company applies IFRS 9 to the long-term interests in an associate or joint venture that are part of the net investment in the associate or joint venture.  
These amendments are effective starting from the years beginning on or after 1 January 2019.
- IASB issued the document “*Annual Improvements to IFRS Standards 2015-2017 Cycle*” on 12 December 2017. The amendments it contains are:
  - IFRS 3: the company remeasures the equity investment previously held in a joint operation when it obtains control of the business.
  - IFRS 11: a company does not remeasure the equity investment previously held in a joint operation when it obtains joint control of the business.
  - IAS 12: a company considers all the consequences of income taxes resulting from the payment of dividends.
  - IAS 23: a company treats any loan previously subscribed to develop an asset when the asset is ready for its expected use or for sale as part of the general loans.
 The amendments indicated in the above-mentioned document are effective starting from the years beginning on or after 1 January 2019.
- On 7 February 2018 the IASB issued the document “*Amendments to IAS 19: Plan Amendment, Curtailment or Settlement*”. The amendments specify that when an entity recalculates its net liabilities (assets) for defined benefit plans after a plan amendment, reduction or regulation, it has to use the updated actuarial hypotheses to calculate the cost of the current service and the net interest for the remaining part of the annual reference period. These amendments are effective starting from the years beginning on or after 1 January 2019.

- On 29 March 2018, the IASB issued the document “*Amendments to References to the Conceptual Framework in IFRS Standards*”. The document’s purpose is to update, in existing standards, references to and mentions of the existing version on the conceptual framework or to the version that was replaced in 2010 so that reference is made to the updated conceptual framework. These amendments are effective starting from the years beginning on or after 1 January 2020.
- On 22 October 2018, the IASB issued the document “*Amendments to IFRS 3 Business Combination*”. The objective is to improve application of the definition of business in order to solve difficulties arising practically when an entity decides whether to acquire an asset or group of assets.
- These amendments are effective starting from the years beginning on or after 1 January 2020. Early application is allowed.
- On 31 October 2018, the IASB issued the document “*Amendments to IAS 1 and IAS 8: Definition of Material*”. Amendment objectives are to clarify definition of “materiality” including a guide which had been described elsewhere in IFRS standards until now; align the definition used in the conceptual framework with that of the IFRS themselves and improve explanations accompanying the definition. These amendments are effective starting from the years beginning on or after 1 January 2020. Early application is allowed.

At present, the Company is analysing the principles specified and is assessing whether their adoption will have a significant impact on its financial statements.

## 7 Information by operating segment

IFRS 8 “*Operating Segments*” identifies the Operating Segment as a component of an entity: (i) that carries out activities able to generate flows of revenue and autonomous costs; (ii) whose operational results are periodically reviewed at the highest operational decision-making level, which coincides with the Company’s Board of Directors, with the purpose of taking decisions on allocation of the resources and assessing their results; and (iii) for which separate economic-financial information is prepared. The Company has identified only one operating segment and the management information, prepared and periodically made available to the Board of Directors for the purposes referred to above, considers the activity carried out as an indistinct set; as a result, no information by operating segment is presented in the Separate Financial Statements. The information on the services carried out by the Company, the geographical area (nearly corresponding entirely to the territory of the Italian State) where it carries out its activity and their major users is provided in the pertinent Notes to these Separate Financial Statements to which the reader is therefore referred.

## Management of financial risks

The financial risks to which the Company is exposed are managed according to the approach and the procedures defined within a specific policy. These documents establish procedures, limits and tools for monitoring and minimisation of financial risk, with the objective of preserving corporate value.

The main risks identified by the Company are:

- market risk arising from exposure to fluctuations of interest rates and exchange rates connected with the financial assets and liabilities respectively owned/originated and assumed;
- credit risk arising from the possibility that one or more counterparties might be insolvent;
- liquidity risk arising from the Company's inability to obtain the financial resources necessary to meet short-term financial commitments.

### 8.1 Market risk

Market risk consists of the possibility that changes in the interest and exchange rates might negatively influence the value of the assets, liabilities or expected cash flows.

When managing market risk, the Company uses the following derivative instruments:

- Interest rate swap to hedge exposure to interest rate risk;
- forward currency purchase options to hedge exposure to the exchange risk.

Details of derivatives existing at the financial statements' data can be found in the following table:

(in €/000)	Year ended 31 December 2018	Year ended 31 December 2017
<b>Non-current assets</b>		
Interest rate swap	-	1,205
	-	<b>1,205</b>
<b>Current assets</b>		
Options on currency for Rai Cinema	263	-
Forward purchase of currency for Rai Cinema	297	-
Receivables from subsidiary Rai Cinema for currency-option derivative instruments	-	387
Receivables from subsidiary Rai Cinema for forward currency purchase derivative instruments	-	119
	<b>560</b>	<b>506</b>
<b>Non-current liabilities</b>		
Interest rate swap	5,129	-
	<b>5,129</b>	-
<b>Current liabilities</b>		
Options on currency for Rai Cinema	-	387
Forward purchase of currency for Rai Cinema	-	119
Payables to the subsidiary Rai Cinema for currency-option derivative instruments	263	-
Payables to the subsidiary Rai Cinema for forward currency purchase derivatives	297	-
	<b>560</b>	<b>506</b>

Based on the policy used, derivatives may be used solely to hedge financial flows; they may not be used speculatively.

Further information on recognition of derivatives in financial statements and on measurement of the relative fair value are provided in Note 3 "Measurement criteria - Financial derivatives", in Note 4 "Use of estimates - Measurement of the fair value of financial instruments" and Note 10 "Measurement of fair value".

The change to the spot forward purchase component (that is the change to spot exchange rates) and to exchange rate options are suspended, at the financial statement date, in the cash flow hedge reserve until recognition of the right or asset being hedged. The component linked to the time of forward purchase is registered in the income statement during the hedging duration.

The following table illustrates movements of the cash flow hedge provision separately by financial instrument category:

(in €/000)	<b>Cash flow hedge provision</b> Interest rate swap
<b>Balance as at 31 December 2017</b>	<b>916</b>
Change in fair value	(6,334)
Deferred tax assets	289
<b>Balance as at 31 December 2018</b>	<b>(5,129)</b>

### Control of effectiveness

The effectiveness of hedging is decided when hedging starts and is re-examined periodically to check the economic ratio between the element hedged and the hedging instrument.

Effectiveness is formally proven with qualitative criteria related to the important terms (nominal amount, expiry, underlying, currency and reference rate) of the hedged element, aligned with the hedging instrument. In this situation, the hedging instrument's value evolves in the opposite direction to the element hedged and there is a clear economic ratio between the two.

The possible sources of ineffectiveness are identified in the following elements:

- significant changes in the amount and timing of payment of contracts in USD being hedged;
- significant changes in the credit risk of counterparts (rating).

The ratio between quantity of element hedged and the relative instrument designated to hedge it (hedge ratio) is always 1:1.

### Interest rate risk

Interest rate risk originates from the possible increase in net financial expenses as a result of unfavourable changes in market rates on the variable rate financial positions. In order to limit this risk, corporate policy requires that the medium/long-term variable rate loans be converted to fixed rate for at least 50% by using derivative products, such as Interest Rate Swaps.

Medium/long-term borrowings as at 31 December 2018 are entirely at fixed rate; therefore, the effects of the change in rates fall only on the short-term positions of a varying duration and sign during the year.

The Company has four Interest Rate Swap Forward Start contracts for a total nominal amount of €350,000 thousand with start date May 2020 and validity for the following 5 years, to hedge the risk of an increase in interest rates when the debenture bond issued expires and the resulting need to refinance.

Hedging effectiveness was checked with reference to an hypothetical derivative with the same characteristics in terms of nominal, expiry, reference rate, considering the characteristics of the future bond that is considered highly likely to be issued. The fair value of those transactions as at 31 December 2018 is suspended in a specific cash flow hedge fund, with effect, net of the tax component, on total profit/(loss) for the year.

Here below is a table summing up the financial effects of hedging instruments in place as at 31 December 2018:

(in €/'000)	<b>31 December 2018</b>
	Interest rate swap
Book value	(5,129)
Nominal amount	350,000
Interest Rate Swap Forward Start date	May 2020
Change in fair value of the hedging instruments	(6,334)
Change in value of the element hedged	6,334
Fixed average rate at maturity	0.8855%

### Sensitivity analysis

The sensitivity analysis conducted on the uncovered financial positions, made up of only the short-term financial positions, and on Interest Rate Swap Forward Start contracts, is provided in the table below.

As at 31 December 2017 the rate curve on short-term maturity is negative, so the rate reduction shift had only been applied for the Interest rate swap contracts.

(in €/'000)	Interest rate change	Change in economic result before tax effect	Change to cash flow hedge reserve
Year ended 31 December 2018	+50 bp.	489	7,748
	-50 bp.	(489)	(8,957)
Year ended 31 December 2017	+50 bp.	1,007	8,926
	-50 bp.	-	(8,957)

### Exchange rate risk

During 2018, Rai made payments in USD for about 6 million for several contracts (USD 32 million in 2017) and further payments in Swiss francs and GB pounds for a counter value of about €5 million. It also has intercompany accounts in USD for about 5 million.

Hedging transactions are not in place as at 31 December 2018 considering the limited commitments in foreign currency.

The policy in force regulates their management in keeping with the international best practices, to minimise the risk. This is pursued through the active monitoring of exposure and implementation of hedging strategies by Rai, also on behalf of the subsidiaries (except for Rai Way, which has an autonomous policy and management). That document establishes the hedging obligation for contract income and expense with a counter value of €1 million. The mandates for carrying out hedging transactions are given hierarchically and progressively, with a minimum intervention percentage of 50% of the contractual amount in foreign currency.

The hedging strategies are carried out through derivative instruments – such as forward purchases and optional structures – without a financial speculation nature.

The breakdown of the assets and liabilities in currency other than the Euro is provided below:

(in €/’000)	Year ended 31 December 2018		Year ended 31 December 2017	
	USD	Other foreign currencies	USD	Other foreign currencies
Trade receivables	-	-	-	-
Trade payables	(1,271)	(760)	(1,269)	(842)
Cash on hand	1,738	50	370	109
Current financial assets	-	2	-	2
Current financial liabilities	(5,171)	-	(4,102)	-
Other non-current assets	7	75	7	75
Other current receivables and assets	1	22	-	6
Other current payables and liabilities	(13)	(105)	(14)	(150)

### Sensitivity analysis

As at 31 December 2018 and 31 December 2017 a sensitivity analysis was conducted on credit and debt positions in currency and on the availability of currency of a higher amount, both formed by items in USD. A symmetrical change of 10% of the exchange rate compared to the value present as at the reporting date, all other conditions being equal, was simulated.

Effects on the economic result, indicated in the following table, are mainly caused by the debit balance with Rai Corporation.

(in €/’000)	Eur/USD exchange rate	Change in Eur/USD exchange rate	Recalculated Eur/USD exchange rate	Change in economic result before tax effect
Year ended 31 December 2018	1.1450	-10%	1.0305	(523)
		+10%	1.2595	428
Year ended 31 December 2017	1.1993	-10%	1.0794	(556)
		+10%	1.3192	455

## 8.2 Credit risk

The theoretical exposure to credit risk for the Company mainly refers to the book value of the financial assets and trade receivables recognised.

As for the counterparty risk, trade partner assessment procedures are adopted for managing trade receivables. The analysis is conducted periodically on the situation of the past due items and may lead to the dunning of the parties affected by solvency problems. The lists of the past due items analysed are arranged by amount and customer, updated to the analysis date and show those situations demanding greater attention.

The corporate structure of the Company appointed to collect the credit initiates kindly reminder measures with the counterparties that are debtors of amounts relating to past-due items. If these activities do not result in collection of the sums, the structure starts up the expedient actions (warning letter, injunction, etc.) aimed at collecting the credit in agreement with the legal function after formally dunning the debtor parties. The allocations to the provision for write-downs are made specifically on the credit positions having peculiar risk elements.

The Company measures the expected losses on trade receivables considering their entire duration based on a weighted estimate of the probabilities that those losses could occur. For that purpose, the Company bases itself on historical experience, suitably integrated with forecasts on the expected evolution of circumstances. If the conditions exist, losses are measured as the current value of all differences between financial flows due contractually and cash flows the Company expects to receive. Actualisation is performed applying the effective interest rate of the financial asset.

The analysis of the receivables by due date (before provision for write-downs) is provided below:

(in €/’000)	<b>Year ended 31 December 2018</b>	Year ended 31 December 2017
<b>Invoices to be issued</b>	<b>133,431</b>	<b>146,556</b>
Falling due	140,409	137,632
Expired from 0 to 90 days	249	212
Expired from 91 to 180 days	1,108	404
Expired over 180 days	20,484	17,932
<b>Invoices issued</b>	<b>162,250</b>	<b>156,180</b>
<b>Total trade receivables</b>	<b>295,681</b>	<b>302,736</b>

Credit risk on uses of funds is limited since corporate policy requires the use of low risk financial instruments and with counterparties having high ratings for the periods of cash surplus. Only time or demand deposits with bank counterparties having investment grade rating were used during 2018 and 2017.

### 8.3 Liquidity risk

On the strength of specific contracts with the subsidiaries, with the sole exception of the subsidiary Rai Way, Rai manages Group financial resources through a cash-pooling system that involves daily transfer of the bank balances of the associates to the current accounts of the Parent, which grants the intercompany credit facilities needed for the operations of these companies. Rai Way has autonomous treasury and financial resources from the listing date.

As regards the medium/long-term, the financial structure of the Company consists of a bond issue with maturity date in May 2020 for €350 million (please refer to Note 15.1 “Non-current financial liabilities and current portions of non-current financial liabilities”) and a loan against the project to implement terrestrial digital technology for €25 million of the European Investment Band (hereinafter “EIB”).

In consideration of the significant fluctuation of the infra-annual indebtedness connected with the periodic settlement of the licence fees by the Ministry of Economy and Finance, the Company has uncommitted bank credit facilities for about €434 million and, till the month of January 2022, a five-year revolving line with a pool of banks totalling €270 million.

The new revolving line requires that the following Consolidated Financial Statements parametric/equity ratio be met:

- Net Financial Debt (adjusted by receivables from the State for licence fees)/shareholders' equity  $\leq 1.7$ .

This ratio was fully met as at the reporting date, posted at 0.63.

The cash situation is constantly monitored with a financial forecasting process that highlights any financial critical issues considerably in advance so that expedient measures can be taken.

The following table includes the analysis by due date of the financial liabilities as at 31 December 2018 and 31 December 2017. The balances presented are non-discounted contractual amounts, except for the currency derivatives, for which the amounts shown are at their fair value since this is indicative of the effect on the cash flows during the specific period. The various expiry periods are determined based on the period between the financial statement reference date and when the bonds expire.

(in €/’000)	Year ended 31 December 2018				Year ended 31 December 2017			
	< 1 year	2-5 years	>5 years	Total	< 1 year	2-5 years	>5 years	Total
<b>Trade payables and other liabilities:</b>								
Trade payables	591,056	-	-	<b>591,056</b>	550,891	-	-	<b>550,891</b>
Other payables and liabilities	433,149	970	192	<b>434,311</b>	419,742	1,712	257	<b>421,711</b>
<b>Medium/long-term financial liabilities:</b>								
Medium/long-term loans	10,470	15,313	-	<b>25,783</b>	10,679	25,783	-	<b>36,462</b>
Bonds	5,250	355,250	-	<b>360,500</b>	5,250	360,500	-	<b>365,750</b>
<b>Short-term financial liabilities:</b>								
Due to subsidiaries (negative c/a balances)	146,228	-	-	<b>146,228</b>	140,618	-	-	<b>140,618</b>
Joint ventures and associates	70	-	-	<b>70</b>	-	-	-	<b>-</b>
Payables for financial leases	5,654	-	-	<b>5,654</b>	-	-	-	<b>-</b>
Due to banks	-	-	-	<b>-</b>	37	-	-	<b>37</b>
<b>Derivative instruments:</b>								
Derivatives on exchange rates	-	5,647	-	<b>5,647</b>	-	-	-	<b>-</b>
Derivative instruments on exchange rates to third parties	-	-	-	<b>-</b>	506	-	-	<b>506</b>
Derivative instruments on intercompany exchange rates	560	-	-	<b>560</b>	-	-	-	<b>-</b>

## 9 Management of capital risk

The Company's objectives in managing capital are inspired by preservation of the ability to continue guaranteeing optimum capital strength also through the ongoing improvement of operational and financial efficiency. The Company pursues the objective of retaining an adequate level of capitalisation that allows it realise a return and to access outside sources of funding. The Company constantly monitors the evolution of the indebtedness level in proportion to shareholders' equity. Specifically, the ratio between equity and the total of comprehensive liabilities of the shareholders' equity is seen in the following table:

(in €/000)	Year ended 31 December 2018	Year ended 31 December 2017
Shareholders' equity	767,601	808,395
Total shareholders' equity and liabilities	2,949,561	2,996,416
Ratio	26.0%	27.0%

The Net financial position of the Company for the periods under review is shown in Note 20.2 "Net financial position".

## 10 Fair value measurement

The fair values of the financial instruments classified based on a hierarchy of levels reflecting the significance of the inputs used for calculation (IFRS 13 "Fair value measurement") are provided below:

- **Level 1:** Listed price (active market): the data used in the measurements are represented by prices listed on markets in which assets and liabilities identical to those being measured are traded;
- **Level 2:** Use of parameters observable on the market (e.g. for the derivatives, the exchange rates recorded by the Bank of Italy, market rate curves, volatility provided by Reuters, credit spreads calculated on the basis of the credit default swaps, etc.) different from the Level 1 listed prices;
- **Level 3:** Use of parameters not observable on the market (internal assumptions, for example, cash flows, spreads adjusted for risk, etc.).

The financial instruments at fair value recorded in the financial statements are made up of hedging derivatives measured with a financial model that uses the most popular and accepted market formulas (net current value for forward currency purchasing transactions and application of the Black&Scholes formula for the options), in addition to the following input data given by the provider Reuters: ECB spot exchange rates, Euribor and IRS rate curves, volatility and credit spreads of the various bank counterparties and of the securities issued by the Italian State. The fair value of the derivative instruments represents the net position between assets and liabilities. For more information on the derivative instruments (assets and liabilities), please refer to Notes 13.3 "Current financial assets" and 16.2 "Current financial liabilities".

(in €/000)	Year ended as at 31 December 2018		
Description	Level 1	Level 2	Level 3
Derivatives on exchange rates	-	-	-
Derivatives on interest rates	-	(5,129)	-

(in €/000)	Year ended as at 31 December 2017		
Description	Level 1	Level 2	Level 3
Derivatives on exchange rates	-	-	-
Derivatives on interest rates	-	1,205	-

# 11

## Reconciliation between the classes of financial assets and liabilities and types of financial assets and liabilities

To complete disclosure on financial risks, the reconciliation between classes of financial assets and liabilities and types of financial assets and liabilities identified based on IFRS 7 requirements is provided below:

Year ended 31 December 2018	Assets and liabilities at amortised cost	Financial assets and liabilities at fair value with a balancing entry recognised to the income statement	Financial assets and liabilities measured at fair value with balancing entry in the other components of the comprehensive result	Total financial assets and liabilities	Notes (*)
(in €/'000)					
<b>Assets</b>					
Trade receivables	285,440	-	-	285,440	13.2
Current financial assets	171,626	560	-	172,186	13.3
Cash and cash equivalents	72,583	-	-	72,583	13.6
Non-current financial assets	3,046	-	-	3,046	12.4
Equity investments in other companies (**)	-	906	-	906	12.3
<b>Total financial assets</b>	<b>532,695</b>	<b>1,466</b>	<b>-</b>	<b>534,161</b>	
<b>Liabilities</b>					
Trade payables	(591,056)	-	-	(591,056)	16.1
Current financial liabilities	(161,392)	(560)	-	(161,952)	16.2
Non-current financial liabilities	(363,720)	-	(5,129)	(368,849)	15.1
<b>Total financial liabilities</b>	<b>(1,116,168)</b>	<b>(560)</b>	<b>(5,129)</b>	<b>(1,121,857)</b>	

(\*) The figures provided below indicate the paragraphs within the Notes in which the assets and liabilities shown are described in detail.

(\*\*) When the investments are not listed on a regulated market, where information available to measure fair value is not sufficient, it is felt that the cost represents an adequate estimate.

Year ended 31 December 2017	Receivables and loans	Financial assets held for sale	Financial assets and liabilities at fair value with balancing entry recognised to the income statement (*)	Hedging instruments	Total financial assets and liabilities	Notes (**)
(in €/'000)						
<b>Assets</b>						
Trade receivables	293,014	-	-	-	293,014	13.2
Current financial assets	171,540	-	506	-	172,046	13.3
Cash and cash equivalents	170,900	-	-	-	170,900	13.6
Non-current financial assets	3,381	-	-	1,205	4,586	12.4
<b>Total financial assets</b>	<b>638,835</b>	<b>-</b>	<b>506</b>	<b>1,205</b>	<b>640,546</b>	
<b>Liabilities</b>						
Trade payables	(550,891)	-	-	-	(550,891)	16.1
Current financial liabilities	(140,655)	-	(506)	-	(141,161)	16.2
Current portion of loans at medium/long term	(10,000)	-	-	-	(10,000)	16.2
Non-current financial liabilities	(372,825)	-	-	-	(372,825)	15.1
<b>Total financial liabilities</b>	<b>(1,074,371)</b>	<b>-</b>	<b>(506)</b>	<b>-</b>	<b>(1,074,877)</b>	

(\*) Includes the fair value of the derivatives activated by Rai on behalf of Rai Cinema, whose effects are reflected in Rai Cinema without economic effects in Rai.

(\*\*) The figures provided indicate the paragraphs in the Notes in which the assets and liabilities shown are described in detail.

# 12

## Non-current assets

### 12.1 Property, plant and equipment

Property, plant and equipment, which amounted to €888,324 thousand (€877,147 thousand as at 31 December 2017), are broken down as follows:

(in €/000)	Land	Buildings	Plant and machinery	Fixtures and fittings, tools and other equipment	Other assets	Assets under development and payments on account	Total
Cost	370,131	459,658	1,405,079	69,438	113,618	54,927	2,472,851
Accumulated amortisation	-	(159,331)	(1,280,022)	(64,687)	(91,664)	-	(1,595,704)
<b>Balance as at 31 December 2017</b>	<b>370,131</b>	<b>300,327</b>	<b>125,057</b>	<b>4,751</b>	<b>21,954</b>	<b>54,927</b>	<b>877,147</b>
<b>Change in the year</b>							
Increases and capitalisation	1,266	8,323	25,225	1,692	4,145	39,079	79,730
Disposals [1]	-	(426)	(157)	(1)	(30)	(8)	(622)
Reclassifications [2]	-	5,698	26,663	919	2,533	(35,813)	-
Transfers [3]	-	-	26	(67)	-	-	(41)
Amortisation	-	(11,745)	(48,563)	(1,669)	(5,913)	-	(67,890)
<b>Balance as at 31 December 2018</b>	<b>371,397</b>	<b>302,177</b>	<b>128,251</b>	<b>5,625</b>	<b>22,689</b>	<b>58,185</b>	<b>888,324</b>
<i>broken down as follows:</i>							
Cost	371,397	473,066	1,438,708	71,433	118,386	58,185	2,531,175
Accumulated amortisation	-	(170,889)	(1,310,457)	(65,808)	(95,697)	-	(1,642,851)
[1] of which:							
Cost	-	(612)	(18,288)	(539)	(1,910)	(8)	(21,357)
Accumulated amortisation	-	186	18,131	538	1,880	-	20,735
	-	<b>(426)</b>	<b>(157)</b>	<b>(1)</b>	<b>(30)</b>	<b>(8)</b>	<b>(622)</b>
[2] of which:							
Cost	-	5,698	26,663	919	2,533	(35,813)	-
Accumulated amortisation	-	-	-	-	-	-	-
	-	<b>5,698</b>	<b>26,663</b>	<b>919</b>	<b>2,533</b>	<b>(35,813)</b>	<b>-</b>
[3] of which:							
Cost	-	(1)	29	(77)	-	-	(49)
Accumulated amortisation	-	1	(3)	10	-	-	8
	-	-	<b>26</b>	<b>(67)</b>	-	-	<b>(41)</b>

Investments of the years, which amounted to €79,730 thousand (€75,160 thousand in 2017), fall within the scope of the modernisation and technological development initiatives that the Company initiated.

The amount of the existing contractual commitments for the purchase of property, plant and machinery is specified in Note 18.2 "Commitments".

## 12.2 Intangible assets

Intangible assets, which amounted to €409,117 thousand (€435,721 thousand as at 31 December 2017), are broken down as follows:

(in €/000)	Programmes	Software	Trademarks	Other rights	Work in progress and payments on account	Total
Cost	646,677	20,004	70	500	208,979	876,230
Accumulated amortisation	(352,144)	(8,103)	(56)	(367)	-	(360,670)
Write-downs	(50,403)	-	-	(5)	(29,431)	(79,839)
<b>Balance as at 31 December 2017</b>	<b>244,130</b>	<b>11,901</b>	<b>14</b>	<b>128</b>	<b>179,548</b>	<b>435,721</b>
<b>Change in the year</b>						
Increases and capitalisation	114,982	4,015	-	-	75,482	194,479
Disposals / Value recoveries [1]	-	(6)	-	-	(60)	(66)
Reclassifications [2]	95,754	2,770	-	-	(98,524)	-
Transfers [3]	-	41	-	-	-	41
Write-downs	(52,899)	-	-	-	(1,743)	(54,642)
Use of provision for write-downs	37,403	-	-	5	-	37,408
Amortisation	(196,653)	(7,056)	(7)	(108)	-	(203,824)
<b>Balance as at 31 December 2018</b>	<b>242,717</b>	<b>11,665</b>	<b>7</b>	<b>25</b>	<b>154,703</b>	<b>409,117</b>
<i>broken down as follows:</i>						
Cost [4]	655,058	26,825	70	150	185,030	867,133
Accumulated depreciation [4]	(346,250)	(15,160)	(63)	(125)	-	(361,598)
Write-downs	(66,091)	-	-	-	(30,327)	(96,418)
[1] of which:						
Cost	-	(13)	-	-	(60)	(73)
Accumulated amortisation	-	7	-	-	-	7
	-	<b>(6)</b>	-	-	<b>(60)</b>	<b>(66)</b>
[2] of which:						
Cost	95,946	2,770	-	-	(99,371)	(655)
Accumulated amortisation	-	-	-	-	-	-
Impairment	(192)	-	-	-	847	655
	<b>95,754</b>	<b>2,770</b>	-	-	<b>(98,524)</b>	-
[3] of which:						
Cost	-	49	-	-	-	49
Accumulated amortisation	-	(8)	-	-	-	(8)
	-	<b>41</b>	-	-	-	<b>41</b>
[4] values net of totally amortised assets, amounting to:	202,547	-	-	350	-	202,897

Investments, which amounted to €194,479 thousand (€209,138 thousand as at 31 December 2017) mainly refer to TV series for €171,519 thousand and cartoons for €12,722 thousand.

The amount of assets under development and payments on account refers to programmes for €143,069 thousand, software for €10,443 thousand and other rights for €1,191 thousand.

The write-downs recognised during the year amounted to €54,642 thousand, and were effected in order to adjust the assets to their estimated recoverable value.

The amount of the existing contractual commitments for the purchase of intangible assets is specified in Note 18.2 "Commitments".

## 12.3 Equity investments

Equity investments amounted to €919,097 thousand (€919,241 thousand as at 31 December 2017) and are broken down as follows:

### EQUITY INVESTMENTS IN SUBSIDIARIES

(in €/’000)	Year ended 31 December 2017			Change in the year	Year ended 31 December 2018		
	Cost	Write-downs	Financial statement value	Write-downs	Cost	Write-downs	Financial statement value
Rai Cinema SpA	267,848	-	267,848	-	267,848	-	267,848
Rai Com SpA	107,156	-	107,156	-	107,156	-	107,156
Rai Corporation in liquidation	2,891	(2,871)	20	(20)	2,891	(2,891)	-
Rai Pubblicità SpA	31,082	-	31,082	-	31,082	-	31,082
Rai Way SpA	506,260	-	506,260	-	506,260	-	506,260
<b>Total equity investments in subsidiaries</b>	<b>915,237</b>	<b>(2,871)</b>	<b>912,366</b>	<b>(20)</b>	<b>915,237</b>	<b>(2,891)</b>	<b>912,346</b>

- *Rai Cinema SpA* (100% Rai): the share capital, which is €200,000 thousand, consists of 38,759,690 shares of a face value of €5.16 each. The investment is recognised for the value of €267,848 thousand. During 2018, a dividend of €14,508 thousand on the 2017 profit was disbursed and recognised in the item financial income.
- *Rai Com SpA* (100% Rai): the share capital, €10,320 thousand, consists of 2,000,000 shares of a face value of €5.16 each. The investment is recognised for the value of €107,156 thousand. During 2018, a dividend of €11,556 thousand on the 2017 profit was disbursed and recognised in the item financial income.
- *Rai Corporation in liquidation* (100% Rai): the share capital, which is \$500,000.00, consists of 50,000 shares of a unit face value of \$10.00 each. As at 31 December 2018, the shareholders' equity of the company, at the exchange rate in force as at 31 December 2018, was negative for €4,028 thousand due to the adjustment of what had been partly set aside in previous years due to a case brought by former employees and accepted by the Appeals Court of Rome in 2018. The capital deficit was set aside in a specific provision for charges.
- *Rai Pubblicità SpA* (100% Rai): the share capital amounts to €10,000 thousand and consists of 100,000 shares of a face value of €100.00 each. The investment is recognised for the value of €31,082 thousand.
- *Rai Way SpA* (64.971% Rai): the share capital amounts to €70,176 thousand, and is divided into 272,000,000 ordinary shares without indication of face value. The investment is recognised for the value of €506,260 thousand. During 2018, a dividend of €55,107 thousand was disbursed. The amount concerning Rai, €35,804 thousand, was recognised in the item financial income.

**EQUITY INVESTMENTS IN JOINT VENTURES AND ASSOCIATED COMPANIES**

(in €/000)	Year ended 31 December 2017			Change in the year			Year ended 31 December 2018		
	Cost	Adjustment to shareholders' equity	Financial statement value	Acquisitions	Result	Decrease due to dividends	Cost	Adjustment to shareholders' equity	Financial statement value
<b>Joint ventures:</b>									
San Marino RTV SpA	258	1,801	2,059	-	2	-	258	1,803	2,061
Tivù Srl	483	1,533	2,016	-	707	(286)	483	1,954	2,437
<b>Associated companies:</b>									
Audiradio Srl (in liquidation)	1,428	(1,428)	-	-	-	-	1,428	(1,428)	-
Auditel Srl	10	688	698	-	28	-	10	716	726 (a)
Euronews SA	850	334	1,184	-	(590)	-	850	(256)	594
Tavolo Editori Radio Srl	17	(5)	12	7	8 (b)	-	2	25	27
<b>Total equity investments in joint ventures and associated companies</b>	<b>3,046</b>	<b>2,923</b>	<b>5,969</b>	<b>7</b>	<b>155</b>	<b>(286)</b>	<b>3,031</b>	<b>2,814</b>	<b>5,845</b>

(a) valuation relating to the Financial Statements as at 31 December 2017, the latest available;

(b) related to the amount attributed to Rai of losses as at 31 December 2017, for €107 thousand, and profit as at 31 December 2018, for €158 thousand.

- *Audiradio Srl in liquidation* (27% Rai): the share capital amounts to €258 thousand and consists of 258,000 shares of a face value of €1.00 each. the gross value of the equity investment, €1,428 thousand, was totally written down based on the last approved Financial Statements as at the date of 31 December 2018, which showed negative shareholders' equity of €33 thousand. The portion of the equity deficit, €9 thousand, was allocated to a special provision for charges.
- *Auditel Srl* (33% Rai): the share capital, which is €300 thousand, consists of 300.000 shares of a face value of €1.00 each. The equity investment was recognised for the value of €726 thousand, corresponding to the percentage concerning Rai on the shareholders' equity of the company posted in the last Financial Statements approved as at 31 December 2017. Following the profit attained by the company in 2017, €85 thousand, the equity investment was revalued for the portion concerning Rai, which came to €28 thousand.
- *Euronews - Société Anonyme* (3.08% Rai): the share capital, which is €26,886 thousand, consists of 1,792,373 shares of a face value of €15.00 each. The investment was written down as at 31 December 2018 for the amount of €590 thousand to adjust it to the Rai percentage on the shareholders' equity value of the company corresponding to €594 thousand.
- *San Marino Rtv SpA* (50% Rai): the company, incorporated in 1991 with joint shares of Rai and E.R.A.S. - Ente di Radiodiffusione Sammarinese - pursuant to Law 99 of 9 April 1990 ratifying the radio and television collaboration agreement between the Italian Republic and the Republic of San Marino, has a share capital of €516 thousand, made up of 1,000 shares of a face value of €516.46 each. Following the profit attained by the company in 2018, which amounted to €3 thousand, a revaluation for the portion concerning Rai, €2 thousand, was recognised. The equity investment was recognised for the value of €2,061 thousand, which corresponds to Rai's portion of the company's shareholders' equity.
- *Tavolo Editori Radio Srl* (15.8% Rai): the share capital, €10 thousand, is divided between national publishers (70%), of which Rai 15.8% and local ones (30%). The extraordinary shareholders' meeting held on 14 June 2018 decided to cover losses up to 31 December 2017 by zeroing share capital and restoring it as the minimum allowed of €10 thousand with payment of a total surcharge of €30 thousand, to be reserved for shareholders in proportion to the share owned. On 12 July 2018, Rai paid its share. The investment is currently registered as €27 thousand corresponding to the Rai percentage of the shareholders' equity of the company as at 31 December 2018 showing a positive result of €158 thousand.

- *Tivù Srl* (48.16% Rai): the share capital of €1,002 thousand is subscribed by Rai and by R.T.I. Reti Televisive Italiane SpA – with joint shares of 48.16%, by TI Media – Telecom Italia Media SpA – with a 3.5% share, and by two associations – FRT and Aeranti Corallo – each with a 0.09% share. During 2018, distribution of a dividend of €594 thousand was decided. The amount due to Rai, €286 thousand, was recorded to reduce the book value of the equity investment. Following the profit attained by the company in 2018, which amounted to €1,469 thousand, the equity investment was revalued for the portion concerning Rai, which came to €707 thousand. The equity investment was therefore recognised for the value of €2,437 thousand, which corresponds to Rai's portion of the company's shareholders' equity.

## EQUITY INVESTMENTS IN OTHER COMPANIES

(in €/000)	Year ended 31 December 2017			Change in the year Acquisitions	Year ended 31 December 2018		
	Cost	Write-downs	Financial statement value		Cost	Write-downs	Financial statement value
Almaviva SpA	324	-	324	-	324	-	324
Banca di Credito Cooperativo di Roma	1	-	1	-	1	-	1
Int. Multimedia University Umbria Srl in bankruptcy proceedings	52	(52)	-	-	52	(52)	-
Istituto della Enciclopedia Italiana Treccani SpA	713	(132)	581	-	713	(132)	581
<b>Total other equity investments</b>	<b>1,090</b>	<b>(184)</b>	<b>906</b>	<b>-</b>	<b>1,090</b>	<b>(184)</b>	<b>906</b>

- *Almaviva - The Italian Innovation Company SpA* (0.83% Rai): the book value of the equity investment, €324 thousand, remained unchanged compared to the previous year. The share capital, which is €154,899 thousand, is represented by 107,567,301 ordinary shares and by 47,331,761 special shares, both of a face value of €1.00 each. During 2018, distribution of a dividend of €12,600 thousand was decided. The amount due to Rai, €102 thousand, was recognised in the item financial income.
- *Banca di Credito Cooperativo di Roma S.c.p.a.* (variable capital company with an insignificant percentage held by Rai): was recognised for the value of €1 thousand, equivalent to what was paid in on 16 January 2009 for the acquisition of 100 shares.
- *International Multimedia University Umbria Srl in bankruptcy proceedings* (1.533% Rai): the book value of the equity investment was totally written down since there is no longer certainty of recovering the amounts paid in.
- *Istituto della Enciclopedia Italiana Treccani SpA* (0.89% Rai): the equity investment was recognised for a gross value of €713 thousand, written down for €132 thousand as a result of the losses the company sustained. Share capital is represented by 62,724,105 share of a nominal value of €1.00 each.

## 12.4 Non-current financial assets

Non-current financial assets, which amounted to €3,046 thousand (€4,586 thousand as at 31 December 2017), break down as follows:

(in €/'000)	Year ended 31 December 2018	Year ended 31 December 2017
Securities	2,422	2,502
Hedging derivative assets – rates	-	1,205
Other financial assets (non-current deferrals)	552	822
Financial receivables from employees	251	236
- Provision for write-down of non-current financial assets	(179)	(179)
<b>Total non-current financial assets</b>	<b>3,046</b>	<b>4,586</b>

Non-current financial assets are shown net of the provision for write-downs of €179 thousand (unchanged compared to 31 December 2017), entirely referring to the Financial receivables from employees.

The Securities item, €2,422 thousand (€2,502 thousand as at 31 December 2017), is entirely made up of government bonds falling due in May 2021, securing the Service Agreement and the special services agreement with the State.

Expiration of the current and non-current financial assets is broken down as shown below:

(in €/'000)	Year ended 31 December 2018			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Receivables from subsidiaries - c/a transactions	165,759	-	-	165,759
Tied current accounts	5,528	-	-	5,528
Securities	-	2,422	-	2,422
Liabilities for derivatives activated for Rai Cinema	560	-	-	560
Financial receivables from employees	56	72	-	128
Other financial assets	283	552	-	835
<b>Total financial assets</b>	<b>172,186</b>	<b>3,046</b>	<b>-</b>	<b>175,232</b>

(in €/'000)	Year ended 31 December 2017			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Receivables from subsidiaries - c/a transactions	164,387	-	-	164,387
Receivables from joint ventures - c/a San Marino RTV SpA	517	-	-	517
Tied current accounts	6,304	-	-	6,304
Securities	-	2,502	-	2,502
Hedging derivative assets – rates	-	1,205	-	1,205
Receivables from subsidiary Rai Cinema for derivative instruments	506	-	-	506
Financial receivables from employees	46	57	-	103
Other financial assets	286	822	-	1,108
<b>Total financial assets</b>	<b>172,046</b>	<b>4,586</b>	<b>-</b>	<b>176,632</b>

The short-term portion of the Financial assets, which amounted to €172,186 thousand, is included in the current components of the statement of financial position described in Note 13.3 “Current financial assets”.

Information on risks hedged and on hedging policies is disclosed in Note 8.1 “Market risk”.

## 12.5 Deferred tax assets

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
Deferred tax assets eligible for offset	128,392	115,750
Deferred tax liabilities eligible for offset	(161,415)	(163,559)
<b>Net deferred tax liabilities</b>	<b>(33,023)</b>	<b>(47,809)</b>

As at 31 December 2017, at 31 December 2018 the net balance of Deferred tax assets and Deferred tax liabilities shows a negative amount, so is posted in the liabilities of the Financial Position. Please refer to Note 15.4 “Deferred tax liabilities” for the relevant analyses.

Income taxes are reported in Note 17.10 “Income taxes”.

## 12.6 Other non-current assets

Other non-current assets totalled €42,756 thousand (€8,420 thousand as at 31 December 2017) and break down as follows:

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
Advances for trade initiatives	8,123	8,449
Advances for sports events	41,475	6,978
Amounts committed to cautionary deposit with third parties	1,595	1,626
Receivables from personnel	527	493
- Provision for write-down of other non-current assets	(8,964)	(9,126)
<b>Total other non-current assets</b>	<b>42,756</b>	<b>8,420</b>

The items above basically regard non-current portions of assets described in Note 13.5 “Other current receivables and assets”, to which the reader is referred.

The provision for write-down of other non-current assets, which amounted to €8,964 thousand (€9,126 thousand as at 31 December 2017), is broken down below:

(in €/’000)	Balances as at 31 December 2017	Provisions	Drawdowns	Balances as at 31 December 2018
Provision for write-down of advances for sports events	(6,902)	-	800	(6,102)
Provision for write-down of advances for trade initiatives	(2,224)	(638)		(2,862)
<b>Total provision for write-down of other non-current assets</b>	<b>(9,126)</b>	<b>(638)</b>	<b>800</b>	<b>(8,964)</b>

# 13

## Current assets

### 13.1 Inventory

Inventory, net of its provision for write-down, amounted to €118 thousand (€187 thousand as at 31 December 2017), and is broken down as follows:

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
Inventory	12,237	12,273
Provision for write-down of inventory	(12,119)	(12,086)
<b>Total inventory</b>	<b>118</b>	<b>187</b>

The final inventory of technical materials refers to stock and spare parts for maintenance and the use of technical capital equipment similar to consumables since their utility is depleted over a period that is usually no longer than 12 months.

### 13.2 Trade receivables

Trade receivables came to €285,440 thousand (€293,014 thousand as at 31 December 2017) and break down as follows:

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
Trade:		
-Italian Tax Revenue Office for services under agreement	8,000	10,517
- Other receivables	18,608	18,147
- Provision for write-downs - trade	(9,498)	(9,438)
Subsidiaries:		
- Receivables	268,906	273,914
Provision for write-downs for the subsidiary Rai Com SpA	(743)	(284)
Joint ventures and associates	167	158
<b>Total trade receivables</b>	<b>285,440</b>	<b>293,014</b>

Receivables from subsidiaries and from joint ventures and associates refer to:

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
Subsidiaries:		
Rai Cinema SpA	2,522	3,134
Rai Com SpA	83,796	85,422
Rai Pubblicità SpA	178,998	180,812
Rai Way SpA	2,847	4,262
<b>Receivables from associated companies</b>	<b>268,163</b>	<b>273,630</b>
Joint ventures and associated companies:		
San Marino RTV SpA	57	51
Tavolo Editori Radio Srl	-	1
Tivù Srl	110	106
<b>Receivables from joint ventures and associated companies</b>	<b>167</b>	<b>158</b>

The breakdown of trade receivables by geographical area shows a national predominance.

Receivables from the Revenue Office total €8,000 thousand, of which €4,000 thousand for management of ordinary licences for year 2018 and €4,000 thousand for management of ordinary licences for year 2017.

The other receivables are recognised for a nominal value of €18,608 thousand and are for the sale of rights and for services of other kinds.

Receivables from related parties are specified in Note 18.4 "Transactions with Related Parties".

Trade receivables are shown net of the provision for write-downs of €10,241 thousand (€9,722 thousand as at 31 December 2017), itemised below:

(in €/000)	Balances as at 31 December 2017	Provisions	Application IFRS 9	Uses and other assets g/c	Balances as at 31 December 2018
Provision for write-downs - trade	(9,438)	(64)	-	4	(9,498)
Provision for write-downs for receivables from Rai Com SpA	(284)	(23)	(436)	-	(743)
<b>Total bad debt provisions - trade</b>	<b>(9,722)</b>	<b>(87)</b>	<b>(436)</b>	<b>4</b>	<b>(10,241)</b>

As at 31 December 2017, there were no receivables in a currency other than the Euro, as specified in Note 8.1 "Market risk".

### 13.3 Current financial assets

Current financial assets, which amounted to €172,186 thousand (€172,046 thousand as at 31 December 2017), increased by €140 thousand. The breakdown of the item and the comparison with the previous year are shown below:

(in €/000)	Year ended 31 December 2018	Year ended 31 December 2017
Receivables from subsidiaries - c/a transactions	165,759	164,387
Tied current accounts	5,528	6,304
Receivables from joint ventures - c/a San Marino RTV SpA	-	517
Assets for derivatives activated on behalf of Rai Cinema SpA	560	-
Receivables from subsidiary Rai Cinema SpA for derivative instruments	-	506
Financial receivables from employees	56	46
Other current financial assets	283	286
<b>Total current financial assets</b>	<b>172,186</b>	<b>172,046</b>

The receivables from subsidiaries - c/a transactions break down as follows:

(in €/000)	Year ended 31 December 2018	Year ended 31 December 2017
Receivables from subsidiaries - c/accounts:		
Rai Cinema SpA	165,677	160,693
Rai Pubblicità SpA	-	3,694
Rai Way SpA	82	-
<b>Receivables from subsidiaries - c/a transactions</b>	<b>165,759</b>	<b>164,387</b>

Tied current accounts, which came to €5,528 thousand (€6,304 thousand as at 31 December 2017) refer to amounts seized on current accounts due to litigation in progress.

The fair value of derivative instruments was calculated considering valuation models largely used in the financial field and the market parameters as at the reporting date, as better specified in Note 10 "Fair value measurement".

Derivative instruments recognised at fair value, are broken down below in the assets component, including the current and non-current portions:

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
Assets for derivatives activated on behalf of Rai Cinema SpA	560	-
Receivables from subsidiary Rai Cinema SpA for derivative instruments	-	506
<b>Total derivative financial instruments – current portion</b>	<b>560</b>	<b>506</b>
Hedging derivative assets – rates	-	1,205
<b>Total derivative financial instruments – non-current portion</b>	<b>-</b>	<b>1,205</b>
<b>Total derivative financial instruments</b>	<b>560</b>	<b>1,711</b>

Active derivative instruments, recognised at fair value, were €560 thousand at 31 December 2018, (nothing as at 31 December 2017) refer to derivatives activated through the mandate granted by Rai Cinema, that reflects in the financial debt with the subsidiary itself through intercompany accounts, as illustrated in Note 16.2 "Current financial liabilities". No non-current portions are recognised.

Information on risks hedged and on hedging policies is disclosed in note 8.1 "Market risk".

### 13.4 Current income tax receivables

Current income tax receivables, which totalled €17,965 thousand (€19,507 thousand as at 31 December 2017), are specified as follows:

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
IRES requested as refund for IRAP deductibility for employee expense and similar	16,905	16,905
Deductions on assignments to foreign companies	728	1,063
- Provision for write-downs for current income taxes	(728)	(222)
<b>IRES receivable</b>	<b>16,905</b>	<b>17,746</b>
<b>IRAP receivable</b>	<b>1,060</b>	<b>1,761</b>
<b>Total current income tax receivables</b>	<b>17,965</b>	<b>19,507</b>

Current income tax receivables are shown net of the provision for write-downs of €728 thousand (€222 thousand as at 31 December 2017) related to withheld taxes on income risking recoverability.

The IRAP receivable, €1,060 thousand (€1,761 thousand as at 31 December 2017) refers to IRAP advances paid to tax authorities in previous years.

The taxes are commented in Note 17.10 "Income taxes".

### 13.5 Other current receivables and assets

Other current receivables and assets, which totalled €138,929 thousand (€95,647 thousand as at 31 December 2017) break down as follows:

(in €/'000)	Year ended 31 December 2018	Year ended 31 December 2017
Receivables from associated companies	32,010	43,103
Advances for sports events	27,261	655
Advances to suppliers, collaborators and agents	20,650	17,534
Receivables from entities, companies, bodies and others	9,497	7,544
Receivables from personnel	9,396	9,792
Receivables from social security and welfare institutions	2,627	3,186
Other tax receivables	1,882	1,857
Receivables for subsidies and grants from the State, EU and other public entities	479	220
Other receivables (current deferrals)	38,431	15,621
- Provision for write-downs for other current receivables and assets	(3,304)	(3,865)
<b>Total other current receivables and assets</b>	<b>138,929</b>	<b>95,647</b>

The breakdown of the receivables from subsidiaries follows:

(in €/'000)	Year ended 31 December 2018	Year ended 31 December 2017
Receivables from subsidiaries:		
Rai Cinema SpA	5,201	7,185
Rai Com SpA	3,780	3,495
Rai Pubblicità SpA	2,922	15,116
Rai Way SpA	20,107	17,307
<b>Receivables from associated companies</b>	<b>32,010</b>	<b>43,103</b>

It is also specified that:

- the receivables from social security and welfare institutions refer to advances disbursed against contributions due for artistic collaborations and other reasons;
- the receivables from subsidiaries consist of the contribution of the companies to the tax consolidation and the receivables coming from the Group VAT system (please refer to Note 18.4 "Transactions with Related Parties");
- the receivables from personnel relate to various cases, explained in the following breakdown, and include receivables arising from application of Law 89/2014 in the item "Other".

(in €/'000)	Year ended 31 December 2018	Year ended 31 December 2017
Travel expenses	3,396	3,575
Labour disputes	2,947	2,812
Production expense advances	1,719	2,075
Other	1,334	1,330
<b>Receivables from personnel</b>	<b>9,396</b>	<b>9,792</b>

(in €/'000)	Year ended 31 December 2018	Year ended 31 December 2017
VAT refund requested	1,690	1,667
Other tax refunds requested	158	156
Other tax receivables	34	34
<b>Total other tax receivables</b>	<b>1,882</b>	<b>1,857</b>

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The provision for write-downs for other current receivables and assets, which totalled €3,304 thousand (€3,865 thousand as at 31 December 2017), is broken down below.

(in €/’000)	Balances as at 31 December 2017	Uses and other assets g/c	Absorption in income statement	Balances as at 31 December 2018
Provision for write-downs for other current receivables and assets	(3,583)	178	101	(3,304)
Provision for write-downs of guaranteed minimums	(282)	-	282	-
<b>Provision for write-downs for other current receivables and assets</b>	<b>(3,865)</b>	<b>178</b>	<b>383</b>	<b>(3,304)</b>

Considering the short period of time elapsing between when the receivable arises and its due date, it is not believed there are significant differences between the book value of the trade receivables, other receivables and current financial assets and their respective fair values.

