



Reports
and Financial
Statements as
at 31 December
2019

The Rai logo consists of the word "Rai" in a bold, white, sans-serif font, centered within a solid blue square.

Reports
and Financial
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at 31 December
2019

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Introduction

Corporate Officers

Board of Directors

Chairman	Marcello Foa
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Chief Executive Officer	Fabrizio Salini
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Directors	Rita Borioni Beatrice Coletti Igor De Biasio Riccardo Laganà Giampaolo Rossi
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Secretary	Anna Rita Fortuna
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Board of Statutory Auditors

Chairman	Carmine di Nuzzo
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Standing auditors	Giovanni Ciuffarella Maria Teresa Mazzitelli
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Alternative auditors	Pietro Contaldi Antonella Damiotti
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External Auditor

PricewaterhouseCoopers

Organisational Structure

(short form)



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

Dear Shareholders,

The Rai Group recorded overall positive results in 2019.

In terms of profit and loss, the consolidated financial statements broke even, with a slight increase in EBIT. Net financial position, although in deterioration compared to 31 December 2018, remained at sustainable levels.

From an editorial point of view, Rai confirmed its leadership position in the television market (35.7% for the entire day and 36.6% for prime time, a record in almost all its production genres and different audience rating bands) and holds a significant position in the radio sector; RaiPlay has made clear progress in the digital area.

Rai's overall offer, widely spread across all distribution platforms, is a quality benchmark for the whole sector and this reinforces the inherent sense of responsibility in its public service mission and is a challenge for us to constantly improve our editorial output.

Rai's commitment to narrating contemporary and historical Italy, promoting national audiovisual production, supporting innovation and the international release of our works, has been of utmost importance.

Rai Cinema also produced some significant results. In an era of great changes in the sector, it achieved substantial objectives both in economic terms and for the projects it carried out, which stand out for their production quantity and quality and which have led to us receiving prestigious awards in Italy and internationally.

The results for Rai's dramas are equally impressive and thanks to ambitious projects that stand apart for their high-quality writing, their international profile has increased. The volume of Rai's drama offer in 2019 is equal to 80% of Italian production hours, a record that, together with Rai Cinema, confirms its undisputed public service role, as the backbone of a fundamental sector of the Italian culture industry.

Quality and innovation are the hallmarks of the cultural dissemination offer, with a significantly increased share of the schedules. On Rai 1 alone, there were seven more evenings dedicated to this genre than in the previous year, and 16 more than in 2017. An evolution perfectly in line with public service obligations and welcomed by the viewing public. The *Meraviglie* and *Ulisse* series are emblematic examples of this, with Alberto Angela's ability to render the complex simple, they gained average audiences of 18.5% and even almost 30% amongst graduates, thereby paving the way for other future pilots.

Another good example was the *Che storia è la musica* evening event by and featuring Maestro Ezio Bosso, who sadly recently died too soon, illustrating the great classical music works through theatre lectures. We would like to remember him, with gratitude and emotion, and his close collaboration relationship with Rai, with whom he made one of his final pieces of work.

The information offer, a fundamental part of the public service role, is constantly evolving and characterised by a constant effort to adapt to the public's new needs and habits in an increasingly multimedia context and where there is a need for open, authoritative and abundant information. Without a doubt, in line with the valid expectations of Rai in its role as a fundamental player in forming of Italy's civil conscience, there is a commitment to providing, through our television, radio and digital channels, information and voices which are increasingly factual, dynamic, complete and open to the world.

Today there are a wide range of offers targeting children and young people over multiple platforms, with many services competing for time and attention, often involving children in commercial dynamics that are not age appropriate and are of dubious editorial quality. Rai offers original, distinctive and contemporary programming, respecting children's rights with educational and entertaining programmes that look to stimulate them within a safe environment and that are appropriate for each age group, with a critical spirit, imagination and good taste.

As always, entertainment features prominently and, for the first time, not only on the classic generalist network, where there have also been numerous successes, but also on the web. A great challenge for Rai has been to renew the pact it has had for decades with the public, first for radio and then television, which has now been renewed and regenerated in the new digital dimension.

To deal with this generational transition and to stay visible at a time where the public is moving ever faster, Rai has designed and developed a new content distribution strategy, which will increasingly involve original products, on the RaiPlay platform, together with a complete reorganisation of its offer and the creation of an innovative interface enhanced with digital experience services. Rai launched the new platform with the help of a true star of Italian entertainment, Fiorello, an eternal Peter Pan, with a specially made entertainment production, not one merely taken from television, *VivaRaiPlay!*. It has had 15.5 million views on the Rai domains – www.raipplay.it/programmi/vivaraipplay – and 6 million on YouTube channels, results comparable with Rai events such as *Sanremo* and national football team matches. This was not a one-off isolated success, RaiPlay consolidated and improved its performance in 2019, with over 676 million media views and almost 138 million unique visitors (+ 33% and + 14.5% respectively compared to 2018).

Public service radio is a forerunner of media hybridisation, an example of the convergence between society's most deep-rooted forms of consumption and the expectations of an increasingly diversified and demanding audience. The evolution of production, distribution and fruition has increased the crossover of content, format and technology, in an ecosphere that fully integrates the fluid identity of the audio