### 13.6 Cash and cash equivalents

Cash and cash equivalents, which amounted to €72,583 thousand (€170,900 thousand as at 31 December 2017), are broken down into the following items:

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
Bank and postal deposits	72,327	170,583
Cheques	-	1
Cash at bank and in hand	256	316
<b>Total cash and cash equivalents</b>	<b>72,583</b>	<b>170,900</b>

Bank and postal deposits amounted to €72,327 thousand (€170,583 thousand as at 31 December 2017) and represent the money at-call or short-term liquid assets resulting from deposit or current accounts with banks, financial institutions and with the postal administration.

Cash on hand, cheques and other cash values amounted to €256 thousand (€316 thousand as at 31 December 2017) and include liquidity represented by cash and similar values (tax stamps, cashier’s cheques or in any case secured by banks, etc.) in the Company’s coffers as at 31 December 2018 .

The Company’s cash on hand is shown in the following table by currency as at 31 December 2018 and as at 31 December 2017:

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
Cash on hand in Euro	70,795	170,421
Cash on hand in USD	1,738	370
Cash on hand in other currencies	50	109
<b>Total cash and cash equivalents</b>	<b>72,583</b>	<b>170,900</b>

# 14

## Shareholders' equity

Here below is the breakdown of shareholders' equity:

(in €/000)	Year ended 31 December 2018	Year ended 31 December 2017
<b>Share capital</b>	<b>242,518</b>	<b>242,518</b>
<b>Legal reserve</b>	<b>12,042</b>	<b>11,766</b>
IFRS first-time adoption reserve – restricted	467,198	471,809
IFRS first-time adoption reserve – free	103,248	98,637
Cash flow hedge reserve	(5,129)	916
Valuation reserve for equity investments – restricted	319	-
Valuation reserve for equity investments – free	1,237	951
Other reserves	7,749	3,102
<b>Total other reserves</b>	<b>574,622</b>	<b>575,415</b>
Actuarial reserve for employee benefits	(24,390)	(26,832)
Losses carried forward	(3,338)	-
Profit (Loss) for the year	(33,853)	5,528
<b>Total retained earnings (losses carried forward)</b>	<b>(61,581)</b>	<b>(21,304)</b>
<b>Total shareholders' equity</b>	<b>767,601</b>	<b>808,395</b>

### SHAREHOLDERS' EQUITY – POSSIBILITIES FOR DISTRIBUTION

(in €/000)	Amount	Possibilities use (*)	Free amount	Distributions in the last three years	
				to cover losses	for other reasons
<b>Share capital</b>	<b>242,518</b>				
<b>Legal reserve</b>	<b>12,042</b>	2	12,042		
IFRS first-time adoption reserve – restricted	467,198	1-4	467,198		
IFRS first-time adoption reserve – free	103,248	1-2-3	103,248	205,043	-
Cash flow hedge reserve	(5,129)		(5,129)		
Merger surplus	-	1-2-3	-	5,315	-
Valuation reserve for equity investments – restricted	319	1-2	319		
Valuation reserve for equity investments – free	1,237	1-2-3	1,237	49,298	-
Others	7,749	1-2-3	7,749	37,645	-
<b>Total other reserves</b>	<b>574,622</b>				
Actuarial reserve for employee benefits	(24,390)		(24,390)		
Losses carried forward	(3,338)		(3,338)		
Loss in the year	(33,853)		(33,853)		
<b>Total shareholders' equity</b>	<b>767,601</b>		<b>525,083</b>	<b>297,301</b>	<b>-</b>
Restricted amount:					
Legal reserve			(12,042)		
IFRS first-time adoption reserve – restricted			(467,198)		
Valuation reserve for equity investments – restricted			(319)		
<b>Total free reserves</b>			<b>45,524</b>		

(\*) Legend

1 for capital increases;

2 to cover losses;

3 for distribution to Shareholders;

4 to cover losses – in which case, profits may not be distributed until losses are fully covered, unless a corresponding capital reduction is approved by resolution adopted by an Extraordinary Shareholders' Meeting – Article 7(c.6) of Legislative Decree 38 of 28/2/2005.

## Share capital

As at 31 December 2018, the share capital consisted of 242,518,100 ordinary shares with a unit par value of €1.00. The share capital, fully subscribed and paid up, is held by:

- the Ministry of the Economy and Finance (MEF) for a total of 241,447,000 shares, equal to 99.5583% of the share capital; and
- Società Italiana Autori Editori (S.I.A.E.) for a total of 1,071,100 shares, equal to 0.4417% of the share capital.

## Legal reserve

The legal reserve amounted to €12,042 thousand.

## Other reserves and retained earnings (losses carried forward)

Other reserves, for €574,622 thousand (€575,415 thousand as at 31 December 2017), break down as follows:

- the IFRS first-time adoption reserve totalled €570,446 thousand (no change versus 31 December 2017) and is carried as an addition to shareholders' equity. The reserve is divided to show the amounts that have been freed since the creation of the reserve:
  - IFRS first-time adoption reserve – restricted, totalling €467,198 thousand;
  - IFRS first-time adoption reserve – free, totalling €103,248 thousand;
- the cash flow hedge reserve registered to reduce equity, for a value of €5,129 thousand, refers to the measurement at fair value of derivatives hedging the risk of a change in interest rates (as at 31 December 2017, equity reserve for €916 thousand net of the fiscal effect); the change compared to 31 December 2017 had negative effects on the comprehensive income statement for €6,045 thousand;
- the valuation reserve for equity investments for €1,556 thousand, free for €1,237 thousand;
- the other reserves amounted to €7,749 thousand, (€3,102 thousand as at 31 December 2017).

Losses carried forward, for €61,581 thousand (€21,304 thousand as at 31 December 2017), including the loss for the year, break down as follows:

- actuarial reserves for employee benefits, registered for €24,390 thousand; the change compared to 31 December 2017 (€26,832 thousand) had positive effects on the comprehensive income statement for €2,442 thousand;
- losses carried forward, registered in the year related to first adoption of the standards IFRS 9 and 15, amount to €3,338 thousand;
- loss for the year totalled €33,853 thousand.

# 15

## Non-current liabilities

### 15.1 Non-current financial liabilities and current portions of non-current financial liabilities

Non-current financial liabilities, including current portions, totalled €378,849 thousand (€382,825 thousand as at 31 December 2017). The figure breaks down as follows:

(in €/000)	Year ended 31 December 2018			Year ended 31 December 2017		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Bonds	348,720	-	348,720	347,825	-	347,825
M/L-term loans due to banks	15,000	10,000	25,000	25,000	10,000	35,000
Hedging derivative liabilities – rates	5,129	-	5,129	-	-	-
<b>Total</b>	<b>368,849</b>	<b>10,000</b>	<b>378,849</b>	<b>372,825</b>	<b>10,000</b>	<b>382,825</b>

Non-current financial liabilities, including current portions, dropped €3,976 thousand compared to 31 December 2017 mainly due to the refund of two EIB loan instalments and, oppositely, to registration of the negative fair value of the Interest Rate Swap Forward Start already highlighted in Note 8.1 “Market risk”.

Medium/long-term payables as at 31 December 2018 consisted of bonds issued for a nominal amount of €350,000 thousand and a €25,000 amortising loan maturing in 2021 from the EIB, granted to Rai for development of digital terrestrial infrastructure.

The totally unsecured bond issued by Rai at end of May 2015 and listed on Euronext Dublin, is fully subscribed to by international institutional investors, has a nominal rate of 1.5%, maturity in May 2020 and contains the usual covenants for issues with Investment Grade rating, including:

- a Negative Pledge prohibiting the granting of guarantees on other bond issues by the Issuer or its “significant subsidiaries”, unless the same guarantees are extended to existing bondholders in circulation;
- a Cross-default provision, whereby in the event of default on debt totalling more than €50 million by the Issuer or its “significant subsidiaries”, bondholders may declare default on the bond;
- a Change of Control clause permitting bondholders to exercise a put option at par if the Ministry of the Economy and Finance ceases to hold the majority of voting rights exercisable at Ordinary and Extraordinary Shareholders’ Meetings of Rai.

On 23 October 2018, Moody’s published a rating action confirming the Long-Term Issuer Baa3 of Rai (Investment Grade) and changing the outlook from negative to stable.

The EIB loan carries covenants requiring the following balance sheet parameters/ratios to be met in the consolidated annual and half-year financial statements:

- (adjusted) net financial indebtedness, net of receivables from the state for television licence fees/shareholders’ equity  $\leq 1.3$ ;
- (adjusted) net financial indebtedness, net of receivables from the state for television licence fees/EBITDA  $\leq 1.0$ .

As at the reporting date, the ratio requirements were fully met at 0.63 and 0.49 respectively.

The fair value of liabilities for derivatives hedging the interest rate amounted to €5,129 thousand (assets for €1,205 as at 31 December 2017), refers to the Interest Rate Swap Forward Start contracts stipulated in April 2017 and taking effect in May 2020 with validity for the next 5 years to hedge the risk of rising interest rates at the time the bond issue is refinanced. Current portions were not recognised.

The timing of financial liabilities held (current and non-current) is shown in the table below:

(in €/’000)	Year ended 31 December 2018			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Bonds	-	348,720	-	348,720
Payables to subsidiaries – current account positions	145,668	-	-	145,668
Payables to the subsidiary Rai Cinema for derivative instruments	560	-	-	560
M/L-term loans due to banks	10,000	15,000	-	25,000
Hedging derivative liabilities – rates	-	5,129	-	5,129
Payables to associated companies – current account positions	70	-	-	70
Financial lease payables IAS 17	5,655	-	-	5,655
<b>Total</b>	<b>161,953</b>	<b>368,849</b>	<b>-</b>	<b>530,802</b>

(in €/’000)	Year ended 31 December 2017			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Bonds	-	347,825	-	347,825
Payables to subsidiaries – current account positions	140,618	-	-	140,618
M/L-term loans due to banks	10,000	25,000	-	35,000
Liabilities for derivatives taken out on behalf of Rai Cinema	506	-	-	506
Short-term payables to banks	37	-	-	37
<b>Total</b>	<b>151,161</b>	<b>372,825</b>	<b>-</b>	<b>523,986</b>

All medium/long-term debt is held at fixed interest rates.

The fair value of non-current financial liabilities (excluding derivative financial instruments) is reported in the table below, as measured under the following criteria:

- bond issued by the Company in May 2015: with a fair value corresponding to the market price of 100.61, including interest ratio;
- EIB loan (including short term part): calculated discounting flows for capital and interest at implicit Euro curve rates at the reporting date increased by the Rai credit spread, estimated based on the base of securities issued by the Italian state, essentially in line with the financial statement value.

(in €/’000)	Year ended 31 December 2018		Year ended 31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Bond issue	348,720	352,118	347,825	364,198
EIB Loan	25,000	25,431	35,000	36,043

## 15.2 Employee benefits

Employee benefits totalled €412,894 thousand (€457,462 thousand as at 31 December 2017). The figure breaks down as follows:

(in €/'000)	Year ended 31 December 2018	Year ended 31 December 2017
Provision for employee severance pay	204,217	236,297
Provision for supplementary pension benefits	124,871	136,545
Provision replacing the former fixed indemnity for journalists (former provisions in lieu of notice to journalists)	68,669	69,446
Health insurance fund for Rai senior managers (FASDIR)	14,587	14,587
Other	550	587
<b>Total employee benefits</b>	<b>412,894</b>	<b>457,462</b>

The provision for employee severance pay, governed by Article 2120 of the Italian Civil Code, shows the liability, as estimated using actuarial techniques, for benefits payable to employees upon the termination of their employment. The termination benefit is calculated on the basis of the remuneration paid for service under the employment contract, revalued until the time of termination. As a result of legislative reforms introduced and effective as of 1 January 2007, employee severance pay accruing after that date is paid, at the instruction of each employee, into a pension fund or into the treasury fund held by INPS. Accordingly, the liability for employee severance pay accrued prior to 1 January 2007 continues to qualify as a defined benefit plan to be measured using actuarial techniques, whereas the liability for severance pay accruing after that date is treated as a defined contribution plan, given that the liability is extinguished with the payment of contributions to the chosen pension fund or to INPS.

The provision for supplementary pension benefits shows the estimated liability held by the Company for supplementary pension benefits payable to former employees who, upon termination of employment, opted for the supplementary pension scheme envisaged under trade union agreements previously in place. More specifically, under those agreements, former middle managers, office staff and workers and their family members are entitled to supplementary pension benefits with respect to those paid through the mandatory general pension scheme of ENPALS, whereas former senior managers and their family members are entitled to supplementary pension benefits with respect to those paid through the mandatory general pension scheme of INPS. Those supplementary pensions are in turn paid directly by the funds, delegated management of the supplementary pensions of Rai personnel since 1989, C.RAI.P.I. (Supplementary Pension Scheme of Rai employees, hereinafter "Craipi") for former middle managers, office staff and workers, and F.I.P.D. RAI (supplementary pension provisions of Rai managers, hereinafter "Fipdrai") for former senior managers. In brief, the main terms and conditions of the supplementary pension benefits are: (i) supplementary pension benefits may be paid as a survivor's pension, at the applicable rates for claimants provided by laws in force governing mandatory pension schemes; (ii) supplementary pension benefits will be subject to variations on the basis of changes in the beneficiary's family, applied at the same rates applicable to pension benefits paid under the mandatory general pension scheme; (iii) supplementary pension benefits paid will not be reduced in the event of increases in the pension benefits paid under the mandatory general pension scheme; (iv) the amount of the benefits due to beneficiaries will be revalued annually on the basis of INPS coefficients.

The provision replacing the former fixed indemnity for journalists (former provisions in lieu of notice to journalists) includes the estimate of the sum to be paid to employee journalists who, as at 31 December 2018 have at least 15 years seniority for severance indemnity purposes, when the working relationship ceases for: (i) dismissal for having reached pension requirement levels; (ii) resignation after at least 15 years in the Company; (iii) termination through death of the journalist when survivors have the right to a pension. That sum, calculated in compliance with the R.A.L. in force at the time of termination, with a maximum level of €85,000 absorbs, for all purposes, indemnity in lieu of notice. The provision also includes the estimate of the sum to be paid as at 31 December 2018 to journalists with severance indemnity in the Company of between 10 and 15 years, when the working relationship is terminated for resignation, excluding resignation pursuant to arts. 8, 22, 24 and 32 of CNLG, for having reached age limits and for demise.

That sum, unlike the former, will be paid in addition to the indemnity in lieu of notice established by law.

The health insurance fund for Rai senior managers ("Fasdir") was established in 1980 to provide supplementary health insurance to all senior managers in service, retired senior managers and the survivors of former senior managers, as entitled and registered with Fasdir as members, as well as their family members. Fasdir is funded by annual membership fees charged to members and by contributions paid by the Company (annual per capita contribution for each senior manager in service and a supplementary annual contribution covering all retired senior managers). Historically, the annual supplementary contribution paid in to Fasdir by Rai for retired senior managers was used by the fund to cover the deficit that formed each year. However, given that there is no legal duty, but only a constructive obligation, for Rai to cover any future deficits in the fund, and that the Company does not have access to all the information, owned by the fund, necessary to measure, using actuarial techniques, the potential liability towards Fasdir, it was decided to estimate the liability considering the average annual contributions paid in to the fund over the last 5 years, multiplied by the average residual life of the retired senior managers at the valuation date, which as at 31 December 2018 was found to be 12 years.

Provisions for employee benefits measured using actuarial techniques break down as follows:

(in €/’000)	Year ended 31 December 2018					Year ended 31 December 2017				
	Employee severance pay	Supplementary pension	Provision in lieu of former fixed indemnity for journalists	Fasdir	Other benefits	Employee severance pay	Supplementary pension	Provision in lieu of former fixed indemnity for journalists	Fasdir	Other benefits
<b>Present value of the liability at the start of the year</b>	<b>236,297</b>	<b>136,545</b>	<b>69,446</b>	<b>14,587</b>	<b>587</b>	<b>258,424</b>	<b>146,746</b>	<b>109,154</b>	<b>14,857</b>	<b>668</b>
Current cost of defined benefit plans	-	-	171	-	8	-	-	6,500	-	15
Current cost of defined contribution plans	39,979	-	-	1,008	-	39,785	-	-	741	-
Interest expense	2,663	773	535	172	-	1,634	1,283	1,252	182	-
- Actuarial gains/losses resulting from changes in demographic assumptions	-	-	-	-	-	95	5,363	(493)	-	-
- Actuarial gains/losses resulting from changes in financial assumptions	(2,223)	(466)	47	-	-	(1,366)	(1,473)	653	-	-
- Actuarial gains/losses from past experience	703	(875)	372	-	-	(3,033)	(3,823)	1,188	-	-
Cost of past benefits and gains/losses on settlement	-	-	(1,470)	-	-	-	-	(47,994)	-	-
Benefits paid	(10,346)	(11,106)	(432)	(1,180)	(45)	(20,283)	(11,551)	(814)	(1,193)	(96)
Transfers to external funds for defined contribution plans	(40,084)	-	-	-	-	(39,961)	-	-	-	-
Other movements	(22,772)	-	-	-	-	1,002	-	-	-	-
<b>Present value of the liability at the end of the year (a)</b>	<b>204,217</b>	<b>124,871</b>	<b>68,669</b>	<b>14,587</b>	<b>550</b>	<b>236,297</b>	<b>136,545</b>	<b>69,446</b>	<b>14,587</b>	<b>587</b>
<b>Assets servicing the plan at the start of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,139)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Interest income	-	-	-	-	-	-	(11)	-	-	-
Return on assets servicing the plan	-	-	-	-	-	-	-	-	-	-
Benefits paid	-	-	-	-	-	-	3,150	-	-	-
<b>Assets servicing the plan at the end of the year (b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total net liability (a+b)</b>	<b>204,217</b>	<b>124,871</b>	<b>68,669</b>	<b>14,587</b>	<b>550</b>	<b>236,297</b>	<b>136,545</b>	<b>69,446</b>	<b>14,587</b>	<b>587</b>

Costs for employee benefits, as measured using actuarial assumptions and recognised in the income statement, break down as follows:

(in €/000)	Year ended 31 December 2018					Year ended 31 December 2017				
	Employee severance pay	Supplementary pension	Provision in lieu of former fixed indemnity for journalists	Fasdir	Other benefits	Employee severance pay	Supplementary pension	Provision in lieu of former fixed indemnity for journalists	Fasdir	Other benefits
Current cost of defined benefit plans	-	-	(171)	-	(8)	-	-	(6,500)	-	(15)
Current cost of defined contribution plans	(39,979)	-	-	(1,008)	-	(39,785)	-	-	(741)	-
Cost of past benefits and gains/losses on settlement	-	-	1,470	-	-	-	-	47,994	-	-
Net interest (expense)/income:										
interest expense on the liability	(2,663)	(773)	(535)	(172)	-	(1,634)	(1,283)	(1,252)	(182)	-
- interest income on assets servicing the plan	-	-	-	-	-	-	11	-	-	-
Total net interest (expense)/income	(2,663)	(773)	(535)	(172)	-	(1,634)	(1,272)	(1,252)	(182)	-
<b>Total</b>	<b>(42,642)</b>	<b>(773)</b>	<b>764</b>	<b>(1,180)</b>	<b>(8)</b>	<b>(41,419)</b>	<b>(1,272)</b>	<b>40,242</b>	<b>(923)</b>	<b>(15)</b>
of which recognised as labour cost	(39,979)	-	1,299	(1,008)	(8)	(39,785)	-	41,494	(741)	(15)
of which recognised as financial income (expense)	(2,663)	(773)	(535)	(172)	-	(1,634)	(1,272)	(1,252)	(182)	-

Costs for defined benefit plans recognised in other comprehensive income components break down as follows:

(in €/000)	Year ended 31 December 2018					Year ended 31 December 2017				
	Employee severance pay	Supplementary pension	Provision in lieu of former fixed indemnity for journalists	Fasdir	Other benefits	Employee severance pay	Supplementary pension	Provision in lieu of former fixed indemnity for journalists	Fasdir	Other benefits
Revaluations:										
- Actuarial gains/(losses) resulting from changes in demographic assumptions	-	-	-	-	-	(95)	(5,363)	493	-	-
- Actuarial gains/losses resulting from changes in financial assumptions	2,223	466	(47)	-	-	1,366	1,473	(653)	-	-
- Actuarial gains/losses from past experience	(703)	875	(372)	-	-	3,033	3,823	(1,188)	-	-
<b>Total</b>	<b>1,520</b>	<b>1,341</b>	<b>(419)</b>	<b>-</b>	<b>-</b>	<b>4,304</b>	<b>(67)</b>	<b>(1,348)</b>	<b>-</b>	<b>-</b>

Notes to the Separate Financial Statements

The main actuarial assumptions adopted are reported below:

	Year ended 31 December 2018	Year ended 31 December 2017
<b>Financial assumptions</b>		
Average discount rate [1]:		
- Provision for employee severance pay	1.27%	1.14%
. Pension funds former employees	1.28%	1.18%
. Pension funds former managers	1.33%	1.18%
- Provision in lieu of indemnity former fixed journalists	0.85%	1.09%
<b>Inflation rate:</b>		
- Provision for employee severance pay	1.50%	1.50%
- Provision for supplementary pension benefits	1.50%	-
- Provision in lieu of indemnity former fixed journalists	1.50%	1.50%
<b>Expected rate of growth in remuneration/benefits [2]:</b>		
- Provision for employee severance pay	2.625%	N.A.
- Provision for supplementary pension benefits	1.21%	1.21%
- Provision in lieu of indemnity former fixed journalists	3.00%	3.00%
<b>Demographic assumptions</b>		
<b>Maximum retirement age:</b>		
- Provision for employee severance pay	As per law	As per law
- Provision for supplementary pension benefits	-	-
- Provision in lieu of indemnity former fixed journalists	As per law	As per law
<b>Mortality tables:</b>		
- Provision for employee severance pay	SI 2016 revised	SI 2016 revised
- Provision for supplementary pension benefits	AS62	AS62
- Provision in lieu of indemnity former fixed journalists	SI 2016 revised	SI 2016 revised
<b>Disability tables:</b>		
- Provision for employee severance pay	INPS tables by age and gender	INPS tables by age and gender
- Provision for supplementary pension benefits	-	-
- Provision in lieu of indemnity former fixed journalists	-	-
<b>Average annual employee leaving rate:</b>		
- Provision for employee severance pay	6.60%	7.00%
- Provision for supplementary pension benefits	-	-
- Provision in lieu of indemnity former fixed journalists	5.30%	5.40%
<b>Annual probability of advance requests:</b>		
- Provision for employee severance pay	1.50%	1.50%
- Provision for supplementary pension benefits	-	-
- Provision in lieu of indemnity former fixed journalists	-	-

[1] Measured as the weighted average of Eurocomposite AA 2018 interest rate curve for 31 December 2018 and Eurocomposite AA 2017 for 31 December 2017.

[2] Including inflation.

The effects of a reasonably possible change in the discount rate for the year as at 31 December 2018 and as at 31 December 2017 are shown below:

#### PROVISION FOR EMPLOYEE SEVERANCE PAY - SENSITIVITY ANALYSIS

(in €/'000)	Sensitivity	Year ended 31 December 2018	Year ended 31 December 2017
Discount rate	+0.50%	197,597	229,321
	-0.50%	211,327	243,802

#### PROVISION FOR SUPPLEMENTARY PENSION BENEFITS - SENSITIVITY ANALYSIS

(in €/'000)	Sensitivity	Year ended 31 December 2018	Year ended 31 December 2017
Discount rate	+0.50%	119,817	130,887
	-0.50%	130,328	142,661

#### PROVISION IN LIEU OF THE FORMER FIXED INDEMNITY FOR JOURNALISTS<sup>7</sup> - SENSITIVITY ANALYSIS

(in €/'000)	Sensitivity	Year ended 31 December 2018	Year ended 31 December 2017
Discount rate	+0.50%	67,152	66,684
	-0.50%	72,587	72,375

The timing of liabilities for defined benefit plans for employees is shown below:

(in €/'000)	Provision in lieu of former fixed indemnity for journalists	Employee severance pay	Provision for supplementary pension benefits	
			former employees	former senior managers
Expected payments as at 31.12.2019	4,094	11,340	6,301	4,367
Expected payments as at 31.12.2020	3,925	13,341	6,060	4,172
Expected payments as at 31.12.2021	3,774	14,628	5,809	3,973
Expected payments as at 31.12.2022	5,373	16,978	5,547	3,771
Expected payments as at 31.12.2023	5,249	13,824	5,278	3,569
Payments planned from 1.01.2024 and subsequent years	50,275	159,067	53,138	39,502

## 15.3 Provisions for non-current risks and charges

The provisions for non-current risks and charges, totalling €149,651 thousand (€156,203 thousand as at 31 December 2017), break down as follows:

(in €/’000)	Balances as at 31 December 2017	Provisions	Drawdowns	Absorptions	Application IFRS 9	Balances as at 31 December 2018
Provisions for legal disputes	63,000	8,445	(12,705)	(240)	-	58,500
Provisions for building renovation and refurbishment	28,000	757	(757)	-	-	28,000
Provisions for accrued compensation costs	16,604	14,052	(15,011)	(1,593)	-	14,052
Provisions for the risk of recourse on bad debts by the concessionaires Rai Pubblicità and Rai Com	7,748	479	(939)	(360)	232	7,160
Provision for write-downs of surplus investments	9	4,033	(5)	-	-	4,037
Provisions for dismantling and restoration costs	4,251	6	-	(290)	-	3,967
Provisions for social security disputes	3,000	-	-	-	-	3,000
ISC and ISM provisions Agents	715	65	-	(35)	-	745
Other provisions	32,876	1,807	(436)	(4,057)	-	30,190
<b>Total provisions for risks and charges</b>	<b>156,203</b>	<b>29,644</b>	<b>(29,853)</b>	<b>(6,575)</b>	<b>232</b>	<b>149,651</b>

Provisions for legal disputes, totalling €58,500 thousand, show the prudential, forecasted estimate of charges for pending lawsuits in which the Company is involved in various ways. Specifically, the figure includes €34,500 thousand in provisions for civil, administrative and criminal litigation (including legal costs) and €24,000 thousand in provisions for labour law disputes.

Provisions for building renovation and refurbishment, totalling €28,000 thousand, show the estimated costs the Company expects to incur primarily in relation to the removal of asbestos containing materials present in buildings owned. The constructive obligation to proceed with the refurbishment and renovation of the aforementioned buildings is connected with Company’s expression of intent to perform such work, as expressed on several occasions in negotiations with trade unions.

Provisions for accrued compensation costs, totalling €14,052 thousand, show the overall costs estimated in relation to employment contracts in place.

Provisions for the risk of recourse on bad debts by the concessionaires Rai Pubblicità and Rai Com, totalling €7,160 thousand, refer to the charges associated with the retrocession of income already recognised by the Company in the event that the concessionaires do not collect on the related receivables.

The provision for write-down of the surplus investment refers almost all to the capital deficit recognised in the financial statements of Rai Corporation in liquidation as at 31 December 2018, as illustrated in Note 12.3 “Investments”, to be referred to.

Provisions for dismantling and restoration costs, totalling €3,967 thousand, shows the estimated costs for the dismantling and removal of installations and modifications and the restoration of premises rented by the Company under operating leases which require the lessee to restore the rented premises to their original condition at the end of the lease (where the lease will not be renewed).

Provisions for social security disputes, totalling €3,000 thousand, show the estimated costs connected with pending legal disputes with social security institutions.

ISC (supplementary customer indemnities) and ICM (meritocratic customer indemnities) provisions for agents, totalling €745 thousand, refer to amounts payable to agents upon termination of agency agreements for reasons not attributable to the agent. The provisions are based on estimates that take into consideration the historic data of the Company and growth in the customer portfolio or in business with customers already in portfolio.

## 15.4 Deferred tax liabilities

Deferred tax liabilities totalled €33,023 thousand and are stated net of €128,392 thousand of deferred tax assets eligible for offsetting. The net balance as at 31 December 2017 showed a deferred tax liability of €47,809 thousand.

The nature of the temporary differences that gave rise to deferred tax liabilities and the deferred tax assets eligible for offset is reported in the table below:

(in €/000)	Balances as at 31 December 2017	Changes			Balances as at 31 December 2018
		Income statement	Other comprehensive income	Equity	
Taxable differences in property, plant and equipment	(156,567)	1,848	-	-	(154,719)
Neutralisation currency valuations	(5)	5	-	-	-
Interest rate derivatives	(289)	-	289	-	-
Taxable difference and equity investments	(6,698)	2	-	-	(6,696)
<b>Deferred tax liabilities eligible for offset</b>	<b>(163,559)</b>	<b>1,855</b>	<b>289</b>	<b>-</b>	<b>(161,415)</b>
Negative IFRS taxable income	115,750	43,412	-	(30,792)	128,370
Tax effects resulting from the first-time adoption of the accounting standard IFRS 15 - Advertising revenues	-	(821)	-	843	22
<b>Deferred tax assets eligible for offset</b>	<b>115,750</b>	<b>42,591</b>	<b>-</b>	<b>(29,949)</b>	<b>128,392</b>
<b>Net deferred tax liabilities</b>	<b>(47,809)</b>	<b>44,446</b>	<b>289</b>	<b>(29,949)</b>	<b>(33,023)</b>

Deferred tax assets were recognised when their future recoverability was considered reasonably certain.

Changes in other comprehensive income essentially consisted of deferred taxes recognised under shareholders' equity and refer to the tax effect of cash flow hedging instruments recognised under hedge accounting rules.

Deferred tax assets on tax losses carried forward totalled €128,370 thousand. It is probable that they will be used to offset the taxable earnings of Group companies that participate in the tax consolidation arrangement and the deferred tax liability carried through to the income statement.

## 15.5 Other non-current payables and liabilities

Other non-current payables and liabilities are all stated in euros. Totalling €1,162 thousand (€1,969 thousand as at 31 December 2017), they refer entirely to deferred income for the non-current portion of government grants provided by the former Ministry of Communications to support initiatives for the switch-over to digital terrestrial. See Note 16.1 "Trade payables and other current payables and liabilities" for further information on those grants.

Payables to related parties are reported in Note 18.4 "Transactions with related parties".

# 16

## Current liabilities

### 16.1 Trade payables and other current payables and liabilities

Trade payables and other current payables and liabilities totalled €1,024,205 thousand (€970,633 thousand as at 31 December 2017). The figure breaks down as follows:

(in €/'000)	Year ended 31 December 2018	Year ended 31 December 2017
Payables to suppliers	502,532	466,447
Trade payables to subsidiaries	86,132	83,551
Trade payables to joint ventures and associates	2,392	893
<b>Total trade payables</b>	<b>591,056</b>	<b>550,891</b>
Payables to personnel	231,375	216,250
Payables to social security institutions	72,235	71,118
Other tax payables	34,966	55,951
Payables to subsidiaries	4,077	4,110
Other payables accruing for assessments	3,878	4,241
Payables for frequency rights	1	403
Other payables	4,878	4,153
Advances:		
- Ordinary licence fees	73,687	56,922
- Other advances	912	1,262
Accruals for fees and interest	3,138	3,144
Deferrals:		
- Adjustment to advertising revenues	2,320	-
- Licence fees	868	523
- Grants for the switch-over to digital terrestrial	805	1,644
- Other deferrals	9	21
<b>Total other current payables and liabilities</b>	<b>433,149</b>	<b>419,742</b>
<b>Total trade payables and other current payables/ liabilities</b>	<b>1,024,205</b>	<b>970,633</b>

The breakdown of trade payables and other payables to subsidiaries, joint ventures and associates is shown in the table below:

(in €/'000)	Year ended 31 December 2018	Year ended 31 December 2017
Subsidiaries:		
Rai Cinema SpA	11,799	15,907
Rai Com SpA	7,762	9,018
Rai Pubblicità SpA	80	68
Rai Way SpA	66,491	58,558
<b>Trade payables to subsidiaries</b>	<b>86,132</b>	<b>83,551</b>

(in €/'000)	Year ended 31 December 2018	Year ended 31 December 2017
Joint ventures and associated companies:		
Auditel Srl	1,977	-
Tavolo Editori Radio Srl	-	477
Tivù Srl	415	416
<b>Trade payables to joint ventures and associates</b>	<b>2,392</b>	<b>893</b>

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
Subsidiaries:		
Rai Cinema SpA	445	445
Rai Com SpA	-	-
Rai Pubblicità SpA	1,128	1,128
Rai Way SpA	2,504	2,537
<b>Other payables to subsidiaries</b>	<b>4,077</b>	<b>4,110</b>

Trade payables, totalling €591,056 thousand, rose by €40,165 thousand compared to 31 December 2017.

The other current payables and liabilities rose by €13,407 thousand compared to 31 December 2017.

Payables to personnel totalled €231,375 thousand (€216,250 thousand as at 31 December 2017). The figure breaks down as follows:

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
Untaken paid annual leave	66,116	69,704
Untaken time in lieu	51,705	52,500
Wage and salary assessment	67,693	46,227
Redundancy incentives	44,307	46,019
Other	1,554	1,800
<b>Payables to personnel</b>	<b>231,375</b>	<b>216,250</b>

Deferrals for grants for the switch-over to digital terrestrial included €805 thousand for the current portion of government grants provided by the former Ministry of Communications between 2007 and 2011 to support initiatives to fast-track the switch-over to digital terrestrial. Such initiatives consisted of system upgrades and work on site infrastructure to extend the coverage of the digital network and improve reception levels and the quality of service for users. Those investments were tasked to the subsidiary Rai Way, which is responsible, *inter alia*, for the design, installation, construction, maintenance, implementation, development and management of telecommunications networks. The grant was recognised in the income statement for each year in which a depreciation charge would have been recognised if the investment had been made by Rai, considering the ratio between the amount of the grant received and investments made to complete the relative projects.

Payables to social security institutions totalled €72,235 thousand (€71,118 thousand as at 31 December 2017). The figure breaks down as follows:

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
Payables to supplementary pension funds for personnel	22,815	21,177
Payables to INPGI	13,990	13,606
Payables to INPS	24,426	25,436
Payables to INAIL	-	73
Payables to CASAGIT	1,437	1,380
Contributions on assessed wages and salaries	9,135	9,095
Other payables	432	351
<b>Payables to social security institutions</b>	<b>72,235</b>	<b>71,118</b>

Other tax payables show taxes payable to Inland Revenue other than current income tax. The item breaks down as follows:

(in €/'000)	Year ended 31 December 2018	Year ended 31 December 2017
Group VAT payable	2,030	21,330
Suspended VAT payable	1,008	1,008
Withholding tax on wages and salaries for employees and contractors, substitution tax and other withholdings	31,928	33,613
<b>Total other tax payables</b>	<b>34,966</b>	<b>55,951</b>

Total payables due in currencies other than the euro are reported in Note 8.1 "Market risk".

Payables to related parties are reported in Note 18.4 "Transactions with related parties".

## 16.2 Current financial liabilities

Current financial liabilities totalled €161,952 thousand (€151,161 thousand as at 31 December 2017). The breakdown is shown in the table below:

(in €/'000)	Year ended 31 December 2018	Year ended 31 December 2017
Payables to subsidiaries – current account positions	145,668	140,618
M/L-term loans due to banks (current portion)	10,000	10,000
Payables for financial leases	5,654	-
Liabilities for derivatives taken out on behalf of Rai Cinema	-	506
Payables to the subsidiary Rai Cinema for derivative instruments	560	-
Short-term payables to banks	-	37
Payables to joint ventures and associates – San Marino RTV current account	70	-
<b>Total current financial liabilities</b>	<b>161,952</b>	<b>151,161</b>

Payables to subsidiaries – current account positions rose by €5,050 thousand. The breakdown by company is shown in the following table:

(in €/'000)	Year ended 31 December 2018	Year ended 31 December 2017
Subsidiaries:		
Rai Cinema SpA	1,743	788
Rai Com SpA	134,862	136,440
Rai Corporation in liquidation	3,428	3,314
Rai Pubblicità SpA	5,635	-
Rai Way SpA	-	76
<b>Payables to subsidiaries – current account positions</b>	<b>145,668</b>	<b>140,618</b>

Payables for financial leases, for €5,654 thousand refer to exercising the option right during 2018 to purchase the building used as a regional office in Basilicata.

The current portion of non-current financial liabilities is reported and explained in Note 15.1 "Non-current financial liabilities and current positions of non-current financial liabilities".

Derivative instruments recognised at fair value, are broken down below in the liability component, including the current and non-current portions:

(in €/'000)	<b>Year ended 31 December 2018</b>	Year ended 31 December 2017
Liabilities for derivatives taken out on behalf of Rai Cinema	-	506
Payables to the subsidiary Rai Cinema for derivative instruments	560	-
<b>Total derivative financial instruments – current portion</b>	<b>560</b>	<b>506</b>
Hedging derivative liabilities – rates	5,129	-
<b>Total derivative financial instruments – non-current portion</b>	<b>5,129</b>	<b>-</b>
<b>Total derivative financial instruments</b>	<b>5,689</b>	<b>506</b>

Payables to Rai Cinema for derivatives concern exchange risk hedging activity on behalf of the subsidiary in connection with purchase of television rights on serial and cinema products denominated in USD, performed by the Parent through mandate from Rai Cinema as described in Note 18.4 “Transactions with Related Parties”. The amount came to €560 thousand (€506 thousand as at 31 December 2017, see note 13.3 “Current financial assets”) and relate to the exchange rate risk hedging instruments (with positive fair value) whose effects transit from the intercompany accounts. No non-current portions are recognised.

The liabilities for rate hedging derivatives are explained in Note 15.1 “Non-current financial liabilities and current portions of non-current financial liabilities”. Current portions were not recognised.

Information on risks hedged and on hedging policies is disclosed in note 8.1 “Market risk”.

### 16.3 Current income tax payables

Current income taxes payable totalled €30,224 thousand (€29,959 thousand as at 31 December 2017), refer entirely to payable for IRES from the Group’s tax consolidation.

On this point please note that the Company has opted for a Group taxation scheme under which the obligations connected with the settlement and payment of IRES tax on companies scoped into the tax consolidation arrangement have been transferred to the Group. Procedures for consolidating Group taxable income are governed by a specific agreement between the Parent Company and its subsidiaries.

Income taxes are reported in Note 17.10 “Income taxes”.

# 17

## Income statement

### 17.1 Revenue from sales and services

The main items are analysed below:

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
TV licence fees	1,758,041	1,776,591
Advertising	550,144	567,034
Other revenue	69,893	71,016
<b>Total revenue from sales and services</b>	<b>2,378,078</b>	<b>2,414,641</b>

The breakdown of revenue by geographical area shows it is predominantly originated in the domestic market.

#### TV licence fees

Licence fees, for €1,758,041 thousand (€1,776,591 thousand in 2017), break down as follows:

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
Licence fees for the year – household licences	1,634,111	1,633,276
Licence fees for the year – special licences	79,629	79,003
Licences fees collected by enforcement order	30,393	39,778
Licence fees for prior years – household licences	13,908	24,535
Licence fee refunds	-	(1)
<b>Total TV licence fees</b>	<b>1,758,041</b>	<b>1,776,591</b>

When calculating the amount from the TV licences of household licences, the information and figures made available with reference to the new collection method were used, considering Law 190 of 23 December 2014 (art. 1, paragraph 293). This established a reduction of 5 per cent, from 2015, of sums to be paid to Rai to cover the cost of the Public Service being supplied.

The new collection methods were introduced by Law 208 of 28 December 2015 (the “2016 Stability Law”), which provided, in Article 1 (152 *et seq.*), for TV licence fees for household licences to be charged, as of 1 January 2016, directly in power bills issued by electricity companies, under a separately detailed item.

That law introduced, in an effort to overcome evasion, the mechanism by which if a household has a utility account for power supply to a registered home address, then it can be presumed that the household is in possession of a television set. That presumption of the possession of a television set may only be overturned by a statutory declaration made in accordance with the Consolidation Law as per Presidential Decree 445 of 28 December 2000. False statements are punishable by law and may entail criminal liability.

The 2016 Stability Law also established that any higher revenues collected from 2016 to 2018 with respect to 2016 state budget forecasts are to be transferred to Rai in the set proportion of 67% for the year 2016, and 50% for the years 2017 and 2018.

In relation to the amounts reported above:

- TV licence fees collected by enforcement order refer to licence fees due in 2015 and prior years and paid in 2018 under an enforcement order by households with overdue payments;
- previous year licences - households are related to 2017 licence fees that became known in financial year 2018 in so far as they were paid to the State during the year.

The mechanism for determining the single television licence fee contemplated by the Consolidation Law for audiovisual and radio media (“separate accounting”), designed to ensure that revenue

from licence fees is proportional to the costs incurred by Rai, as certified by an independent auditor, for its Public Service operations, has found a shortfall in such revenue for the period 2005-2017 of €2.6 billion.

## Advertising

Advertising revenues, for €550,144 thousand (€567,034 thousand as at 31 December 2017), break down as follows:

(in €/’000)	<b>Year ended 31 December 2018</b>	Year ended 31 December 2017
Television advertising on general-interest channels:		
- air time	324,876	362,055
- promotions, sponsorships and special initiatives	126,780	110,677
- product placements	5,604	4,052
Television advertising on specialist channels	61,965	57,611
Radio advertising	26,808	27,968
Web advertising	6,576	5,970
Other advertising	220	330
Third-party quotas	(2,154)	(1,511)
Contingencies	(531)	(118)
<b>Total advertising</b>	<b>550,144</b>	<b>567,034</b>

## Other revenue

Other revenues from sales and services, for €69,893 thousand (€71,016 thousand as at 31 December 2017), break down as follows:

(in €/’000)	<b>Year ended 31 December 2018</b>	Year ended 31 December 2017
Special services under convention	37,880	37,877
Distribution and sale of channels	11,490	11,633
Sale of rights	10,287	6,984
Sundry services, mainly for institutional purposes	8,542	7,413
Digital terrestrial broadcasting services	-	1,861
Production and facility services	486	744
Agreements with telephone service providers	314	244
Home video distribution	196	207
Other	1,463	1,361
Third-party quotas	(474)	(450)
Contingencies	(291)	3,142
<b>Total other revenue</b>	<b>69,893</b>	<b>71,016</b>

## 17.2 Other revenue and income

Other revenues and income, for €26,440 thousand (€29,279 thousand as at 31 December 2017), break down as follows:

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
Other income from investees	20,342	20,762
Contributions for operating expenses	2,040	2,833
Compensation for damages	577	2,304
Cost recoveries and expense refunds	777	616
Income from real estate investments	235	236
Other	2,297	2,633
Contingencies	172	(105)
<b>Total other revenues and income</b>	<b>26,440</b>	<b>29,279</b>

The breakdown of other income from investees by counterparty is shown in the table below. As reported in Note 18.4 “Transactions with related parties”, such income is connected with agreements for the provision of services by Rai.

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
Rai Cinema SpA	3,626	3,557
Rai Com SpA	3,302	3,430
Rai Pubblicità SpA	2,896	2,860
Rai Way SpA	10,511	10,908
Tavolo Editori Radio Srl	7	7
<b>Total other income from investees</b>	<b>20,342</b>	<b>20,762</b>

## 17.3 Costs for the purchase of consumables, costs for services and other costs

Costs for the purchase of consumables, costs for services and other costs totalled €1,330,645 thousand (€1,357,935 thousand as at 31 December 2017). The figure breaks down as follows:

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
Purchases of consumables	11,110	11,106
Costs for services	1,272,870	1,300,494
Other costs	46,665	46,335
<b>Total costs for the purchase of consumables, services and other costs</b>	<b>1,330,645</b>	<b>1,357,935</b>

Purchases of consumables totalled €11,110 thousand (€11,106 thousand as at 31 December 2017). The breakdown is shown in the table below:

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
Purchase of fuel and oil	2,355	2,379
Sundry non-production materials	2,080	2,034
Sundry production materials	3,525	3,302
Technical inventories	567	937
Changes in inventory	70	24
Other materials	2,568	2,551
Contingencies	(55)	(121)
<b>Purchases of consumables</b>	<b>11,110</b>	<b>11,106</b>

The breakdown of costs for services is shown in the table below. The item totalled €1,272,870 thousand (€1,300,494 thousand as at 31 December 2017), net of discounts and rebates obtained. It also includes, *inter alia*, emoluments, indemnities of office and expense refunds paid to Directors, for a total of €792 thousand, and to Statutory Auditors, for a total of €162 thousand.

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
Contractors	128,148	124,307
Programme production services	191,776	188,323
Travel allowances and expenses and accessory costs for personnel	34,302	34,863
Rai Way signal transmission and broadcasting	206,069	203,363
Maintenance, repairs, transport and similar	34,840	33,879
IT system documentation and assistance services	49,537	47,256
Other outsourced services	80,108	78,235
Purchase of showings	280,715	288,675
Rentals and leases	43,940	50,787
Recording rights	132,715	156,340
Copyright	104,744	104,178
Recovery of expenses	(2,702)	(2,657)
Contingencies	(11,322)	(7,055)
<b>Costs for services</b>	<b>1,272,870</b>	<b>1,300,494</b>

In accordance with Article 2427( 16-*bis*) of the Civil Code, please note that fees accruing to the year ended 31 December 2018 for services provided by the external auditors amounted to €168 thousand for the annual auditing of accounts, for other auditing services, including auditing of the half-year financial report and for non-auditing services were respectively €109 thousand and €16 thousand.

Other costs, for €46,665 thousand (€46,335 thousand as at 31 December 2017) and break down as follows:

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
User rights to digital television frequencies and other fees and contributions	10,858	10,839
Prizes and winnings	6,024	6,588
Contributions to control authorities	5,172	4,583
IMU/TASI taxes	8,732	8,737
Other indirect taxes and other duties	8,362	8,570
Newspapers, magazines, books and publications	1,736	1,690
Membership fees	3,460	3,408
Losses on disposals	134	330
Other	2,180	2,208
Contingencies	7	(618)
<b>Other costs</b>	<b>46,665</b>	<b>46,335</b>

## 17.4 HR expenses

HR expenses totalled €911,839 thousand (€888,665 thousand as at 31 December 2017). The figure breaks down as follows:

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
Wages and salaries, and social security costs	862,237	805,216
Employee severance pay	39,979	39,785
Pensions and similar obligations	12,499	13,036
Other	11,511	13,444
<b>HR expenses</b>	<b>926,226</b>	<b>871,481</b>
Costs for redundancy incentives	6,463	48,025
Recovery of expenses	(4,601)	(4,831)
HR expenses capitalised	(12,988)	(16,829)
<b>Other HR expenses</b>	<b>(11,126)</b>	<b>26,365</b>
<b>Contingencies and releases of provisions</b>	<b>(3,261)</b>	<b>(9,181)</b>
<b>Total HR expenses</b>	<b>911,839</b>	<b>888,665</b>

The items includes €40,987 thousand of charges for defined contribution plans and €1,291 thousand of income from defined benefit plans, net of past benefits, as reported in note 15.2 “Employee benefits”.

The Company applies four Collective Bargaining Agreements, respectively the CCL for labour for middle managers, office staff and workers, the CCL for orchestra musicians, the national Bargaining Agreements for Journalists, applied in Rai in compliance with the method in a “Convention extended the CNLG to Rai” and the relative Addendum Agreement with Usigrai for journalist personnel, the CCNL for managers of companies producing goods and services and the relative Addendum Agreement between Rai and ADRai.

With respect to those agreements, we report that:

- the collective bargaining agreement for middle managers, office staff and workers was renewed, by agreement on 28 February 2018, for the period 2014-2016 and, on an exceptional basis, for 2017 and 2018;
- the collective bargaining agreement for orchestra musicians was renewed, by agreement on 28 June 2018, for the three-year period 2014-2016 and, on an exceptional basis, for 2017 and 2018;

- for journalist staff, on 13 March 2018 Rai and Unindustria Roma signed a Convention for the Extension of the National Collective Bargaining Agreement for Journalists to Rai with Usigrai and FNSI; the Rai–Usigrai Addendum Agreement expired on 31 December 2013;
- for personnel employed as senior managers, the collective bargaining agreement for the period 1 January 2015–31 December 2018 is still in force, while the Rai–ADRai Addendum Agreement for the period 2017–2019 was renewed on 6 July 2018;

The average number of Company employees is shown below by employment category:

	Year ended 31 December 2018			Year ended 31 December 2017		
	Permanent employees (average No.) (1)	Temporary employees (average No.)	Total	Permanent employees (average No.) (1)	Temporary employees (average No.)	Total
- Senior managers (2)	275	-	275	275	-	275
- Officers and middle managers	1,133	-	1,133	1,148	-	1,148
- Journalists	1,645	213	1,858	1,627	189	1,816
- Office staff, production staff, camera crew, director's assistants, technicians	6,903	378	7,281	6,939	432	7,371
- Workers	891	41	932	893	71	964
- Orchestra musicians and other artists	118	3	121	123	3	126
- General Practitioners	7	-	7	7	-	7
<b>Total</b>	<b>10,972</b>	<b>635</b>	<b>11,607</b>	<b>11,012</b>	<b>695</b>	<b>11,707</b>

(1) of which apprentices

95

128

(2) the figure includes top managers engaged under temporary employment contracts.

The average number of employees was calculated as the arithmetic mean of the daily number of employees over the reporting period, weighted to account for part-time employees. The average number of employees includes personnel on permanent and temporary employment contracts.

## 17.5 Impairment of financial assets

This newly introduced item recognises impairment losses (including recoveries) of financial assets in the wider meaning provided by IAS 32, that includes all assets of a contractual origin that give right to receiving cash flows (including trade receivables). Related to the right applied to backdate recalculation of opening equity values for the current accounting year, reference values as at 31 December 2017 are measured and entered in the financial statements as established by the previous accounting standard IAS 39, as described in Note 5.1 "First-time adoption of IFRS 9", to be referred to.

As at 31 December 2018, the item is positive for €87 thousand and refers to provisions highlighted below, already illustrated in Note 13.2 "Trade receivables", to be referred to.

(in €/000)	Year ended 31 December 2018
Trade receivables	64
Receivable from subsidiary Rai Com SpA	23
<b>Total impairment of financial assets</b>	<b>87</b>

## 17.6 Depreciation, amortisation and other write-downs

Depreciation, amortisation and other write-downs totalled €294,281 thousand (€289,802 thousand as at 31 December 2017). The figure breaks down as follow:

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
<b>Property, plant and equipment:</b>		
Buildings	11,745	11,778
Plant and machinery	48,563	50,255
Fixtures and fittings, tools and other equipment	1,669	1,419
Other assets	5,913	5,590
<b>Total depreciation of property, plant and equipment</b>	<b>67,890</b>	<b>69,042</b>
<b>Intangible assets:</b>		
Programmes	159,250	165,584
Software	7,056	4,316
Trademarks	7	7
Other rights	103	167
<b>Total amortisation of intangible assets</b>	<b>166,416</b>	<b>170,074</b>
<b>Total amortisation and depreciation</b>	<b>234,306</b>	<b>239,116</b>
Programmes under amortisation	52,899	38,542
Programmes in progress	1,743	5,829
Other intangible assets	-	2,955
Equity investments recognised at cost	4,047	49
Other non-current receivables and assets	638	1,803
Trade receivables	-	(33)
Receivable from subsidiary Rai Com	-	(192)
Current income tax receivables	728	222
Other current receivables and assets	(80)	1,511
<b>Total write-downs</b>	<b>59,975</b>	<b>50,686</b>
<b>Total depreciation, amortisation and write-downs</b>	<b>294,281</b>	<b>289,802</b>

[1] The value at 31 December 2017 refers to the impairment of financial assets caused by application of the previous standard IAS 39.

Review of the useful life of cartoons, from 3 to 5 years, has a positive effect of about €6.5 million.

## 17.7 Provisions

The item, recognising provision to risks and charges and any risks not classifiable under specific income statement items, shows net absorptions for €1,457 thousand (net provisions for €4,852 thousand as at 31 December 2017), caused by releases for €4,933 thousand, offset by provisions for €3,476 thousand.

## 17.8 Financial income and expenses

Net financial income totalled €52,423 thousand (€72,868 thousand as at 31 December 2017). The figure breaks down as follows:

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
<b>Financial income:</b>		
Dividends	61,970	81,329
Interest income from subsidiaries	3,353	2,486
Interest income from joint ventures – San Marino RTV	13	6
Income from currency derivatives	-	12
Interest on securities	3	-
Interest income from banks	<b>125</b>	<b>36</b>
Foreign exchange gains realised	-	529
Gains from currency valuation	95	257
Other	158	2,389
<b>Total financial income</b>	<b>65,717</b>	<b>87,044</b>
<b>Financial expense:</b>		
Interest on employee benefit liabilities	(4,143)	(4,339)
Interest expense on bonds	(6,145)	(6,129)
Interest expense due to banks	(697)	(1,371)
Charges on currency derivatives	-	(86)
Foreign exchange losses realised	(315)	(60)
Losses on currency valuation	(120)	(235)
Interest expense due to subsidiaries	(71)	(21)
Other	(1,803)	(1,935)
<b>Total financial expense</b>	<b>(13,294)</b>	<b>(14,176)</b>
<b>Net financial income (expense)</b>	<b>52,423</b>	<b>72,868</b>

Breakdown of dividends:

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
Rai Cinema SpA	14,508	47,558
Rai Com SpA	11,556	6,573
Rai Way SpA	35,804	27,162
Almaviva SpA	102	36
<b>Total dividends</b>	<b>61,970</b>	<b>81,329</b>

## 17.9 Earnings from investments measured with the equity method

Earnings from equity investments recognised under the equity method amounted to a positive €155 thousand (negative for €490 thousand as at 31 December 2017). The figure breaks down as follows:

(in €/'000)	Year ended 31 December 2018	Year ended 31 December 2017
Auditel Srl	28	28
Euronews SA	(590)	(1,090)
San Marino RTV SpA	2	5
Tavolo Editori Radio Srl	8	(5)
Tivù Srl	707	572
<b>Total effect of recognition under the equity method</b>	<b>155</b>	<b>(490)</b>

The breakdown of the change in equity investments recognised under the equity method is reported in Note 12.3 "Equity investments".

## 17.10 Income tax

Income taxes payable totalled a positive €44,446 thousand (€30,484 thousand as at 31 December 2017) due to the effect of deferred tax assets and liabilities. The figure breaks down as follows:

(in €/'000)	Year ended 31 December 2018	Year ended 31 December 2017
IRES	-	-
IRAP	-	-
<b>Total current taxes</b>	<b>-</b>	<b>-</b>
Deferred tax liabilities	1,855	1,894
Deferred tax assets	42,591	28,590
<b>Total deferred taxes</b>	<b>44,446</b>	<b>30,484</b>
<b>Total tax for the year</b>	<b>44,446</b>	<b>30,484</b>

The difference between the theoretical tax rate and the effective tax rate is shown below:

(in €/'000)	Year ended 31 December 2018	Year ended 31 December 2017
Loss before tax	(78,299)	(24,956)
IRES tax rate	24.00%	24.00%
Theoretical tax gain	18,792	5,989
Tax differences	25,654	24,495
IRAP	-	-
<b>Total income taxes</b>	<b>44,446</b>	<b>30,484</b>

The item tax differences shows the difference between the IRES tax expense booked and the theoretical expense resulting from the application of the current IRES tax rate (24%) to earnings before tax.

That difference is the result of the application of the corporate income tax rules contained in the Italian Income Tax Code, which produces differences in declared profits of both a permanent nature (such as: IMU property tax, vehicle costs and participation exemptions on dividends carried in the income statement) and of temporary nature (such as: depreciation and amortisation charges, write-downs of intangible assets, employee benefits, allocations and drawdowns/releases of provisions).

# 18

Other  
information

## 18.1 Guarantees

Guarantees provided totalled €58,284 thousand (€70,682 thousand as at 31 December 2017). The figure breaks down as follows:

(in €/’000)	Year ended 31 December 2018		
	Personal guarantees	Collateral	Total
	Surety guarantees		
Subsidiaries	53,468	-	<b>53,468</b>
Joint ventures and associates	2,582	-	<b>2,582</b>
Other	-	2,234	<b>2,234</b>
<b>Total</b>	<b>56,050</b>	<b>2,234</b>	<b>58,284</b>

(in €/’000)	Year ended 31 December 2017		
	Personal guarantees	Collateral	Total
	Surety guarantees		
Subsidiaries	65,866	-	<b>65,866</b>
Joint ventures and associates	2,582	-	<b>2,582</b>
Other	-	2,234	<b>2,234</b>
<b>Total</b>	<b>68,448</b>	<b>2,234</b>	<b>70,682</b>

Guarantees provided included the recognition of an obligation to pay, guaranteeing the early repayment of €52,026 thousand of surplus VAT (€64,265 thousand as at 31 December 2017) by subsidiaries, undertaken with Inland Revenue.

The Company has also recognised €398,909 thousand of guarantees provided by third parties (€365,323 thousand as at 31 December 2017) on commercial and financial obligations held by the Company. Those guarantees mainly consist of:

- (i) guarantees received from various banks and insurance institutions for:
  - the purchase of goods and services;
  - full performance of contracts for the production of radio and television productions;
- (ii) guarantees provided by third parties on obligations held by the Company:
  - for payables – surety guarantee on the medium/long-term EIB loan;
  - for other obligations – mainly surety guarantees issued to the Inland Revenue to guarantee prize competitions and the VAT receivable being repaid, for surety issued to UEFA for qualifications at the European football Championships of 2020 and World football Championships of 2022.

## 18.2 Commitments

The main commitments, including long-term commitments, connected with products or with technological development and modernisation initiatives and in place at the reporting date are reported in the table below:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Sports broadcasting rights	313.6	92.4
Investments in TV series and cartoons	107.0	123.4
Rights and services for the production of programmes	45.1	56.7
Technical investments	24.0	22.3
<b>Total commitments</b>	<b>489.7</b>	<b>294.8</b>

### 18.3 Contingent liabilities

The Company is a party to civil, administrative, labour law and social security lawsuits connected with its ordinary business activities.

Civil and administrative litigation involving the Company is primarily connected with the production and public broadcasting of radio and television programmes. Almost all civil litigation concerns claims for damages, mostly in connection with alleged defamation and infringement of personality rights, while claims for damages under administrative law usually concern disputes over tender awards in which the equivalent compensation claim is usually a subsidiary application to the main application for the annulment of the tender decision and, in some cases, the award of the contract.

If, on the basis of analyses conducted on such kinds of litigation:

- information is available, at the time of preparation of the financial statements, suggesting it is likely that a liability will arise;
- possibility to estimate the expenses sufficiently reasonably, considering the *petitum attoreo*, the relative expense is registered through a provision to the provisions for legal disputes.

In relation to labour law and social security matters, the Company is a party to a considerable number of lawsuits, mainly concerning claims for reinstatement, applications for investigations into the alleged use of fictitious intermediaries in the procurement of labour, applications for higher level employment grades and categories, compensation claims for alleged demotion and alleged non-fulfilment of social security obligations under employment contracts or collective bargaining agreements. For the purposes of determining the amount of provisions to be allocated, given the large number of pending lawsuits and the consequent difficulty in assessing the contingent liability for each, the cases are subdivided into three categories in relation to their status and any appeal rulings handed down – lawsuits pending in courts of first instance; lawsuits lost on appeal; lawsuits won on appeal. The risk is then estimated for each category by identifying an average value expressed in percentage terms, in order to quantify the amount of provisions to be allocated for legal disputes.

Note 15.3 “Provisions for non-current risks and charges” details provisions made for that occurrence.

On the basis of information currently available, the Company believes that provisions for risks are adequate.

### 18.4 Transactions with related parties

Transactions between the Company and related parties are reported below; as identified on the basis of the criteria provided by IAS 24 “*Disclosures on transactions with related parties*” for the years ended 31 December 2018 and 31 December 2017.

The Company has dealings mainly of a commercial and financial nature with the following related parties:

- Rai Cinema;
- Rai Com;
- Rai Corporation;
- Rai Pubblicità;
- Rai Way;
- key management personnel (“Senior Management”);
- other associates and joint ventures in which the Company holds an equity interest, as reported in Note 12.3 “Equity investments”; companies under the control or joint control of Senior Management and bodies that manage benefit plans after the work relationship ends and solely for Rai Group employees (“Other related parties”).

Although related party transactions are conducted at arm’s length, there is no guarantee that if those transactions were negotiated and pursued with or between third parties, the relative contracts, and the transactions themselves, would stipulate the same terms and conditions.

“Senior management” means key management personnel with the power and direct or indirect responsibility for the planning, management and control of Company business, including therein the members of the Board of Directors of the Company. For information on emoluments paid to statutory auditors, see Note 17.3 “Costs for the purchase of consumables, costs for services and other costs”.

The follow table details the balance sheet totals as at 31 December 2018 and as at 31 December 2017 and the income effects of transactions between the Company and related parties conducted in the years ended 31 December 2018 and 31 December 2017:

(in €/’000)	Subsidiaries	Senior Management	Other related parties	Total
<b>Current financial assets</b>				
As at 31 December 2018	165,759	-	-	165,759
As at 31 December 2017	164,893	-	517	165,410
<b>Trade receivables</b>				
As at 31 December 2018	268,162	-	167	268,329
As at 31 December 2017	273,630	-	158	273,788
<b>Other current receivables and assets</b>				
As at 31 December 2018	32,077	-	-	32,077
As at 31 December 2017	43,107	10	-	43,117
<b>Employee benefits</b>				
As at 31 December 2018	-	(4,069)	(14,587)	(18,656)
As at 31 December 2017	-	(4,208)	(14,587)	(18,795)
<b>Current financial liabilities</b>				
As at 31 December 2018	(146,228)	-	(70)	(146,298)
As at 31 December 2017	(140,618)	-	-	(140,618)
<b>Trade payables</b>				
As at 31 December 2018	(86,131)	-	(2,392)	(88,523)
As at 31 December 2017	(83,551)	-	(893)	(84,444)
<b>Other current payables and liabilities</b>				
As at 31 December 2018	(6,403)	(5,900)	(14,050)	(26,353)
As at 31 December 2017	(4,140)	(7,297)	(12,738)	(24,175)

(in €/’000)	Subsidiaries	Senior Management	Other related parties	Total
<b>Revenue from sales and services</b>				
As at 31 December 2018	614,494	-	564	615,058
As at 31 December 2017	629,174	-	537	629,711
<b>Other revenue and income</b>				
As at 31 December 2018	21,858	-	74	21,932
As at 31 December 2017	22,352	-	77	22,429
<b>Costs for the purchase of consumables</b>				
As at 31 December 2018	-	-	-	-
As at 31 December 2017	(2)	-	-	(2)
<b>Costs for services</b>				
As at 31 December 2018	(492,959)	(898)	(10,249)	(504,106)
As at 31 December 2017	(499,012)	(669)	(10,074)	(509,755)
<b>Other costs</b>				
As at 31 December 2018	(390)	-	-	(390)
As at 31 December 2017	(387)	-	-	(387)
<b>HR expenses</b>				
As at 31 December 2018	3,458	(16,445)	(12,457)	(25,444)
As at 31 December 2017	3,982	(17,056)	(12,625)	(25,699)
<b>Impairment of financial assets</b>				
As at 31 December 2018	(23)	-	-	(23)
As at 31 December 2017	-	-	-	-
<b>Depreciation, amortisation and write-downs</b>				
As at 31 December 2018	-	-	-	-
As at 31 December 2017	192	-	-	192
<b>Financial income</b>				
As at 31 December 2018	65,221	-	13	65,234
As at 31 December 2017	84,986	-	6	84,992
<b>Financial expense</b>				
As at 31 December 2018	(71)	-	-	(71)
As at 31 December 2017	(21)	-	-	(21)

Reported below is a description of the main agreements in place between Rai and the subsidiaries, associates and joint ventures identified above.

## Agreements for the provision of services to Rai

### Rai Pubblicità

Rai has an advertising concession agreement in place with Rai Pubblicità, under which the latter has an exclusive concession for the sale of advertising space on radio and general-interest television channels, on free-to-air specialist digital and satellite channels, on the teletext service, on the Rai domain and on other minor media.

### Rai Com

Rai has granted a mandate without power of representation to Rai Com for:

- the sale of user licenses for television, radio and cinema use, for audiovisual use (meaning licences for use on home video and commercial video, etc.), and for multimedia use including interactive multimedia, and derivative rights;
- the management of negotiations for framework agreements and/or conventions with central and local, national and international, public and private bodies and institutions;
- the acquisition and/or production of musical and theatre pieces, including: classical music, prose works and music editions;
- the management of ticketing services and the implementation and/or management of interactive telephone initiatives and/or other interactive initiatives;
- the ideation, development, outlining, stipulation and/or management of projects enabling Rai to participate in Italian and European calls for tenders to receive funding grants or facilitated loans;
- the negotiation, outlining, formalisation and/or management of sports library contracts, including therein the implementation and/or management of all commercial initiatives contemplated by such contracts;
- the provision of technical facilities and the execution of commercial agreements designed to raise the value of non-production premises available to Rai (Palazzo Labia);
- the negotiation, outlining, formalisation and/or management of other partnership agreements with third-party enterprises of a commercial nature and for commercial purposes; and
- operations for the international sale of Rai channels.

### Rai Cinema

A specific agreement is in place with Rai Cinema under which the latter has committed to providing Rai with exclusive access to a catalogue of free-to-air showings of audiovisual works acquired in any way by Rai Cinema, whereas Rai has the obligation to purchase exclusively from Rai Cinema the broadcasting rights to showings of free-to-air audiovisual works.

### Rai Way

A service agreement is in place between Rai Way and Rai, under which Rai has outsourced to Rai Way, on an exclusive basis, a series of services that enable Rai to:

- control transmission and broadcasting, in Italy and around the world, over the MUX assigned to it under applicable law; and
- control the fulfilment of its Public Service obligations.

The service agreement also envisages, and governs, the possibility for the parties to negotiate in the future, in the event of new needs for Rai, the provision of additional services, including services for the development of new electronic communications and telecommunications networks, as well as new broadcasting standards and technologies.

## Agreements of a financial nature

With the exception of Rai Way, which following its public listing became fully independent financially, a centralised treasury management agreement is in place between Rai and its subsidiaries, involving a bank cash-pooling programme aimed at ensuring coverage of cash needs and the optimisation of cash flow.

In order to hedge the currency risk to which the subsidiary Rai Cinema is exposed, the latter has granted a mandate to Rai to trade foreign currency and financial instruments on its account, in accordance with the operational methods set out in Group policies.

With reference to Rai Way, other agreements in place consist of:

- an intercompany current account agreement, the purpose of which is to provide Rai with the funding needed to settle reciprocal credit and debit positions connected with certain residual payment services envisaged under the service agreement through which Rai has outsourced services to Rai Way;
- a mandate agreement authorising Rai to perform payments and collections connected with the settlement of intercompany accounts payable and receivable, primarily in the context of the netting, through Rai, of credit and debit positions between Group companies, excluding therefrom payments for services provided under the service agreement in place and hedging transactions.

## Agreements for the provision of services by Rai

Rai provides a series of services to select subsidiaries under specific service agreements concerning, in particular, administrative services, real estate services, IT services, testing services and dubbing services.

## Tax consolidation arrangement

The Rai Group has a national tax consolidation arrangement in place for IRES tax purposes, as permitted under Articles 117 *et seq.* of the Italian Income Tax Code and governed by Ministerial Decree of 9 June 2004.

As of the 2017 tax year, the option to join the arrangement will be tacitly renewed without the need for notification.

The tax and equity arrangements between the participating companies are governed by a specific agreement made between the parties, which is updated in the light of relative legislative amendments applicable under the agreement.

As a result of the national tax consolidation arrangement, Rai held receivables from the participating companies totalling €31,109 thousand as at 31 December 2018.

## Group VAT offsetting

The Company has adopted the procedure contemplated by Ministerial Decree of 13 December 1979, providing implementing rules for the provisions of Article 73, last paragraph, of Presidential Decree 633 of 26 October 1972, for the offsetting of Group VAT.

The option to apply the Group VAT procedure is valid for one year and was exercised by Rai and all its Italian subsidiaries until 31 December 2018. Tax and equity arrangements under the procedure are governed by a specific agreement between the parties.

## Other related parties

Dealings with other related parties are mainly of a commercial and financial nature. The most significant include the following agreements:

### San Marino RTV

An intercompany current account agreement is in place with the company, under which debits and credits resulting from economic and financial transactions between the parties are transferred to an intercompany current account. Rai has also established a credit facility for €1,400 thousand that the company can use for overdrafts from ordinary management. The credit facility is 50% counter-guaranteed by ERAS (the San Marino radio broadcasting body).

In addition, under a radio and television broadcasting agreement between the government of San Marino and the Italian government/Prime Minister's Office, a fixed annual contribution is made to San Marino RTV through Rai Com.

## Tivù Srl

Service agreements are in place, under which:

- Rai: provides Electronic Program Guide (EPG) processing and management services and editorial and advisory services, as well as satellite transmission capacity to enable the offer of EPG services;
- through Tivù Srl: provides an EPG service for the digital terrestrial and satellite platforms and an encryption service.

## Auditel Srl

Auditel provides television audience share measurement and data publication services.

## Tavolo Editori Radio Srl

Tavolo Editori Radio provides radio audience share measurement and data publication services.

# 10

## Subsequent events

### 2019-2021 Business Plan

In its meeting of 6 March last, the Board of Directors approved the Business Plan in which – besides outlining the strategic actions for company growth – ample space was dedicated to the evolution of the media world and how that evolution impacts on Rai's future.

The scenario Rai operates in is changing considerably and it is evident that Rai cannot and must not move solely applying market logics. Being a Public service means it is in a specific delicate position, not only for the importance of programme quality but also for the stimulus role it is required to have to drive the entire Italian audio-visual sector. Rai is assigned a number of challenging goals, fundamental for its Public Service role: from protecting pluralism and minorities, from social inclusion to that of driver of technological change.

The Business Plan, transmitted to the Ministry of Economic Development for their decisions, is ambitious as it has to centre all tasks entrusted to the Public Service; and, because it intends to return Rai to being a protagonist of the digital world in which new, important aggressive competitors are operational.

The change path awaiting Rai moves through the need to win some essential challenges for redefining its positioning and the way to be on the market: above all, that of improving understanding of user needs to best fulfil its Public service role.

Intercepting the habits and interests of the young generations that do not choose the TV as a reference media is relevant for "conquering" tomorrow's consumers and making the Rai offer more consistent with the expectations of that public, guiding them from the traditional offer, where Rai is leader, to the digital one in which we must grow.

The main challenges include: digitalising the offer, to recover the market gap, especially in the News Area; processing and creating distinctive, innovative content, designed specifically for digital platforms, thus de-linking from a culture till now not surprisingly focussed on broadcasting; a organisational change that helps change and optimises resources; and, lastly, in terms of return to the public, managing, with the same resources, expansion of the scope of the Service Agreement, reviewing production models, in particular, the internal relationship between editor and production.

In brief, the Plan – based on everything that has been done in recent years to digitalise the offer – responds to the goal to manage the Rai switch-over to digitalised Public Service media company, focussing on 4 transformation areas:

- Place users and content at the centre* – group initiatives to create operating and organisational assumptions for more complete, effective control of interaction with users, optimise content investments and make the production of national content an element of competitive difference compared to what international groups offer.

- b) *Bridge the Digital Gap* – include initiatives that enable development of the News offer both digitally and editorially on new digital platforms innovating contents and technological functionalities of the digital distribution platforms.
- c) *Finance transformation* – include initiatives that will contribute to identifying resources to finance all the other strategic actions, on which the growth prospects of the 2019-2021 Plan are based and in compliance with the Service Agreement.
- d) *Control the enabling factors* – is the container of strategic actions that ensure the presence and effectiveness of all resources (technological, real estate, human) needed to allow Rai to launch and govern the transformations presented by the strategic actions.

The philosophy behind the vision the Plan is based on responds to the need to change, to carry on being a cultural reference point for the country; innovating, respecting Service Agreement boundaries, local identities, the need to include and support, also Abroad, the Italy system.

### Setting of television licence fees

On 4 February 2019, the Decree of the Ministry for Economic Development dated 28 December 2018 was published in the Official Gazette, containing provisions for “Special television licence fees for 2019”. The Decree sets the amounts of special licence fees for the current year for possession of radio receivers or television sets on non-household premises and special licence fees for the possession of radio receivers or television sets in cinemas, theatres and comparable premises, in accordance with the amounts set forth in tables 3 and 4 annexed to the ministerial Decree of 29 December 2014.

### Measures related to Company personnel

As a result of the favourable opinion of the Company’s management body, in the meeting of 24 January 2019 Rai updated the criteria and methods used to recruit personnel and appoint external collaborators.

Furthermore, implementing art. 24 of the 2018-2022 Service Agreement, the Board of Directors approved the document “Human Resource Management and development Plan”.

Notes to the Separate Financial Statements

# 20

## Appendix

### 20.1 Equity investments held by Rai in subsidiaries, joint ventures and associates

The following table sums up information on Companies Rai has investments in.

Values as at 31 December 2018	Registered office	No. shares/units held	Nominal value (in euros)	Share capital (in €/’000)	Shareholders’ equity (in €/’000)	Profit (loss) (in €/’000)	Equity interest held %	Carrying amount (in €/’000)
<b>Subsidiaries</b>								
Rai Cinema SpA	Rome	38,759,690	5.16	200,000	262,245	15,728	100.00%	267,848
Rai Com SpA	Rome	2,000,000	5.16	10,320	117,554	11,311	100.00%	107,156
Rai Corporation in liquidation	New York (USA)	50,000	10.00 (1)	500 (2)	(4,028) (3)	(4,048) (4)	100.00%	- (5)
Rai Pubblicità SpA	Turin	100,000	100.00	10,000	37,713	8,121	100.00%	31,082
Rai Way SpA	Rome	176,721,110	- (6)	70,176	180,822	59,746	64.971%	506,260
								<b>912,346</b>
<b>Joint ventures and associates</b>								
Audiradio Srl (in liquidation)	Milan	69,660	1.00	258	(33)	-	27.00%	- (7)
Auditel Srl	Milan	99,000	1.00	300	2,199 (8)	85 (8)	33.00%	726
Euronews SA	Lyon (F)	55,271	15.00	26,886	19,292	(19,169)	3.08%	594
San Marino RTV SpA	S. Marino (RSM)	500	516.46	516	4,121	3	50.00%	2,061
Tavolo Editori Radio Srl	Milan	1	1,580.00	10	168	158	15.80%	27
Tivù Srl	Rome	1	482,500.00	1,002	5,061	1,469	48.16%	2,437
								<b>5,845</b>

(1) values in USD.

(2) values in USD/’000.

(3) USD - 4,611,846 at the exchange rate of 31 December 2018 of Euro/USD 1.145.

(4) USD - 4,635,146 at the exchange rate of 31 December 2018 of Euro/USD 1.145.

(5) The balance sheet deficit of €4,028 thousand is covered by provisions for charges of an equal amount.

(6) Ordinary shares with no stated par value.

(7) The balance sheet deficit of €9 thousand is covered by provisions for charges of an equal amount.

(8) As per financial statements as at 31 December 2017, the last available.

### 20.2 Net financial position

Net financial position, as measured in accordance with the recommendations of paragraph 127 of the ESMA document ESMA/2013/319, implementing Regulation (EC) No 809/2004, is reported in the table below:

(in €/’000)	Year ended 31 December 2018	Year ended 31 December 2017
A. Cash	256	317
B. Other cash equivalents	72,327	170,584
C. Securities held for trading	-	-
<b>D. Liquidity (A+B+C)</b>	<b>72,583</b>	<b>170,901</b>
<b>E. Current financial receivables</b>	<b>172,186</b>	<b>172,046</b>
F. Current bank debt	-	(37)
G. Current portion of non-current debt	(10,000)	(10,000)
H. Other current financial debt	(151,952)	(141,125)
<b>I. Current financial debt (F+G+H)</b>	<b>(161,952)</b>	<b>(151,162)</b>
<b>J. Net current financial position (I+E+D)</b>	<b>82,817</b>	<b>191,785</b>
K. Non-current bank loans	(15,000)	(25,000)
L. Bonds issued	(348,720)	(347,825)
M. Other non-current financial indebtedness	(5,129)	-
<b>N. Non-current financial debt (K+L+M)</b>	<b>(368,849)</b>	<b>(372,825)</b>
<b>O. Net financial indebtedness (J+N)</b>	<b>(286,032)</b>	<b>(181,040)</b>

## 20.3 Law 124 of 4 August 2017 - Transparency in the public contributions system

Related to the information obligations introduced by article 1 of Law 124 of 4 August 2017, in view of orientation expressed by Assonime in its circular no. 5 of 22 February 2019, while awaiting for coordination with laws in force to be completed, please note the following.

### Grants received (art. 1, paragraph 125)

No sums were collected in 2018, as part of application of IAS 20 "Registration of public contributions and information of public assistance", relevant for the information in question.

### Contributions made (art. 1, paragraph 126)

The following table includes sums paid in 2018 con for donation purposes, for the cases with a value per entity contributed that is higher or equal to €10 thousand, showing the beneficiary entity. (in €/000)

(in €/000)		
Entity	Contribution made in 2018	Amount
Associazione Dopolavoro Ferroviario di Genova (Genoa Railway Workers' Leisure Association)	Pro sfollati di Via Porro e Via Campasso (Pro displaced persons of Via Porro and Via Campasso)	50
Associazione centro italiano studi superiori formazione e aggiornamento giornalisti radiotelevisivi (Italian centre for higher education for TV and radio journalists)	Borse di studio Ezio Trussoni (Ezio Trussoni Study Grants)	24
Association "Associazione amici di Roberto Morrione"	Roberto Morrione Award	20
Fondazione Guglielmo Marconi	Sostegno al Museo Guglielmo Marconi (Guglielmo Marconi Foundation to support the Guglielmo Marconi Museum)	10

## 21 Resolution proposal

The Board of Directors proposes:

- to approve the draft Separate Financial Statements of Rai SpA, prepared in accordance with international accounting standards and consisting of the statement of financial position, the income statement, the statement of comprehensive income, the cash flow statement, the statement of changes in shareholders' equity and the notes to the financial statements, which show a loss for the year of €33,853,363.74, together with the Report on Operations;
- to cover the loss for the year of €33,853,363.74 using:
  - valuation reserve for equity investments – restricted for €319,031.05;
  - valuation reserve for equity investments – free for €1,237,031.06;
  - FRS first-time adoption reserve - free for €24,548,677.47;
  - other reserves for €7,748,624.16.

# Certification pursuant to article 154-*bis* of Italian Legislative Decree 58/98

The undersigned Fabrizio Salmi, in the capacity as Chief Executive Officer, and Massimo Cappelli, in the capacity as Manager in charge of drawing up the corporate accounting documents of RAI Radiotelevisione italiana SpA, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, hereby attest:

- the adequacy in relation to the characteristics of the company and
  - the actual application
- of administrative and accounting procedures for the preparation of the Separate Financial Statements for financial year 2018.

The administrative and accounting procedures and operating practices in place have been applied in a manner consistent with the internal administrative and accounting control system to ensure the achievement of the objectives required by the applicable regulatory framework. It is also attested that:

- the Separate Financial Statements at 31 December 2018 of RAI Radiotelevisione Italiana SpA:
  - a) have been prepared in accordance with applicable international accounting standards recognised by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
  - b) correspond to the data in the accounting books and records;
  - c) are suitable to provide a true and fair representation of the equity, economic and financial position of the issuer.
- the Report on Operations includes a reliable analysis of the trends and results of operations, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 9 May 2019



**Fabrizio Salini**  
Chief Executive Officer



**Massimo Cappelli**  
Manager in charge of drawing up the  
corporate accounting documents

# Board of Statutory Auditors' Report

To the Shareholders of Rai SpA

Pursuant to article 2429, second paragraph of the Italian Civil Code, the Board of Statutory Auditors is required to report to the Shareholders' Meeting on results for the year and activities carried out as part of its duties, referring to any omissions or reprehensible actions identified.

The Board of Statutory Auditors in office, comprising Biagio Mazzotta (Chair), Anna Maria Magro and Roberto De Martino (Standing auditors), was appointed by the Ordinary Shareholders' Meeting of 24 June 2016 for a period of three years and will end its term of office on the date of the Shareholders' Meeting convened to approve the Financial Statements for the year ended 31 December 2018.

The appointment was made in compliance with applicable legal, regulatory and statutory provisions, and the composition of the Board meets the criterion on gender balance.

The company PricewaterhouseCoopers SpA (hereinafter also PwC) has been appointed to audit the Separate Financial Statements of Rai - Radiotelevisione italiana Spa (hereinafter also Rai), the Consolidated Financial Statements of the Rai Group and provide a limited audit of the separate and consolidated interim report, for the financial years from 31 December 2015 to 31 December 2023.

In view of new senior management being appointed, on 22 February 2018, the Board of Directors of the Company adopted the Regulation on the election of the designated Board Member by Rai employees, in compliance with article 49, paragraph 6 of the Consolidated Act on Audiovisual and Radio Media (TUSMAR), as amended by the Rai reform law, and the organisation of the related voting procedure, in which an ad hoc Electoral Committee is appointed.

On 18 July 2018, four members of the Board of Directors were appointed, following the recommendations of the Italian Chamber and Senate and on 19 July 2018, voting for the internal member took place, with the result announced.

On 27 July 2018, the Italian Cabinet nominated two members of the administrative board, on the proposal of the Ministry of Economy and Finance. On the same date, the Shareholders' Meeting appointed the Board of Directors of the Company.

The Board of Directors then appointed the Chief Executive Officer on the proposal of the Shareholders' Meeting and, based on the opinion given on 26 September 2018 by the Parliamentary Committee for General Guidance and Monitoring relative to Radio and Television Services, it appointed the Chair of the Board of Directors.

In its meeting of 9 May 2019, the Board of Directors made available accounting documents and approved the Financial Statements of Rai for the year ended 31 December 2018, prepared in accordance with IFRS (International Financial Reporting Standards), issued by the International Accounting Standard Board, as well as the Statement of Financial Position, the Statement of Comprehensive Income, the Cash Flow Statement, Statement of Changes in Equity, Notes to the Financial Statements and the Report on Operations.

This report was prepared in time to be filed in the 15 days prior to the date of the first call of the Shareholders' Meeting for the approval of the Financial Statements, set for 17 June 2019.

### *Monitoring activities*

The Board of Statutory Auditors of the company carried out monitoring as required by law, during the financial year ended 31 December 2018, also considering indications in “*Rules of conduct for the Board of Statutory Auditors - Principles of conduct for the Board of Statutory Auditors of unlisted companies*”, issued by Italy's Association of Chartered Accountants, the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*.

### *Participation in meetings of Corporate Boards*

During the 2018 financial year, the Board of Statutory Auditors met, pursuant to article 2404 of the Italian Civil Code, and formalised these meetings (24) in specific minutes, approved unanimously, signed and registered in the "Register of meetings and resolutions of the Board of Statutory Auditors".

The Board also took part in 19 meetings of the Board of Directors and in 3 Shareholders' Meetings.

The Magistrate of the Court of Auditors delegated to monitor the financial management of the Company, pursuant to article 12 of Law no. 259 of 21 March 1958, attended meetings of the Board of Statutory Auditors and of the Board of Directors.

*Monitoring compliance with law, the articles of association and regulations and with principles of proper administration*

By taking part in Board meetings and Shareholders' Meetings, the Board was able to monitor compliance with statutory, legal and regulatory provisions and with principles of proper administration. The frequency of Board meetings and their duration were consistent with the number and significance of decisions to take. The Board reports that the above meetings were held in compliance with legal, statutory and regulatory provisions governing their functioning. In this regard, the Board took into account information reported by Board Directors and consequently identified a need, in the case of complex, significant decisions for the company, for relative documentation to be made available to Directors and Auditors in times that are consistent with and adequate for the significance of the decisions to take.

*Monitoring the Internal Control System, adequacy and functioning of the company organisation and its administrative/accounting organisation*

Special attention was paid to assessing the adequacy and effectiveness of the Internal Control and Risk Management System (SCIGR), mainly through the following activities:

- a) periodic meetings and the exchange of information with the internal audit function. The Board received audit reports prepared following audit and monitoring activities; the reports contained relative findings and corrective actions indicated. In this regard, the Board reports that the Internal Audit Department effectively continued its strategy to increase management's awareness of the proper and timely resolution of corrective actions indicated in the audit reports;
- b) meetings with officers of PricewaterhouseCoopers (PwC), appointed to audit the separate financial statements and consolidated financial statements, for the reciprocal exchange of data and information; no facts, circumstances or irregularities were identified in these meetings which need to be presented in this Report, regarding audit activities or any shortcomings in the integrity of the internal control system;
- c) meetings with the Financial Reporting Officer, namely the Administration and Finance Director, from whom the Board received adequate information concerning

administration/accounting processes, that are adequate for correctly representing operations and for financial disclosure and related processes;

- d) specific meetings with managers of main company functions in order to obtain information and documents useful for assessing the adequacy and functioning of the company organisation and its adequacy in supporting Company development;
- e) periodic meetings with the Supervisory Board (which is a collective body) that prepared periodic reports on activities carried out and monitored the process to update and align the Organisation, Management and Control Model (Compliance Programme) pursuant to Legislative Decree 231/2001. From information exchanged, no facts and/or situations which are significant for the purposes of this Report were identified. A procedure was also started to define a new overall risk assessment for the company, also considering the changed organisation, and the company KPMG was selected in a procedure in July 2018 to provide the service to identify, analyse and assess operating and compliance risks of Rai;
- f) meetings with the Manager for the Prevention of Bribery pursuant to Law 190/2012. On 30 January 2018, the Board of Directors approved the 2018-2020 Plan for the Prevention of Bribery, which takes into account recommendations made by the National Authority for the Fight Against Bribery;
- g) meetings with the Boards of Statutory Auditors and Supervisory Boards of subsidiaries;
- h) meetings to obtain further data and exchange information with the Chief Financial Officer.

The Chief Executive Officer and Financial Officer, with reference to the separate and consolidated Financial Statements, for the year ended 31 December 2018, certified the following: 1) adequacy in relation to the characteristics of the company; 2) the actual adoption of administrative and accounting procedures for the preparation of the Financial Statements for the 2018 financial year; 3) compliance with applicable international accounting standards; 4) the correspondence of results with accounting records; 5) suitability for providing a true and fair view of the financial position and performance of the issuer. The document also certifies that the "Report on Operations includes a reliable analysis of the performance and net income, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed".

The Board of Directors appointed the Chair to oversee international activities in the context of external and institutional relations and the supervision of internal control activities.

The Audit Report, issued on today's date by PwC, in the new version required by the law reforming statutory auditing, includes a specific assessment of the key audit aspects and related audit procedures in response to these key aspects. PwC also identified and assessed any material errors in the financial statements, evaluated the appropriacy of the accounting standards used and the directors' use of the assumption that the business is a going concern. It also assessed the presentation, structure and content of the separate financial statements overall, including disclosure, guaranteeing at the same time notices to managers of governance functions.

PwC also issued, on today's date, its Report to the Internal Control and Audit Committee, which includes, among others, a description of its activities carried out to verify financial statement balances and certification of the absence of any significant shortcomings in the internal control system regarding financial disclosure.

Lastly, KPMG issued the Report containing its opinion on the conformity, in relation to material aspects, of the Consolidated Non-Financial Statement (CNFS). The Report provides in-depth information on the procedures adopted by KPMG to give its professional opinion - even if within the limits of its mandate to provide limited assurance - of the conformity of the CNFS to requirements of Legislative Decree no. 254 of 30 December 2016 and reporting standards (GRI - Global Reporting Initiative).

\* \* \*

In relation to monitoring activities carried out during the 2018 financial year, the Board of Statutory Auditors certifies the following: a) no irregularities, omissions or reprehensible actions of an extent requiring reporting were identified; b) no complaints made pursuant to article 2408 of the Italian Code were received by the Board; c) no intergroup and/or related-party transactions were identified indicating atypical or unusual aspects regarding the content, nature and timing of such transactions.

The Board also reports that it continued activities in order for the company to adopt a complete, comprehensive map of internal professional profiles and competencies, not only for the gradual training and development of these resources (Rai Academy), but also to support personnel recruitment and mobility choices in a transparent manner. Reference is made to the section "*Subsequent events*".

### *Profit/(loss) for the year*

A net loss was recorded for the financial year ended 31 December 2018, as resulting from the Separate Financial Statements, of approximately €33.8 million (a profit of €5.5 million was recorded in 2017). Shareholders' equity as at 31 December 2018 amounted to €767.6 million (€808.4 million as at 31 December 2017).

The Board of Directors proposed that the Shareholders' Meeting resolved to cover the loss for the year equal to €33,853,363.74 by using:

- the restricted valuation reserve for equity investments, for €319,031.05;
- the unrestricted valuation reserve for equity investments, for €1,237,031.06;
- the unrestricted IFRS first-time adoption reserve, for €24,548,677.47;
- Other reserves, for €7,748,624.16.

The Board reports that the loss recorded in the Financial Statements was due in particular to the reduction in revenues from licence fees, advertising, and to a lesser extent, to the reduction in commercial revenues.

### *Observations and proposals concerning the financial statements*

The Board of Statutory Auditors examined the draft financial statements approved by the Board of Directors on 9 May and verified compliance with laws based on which the financial statements, Report on Operations and formats adopted were prepared and set out. Due to amendments made by Legislative Decree no. 135/2016 to article 14, paragraph 2, of Legislative Decree no. 39/2010 - the Report on Operations also provides a specific opinion on the consistency of the report with the separate (and consolidated) financial statements and on its conformity to law.

The Notes to the financial statements describe the measurement criteria adopted in compliance with international accounting standards (IFRS) for each financial statement item; comments on individual items of the Statement of Financial Position and Income Statement are complete and comprehensive. The Report on Operations, as referred to in article 2428 of the Italian Civil Code, provides in-depth information on the activities of the Company and its material operations, as well as on main risks.

The financial statements adequately represent the facts and information that came to the knowledge of the Board during its monitoring, inspection and control activities.

The Board acknowledged the certification provided by the Chief Executive Officer and Financial Reporting Officer pursuant to article 154 bis of Legislative Decree no. 58/1998,

regarding the Separate and Consolidated Financial Statements for the financial year ended 31 December 2018.

Based on the above, the Board considers that the current organisation is adequate for supporting the development of the company, although it requires continual alignment with the company's new objectives in order to make control systems increasingly efficient.

No observations on the adequacy of the administrative and accounting system, or on its reliability in correctly presenting operations are reported.

Therefore the Board of Statutory Auditors, based on findings during activities carried out during the year, reports the following:

- decisions taken by the Board of Directors conform to law and to the articles of association and are clearly not imprudent or such as to affect the integrity of company assets;
- information was obtained on the general trend of operations and their foreseeable evolution, as well as on transactions that were material, in terms of scale or characteristics, undertaken by the company;
- transactions undertaken also conform to law and the articles of association and do not potentially contrast with decisions taken by the Shareholders' Meeting or as such as to affect the integrity of company assets;
- as regards related-party transactions, presented in the Report on operations and Notes to the financial statements, no observations are made;
- during the monitoring activities described above, no additional significant events occurred requiring presentation in this Report;
- no action was required for omissions of the Board of Directors pursuant to article 2406 of the Italian Civil Code;
- no complaints pursuant to article 2408 of the Italian Civil Code were received;
- no complaints pursuant to article 2409, paragraph 7 of the Italian Civil Code were made.

#### *Subsequent events*

The Board reports the following significant events taking place in the first few months of 2019:

- approval by the Board of Directors on 24 January 2019 of the 2019-2021 Three-Year Plan to Prevent Bribery;

- approval by the Board of Directors on 6 March 2019 of the 2019-2021 Industrial Plan, which contains the Editorial TV Content Plan, Information Plan, Project for the development of Channels for Foreign and English content, the Institutional Information Plan, as well as the Project to protect language minorities, all in line with provisions in the 2018-2022 Service Contract;
- approval by the Board of Directors on 27 March 2019 of the Human Resources Management and Development Plan, intended to reward the merit and professional abilities of personnel, pursuing the objective of stabilising personnel with temporary staff and ensuring the actual adoption of the Code of Ethics regarding the protection of dignity, confidentiality and health of workers.

### *Conclusions*

The Company PricewaterhouseCoopers S.p.A. issued the Report on the auditing of the separate financial statements, on 30.05.2019, pursuant to article 14 of Legislative Decree 39/2010 and article 10 of Regulation (EU) No 537/2014, which indicates that the separate financial statements present a true and fair view of the financial position and performance of Rai at 31.12.2018, and its cash flows for the year ended at that date, in compliance with International Financial Reporting Standards adopted by the European Union as well as rulings issued implementing article 9 of Legislative Decree no. 38/2005.

The audit report also includes an opinion on the consistency of the Report on Operations and some information contained in the report on corporate governance and ownership with the separate financial statements as well as an opinion on its conformity to law.

Based on the above and as far as it is aware and as identified in periodic controls, the Board of Statutory Auditors unanimously considers that there are no reasons preventing your approval of the separate draft financial statements for the year ended 31 December 2018, as prepared and proposed by the Board of Directors.

Rome, 30.05.2019

The Board of Statutory Auditors

Biagio Mazzotta (Chair)

Anna Maria Magro

Roberto De Martino

# External Auditors' Report



## **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  
RAI – Radiotelevisione italiana SpA

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of RAI – Radiotelevisione italiana SpA (“the Company”), which comprise the statement of financial position as of 31 December 2018, the income statement, statement of comprehensive income, statement of cash flows for the year then ended, statement of changes in equity 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 – Radiotelevisione italiana SpA as of 31 December 2018, 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. 38/05.

#### **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 the Company 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**

Sede legale e amministrativa: Milano 20140 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Ginna 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wulher 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Pascolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311



### Key Audit Matters

#### Evaluation of the recoverability of investments in programmes

*“Valuation criteria” paragraph “Intangible assets” and “Impairment of non-financial assets” and Note 12.2 “Intangible assets” of the separate financial statements as at 31 December 2018*

The item “Intangible assets” of the separate financial statements of RAI - Radiotelevisione italiana SpA as at 31 December 2018 includes programmes totalling Euro 385.8 million (of which Euro 143.1 million as intangible assets under development), which account for 94 per cent of Intangible Assets.

Starting from the moment programmes are declared to be ready for use or from the date of efficacy of related rights, if acquired, they are systematically amortised on a straight-line basis over the assets' maximum useful life of 5 years. Such duration represents the estimate made by the Company's management in order to relate the abovementioned amortisation to revenue from core business.

The recoverability of investments in programmes is verified by the Company's management at least at each year-end.

If events are identified which lead to presume an impairment loss of the investments in programmes, their recoverability is verified by comparing the book value with the corresponding recoverable amount, determined on the basis of assumptions about their future use.

The evaluation of the recoverability of investments in programmes represented a key matter in our audit strategy given the significance of this item in the separate financial statements as at 31 December 2018, its direct correlation with the Company's business, as well

### Auditing procedures performed in response to key audit matters

As part of our audit we mainly performed the following procedures aimed at verifying the evaluations made by the Company's management with reference to investments in programmes:

- i) discussions with the management of RAI - Radiotelevisione italiana SpA regarding their conclusions on the existence of possible impairment losses in the item “programmes”;
- ii) analysis of the assumptions underlying the identification of the impairment losses in programmes and of the reasonability of the related write-downs performed by the Company's management;
- iii) analysis and understanding of the system of internal control over the programme cycle; identification and validation of the operation and efficacy of relevant controls under this process;
- iv) comparative analysis and examination by discussions with the corporate functions about the most significant differences compared with the previous year values and review of documents, on a sample basis, regarding the increases and decreases in the item “programmes”;
- v) review, on a sample basis, of the useful life estimated by the Company's management based on the previous years' evidence and the actual possibility of use and, in the circumstances, the possibility to re-broadcast programmes in the future, as well as checking, on a sample basis, the accurate and consistent determination of the amortisation quotas charged to the income statement;



as the degree of complexity characterising the estimates made by Company's management.

vi) verification of the accuracy and completeness of the disclosures provided in the notes to the separate financial statements.

### ***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. 38/05 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 – Radiotelevisione italiana 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 – Radiotelevisione italiana 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 – Radiotelevisione italiana 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 auditors' 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 10 March 2016, the shareholders of RAI – Radiotelevisione italiana SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2015 to 31 December 2023.

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.

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### ***Report on Compliance with other Laws and Regulations***

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#### ***Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98***

The directors of RAI – Radiotelevisione italiana SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of RAI – Radiotelevisione italiana SpA as of 31 December 2018, 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. 58/98, with the financial statements of RAI – Radiotelevisione italiana SpA as of 31 December 2018 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 – Radiotelevisione italiana SpA as of 31 December 2018 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. 39/10, 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.

Rome, 30 May 2019

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.*

# Resolutions of the Annual Shareholders' Meeting

The Annual Shareholders' Meeting of Rai, at its meeting of 17 June 2019, resolved:

- to approve the Separate Financial Statements as at 31 December 2018, which show a loss of €33,853,363.74 (thirty three million eight hundred and fifty-three thousand three hundred and sixty-three point seven four);
- to cover the loss for the year of €33,853,363.74 (thirty three million eight hundred and fifty-three thousand three hundred and sixty-three point seven four) using:
  - in full - the restricted valuation reserve for equity investments (available to cover losses) for €319,031.05 (three hundred and nineteen thousand thirty-one point zero five);
  - in full - the unrestricted valuation reserve for equity investments for €1,237,031.06 (one million two hundred and thirty-seven thousand thirty-one point zero six);
  - partially - the IFRS first-time adoption reserve for €24,548,677.47 (twenty-four million five hundred and forty-eight thousand six hundred and seventy-seven point four seven);
  - in full - other reserves for €7,748,624.16 (seven million seven hundred and forty-eight thousand six hundred and twenty-four point one six);
- to acknowledge the Consolidated Financial Statements for the year 2018, which show a break-even result.

# Consolidated Financial Statements as at 31 December 2018

## Directors' Report

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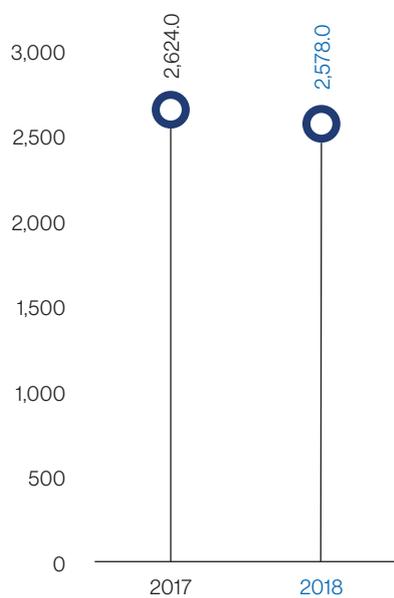
For what concerns the information on activities performed by the Rai Group, to Human Resources, Research and Development, Facts occurring in the year, important Facts occurring after the year had ended and Business Continuity, please refer to the Directors' Report in the Separate Financial Statements, with which these Consolidated Financial Statements are being presented as single document.

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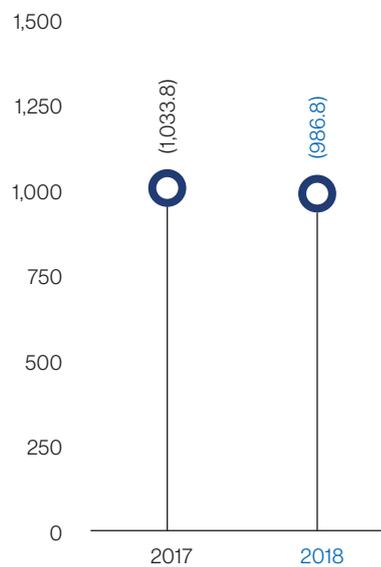
## Highlights

(€/million)

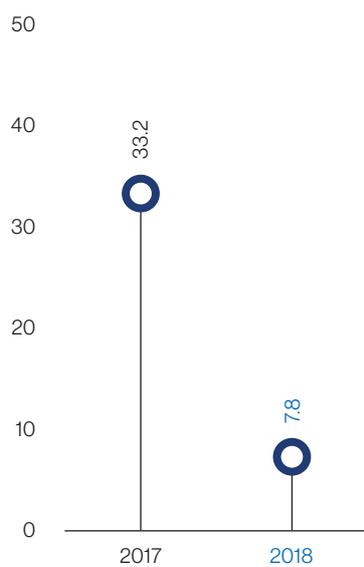
### EXTERNAL REVENUE



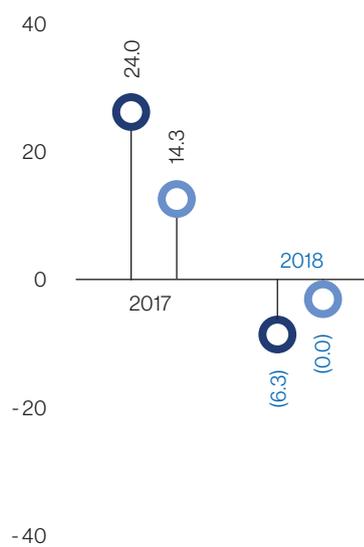
### EXTERNAL COSTS

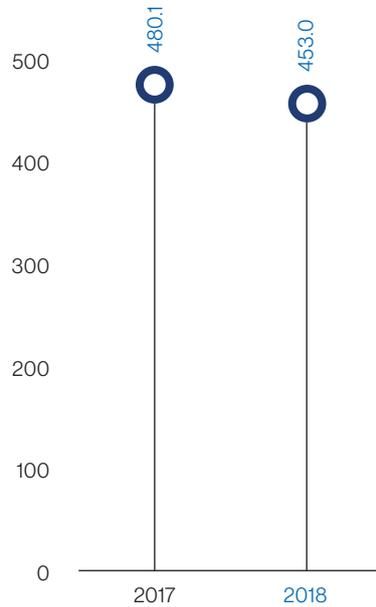
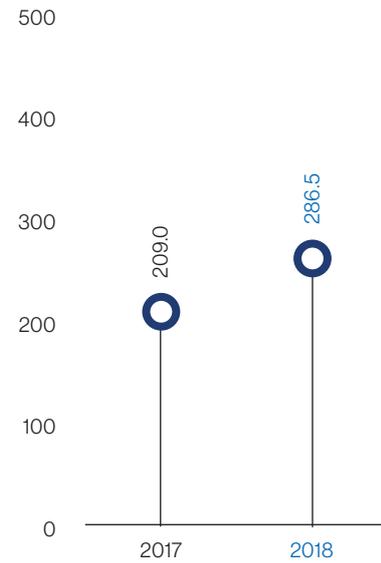
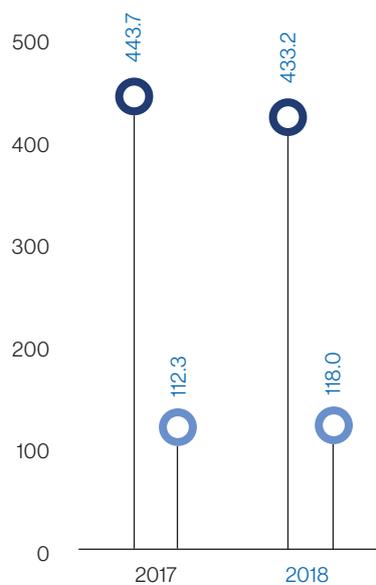
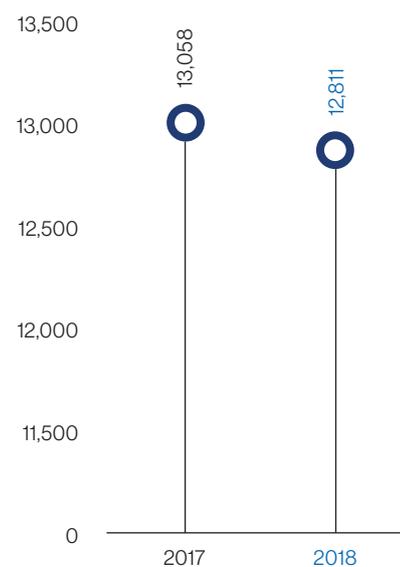


### EBIT



### EBT PROFIT/(LOSS) FOR THE YEAR



**EQUITY****NET FINANCIAL DEBT****INVESTMENTS IN PROGRAMMES  
AND TECHNICAL INVESTMENTS****PERSONNEL AS AT 31 DECEMBER  
(IN UNITS)\***

\* Includes temporary personnel amounting to 858 units as at 31 December 2017 and 511 units as at 31 December 2018.

Rai Group / Reclassified statements

## Reclassified statements

### INCOME STATEMENT

(€/million)	<b>FY 2018</b>	FY 2017	Change
<b>Revenue</b>	<b>2,578.0</b>	<b>2,624.0</b>	<b>(46.0)</b>
External costs net of Major sports events	(975.9)	(1,033.8)	57.9
Major sports events	(10.9)	0.0	(10.9)
<b>External costs</b>	<b>(986.8)</b>	<b>(1,033.8)</b>	<b>47.0</b>
HR expenses	(1,006.2)	(983.3)	(22.9)
<b>EBITDA</b>	<b>585.0</b>	<b>606.9</b>	<b>(21.9)</b>
Depreciation, amortisation and write-downs	(576.5)	(576.9)	0.4
Provisions	(0.7)	3.2	(3.9)
<b>EBIT</b>	<b>7.8</b>	<b>33.2</b>	<b>(25.4)</b>
Financial income (expense)	(14.2)	(8.7)	(5.5)
Earnings from equity investments recognised under the equity method	0.1	(0.5)	0.6
<b>EBT</b>	<b>(6.3)</b>	<b>24.0</b>	<b>(30.3)</b>
Income tax	6.3	(9.7)	16.0
<b>Profit/(loss) for the year</b>	<b>0.0</b>	<b>14.3</b>	<b>(14.3)</b>
of which attributable to minority interests	21.0	19.7	1.3
Other components of the total profit/(loss)	(2.9)	3.8	(6.7)
<b>Total profit/(loss) for the year</b>	<b>(2.9)</b>	<b>18.1</b>	<b>(21.0)</b>
of which attributable to minority interests	21.2	19.8	1.4

### CAPITAL STRUCTURE

(€/million)	<b>31.12.2018</b>	31.12.2017	Change
Fixed assets	2,006.8	2,031.4	(24.6)
Net working capital	(650.6)	(673.6)	23.0
Provisions for risks and charges	(181.8)	(185.6)	3.8
Employee benefits	(434.9)	(483.1)	48.2
<b>Net invested capital</b>	<b>739.5</b>	<b>689.1</b>	<b>50.4</b>
Equity	453.0	480.1	(27.1)
Net debt (cash)	286.5	209.0	77.5
	<b>739.5</b>	<b>689.1</b>	<b>50.4</b>

## Summary of financial position as at 31 December 2018

### Analysis of the consolidated results

The year 2018 ended with a net profit balanced with the profit of €14.3 million of 2017.

The reasons for this performance are analysed below with reference to the main items of the income statement and of the capital structure, with the most important justifications for the deviations compared to the figures of the previous year.

### Income statement

#### External revenue

This is made up of licence fees, advertising proceeds and other trade revenue.

They came to a total of €2,578.0 million, down by €46.0 million (-1.8%) and are broken down below.

### TV licence fees

Revenue from licence fees amounted to €1,758.0 million, showing a decrease of €18.6 million (-1.0%) compared to 2017.

The decrease breaks down in the following items:

- *licence fees collected by enforcement order* (€-9.3 million), or licence fees paid in 2018 by users not up to date with their payments (so-called "delinquents") on the strength of the role played referring to years prior to 2016. The decrease is attributable to the progressive reduction of the roles;
- *contingencies on ordinary licence fees* (€-10.7 million) that recognises the licence fees of the previous year paid to the State in the one afterwards, which became knowledgeable after the financial statements were drawn up.

The ordinary licence fees for the year, unchanged compared to 2017 in both unit amount (€90) and in method of determining the additional revenue 50% of which earmarked for Rai, are instead basically stable.

### EXTERNAL REVENUE

(€/million)	FY 2018	FY 2017	Change
TV licence fees	1,758.0	1,776.6	(18.6)
Advertising	631.1	647.6	(16.5)
Other revenue	188.9	199.8	(10.9)
<b>Total</b>	<b>2,578.0</b>	<b>2,624.0</b>	<b>(46.0)</b>

### TV LICENCE FEES

(€/million)	FY 2018	FY 2017	Change
Licence fees of the year - ordinary	1,634.1	1,633.3	0.8
Licence fees of the year - special	79.6	79.0	0.6
Licences fees collected by enforcement order	30.4	39.7	(9.3)
Contingencies on ordinary licence fees	13.9	24.6	(10.7)
<b>Total</b>	<b>1,758.0</b>	<b>1,776.6</b>	<b>(18.6)</b>

To this regard, taking into account the provisions of Law 190/2014 regarding the 5% reduction of the sums to be paid again to Rai, the 2016 Stability Law that sets aside 50% of the additional revenue for Rai, and the government licence tax and VAT, please note that based on the profit/(loss) for the year, the average unit licence fee actually attributable to Rai is €74.79 compared to the €90 amount the users paid.

### Advertising

In a macro economic context distinguished by a slow-down in growth during 2018, with family consumption and investments dropping, the advertising market showed substantial stability in 2018 compared to 2017 (-0.2%, Nielsen advertising investment figures).

To this regard, please note the positive change in TV advertising investments (+0.6%) for the media in which the Rai Group is present, which is also a result of the FIFA World Cup.

Also posting positive performance were the Radio (+5.5%), Internet (+4.5%, not including search and social media) and Cinema (+6.4%) media.

In this context, Rai Group's advertising proceeds, shown in detail in the table below, amounted to €631.1, down by €16.5 million compared to 2017 (-2.5%).

Television as a whole recorded a 2.8% decrease, with advertising on generalist channels dropping 4.0%, while the specialised stations rose by 8.0%.

With respect to several critical problems noticed with the release of the new TER survey (regarding the 2017 audience data), radio posted a 4.1% decrease.

Web and cinema increased sales by 22.8% and 6.8%, respectively, compared to the previous year.

### ADVERTISING

(€/million)	<b>FY 2018</b>	FY 2017	Change
Television advertising on general-interest channels:			
- air time	367.1	408.4	(41.3)
- promotions, sponsorships and other initiatives	149.4	129.9	19.5
	<b>516.5</b>	<b>538.3</b>	<b>(21.8)</b>
Television advertising on specialist channels	70.3	65.1	5.2
Radio advertising	30.3	31.6	(1.3)
Cinema advertising	4.7	4.4	0.3
Web advertising	11.3	9.2	2.1
Other advertising	0.7	0.6	0.1
Third parties' share	(2.1)	(1.5)	(0.6)
Contingencies	(0.6)	(0.1)	(0.5)
<b>Total</b>	<b>631.1</b>	<b>647.6</b>	<b>(16.5)</b>

## Other revenue

This item amounted to €188.9 million, down by €10.9 million (-5.5%) compared to 2017, as seen in the table below.

The principle changes compared to 2017 regard:

- *Sale of music rights and editions*, up by €8.7 million, mainly due to the sale of the SVOD rights and to the agreement with a football team the provides for the retrocession of rights acquired by it to sell the recording library of internal matches and creation of the theme channel;

- *Signal diffusion services, rental of circuits, radio links and connections*, down €2.3 million main due to the termination by another operator of the diffusion service of a television channel from July 2017;
- *Other*, decreased by €3.2 million, mostly for penalties receivable on supplies present in 2017;
- *Contingencies*, down by €3.9 million, above all due to the presence in 2017 of integration to what was previously recognised in 2016 against special services under convention.

Related to the above revenue dynamics, the licence fee is 68.2% of revenue, with an upward incidence compared to the previous year to the detriment of advertising and other revenue, as indicated in the table below.

## OTHER REVENUE

(€/million)	FY 2018	FY 2017	Change
Special services under convention	43.9	43.9	0.0
Sale of music rights and editions	67.5	58.8	8.7
Film and home video distribution	27.9	29.4	(1.5)
Distribution and sale of channels	19.2	21.1	(1.9)
Fees for hosting plants and equipment	30.6	32.4	(1.8)
Sundry services, mainly for institutional purposes	11.1	9.5	1.6
Signal diffusion services, rental of circuits, radio links and connections	2.6	4.9	(2.3)
Interactive telephone	0.3	0.3	0.0
Contributions for operating expenses	4.5	5.4	(0.9)
Other	9.9	13.1	(3.2)
Third parties share on sales	(31.8)	(26.1)	(5.7)
Contingencies	3.2	7.1	(3.9)
<b>Total</b>	<b>188.9</b>	<b>199.8</b>	<b>(10.9)</b>

## % OF REVENUE

	FY 2018	FY 2017
TV licence fees	68.2	67.7
Advertising	24.5	24.7
Other revenue	7.3	7.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### Operating costs

These are made up of external costs and HR expenses, meaning both internal and external costs pertaining to the company's ordinary business except for those concerning financial management.

They totalled €1,993.0 million, €24.1 million less than 2017 (-1.2%) despite the presence in 2018 of the costs associated with the Major sports events of (Winter Olympics) for €10.9 million.

### External costs

These amounted to €986.8 million and included the purchases of goods and services needed to produce programmes of immediate use (purchases of consumables, external services, artistic collaboration agreements, etc.), the sports event recording rights, copyrights, operating costs and other management-related costs (indirect taxes, contributions payable to the control authorities, charges for environmental reclamation of company real estate, etc.).

Although the item included costs amounting to €10.9 million for the 2018 Winter Olympics (of which €10.0 million for acquisition of the recording rights alone), the item decreased by €47.0 million (-4.5%).

### OPERATING COSTS

(€/million)	<b>FY 2018</b>	FY 2017	Change
External costs net of Major sports events	975.9	1,033.8	(57.9)
Major sports events	10.9	0.0	10.9
<b>External costs</b>	<b>986.8</b>	<b>1,033.8</b>	<b>(47.0)</b>
<b>HR expenses</b>	<b>1,006.2</b>	<b>983.3</b>	<b>22.9</b>
<b>Total</b>	<b>1,993.0</b>	<b>2,017.1</b>	<b>(24.1)</b>

The decrease concerns various components, as shown in the detailed table below.

The most significant decrease regards recording rights, down by €23.7 million, mainly due to the football sports events - Coppa Italia (€-18.8 million) owing to the different distribution of matches during the two years, and the Formula 1 championship (€-21.9 million), not acquired in 2018, which together with less important deviations regarding

entertainment or other sports disciplines, offset the Champions League and UEFA Super Cup of football costs for a total of €16.4 million, acquired in 2018, in addition to the above-mentioned costs of the Winter Olympics.

Another substantial reduction regarded the item rentals and leases (€-7.1 million), mostly referring to the leasing of recording studios and the rentals of assets used in television production.

## EXTERNAL COSTS

(€/million)	FY 2018	FY 2017	Change
<b>Purchases of materials</b>	<b>12.8</b>	<b>13.6</b>	<b>(0.8)</b>
<b>Costs for services:</b>			
Contractors	132.7	128.0	4.7
Services for programme acquisition and production	209.5	212.0	(2.5)
Service travel and accessory personnel costs	38.0	38.5	(0.5)
Maintenance, repairs, transport and similar	43.2	43.0	0.2
IT system documentation and assistance services	53.2	51.3	1.9
Other outsourced services (telephony, cleaning, supply services, postal, insurance, etc.)	145.7	143.9	1.8
Rental expenses and rentals	84.6	91.7	(7.1)
Recording rights (basically Sports broadcasting rights)	134.9	158.6	(23.7)
Copyright	105.4	104.9	0.5
Recovery of expenses	(13.6)	(13.9)	0.3
Contingencies	(12.7)	(7.4)	(5.3)
	<b>920.9</b>	<b>950.6</b>	<b>(29.7)</b>
<b>Other costs:</b>			
Losses for VAT paid on the tax dispute Settlement Concession of Rai Pubblicità	0.0	16.8	(16.8)
Administrative fees and rights for use of frequencies	10.9	10.8	0.1
Prizes and winnings	6.0	6.6	(0.6)
Fee to Control Authority	5.8	5.2	0.6
TASI/ IMU tax	10.4	10.7	(0.3)
Other indirect taxes and other duties	10.2	10.5	(0.3)
Newspapers, magazines, books and publications	1.8	1.7	0.1
Membership fees	3.9	3.8	0.1
Losses on disposals	0.2	0.5	(0.3)
Other	3.8	3.5	0.3
Contingencies	0.1	(0.5)	0.6
	<b>53.1</b>	<b>69.6</b>	<b>(16.5)</b>
<b>Total</b>	<b>986.8</b>	<b>1,033.8</b>	<b>(47.0)</b>

## HR expenses

This item amounted to €1,006.2 million, up by €22.9 million (+2.3%) compared to 2017, as seen in the table below.

The performance is consequent to specific elements that negatively affected the comparison between the two years.

Most important of these were the provision in 2018 of the rewards system for office staff, workers, middle managers and senior managers and the positive effects on the previous year coming from the agreements signed in March 2018 to renew the labour agreement of office staff, workers and middle managers, and adoption of the national collective bargaining agreement of journalists; jointly, these effects form the major reasons for the increase in the wages, salaries and social security costs item (€+58.1 million, +6.5%).

Redundancy incentives amounted to €7.5 million, down compared to the €49.8 million recognised

in the previous year, which included the €40.0 million provision for the extraordinary voluntary redundancy incentive plan for middle managers, office staff and workers and for orchestra musicians, whose application led to the exit of personnel mostly during the last quarter of 2018.

**Current employees** as at 31 December 2018 consisted of 12,300 units of personnel headcount and 511 units of temporary personnel. The increase of 100 units of personnel headcount compared to 31 December 2017 was caused by the exit of 709 units (of which 529 due to incentives) and by the hiring of 809 units (of which 530 to stabilise temporary personnel, 232 under new apprenticeship contracts, 12 due to reinstatement following lawsuits).

**The average number of current employees** during the year, including temporary personnel, was 12,805 units with 112 units less than 2017, caused by the decrease in permanent personnel (70 units) and temporary personnel (42 units).

## HR EXPENSES

(€/million)	<b>FY 2018</b>	FY 2017	Change
Wages, salaries, and social security costs	947.0	888.9	58.1
Employee severance pay provision	44.1	43.8	0.3
Pensions and similar obligations	14.1	14.7	(0.6)
Other	15.2	14.7	0.5
	<b>1,020.4</b>	<b>962.1</b>	<b>58.3</b>
Redundancy incentives	7.5	49.8	(42.3)
Recovery of expenses	(1.3)	(1.0)	(0.3)
HR expenses capitalised	(16.3)	(20.0)	3.7
Contingencies	(4.1)	(7.6)	3.5
	<b>(14.2)</b>	<b>21.2</b>	<b>(35.4)</b>
<b>Total</b>	<b>1,006.2</b>	<b>983.3</b>	<b>22.9</b>

## EBITDA

In connection with the changes shown above, EBITDA was positive and totalled €585.0 million, down €21.9 million compared to 2017.

## Depreciation, amortisation and write-downs

The balance of the item, whose value is highlighted in the table below and which refers to amortisation and depreciation of programmes and technical assets in addition to the write-downs of assets, was €576.5 million, down €0.4 million (-0.1%) compared to 2017.

The most significant changes referred to:

- reduction of the amortisation and depreciation of programmes (€-4.1 million). To this regard, please note that the estimate of useful life of the following was revised:
  - cartoons, changed from 3 to 5 years, with a positive effect of €6.5 million;
  - rights acquired from Rai Cinema for use in pay TV, on-demand video and similar modes, changed from 3 to 1.5 years, with a negative effect of €3.0 million;
- greater write-downs (€+3.0 million) in connection with the reduced rerun potential of some TV series titles.

## DEPRECIATION, AMORTISATION AND WRITE-DOWNS

(€/million)	FY 2018	FY 2017	Change
<b>Amortisation</b>			
Amortisation of programmes			
TV series	286.3	285.6	0.7
Film	101.7	98.3	3.4
Cartoons	10.4	18.7	(8.3)
Other	5.6	5.5	0.1
	<b>404.0</b>	<b>408.1</b>	<b>(4.1)</b>
Of property, plant and equipment:			
Buildings	17.2	17.4	(0.2)
Plant and equipment	73.6	76.5	(2.9)
Fixtures and fittings, tools and other equipment	3.0	2.8	0.2
Other assets	6.3	5.8	0.5
	<b>100.1</b>	<b>102.5</b>	<b>(2.4)</b>
<b>Of real estate investments</b>	<b>0.3</b>	<b>0.3</b>	<b>0.0</b>
Of intangible assets:			
Software	9.4	6.2	3.2
Other rights	0.3	0.4	(0.1)
	<b>9.7</b>	<b>6.6</b>	<b>3.1</b>
<b>Total amortisation and depreciation</b>	<b>514.1</b>	<b>517.5</b>	<b>(3.4)</b>
<b>Write-downs (reversing impairment losses)</b>			
Of intangible assets:			
Programmes under amortisation	55.4	43.8	11.6
Programmes in progress	2.5	7.1	(4.6)
Other	0.3	3.0	(2.7)
	<b>58.2</b>	<b>53.9</b>	<b>4.3</b>
<b>Of other non-current assets</b>	<b>0.8</b>	<b>2.0</b>	<b>(1.2)</b>
<b>Of trade receivables and other current assets</b>	<b>3.4</b>	<b>3.5</b>	<b>(0.1)</b>
<b>Total write-downs</b>	<b>62.4</b>	<b>59.4</b>	<b>3.0</b>
<b>Total depreciation, amortisation and write-downs</b>	<b>576.5</b>	<b>576.9</b>	<b>(0.4)</b>

## Provisions

The item, which recognises the provisions for risks and charges and any issues not classifiable in specific items of the income statements, shows a negative balance of €0.7 million (positive for €3.2 million in 2017) caused by provisions for €7.1 million (€9.1 million in the previous year) and by issues of provisions set aside in previous years associated with the non-occurrence of the connected risk for €6.4 million (€12.3 million in 2017).

## EBIT

The changes already explained regarding performance of the EBITDA, together with what is specified in the items depreciation, amortisation and write-downs and provisions led to a positive EBIT of €7.8 million, slightly worse than FY 2017 (+€+33.2 million).

## Net financial income (expense)

### Net financial income (expense)

The item, itemised in detail in the following table, shows the economic effects arising from recognition of the actuarial interest for employee benefits, and the effects of financial management, such as interest income/expense from banks, bondholders, in addition to exchange rate charges/gains.

The most significant variances compared to the previous year concern:

- net interest expense from banks, down €1.2 million due to the lower value of the average annual debt;
- greater net exchange rate expense for €1.5 million;
- other, up €5.4 million for the recognition of default interest income in 2017.

The average cost of loans made up of uncommitted credit lines, medium/long-term stand-by lines and the 2015-2020 bond issue came to 1.8%, up on the previous year (1.5%) in which short-term, lower rate loans were used against a greater average debt.

## NET FINANCIAL INCOME (EXPENSE)

(€/million)	<b>FY 2018</b>	FY 2017	Change
Net interest income (expense) net with banks and other lenders	(1.1)	(2.3)	1.2
Interest expense on bonds	(6.1)	(6.1)	0.0
Interest on employee benefit liabilities	(4.4)	(4.6)	0.2
Net exchange rate gains (charges)	(0.5)	1.0	(1.5)
Income (charges) on Interest Rate Swap	(0.1)	(0.1)	0.0
Other	(2.0)	3.4	(5.4)
<b>Net financial income (expense)</b>	<b>(14.2)</b>	<b>(8.7)</b>	<b>(5.5)</b>

### Earnings from equity investments recognised under the equity method

The item showed an earning of €0.1 million (-€0.5 million in 2017) brought about by valuation of the associated companies at net equity, as seen in detail in the following table.

### Income tax

This item showed a positive value of €6.3 million (negative for €9.7 million in 2017) and is due to the balance between current and deferred taxes, as itemised in the following table.

The economic dynamics caused positive taxable results in the year for all Group companies except for the Parent Company. For those revenues, a total of €32.1 million was set aside for IRES and €6.7 million for IRAP.

Deferred tax liabilities pointed to a positive economic effect of €3.0 million (€2.1 million in 2017) due to return of the temporary differences recognised in the previous years.

Deferred tax assets pointed to a positive economic effect of €41.8 million (€27.0 million in 2017) mainly due to being entered in accounts for the tax loss of the Parent Company.

## EARNINGS FROM EQUITY INVESTMENTS RECOGNISED UNDER THE EQUITY METHOD

(€/million)	FY 2018	FY 2017	Change
<b>Write-ups (Write-downs)</b>			
Euronews SA	(0.6)	(1.1)	0.5
Tivù Srl	0.7	0.6	0.1
<b>Total</b>	<b>0.1</b>	<b>(0.5)</b>	<b>0.6</b>

## INCOME TAX

(€/million)	FY 2018	FY 2017	Change
IRES	(32.1)	(31.8)	(0.3)
IRAP	(6.7)	(7.1)	0.4
Deferred tax liabilities	3.0	2.1	0.9
Deferred tax assets	41.8	27.0	14.8
Direct taxes of previous years	0.3	0.1	0.2
<b>Total</b>	<b>6.3</b>	<b>(9.7)</b>	<b>16.0</b>

## Capital structure

### Fixed assets

This item amounted to €2,006.8 million, down €24.6 million compared to 31 December 2017, and are shown in the following table.

Property, plant and equipment, itemized in the table below, was up €2.5 million compared to 31 December 2017.

Assets in programmes, detailed in the table below, have dropped by €29.7 million compared to 31 December 2017.

### FIXED ASSETS

(€/million)	31.12.2018	31.12.2017	Change
Property, plant and equipment	1,077.5	1,075.0	2.5
Assets in programmes	881.7	911.4	(29.7)
Long-term investments	9.8	11.5	(1.7)
Others	37.8	33.5	4.3
<b>Total</b>	<b>2,006.8</b>	<b>2,031.4</b>	<b>(24.6)</b>

### PROPERTY, PLANT AND EQUIPMENT

(€/million)	31.12.2018	31.12.2017	Change
Land	383.4	382.1	1.3
Buildings	330.5	333.6	(3.1)
Plant and equipment	259.2	262.1	(2.9)
Fixtures and fittings, tools and other equipment	9.6	9.3	0.3
Other assets	23.9	23.5	0.4
Assets under development and payments on account	70.9	64.4	6.5
<b>Total</b>	<b>1,077.5</b>	<b>1,075.0</b>	<b>2.5</b>

### ASSETS IN PROGRAMMES

(€/million)	31.12.2018	31.12.2017	Change
TV series	483.7	523.1	(39.4)
Film	286.8	281.6	5.2
Cartoons	41.4	33.8	7.6
Rights of library use	60.5	64.8	(4.3)
Other	9.3	8.1	1.2
<b>Total</b>	<b>881.7</b>	<b>911.4</b>	<b>(29.7)</b>

**Long-term investments**, consisting of company equity investments and other financial assets falling due beyond 12 months, showed a decrease of €1.7 million, mainly due to measurement of the fair value of the derivatives, which in 2017 was positive for €1.2 million. The item is broken down in detail in the following table.

**Other assets**, the details of which are in the table below, increased €4.3 million compared to 31 December 2017, referring to software. The items goodwill and customer portfolio both resulting from the provision of a portion of the sum paid by Rai Way to acquire control of Sud Engineering Srl, merged through incorporation into Rai Way in June 2017.

### LONG-TERM INVESTMENTS

(€/million)	31.12.2018	31.12.2017	Change
Equity investments in associated companies			
Auditel Srl	0.7	0.7	0.0
Euronews SA	0.6	1.2	(0.6)
Tivù Srl	2.4	2.0	0.4
San Marino RTV SpA	2.1	2.1	0.0
	<b>5.8</b>	<b>6.0</b>	<b>(0.2)</b>
Other equity investments	0.9	0.9	0.0
Fixed-income securities	2.4	2.5	(0.1)
Derivative instruments	0.0	1.2	(1.2)
Other	0.7	0.9	(0.2)
<b>Total</b>	<b>9.8</b>	<b>11.5</b>	<b>(1.7)</b>

### OTHER FIXED ASSETS

(€/million)	31.12.2018	31.12.2017	Change
Software	28.7	24.0	4.7
Goodwill	5.0	5.0	0.0
Customer portfolio	2.9	3.1	(0.2)
Commercial rights with football clubs	1.2	1.4	(0.2)
<b>Total</b>	<b>37.8</b>	<b>33.5</b>	<b>4.3</b>

2018 **Investments**, broken down in the table below, amounted to €551.2 million, slightly down (€-5.0 million, 0.9%) compared to 2017.

In detail:

- lower investments in programmes for €10.5 million (-2.4%) referring to the TV series genre;
- greater investments in property, plant and equipment for €12.1 million (+13.2%), mainly due to recognition of the financial lease of a property used as regional office and for maintaining and developing the Rai Way network infrastructure in the Parent Company;
- lower other investments for €8.3 million due to the previously mentioned acquisition of control of the company Sud Engineering Srl, which in 2017 led to investments for intangible assets (goodwill and customer portfolio).

## Net working capital

The most significant changes compared to 31 December 2017 regard the following items:

**Other receivables** up €81.5 million, mainly due to advances paid to suppliers for the future sports events such as the European Championships and other international football events.

**Trade payables** up €45.9 million due to higher payables to suppliers for €44.6 million.

**Other payables** up €13.4 million due to payables for TFR to pay to personnel under the incentive plan.

**Net liabilities for deferred taxes** down €15.1 million, mainly because of the greater receivables for deferred tax assets resulting from recognition of the tax loss of the Parent Company that occurred during the year.

## INVESTMENTS

(€/million)	FY 2018	FY 2017	Change
TV series	302.4	319.9	(17.5)
Film	109.0	102.9	6.1
Other programmes	21.8	20.9	0.9
<b>Total investments in programmes</b>	<b>433.2</b>	<b>443.7</b>	<b>(10.5)</b>
Property, plant and equipment	103.8	91.7	12.1
Software	14.2	12.3	1.9
Other	0.0	8.3	(8.3)
<b>Total technical investments</b>	<b>118.0</b>	<b>112.3</b>	<b>5.7</b>
<b>Equity investments</b>	<b>0.0</b>	<b>0.2</b>	<b>(0.2)</b>
<b>Total investments</b>	<b>551.2</b>	<b>556.2</b>	<b>(5.0)</b>

## NET WORKING CAPITAL

(€/million)	31.12.2018	31.12.2017	Change
Inventories	2.3	2.4	(0.1)
Trade receivables	377.4	391.6	(14.2)
Other receivables	187.0	105.5	81.5
Trade payables	(706.0)	(660.1)	(45.9)
Other payables	(487.8)	(474.4)	(13.4)
Assets (Liabilities) for deferred taxes	(23.5)	(38.6)	15.1
<b>Total</b>	<b>(650.6)</b>	<b>(673.6)</b>	<b>23.0</b>

**Provisions for risks and charges**

The item provisions for risks and charges, which totalled €181.8 million, decreased by €3.8 million compared to 31 December 2017; of particular note is the €3.0 million decrease in the provisions for accrued compensation costs for employees.

**Employee benefits**

The item employee benefits, which amounted to €434.9 million, showed a €48.2 million decrease compared to 31 December 2017.

The change in the item is connected with actuarial valuation elements associated with financial and demographic assumptions, as broken down in note "Employee benefits" of the Notes to the Consolidated Financial Statements.

The itemisation of the provisions and relevant changes compared to 31 December 2017 is provided in the table below.

**EMPLOYEE BENEFITS**

(€/million)	<b>31.12.2018</b>	31.12.2017	Change
Employee severance pay	(225.0)	(258.8)	33.8
Supplementary company pension provision	(125.4)	(137.2)	11.8
Provision for former fixed substitute journalists benefits (former pay in lieu of notice to journalists)	(68.7)	(69.5)	0.8
FASDIR assistance provision for the retired	(14.7)	(14.7)	0.0
Seniority bonuses	(0.5)	(2.3)	1.8
Seniority indemnity	(0.5)	(0.5)	0.0
Social Security	(0.1)	(0.1)	0.0
<b>Total</b>	<b>(434.9)</b>	<b>(483.1)</b>	<b>48.2</b>

## Net financial position

The net financial position at year-end, calculated following the ESMA scheme, was negative for €286.5 million (showing a worsening over 2017 of €77.5 million), as illustrated in the table below.

Contributing to the increase in net financial debt were:

- lower advertising collections (€16 million);
- higher payments for international sports events (Champions League and 2020 football European Qualifiers) and for the big events of the following year (Tokyo Olympics and 2020 European Championships) for a total of €40 million;
- recognition of the previously mentioned financial lease regarding a property used as regional office (€5.7 million).

The average financial position was negative for €56 million, sharply improved over the year 2017 (€-380 million) thanks to the lower debt of the beginning of the year and the improved overall financial profile of the year, which benefited from the new licence fee payment plan.

On 23 October 2018, Moody's published a rating action that confirmed the Long-Term

Issuer Baa3 for Rai (Investment Grade), changing the outlook from negative to stable.

The analysis conducted based on equity and financial structure ratios pointed out that:

- the net invested capital coverage ratio, which is the ratio between net invested capital (net of the licence fee receivables) and equity, was 1.63 (1.44 as at 31 December 2017);
- the financial debt coverage ratio, which is the ratio between net financial debt (net of the licence fee receivables) and equity, was 0.63 (0.44 as at 31 December 2017);
- the liquid funds ratio, which is the ratio between current assets (inventories, working capital net of licence fee receivables, cash and cash equivalents and financial receivables) and current liabilities (working capital liabilities and financial payables) was 0.55 (0.63 as at 31 December 2017).

All ratios fall within the limits of reference.

The residual loan with the European Investments Bank (€25 million) and the five year revolving line underwritten in January 2017 with a pool of banks for a total of €270 million, both for the Parent Company, foresee compliance with the following balance sheet parameters/ratios to be met in the Consolidated Financial Statements.

## NET FINANCIAL POSITION

(€/million)	31.12.2018	31.12.2017	Change
Liquidity	92.2	228.0	(135.8)
Current financial receivables:			
- current financial assets on derivatives	0.6	0.0	0.6
- tied accounts	5.5	6.3	(0.8)
- Due to associates	0.0	0.5	(0.5)
- other	0.4	0.4	0.0
	<b>6.5</b>	<b>7.2</b>	<b>(0.7)</b>
Current financial debt:			
- due to banks	(10.1)	(40.0)	29.9
- due to other lenders	(0.1)	(0.1)	0.0
- current financial liabilities on derivatives	0.0	(0.5)	0.5
- Due to associates	(0.1)	0.0	(0.1)
- financial lease	(5.7)	0.0	(5.7)
- other	0.0	(0.2)	0.2
	<b>(16.0)</b>	<b>(40.8)</b>	<b>24.8</b>
Non-current financial debt:			
- due to banks	(15.2)	(55.3)	40.1
- bond issue	(348.7)	(347.8)	(0.9)
- due to other lenders	(0.2)	(0.3)	0.1
- non-current financial liabilities on derivatives	(5.1)	0.0	(5.1)
	<b>(369.2)</b>	<b>(403.4)</b>	<b>34.2</b>
<b>Net financial debt</b>	<b>(286.5)</b>	<b>(209.0)</b>	<b>(77.5)</b>

EIB loan ratios:

- Net Financial Debt (adjusted net of receivables from the State for television licence fees)/Shareholders' Equity  $\leq 1.3$
- Net Financial Debt, (adjusted net of receivables from the state for television licence fees)/EBITDA  $\leq 1.0$

Revolving line ratio:

- Net Financial Debt (adjusted net of receivables from the State for television licence fees)/Shareholders' Equity  $\leq 1.7$

Those ratio requirements were fully met at 0.63 and 0.49 respectively.

In July 2018, Rai Way paid back the amortising loan early while keeping only the revolving line of €50 million; the relevant balance sheet parameters/ratios were fully met in the financial statements.

The financial risks to which the Group is exposed are monitored with appropriate IT and statistical tools. A policy regulates financial management according to best practices, to preserve the Company's value through a stance adverse to risk, pursued with active monitoring of exposure and implementation of expedient hedging strategies, implemented centrally by the Parent Company, also on behalf of the subsidiaries. This does not include Rai Way which has its own financial autonomy, though with guidelines assigned by the Parent Company.

Detailed information on the financial risks is provided in the specific section of the Notes to the Consolidated Financial Statements, to which the reader is referred.



# Financial statements of the Rai Group

Financial statements of the Rai Group

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(€/million)	Note	Year ended	
		31 December 2018	31 December 2017
Property, plant and equipment	13.1	1,073.1	1,070.3
Real estate investments	13.2	4.4	4.7
Intangible assets	13.3	919.5	944.9
Equity investments	13.4	6.7	6.9
Non-current financial assets	13.5	3.1	4.6
Deferred tax assets	13.6	-	-
Other non-current assets	13.7	50.2	15.2
<b>Total non-current assets</b>		<b>2,057.0</b>	<b>2,046.6</b>
Inventory	14.1	2.3	2.4
Trade receivables	14.2	373.3	390.6
Current financial assets	14.3	6.5	7.2
Current income tax receivables	14.4	19.0	21.7
Other current receivables and assets	14.5	121.9	69.6
Cash and cash equivalents	14.6	92.2	228.0
<b>Total current assets</b>		<b>615.2</b>	<b>719.5</b>
<b>Total assets</b>		<b>2,672.2</b>	<b>2,766.1</b>
Share capital		242.5	242.5
Reserves		197.2	209.9
Retained earnings (losses)		(50.3)	(34.1)
<b>Total Group shareholders' equity</b>		<b>389.4</b>	<b>418.3</b>
Third party capital and reserves		42.5	42.2
Retained earnings (losses) attributable to minority interests carried forward		21.1	19.6
<b>Total shareholders' equity attributable to minority interests</b>		<b>63.6</b>	<b>61.8</b>
<b>Total shareholders' equity</b>	<b>15</b>	<b>453.0</b>	<b>480.1</b>
Non-current financial liabilities	16.1	369.2	403.4
Employee benefits	16.2	434.9	483.1
Provisions for non-current risks and charges	16.3	181.5	185.3
Deferred tax liabilities	16.4	23.5	38.6
Other non-current payables and liabilities	16.5	1.6	2.0
<b>Total non-current liabilities</b>		<b>1,010.7</b>	<b>1,112.4</b>
Trade payables	17.1	706.0	660.1
Provisions for current risks and charges		0.3	0.3
Current financial liabilities	17.2	16.0	40.8
Current income tax payables	17.3	31.0	30.5
Other current payables and liabilities	17.1	455.2	441.9
<b>Total current liabilities</b>		<b>1,208.5</b>	<b>1,173.6</b>
<b>Total liabilities</b>		<b>2,219.2</b>	<b>2,286.0</b>
<b>Total shareholders' equity and liabilities</b>		<b>2,672.2</b>	<b>2,766.1</b>

**CONSOLIDATED INCOME STATEMENT**

(€/million)	Note	Year ended	
		31 December 2018	31 December 2017
Revenue from sales and services	18.1	2,565.8	2,608.4
Other revenue and income	18.2	12.2	15.6
<b>Total revenue</b>		<b>2,578.0</b>	<b>2,624.0</b>
Costs for the purchase of consumables	18.3	(12.8)	(13.6)
Costs for services	18.3	(920.9)	(950.6)
Other costs	18.3	(53.1)	(69.6)
HR expenses	18.4	(1,006.2)	(983.3)
Impairment of financial assets	18.5	(2.7)	-
Depreciation, amortisation and write-downs	18.6	(573.8)	(576.9)
Provisions	18.7	(0.7)	3.2
<b>Total costs</b>		<b>(2,570.2)</b>	<b>(2,590.8)</b>
<b>EBIT</b>		<b>7.8</b>	<b>33.2</b>
Financial income	18.8	1.4	8.1
Financial expense	18.8	(15.6)	(16.8)
Earnings from equity investments recognised under the equity method	18.9	0.1	(0.5)
<b>Pre-tax profit/(loss)</b>		<b>(6.3)</b>	<b>24.0</b>
Income tax	18.10	6.3	(9.7)
<b>Profit/(loss) for the year</b>		<b>0.0</b>	<b>14.3</b>
of which attributable:			
- to the Group		(21.0)	(5.4)
- to minority interests		21.0	19.7

Financial statements of the Rai Group

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(€/million)

	Year ended	
	31 December 2018	31 December 2017
<b>Profit/(loss) for the year</b>	<b>0.0</b>	<b>14.3</b>
<b>Items that can be reclassified to the income statement:</b>		
Profit/(loss) on cash flow hedge	(5.9)	0.6
Conversion of balances with currency that is not the Euro	(0.1)	-
Tax effect	0.2	(0.1)
<b>Total</b>	<b>(5.8)</b>	<b>0.5</b>
<b>Items that cannot be reclassified to the income statement:</b>		
Recalculation of defined-benefit plans	3.0	3.4
Tax effect	(0.1)	(0.1)
<b>Total</b>	<b>2.9</b>	<b>3.3</b>
<b>Total profit (loss) for the year</b>	<b>(2.9)</b>	<b>18.1</b>
of which attributable:		
- to the Group	(24.1)	(1.7)
- to minority interests	21.2	19.8

**CONSOLIDATED CASH FLOW STATEMENT**

(€/million)	Note	Year ended	
		31 December 2018	31 December 2017
<b>Gain (Loss) before tax</b>		<b>(6.3)</b>	<b>24.0</b>
Adjustments for:			
Depreciation, amortisation and write-downs	18.5 - 18.6	576.5	576.9
Provisions and (issues) to personnel provisions and other provisions	18.7	70.3	6.0
Net financial charges (income)	18.8	14.2	8.7
Earnings from equity investments recognised under the equity method	18.9	(0.1)	0.5
Other non-monetary items		0.2	0.5
<b>Cash flow generated by operating activities before changes in net working capital</b>		<b>654.8</b>	<b>616.6</b>
Change in inventory	14.1	0.1	0.5
Change in trade receivables	14.2	12.9	244.6
Change in trade payables	17.1	45.9	(26.1)
Change in other assets/ liabilities		(105.4)	221.0
Use of provision for risks	16.3	(31.9)	(45.9)
Payment of employee benefits	16.2	(68.8)	(78.4)
Taxes paid		(5.6)	(12.1)
<b>Net cash flow generated by operating activities</b>		<b>502.0</b>	<b>920.2</b>
Investments in property, plant and equipment and real estate investments	13.1 - 13.2	(103.8)	(91.7)
Disposal of property, plant and equipment and real estate investments	13.1 - 13.2	0.6	0.9
Investments in intangible assets	13.3	(447.4)	(464.3)
Disposal of intangible assets	13.3	1.0	1.1
Equity investments	13.4	-	(0.2)
Dividends collected		0.4	1.9
Interest collected		0.3	0.1
Change in financial assets	13.5 - 14.3	1.4	(3.8)
<b>Net cash flow generated by investment activity</b>		<b>(547.5)</b>	<b>(556.0)</b>
Long-term loans taken out	16.1	-	-
Long-term loan redemptions	16.1	(70.2)	(40.2)
(Decrease)/Increase in short-term borrowings and other loans	17.2	5.7	(160.2)
Interest paid		(6.5)	(7.4)
Dividends distributed		(19.3)	(14.6)
<b>Net cash flow generated by financial activities</b>		<b>(90.3)</b>	<b>(222.4)</b>
<b>Change in cash and cash equivalents</b>		<b>(135.8)</b>	<b>141.8</b>
Cash and cash equivalents at the beginning of the year	14.6	228.0	86.2
<b>Cash and cash equivalents at the end of the year</b>	<b>14.6</b>	<b>92.2</b>	<b>228.0</b>

Financial statements of the Rai Group

**STATEMENT OF CHANGES IN EQUITY**

(€/million)	Share capital	Legal reserve	Other reserves	Retained earnings (losses)	Group shareholders' equity	Shareholders' equity attributable to minority interests	Total shareholders' Equity (Note 15)
<b>Balances as at 1 January 2017</b>	<b>242.5</b>	<b>11.6</b>	<b>194.3</b>	<b>(28.4)</b>	<b>420.0</b>	<b>56.6</b>	<b>476.6</b>
<b>Allocation of profit</b>	-	<b>0.2</b>	<b>3.3</b>	<b>(3.5)</b>	-	-	-
Distribution of dividends	-	-	-	-	-	(14.6)	(14.6)
<b>Transactions with shareholders</b>	-	-	-	-	-	<b>(14.6)</b>	<b>(14.6)</b>
Profit/(loss) for the year	-	-	-	(5.4)	(5.4)	19.7	14.3
Statement of comprehensive income components	-	-	0.5	3.2	3.7	0.1	3.8
<b>Total profit/(loss) for the year</b>	-	-	<b>0.5</b>	<b>(2.2)</b>	<b>(1.7)</b>	<b>19.8</b>	<b>18.1</b>
<b>Balances as at 31 December 2017</b>	<b>242.5</b>	<b>11.8</b>	<b>198.1</b>	<b>(34.1)</b>	<b>418.3</b>	<b>61.8</b>	<b>480.1</b>
<b>Effects arising from first application of IFRS standards 9 and 15 [1]</b>	-	-	<b>(1.5)</b>	<b>(3.3)</b>	<b>(4.8)</b>	<b>(0.1)</b>	<b>(4.9)</b>
<b>Balances as at 1 January 2018</b>	<b>242.5</b>	<b>11.8</b>	<b>196.6</b>	<b>(37.4)</b>	<b>413.5</b>	<b>61.7</b>	<b>475.2</b>
<b>Allocation of profit</b>	-	<b>0.2</b>	<b>(5.6)</b>	<b>5.4</b>	-	-	-
Distribution of dividends	-	-	-	-	-	(19.3)	(19.3)
<b>Transactions with shareholders</b>	-	-	-	-	-	<b>(19.3)</b>	<b>(19.3)</b>
Profit/(loss) for the year	-	-	-	(21.0)	(21.0)	21.0	-
Statement of comprehensive income components	-	-	(5.8)	2.7	(3.1)	0.2	(2.9)
<b>Total profit/(loss) for the year</b>	-	-	<b>(5.8)</b>	<b>(18.3)</b>	<b>(24.1)</b>	<b>21.2</b>	<b>(2.9)</b>
<b>Balances as at 31 December 2018</b>	<b>242.5</b>	<b>12.0</b>	<b>185.2</b>	<b>(50.3)</b>	<b>389.4</b>	<b>63.6</b>	<b>453.0</b>

[1] The effects arising from first application of accounting standards IFRS 9 and IFRS 15 are explained in Note 6.

# Notes to the Consolidated Financial Statements as at 31 December 2018

# 1

## General information

Rai Radiotelevisione italiana SpA (hereinafter “Rai”, the “Company” or the “Parent Company”) is a joint-stock company formed and domiciled in Italy, with registered office in Rome at Viale Mazzini 14, and organised according to Italian law.

The Company and its subsidiaries (jointly the “Group”) operate in Italy in the role of general radio and television Public Service. With Prime Ministerial Decree of 28 April 2017 containing “Assignment of the radio, televisions and multimedia Public Service concession and approval for the annexed draft agreement”, Rai was formed as concessionaire of the radio, television and multimedia Public Service on an exclusive basis for a decade, starting from 30 April 2017.

On the strength of specific Italian and EU regulatory sources, the Parent Company is required to meet precise programming quality and quantity obligations that are described in detail in the Service Agreement (hereinafter “Agreement”) drawn up with the Ministry of Economic Development for the period 2018-2022, published in the Official Gazette on 7 March 2018.

The Agreement relates to the activity that Rai performs in order to carry out the Public Service and, in particular, the radio, television and multimedia services broadcast through the various platforms in all modes, the use of the necessary transmission capacity, the creation of editorial content, the provision of technological services for the production and transmission of the signal using analogue and digital technology, and the preparation and management of control and monitoring systems.

The capital of the Company is respectively held by:

- the Ministry of Economy and Finance (99.5583%)
- SIAE Società Italiana Autori Editori (0.4417%)

The Consolidated Financial Statements are audited by the company PricewaterhouseCoopers SpA (hereinafter the “External Auditor”) to which the Rai Ordinary General Meeting of Shareholders, upon the proposal put forward by the Board of Statutory Auditors, assigned the appointment for the financial years until 2023 on 10 March 2016, in consideration of Rai’s acquisition of status as a Public Interest Entity.

# 2

## Drafting criteria

In connection with the provisions of Legislative Decree 38 of 28 February 2005, in preparing its Consolidated Financial Statements, the Company applies 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 pursuant to Art. 6 of (EC) Regulation 1606/2002 of the European Parliament and Council of 19 July 2002. IFRS herein refers to all international accounting standards (“IAS”) and all interpretations of the International Financial Reporting Standard Interpretations Committee (“IFRIC”), previously called “Standard Interpretations Committee” (“SIC”). In preparing these Consolidated Financial Statements, the Group provided complete information, applying the IFRS consistently to the periods stated in these Consolidated Financial Statements. Please note that on 1 January 2018 the accounting standards IFRS 9 “*Financial instruments*” (hereinafter, “IFRS 9”) and IFRS 15 “*Revenue from contracts with customers*” (hereinafter “IFRS 15”) became applicable. Related to that the Group opted to recognise the effect related to the retrospective redetermination of shareholders’ equity values at the start of the current reporting period.

The structure of the Consolidated Financial Statements of the Group provides for:

- the items of the consolidated statement of financial position being classified as current and non-current;
- the items of the consolidated income statement being classified by type;
- the consolidated statement of comprehensive income being presented separately to the income statement and indicates the economic result integrated with income and expenses which through specific IFRS provision are recognised directly in shareholders’ equity;
- the consolidated cash flow statement being prepared according to the “indirect method”, adjusting the result (pre-tax profit/loss) of the year of the non-monetary components; and
- the consolidated statement of changes in equity showing the total income (charges) of the year, transactions with Shareholders and the other changes in shareholders’ equity.

This layout best reflects the elements that led to the Group's economic result of the year, in addition to its financial and capital structure.

The Consolidated Financial Statements were drawn up applying the historical cost method, taking into account the value adjustments, where appropriate, with the exception of the items that according to the IFRS must be measured at fair value, as indicated in the valuation criteria and without prejudice to those cases where the IFRS provisions allow a different valuation criterion.

The Consolidated Financial Statements were prepared on a going concern basis since it is not believed that there are financial, operation or other type of ratios that might indicate critical issues regarding the Group's ability to meet its obligations in the foreseeable future, and more specifically in the next 12 months.

The description of the methods through which the Group manages its financial risks is contained in Note 9 below regarding "Management of financial risks".

Values of items in the financial statements and relative notes, considering their importance, are expressed in millions of Euro, unless indicated otherwise.

The Consolidated Financial Statements were prepared using financial statements for the year of the Company and its subsidiaries drafted in compliance with the IFRS. Please note that all Group companies close their financial years as at 31 December.

Companies included in the scope of consolidation as at 31 December 2018 and 31 December 2017 are listed in note 22 "Appendix", which also indicates any change to the scope of consolidation taking place during the year.



## Subsidiaries

An investor controls an investee when it is exposed, or has the right to take part, in the variability of the relative economic returns and can exercise its decision-making power on the subsidiary's relevant activities in order to influence those returns. Presence of control occurs each time facts and circumstances indicate a variation to one or more elements qualifying control.

The assets and liabilities, expenses and income of subsidiaries are fully included in the Consolidated Financial Statements from the date on which the Parent Company takes direct or indirect control (or through one or more subsidiaries) and until the date on which that control terminates. The book value of the investments is eliminated with the corresponding shareholders' equity fraction. The portions of shareholder's equity and total profit attributable to non-controlling interests are entered in the specific shareholders' equity and total consolidated income statement items.

For shareholdings acquired after control is assumed (purchase of third-party equity interests), any positive difference between purchase cost and the corresponding fraction of shareholders' equity acquired is entered in the Group's shareholders' equity. Similarly, effects resulting from the sale of minority shares without loss of control are entered in shareholders' equity.

Diversely, the sale of shares involving loss of control resulting in the following being recognised in the income statement:

- any capital gain/loss calculated as the difference between the consideration received and the corresponding fraction of the consolidated shareholders' equity sold;
- the effect of the revaluation of any residual investment kept to align it with the relative fair value;
- any values entered in the other components of the total profit/(loss) related to the former subsidiary for which a turnaround to the Income statement is foreseen, or when the turnaround to the Income statement is not foreseen to profits (losses) carried forward.

The value of any equity investment retained, aligned with its fair value at the date control was lost, is the new book value of the equity investment; thus the value of reference for the subsequent valuation of equity investments according to the applicable valuation criteria.

## Business combinations

Business combinations are entered in compliance with IFRS 3 “*Business combinations*”, applying the so-called acquisition method. The combination consideration is calculated at the date control is assumed and is the fair value of assets transferred, liabilities sustained, and of any capital instrument issued by the purchaser. The potential consideration is entered at fair value at the acquisition date. Subsequent changes in the fair value of the potential consideration, of which the amount and payment are dependent on future events, classified as a financial instrument in accordance with IFRS 9, are recognised in the income statement or shareholders’ equity as other comprehensive income. Potential considerations that do not come under application of IFRS 9 are valued based on the specific IFRS/IAS of reference. Potential considerations classified as capital instrument are not remeasured; so, consequently, regulation is accounted for under shareholders’ equity. Costs attributable directly to the transactions are entered in the consolidated income statement, when sustained.

On the date control is acquired, the shareholders’ equity of investee companies is calculated attributing their fair value at the acquisition data to the single asset and liability (including contingent liabilities) elements identifiable, except where IFRS 3 establishes otherwise. Any residual difference compared to purchase cost, if positive, is entered under intangible assets as goodwill; if negative, it is entered in the income statement as period income.

If full control is not acquired, the shareholders’ equity portion of the third-party equity interest is calculated based on the effective portion of the current values attributed to the assets and liabilities at the control assumption date, excluding any goodwill attributable to them (so-called partial goodwill method); alternatively, the entire amount of goodwill generated by the acquisition is entered thus also considering the portion attributable to third party equity interest (so-called full goodwill method in this latter case, the third party equity interest is expressed at its fair value. The choice of how to calculate the goodwill (partial goodwill method or full goodwill method) is applied selectively for each business combination transaction.

If control is assumed by subsequent steps, the purchase cost is calculated summing the fair value of the equity investment previously held in the entity acquired and the amount paid for the further share. Any difference between the fair value of the equity investment previously held and the relative entry value is attributed to the income statement. When control is assumed, any amounts previously entered in other comprehensive income are attributed to the income statement or to another shareholders’ equity item, if reclassification to the income statement is not foreseen.

When calculation of assets and liabilities is performed provisionally, it must be concluded within 12 months of the acquisition date; considering solely information related to facts and circumstances existing at the acquisition date. In the financial year when the above-mentioned calculation is finalised, values entered provisionally are backdated.

## Interest in agreements and joint control

Joint control only exists when, on a contractual basis, for decisions related to the agreement’s important activities, the unanimous consent of all parties sharing control is required. Joint control agreements can be divided into two categories:

- joint ventures, that is joint control agreements where parties holding joint control claim rights to the agreement’s net assets; and
- joint operations, that is joint control agreements where parties have rights to assets and obligations related to agreement liabilities.

Investments in joint ventures are measured applying the equity method, as described in Note 4 “*Measurement criteria*”; whereas joint operations are measured recognising, line by line in the Consolidated Financial Statements, the asset/liability and revenue/costs portions based on effective rights and obligations resulting from contractual agreements.

## Equity investments in associated companies

An associate company is one in which the Group exercises a considerable influence, intended as the power to take part over deciding financial and management choices without having control or joint control. Equity investments in associated companies are recognised under the equity method as indicated in Note 4 “Measurement criteria”.

## Infra-group transactions

The profits from transactions between consolidated companies are eliminated as are the receivables, payables, income and expenses, guarantees, commitments and risks between consolidated companies. Profits not earned with companies measured applying the equity method are eliminated for the Group's share. In both cases, infra-group losses are not eliminated when they represent an effective lesser value of the asset transferred.

## Conversion of financial statements with currency that is not the Euro

The financial statements of companies operating in non-Euro areas, as the Euro is the Group currency, and the functional currency of the Parent Company and its subsidiaries except for Rai Corporation (in liquidation) (hereinafter “Rai Corporation”), are converted into Euro applying the exchange rates of the date the financial year is closed to equity assets and liabilities, historical exchange rates to equity items and average exchange rates of the year to income statement items.

The exchange rate differences from conversion of financial statements of the companies operating in non-Euro areas, resulting from application of the different rates for assets and liabilities, for shareholders' equity and income statement, are entered under the equity item “Other reserves” as reserve for exchange rate differences from conversion for the Group part and, if needed, under the item “Shareholders' equity attributable to minority interests” for that of third parties. The exchange rate difference reserve is recognised in the income statement when the investee is no longer a subsidiary. In those circumstances, the reserve is recognised in the income statement under the items “Financial income” or “Financial expenses”. With partial disposal, without losing control, the exchange rate difference related to the equity portion disposed of is attributed to equity interests attributable to non-controlling interests. If the investee should no longer be controlled and it should be qualified as a joint venture or associate, the conversion reserve is incorporated into the measurement applying the equity method.

Financial statements used for the conversion of Rai Corporation are those expressed in US Dollars (USD).

## Measurement criteria

Below please find a description of the main accounting standards and the most important measurement criteria used to draw up the Consolidated Financial Statements, unchanged compared to those used for the Consolidated Financial Statements as at 31 December 2017; except for what is connected to the new standards IFRS 9 and IFRS 15 coming into force on 1 January 2018. Effects resulting from first-time adoption are illustrated in Note 6 “Effects resulting from the first-time adoption of the accounting standards IFRS 9 and IFRS 15”.

## Assets

Property, plant and equipment. Property, plant and equipment are recognised according to the cost criteria and are entered at their purchase price or at cost of production including all directly allocated accessory charges necessary to make the assets ready for use. In the presence of current obligations for the dismantling, removal of assets and recovery of sites, the registration value includes costs estimated (actualised) to be sustained when the structures are abandoned, recognised as a balancing item to a specific provision (reference is made to Note 16.3 “Provisions for risks and non-current expenses”). Property, plant and equipment cannot be revalued, not even when applying specific laws.

Costs for improvements, modernisation and transformation that increase the property, plant and equipment are recognised to assets when it is probable that they increase the future economic benefits expected from the use or sale of the asset.

Property, plant and equipment are amortised systematically at constant percentages during their useful economic-technical lifespan, intended as the estimate of the period in which the assets will be used by the company, period starting from the month use of the asset starts or could have started. When the property, plant and equipment consists of multiple significant components have different useful lives, depreciation is made for each component. The value to depreciate is represented by the book value reduced by the estimated net exit value at the end of its useful life. Land, even if purchased together with a building, works of art and property, plant and equipment held for sale are not subject to depreciation. Any amendments to the amortisation plan, resulting from a review of the useful life of the tangible asset, of the residual value or the way to obtain economic benefits from the asset, are recognised respectively.

The estimated useful life of the main property, plant and equipment is the following:

	Useful life in years	
	Min	Max
Buildings	10	50
Plant and machinery	4	12
Fixtures and fittings, tools and other equipment	5	7
Other assets	4	9

The routine maintenance and repair costs are recognised to the consolidated income statement in the year in which they are incurred.

Intangible assets. Intangible assets concern the identifiable assets without physical consistency, controlled by the Group and able to generate future economic benefits, as well as the goodwill when acquired against payment. Identifiability is defined with reference to the possibility to distinguish the intangible asset acquired from goodwill. This requirement is normally met when:

- the intangible asset can be traced back to a legal or contractual right; or
- the asset is separable, meaning it can be assigned, transferred, rented or traded autonomously or as an integral part of other assets.

The Group's control consists in the right to enjoy future economic benefits arising from the asset and in the possibility to limit its access to others.

Intangible assets are recognised at purchase or production cost, including directly allocated accessory charges necessary to make the assets ready for use. Revaluations cannot be made, not even when applying specific laws.

The intangible assets having a defined useful life are systematically amortised during their useful life meant as the estimate of the period in which the assets will be used by the Group, and are broken down into:

- a) Programmes – Audiovisual Works: the costs for acquiring and producing TV programmes, of audiovisual, cinema and multimedia works, made up of the external costs directly allocated to each production and the costs of the internal resources used to make single programmes, are represented according to the following criteria:
  - 1) costs referring to television productions with repeat utility and with contractual use rights exceeding 12 months are capitalised as intangible assets and, if these productions are ready for use at year-end, are amortised on a straight-line basis, starting from the month they are ready or the right becomes available, with regard to the duration of their expected useful life. If, on the other hand, these productions with repeat utility are not yet usable at year-end or rights become available in the future, their costs are deferred as work in progress and payments on account.

Taking into account the objective difficulties in identifying elements able to guarantee a correct correlation between revenue from advertising and licence fees and the amortisation of the rights, to which the indeterminableness of the varied methods of exploitation is added,

the useful life of the programmes and audiovisual works with repeated usefulness is shown in the following table:

	Useful life in years
Rights to use pay TV, video on demand and similar relative to films and series acquired by Rai Cinema	1.5
TV series	3
Rights other than Free TV, pay TV, video on demand related to films and series acquired by Rai Cinema	3
Exploitation rights of football library	4
Cartoons	5
Free TV rights related to films and series acquired by Rai Cinema	5
"Full rights", i.e. products for which Rai Cinema has purchased the full chain of rights (film, television, home video, etc.)	7

In this regard, the estimate of the useful life of programmes with a repeat utility in the following segments had changed compared to 31 December 2017:

- cartoons: from three to five years;
- programmes acquired by Rai Cinema for use through pay TV, video on demand and similar: from 3 to 18 months.

The effects from these changes are highlighted in Note 18.6 "Depreciation, amortisation and other write-downs".

The costs referring to rights under concession for shorter durations are amortised on a straight-line basis corresponding to the period of availability. Should the rights have depleted the contractually available passages, the residual value is fully expensed.

- 2) The costs referring to television productions intended for immediate use are posted to the income statement in a single year, which usually coincides with that of use or the start of the concession. More specifically:
  - news reporting, light entertainment, documentaries, classical music, prose and the entire radio production. The costs are recognised during the year in which they are incurred, which usually coincides with the one in which they are broadcast;
  - sports events. The costs are recognised in the year in which the event takes place.
- b) Software user licences are depreciated in three years starting from the month they become available for use, generally coinciding with the months when use starts.
- c) Trademarks are depreciated in ten years from when they are available for use, generally corresponding to the year in which use starts.

Goodwill and other intangible assets having an indefinite useful life are not amortised; the recoverability of their book value is checked at least once a year and in any case whenever events that lead to an assumption of impairment occur.

**Real estate investments.** Real estate investments include properties owned by the Group through which to earn rents and/or for appreciation of capital invested and are entered in accounts applying the same rules illustrated in the paragraph on "Property, plant and equipment".

Real estate investments are eliminated from accounts when they are sold or are written-down when no future economic benefit is expected through their use or disposal. Any profit or loss, calculated as the difference between net consideration resulting from disposal and the net book value of assets eliminated and entered in the consolidated income statement.

When events occurring lead to an assumption of impairment of the real estate investments, their recoverability is checked by comparing the book value with the relevant recoverable value, represented by the fair value net of disposal charges or the value in use, whichever is greater.

Useful life is considered as 33 years.

**Impairment of non-financial assets.** The non-financial assets are analysed on every reporting date in order to check whether there are indicators of any impairment. When events occur that lead to assuming a reduction in the value of non financial assets, their recoverability is checked comparing the recognition value with the relative recoverable value represented by the higher between fair value, net of disposal expenses, and value in use. The value in use is calculated based on reasonable and demonstrable assumptions representing the best estimate of future economic conditions that will occur in the residual useful life of the asset, giving importance to the information coming from the outside. When the reasons why the write-downs took place no longer exist, the asset's value is restored and the rectification is recognised in the income statement as a revaluation (recovery of value). The impairment loss is reversed at the recoverable value or the book value before the impairment previously made and reduced by the amortisation quotas that would have been allocated if the impairment had not been made, whichever is the least.

**Equity investments.** Equity investments in joint ventures and in associates are measured applying the equity method.

On applying the equity method, equity investments are initially recognised at purchase cost, attributing any difference between the cost sustained and the interest share in the fair value of the identifiable net assets of the investee in a similar way to what is set forth in IFRS 3 "*Business Combinations*". The book value is then adjusted to take into account:

- the shareholder's portion of the economic results of the investee made following the date of acquisition; and
- the shareholder's portion of the other statement of comprehensive income components of the investee.

The changes in shareholders' equity of an investee other than those specified above are recognised to the consolidated income statement when they represent, in substance, the effects of a transfer of a shareholding in the investee. The dividends that the investee distributes are recognised to reduce the book value of the equity investment. To apply the equity method, adjustments foreseen for the consolidation process are considered (please see Note 3 "Consolidation principles").

When there is objective evidence of impairment, the recoverability is checked by comparing the book value with the relevant recoverable value calculated adopting the criteria indicated in the section "Impairment of non-financial assets". When the reasons for the write-downs cease to exist, the value of the equity investments is restored within the limits of the write-downs made with the effect recognised to the consolidated income statement.

The transfer of shareholdings entailing loss of joint control or significant influence over the investee causes the following to be recognised to the consolidated income statement:

- any capital gain/loss calculated as the difference between the consideration received and the corresponding fraction of the book value of the transferred equity investment;
- of the effect of the revaluation of any residual investment kept to align it with the relative fair value;
- any amounts recognised in other consolidated comprehensive income relating to the investee for which reclassification to the consolidated income statement is required.

The value of any investment kept, aligned with the relative fair value at the date joint control or considerable influence is lost, represents the new entry value, hence the reference value for the subsequent measurement based on measurement criteria applicable.

After an investment measured applying the equity method, or a share of that investment, is classified as held for sale as it meets the criteria for that classification, the investment, or investment share, is no longer measured by the equity method. Any shares of that investment not classified as held for sale are measured applying the equity method until disposal of the investment share held for sale has been concluded. Any residual share kept after the sale is measured based on the applicable valuation criteria.

The other investments, recognised in non-current assets as they are not held for negotiation, are measured at fair value with balancing entry to the consolidated income statement. When the investments are not listed on a regulated market, where information available to measure fair value is not sufficient, it is felt that the cost represents an adequate estimate.

The shareholder's portion of any losses of the investee exceeding the book value of the equity investment is recognised in a special provision to the extent in which the shareholder is committed to fulfilling legal or implicit obligations of the investee, or in any case to covering its losses.

**Inventory.** The final inventory of technical materials are recognised at purchase cost, calculated using the weighted average cost formula, adjusted in connection with market performance and the estimated non-uses tied to obsolescence and slow turnaround phenomena. The final inventory of goods (magazines and books and home videos) to be resold is recognised at purchase cost, calculated using the weighted average cost formula, or at presumed collection value resulting from market performance, if lower.

Work in progress to order, typically related to adjustment of the transmission and broadcasting network, are measured based on costs sustained related to work progress, calculated applying the cost to cost method.

**Trade receivables - Financial assets - Other assets.** Trade receivables, financial and other assets, considering their contractual characteristics and the business model adopted to manage them, are classified under the following categories: (i) financial assets recognised at amortised cost; (ii) financial assets recognised at fair value with balancing entry in other consolidated comprehensive income; (iii) financial assets recognised at fair value with balancing entry in the consolidated income statement.

Trade receivables, financial and other assets, if they only generate contractual cash flows representing capital and interest and if managed with a business model whose goal is to hold the asset to collect the aforementioned flows, are initially recognised at fair value rectified by directly attributable transaction costs and then recognised applying the amortised cost criterion based on the effective interest rate method (that is the rate that makes the current value of cash flows expected and the recognition value equal, at the time of initial recognition), suitably rectified to take any impairments into account, by recognition in the provisions for write-down of receivables.

Trade receivables, financial and other assets with the aforementioned contractual characteristics, if managed applying a business model whose goal is both to hold the asset to collect its contractual flows represented by the return of capital and interest accrued and to realise the investment through a sale, are recognised after initial entry, at fair value with balancing entry in other consolidated comprehensive income.

Financial assets whose contractual cash flows do not represent payment solely of capital and interest, are recognised at fair value with balancing entry in the consolidated income statement except for derivative instruments used to hedge financial flows, recognised at fair value with balancing entry in other consolidated comprehensive income.

Trade receivables, financial and other assets are included in current assets, except for those with contractual maturity exceeding twelve months compared to the financial statement date, classified in non-current assets.

**Impairment of financial assets.** At each financial statement reference date, all financial assets that are not those recognised at fair value with balancing entry in the income statement are analysed to check whether there is objective evidence that an asset or group of financial assets has suffered or could suffer a loss in value based on the expected losses model.

The Group measures the expected losses on trade receivables considering their entire duration based on a weighted estimate of the probabilities that those losses could occur. For this purpose, the Group uses quantitative and qualitative information and analyses, based on historical experience, suitably integrated with forecasts on the expected evolution of circumstances. Losses are measured as the current value of all differences between financial flows due contractually and cash flows the Group expects to receive. Actualisation is performed applying the effective interest rate of the financial asset.

For assets that are not trade receivables (financial assets, other assets, cash and cash equivalents), if the credit risk (that is the risk of non compliance along the expected life of the financial instrument) has increased significantly from the date of initial recognition, the Group estimates losses over a time horizon corresponding to the duration of each financial instrument. For financial assets represented by debt securities attributed a low credit risk at the financial statement reference date, losses are estimated over a twelve months time horizon. The Group believes that a debt security has a low credit risk when its rating is equal to or higher than at least one of the following levels: Baa3 for Moody's, BBB- for Standard&Poor's and Fitch.

To calculate whether the credit risk of a financial asset other than trade receivables has increased considerably following initial recognition, the Group uses all pertinent information, considered reasonable, that is adequately supported and available with no costs or excessive efforts needed.

Impairment losses related to financial assets are presented separately in the consolidated income statement.

If the amount of a loss in value of an asset previously recognised drops and that reduction can objectively be connected to an event that occurred after the loss in value was recognised, it is re-credited to the income statement.

**Derecognition of financial assets and liabilities.** Financial assets are derecognised when one of the following conditions is met:

- the contractual right to receive the cash flows from the asset has expired;
- the Group has essentially transferred all risks and benefits connected to the asset, transferring its rights to receive cash flows from the asset or taking on a contractual obligation to bestow cash flows received to one or more possible beneficiaries through a contract complying with IFRS 9 requirements (so-called pass through test);
- the Group has neither assigned nor basically retained all the risks and benefits connected with the financial asset, but has transferred control.

In the case of factoring transactions basically involving transfer of the risks and benefits connected with the receivables assigned to the factor (therefore the Group remains exposed to the risk of insolvency and/or delayed payment – so-called non-recourse factoring), the transaction is assimilated to the opening of a loan secured by the credit being assigned. In this circumstance, the assigned credit is still represented in the consolidated financial position of the Group until the factor collects it and, as a balancing entry of the advance, if any, obtained by the factor, a financial payable is recognised. The financial cost for factoring transactions is represented by interest on the amounts advanced entered in the income statement pursuant to the accrual principle, and are classified under financial expenses. Commissions accruing on assignments are included amongst the financial expenses.

The financial liabilities are derecognised when they are extinguished, meaning when the contractual obligation is fulfilled, cancelled or barred.

**Offsetting financial assets and liabilities.** The Group offsets financial assets and liabilities if and only if:

- there is a legally exercisable right to offset the amounts recognised; and
- there is the intention to either offset on a net basis or to realise the asset and adjust the liability at the same time.

**Cash and cash equivalents.** Cash and cash equivalents comprise cash, demand deposits and financial assets with maturity originally equal to or less than three months, readily convertible into case and subject to a negligible risk of change in value. Elements included in cash and cash equivalents are recognised at fair value.

Collection operations are recorded by bank transaction date; the order date is also taken into account for payment transactions.

## Liabilities

**Financial liabilities - Trade payables - Other payables and liabilities.** Loans and payables are recognised when the Group becomes part of the relative contractual clauses and are initially recognised at fair value rectified by the directly attributable transaction costs.

They are afterwards measured with the amortised cost criterion, using the effective interest rate method.

**Provisions for risks and charges.** Provisions for risks and charges are those costs and expenses of a certain or probable nature and existence which, at the financial statements closing date are undetermined for amount and/or occurrence date. The allocations to these provisions are recognised when:

- the existence of a current, legal or implicit obligation arising from a past event is likely;
- fulfilment of the obligation being against payment is likely;
- the amount of the obligation can be reliably estimated.

Provisions are recognised at the value represented the best estimate for the amount that the Group will reasonably pay to settle the obligation or to transfer it to third parties at the financial statements closing date. When the financial effect of time going by is significant and the payment dates for the obligations can be estimated reliably, the allocation is decided actualising expected cash flows considering the risks associated with the obligation. The increase in the provision connected with the passing of time is recognised to the income statement under the items "Financial income" or "Financial expense".

The costs the Group expects to sustain to implement reorganisation programs are entered in the year when the program is formally defined and the valid expectation that the reorganisation will take place has emerged in parties involved.

The provisions are periodically updated to reflect the changes in the estimates of costs, execution time and the discount rate; estimates reviewed are attributed to the same income statement item as the previous provision. Provisions for risks and charges are actualised when it is possible to reasonably estimate when the monetary outflows will take place. When the liability regards property, plant and equipment (e.g. dismantling and restoration of sites), the changes in provision estimate are recognised as a balancing entry for the asset to which they refer within the limits of the book values; any surplus is recognised in the income statement.

If it is expected that all the expenses (or a part of them) required to settle an obligation are repaid by third parties, the indemnity – when it is virtually certain – is recognised as a separate asset.

For contracts whose non-discretionary costs necessary for fulfilling the obligations undertaken are greater than the economic benefits expected to be obtainable from the contract (onerous contracts), the Group recognises a provision equal to the cost necessary for the fulfilment and any compensation or sanction arising from non-fulfilment of the contract, whichever is the lesser.

The existence of contingent liabilities, represented by possible but not probable obligations arising from past events whose existence will be confirmed only when one or more uncertain future events not totally under the company's control occur, or not occur, will not give rise to the recognition of liabilities recorded in the financial statements, but is explained in a specific note contained in the Consolidated Financial Statements.

**Employee benefits.** Taking into account their characteristics, benefits following employment are either "defined-contribution" plans or "defined-benefit" plans. In the defined-contribution plans, the Company's obligation - limited to paying contributions to the State, to an estate or to a legally distinct entity - is determined based on the contributions due. Costs related to those plans are recognised in the income statement based on the contribution made in the year. In the defined-benefit plans, on the other hand, the company's obligation is determined, separately for each plan, based on actuarial assumptions by estimating (in compliance with the projected unit credit method) the amount of the future benefits that the employees have accrued as at the date of reference. More specifically, the current value of the defined-benefits plans is calculated using a rate determined based on market performance as at the reporting date of the bonds of primary companies or, if there is no active market in which they are traded, government bonds. The liability is recognised on an accrual basis during the period the right accrues. The liability is measured by independent actuaries. If the assets servicing the plan exceed the current value of the relevant liability, the surplus is recognised as assets.

Net interest includes the return on assets servicing the plan and of the interest cost to recognised to the income statement. Net interest is determined by applying the discount rate defined for the liabilities to the liabilities, net of any assets servicing the plan; Net interest of defined-benefits plans is recognised to the consolidated income statement as “Financial income” or “Financial expenses”.

The actuarial gains and losses arising from the actuarial assessment of the defined-benefits plans and the return on assets servicing the plan (net of their interest income) are recognised as other components of the consolidated statement of comprehensive income. The actuarial gains and losses for the other long-term benefits are recognised to the consolidated income statement. If a defined-benefits plan is changed, or if a new plan is introduced, the pension cost, if any, related to past service is recognised to the consolidated income statement.

**Derivative instruments.** A derivative is a financial instrument or another contract:

- whose value changes depending on the changes in an underlying parameter, such as interest rate, price of a note or goods, exchange rate in foreign currency, index of prices or rates, rating of a receivable or another variable;
- that requires a net initial investment equal to zero or less than what would be required for contracts with a response similar to the changes in market conditions;
- that is settled at a future date.

Derivatives are classified as financial assets or liabilities based on the positive or negative fair value and are classified as “held for trading” and recognised at fair value in the consolidated income statement, except for those designated as effective hedging instruments.

Derivatives are designated as hedging instruments when the ratio between the derivative and the hedged item is formally documented and the hedging effectiveness (periodically checked) is high. When the derivatives cover the risk of change in the cash flows of the hedge instruments (cash flow hedge); e.g. hedging the variability of asset/liability cash flows due to exchange rates fluctuating, the changes in fair value of derivatives considered effective are initially recognised in the equity reserve for the other consolidated comprehensive income statement components (cash flow hedge reserve) and then attributed to the consolidated income statement consistent with the economic effects produced by the transaction hedged. The changes to the fair value of derivatives that cannot be qualified as hedging are recognised in the consolidated income statement.

For currency options, the fair value suspended to the cash flow hedge reserve is formed by the intrinsic value and the time value. The intrinsic value is equal to the amount of the currency optioned (nominal value), multiplied by the difference between the exchange rate of the option exercised and the market exchange rate at the time of measurement (e.g. end of year exchange rate). In cases where the exchange rate of the option exercised is off market – that is exercising it is not advantageous considering market conditions at the time of measurement – the intrinsic value is null. The time value is a value proportionate to option duration and comes from the difference between the option's total fair value and the intrinsic value.

For the forward purchase of currency, the fair value suspended for cash flow hedge reserve is represented by the spot component, that is the amount of the currency purchased by the difference between the spot rate of the forward purchase transaction and the market rate recognised on the measurement day.

## Fair value measurement

Fair value measurement is performed and relative disclosure is prepared applying IFRS 13 “*Measurement of fair value*”. Fair value is the price that would be received for the sale of an asset or that would be paid to transfer a liability during an ordinary transaction carried out by market operators, at the measurement date.

The measurement of fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the main market; that is in the market where the most volume and transaction levels for the asset or liability take place. Without a main market, one assumes that the transaction takes place in the most advantageous market to which the Group has access, that is the market susceptible to maximising the results of the transactions to sell the asset or to minimising the amount to pay to transfer the liability.

The fair value of an asset or liability is calculated considering the assumptions that market participants would use to define the price of the asset or liability, in the assumption that they act for the best economic interest. The market participants are informed independent buyers and sellers able to enter into a transaction for the asset or liability and motivated, but neither obliged nor induced, to make the transaction.

When measuring fair value, the Group considers the characteristics of specific assets and liabilities; in particular for the non-financial assets, the ability of a market operator to generate economic benefits by using the asset to its maximum and best use or selling it to another market operator able to use it to its maximum and best use. Fair value measurements for assets and liabilities are performed using techniques suited to the circumstances and for which there is enough data available, maximising use of observable inputs.

## Revenue

Revenues are recognised based on the following five steps:

- 1) identification of the contract with the customer;
- 2) identification of the performance obligations (i.e. the contractual commitments to transfer goods and/or services to the customer);
- 3) determination of the transaction price;
- 4) allocation of the transaction price to the performance obligations identified on the basis of the stand alone selling price of each good or service; and
- 5) recognition of the revenue when the relevant performance obligation is met.

When each contract is signed with customers, the Group, related to the goods or services promised, identifies as an obligation each promise to transfer goods, a service, a number of goods or services, or a distinct combination of goods and services to a customer.

Revenues are measured in a way that corresponds to the fair value of the fee due, including any variable components, where it is considered highly probable that they will not spill over into the future.

The Group recognises revenues due for each separate obligation when the control of services supplied, rights granted or goods sold is transferred to the purchaser.

Revenues are entered in the financial statements net of any discounts and rebates, payments made to customers which do not correspond to the purchase of distinct goods or services by the Rai Group, and the estimate to customer returns.

The Group recognises a contractual asset or liability based on the fact that the service has already taken place but the relative fee still has to be received; or a contractual liability when, for fees already received, obligations undertaken still have to be fulfilled.

Here below, please find a brief description of the recognition, measurement and valuation process applied for each of the main revenue flows identified.

**TV licence fees.** As described in Note 1 “General information”, the Parent Company performs, in order to exercise a Public Service, the activities established in the Contract. The fee for the service performed is represented by:

- ordinary licence fees, paid to the State, mainly by debiting the electricity bill, of the owners of a device that can receive the broadcasting signal and paid by the State, for its share, in ways established in the Contract in force in the months of January, May and September; and
- of special licence fees, paid to the Parent Company directly by managers of a commercial activity that makes use of the Public Service available to the public through a device able to receive the broadcasting signal.

As the Parent Company fulfils its obligation to provide a Public Service over time, the corresponding revenues from licence fees are recognised progressively as the broadcasting offer is transmitted.

**Advertising.** Contracts with advertisers establish that the Parent Company, for a fee, undertakes to circulate the promotional messages of its customers on its multimedia channels. The Group recognises the advertising revenues when the promotional messages are effectively transmitted also considering the fee reductions deemed highly probable.

**Special services under convention.** This type includes revenues calculated by agreements obliging the Parent Company to provide activities established in the contract for the production, distribution and transmission of audio-visual content abroad to add value to the Italian language, culture and companies as well as the production and distribution of radio and TV transmissions, and audio-visual contents, intended for some linguistic minorities, as well as activities connected to the management of broadcasting licence fees.

The type of obligation, normally satisfied over time, means that the Group acknowledges the relative revenues during the period in which the obligation is fulfilled. Moreover, the fee due is normally commensurate to the duration of productions transmitted.

**Sale of music rights and editions.** Contracts selling the rights to exploit audio-visual works and music editions normally acknowledge the possibility for customers to use the works granted through different multimedia means, for a limited period of time or for a pre-defined number of passages, in set territorial areas.

User licences normally acknowledge licensees the right to access audio-visual works and music editions as they are when the licence is granted; therefore, recognition of the relative revenue takes place when the licensee is able to start exploiting the rights granted, the consideration due is calculated as a fixed, non-refundable amount. However, when contracts foresee an amount calculated based on the results from the distribution of the right, the revenue is recognised when the results are achieved.

When rights sold have shares owned by third parties, the expense resulting from the share due to them is recognised as a reduction of revenues.

**Film and home video distribution.** Cinema distribution contracts require material necessary for broadcasting films to be made available to cinema operators for a certain period of time. In exchange, the Group is entitled to receive consideration, which is usually variable and commensurate with the number of tickets sold and the percentage agreed on in the contract for commission on cinema takings. Sometimes, a guaranteed minimum is established (if exceeded, additional income based on ticket sales, is provided), or instead a fixed consideration. The Group recognises revenues associated with film distribution in keeping with the type of contract: (i) for contracts with a guaranteed minimum or fixed consideration, it recognises revenues at the time when control of the material necessary for broadcasting films is transferred to operators, complying with the principle of accrual; (ii) for contracts with a variable consideration, it recognises revenues as tickets are sold and the consideration is accrued.

In the case of contracts for the home video distribution of audiovisual works, the Group usually distributes, on a sale or return basis, DVDs and Blu Ray Discs to its customers, for sale to the public. The Group therefore accrues the right to the consideration for the sale of the aforementioned goods, when the goods are sold to the customer and on an accrual basis.

Generally both types of contracts require operators or retailers (or the chains they belong to) to charge the Group for costs relative to promotional activities carried out at cinemas, sales outlets or in their immediate vicinity. As these activities, in most cases, are not separate from film and home video distribution, the Group records the expense directly deducting it from the consideration accrued, therefore recognising its revenues net of sums deducted for this reason.

**Distribution and sale of channels.** Contracts for the distribution and sale of channels oblige making the contents of an entire programme available to customers, for a limited period and to be broadcast on platforms and in contractually defined territories.

The type of obligation taken, normally satisfied over time, implies recognition of the relative revenues over the period in which the obligation is fulfilled; regardless of whether the fee could have been quantified as fixed and have been definitely recognised in advance.

**Fees for hosting plants and equipment.** Revenues from services for hosting plants and equipment are recognised when the customer obtains access to the sites where the plants and equipment are to be located. These revenues are recognised over the entire duration of the hosting contract, therefore regardless of the time-related distribution of the consideration.

## Public funding

Public funding, including non-monetary grants measured at fair value, are recognised when it is reasonably certain they will be received and that the Group will comply with all conditions set for their allocation.

The benefit of a public loan at an interest rate lower than the market rate is treated as public funding. The loan is initially recognised at fair value and the public funding is measured as a difference between the initial book value and the amount received. The loan is afterwards measured in compliance with the provisions established for financial liabilities.

Public contributions to the year are presented as a positive component in the consolidated income statement, under the item other revenues and income.

Public funding received for the purchase, construction or acquisition of fixed assets (tangible or intangible) is recognised to directly reduce the relevant purchase or production cost or is recognised as income in connection with the relevant useful life, based on the amortisation process of the assets subsidised.

## Costs

Costs are recognised on an accrual basis when they concern services and goods purchased or consumed during the year or by systematic breakdown, or when their future usefulness cannot be identified.

Operating lease rentals are charged to the consolidated income statement over the duration of the contract.

Financial income and expenses are recognised to the consolidated income statement during the year in which they accrued.

## Exchange rate differences

Revenues and costs relating to transactions in a currency that is not the functional one are recorded at the current exchange rate of the day on which the transaction is recognised.

Monetary assets and liabilities in a currency other than the functional one are converted into the functional currency applying the current exchange rate as at the reporting date of the consolidated financial statements with the effect charged to the consolidated income statement. Monetary assets and liabilities stated in a currency other than the functional one recognised at cost are recorded at the initial recognition exchange rate; when measurement is at fair value or at the recoverable or collection value, the current exchange rate at the date that value is calculated is adopted.

## Dividends

Dividends are recognised as at the date the General Meeting that establishes the right to receive payment passes the resolution except for when it is reasonably certain that the shares will be sold before the coupon date.

The dividends resolved by the Annual Shareholders' Meeting are represented as a change in consolidated shareholders' equity in the year in which they are approved.

## Income tax

Current taxes recognised under current income tax payables net of prepayments made, or under current income tax credits when the net balance is a credit, are calculated based on an estimate of taxable income and in compliance with tax laws, applying the percentages in force at the reference date.

Current taxes are recognised in the consolidated income statement, except for those concerning items directly chargeable to the consolidated shareholders' equity.

Deferred income tax assets and liabilities are calculated on the temporary differences between the asset values recognised and the matching values recognised for tax purposes, applying the rate in force as at the date on which the temporary difference will be paid, based on the rates expected as at the reporting date. A deferred tax liability is recorded for all taxable temporary differences, except for goodwill. Deferred tax assets on the temporary differences, tax losses and tax credits not used are recognised if and when their recovery is likely in expectation that they might realise positive taxable amounts for Rai and the Group in future tax periods. When each year closes, a new measurement is made of whether deferred tax assets can be registered.

Deferred income tax assets and liabilities are recognised in the consolidated income statement, except for those concerning items directly chargeable to the consolidated shareholders' equity.

As a result of applying regulations referring to the same tax authority, the deferred income tax assets and liabilities are offset if there is a legally exercisable right to offset the current tax assets with the current tax liabilities that will be generated at the time of their payment.

Deferred tax assets and deferred tax liabilities are classified under non-current assets and liabilities and are offset at the single tax jurisdiction level if referring to offsettable taxes. The offset balance, if receivable, is entered under deferred tax assets, if payable, under deferred tax liabilities.

## Related parties

Related parties are those that share the same parent company with Rai, the companies that control it directly or indirectly, are subsidiaries, or are subject to joint control of the Parent Company and those in which it holds an equity investment such as to be able to exercise considerable influence. The definition of related parties also includes entities that manage the benefit plans following the end of a working relationship solely for Company or Group employees (indicated specifically in Note 19.4 "Transactions with related parties") and key management personnel, that is those with powers and responsibilities, direct or indirect, for the planning, management, control of Rai's and subsidiaries' activities, including Directors.

In compliance with IAS 24 "Related party disclosures", paragraph 26, Rai is exempted from the disclosure requirements under paragraph 18 (according to which the Company must indicate the type of relationship with the related party, in addition to providing information on said transactions and on the existing balances, including the commitments necessary for the users of the financial statements to comprehend the potential effects of this relationship on the consolidated financial statements) in the case of relations with another entity that is a related party because the same government entity has control over both the entity drawing up the financial statements and another entity.

## 5 Use of estimates

Application of the IFRS for drawing up the Consolidated Financial Statements entails making accounting estimates that are often based on complex and/or subjective assessments and on past experience and assumptions considered reasonable and realistic in connection with the information known at the time of the estimate. The use of these estimates reflects on the book value of the assets and liabilities and on the disclosure concerning the contingent assets and liabilities as at the date of the Financial Statements, and on the amount of the revenues and costs in the accounting period represented. The actual results might differ from those estimated because of the uncertainty characterising the assumptions and conditions on which the estimates are based. The estimates and assumptions are periodically reviewed and the effects of every change are reflected in the consolidated income statement.

For better understanding, the most significant estimates of the process of drafting the Consolidated Financial Statements are provided below, because they involve making considerable recourse to subjective opinions, assumptions and estimates related to themes which are uncertain owing to their nature. The changes in the conditions at the root of adopted opinions and assumptions might have a large impact on the subsequent results.

### Write-downs

Assets are written down when events or circumstances arising after their initial recognition lead one to believe that this value is not recoverable. The decision of whether to proceed with its write-down and quantification depends on assessments made on the basis of reasonable and demonstrable assumptions representing the best estimate of the future economic conditions that will take place in the residual useful life of the asset while giving importance to the information coming from the outside.

The write-down is calculated comparing the registration value with the relative recoverable value, represented by the highest between fair value, net of disposal expenses, and the value in use. The latter is determined by the use of the asset net the disposal charges and quantified in light of the information available at the time of the estimate on the basis of subjective opinions on the trend of future variables (such as prices, costs, demand growth rates).

### Recovery of deferred taxes

Deferred tax assets are recognised in the Consolidated Financial Statements, mainly connected with recognition of tax losses that can be used in subsequent tax periods and as deferred tax deductible income components, for an amount that is highly likely to be recovered in future years. The amount of the above-mentioned deferred taxes is subordinate to the recoverability determined by attaining future taxable income which is sufficient to absorb the aforesaid tax losses or up to the total amount of the deferred tax liabilities. Management is required to give important opinions in order to determine the amount of the deferred taxes that can be recognised based on the time frame and the amount of the future taxable income. If in the future the Group should be unable to recover all or part of the deferred taxes recorded in the financial statements, the relevant adjustment will be charged to the consolidated income statement.

### Employee benefits

Some Group employees are registered with plans that disburse benefits after termination of employment (such as the provision for employee severance pay and the supplementary pension funds specified in Note 16.2 "Employee benefits"). Quantification of the costs and liabilities associated with these plans is based on estimates made by actuaries, who use a combination of statistical-actuarial factors, including statistical data relating to past years and forecasts of future costs.. Mortality and withdrawal rates, assumptions on the future evolution of discount rates, remuneration growth rates, inflation rates and the analysis of the trending index of healthcare costs are also considered as estimate components. What normally occurs is that when the balance of these liabilities is periodically measured, there are differences arising from, among other things, changes in the actuarial assumptions use, the difference between actuarial assumptions previously adopted and those that actually took place, and the different return on assets servicing the plan compared to what was considered in the net interest calculation. Measurement impacts are recognised in the consolidated statement of comprehensive income for the defined benefit plans and in the consolidated income statement for the defined contribution plans.

## Litigation

The Groups is respondent in several disputes concerning administrative, civil, tax and labour law matters. The nature of these disputes makes the final outcome of the matters objectively unforeseeable. Therefore, provisions were created to cover all significant liabilities for cases where it is felt that an unfavourable result is probable and it was possible to process a reasonable estimate of expenses resulting from any loss.

## Dismantling and restoration of sites

The Group recognised liabilities regarding the obligations to dismantle property, plant and equipment and to restore several areas under operating lease agreements at the end of the period they are used in. Estimating future dismantling and restoration costs is a complex process and requires common sense and judgement in assessing liabilities to sustain many years later, and they are often not fully defined by laws, regulations or contractual clauses. The critical nature of the estimates of dismantling and restoration charges also arises (i) from posting these charges whose current value is initially recorded to increase the cost of the asset to which they refer and as a balancing entry in the provision for risks; and (ii) from the complexity and subjectivity of the valuation process to perform upon initial recognition and to update at least once a year in order to determine the discount rate to use.

## Measuring the fair value of financial instruments

The fair value of listed financial instruments is calculated observing prices identifiable directly on the market, whereas for non-listed ones specific measurement techniques are applied that use the greatest number possible of observable market inputs. In the circumstances in which this is not possible, management estimates the inputs while taking into account characteristics of the instruments being measured. Changes in assumptions made to estimate input data could have effects on the fair value recognised for those instruments in the financial statements.

## 6 Effects resulting from first-time adoption of the accounting standards IFRS 9 and IFRS 15

When the accounting standards IFRS 9 and IFRS 15 were first applied, the Group opted to recognise the effect related to the retrospective redetermination of shareholders' equity values at the start of the current reporting period. The differences in accounting values resulting from adoption of the new standards were therefore recognised amongst other reserves and amongst the profits carried forward as at 1 January 2018; consequently, balances as at 31 December 2017 are measured and entered in the financial statements as established respectively by the previous accounting standards IAS 39 and IAS 18.

Following the introduction of accounting standard IFRS 9, a new item has been added to the consolidated income statement, the impairment of financial assets. This recognises impairment losses (including reversals) of financial assets in the ampler meaning provided by IAS 32, that includes all assets of contractual origin that give a right to receive cash flows (thus including trade receivables). Related to the right applied to the retrospective redetermination of shareholders' equity values at the start of the current reporting period, reference values as at 31 December 2017 are measured and entered in the financial statements as established by the previous accounting standard IAS 39.

Effects on the consolidated statement of financial position as at 1 January 2018 resulting from application of the accounting standards can be found in the following table:

(€/million)	31 December 2017	IFRS 15	IFRS 9	1 January 2018	Notes
Property, plant and equipment	1,070.3	-	-	1,070.3	
Real estate investments	4.7	-	-	4.7	
Intangible assets	944.9	-	-	944.9	
Equity investments	6.9	-	-	6.9	
Non-current financial assets	4.6	-	-	4.6	
Deferred tax assets	-	-	-	-	
Other non-current assets	15.2	-	-	15.2	
<b>Total non-current assets</b>	<b>2,046.6</b>	<b>-</b>	<b>-</b>	<b>2,046.6</b>	
Inventory	2.4	-	-	2.4	
Trade receivables	390.6	-	(1.8)	388.8	[1]
Current financial assets	7.2	-	-	7.2	
Current income tax receivables	21.7	-	-	21.7	
Other current receivables and assets	69.6	-	-	69.6	
Cash and cash equivalents	228.0	-	-	228.0	
<b>Total current assets</b>	<b>719.5</b>	<b>-</b>	<b>(1.8)</b>	<b>717.7</b>	
<b>Total assets</b>	<b>2,766.1</b>	<b>-</b>	<b>(1.8)</b>	<b>2,764.3</b>	
Share capital	242.5	-	-	242.5	
Reserves	209.9	(0.4)	(1.1)	208.4	
Retained earnings (losses)	(34.1)	(2.6)	(0.7)	(37.4)	
<b>Total Group shareholders' equity</b>	<b>418.3</b>	<b>(3.0)</b>	<b>(1.8)</b>	<b>413.5</b>	
Third party capital and reserves	42.2	-	-	42.2	
Retained earnings (losses)	19.6	(0.1)	-	19.5	
<b>Total shareholders' equity attributable to minority interests</b>	<b>61.8</b>	<b>(0.1)</b>	<b>-</b>	<b>61.7</b>	
<b>Total shareholders' equity</b>	<b>480.1</b>	<b>(3.1)</b>	<b>(1.8)</b>	<b>475.2</b>	
Non-current financial liabilities	403.4	-	-	403.4	
Employee benefits	483.1	-	-	483.1	
Provisions for non-current risks and charges	185.3	-	-	185.3	
Deferred tax liabilities	38.6	(1.0)	-	37.6	[2]
Other non-current payables and liabilities	2.0	-	-	2.0	
<b>Total non-current liabilities</b>	<b>1,112.4</b>	<b>(1.0)</b>	<b>-</b>	<b>1,111.4</b>	
Trade payables	660.1	-	-	660.1	
Provisions for current risks and charges	0.3	-	-	0.3	
Current financial liabilities	40.8	-	-	40.8	
Current income tax payables	30.5	-	-	30.5	
Other current payables and liabilities	441.9	4.1	-	446.0	[2]
<b>Total current liabilities</b>	<b>1,173.6</b>	<b>4.1</b>	<b>-</b>	<b>1,177.7</b>	
<b>Total liabilities</b>	<b>2,286.0</b>	<b>3.1</b>	<b>-</b>	<b>2,289.1</b>	
<b>Total shareholders' equity and liabilities</b>	<b>2,766.1</b>	<b>-</b>	<b>(1.8)</b>	<b>2,764.3</b>	

[1] Increase in the provision for bad debts through application of the impairment model based on the expected loss.

[2] Effects arising from a different time distribution of revenues relative to advertising and fees for hosting plants and equipment.

Notes to the Consolidated Financial Statements

Effects on initial shareholders' equity are registered in the following table:

(€/million)	Share capital	Legal reserve	Other reserves	Retained earnings (losses)	Group shareholders' equity	Shareholders' equity attributable to minority interests	Total shareholders' equity	Notes
<b>Balance as at 31 December 2017</b>	<b>242.5</b>	<b>11.8</b>	<b>198.1</b>	<b>(34.1)</b>	<b>418.3</b>	<b>61.8</b>	<b>480.1</b>	
Effects resulting from application of the new standards								
<b>IFRS 15</b>	-	-	(0.4)	(2.6)	(3.0)	(0.1)	<b>(3.1)</b>	[1]
<b>IFRS 9</b>	-	-	(1.1)	(0.7)	(1.8)	-	<b>(1.8)</b>	[2]
<b>Balance as at 1 January 2018</b>	<b>242.5</b>	<b>11.8</b>	<b>196.6</b>	<b>(37.4)</b>	<b>413.5</b>	<b>61.7</b>	<b>475.2</b>	

[1] Effect arising from a different time distribution of revenues relative to advertising and fees for hosting plants and equipment.

[2] Effect caused by the increase in the provision for bad debts through application of the impairment model based on the expected loss.

Application of the new standards compared to what is established by the previous standards IAS 39 and IAS 18 causes the following effects on the consolidated income statement as at 31 December 2018.

(€/million)	<b>Year ended 31 December 2018</b>	IFRS 15 [1]	IFRS 9 [1]	<b>Year ended 31 December 2018 with application of the previous standards IAS 18 and IAS 39</b>	Notes
Revenue from sales and services	2,565.8	1.8	-	2,567.6	[2][3]
Other revenue and income	12.2	-	-	12.2	
<b>Total revenue</b>	<b>2,578.0</b>	<b>1.8</b>	<b>-</b>	<b>2,579.8</b>	
Costs for the purchase of consumables	(12.8)	-	-	(12.8)	
Costs for services	(920.9)	(3.1)	-	(924.0)	[3]
Other costs	(53.1)	-	-	(53.1)	
HR expenses	(1,006.2)	-	-	(1,006.2)	
Impairment of financial assets	(2.7)	-	2.7	-	[4]
Depreciation, amortisation and other write-downs	(573.8)	-	(2.6)	(576.4)	[4]
Provisions	(0.7)	-	-	(0.7)	
<b>Total costs</b>	<b>(2,570.2)</b>	<b>(3.1)</b>	<b>0.1</b>	<b>(2,573.2)</b>	
<b>EBIT</b>	<b>7.8</b>	<b>(1.3)</b>	<b>0.1</b>	<b>6.6</b>	
Financial income	1.4	-	-	1.4	
Financial expense	(15.6)	-	-	(15.6)	
Result of investments measured with the equity method	0.1	-	-	0.1	
<b>Pre-tax profit/(loss)</b>	<b>(6.3)</b>	<b>(1.3)</b>	<b>0.1</b>	<b>(7.5)</b>	
Income tax	6.3	0.9	-	7.2	
<b>Result for the year - Profit (loss)</b>	<b>0.0</b>	<b>(0.4)</b>	<b>0.1</b>	<b>(0.3)</b>	

[1] Effects arising from the adoption of the new standards IFRS 15 and IFRS 9 replacing the previous standards IAS 18 and IAS 39.

[2] Effects arising from a different time distribution of revenues relative to advertising and fees for hosting plants and equipment.

[3] Effects arising from the reclassification of costs, with a reduction in revenues, for services charged by customers functionally related to the services provided.

[4] Increase in allocations to the provision for bad debts, for adoption of the impairment model based on the expected loss and reclassification of the item to depreciation, amortisation and other write-downs (formerly depreciation, amortisation and write-downs).

## 6.1 First-time adoption of accounting standard IFRS 9

### Classification of financial assets

The IFRS 9 accounting standard foresees that the entity check both the business model related to management of financial assets and the contractual characteristics of cash flows and, based on that analysis, classify them consistently.

When the financial asset is first recognised, if not designated as a financial asset measured at fair value with balancing entry in the income statement, it is classified as:

- asset at amortised cost, if managed based on a business model whose goal is to hold the asset to collect contractual flows and the relative contractual terms foresee allocation of financial flows represented solely by repayment of capital and by interest accrued on residual capital;
- asset measured at fair value with balancing entry in the other comprehensive income statement components, if managed based on a business model whose goal is to hold the asset to collect contractual flows, to realise the investment through the sale and the relative contractual terms foresee allocation of financial flows represented solely by repayment of capital and by interest accrued on residual capital.

When a shareholding investment not held for trading is first recognised, the entity may irrevocably choose to present the subsequent changes in fair value in the other comprehensive income statement components. This choice investment by investment.

The category of financial assets measured at fair value with balancing entry in the income statement includes all derivative instruments, except for those designated as hedging in a report on hedging the change risk of financial flows.

Considering the above, the following table compares the Group's financial assets classified in compliance with IFRS 9 categories and according to what was previous established by IAS 39. Please note that the new classification did not cause and effects on the value of financial assets as at 1 January 2018.

	Previous classification adopted in compliance with IAS 39	New classification adopted in compliance with IFRS 9
<b>Trade receivables</b>	Receivables and loans	Assets at amortised cost
<b>Current financial assets (a)</b>	Receivables and loans	Assets at amortised cost
<b>Cash and cash equivalents</b>	Receivables and loans	Assets at amortised cost
<b>Non-current financial assets (a)</b>	Receivables and loans	Assets at amortised cost
<b>Debt securities</b>	Financial assets held till maturity	Assets at amortised cost
<b>Hedging financial tools - Interest Rate Swap Forward Start</b>	Hedging financial tools	Financial assets measured at fair value with balancing entry in the other components of the comprehensive result
<b>Equity investments in other companies</b>	Financial assets measured at fair value with balancing entry in comprehensive income statement components (b)	Investments designated at fair value with balancing entry in the income statement (c)

(a) Excluding debt securities and hedging financial derivatives.

(b) For non-listed equity investments and whose fair value could not estimated reliably, they were recognised at cost rectified for loss of value.

(c) For investments in non-listed companies, if information available to measure fair value is not sufficient, it is felt that the cost represents an adequate estimate.

The item debt securities is entirely made up of government bonds expiring in May 2021, guaranteeing the Agreement and special services under convention with the State and are classified amongst assets at amortised cost because Rai intends to hold them until maturity to collect cash flows formed solely by payment of interest and capital.

Notes to the Consolidated Financial Statements

The following table illustrates the effects as at 1 January 2018 from classification of financial assets and liabilities based on criteria set forth in IFRS 9:

(€/million)

IAS 39 classification	IFRS 9 classification	Assets and liabilities at amortised cost	Financial assets and liabilities at fair value with a balancing entry recognised to the income statement	Financial assets and liabilities measured at fair value with balancing entry in the other components of the comprehensive result	Total financial assets and liabilities
<b>Assets</b>					
Receivables and loans		628.4	-	-	628.4
Financial assets held for sale		-	-	-	-
Financial assets and liabilities at fair value with balancing entry in the income statement		-	-	-	-
Hedging financial instruments		-	-	1.2	1.2
<b>Total financial assets</b>		<b>628.4</b>	<b>-</b>	<b>1.2</b>	<b>629.6</b>
<b>Liabilities</b>					
Receivables and loans		(1,103.8)	-	-	(1,103.8)
Financial assets and liabilities at fair value with balancing entry in the income statement		-	(0.5)	-	(0.5)
Hedging financial instruments		-	-	-	-
<b>Total financial liabilities</b>		<b>(1,103.8)</b>	<b>(0.5)</b>	<b>-</b>	<b>(1,104.3)</b>

### Hedging relations

All hedging relations designated pursuant to IAS 39 as at 31 December 2017 satisfy the criterion to be recognised as hedging operations also in compliance with IFRS 9 as at 1 January 2018 so are considered as a continuation of the pre-existing hedging relations.

Following adoption of IFRS 9, the aligned time value of the optional structures of derivatives is registered separately as a hedging cost and recognised amongst other comprehensive income, to be accumulated in a reserve as “hedging cost” instead of being immediately recognised in the consolidated income statement, based on the previous standard IAS 39. That change had no significant effects as at 1 January 2018.

For a description of the management strategies and targets for risks being hedged, please refer to Note 9 “Management of financial risks”.

### Reduction in value of financial assets

IFRS 9 replaces the “sustained loss” impairment model in IAS 39 “*Financial instruments: recognition and measurement*” with an “expected loss” model. The new model is applied to financial assets measured at amortised cost and to investments in debt instruments measured at fair value with balancing entry in the other components of the comprehensive income statement, but not to investments in instruments representing capital.

The Group measures the expected losses in trade receivables and on the other financial assets using criteria described in Note 4 “Measurement criteria”.

Impairment losses related to financial assets are presented separately in the consolidated income statement.

Application of the standard only caused effects on trade receivables resulting from the measurement of the loss in value based on expected losses.

With reference to 1 January 2018, the Group determined higher write-downs for trade receivables for a total of €1.8 million.

## 6.2 First-time adoption of accounting standard IFRS 15

Effects on shareholders' equity as at 1 January 2018, from the application of IFRS 15, amounted to €3.1 million due to the different time distribution of advertising revenues and revenues relative to fees for hosting plant and equipment, net of the tax component.

For the method used to recognise revenues, please refer to the Note 4 "Measurement criteria".

## 7 Recently issued accounting standards

### Accounting principles approved by the European Union but still not mandatorily applicable

- International accounting standard IFRS 16 "Leasing" (hereinafter "IFRS 16") was approved with Regulation 2017/1986 issued by the European Commission on 31 October 2017. IFRS 16 replaces IAS 17 "Leases" and relative interpretations (IFRIC 4 "Decide whether an agreement contains a lease", SIC 15 "Operating leases—Incentives" and SIC 27 "Measurement of the substance of transactions in the legal form of lease").

IFRS 16 establishes that all leases, established as contracts attributing a right to use an identified or identifiable asset, for a certain period of time in exchange for a fee, be recognised in the financial statements of the lessee by recognising a liability in the statement of financial position, represented by the current value of future instalments, calculated using the implicit lease interest rate or the marginal financing rate of the lessee if the lease's implicit interest rate is not easy to calculate, with contextual recognition in assets of the corresponding "lease use right". Therefore, the lessee will recognise depreciation for the use right and interest accrued on the liability in the income statement, in place of the operating lease instalments recognised in costs for services based on IAS 17 in force until 2018. In the cash flow statement, the payment of instalments repaying the aforementioned liability will be presented in cash flows from financing therefore, referred to leases classified as operating leases in compliance with IAS 17, application of IFRS 16 will imply a change to the net operating cash flow and the net cash flow from financing. IFRS 16 therefore exceeds, in the lessee's statement, the previous distinction between operating and financial leases. However, in the lessor's statement, both the distinction between operating and financial lease is maintained as is the accounting established in IAS 17. IFRS 16 is applied in a retrospective manner as of 1 January 2019.

The audit carried out by the Group highlighted inclusion, applying the standard, of the following contract types:

- property leases;
- car rentals.

The Group intends opting for the principle of continuing to recognise payments due for short-term leases (of less than 12 months) and for leases for which the underlying asset is of modest value, as costs.

At the date of first-time adoption, the Group intends to opt:

- to not re-examine each lease in force as at 1 January 2019, applying IFRS 16 solely to those previously identified as leases (ex IAS 17 and IFRIC 4);
- to check recoverability of assets for right of use as at 1 January 2019 based on the measurement, in these financial statements, related to the high cost of leases in compliance with provisions in IAS 37;
- not to assimilate, in the switch-over stage, leases with a residual duration as at 1 January 2019 of less than 12 months to short term ones;
- to adopt the practical expedient, granted by the standard, to apply the so-called simplified retrospective method with the measurement, for leases previously classified as operating, of the payable for lease and of the corresponding right of value in use measured on remaining contractual instalments at the switch-over date; actualised based on the marginal loan rate applicable as at 1 January 2019, that is the interest rate the Group would have paid to implement a loan transaction with similar cash profile and the same collateral guarantees of the lease being measured (so-called Incremental Borrowing Rate or Incremental rate).

The main impacts on the Consolidated Financial Statements can be summed up as follows:

- consolidated statement of financial position: greater non-current assets for registration of the “lease use rights” for an amount quantifiable as at 1 January 2019 in €87.2 million and of “lease liabilities” for an amount quantifiable as at 1 January 2019 in €86.8 million. The difference between the two values is caused by advances paid in 2018 for contractual instalments at the turn of the two years;
- consolidated income statement: different type, quantification, qualification and classification of costs (amortisation of the “lease use rights” in the row “amortisation and other write-downs” and “interest expense for leases” in the row “financial expenses” compared to the previous classification of costs for leases and rentals in the row “costs for services”) with resulting positive impact on gross operating profitability. Furthermore, the combination between amortisation in constant percentages of lease use rights and the effective interest rate method applied to lease payables imply compared to IAS 17, higher expenses in the income statement in the first lease years and decreasing expenses in the last ones.

The above quantification could change due to fine tuning the measurement process when IFRS 16 is first applied, in 2019 financial reports.

- Regulation 2018/498 issued by the European Commission on 22 March 2018 approved the amendments to the international accounting standard IFRS 9 “*Financial instruments – Early payment elements with negative compensation*”. Those amendments aim to clarify the classification of certain financial assets repayable early. These amendments are effective starting from the years beginning on or after 1 January 2019, allowing early application. The Group estimated that the above change will have no impact on its Consolidated Financial Statements, since the cases it regulates are not applicable to the Group situation.
- Regulation 2018/1595 issued by the European Commission on 23 October 2018 approved the IFRIC 23 interpretation “*Uncertainty over treatment for income tax purposes*”. IFRIC 23 specifies how to reflect the effects of uncertainty in posting income taxes if the tax treatment of a particular transaction or circumstance is not clear. The provisions of IFRIC 23 are effective starting from the years beginning on or after 1 January 2019. The Group assessed that above change will have no specific impacts on the Consolidated Financial Statements.

## Accounting principles not yet approved by the European Union

- On 18 May 2017, the IASB issued IFRS 17 “*Insurance Contracts*”, that regulates the accounting treatment of insurance contracts issued and re-insurance contracts held. The provisions of IFRS 17 are effective starting from the years beginning on or after 1 January 2021.
- IASB issued the amendments to IAS 28 “*Long-term Interests in Associates and Joint Ventures*” on 12 October 2017. The amendments clarify that a company applies IFRS 9 to the long-term interests in an associate or joint venture that are part of the net investment in the associate or joint venture. These amendments are effective starting from the years beginning on or after 1 January 2019.
- IASB issued the document “*Annual Improvements to IFRS Standards 2015-2017 Cycle*” on 12 December 2017. The amendments it contains are:
  - IFRS 3: the company remeasures the equity investment previously held in a joint operation when it obtains control of the business.
  - IFRS 11: a company does not remeasure the equity investment previously held in a joint operation when it obtains joint control of the business.
  - IAS 12: a company considers all the consequences of income taxes resulting from the payment of dividends.
  - IAS 23: a company treats any loan previously subscribed to develop an asset when the asset is ready for its expected use or for sale as part of the general loans.
 The amendments indicated in the above-mentioned document are effective starting from the years beginning on or after 1 January 2019.
- On 7 February 2018 the IASB issued the document “*Amendments to IAS 19: Plan Amendment, Curtailment or Settlement*”. The amendments specify that when an entity recalculates its net liabilities (assets) for defined benefit plans after a plan amendment, reduction or regulation, it has to use the updated actuarial hypotheses to calculate the cost of the current service and the net interest for the remaining

part of the annual reference period. These amendments are effective starting from the years beginning on or after 1 January 2019.

- On 29 March 2018, the IASB issued the document “*Amendments to References to the Conceptual Framework in IFRS Standards*”. The document’s purpose is to update, in existing standards, references to and mentions of the existing version on the conceptual framework or to the version that was replaced in 2010 so that reference is made to the updated conceptual framework. These amendments are effective starting from the years beginning on or after 1 January 2020.
- On 22 October 2018, the IASB issued the document “*Amendments to IFRS 3 Business Combination*”. The objective is to improve application of the definition of business in order to solve difficulties arising practically when an entity decides whether to acquire an asset or group of assets. These amendments are effective starting from the years beginning on or after 1 January 2020. Early application is allowed.
- On 31 October 2018, the IASB issued the document “*Amendments to IAS 1 and IAS 8: Definition of Material*”. Amendment objectives are to clarify definition of “materiality” including a guide which had been described elsewhere in IFRS standards until now; align the definition used in the conceptual framework with that of the IFRS themselves and improve explanations accompanying the definition. These amendments are effective starting from the years beginning on or after 1 January 2020. Early application is allowed.

At present, the Group is analysing the principles specified and is assessing whether their adoption will have a significant impact on its financial statements.



## Information by operating segment

IFRS 8 “*Operating Segments*” identifies the Operating Segment as a component of an entity:

(i) that carries out activities able to generate flows of revenue and autonomous costs; (ii) whose operational results are periodically reviewed at the highest operational decision-making level, which for the Group coincides with the Parent Company’s Board of Directors, with the purpose of taking decisions on allocation of the resources and assessing their results; and (iii) for which separate economic-financial information is prepared. The Group has identified only one operating segment and the management information, prepared and periodically made available to the Parent Company’s Board of Directors for the purposes referred to above, considers the activity carried out by the Group as an indistinct set; as a result, no information by operating segment is presented in the Consolidated Financial Statements. The information on the services carried out by the Group, the geographical area (which for the Group nearly corresponds entirely to the territory of the Italian State) where it carries out its activity and its major users are provided in the pertinent Notes to these Consolidated Financial Statements to which the reader is therefore referred.

## Management of financial risks

The financial risks to which the Group is exposed are managed according to the approach and the procedures defined within a specific policy issued by the Parent Company and also applied to subsidiaries, except for Rai Way which, following listing, adopted its own policy; moreover the same as the Rai one. Those documents establish procedures, limits and tools for the monitoring and minimisation of financial risk; to preserve the corporate value of the Group and of entities belonging to it.

The main risks identified by the Group are:

- market risk arising from exposure to fluctuations of interest rates and exchange rates connected with the financial assets and liabilities respectively owned/originated and assumed;
- credit risk arising from the possibility that one or more counterparties might be insolvent;
- liquidity risk arising from the Group's inability to obtain the financial resources needed to meet short-term financial commitments.

### 9.1 Market risk

Market risk consists of the possibility that changes in the interest and exchange rates might negatively influence the value of the assets, liabilities or expected cash flows.

When managing market risk, the Group uses the following derivative instruments:

- Interest rate swap to hedge exposure to interest rate risk;
- forward currency purchase options to hedge exposure to the exchange risk.

Details of derivatives existing at the financial statements' data can be found in the following table:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
<b>Non-current assets</b>		
Interest rate swap	-	1.2
	-	<b>1.2</b>
<b>Current assets</b>		
Options on currencies	0.3	-
Forward purchases of currency	0.3	-
	<b>0.6</b>	-
<b>Non-current liabilities</b>		
Interest rate swap	5.1	-
	<b>5.1</b>	-
<b>Current liabilities</b>		
Options on currencies	-	0.4
Forward purchases of currency	-	0.1
	-	<b>0.5</b>

Based on the policies adopted, derivatives may be used solely to hedge financial flows; use for speculative purposes is not permitted.

Further information on recognition of derivatives in financial statements and on measurement of the relative fair value are provided in Note 4 "Measurement criteria - Financial derivatives", in Note 5 "Use of estimates - Measurement of the fair value of financial instruments" and Note 11 "Measurement of fair value".

The change to the spot forward purchase component (that is the change to spot exchange rates) and to exchange rate options are suspended, at the financial statement date, in the cash flow hedge reserve until recognition of the right or asset being hedged. The component linked to the time of forward purchase is registered in the income statement during the hedging duration.

The following table illustrates movements of the cash flow hedge provision separately by financial instrument category:

(€/million)	Cash flow hedge reserve			
	Options on currencies (*)	Forward purchases of currency	Interest rate swap	Total cash flow hedge reserve
<b>Balance as at 31 December 2017</b>	-	-	<b>0.8</b>	<b>0.8</b>
Change in fair value (**)	0.2	0.2	(6.3)	(5.9)
Reclassification from OCI to financial income and expense		-	0.1	0.1
Deferred taxes	-	(0.1)	0.3	0.2
<b>Balance as at 31 December 2018</b>	<b>0.2</b>	<b>0.1</b>	<b>(5.1)</b>	<b>(4.8)</b>

(\*) Includes the time value recognised as at 31 December 2018 for a non-significant value in millions of Euro.

(\*\*) Intrinsic value for options on currencies and the spot component for forward purchases.

### Control of effectiveness

The effectiveness of hedging is decided when hedging starts and is re-examined periodically to check the economic ratio between the element hedged and the hedging instrument.

Effectiveness is formally proven with qualitative criteria related to the important terms (nominal amount, expiry, underlying, currency and reference rate) of the hedged element, aligned with the hedging instrument. In this situation, the hedging instrument's value evolves in the opposite direction to the element hedged and there is a clear economic ratio between the two.

The possible sources of ineffectiveness are identified in the following elements:

- significant changes in the amount and timing of payment of contracts in USD being hedged;
- significant changes in the credit risk of counterparts (rating).

The ratio between quantity of element hedged and the relative instrument designated to hedge it (hedge ratio) is always 1:1.

### Interest rate risk

Interest rate risk originates from the possible increase in net financial expenses as a result of unfavourable changes in market rates on the variable rate financial positions. In order to limit this risk, corporate policies require that the medium/long-term variable rate loans be converted to fixed rate for at least 50% by using derivative products, such as interest rate swaps and options on rates.

As at 31 December 2018, the medium/long term borrowings of the Parent company are all at fixed rates; therefore, the effects of the change in rates fall only on the short-term positions of a varying duration and sign during the year.

The Company has four Interest Rate Swap Forward Start contracts for a total nominal amount of €350 million with start date May 2020 and validity for the following 5 years, to hedge the risk of an increase in interest rates when the debenture bond issued expires and the resulting need to refinance.

Hedging effectiveness was checked with reference to an hypothetical derivative with the same characteristics in terms of nominal, expiry, reference rate, considering the characteristics of the future bond that is considered highly likely to be issued. The fair value of those transactions as at 31 December 2018 is suspended in a specific cash flow hedge fund, with effect, net of the tax component, on total profit/(loss) for the year.

As a consequence of the early repayment of the amortising loan, Rai Way closed the two interest rate swap hedging contracts with a negligible economic effect.

Here below is a table summing up the financial effects of hedging instruments in place as at 31 December 2018:

(€/million)	<b>Year ended 31 December 2018</b> Interest rate swap
Book value	(5.1)
Nominal amount	350.0
Interest Rate Swap Forward Start date	20 May
Change in fair value of the hedging instruments	(6.3)
Change in value of the element hedged	6.3
Fixed average rate at maturity	0.8855%

### Sensitivity analysis

The table below shows a sensitivity analysis conducted on non-hedged financial positions and on the Interest Rate Swap contracts of Rai and Rai Way (for the latter only for 2017). As at 31 December 2017 the rate curve on short-term maturity is negative, so the rate reduction shift had only been applied for the Interest rate swap contracts.

(€/million)	Interest rate change	Change in economic result before tax effect	Change to cash flow hedge reserve
Year ended 31 December 2018	+50 bp.	0.5	7.7
	-50 bp.	-0.5	-9.0
Year ended 31 December 2017	+50 bp.	1.0	9.0
	-50 bp.	-	-9.0

### Exchange rate risk

The Group's exchange risk mainly refers to exposure in USD originating from the purchase of film and TV rights by Rai Cinema SpA (hereinafter "Rai Cinema"). During 2018, these commitments generated payments for about USD 150 million (USD 180 million in 2017). Further exposure currencies, with split disbursements and of a modest amount all in all, are the Swiss Franc and the British Sterling for a value of about €6 million.

As at 31 December 2018 hedging transactions were only active for Rai Cinema.

Exchange rate risk is managed starting from the date the trade commitment is signed, which may also be long-term, and has as an objective protecting the value in Euro of the commitments, as estimated at the time of the order (or budget). The policy regulates their management in keeping with international best practices, the aim being to minimise risk, pursued through the active monitoring of exposure and the adoption of hedging strategies. The mandates for carrying out hedging transactions are given hierarchically and progressively, with a minimum intervention percentage of 50% of the contractual amount in foreign currency.

The breakdown of the assets and liabilities in currency other than the Euro recognised in the financial statements is provided below:

(€/million)	Year ended 31 December 2018		Year ended 31 December 2017	
	USD	Other foreign currencies	USD	Other foreign currencies
Trade receivables	4.4	1.0	3.7	0.1
Trade payables (*)	(8.0)	(2.0)	(18.5)	(1.9)
Cash on hand	4.1	-	1.6	0.1
Other non-current assets	-	0.1	-	0.1
Other current receivables and assets	0.1	-	0.1	-
Other current payables and liabilities	-	(0.1)	-	(0.1)
Current financial liabilities	-	-	-	-

(\*) amount hedged by derivatives for a nominal value of USD 1.9 million as at 31 December 2018 and USD 13.5 million as at 31 December 2017.

Here below is a table summing up the financial effects of hedging instruments in place as at 31 December 2018, for invoices, assessments or binding commitments of Rai Cinema:

(€/million)	Year ended 31 December 2018	
	Options on currencies	Forward purchases of currency
Book value	0.3	0.3
Notional amount in USD	8.5	12.7
Maturity of operations	Mar 19-Dec 19	Apr 20-Dec 19
Change in fair value of the hedging instruments (*)	0.2	0.2
Change in value of the hedged item	(0.2)	(0.2)
Average weighted exchange rate for the year	1.19	1.21

(\*) Intrinsic value for options on currencies and the spot component for forward purchases.

## Sensitivity analysis

As for what is explained above, exposure to the exchange rate risk is significant only for the EUR/USD exchange rate. Therefore, a sensitivity analysis as at 31 December 2018 and as at 31 December 2017 was conducted on credit and debt positions in currency, non-hedged credit and debt positions, on derivatives hedging commitments for contracts already signed and on available cash in foreign currency. A symmetrical change of 10% of the exchange rate compared to the value present as at the reporting date, all other conditions being equal, was simulated. The effects on the economic result, found in the following table, are determined by the net positions not hedged by the exchange risk; whereas the cash flow hedge reserve includes the effective portion of hedging on commitments already undertaken but with no impact on equity in the Consolidated Financial Statements, and is only referred to the subsidiary Rai Cinema.

(€/million)	Eur/USD exchange rate	Change in Eur/USD exchange rate	Recalculated Eur/USD exchange rate	Change in economic result before tax effect	Change in cash flow hedge reserve
Year ended 31 December 2018	1.1450	-10%	1.0305	0.2	1.8
		+10%	1.2595	-0.2	-1.3
Year ended 31 December 2017	1.1993	-10%	1.0794	-0.1	0.3
		+10%	1.3192	0.2	-0.4

## 9.2 Credit risk

The theoretical exposure to credit risk for the Group mainly refers to the book value of the financial assets and trade receivables recognised in the Consolidated Financial Statements.

As for the counterparty risk, trade partner assessment procedures are adopted for managing trade receivables. The analysis is conducted periodically on the situation of the past due items and may lead to the dunning of the parties affected by solvency problems. The lists of the past due items analysed are arranged by amount and customer, updated to the analysis date and show those situations demanding greater attention.

The corporate structure of the single companies appointed to collect the credit initiates kindly reminder measures with the counterparts that are debtors of amounts relating to past-due items. If these activities do not result in collection of the sums, the structures start in agreement with the respective legal functions (warning letter, injunction, etc.) actions to collect the credit after formally dunning the debtor parties. The allocations to the provision for write-downs are made specifically on the credit positions having peculiar risk elements.

Moreover, the Group measures the expected losses on trade receivables considering their entire duration based on a weighted estimate of the probabilities that those losses could occur. For this purpose, the Group uses historical experience, suitably integrated with forecasts on the expected evolution of circumstances. If the conditions exist, losses are measured as the current value of all differences between financial flows due contractually and cash flows the Group expects to receive. Actualisation is performed applying the effective interest rate of the financial asset.

The analysis of receivables by due date (before provision for write-downs) is provided below:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
<b>Invoices to be issued</b>	<b>159.6</b>	<b>106.2</b>
falling due	135.7	199.2
expired from 0 to 90 days	71.1	64.3
expired from 91 to 180 days	7.3	21.1
expired over 180 days	46.1	45.0
<b>Invoices issued</b>	<b>260.2</b>	<b>329.6</b>
<b>Total trade receivables</b>	<b>419.8</b>	<b>435.8</b>

Credit risk on uses of funds is limited since corporate policy requires the use of low risk financial instruments and with counterparties having high ratings for the periods of cash surplus. Only time or demand deposits with bank counterparties having investment grade rating were used during 2018 and 2017.

## 9.3 Liquidity risk

On the strength of a centralised treasury agreement, with the sole exception of the subsidiary Rai Way which has its own resources, Rai manages the Group's financial resources through a cash-pooling system that involves daily transfer of the bank balances of the associates to the Parent Company current accounts, which grants the intercompany credit facilities necessary for the operations of these companies.

As regards the medium/long-term, the financial structure of the Group consists of a bond issue with maturity date in May 2020 for €350 million (please refer to Note 16.1 "Non-current financial liabilities and current portions of non-current financial liabilities" for further details) and an amortising loan maturing in 2021, from the European Investment Bank (hereinafter "EIB") for the project to implement terrestrial digital technology for €25 million, both in favour of Rai.

In consideration of the significant fluctuation of the infra-annual indebtedness connected with the periodic settlement of the licence fees by the Ministry of Economy and Finance, the Parent Company has uncommitted bank credit facilities for about €434 million and a five-year revolving line with a pool of banks totalling €270 million, undrawn as at 31 December 2018.

The revolving line requires that the following Consolidated Financial Statements parametric/equity ratio be met and it was met in full (0.63) at the reporting date:

- Net Financial Debt (adjusted by receivables from the State for licence fees)/shareholders' equity  $\leq 1.7$ .

Rai Way has its own revolving line of €50 million not used as at 31 December 2018, maturing in September in 2019.

The cash situation is constantly monitored with a financial forecasting process that highlights any financial critical issues considerably in advance so that expedient measures can be taken.

The following table includes the analysis by due date of the financial liabilities as at 31 December 2018 and 31 December 2017. The balances presented are non-discounted contractual amounts, except for the currency derivatives, for which the amounts shown are at their fair value since this is indicative of the effect on the cash flows during the specific period. The various expiry periods are determined based on the period between the financial statements reference date and when the bonds expire.

(€/million)	Year ended 31 December 2018				Year ended 31 December 2017			
	< 1 year	2-5 years	>5 years	Total	< 1 year	2-5 years	>5 years	Total
<b>Trade payables and other liabilities:</b>								
Trade payables	706.0	-	-	<b>706.0</b>	660.1	-	-	<b>660.1</b>
Other payables and liabilities	455.2	1.3	0.2	<b>456.7</b>	441.9	1.7	0.3	<b>443.9</b>
<b>Medium/long-term financial liabilities:</b>								
Medium/long-term loans	10.6	15.8	-	<b>26.4</b>	41.4	56.6	-	<b>98.0</b>
Bonds	5.3	355.2	-	<b>360.5</b>	5.3	360.5	-	<b>365.8</b>
<b>Short-term financial liabilities:</b>								
Payables for financial leases	5.7	-	-	<b>5.7</b>	-	-	-	-
Payable to associates	0.1	-	-	<b>0.1</b>	-	-	-	-
<b>Derivative instruments:</b>								
Currency derivatives	-	-	-	-	0.5	-	-	<b>(0.5)</b>
Interest rate derivatives - non-discounted cash flows	-	5.6	-	<b>5.6</b>	-	-	-	-

## 10 Management of capital risk

The Group objectives when managing capital are inspired by preservation of the ability to continue guaranteeing optimum capital strength also through the ongoing improvement of operational and financial efficiency. The Group pursues the objective of retaining an adequate level of capitalisation that allows it to realise an economic return and to access external sources of funding. The Group constantly monitors the evolution of the indebtedness level related to shareholders' equity. Specifically, the ratio between equity and total liabilities including shareholders' equity is presented in the following table.

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Shareholders' equity	453.0	480.1
Total shareholders' equity and liabilities	2,672.2	2,766.1
Ratio	17.0%	17.4%

The net financial position of the Group for the periods under review is shown in Note 21.2 "Consolidated net financial position".

## 11 Fair value measurement

The fair values of the financial instruments classified based on a hierarchy of levels reflecting the significance of the inputs used for calculation (IFRS 13 "Fair value measurement") are provided below:

- **Level 1:** listed price (active market) - the data used in the measurements are represented by prices listed on markets in which assets and liabilities identical to those being measured are traded;
- **Level 2:** use of parameters observable on the market (e.g. for the derivatives, the exchange rates recorded by the Bank of Italy, market rate curves, volatility provided by Reuters, credit spreads calculated on the basis of the credit default swaps, etc.) different from the Level 1 listed prices;
- **Level 3:** use of parameters not observable on the market (internal assumptions, for example, cash flows, spreads adjusted for risk, etc.).

The financial instruments at fair value recorded in the financial statements are made up of hedging derivatives measured with a financial model that uses the most popular and accepted market formulas (net current value for forward currency purchasing transactions and application of the Black&Scholes formula for the options), in addition to the following input data given by the provider Reuters: ECB spot exchange rates, Euribor and IRS rate curves, volatility and credit spreads of the various bank counterparties and, for Rai, of the securities issued by the Italian State. The fair value of the derivative instruments represents the net position between assets and liabilities. For more information on the derivative instruments (assets and liabilities), please refer to Notes 14.3 "Current financial assets" and 17.2 "Current financial liabilities".

(€/million)	Year ended as at 31 December 2018		
Description	Level 1	Level 2	Level 3
Derivatives on exchange rates	-	0.6	-
Derivatives on interest rates	-	(5.1)	-

(€/million)	Year ended as at 31 December 2017		
Description	Level 1	Level 2	Level 3
Derivatives on exchange rates	-	(0.5)	-
Derivatives on interest rates	-	1.2	-

# 12

## Reconciliation between the classes of financial assets and liabilities and types of financial assets and liabilities

To complete disclosure on financial risks, the reconciliation between classes of financial assets and liabilities and types of financial assets and liabilities identified based on IFRS 7 requirements is provided below:

Year ended 31 December 2018	Assets and liabilities at amortised cost	Financial assets and liabilities at fair value with a balancing entry recognised to the income statement	Financial assets and liabilities measured at fair value with balancing entry in other comprehensive income	Total financial assets and liabilities	Notes (***)
(€/million)					
<b>Assets</b>					
Trade receivables (*)	377.4	-	-	377.4	13.7 - 14.2
Current financial assets	5.9	0.2	0.4	6.5	14.3
Cash and cash equivalents	92.2	-	-	92.2	14.6
Non-current financial assets	3.1	-	-	3.1	13.5
Equity investments in other companies (**)	-	6.7	-	6.7	13.4
<b>Total financial assets</b>	<b>478.6</b>	<b>6.9</b>	<b>0.4</b>	<b>485.9</b>	
<b>Liabilities</b>					
Trade payables	(706.0)	-	-	(706.0)	17.1
Current financial liabilities	(10.9)	-	(5.1)	(16.0)	17.2
Non-current financial liabilities	(369.2)	-	-	(369.2)	16.1
<b>Total financial liabilities</b>	<b>(1,086.1)</b>	<b>-</b>	<b>(5.1)</b>	<b>(1,091.2)</b>	

(\*) The item includes the value of the trade receivables allocated to other non-current assets.

(\*\*) When the investments are not listed on a regulated market, where information available to measure fair value is not sufficient, it is felt that the cost represents an adequate estimate.

(\*\*\*) The figures provided below indicate the paragraphs within the Notes in which the assets and liabilities shown are described in detail.

Year ended 31 December 2017	Receivables and loans	Financial assets held for sale	Financial assets and liabilities at fair value with balancing entry recognised to the income statement	Hedging instruments	Total financial assets and liabilities	Notes (**)
(€/million)						
<b>Assets</b>						
Trade receivables (*)	391.6	-	-	-	391.6	13.7 - 14.2
Current financial assets	7.2	-	-	-	7.2	14.3
Cash and cash equivalents	228.0	-	-	-	228.0	14.6
Non-current financial assets	3.4	-	-	1.2	4.6	13.5
<b>Total financial assets</b>	<b>630.2</b>	<b>-</b>	<b>-</b>	<b>1.2</b>	<b>631.4</b>	
<b>Liabilities</b>						
Trade payables	(660.1)	-	-	-	(660.1)	17.1
Current financial liabilities	(0.2)	-	(0.5)	-	(0.7)	17.2
Current portion of medium/long-term loans	(40.1)	-	-	-	(40.1)	17.2
Non-current financial liabilities	(403.4)	-	-	-	(403.4)	16.1
<b>Total financial liabilities</b>	<b>(1,103.8)</b>	<b>-</b>	<b>(0.5)</b>	<b>-</b>	<b>(1,104.3)</b>	

(\*) The item includes the value of the trade receivables allocated to other non-current assets.

(\*\*) The figures provided below indicate the paragraphs within the Notes in which the assets and liabilities shown are described in detail.

# 13

## Non-current assets

### 13.1 Property, plant and equipment

Property, plant and equipment, which amounted to €1,073.1 million (€1,070.3 million as at 31 December 2017), are broken down as follows:

(€/million)	Land	Buildings	Plant and machinery	Fixtures and fittings, tools and other equipment	Other assets	Work in progress and payments on account	Total
Cost	382.1	588.0	2,122.5	97.8	120.7	64.4	3,375.5
Write-downs	-	-	(0.3)	-	-	-	(0.3)
Accumulated amortisation	-	(259.1)	(1,860.1)	(88.5)	(97.2)	-	(2,304.9)
<b>Balance as at 31 December 2017</b>	<b>382.1</b>	<b>328.9</b>	<b>262.1</b>	<b>9.3</b>	<b>23.5</b>	<b>64.4</b>	<b>1,070.3</b>
Increases and capitalisation	1.3	8.6	37.8	2.3	4.2	49.6	103.8
Disposals [1]	-	(0.5)	(0.3)	-	-	-	(0.8)
Reclassifications [2]	-	6.3	33.2	1.0	2.5	(43.1)	(0.1)
Amortisation	-	(17.2)	(73.6)	(3.0)	(6.3)	-	(100.1)
<b>Balance as at 31 December 2018</b>	<b>383.4</b>	<b>326.1</b>	<b>259.2</b>	<b>9.6</b>	<b>23.9</b>	<b>70.9</b>	<b>1,073.1</b>
<i>broken down as follows: [3]</i>							
Cost	383.4	602.1	2,168.1	100.4	125.3	70.9	3,450.2
Write-downs	-	-	-	-	-	-	-
Accumulated amortisation	-	(276.0)	(1,908.9)	(90.8)	(101.4)	-	(2,377.1)
[1] of which:							
Cost	-	(0.8)	(25.4)	(0.7)	(2.1)	-	(29.0)
Amortisation	-	0.3	25.1	0.7	2.1	-	28.2
	-	<b>(0.5)</b>	<b>(0.3)</b>	-	-	-	<b>(0.8)</b>
[2] of which reclassification to the item intangible assets - software:							
Cost	-	-	-	(0.1)	-	-	(0.1)
	-	-	-	<b>(0.1)</b>	-	-	<b>(0.1)</b>
[3] net of use of the provision for write-downs for:							
Write-downs	-	-	0.3	-	-	-	0.3
Amortisation	-	-	(0.3)	-	-	-	(0.3)
	-	-	-	-	-	-	-

Investments for the year, which amounted to €103.8 million (€91.7 million in 2017), fall within the scope of the modernisation and technological development initiatives that the Group implemented.

The amount of the existing contractual commitments for the purchase of property, plant and machinery is specified in Note 19.2 "Commitments".

## 13.2 Real estate investments

Real estate investments amount to €4.4 million (€4.7 million as at 31 December 2017) and concern some property, owned by Rai Pubblicità SpA (hereinafter "Rai Pubblicità"), leased to third parties, for which rent is received totalling €1.7 million in the year ended 31 December 2018 (€1.9 million as at 31 December 2017). Real estate investments break down as follows.

(€/million)	Buildings
Cost	13.6
Accumulated amortisation	(8.9)
<b>Balance as at 31 December 2017</b>	<b>4.7</b>
Amortisation	(0.3)
<b>Balance as at 31 December 2018</b>	<b>4.4</b>
<i>broken down as follows:</i>	
Cost	13.6
Accumulated depreciation	(9.2)

During 2018, no investments or disposals took place, the change in the period therefore refers to the entire depreciation charge.

Based on the latest estimates, the market value as at 31 December 2018 of the buildings entered under real estate investments ranges between €33.1 million and €39.4 million.

Notes to the Consolidated Financial Statements

### 13.3 Intangible assets

Intangible assets, which amounted to €919.5 million (€944.9 million as at 31 December 2017), are broken down as follows:

(€/million)	Programmes	Software	Trademarks	Goodwill	Other intangible assets	Work in progress and payments on account	Total
Cost	1,421.2	25.5	0.1	5.0	3.9	310.7	1,766.4
Write-downs	(55.7)	-	-	-	-	(30.7)	(86.4)
Amortisation	(724.0)	(10.4)	(0.1)	-	(0.6)	-	(735.1)
<b>Balance as at 31 December 2017</b>	<b>641.5</b>	<b>15.1</b>	<b>-</b>	<b>5.0</b>	<b>3.3</b>	<b>280.0</b>	<b>944.9</b>
Increases and capitalisation	292.5	6.3	-	-	-	148.6	447.4
Disposals [1]	-	-	-	-	-	(1.0)	(1.0)
Reclassifications [2]	154.9	3.4	-	-	-	(158.2)	0.1
Write-downs	(55.4)	-	-	-	-	(2.8)	(58.2)
Amortisation [3]	(404.0)	(9.4)	-	-	(0.3)	-	(413.7)
<b>Balance as at 31 December 2018</b>	<b>629.5</b>	<b>15.4</b>	<b>-</b>	<b>5.0</b>	<b>3.0</b>	<b>266.6</b>	<b>919.5</b>
<i>broken down as follows [4]:</i>							
Cost	1,415.2	32.8	0.1	5.0	3.5	299.3	1,755.9
Write-downs	(68.7)	-	-	-	-	(32.7)	(101.4)
Amortisation	(717.0)	(17.4)	(0.1)	-	(0.5)	-	(735.0)
[1] of which:							
Cost	-	-	-	-	-	(1.0)	(1.0)
	-	-	-	-	-	<b>(1.0)</b>	<b>(1.0)</b>
[2] of which reclassification to the item property, plant and equipment - fixtures and fittings, tools and other equipment:							
Cost	-	0.1	-	-	-	-	0.1
	-	<b>0.1</b>	-	-	-	-	<b>0.1</b>
[3] net of use of the provision for write-downs for:							
Write-downs	42.4	-	-	-	-	-	42.4
Amortisation	(42.4)	-	-	-	-	-	(42.4)
	-	-	-	-	-	-	-
[4] amounts net of assets amortised in full at year end and, for work in progress, net of assets eliminated, amounting to:							
Cost	(453.4)	(2.4)	-	-	(0.4)	(0.8)	(457.0)
Write-downs	-	-	-	-	-	0.8	0.8
Amortisation	453.4	2.4	-	-	0.4	-	456.2
	-	-	-	-	-	-	-

Investments, which amounted to €447.4 million (€464.3 million as at 31 December 2017) mainly refer to TV series for €302.4 million and films for €109.0 million.

The amount of work in progress and payments on account refers to programmes for €252.2 million, software for €13.3 million and other rights for €11 million.

The write-downs recognised during the year amounted to €58.2 million, and were performed in order to adjust the assets to their estimated recoverable value.

The amount of the existing contractual commitments for the purchase of intangible assets is specified in Note 19.2 "Commitments".

## 13.4 Equity investments

Equity investments valued by the equity method and other investments, respectively for €5.8 million (€6.0 million as at 31 December 2017) and €0.9 million (€0.9 million as at 31 December 2017), break down as follows.

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Joint ventures	4.5	4.1
Associates	1.3	1.9
<b>Total investments measured by equity method</b>	<b>5.8</b>	<b>6.0</b>
Equity investments in other companies	0.9	0.9
<b>Total equity investments</b>	<b>6.7</b>	<b>6.9</b>

Here below are the movements of investments measured by the equity method:

(€/million)	Year ended 31 December 2017			Change in the year			Year ended 31 December 2018		
	Costo	Adjustment to shareholders' equity	Financial statement value	Acquisitions	Profit/(loss)	Decrease due to dividends	Cost	Adjustment to shareholders' equity	Financial statement value
<b>Joint ventures:</b>									
San Marino RTV SpA	0.3	1.8	2.1	-	-	-	0.3	1.8	2.1
Tivù Srl	0.5	1.5	2.0	-	0.7	(0.3)	0.5	1.9	2.4
<b>Associated companies:</b>									
Audiradio Srl (in liquidation)	1.4	(1.4)	-	-	-	-	1.4	(1.4)	-
Auditel Srl	-	0.7	0.7	-	-	-	-	0.7	0.7 (a)
Euronews SA	0.9	0.3	1.2	-	(0.6)	-	0.9	(0.3)	0.6
Tavolo Editori Radio Srl	-	-	-	-	-	-	-	-	-
<b>Total equity investments in joint ventures and associated companies</b>	<b>3.1</b>	<b>2.9</b>	<b>6.0</b>	<b>-</b>	<b>0.1</b>	<b>(0.3)</b>	<b>3.1</b>	<b>2.7</b>	<b>5.8</b>

(a) valuation relating to the Financial Statements as at 31 December 2017, the latest available.

Investments in joint ventures concern:

- *San Marino Rtv SpA* (50% Rai): the company, incorporated in 1991 with joint shares of Rai and E.R.A.S. ("Ente di Radiodiffusione Sammarinese") pursuant to Law 99 of 9 April 1990 ratifying the radio and television collaboration agreement between the Italian Republic and the Republic of San Marino, has a share capital of €0.5 million, made up of 1,000 shares of a nominal value of €516.46 each. Related to the positive result achieved by the company in 2018, the investment was revalued, for an insignificant amount in millions of euro, to adjust it to the value of €2.1 million corresponding to the Rai share of the company's shareholders equity.
- *Tivù Srl* (48.16% Rai): the share capital of €1 million is subscribed by Rai and by R.T.I. Reti Televisive Italiane SpA – with joint shares of 48.16%, by TI Media – Telecom Italia Media SpA – with a 3.5% share, and by two associations – FRT and Aeranti Corallo – each with a 0.09% share. During 2018, distribution of a dividend of €0.6 million was resolved for 2017. The amount concerning Rai, €0.3 million, was recorded to reduce the recognition value of the equity investment. Following the profit attained by the company in 2018 which amounted to €1.5 million, the equity investment was revalued for the portion concerning Rai, which came to €0.7 million. The equity investment was recognised for the value of €2.4 million, which corresponds to Rai's portion of the company's shareholders' equity.

Equity investments in associated companies concern:

- *Audiradio Srl in liquidation* (27% Rai): the share capital amounts to €0.3 million and consists of 258,000 shares of the nominal value of €1.00 each. The gross value of the equity investment, €1.4 million, was totally written down based on the last Financial Statements as at 31 December 2018, which showed negative shareholders' equity that was not significant in millions of euro. The portion of the equity deficit was allocated to a special provision for charges.
- *Auditel Srl* (33% Rai): the share capital, €0.3 million, consists of 300,000 shares of the nominal value of €1.00 each. The equity investment was recognised for the value of €0.7 million, corresponding to the percentage concerning Rai on the shareholders' equity of the company posted in the last Financial Statements as at 31 December 2017.
- *Euronews - Société Anonyme* (3.08% Rai): the share capital, €26.9 million, consists of 1,792,373 shares of the nominal value of €15 each. The investment was written down as at 31 December 2018 for the amount of €0.6 million to adjust it to the percentage concerning Rai on the shareholders' equity value of the company corresponding to €0.6 million.
- *Tavolo Editori Radio Srl* (15.8% Rai): the share capital, €0.1 million, is divided between national publishers (70%), – of which Rai 15.8% – and local ones (30%). The Rai share has an insignificant value in millions of €. The extraordinary shareholders' meeting held on 14 June 2018 resolved to cover losses realised as at 31 December 2017 by resetting share capital to zero and at the same time re-establishing such capital through shareholders in proportion to the equity investments held by them. On 12 July 2018, Rai paid its share. The investment is currently registered for an insignificant value in millions of euro, corresponding to the Rai percentage of the shareholders' equity of the company as at 31 December 2018 showing a positive result of €0.2 million.

Here below are the movements of the other investments:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Almaviva SpA	0.3	0.3
Istituto dell'Enciclopedia Italiana Treccani SpA	0.7	0.7
Others [1]	0.1	0.1
<b>Gross value</b>	<b>1.1</b>	<b>1.1</b>
Provision for the write-down of equity investments in other companies	(0.2)	(0.2)
<b>Total equity investments in other companies</b>	<b>0.9</b>	<b>0.9</b>

[1] Banca di Credito Cooperativo di Roma Scpa, International Multimedia University Umbria Srl in liquidation and Immobiliare Editori Giornali Srl.

Equity investments in other companies concern:

- *Almaviva - The Italian Innovation Company SpA* (0.83% Rai): the investment value, €0.3 million, has not changed since the previous year. The share capital, which is €154.9 million, is represented by 107,567,301 ordinary shares and by 47,331,761 special shares, both of the face value of €1.00 each. During 2018, distribution of a dividend of €12.6 million was decided. The amount due to Rai, equal to €0.1 million, was recognised in the item financial income.
- *Istituto dell'Enciclopedia Italiana Treccani SpA* (0.89% Rai): the equity investment was recognised for a gross value of €0.7 million, written down for €0.1 million as a result of the losses the company sustained. Share capital is represented by 62,724,105 share of a nominal value of €1.00 each.
- *Banca di Credito Cooperativo di Roma Scpa* (company with variable capital, with the percentage held by Rai insignificant): was recognised for a value of €1 thousand for the acquisition of 100 shares.
- *Immobiliare Editori Giornali Srl* (1.75% Rai Com): the equity investment, recognised in the financial statements of Rai Com, for an insignificant value in millions of Euro, comprised 23,815 shares against payment and 4,306 shares without a consideration for a total of 28,121 shares of a nominal value of €0.51 out of a total of 1,608,000.

- *International Multimedia University Umbria Srl in bankruptcy proceedings* (1.533% Rai): the investment value was written down in full as it is no longer certain that the amounts paid can be recovered.

### 13.5 Non-current financial assets

Non-current financial assets, which amounted to €3.1 million (€4.6 million as at 31 December 2017), break down as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Financial receivables from personnel	0.1	-
Securities	2.4	2.5
Derivative instruments	-	1.2
Other non-current financial assets	0.6	0.9
<b>Total non-current financial assets</b>	<b>3.1</b>	<b>4.6</b>

Non-current financial assets are shown net of the provision for write-downs of €0.2 million (unchanged compared to 31 December 2017) entirely referring to the financial receivables from employees.

The item securities equal to €2.4 million (€2.5 million as at 31 December 2017), is entirely made up of government bonds falling due in May 2021, securing the Service Agreement and the special services agreement with the State.

Expiration of the current and non-current financial assets is broken down as shown below:

(€/million)	Year ended 31 December 2018			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Financial receivables from personnel	0.1	0.1	-	0.2
Securities	-	2.4	-	2.4
Derivative instruments	0.6	-	-	0.6
Blocked bank deposits	5.5	-	-	5.5
Other financial assets	0.3	0.6	-	0.9
<b>Total current and non-current financial assets</b>	<b>6.5</b>	<b>3.1</b>	<b>-</b>	<b>9.6</b>

(€/million)	Year ended 31 December 2017			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Securities	-	2.5	-	2.5
Receivables from joint ventures and associated companies	0.5	-	-	0.5
Derivative instruments	-	1.2	-	1.2
Blocked bank deposits	6.3	-	-	6.3
Other financial assets	0.4	0.9	-	1.3
<b>Total current and non-current financial assets</b>	<b>7.2</b>	<b>4.6</b>	<b>-</b>	<b>11.8</b>

The short-term portion of the financial assets, which amounted to €6.5 million, is included in the current components of the statement of financial position described in Note 14.3 "Current financial assets".

Information on risks hedged and on hedging policies is disclosed in Note 9.1 "Market risk".

### 13.6 Deferred tax assets

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Deferred tax assets eligible for offset	134.2	122.3
Deferred tax liabilities eligible for offset	(157.7)	(160.9)
<b>Net deferred tax liabilities</b>	<b>(23.5)</b>	<b>(38.6)</b>

As at 31 December 2017, at 31 December 2018 the net balance of deferred tax assets and deferred tax liabilities shows a negative amount, so is posted in the liabilities of the consolidated statement of financial position. Please refer to Note 16.4 "Deferred tax liabilities" for the relevant analyses.

Income taxes are reported in Note 18.10 "Income taxes".

### 13.7 Other non-current assets

Other non-current assets totalled €50.2 million (€15.2 million as at 31 December 2017) and break down as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Advances for sports events	41.5	7.0
Advances for trade initiatives	20.8	20.6
Non-current portion of trade receivables	4.1	1.0
Receivables from personnel	0.5	0.5
Amounts committed to cautionary deposit with third parties	2.2	2.3
Other non-current receivables	1.7	4.4
- Provision for write-down of other non-current assets	(20.6)	(20.6)
<b>Total other non-current assets</b>	<b>50.2</b>	<b>15.2</b>

Advances for sports events mainly refer to sums paid for the acquisition of rights to future sports' events (the most significant including the European football Championships and the 2020 summer Olympics).

Other non-current receivables refer to €1.0 million for the recognition of the non-current portion of the substitute tax arising from tax relief for the merger deficit generated by the merger through incorporation of the company Sud Engineering with Rai Way in 2017. The current portion equal to €0.1 million was recognised under the item current income tax credits as explained in Note 14.4.

The remaining items above basically regard non-current portions of assets described in Note 14.5 "Other current receivables and assets", to which the reader is referred.

The provision for write-down of other non-current assets, which amounted to €20.6 million (unchanged compared to 31 December 2017), breaks down as follows:

(€/million)	Year ended 31 December 2017	Provisions	Drawdowns	Yearended 31 December 2018
Provision for write-down of advances for trade initiatives	(13.7)	(0.8)	-	(14.5)
Provision for write-down of advances for sports events	(6.9)	-	0.8	(6.1)
<b>Total provision for write-down of other non-current assets</b>	<b>(20.6)</b>	<b>(0.8)</b>	<b>0.8</b>	<b>(20.6)</b>

# 14

## Current assets

### 14.1 Inventory

Inventory, net of its provision for write-downs, amounted to €2.3 million (€2.4 million as at 31 December 2017), and breaks down as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Technical materials	12.9	13.0
- Technical materials bad debt provisions	(12.1)	(12.1)
Work in progress to order	0.2	0.2
Finished products and goods	1.3	1.3
<b>Total inventory</b>	<b>2.3</b>	<b>2.4</b>

The final inventory of technical materials, €0.8 million net of the bad debt provisions (€0.9 million as at 31 December 2017), refers to stock and spare parts for maintenance and the use of technical capital equipment similar to consumables since their utility is depleted over a period that usually is no longer than 12 months.

Work in progress to order, €0.2 million (unvaried compared to 31 December 2017), refers to costs sustained to develop the Isoradio network, entered in the financial statements of the subsidiary Rai Way.

Final inventory of finished products and goods, equal to €1.3 million (unvaried compared to 31 December 2017), mainly concerns inventories related to magazines and books and home video distribution.

### 14.2 Trade receivables

Trade receivables amount to €373.3 million (€390.6 million as at 31 December 2017) and break down as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Trade:		
- State and other public bodies for agreement services	59.4	61.6
- Other receivables	360.2	374.0
- Provision for write-downs - trade	(46.5)	(45.2)
Joint ventures and associates	0.2	0.2
<b>Total trade receivables</b>	<b>373.3</b>	<b>390.6</b>

Receivables from joint ventures and associated companies refer to:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
San Marino RTV SpA	0.1	0.1
Tivù Srl	0.1	0.1
<b>Receivables from joint ventures and associated companies</b>	<b>0.2</b>	<b>0.2</b>

The breakdown of trade receivables by geographical area shows a national predominance.

The nominal value of receivables from the State and other public bodies for agreement services, €59.4 million (€61.6 million as at 31 December 2017), refers to:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
<b>Prime Minister's Office:</b>		
Contribution to the year to be paid to San Marino RTV	3.1	3.1
Radio, television and multimedia offer for abroad	6.7	6.7
Broadcasts from Trieste in Slovenian	11.4	11.4
Radio and TV broadcasts in French for the Valle d'Aosta Autonomous Region	2.1	2.1
<b>Revenue Office:</b>		
Management of ordinary TV licence fees	8.0	10.5
<b>Regions and Provinces:</b>		
Autonomous Province of Bolzano: broadcast of radio and TV programs in German and Ladin in the autonomous province of Bolzano	19.2	19.2
Autonomous Region of Valle d'Aosta: management of plants for the TV reception of programmes from the French cultural area	8.9	8.6
<b>Total receivables from the State and other public bodies for agreement services</b>	<b>59.4</b>	<b>61.6</b>

The other trade receivables are net of amounts transferred non-recourse equal, as at 31 December 2018, to €0.3 million (€7.2 million as at 31 December 2017).

Receivables from related parties are specified in Note 19.4 "Transactions with Related Parties".

Trade receivables are shown net of the provision for write-downs of €46.5 million (€45.2 million as at 31 December 2017), with movements itemised below:

(€/million)	Year ended 31 December 2017	Provisions	Drawdowns	Absorptions	Application IFRS 9	Year ended 31 December 2018
<b>Provision for write-downs - trade</b>	<b>(45.2)</b>	<b>(3.2)</b>	<b>3.2</b>	<b>0.5</b>	<b>(1.8)</b>	<b>(46.5)</b>

The first-time adoption of IFRS 9 led to an increase in the provision for write-down-trade, for a value of €1.8 million as explained in Note 6.1 "First-time adoption of IFRS 9".

Receivables in foreign currency amount to €5.4 million (€3.8 million as at 31 December 2017) as indicated in Note 9.1 "Market risk".

### 14.3 Current financial assets

Current financial assets, which amounted to €6.5 million (€7.2 million as at 31 December 2017), decreased by €0.7 million. The breakdown of the item and the comparison with the previous year are shown below:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Joint ventures and associates	-	0.5
From employees	0.1	-
Derivative instruments	0.6	-
Blocked bank deposits	5.5	6.3
Other current financial assets	0.3	0.4
<b>Total current financial assets</b>	<b>6.5</b>	<b>7.2</b>

Receivables from joint ventures and associated companies as at 31 December 2017 refer to San Marino RTV.

Blocked bank deposits, which came to €5.5 million (€6.3 million as at 31 December 2017) refer to amounts seized on current accounts due to litigation in progress.

Derivative instruments recognised at fair value, are broken down below in the assets component, including the current and non-current portions:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Currency hedging derivatives	0.6	-
<b>Total derivative financial instruments – current portion</b>	<b>0.6</b>	<b>-</b>
Rate hedging derivatives	-	1.2
<b>Total derivative financial instruments – non-current portion</b>	<b>-</b>	<b>1.2</b>
<b>Total derivative financial instruments</b>	<b>0.6</b>	<b>1.2</b>

The fair value of derivative instruments was calculated considering valuation models largely used in the financial field and the market parameters as at the reporting date, as better specified in Note 11 “Fair value measurement”. Cash flow hedging on exchange rates for €0.6 million as at 31 December 2018 refer to the hedging of contracts for the acquisition of TV and film rights of Rai Cinema in USD, an are adopted by the Parent Company under a specific mandate of the subsidiary. No non-current portions are recognised.

The recognition of effects on the income statement and realisation of cash flows from hedged contracts take place over a time interval which ends in the fourth quarter of 2019.

No transactions qualifying on a preliminary basis as hedging changed status in 2018.

The value of €1.2 million as at 31 December 2017 refers to the fair value of interest rate swap forward start contracts stipulated by Rai, as indicated in Note 9.1 “Market risk”; these derivatives as at 31 December 2018 recorded a negative fair value and were therefore recognised as non-current financial liabilities.

Information on risks hedged and on hedging policies is disclosed in Note 9.1 “Market risk”.

## 14.4 Current income tax receivables

Current income tax receivables, which totalled €19.0 million (€21.7 million as at 31 December 2017), are specified as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
IRES refund requested	16.9	16.9
Withheld taxes	0.7	1.1
<b>Total IRES</b>	<b>17.6</b>	<b>18.0</b>
<b>IRAP</b>	<b>2.0</b>	<b>3.9</b>
<b>Advance for substitute tax on goodwill</b>	<b>0.1</b>	<b>-</b>
<b>Provision for write-downs for current income taxes</b>	<b>(0.7)</b>	<b>(0.2)</b>
<b>Total current income tax receivables</b>	<b>19.0</b>	<b>21.7</b>

Current income tax receivables are shown net of the provision for write-downs of €0.7 million (€0.2 million as at 31 December 2017) related to withheld taxes on income risking recoverability.

The IRAP receivable, €2.0 million (€3.9 million as at 31 December 2017) refers to the IRAP advances paid to tax authorities.

The advance on the substitute tax for goodwill refers to the recognition of the non-current portion of the substitute tax arising from tax relief for the merger deficit generated by the merger through incorporation of the company Sud Engineering with Rai Way in 2017. The non-current portion equal to €1.0 million was recognised under the item other non-current assets as explained in Note 13.7.

The taxes are commented in Note no. 18.10 "Income taxes".

## 14.5 Other current receivables and assets

Other current receivables and assets, which totalled €121.9 million (€69.6 million as at 31 December 2017) break down as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Advances for sports events	27.2	0.7
Advances to suppliers, collaborators and agents	25.3	20.6
Receivables from social security and welfare institutions	2.8	3.7
Other tax receivables	3.6	3.7
Receivables from personnel	9.8	10.1
Receivables from entities, companies, bodies and others	16.3	16.1
Receivables for subsidies and grants from the State, EU and other public entities	0.5	0.2
Other receivables (current deferrals)	40.5	19.0
- Provision for write-downs for other current receivables and assets	(4.1)	(4.5)
<b>Total other current receivables and assets</b>	<b>121.9</b>	<b>69.6</b>

Please note that:

- the receivables from social security and welfare institutions refer to advances disbursed against contributions due for artistic collaborations and other reasons;
- receivables from personnel are mainly referred to receivables from labour disputes, to advances for travel expenses and for production expenses. The item includes receivables from application of Law 89/2014;

- other tax receivables break down as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
VAT refund requested	2.2	2.1
Other tax refunds requested	0.2	0.2
Other	1.2	1.4
<b>Total other tax receivables</b>	<b>3.6</b>	<b>3.7</b>

The provision for write-downs for other current receivables and assets, which totalled €4.1 million (€4.5 million as at 31 December 2017) breaks down as follows:

(€/million)	Year ended 31 December 2017	Provisions	Drawdowns	Absorptions	Year ended 31 December 2018
Provision for write-downs for other current receivables and assets	(4.5)	(0.1)	0.1	0.4	<b>(4.1)</b>
<b>Total provision for write-downs for other current receivables and assets</b>	<b>(4.5)</b>	<b>(0.1)</b>	<b>0.1</b>	<b>0.4</b>	<b>(4.1)</b>

Considering the short period of time elapsing between when the receivable arises and its due date, it is not believed there are significant differences between the book value of the trade receivables, other receivables and current financial assets and their respective fair values.

## 14.6 Cash and cash equivalents

Cash and cash equivalents, which amounted to €92.2 million (€228.0 million as at 31 December 2017), are broken down into the following items:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Bank and postal deposits	91.9	227.7
Cash and securities in hand	0.3	0.3
<b>Total cash and cash equivalents</b>	<b>92.2</b>	<b>228.0</b>

Bank and postal deposits amounted to €91.9 million (€227.7 million as at 31 December 2017) and represent the money at-call or short-term liquid assets resulting from deposit or current accounts with banks, financial institutions and with the postal administration.

Cash and securities in hand amounted to €0.3 million (unvaried as at 31 December 2017) and include the liquidity represented by cash and similar values (cashier's cheques or in any case items secured by banks, etc.) in the company's coffers as at 31 December 2018.

The Company's liquid assets are shown in the following table by currency as at 31 December 2018 and as at 31 December 2017:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Cash on hand in Euro	88.0	226.3
Cash on hand in USD	4.1	1.6
Cash on hand in other currencies	0.1	0.1
<b>Total cash and cash equivalents</b>	<b>92.2</b>	<b>228.0</b>

# 15

## Shareholders' equity

Reported below is the breakdown of shareholders' equity, divided between the Group and minority shares:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
<b>Share capital</b>	<b>242.5</b>	<b>242.5</b>
<b>Legal reserve</b>	<b>12.0</b>	<b>11.8</b>
IFRS first-time adoption reserve	(58.7)	(58.7)
Translation difference reserve	0.6	0.7
Cash flow hedge reserve	(4.8)	0.8
Other reserves	248.1	255.3
<b>Total other reserves</b>	<b>185.2</b>	<b>198.1</b>
Actuarial reserve for employee benefits	(26.0)	(28.7)
Retained earnings (losses)	(3.3)	-
Profit/(loss) for the year	(21.0)	(5.4)
<b>Total retained earnings (losses carried forward)</b>	<b>(50.3)</b>	<b>(34.1)</b>
<b>Total Group shareholders' equity</b>	<b>389.4</b>	<b>418.3</b>
Third party capital and reserves	42.5	42.2
Retained earnings (losses) attributable to minority interests carried forward	21.1	19.6
<b>Total shareholders' equity attributable to minority interests</b>	<b>63.6</b>	<b>61.8</b>
<b>Total shareholders' equity</b>	<b>453.0</b>	<b>480.1</b>

### Third party equity interest

The profit/(loss) for the year and the shareholders' equity of third party equity interest refer to the subsidiary Rai Way, with Rai holding a 64.971% share.

### Share capital

As at 31 December 2018, the share capital of the Parent Company consisted of 242,518,100 ordinary shares with a unit par value of €1. The share capital, fully subscribed and paid up, is held by:

- the Ministry of the Economy and Finance (MEF) for a total of 241,447,000 shares, equal to 99.5583%;
- Società Italiana Autori Editori (S.I.A.E.) for a total of 1,071,100 shares, equal to 0.4417% of the share capital.

### Legal reserve

The legal reserve amounts to €12.0 million.

### Other reserves and retained earnings (losses carried forward)

The other reserves, for €185.2 million (€198.1 million as at 31 December 2017) and losses carried forward, for €50.3 million (€34.1 million as at 31 December 2017) are broken down as shown below.

# 16

## Non-current liabilities

### 16.1 Non-current financial liabilities and current portions of non-current financial liabilities

Non-current financial liabilities, including current portions, total €379.4 million (€443.5 million as at 31 December 2017). The figure breaks down as follows:

(€/million)	Year ended 31 December 2018			Year ended 31 December 2017		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Bonds	348.7	-	348.7	347.8	-	347.8
M/L-term loans due to banks	15.2	10.1	25.3	55.3	40.0	95.3
Derivative instruments	5.1	-	5.1	-	-	-
M/L-term loans due to other lenders	0.2	0.1	0.3	0.3	0.1	0.4
<b>Total non-current financial liabilities and current portions of non-current financial liabilities</b>	<b>369.2</b>	<b>10.2</b>	<b>379.4</b>	<b>403.4</b>	<b>40.1</b>	<b>443.5</b>

Non-current financial liabilities, including current portions, decreased by €64.1 million compared to 31 December 2017 mainly due to:

- the repayment by Rai, of two loan instalments of the European Investment Bank (EIB) for €10.0 million;
- the early repayment of the Rai Way amortising loan for €60.0 million;
- the recognition of a liability of €5.1 million, arising from the negative fair value of derivatives to hedge the risk of an increase in interest rates present at the time of renewal of the current bond issue.

The main medium/long term bank loans due as at 31 December 2018 included:

- amortising loan, maturing in 2021, from the EIB for a residual €25 million, granted to Rai for development of the digital terrestrial infrastructure;
- medium-long term credit lines granted to Rai Way by Mediocredito Centrale and Cassa Depositi e Prestiti for a total amount of €0.6 million.

The EIB loan carries covenants requiring the following balance sheet parameters/ratios to be met in the consolidated annual and half-year financial statements:

- net financial debt (adjusted net of receivables from the State for television licence fees)/shareholders' equity  $\leq 1.3$
- net financial debt, (adjusted net of receivables from the state for television licence fees)/EBITDA  $\leq 1.0$

As at the reporting date, the ratio requirements were fully met at 0.63 and 0.49 respectively.

The bond issued by Rai in May 2015 is listed on Euronext Dublin (the Irish Stock Exchange). The bond, fully subscribed by international institutional investors and maturing in May 2020, has a nominal interest rate of 1.5% and is wholly unsecured. The bond carries the usual covenants for issues with a comparable rating, including:

- a negative pledge prohibiting the granting of guarantees on other bond issues by the Issuer or its "significant subsidiaries", unless the same guarantees are extended to existing bondholders in circulation;
- a cross-default provision, whereby in the event of default on debt totalling more than €50 million by the Issuer or its "significant subsidiaries", bondholders may declare default on the bond;
- a change of control clause permitting bondholders to exercise a put option at par if the Ministry of the Economy and Finance ceases to hold the majority of voting rights exercisable at ordinary and extraordinary shareholders' meetings of Rai.

On 23 October 2018, Moody's published a rating action confirming the Long-Term Issuer Baa3 of Rai (Investment Grade) and changing the outlook from negative to stable.

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The final due date of financial liabilities held (current and non-current) is shown in the table below:

(€/million)	Year ended 31 December 2018			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Bonds	-	348.7	-	348.7
M/L-term loans due to banks	10.1	15.2	-	25.3
M/L-term loans due to other lenders	0.1	0.2	-	0.3
Payables to joint ventures and associates	0.1	-	-	0.1
Derivative instruments	-	5.1	-	5.1
Payables for financial leases	5.7	-	-	-
<b>Total current and non-current financial liabilities</b>	<b>16.0</b>	<b>369.2</b>	<b>-</b>	<b>385.2</b>

(€/million)	Year ended 31 December 2017			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Bonds	-	347.8	-	347.8
M/L-term loans due to banks	40.0	55.3	-	95.3
M/L-term loans due to other lenders	0.1	0.3	-	0.4
Derivative instruments	0.5	-	-	0.5
Other financial liabilities	0.2	-	-	0.2
<b>Total current and non-current financial liabilities</b>	<b>40.8</b>	<b>403.4</b>	<b>-</b>	<b>444.2</b>

The fair value of non-current financial liabilities other than financial derivatives (of which the value is already indicated in previous tables) and relative criteria are shown below:

- debenture loan: Euronext Dublin listing value, equal to 100.61 (inclusive of interest accruals);
- EIB loan (including short term part): discounting of flows for capital and interest at implicit Euro curve rates at the reporting date increased by the Rai credit spread, estimated based on the securities issued by the Italian State, essentially in line with the carrying amount.

(€/million)	Year ended 31 December 2018		Year ended 31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Rai Bonds	348.7	352.1	347.8	364.2
EIB loan to Rai	25.0	25.4	35.0	36.0

## 16.2 Employee benefits

Employee benefits totalled €434.9 million (€483.1 million as at 31 December 2017). The figure breaks down as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Provision for employee severance pay	225.0	258.8
Provision for supplementary pension benefits	125.4	137.2
Provision replacing the former fixed indemnity for journalists (former provisions in lieu of notice to journalists)	68.7	69.5
Health insurance fund for senior managers (FASDIR)	14.7	14.7
Seniority bonuses	0.5	2.3
Other	0.6	0.6
<b>Total employee benefits</b>	<b>434.9</b>	<b>483.1</b>

The provision for employee severance pay, governed by Article 2120 of the Italian Civil Code, shows the liability, as estimated using actuarial techniques, for benefits payable to employees upon the termination of their employment. The termination benefit is calculated on the basis of the remuneration paid for service under the employment contract, revalued until the time of termination. As a result of legislative reforms introduced and effective as of 1 January 2007, employee severance pay accruing after that date is paid, at the instruction of each employee, into a pension fund or into the treasury fund held by INPS. Accordingly, the liability for employee severance pay accrued prior to 1 January 2007 continues to qualify as a defined benefit plan to be measured using actuarial techniques, whereas the liability for severance pay accruing after that date is treated as a defined contribution plan, given that the liability is extinguished with the payment of contributions to the chosen pension fund or to INPS.

The provision for supplementary pension benefits shows the estimated liability held by the Group for supplementary pension benefits payable to former employees who, upon termination of employment, opted for the supplementary pension scheme envisaged under trade union agreements previously in place. More specifically, under those agreements, former middle managers, office staff and workers and their family members are entitled to supplementary pension benefits with respect to those paid through the mandatory general pension scheme, and former senior managers and their family members are entitled to supplementary pension benefits with respect to those paid through the mandatory general pension scheme. Those supplementary pensions are in turn paid directly by the funds, delegated management of the supplementary pensions of Rai personnel since 1989, C.RAI.P.I. (Supplementary Pension Scheme of Rai employees, hereinafter "Craipi") for former middle managers, office staff and workers, and F.I.P.D.RAI (supplementary pension provisions of Rai managers, hereinafter "Fipdrai") for former senior managers. In brief, the main terms and conditions of the supplementary pension benefits are: (i) supplementary pension benefits may be paid as a survivor's pension, at the applicable rates for claimants provided by laws in force governing mandatory pension schemes; (ii) supplementary pension benefits will be subject to variations on the basis of changes in the beneficiary's family, applied at the same rates applicable to pension benefits paid under the mandatory general pension scheme; (iii) supplementary pension benefits paid will not be reduced in the event of increases in the pension benefits paid under the mandatory general pension scheme; (iv) the amount of the benefits due to beneficiaries will be revalued annually on the basis of INPS coefficients.

The provision replacing the former fixed indemnity for journalists (former provisions in lieu of notice to journalists) includes the estimate of the sum to be paid to employee journalists who, as at 31 December 2018 have at least 15 years seniority for severance indemnity purposes, when the working relationship ceases for: (i) dismissal for having reached pension requirement levels; (ii) resignation after at least 15 years in the Company; (iii) termination through death of the journalist when survivors have the right to a pension. That sum, calculated in compliance with the R.A.L. in force at the time of termination, with a maximum level of €85,000 absorbs, for all purposes, indemnity in lieu of notice. The provision also includes the estimate of the sum to be paid as at 31 December 2018 to journalists with severance indemnity in the company of between 10 and 15 years, when the working relationship is terminated for resignation, excluding resignation pursuant to arts. 8, 22, 24 and 32

of CNLG, for having reached age limits and for demise. That sum, unlike the former, will be paid in addition to the indemnity in lieu of notice established by law.

The health insurance fund for Rai senior managers ("FASDIR") was established in 1980 to provide supplementary health insurance to all managers of the Group in service, retired senior managers and the survivors of former senior managers, as entitled and registered with FASDIR (hereinafter "Members"), as well as their family members. FASDIR is funded by annual membership fees charged to members and by contributions paid by the Company (annual per capita contribution for each senior manager in service and a supplementary annual contribution covering all retired senior managers). Historically, the annual supplementary contribution paid in to FASDIR by Rai for retired senior managers was used by the fund to cover the deficit that formed each year. However, given that there is no legal duty, but only a constructive obligation, for Rai to cover any future deficits in the fund, and that the Parent Company does not have access to all the information, owned by the fund, necessary to measure, using actuarial techniques, the potential liability towards FASDIR, it was decided to estimate the liability considering the average annual contributions paid in by the Group to the fund over the last 5 years, multiplied by the average residual life of the retired senior managers at the valuation date, which as at 31 December 2018 was found to be 12 years.

Seniority bonuses, established by Rai Pubblicità, are benefits paid in money on reaching a period of service in the Company. Those bonuses are included in the long term benefits plan.

Provisions for employee benefits measured using actuarial techniques break down as follows:

(€/million)	Year ended 31 December 2018				
	Employee severance pay	Supplementary pension	FASDIR	Provision in lieu of former fixed indemnity for journalists	Other benefits
<b>Present value of the liability at the start of the year</b>	<b>258.8</b>	<b>137.2</b>	<b>14.7</b>	<b>69.5</b>	<b>2.9</b>
Current cost of defined benefit plans	-	-	-	0.2	0.1
Current cost of defined contribution plans	44.1	-	1.0	-	-
Interest expense	2.9	0.8	0.2	0.5	-
Revaluations:					
- Actuarial gains/(losses) resulting from changes in demographic assumptions	-	-	-	-	-
- Actuarial gains/losses resulting from changes in financial assumptions	(2.4)	(0.5)	-	-	-
- Effect of past experience	0.5	(1.0)	-	0.4	-
Cost of past benefits and gains/losses on settlement	-	-	-	(1.5)	(1.5)
Benefits paid	(11.5)	(11.1)	(1.2)	(0.4)	(0.4)
Transfers to external funds for defined contribution plans	(44.2)	-	-	-	-
Other movements	(23.2)	-	-	-	-
<b>Present value of the liability at the end of the year</b>	<b>225.0</b>	<b>125.4</b>	<b>14.7</b>	<b>68.7</b>	<b>1.1</b>

(€/million)	Year ended 31 December 2017				
	Employee severance pay	Supplementary pension	FASDIR	Provision in lieu of former fixed indemnity for journalists	Other benefits
<b>Present value of the liability at the start of the year</b>	<b>283.5</b>	<b>144.3</b>	<b>15.0</b>	<b>109.2</b>	<b>3.0</b>
Current cost of defined benefit plans	-	-	-	6.5	0.1
Current cost of defined contribution plans	43.8	-	0.7	-	-
Interest expense	1.9	1.3	0.2	1.3	-
Revaluations:					
- Actuarial gains/(losses) resulting from changes in demographic assumptions	(0.1)	5.4	-	(0.5)	-
- Actuarial gains/losses resulting from changes in financial assumptions	(1.5)	(1.5)	-	0.6	-
- Effect of past experience	(3.2)	(3.8)	-	1.2	-
Cost of past benefits and gains/losses on settlement	-	-	-	(48.0)	-
Benefits paid	(23.7)	(8.5)	(1.2)	(0.8)	(0.2)
Transfers to external funds for defined contribution plans	(44.0)	-	-	-	-
Other movements	2.1	-	-	-	-
<b>Present value of the liability at the end of the year</b>	<b>258.8</b>	<b>137.2</b>	<b>14.7</b>	<b>69.5</b>	<b>2.9</b>

Costs for employee benefits, as measured using actuarial assumptions and recognised in the consolidated income statement, break down as follows:

(€/million)	Year ended 31 December 2018				
	Employee severance pay	Supplementary pension	FASDIR	Provision in lieu of former fixed indemnity for journalists	Other benefits
Current cost of defined benefit plans	-	-	-	(0.2)	(0.1)
Current cost of defined contribution plans	(44.1)	-	(1.0)	-	-
Cost of past benefits and gains/losses on settlement	-	-	-	1.5	1.5
Interest expense	(2.9)	(0.8)	(0.2)	(0.5)	-
<b>Total</b>	<b>(47.0)</b>	<b>(0.8)</b>	<b>(1.2)</b>	<b>0.8</b>	<b>1.4</b>

(€/million)	Year ended 31 December 2017				
	Employee severance pay	Supplementary pension	FASDIR	Provision in lieu of former fixed indemnity for journalists	Other benefits
Current cost of defined benefit plans	-	-	-	(6.5)	(0.1)
Current cost of defined contribution plans	(43.8)	-	(0.7)	-	-
Cost of past benefits and gains/losses on settlement	-	-	-	48.0	-
Interest expense	(1.9)	(1.3)	(0.2)	(1.3)	-
<b>Total</b>	<b>(45.7)</b>	<b>(1.3)</b>	<b>(0.9)</b>	<b>40.2</b>	<b>(0.1)</b>

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Costs for defined benefit plans recognised in other comprehensive income break down as follows:

(€/million)	Year ended 31 December 2018				
	Employee severance pay	Supplementary pension	FASDIR	Provision in lieu of former fixed indemnity for journalists	Other benefits
Revaluations:					
- Actuarial gains/losses resulting from changes in demographic assumptions	-	-	-	-	-
- Actuarial gains/losses resulting from changes in financial assumptions	2.4	0.5	-	-	-
- Effect of past experience	(0.5)	1.0	-	(0.4)	-
<b>Total</b>	<b>1.9</b>	<b>1.5</b>	<b>-</b>	<b>(0.4)</b>	<b>-</b>

(€/million)	Year ended 31 December 2017				
	Employee severance pay	Supplementary pension	FASDIR	Provision in lieu of former fixed indemnity for journalists	Other benefits
Revaluations:					
- Actuarial gains/losses resulting from changes in demographic assumptions	0.1	(5.4)	-	0.5	-
- Actuarial gains/losses resulting from changes in financial assumptions	1.5	1.5	-	(0.6)	-
- Effect of past experience	3.2	3.8	-	(1.2)	-
<b>Total</b>	<b>4.8</b>	<b>(0.1)</b>	<b>-</b>	<b>(1.3)</b>	<b>-</b>

The main actuarial assumptions adopted are reported below.

	Year ended 31 December 2018	Year ended 31 December 2017
<b>Financial assumptions</b>		
Average discount rates [1]	from 0.85% to 1.53%	from 0.88% to 1.56%
Inflation rate	1.50%	1.50%
Expected rate of growth in remuneration/benefits [2]	from 1.21% to 3%	from 1.21% to 3%
<b>Demographic assumptions</b>		
Maximum retirement age	As per law	As per law
Mortality tables:		
- Provision for employee severance pay	SI 2016 revised	SI 2016 revised
- Provision for supplementary pension benefits	AS62	AS62
- Provision replacing the former fixed indemnity for journalists (former provisions in lieu of notice to journalists)	-	-
Disability tables:		
- Provision for employee severance pay	INPS tables by age and gender	INPS tables by age and gender
- Provision for supplementary pension benefits	-	-
- Provision replacing the former fixed indemnity for journalists (former provisions in lieu of notice to journalists)	-	-
Average annual employee leaving rate	from 3.10% to 7.80%	from 3.70% to 7.80%
Annual probability of advance requests	1.50%	1.50%

[1] Measured as the weighted average of Eurocomposite AA 2018 interest rate curve for 31 December 2018 and Eurocomposite AA 2017 for 31 December 2017.

[2] Including inflation.

The effects of a reasonably possible change in the discount rate at the end of the year closed as at 31 December 2018 and as at 31 December 2017 are shown below:

(€/million)	Year ended 31 December 2018				
	Sensitivity	Employee severance pay	Supplementary pension	FASDIR	Other benefits
Discount rate	+0.50%	217.7	130.9	-	67.2
	-0.50%	232.9	120.3	-	72.6

(€/million)	Year ended 31 December 2017				
	Sensitivity	Employee severance pay	Supplementary pension	FASDIR	Other benefits
Discount rate	+0.50%	251.1	131.5	-	66.7
	-0.50%	267.2	143.4	-	72.4

The timing of liabilities for defined benefit plans for employees is shown below:

(€/million)	Provision in lieu of former fixed indemnity for journalists	Employee severance pay	Supplementary pension
<b>Expected payments</b>			
Expected payments as at 31.12.2019	4.1	13.0	10.7
Expected payments as at 31.12.2020	3.9	15.1	10.3
Expected payments as at 31.12.2021	3.8	16.0	9.8
Expected payments as at 31.12.2022	5.4	19.0	9.3
Expected payments as at 31.12.2023	5.2	15.0	8.9
Payments planned from 1.01.2024 and subsequent years	50.3	174.3	93.1

## 16.3 Provisions for non-current risks and charges

Provisions for risks and non-current charges totalled €181.5 million (€185.3 as at 31 December 2017). The figure breaks down as follows:

(€/million)	Year ended 31 December 2017	Provisions	Drawdowns	Absorptions	Conversion differences	Year ended 31 December 2018
Provisions for legal disputes	69.9	12.9	(12.9)	(0.4)	0.1	69.6
Provisions for building renovation and refurbishment	28.0	0.8	(0.8)	-	-	28.0
Provisions for dismantling and restoration costs	14.6	0.2	-	(0.3)	-	14.5
Provisions for accrued compensation costs	19.1	16.0	(16.9)	(2.1)	-	16.1
Provisions for social security disputes	3.0	-	-	-	-	3.0
Provisions for tax disputes	2.6	2.9	-	(1.0)	-	4.5
ISC and ISM provisions Agents	2.1	0.3	-	(0.1)	-	2.3
Provisions for disputes over leases	1.4	-	-	(0.4)	-	1.0
Provisions for default interest payment risks	0.6	-	-	-	-	0.6
Provisions for licence fee refunds	0.4	-	(0.1)	-	-	0.3
Other provisions	43.6	3.8	(1.2)	(4.6)	-	41.6
<b>Total provisions for non-current risks and charges</b>	<b>185.3</b>	<b>36.9</b>	<b>(31.9)</b>	<b>(8.9)</b>	<b>0.1</b>	<b>181.5</b>

Provisions for legal disputes, totalling €69.6 million, show the prudential and forecast estimate of charges for pending lawsuits in which the Group is involved in various ways. Specifically, the figure includes (amounts inclusive of legal costs) provisions for civil, administrative and criminal litigation for €37.8 million, and €31.8 million in provisions for labour law disputes.

Provisions for building renovation and refurbishment, totalling €28.0 million, show the estimated costs expected to be incurred primarily in relation to the removal of structures containing asbestos present in buildings owned. The constructive obligation to proceed with the refurbishment and renovation of the aforementioned buildings is connected with the Parent Company's expression of intent to perform such work, as expressed on several occasions in negotiations with trade unions.

Provisions for dismantling and restoration costs, totalling €14.5 million, show the estimated costs for the dismantling and removal of installations and modifications and the restoration of premises rented by the Group under operating leases which require the lessee to restore the area and/or rented premises to their original condition at the end of the lease (where the area and/or lease will not be renewed).

Provisions for accrued compensation costs, totalling €16.1 million, show the overall costs estimated in relation to employment contracts in place.

Provisions for social security disputes, totalling €3.0 million, show the estimated costs connected with pending legal disputes with social security institutions.

The provision for tax litigation risks, totalling €4.5 million (€2.6 million as at 31 December 2017), includes the estimate of overall costs for taxes and sanctions determined pursuant to article 6 of Decree Law 119/2018 amended by Law 136/2018, for tax litigation in relation to which Rai Pubblicità decided to file an application, within May 2019, for a settlement concession concerning outstanding tax litigation. €1.0 million of this provision was released due to the partial elimination of taxes and the total elimination of sanctions, interest and commission already allocated in previous years and in excess of provisions regarding the settlement concession. The provision was increased by €2.9 million in relation to taxes and sanctions relative to findings of the tax litigation pending, for which no provision was made as at 31 December 2017, as it was considered as only a possible or remote liability, in keeping with the risk assessments made by appointed consultants. As at 31 December 2018, no provision had been made with reference to liabilities considered to be merely possible or remote.

ISC (Supplementary Customer Indemnities) and ICM (Meritocratic Customer Indemnities) provisions for agents, for €2.3 million, include amounts payable to agents when winding up agency agreements for reasons not attributable to the agent. The provisions are based on estimates that take into consideration the historic data and growth in the customer portfolio or in business with customers already in the portfolio.

## 16.4 Deferred tax liabilities

Deferred tax liabilities totalled €23.5 million and are stated net of €134.2 million of deferred tax assets eligible for offsetting. The net balance as at 31 December 2017 showed a deferred tax liability of €38.6 million.

The nature of the temporary differences that gave rise to deferred tax liabilities and the deferred tax assets eligible for offset is reported in the table below:

(€/million)	Year ended 31 December 2017	Changes			Year ended 31 December 2018
		Income statement	Other comprehensive income	Equity	
Taxable differences in property, plant and equipment	(157.7)	2.0	-	-	(155.7)
Currency and rate derivatives	(0.3)	-	0.2	-	(0.1)
Other equity investments	(1.7)	-	-	-	(1.7)
Other	(1.2)	1.0	-	-	(0.2)
<b>Deferred tax liabilities</b>	<b>(160.9)</b>	<b>3.0</b>	<b>0.2</b>	<b>-</b>	<b>(157.7)</b>
Negative taxable income	115.7	43.4	-	(30.8)	128.3
Write-downs of programs	0.5	(0.4)	-	-	0.1
Statutory/taxable difference programs	0.1	0.2	-	-	0.3
Employee benefits	0.8	(0.1)	(0.1)	-	0.6
Estimate of provisions recovered	3.2	(0.1)	-	-	3.1
Deferred tax assets on consolidation adjustments	1.5	(0.1)	-	-	1.4
Tax effects arising from the first-time adoption of accounting standard IFRS 15	-	(1.0)	-	1.0	-
Other	0.5	(0.1)	-	-	0.4
<b>Deferred tax assets eligible for offset</b>	<b>122.3</b>	<b>41.8</b>	<b>(0.1)</b>	<b>(29.8)</b>	<b>134.2</b>
<b>Net deferred tax liabilities</b>	<b>(38.6)</b>	<b>44.8</b>	<b>0.1</b>	<b>(29.8)</b>	<b>(23.5)</b>

Deferred tax assets were recognised when their future recoverability was considered reasonably certain.

Changes in other comprehensive income essentially consisted of deferred taxes recognised under shareholders' equity and refer to the tax effect on redetermining defined benefit plans and cash flow hedging instruments recognised under hedge accounting rules.

Deferred tax assets on tax losses carried forward are equal to €128.3 million, of which it is probable that they will be used to offset the taxable earnings of Group companies that participate in the tax consolidation arrangement and the deferred tax liability carried through to the income statement.

## 16.5 Other non-current payables and liabilities

Other non-current payables and liabilities are all stated in Euros. Totalling €1.6 million (€2.0 million as at 31 December 2017), they refer entirely to deferred income for the non-current portion of government grants provided by the former Ministry of Communications to support initiatives for the switch-over to digital terrestrial. See Note 17.1 "Trade payables and other current payables and liabilities" for further information on those grants.

Payables to related parties are reported in Note 19.4 "Transactions with related parties".

# 17

## Current liabilities

### 17.1 Trade payables and other current payables and liabilities

Trade payables and other current payables and liabilities amounted to a total €1,161.2 million (€1,102.0 million as at 31 December 2017). The figure breaks down as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Trade payables to suppliers	700.4	655.8
Trade payables to joint ventures and associates	5.6	4.3
<b>Total trade payables</b>	<b>706.0</b>	<b>660.1</b>
Payables to personnel	241.4	226.0
Payables to social security institutions	79.3	76.2
Other tax payables	38.4	59.4
Payables for frequency rights	-	0.4
Other payables for assessments	4.5	4.8
Advances:		
- Ordinary licence fees	73.7	56.9
- Other advances	3.8	7.7
Deferrals:		
- Advertising	2.6	-
- Licence fees	0.9	0.5
- Grants for the switch-over to digital terrestrial	0.8	1.6
- Other deferrals	1.0	0.6
Accruals	3.1	3.1
Other payables	5.7	4.7
<b>Total other current payables and liabilities</b>	<b>455.2</b>	<b>441.9</b>
<b>Total trade payables and other current payables/ liabilities</b>	<b>1,161.2</b>	<b>1,102.0</b>

Trade payables to joint ventures and associates refer to:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Auditel Srl	2.0	-
San Marino RTV SpA	3.2	3.4
Tavolo Editori Radio Srl	-	0.5
Tivù Srl	0.4	0.4
<b>Total trade payables to joint ventures and associates</b>	<b>5.6</b>	<b>4.3</b>

Payables to personnel totalled €241.4 million (€226.0 million as at 31 December 2017). The figure breaks down as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Untaken paid annual leave	69.8	73.2
Untaken time in lieu	52.1	52.9
Wage and salary assessment	72.5	50.5
Redundancy incentives	45.4	47.6
Other	1.6	1.8
<b>Total payables to personnel</b>	<b>241.4</b>	<b>226.0</b>

Payables to social security institutions totalled €79.3 million (€76.2 million as at 31 December 2017). The figure breaks down as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Payables to supplementary pension funds for personnel	24.6	21.1
Payables to INPGI	14.0	13.6
Payables to INPS	27.9	28.7
Payables to INAIL	-	0.1
Payables to CASAGIT	1.4	1.4
Contributions on assessed wages and salaries	10.4	10.3
Other payables	1.0	1.0
<b>Total payables to social security institutions</b>	<b>79.3</b>	<b>76.2</b>

Other tax payables show taxes payable to the Inland Revenue other than current income tax. The item breaks down as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Group VAT	2.1	21.3
Suspended VAT	1.0	1.0
Withheld tax on wages and salaries for employees and contractors, substitution tax and other withholdings	35.3	37.1
<b>Total other tax payables</b>	<b>38.4</b>	<b>59.4</b>

Deferrals for grants for the switch-over to digital terrestrial included €0.8 million for the current portion of government grants provided to the Parent Company by the former Ministry of Communications between 2007 and 2011 to support initiatives to fast-track the switch-over to digital terrestrial. Such initiatives consisted of system upgrades and work on site infrastructure to extend the coverage of the digital network and improve reception levels and the quality of service for users. Those investments were tasked to the subsidiary Rai Way, which is responsible, inter alia, for the design, installation, construction, maintenance, implementation, development and management of telecommunications networks. The grant was recognised in the consolidated income statement for each year in which a depreciation charge would have been recognised if the investment had been made by Rai, considering the ratio between the amount of the grant received and investments made to complete the relative projects.

Total payables due in currencies other than the euro are reported in Note 9.1 "Market risk".

Payables to related parties are reported in Note 19.4 "Transactions with related parties".

## 17.2 Current financial liabilities

Current financial liabilities totalled €16.0 million (€40.8 million as at 31 December 2017). The breakdown is shown in the table below:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
M/L-term loans due to banks (current portion)	10.1	40.0
M/L-term loans due to other lenders (current portion)	0.1	0.1
Payables for financial leases	5.7	-
Payables to joint ventures and associates	0.1	-
Derivative instruments	-	0.5
Other current financial payables and liabilities	-	0.2
<b>Total current financial liabilities</b>	<b>16.0</b>	<b>40.8</b>

The current portion of non-current financial liabilities is reported in the table below and explained in Note 16.1 “Non-current financial liabilities and current portions of non-current financial liabilities”.

Payables for financial leases, for €5.7 million refer to exercising the option right during 2018 to purchase the building used as a regional office in Basilicata.

The fair value of current and non-current derivative financial liabilities is given below:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Currency hedging derivatives	-	0.5
<b>Total derivative financial instruments – current portion</b>	<b>-</b>	<b>0.5</b>
Rate hedging derivatives	5.1	-
<b>Total derivative financial instruments – non-current portion</b>	<b>5.1</b>	<b>-</b>
<b>Total derivative financial instruments</b>	<b>5.1</b>	<b>0.5</b>

Derivative transactions concern the cash flow edge of the exchange risk on contracts for the acquisition of TV and film rights in USD and Interest Rate Swap Forward Start transactions.

The liabilities for rate hedging derivatives are explained in Note 16.1 “Non-current financial liabilities and current portions of non-current financial liabilities”. Current portions were not recognised.

Information on risks hedged and on hedging policies is disclosed in Note 9.1 “Market risk”.

### 17.3 Current income tax payables

Current income taxes payable totalled €31.0 million (€30.5 million as at 31 December 2017). The figure breaks down as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
IRES	30.2	30.0
IRAP	0.4	0.5
Tax and other assessments	0.4	-
<b>Total current income taxes payable</b>	<b>31.0</b>	<b>30.5</b>

As concerns amounts payable to the Inland Revenue for IRES, totalling €30.2 million (€30.0 million as at 31 December 2017), Group companies opted for Group taxation, thus transferring to the Parent Company, as the consolidating party, obligations related to settling and paying IRES for companies included in tax consolidation. Procedures for consolidating Group taxable income are governed by a specific agreement between the Parent Company and its subsidiaries, as described in Note 19.4 “Transactions with related parties”.

Income taxes are reported in Note 18.10 “Income taxes”.

# 18

## Consolidated income statement

### 18.1 Revenue from sales and services

The main items are analysed below:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
TV licence fees	1,758.0	1,776.6
Advertising	631.1	647.6
Other revenue	176.7	184.2
<b>Total revenue from sales and services</b>	<b>2,565.8</b>	<b>2,608.4</b>

The breakdown of revenue by geographical area shows it is predominantly originated in the domestic market.

#### TV licence fees

Licence fees in 2018 amounted to €1,758.0 million (€1,776.6 million in 2017). The figure breaks down as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Licence fees for the period – household licences	1,634.1	1,633.3
Licence fees for the period – special licences	79.6	79.0
Licences fees collected by enforcement order	30.4	39.7
Licence fees for prior years – household licences	13.9	24.6
Licence fee refunds	-	-
<b>Total TV licence fees</b>	<b>1,758.0</b>	<b>1,776.6</b>

When calculating the amount from the TV licences of household licences, the information and figures made available with reference to the new collection method were used, considering Law 190 of 23 December 2014 (art. 1, paragraph 293). This established a reduction of 5 per cent, from 2015, of sums to be paid to Rai to cover the cost of the Public Service being supplied.

The new collection methods were introduced by Law 208 of 28 December 2015 (the “2016 Stability Law”), which provided, in Article 1 (152 *et seq.*), for TV licence fees for household licences to be charged, as of 1 January 2016, directly in power bills issued by electricity companies, under a separately detailed item.

That law introduced, in an effort to overcome evasion, the mechanism by which if a household has a utility account for power supply to a registered home address, then it can be presumed that the household is in possession of a television set. That presumption of the possession of a television set may only be overturned by a statutory declaration made in accordance with the Consolidation Law as per Presidential Decree 445 of 28 December 2000. False statements are punishable by law and may entail criminal liability.

The 2016 Stability Law also established that any higher revenues collected from 2016 to 2018 with respect to 2016 state budget forecasts are to be transferred to Rai in the set proportion of 67% for the year 2016, and 50% for the years 2017 and 2018.

In relation to the amounts reported above:

- TV licence fees collected by enforcement order refer to licence fees due in 2015 and prior years and paid in 2018 under an enforcement order by households with overdue payments;
- previous year licences – households are related to 2017 licence fees that became known in financial year 2018 in so far as they were paid to the State during the year.

The mechanism for determining the single television licence fee contemplated by the Consolidation Law for audiovisual and radio media (“separate accounting”), designed to ensure that revenue from licence fees is proportional to the costs incurred by Rai, as certified by an independent audi-

tor, for its Public Service operations, has found a shortfall in such revenue for the period 2005-2017 of €2.6 billion.

### Advertising

Revenue from advertising amounted to €631.1 million (€647.6 million in 2017). The figure breaks down as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Television advertising on general-interest channels:		
- air time	367.1	408.4
- promotions, sponsorships and special initiatives	142.1	124.6
- product placements	7.3	5.3
Television advertising on specialist channels	70.3	65.1
Radio advertising	30.3	31.6
Cinema advertising	4.7	4.4
Web advertising	11.3	9.2
Other advertising	0.7	0.6
Third-party quotas	(2.1)	(1.5)
Contingencies	(0.6)	(0.1)
<b>Total advertising</b>	<b>631.1</b>	<b>647.6</b>

### Other revenue

Other revenue from sales and services amounted to €176.7 million (€184.2 million in 2017). The figure breaks down as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Special services under convention	43.9	43.9
Sale of music rights and editions	67.5	58.8
Film and home video distribution	27.9	29.4
Distribution and sale of channels	19.2	21.1
Fees for hosting plants and equipment	30.6	32.4
Sundry services, mainly for institutional purposes	11.1	9.5
Signal diffusion services, rental of circuits, radio links and connections	2.6	4.9
Interactive telephone	0.3	0.3
Production services	0.5	0.9
Revenue from sales	0.8	1.5
Other	1.7	1.5
Third-party quotas	(31.8)	(26.1)
Contingencies	2.4	6.1
<b>Total other revenue</b>	<b>176.7</b>	<b>184.2</b>

## 18.2 Other revenue and income

Other revenue and income amounted to €12.2 million (€15.6 million in 2017). The figure breaks down as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Contributions for operating expenses	4.5	5.4
Income from real estate investments and rentals	1.9	2.1
Compensation for damages	0.5	3.0
Contingencies	0.8	1.0
Other	4.5	4.1
<b>Total other revenues and income</b>	<b>12.2</b>	<b>15.6</b>

## 18.3 Costs for the purchase of consumables, costs for services and other costs

Costs for the purchase of consumables, costs for services and other costs totalled €986.8 million (€1,033.8 million as at December 2017). The figure breaks down as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Costs for the purchase of consumables	12.8	13.6
Costs for services	920.9	950.6
Other costs	53.1	69.6
<b>Total costs for the purchase of consumables, services and other costs</b>	<b>986.8</b>	<b>1,033.8</b>

Costs for the purchase of consumables, equal to €12.8 million (€13.6 million in 2017), refer to purchases of various production materials for €3.9 million (€3.7 million in 2017), technical inventories for €0.6 million (€0.9 million in 2017) and other materials for €8.3 million (€9.0 million in 2017).

The breakdown of costs for services is shown in the table below. The item totalled €920.9 million (€950.6 million in 2017), net of discounts and rebates obtained and includes, inter alia, emoluments, indemnities of office and expense refunds paid by the Parent Company to Directors, for a total of €0.8 million, and to Statutory Auditors, for a total of €0.2 million. Please note that no member of the Board of Directors and the Board of Statutory Auditors of the Parent Company performed, overlapping, similar jobs in other subsidiaries.

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Contractors	132.7	128.0
Services for programme acquisition and production	209.5	212.0
Travel allowances and expenses and accessory costs for personnel	38.0	38.5
Maintenance, repairs, transport and similar	43.2	43.0
IT system documentation and assistance services	53.2	51.3
Other outsourced services (telephone, supply services, cleaning, postal, insurance etc.)	145.7	143.9
Rental expenses and rentals	84.6	91.7
Recording rights	134.9	158.6
Copyright	105.4	104.9
Contingencies	(12.7)	(7.4)
Cost recoveries and expense refunds	(13.6)	(13.9)
<b>Total costs for services</b>	<b>920.9</b>	<b>950.6</b>

Pursuant to article 2427, no. 16 *bis* of the Italian Civil Code, fees for the year ended 31 December 2018 for services provided by the External Auditors totalled €0.6 million and break down as follows:

- for annual auditing of accounts: €0.3 million;
- for other auditing services: €0.1 million;
- for non-audit services: €0.2 million.

Other costs, equal to €53.1 million (€69.6 million in 2017), break down as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Losses for VAT paid on the tax dispute settlement concessions	-	16.8
Administrative fees and rights for use of frequencies	10.9	10.8
Fee to control authorities	5.8	5.2
TASI/ IMU tax	10.4	10.7
Other indirect taxes and other duties	10.2	10.5
Prizes and winnings	6.0	6.6
Newspapers, magazines, books and publications	1.8	1.7
Membership fees	3.9	3.8
Losses on disposals	0.2	0.5
Other	3.8	3.5
Contingencies	0.1	(0.5)
<b>Total other costs</b>	<b>53.1</b>	<b>69.6</b>

## 18.4 HR expenses

HR expenses totalled €1,006.2 million (€983.3 million as at 31 December 2017). The figure breaks down as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Wages, salaries, and social security costs	947.0	888.9
Employee severance pay	44.1	43.8
Pensions and similar obligations	14.1	14.7
Other	15.2	14.7
<b>HR expenses</b>	<b>1,020.4</b>	<b>962.1</b>
Costs for redundancy incentives	7.5	49.8
Recovery of expenses	(1.3)	(1.0)
HR expenses capitalised	(16.3)	(20.0)
<b>Other HR expenses</b>	<b>(10.1)</b>	<b>28.8</b>
Contingencies and releases of provisions	(4.1)	(7.6)
<b>Total HR expenses</b>	<b>1,006.2</b>	<b>983.3</b>

The item includes €45.1 million of charges for defined contribution plans and €2.7 million of income from defined benefit plans, net of past benefits, as reported in Note 16.2 "Employee benefits".

Five different collective bargaining agreements (CCLs) are applied within the Group: the CCL for middle managers, office staff and workers employed by the companies Rai, Rai Way, Rai Cinema and Rai Com; the CCL for Rai orchestra musicians; the CCL for journalists (CNLG), applied by Rai under the terms and conditions of the "Convention for the Extension of the CNLG to Rai" and the relative Addendum Agreement with Usigrai for journalist staff; the national CCL for senior managers of manufacturing and service companies and the relative Addendum Agreement between Rai and ADRai; and the CCL for the middle managers and office staff of Rai Pubblicità.

With respect to those agreements, we report that:

- the collective bargaining agreement for middle managers, office staff and workers was renewed, by agreement made on 28 February 2018, for the period 2014–2016 and, on an exceptional basis, for 2017 and 2018;
- the collective bargaining agreement for orchestra musicians was renewed, by agreement on 28 June 2018, for the three-year period 2014-2016 and, on an exceptional basis, for 2017 and 2018;
- for journalist staff, on 13 March 2018 Rai and Unindustria Roma signed a Convention for the Extension of the National Collective Bargaining Agreement for Journalists to Rai with Usigrai and FNSI; the Rai–Usigrai Addendum Agreement expired on 31 December 2013;
- for personnel employed as senior managers, the collective bargaining agreement for the period 1/1/2015 – 31/12/2018 is still in force, while the Rai–ADRAI Addendum Agreement for the period 2017-2019 was renewed on 6 July 2018;
- the collective bargaining agreement for middle managers and office staff of Rai Pubblicità was renewed, by agreement on 7 July 2018, for the period 2014-2016 and, on an exceptional basis, for 2017 and 2018.

The average number of employees included in the area of consolidation is shown below by employment category:

	Year ended 31 December 2018			Year ended 31 December 2017		
	Average number of staff on a temporary contract	Average number of staff on a permanent contract (1)	Total	Average number of staff on a temporary contract	Average number of staff on a permanent contract (1)	Total
Managers	0	336	336	0	341	341
Officers/middle managers	1	1,380	1,381	1	1,391	1,392
Journalists	213	1,645	1,858	189	1,627	1,816
Office staff	456	7,692	8,148	492	7,747	8,239
Workers	41	913	954	71	925	996
Orchestra musicians and choristers	3	118	121	3	123	126
General practitioners	0	7	7	0	7	7
	<b>714</b>	<b>12,091</b>	<b>12,805</b>	<b>756</b>	<b>12,161</b>	<b>12,917</b>

(1) of which trainees/apprentices

100

141

The average number of employees was calculated as the arithmetic mean of the daily number of employees over the reporting period, weighted to account for part-time employees. The average number of employees includes personnel on permanent and temporary employment contracts.

## 18.5 Impairment of financial assets

This newly introduced item recognises impairment losses (including recoveries) of financial assets in the wider meaning provided by IAS 32, that includes all assets of a contractual origin that give right to receiving cash flows (including trade receivables). Related to the right applied to retrospectively redetermine opening equity values for the current accounting period, reference values as at 31 December 2017 are measured and entered in the financial statements as established by the previous accounting standard IAS 39, as described in Note 6.1 “First-time adoption of IFRS 9”, to be referred to.

The item, equal to €2.7 million, refers to the effect net of uses and provisions to the provision for write-down - trade, as explained in Note 14.2 “Trade receivables”, to be referred to.

## 18.6 Depreciation, amortisation and other write-downs

Depreciation, amortisation and write-downs totalled €573.8 million (€576.9 million in 2017). The figure breaks down as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
<b>Amortisation</b>		
<b>Property, plant and equipment:</b>		
Buildings	17.2	17.4
Plant and machinery	73.6	76.5
Fixtures and fittings, tools and other equipment	3.0	2.8
Other assets	6.3	5.8
<b>Total depreciation of property, plant and equipment</b>	<b>100.1</b>	<b>102.5</b>
<b>Intangible assets:</b>		
Programmes	404.0	408.1
Software	9.4	6.2
Other intangible assets	0.3	0.4
<b>Total amortisation of intangible assets</b>	<b>413.7</b>	<b>414.7</b>
<b>Amortisation of real estate investments</b>	<b>0.3</b>	<b>0.3</b>
<b>Total amortisation and depreciation</b>	<b>514.1</b>	<b>517.5</b>
<b>Other write-downs</b>		
Programmes under amortisation	55.4	43.8
Programmes in progress	2.5	7.1
Other intangible assets	0.3	3.0
Other non-current receivables and assets	0.8	2.0
Trade receivables	-	1.8
Current income tax receivables	0.7	0.2
Other current receivables and assets	-	1.5
<b>Total other write-downs</b>	<b>59.7</b>	<b>59.4</b>
<b>Total depreciation, amortisation and other write-downs</b>	<b>573.8</b>	<b>576.9</b>

The review of the useful life of cartoons, which changed from 3 to 5 years had a positive effect of approximately €6.5 million, while the review of the useful life of programmes with a repeat utility acquired by Rai Cinema to broadcast as pay TV on-demand videos, which changed from 36 to 18 months, had a negative effect equal to approximately €3.0 million.

## 18.7 Provisions

Net provisions, for negative €0.7 million (positive for €3.2 million in 2017), are determined by provisions for €7.1 million (€9.1 million in 2017), compensated by absorptions for €6.4 million (€12.3 million in 2017) mainly referred to provisions for risks and charges for disputes of various kinds.

## 18.8 Financial income and expenses

Net financial expenses totalled €14.2 million (€8.7 million in 2017). The figure breaks down as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
<b>Financial income</b>		
Dividends	0.1	-
Interest income from banks	0.1	-
Gains from currency valuation	0.8	1.1
Currency gains realised	(0.3)	0.8
Income from currency derivatives	0.4	0.2
Default interest on receivables from customers	0.1	5.4
Other	0.2	0.6
<b>Total financial income</b>	<b>1.4</b>	<b>8.1</b>
<b>Financial expense</b>		
Interest expense on bonds	(6.1)	(6.1)
Interest expense due to banks	(1.2)	(2.3)
Expenses on rate hedging derivatives	(0.1)	(0.1)
Expenses on exchange hedging derivatives	(0.1)	(0.2)
Losses on currency valuation	(0.9)	(0.9)
Foreign exchange losses realised	(0.4)	-
Interest on employee benefit liabilities	(4.4)	(4.6)
Other	(2.4)	(2.6)
<b>Total financial expense</b>	<b>(15.6)</b>	<b>(16.8)</b>
<b>Total net financial income (expense)</b>	<b>(14.2)</b>	<b>(8.7)</b>

## 18.9 Result of investments measured with the equity method

The result of investments measured with the equity method amounted to a positive €0.1 million (negative €0.5 million in 2017). The figure breaks down as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Euronews Sa	(0.6)	(1.1)
Tivù Srl	0.7	0.6
<b>Total result of investments measured with the equity method</b>	<b>0.1</b>	<b>(0.5)</b>

The breakdown of the change in equity investments recognised under the equity method is reported in Note 13.4 "Equity investments".

## 18.10 Income tax

Income taxes totalled positive €6.3 million (negative €9.7 million in 2017). The figure breaks down as follows:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
IRES	(32.1)	(31.8)
IRAP	(6.7)	(7.1)
<b>Total current taxes</b>	<b>(38.8)</b>	<b>(38.9)</b>
Deferred tax liabilities	3.0	2.1
Deferred tax assets	41.8	27.0
<b>Total deferred taxes</b>	<b>44.8</b>	<b>29.1</b>
<b>Direct taxes of previous years</b>	<b>0.3</b>	<b>0.1</b>
<b>Total tax for the year</b>	<b>6.3</b>	<b>(9.7)</b>

The difference between the theoretical tax rate and the effective tax rate is shown below:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Gain (Loss) before tax	(6.3)	24.0
IRES tax rate	24.0%	24.0%
Theoretical tax gain (expense)	1.5	(5.8)
Taxes related to previous years	0.3	0.1
Tax differences	11.2	3.1
IRAP	(6.7)	(7.1)
<b>Total income taxes</b>	<b>6.3</b>	<b>(9.7)</b>

The item tax differences represents the economic effect, on theoretical taxes for the year, resulting from application of Italian tax rules regulating calculation of the IRES and IRAP taxable base.

## 19.1 Guarantees

Guarantees provided totalled €58.3 million (€70.7 million as at 31 December 2017). The figure breaks down as follows:

(€/million)	Year ended 31 December 2018			
	Surety guarantees	Other personal guarantees	Collateral	Total
Joint ventures and associates	2.6	-	-	2.6
Other	53.5	-	2.2	55.7
<b>Total</b>	<b>56.1</b>	<b>-</b>	<b>2.2</b>	<b>58.3</b>

(€/million)	Year ended 31 December 2017			
	Surety guarantees	Other personal guarantees	Collateral	Total
Joint ventures and associates	2.6	-	-	2.6
Other	65.9	-	2.2	68.1
<b>Total</b>	<b>68.5</b>	<b>-</b>	<b>2.2</b>	<b>70.7</b>

Guarantees provided included the recognition of an obligation to pay guaranteeing the early repayment of €52.0 million of surplus VAT as at 31 December 2018 (€64.3 million as at 31 December 2017) by subsidiaries, undertaken with the Inland Revenue.

The Group has also recognised €485.7 million of guarantees provided by third parties (€447.4 million as at 31 December 2017) on commercial and financial obligations. Those guarantees mainly consist of:

- (i) guarantees received from various banks and insurance institutions:
  - to guarantee the purchase of goods and services;
  - full performance of contracts for the production of radio and television productions;
- (ii) guarantees provided by third parties on obligations held by the Group:
  - for payables – mainly surety guarantees for the Parent Company on the medium/long term EIB loan;
  - for other obligations – mainly surety guarantees issued to the Inland Revenue in favour of the Parent Company to guarantee prize competitions and the VAT receivable being repaid, for surety issued to UEFA for qualifications at the European football Championships of 2020 and World football Championships of 2022.

## 19.2 Commitments

The main commitments, including long-term commitments, connected with products or with technological development and modernisation initiatives and in place at the reporting date are reported in the table below:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
Sports broadcasting rights	313.6	92.6
Investments in audiovisual works	246.4	251.6
Rights and services for the production of programmes	45.1	56.7
Technical investments	35.9	32.6
<b>Total commitments</b>	<b>641.0</b>	<b>433.5</b>

## 19.3 Contingent liabilities

Group companies, mainly Rai, are party to civil, administrative, labour law and social security lawsuits connected with its ordinary business activities.

Civil and administrative litigation involving the Group companies is primarily connected with the production and public broadcasting of radio and television programmes. Almost all civil litigation concerns claims for damages, mostly in connection with alleged defamation and infringement of personality rights, while claims for damages under administrative law usually concern disputes over tender awards in which the equivalent compensation claim is usually a subsidiary application to the main application for the annulment of the tender decision and, in some cases, the award of the contract.

If, on the basis of analyses conducted on such kinds of litigation:

- information is available, at the time of preparation of the financial statements, suggesting it is likely that a liability will arise;
- and the amount of the liability can be reasonably estimated, considering the petition made by the applicant;

then a relative liability is recognised through the allocation of provisions for legal disputes.

As regards labour and social security litigation, Group Companies are involved in a considerable number of cases, mainly concerning requests for re-employment, applications for investigations into the alleged use of fictitious intermediaries in the procurement of labour, applications for higher level employment grades and categories, compensation claims for alleged demotion and alleged non-fulfilment of social security obligations under employment contracts or collective bargaining agreements. For the purposes of determining the amount of provisions to be allocated, given the

large number of pending lawsuits and the consequent difficulty in assessing the contingent liability for each, the cases are subdivided into three categories in relation to their status and any appeal rulings handed down – lawsuits pending in courts of first instance; lawsuits lost on appeal; lawsuits won on appeal. The risk is then estimated for each category by identifying an average value expressed in percentage terms, in order to quantify the amount of provisions to be allocated for legal disputes.

Note 16.3 “Provisions for non-current risks and charges” details provisions made for that occurrence.

On the basis of information currently available, the Group believes that provisions for risks are adequate.

## 19.4 Transactions with related parties

Transactions between the Parent Company and related parties are reported below; as identified on the basis of the criteria provided by IAS 24 “*Related Party Disclosures*” for the years ended 31 December 2018 and 31 December 2017.

Related party dealings are mainly of a commercial and financial nature and involve the following related parties:

- Rai Cinema;
- Rai Com;
- Rai Corporation;
- Rai Pubblicità;
- Rai Way;
- management personnel with strategic Group responsibilities (“Senior Management”);
- other associates and joint ventures with which the Group has an interest as indicated in Note 13.4 “Shareholdings”; companies under the control or joint control of Senior Management and bodies that manage benefit plans after the work relationship ends and solely for Group employees (“Other related parties”).

Although related party transactions are conducted at arm’s length, there is no guarantee that if those transactions were negotiated and pursued with or between third parties, the relative contracts, and the transactions themselves, would stipulate the same terms and conditions.

“Senior management” means key management personnel with strategic responsibilities with the power and direct or indirect responsibility for the planning, management and control of Group business, including therein the members of the Board of Directors of Group companies. For information on emoluments paid to statutory auditors of the Parent Company, see Note 18.3 “Costs for the purchase of consumables, costs for services and other costs”.

The follow table details the balance sheet totals as at 31 December 2018 and as at 31 December 2017 and the income effects of transactions between the Group and related parties conducted in the years ended 31 December 2018 and 31 December 2017 and obviously excluding those between Group companies, consolidated on a line-by-line basis:

(€/million)	Senior Management	Other related parties	Total
<b>Current financial assets</b>			
As at 31 December 2018	-	-	-
As at 31 December 2017	-	0.5	<b>0.5</b>
<b>Current trade receivables</b>			
As at 31 December 2018	-	0.2	<b>0.2</b>
As at 31 December 2017	-	0.2	<b>0.2</b>
<b>Other current receivables and assets</b>			
As at 31 December 2018	0.1	-	<b>0.1</b>
As at 31 December 2017	0.2	-	<b>0.2</b>
<b>Employee benefits</b>			
As at 31 December 2018	(4.8)	(14.7)	<b>(19.5)</b>
As at 31 December 2017	(5.1)	(14.7)	<b>(19.8)</b>
<b>Trade payables</b>			
As at 31 December 2018	-	(5.6)	<b>(5.6)</b>
As at 31 December 2017	-	(4.3)	<b>(4.3)</b>
<b>Other current payables and liabilities</b>			
As at 31 December 2018	(7.5)	(15.8)	<b>(23.3)</b>
As at 31 December 2017	(9.4)	(12.7)	<b>(22.1)</b>
<b>Current financial liabilities</b>			
As at 31 December 2018	-	(0.1)	<b>(0.1)</b>
As at 31 December 2017	-	-	-
<b>Revenue from sales and services</b>			
As at 31 December 2018	-	0.7	<b>0.7</b>
As at 31 December 2017	-	0.7	<b>0.7</b>
<b>Other revenue and income</b>			
As at 31 December 2018	-	0.1	<b>0.1</b>
As at 31 December 2017	-	0.1	<b>0.1</b>
<b>Costs for services</b>			
As at 31 December 2018	(0.9)	(10.7)	<b>(11.6)</b>
As at 31 December 2017	(0.8)	(10.5)	<b>(11.3)</b>
<b>HR expenses</b>			
As at 31 December 2018	(21.9)	(13.5)	<b>(35.4)</b>
As at 31 December 2017	(23.1)	(13.8)	<b>(36.9)</b>

Reported below is a description of the main agreements in place between the Parent Company and the subsidiaries, associates and joint ventures identified above.

## Agreements for the provision of services to Rai

### Rai Pubblicità

Rai has an advertising concession agreement in place with Rai Pubblicità, under which the latter has an exclusive concession for the sale of advertising space on radio and general-interest television channels, on free-to-air specialist digital and satellite channels, on the teletext service, on the Rai domain and on other minor media.

### Rai Com

Rai has granted a mandate without power of representation to Rai Com for:

- (a) the sale of user licenses for television, radio and cinema use, for audiovisual use (meaning for example licences for use on home video and commercial video), and for multimedia use, including interactive multimedia, and derivative rights;
- (b) the management of negotiations for framework agreements and/or conventions with central and local, national and international, public and private bodies and institutions;
- (c) the acquisition and/or production of musical and theatre pieces, including: classical music, prose works and music editions;
- (d) the management of ticketing services and the implementation and/or management of interactive telephone initiatives and/or other interactive initiatives;
- (e) the ideation, development, outlining, stipulation and/or management of projects enabling Rai to participate in Italian and European calls for tenders to receive funding grants or facilitated loans;
- (f) the negotiation, outlining, formalisation and/or management of sports library contracts, including therein the implementation and/or management of all commercial initiatives contemplated by such contracts;
- (g) the provision of technical facilities and the execution of commercial agreements designed to raise the value of non-production premises available to Rai (Palazzo Labia);
- (h) the negotiation, outlining, formalisation and/or management of other partnership agreements with third-party enterprises of a commercial nature and for commercial purposes; and
- (i) operations for the international sale of Rai channels.

### Rai Cinema

A specific agreement is in place with Rai Cinema under which the latter has committed to providing Rai with exclusive access to a catalogue of free-to-air showings of audiovisual works acquired in any way by Rai Cinema, whereas Rai has the obligation to purchase exclusively from Rai Cinema the broadcasting rights to showings of free-to-air audiovisual works.

### Rai Way

A Service Agreement is in place between Rai Way and Rai, under which Rai has outsourced to Rai Way, on an exclusive basis, a series of services that enable Rai to:

- (a) control transmission and broadcasting, in Italy and around the world, over the MUX assigned to it under applicable law; and
- (b) control the fulfilment of its Public Service obligations.

The service agreement also envisages, and governs, the possibility for the parties to negotiate in the future, in the event of new needs for Rai, the provision of additional services, including services for the development of new electronic communications and telecommunications networks, as well as new broadcasting standards and technologies.

## Agreements of a financial nature

With the exception of Rai Way, which following its public listing became fully independent financially, a centralised treasury management agreement is in place between Rai and its subsidiaries, involving a bank cash-pooling programme aimed at ensuring coverage of cash needs and the optimisation of cash flow.

In order to hedge the currency risk to which the subsidiary Rai Cinema is exposed, the latter has granted a mandate to Rai to trade foreign currency and financial instruments on its account, in accordance with the operational methods set out in Group policies.

With reference to Rai Way, other agreements in place consist of:

- an intercompany current account agreement, the purpose of which is to provide Rai with the funding needed to settle reciprocal credit and debit positions connected with certain residual payment services envisaged under the services agreement through which Rai has outsourced services to Rai Way;
- a mandate agreement authorising Rai to perform payments and collections connected with the settlement of intercompany accounts payable and receivable, primarily in the context of the netting, through Rai, of credit and debit positions between Group companies, excluding therefrom payments for services provided under the service agreement in place and hedging transactions.

## Agreements for the provision of services by Rai

Rai provides a series of services to select subsidiaries under specific service agreements concerning, in particular, administrative services, real estate services, IT services, testing services and dubbing services.

## Tax consolidation arrangement

The Rai Group has a “national tax consolidation” arrangement in place for IRES tax purposes, as permitted under Articles 117 *et seq.* of the Italian Income Tax Code and governed by Ministerial Decree of 9 June 2004.

As of the 2017 tax year, the option to join the arrangement will be tacitly renewed without the need for notification.

The tax and equity arrangements between the participating companies are governed by a specific agreement made between the parties, which is updated in the light of relative legislative amendments applicable under the agreement.

## Group VAT offsetting

The Group has adopted the procedure contemplated by Ministerial Decree of 13 December 1979, providing implementing rules for the provisions of Article 73, last paragraph, of Presidential Decree 633 of 26 October 1972, for the offsetting of Group VAT.

The option to apply the Group VAT procedure is valid for one year and was exercised by Rai and all its Italian subsidiaries until 31 December 2018. Tax and equity arrangements under the procedure are governed by a specific agreement between the parties.

## Other related parties

The Group has trading and financial relations with other related parties. The most significant include the following agreements:

### San Marino RTV

An intercompany current account agreement is in place with the Company, under which debits and credits resulting from economic and financial transactions between the parties are transferred to an intercompany current account. Rai has also established a credit facility for €1.4 million that the company can use for overdrafts from ordinary management. The credit facility is 50% counter-guaranteed by ERAS (the San Marino radio broadcasting body).

In addition, under a radio and television broadcasting agreement between the government of San Marino and the Italian government/Prime Minister's Office, a fixed annual contribution is made to San Marino RTV through Rai Com.

## Tivù Srl

Service agreements are in place, under which:

- Rai: provides electronic program guide (EPG) processing and management services and editorial and advisory services, as well as satellite transmission capacity to enable the offer of EPG services;
- through Tivù Srl: provides an EPG service for the digital terrestrial and satellite platforms and an encryption service.

## Auditel Srl

Auditel Srl provides television audience share measurement and data publication services.

## Tavolo Editori Radio Srl

Tavolo Editori Radio Srl provides radio audience share measurement and data publication services.

# 20

## Subsequent events

## 2019-2021 Business Plan

In its meeting of 6 March last, the Board of Directors approved the Business Plan in which – besides outlining the strategic actions for company growth – ample space was dedicated to the evolution of the media world and how that evolution impacts on Rai's future.

The scenario Rai operates in is changing considerably and it is evident that Rai cannot and must not move solely applying market logics. Being a Public service means it is in a specific delicate position, not only for the importance of programme quality but also for the stimulus role it is required to have to drive the entire Italian audio-visual sector. Rai is assigned a number of challenging goals, fundamental for its Public Service role: from protecting pluralism and minorities, from social inclusion to that of driver of technological change.

The Business Plan, transmitted to the Ministry of Economic Development for their decisions, is ambitious as it has to centre all tasks entrusted to the Public Service; and, because it intends to return Rai to being a protagonist of the digital world in which new, important aggressive competitors are operational.

The change path awaiting Rai moves through the need to win some essential challenges for redefining its positioning and the way to be on the market: above all, that of improving understanding of user needs to best fulfil its Public service role. Intercepting the habits and interests of the young generations that do not choose the TV as a reference media is relevant for “conquering” tomorrow's consumers and making the Rai offer more consistent with the expectations of that public, guiding them from the traditional offer, where Rai is leader, to the digital one in which we must grow.

The main challenges include: digitalising the offer, to recover the market gap, especially in the News Area; processing and creating distinctive, innovative content, designed specifically for digital platforms, thus de-linking from a culture till now not surprisingly focussed on broadcasting; a organisational change that helps change and optimises resources; and, lastly, in terms of return to the public, managing, with the same resources, expansion of the scope of the Service Agreement, reviewing production models, in particular, the internal relationship between editor and production.

In brief, the Plan – based on everything that has been done in recent years to digitalise the offer – responds to the goal to manage the Rai switch-over to digitalised Public Service media company, focussing on 4 transformation areas:

- Place users and content at the centre* – group initiatives to create operating and organisational assumptions for more complete, effective control of interaction with users, optimise content investments and make the production of national content an element of competitive difference compared to what international groups offer.
- Bridge the Digital Gap* – include initiatives that enable development of the News offer both digitally and editorially on new digital platforms innovating contents and technological functionalities of the digital distribution platforms.

- c) *Finance transformation* – include initiatives that will contribute to identifying resources to finance all the other strategic actions, on which the growth prospects of the 2019-2021 Plan are based and in compliance with the Service Agreement.
- d) *Control the enabling factors* – is the container of strategic actions that ensure the presence and effectiveness of all resources (technological, real estate, human) needed to allow Rai to launch and govern the transformations presented by the strategic actions.

The philosophy behind the vision the Plan is based on responds to the need to change, to carry on being a cultural reference point for the country; innovating, respecting Service Agreement boundaries, local identities, the need to include and support, also abroad, the Italy system.

## Setting of television licence fees

On 4 February 2019, the Decree of the Ministry for Economic Development dated 28 December 2018 was published in the Official Gazette, containing provisions for “Special television licence fees for 2019”. The Decree sets the amounts of special licence fees for the current year for possession of radio receivers or television sets on non-household premises and special licence fees for the possession of radio receivers or television sets in cinemas, theatres and comparable premises, in accordance with the amounts set forth in tables 3 and 4 annexed to the ministerial decree of 29 December 2014.

## Measures related to Company personnel

As a result of the favourable opinion of the Company’s management body, in the meeting of 24 January 2019 Rai updated the criteria and methods used to recruit personnel and appoint external collaborators.

Furthermore, implementing art. 24 of the 2018-2022 Service Agreement, the Board of Directors approved the document “Human Resource Management and development Plan”.

## Tax litigation Rai Pubblicità

In February 2019, the Tax Revenue Office gave a negative opinion on the tax deductibility of losses for VAT paid in 2017 for the settlement concession of tax litigation concerning VAT originating from assessment notices issued to Rai Pubblicità in December 2016. The outcome did not have effects on the financial position or performance of 2018, as these items had been considered, on a prudential basis, as non-deductible. The Company, assisted by reliable consultants, is assessing further action to take.

In March 2019, the Company decided, in agreement with the Parent Company, to apply for the settlement concession of pending tax litigation, pursuant to article 6 of Decree Law 119/2018 amended by Law 136/2018, for some tax litigation cases outstanding as at 31 December 2018. The relative effects are already recognised in the Consolidated Financial Statements.

## 21 Reconciliation between the Separate and Consolidated Financial Statements

The analysis of items reconciling the result of the income statement and shareholders' equity of the Separate Financial Statements and respective figures of the Consolidated Financial Statements is presented below:

(€/million)	Profit/(loss)		Shareholders' equity	
	2018	2017	2018	2017
<b>Rai financial statements</b>	<b>(33.8)</b>	<b>5.5</b>	<b>767.6</b>	<b>808.4</b>
<b>Elimination of the value of equity investments against respective shareholders' equity and of dividends distributed against profits for the year</b>	<b>33.1</b>	<b>8.8</b>	<b>(314.0)</b>	<b>(326.6)</b>
<b>Adjustment of deferred taxes on the Rai Way equity investment revaluation</b>	<b>-</b>	<b>-</b>	<b>5.0</b>	<b>5.0</b>
<b>Other consolidation adjustments</b>	<b>0.7</b>	<b>-</b>	<b>(5.6)</b>	<b>(6.7)</b>
<b>Consolidated Financial Statements</b>	<b>0.0</b>	<b>14.3</b>	<b>453.0</b>	<b>480.1</b>
<i>of which non-controlling interest</i>	21.0	19.7	63.6	61.8

## 22 Appendix

### 22.1 Rai equity investments in subsidiaries

The following table reports the equity investments held by Rai in domestic and foreign subsidiaries.

The above investments had not changed as at 31 December 2018 compared to the situation as at 31 December 2017.

Values as at 31 December 2018	Registered office	No. shares/units held	Nominal value (in euros)	Share capital (in €/000)	Equity interest held %
<b>Subsidiaries</b>					
Rai Cinema SpA	Rome	38,759,690	5.16	200,000	100.00%
Rai Com SpA	Rome	2,000,000	5.16	10,320	100.00%
Rai Corporation in liquidation	New York (USA)	50,000	10.00 (1)	500 (2)	100.00%
Rai Pubblicità SpA	Turin	100,000	100.00	10,000	100.00%
Rai Way SpA	Rome	176,721,110	- (3)	70,176	64.971%

(1) value in USD;

(2) value in USD/000;

(3) ordinary shares with no stated par value.

The market value of Rai Way shares as at 28 December 2018 was €4.34.

## 22.2 Net financial consolidated indebtedness

Net financial position, as measured in accordance with the recommendations of paragraph no. 127 of the ESMA document ESMA/2013/319, implementing Regulation (EC) no. 809/2004, is reported in the table below:

(€/million)	Year ended 31 December 2018	Year ended 31 December 2017
A. Cash	0.3	0.3
B. Other cash equivalents	91.9	227.7
C. Securities held for trading	-	-
<b>D. Liquidity (A+B+C)</b>	<b>92.2</b>	<b>228.0</b>
<b>E. Current financial receivables</b>	<b>6.5</b>	<b>7.2</b>
F. Current bank debt	-	-
G. Current portion of non-current debt	(10.2)	(40.1)
H. Other current financial debt	(5.8)	(0.7)
<b>I. Current financial debt (F+G+H)</b>	<b>(16.0)</b>	<b>(40.8)</b>
<b>J. Net current financial position (D+E-I)</b>	<b>82.7</b>	<b>194.4</b>
K. Non-current bank loans	(15.2)	(55.3)
L. Bonds issued	(348.7)	(347.8)
M. Other non-current financial indebtedness	(5.3)	(0.3)
<b>N. Non-current financial debt (K+L+M)</b>	<b>(369.2)</b>	<b>(403.4)</b>
<b>O. Net consolidated financial indebtedness (J+N)</b>	<b>(286.5)</b>	<b>(209.0)</b>

## 22.3 Law 124 of 4 August 2017 - transparency in the public contributions system

Related to the information obligations introduced by article 1 of Law 124 of 4 August 2017, in view of orientation expressed by Assonime in its circular no. 5 of 22 February 2019, while awaiting for coordination with laws in force to be completed, please note the following.

### Grants received (art. 1, paragraph 125)

The following table shows sums collected during 2018 which come under the scope of IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance", which are not attributable either directly or indirectly to public entities of foreign states, in the case where the total amount collected by the entity is equal to or higher than €10 thousand.

(in €/000)	Grant collected in 2018	Amount
Autonomous region of Sardinia	Protection of linguistic minorities	100
Autonomous region of Sardinia	Project "La Pimpa parla Sardo" (Pimpa speaks Sardinian)	33
Ministry of Cultural Heritage and Activities	Grant as a percentage of takings Ministerial Decree 16-7-2004	24

As regards the accrual basis criterion, the item other revenues and income includes €2,383 thousand for "Tax Credit distributors", granted by the Ministry of Cultural Heritage and Activities to Rai Cinema with reference to Law no. 220 of 14 November 2016. Of this amount, €2,000 thousand was financially offset in 2018 against amounts owing for various taxes and payments.

### Contributions made (art. 1, paragraph 126)

The following table includes sums paid in 2018 con for donation purposes, for the cases with a value per entity contributed that is higher or equal to €10 thousand, showing the beneficiary entity.

(in €/000)	Grant paid in 2018	Amount
Committee for assistance/cultural/ recreational activities established in compliance with article 11 of Law no. 300 of 20 May 1970 "Workers' Statute"		64
Associazione Dopolavoro Ferroviario di Genova (Genoa Railway Workers' Leisure Association)	Pro sfollati di Via Porro e Via Campasso (Pro displaced persons of Via Porro and Via Campobasso)	50
Associazione centro italiano studi superiori formazione e aggiornamento giornalisti radiotelevisivi (Italian centre for higher education for TV and radio journalists)	Borse di studio Ezio Trussoni (Ezio Trussoni Study Grants)	24
Association "Associazione amici di Roberto Morrione",	Roberto Morrione Award	20
Guglielmo Marconi Foundation	Sostegno al Museo Guglielmo Marconi (Guglielmo Marconi Foundation to support the Guglielmo Marconi Museum)	10

# Certification pursuant to article 154-bis of Italian Legislative Decree 58/98

The undersigned Fabrizio Salmi, in the capacity as Chief Executive Officer, and Massimo Cappelli, in the capacity as Manager in charge of drawing up the corporate accounting documents of RAI Radiotelevisione italiana SpA, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, hereby attest:

- the adequacy in relation to the characteristics of the company and
  - the actual application
- of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements for financial year 2018.

The administrative and accounting procedures and operating practices in place have been applied in a manner consistent with the internal administrative and accounting control system to ensure the achievement of the objectives required by the applicable regulatory framework.

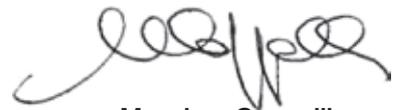
It is also attested that:

- the Consolidated Financial Statements of the RAI Group at 31 December 2018:
  - a) have been prepared in accordance with applicable international accounting standards recognised by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
  - b) correspond to the data in the accounting books and records;
  - c) provide a true and fair view of the equity, economic and financial position of the issuer and of all of the companies included in the scope of consolidation.
- the Report on Operations includes a reliable analysis of the trends and results of operations, as well as the situation of the issuer and of all of the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 9 May 2019



**Fabrizio Salini**  
Chief Executive Officer



**Massimo Cappelli**  
Manager in charge of drawing up the  
corporate accounting documents

# Board of Statutory Auditors' Report

The Consolidated Financial Statements of Rai for the 2018 financial year, sent according to law along with the Report on Operations, have been prepared in compliance with regulations on the preparation of Group financial statements and conform to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Commission according to the procedure in article 6 of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002.

The Consolidated Financial Statements as at 31 December 2018, made available by the Board of Directors in the meeting of 9 May, comprise the:

- Report on Operations;
- Consolidated Statement of Financial Position
- Consolidated Statement of Comprehensive Income
- Consolidated Cash Flow Statement
- Statement of Changes in Consolidated Equity
- Notes to the Consolidated Financial Statements.

In monitoring compliance with procedural regulations concerning the preparation of consolidated financial statements, the Board observed laws and “*Rules of conduct for the Board of Statutory Auditors - Principles of conduct for the Board of Statutory Auditors of unlisted companies*”, issued by Italy's Association of Chartered Accountants, the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*.

The Financial Statements are accompanied by accounting-related notes which analyse and comment on the changes in individual items of the Statement of Financial Position and Income Statement. The reconciliation of profit/(loss) and shareholders' equity of the Financial Statements of the Parent Company with corresponding values from the Consolidated Financial Statements is presented in a specific table.

The Chief Executive Officer and Financial Reporting Officer have issued certification pursuant to article 154 bis of Legislative Decree no. 58/98, with reference to the 2018

Consolidated Financial Statements, also certifying that the Report on Operations includes reliable analysis of the performance and net income, as well as the situation of the issuer and of all companies included in the scope of consolidation, along with a description of the main risks and uncertainties to which they are exposed.

The company PricewaterhouseCoopers S.p.A. (PwC), the external auditors tasked with verifying the conformity of the Consolidated Financial Statements to law and to accounting records and consolidation data, issued its Report pursuant to article 14 of Legislative Decree no. 39/2010 and article 10 of Regulation (EU) No 537/2014 on 30.05.2019. In the opinion of PwC, the Consolidated Financial Statements as at 31 December 2018 provide a true and fair view of the financial position and performance of the Rai Group and its cash flows for the year ended at that date, in compliance with the IFRS adopted.

Moreover, in the opinion of PwC, the Report on Operations and some specific information in the report on corporate governance and ownership are consistent with the Consolidated Financial Statements of the Rai Group as at 31 December 2018 and have been prepared in compliance with law.

The Audit Report on the Consolidated Financial Statements also includes a specific assessment of key aspects of the audit and related audit procedures in response to these key aspects. PwC also identified and assessed any material errors in the consolidated financial statements, evaluated the appropriacy of the accounting standards used and the directors' use of the assumption that the business is a going concern. It also assessed the presentation, structure and content of the consolidated financial statements overall, including disclosure, guaranteeing at the same time notices to managers of governance functions.

PwC also certified that its opinion on the consolidated financial statements given in its Report is in line with information provided in the Additional report for the Board of Auditors in its capacity as Internal Control and Audit Committee.

The Consolidated Financial Statements of the Rai Group as at 31 December 2018 broke even (profit/loss equal to zero, compared to a profit of €14.3 million in 2017).

The Board of Statutory Auditors, based on the above and for areas in its responsibility, holds the opinion that the Consolidated Financial Statements of the Rai Group as at 31

December 2018 and the Report on Operations have been prepared in accordance with applicable provisions.

Rome, 30.05.2019.

The Board of Statutory Auditors

Biagio Mazzotta (Chair)

Anna Maria Magro

Roberto De Martino

# External Auditors' Report



## **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  
RAI – Radiotelevisione italiana SpA

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of the RAI Group (the “Group” or “RAI Group”), which comprise the consolidated statement of financial position as of 31 December 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement for the year then ended, statement of changes in consolidated equity and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2018, 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. 38/05.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of RAI – Radiotelevisione italiana SpA (the Company) 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **PricewaterhouseCoopers SpA**

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.800.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880135 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: Ancona 60131 Via Sandro Totti 1 Tel. 0712132311 - Bari 70122 Via Abate Ginama 72 Tel. 0805640211 - Bologna 40126 Via Angelo Finelli 8 Tel. 0516186211 - Brescia 25123 Via Borgo Pietro Wuhler 23 Tel. 0303697501 - Catania 95129 Corso Italia 362 Tel. 0957532311 - Firenze 50121 Viale Gramsci 15 Tel. 0552482811 - Genova 16121 Piazza Picciopetra 9 Tel. 01029041 - Napoli 80121 Via dei Mille 16 Tel. 08136181 - Padova 35138 Via Vicenza 4 Tel. 049873481 - Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 - Parma 43121 Viale Tanara 20/A Tel. 0521275911 - Pescara 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - Roma 00154 Largo Fochetti 29 Tel. 06570251 - Torino 10122 Corso Palestro 10 Tel. 011556771 - Trento 38122 Viale della Costituzione 33 Tel. 0461237004 - Treviso 31100 Viale Felissant 90 Tel. 0422696911 - Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 - Udine 33100 Via Poscolle 43 Tel. 043225789 - Varese 21100 Via Albuzzi 43 Tel. 0332285039 - Verona 37135 Via Francia 21/C Tel. 0458263001 - Vicenza 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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### Key Audit Matters

#### Evaluation of the recoverability of investments in programmes

*“Valuation criteria” paragraphs “Intangible assets” and “Impairment of non-financial assets” and Note 13.3 “Intangible assets” of the consolidated financial statements as at 31 December 2018*

The item “Intangible assets” of the consolidated financial statements of the RAI Group as at 31 December 2018 includes programmes totalling Euro 881.7 million (of which Euro 252.2 million as intangible assets under development), which account for 96 per cent of the consolidated intangible assets.

Starting from the moment programmes are declared to be ready for use or from the date of efficacy of related rights, if acquired, they are systematically amortised on a straight-line basis over the assets’ maximum useful life of 7 years. Such duration represents the estimate made by the management of the RAI Group in order to relate the abovementioned amortisation to revenue from core business.

The recoverability of investments in programmes is verified by the RAI Group management at least at each year-end.

If events are identified which lead to presume an impairment loss on investments in programmes, their recoverability is verified by comparing the book value with the corresponding recoverable amount, determined on the basis of assumptions about their future use.

The evaluation of the recoverability of investments in programmes represented a key matter in our audit strategy given the significance of this item in the consolidated financial statements as at 31 December 2018, its direct correlation with the Group business, as well as the degree of complexity characterising the estimates made by

### Auditing procedures performed in response to key audit matters

As part of our audit we mainly performed the following procedures aimed at verifying the evaluations made by the RAI Group with reference to investments in programmes:

- i) discussions with the contact persons of the RAI Group regarding their conclusions on the existence of possible impairment losses in the item “programmes”;
- ii) analysis of the assumptions underlying the identification of the impairment losses in programmes and of the reasonability of the related write-downs performed by the RAI Group management;
- iii) analysis and understanding of the system of internal control over the programme cycle; identification and validation of the operation and efficacy of the relevant controls under this process;
- iv) comparative analysis and examination by discussions with the corporate functions about the most significant differences compared with the previous year values and review of documents, on a sample basis, regarding the increases and decreases in the item “programmes”;
- v) review, on a sample basis, of the useful life estimated by the Group companies based on the previous years’ evidence and the actual possibility of use and, in the circumstances, the possibility to re-broadcast programmes in the future, as well as checking, on a sample basis, the accurate and consistent determination of the amortisation quotas charged to the income statement;
- vi) verification of the accuracy and completeness of the disclosures provided in the notes to the consolidated financial statements.



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management.

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### ***Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements***

The directors are responsible for the preparation of consolidated 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. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate RAI – Radiotelevisione italiana 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 Group's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements.

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

- We identified and assessed the risks of material misstatement of the consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern;
  - We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
  - We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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 consolidated 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 10 March 2016, the shareholders of RAI – Radiotelevisione italiana SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2015 to 31 December 2023.



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 consolidated 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.

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### ***Report on Compliance with other Laws and Regulations***

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#### ***Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98***

The directors of RAI – Radiotelevisione italiana SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the RAI Group as of 31 December 2018, including their consistency with the relevant consolidated 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. 58/98, with the consolidated financial statements of the RAI Group as of 31 December 2018 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 consolidated financial statements of the RAI Group as of 31 December 2018 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. 39/10, 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 – Radiotelevisione italiana 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 another auditor.

Rome, 30 May 2019

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.*



# Corporate Directory

## GENERAL MANAGEMENT RAI

Viale Mazzini, 14  
00195 Rome

Via Cavalli, 6  
10138 Turin

t. +39 06 38781  
[www.rai.it](http://www.rai.it)

## RAI CENTRES

### TV production centre

Largo Villy De Luca, 4  
00188 Rome

### Production centre RF

Via Asiago, 10  
00195 Rome

### Production centre

Corso Sempione, 27  
20145 Milan

### Production centre

Via Marconi, 9  
80125 Naples

### Production centre

Via Verdi, 16  
10124 Turin

### Research

Via Cavalli, 6  
10138 Turin

## SUBSIDIARIES

### Rai Cinema SpA

Piazza Adriana, 12  
00193 Rome

t. +39 06 684701  
[www.raicinema.it](http://www.raicinema.it)

### Rai Corporation

c/o GC Consultants  
444 Madison Avenue - Suite 1206  
New York - NY 10022

### Rai Com SpA

Via Umberto Novaro, 18  
00195 Rome

t. +39 06 36861  
[www.rai-com.com](http://www.rai-com.com)

### Rai Pubblicità SpA

Via Cavalli, 6  
10138 Turin

t. +39 011 7441111  
[www.raipubblicità.it](http://www.raipubblicità.it)

### Rai Way SpA

Via Teulada, 66  
00195 Rome

t. 800 111 555  
[www.raiway.it](http://www.raiway.it)



## REGIONAL SITES

### Abruzzo

Via de Amicis, 27  
65123 Pescara

### Marche

Scalo Vittorio Emanuele, 1  
60121 Ancona

### Autonomous Province of Bolzano

Piazza Mazzini, 23  
39100 Bolzano

### Basilicata

Via dell'Edilizia, 2  
85100 Potenza

### Molise

Contrada Colle delle Api  
86100 Campobasso

### Autonomous Province of Trento

Via f.lli Perini, 141  
38122 Trento

### Calabria

Via G. Marconi snc  
87100 Cosenza

### Puglia

Via Dalmazia, 104  
70121 Bari

### Umbria

Via Luigi Masi, 2  
06121 Perugia

### Emilia Romagna

Viale della Fiera, 13  
40127 Bologna

### Sardinia

Via Barone Rossi, 27  
09125 Cagliari

### Valle d'Aosta

Loc. Grande Charriere, 70  
11020 Saint Christophe (AO)

### Friuli Venezia Giulia

Via Fabio Severo, 7  
34133 Trieste

### Tuscany

Ettore Bernabei, 1  
50136 Florence

### Veneto

Palazzo Labia - Campo San Geremia  
Cannaregio, 275  
30121 Venice

### Liguria

Corso Europa, 125  
16132 Genoa

### Sicily

Viale Strasburgo, 19  
90146 Palermo

## Rai - Radiotelevisione Italiana SpA

### Parent Company

Company Name: Rai - Radiotelevisione italiana SpA  
Share Capital: Euro 242.518.100,00 fully paid in  
Head office: Viale Giuseppe Mazzini, 14  
00195 - Rome

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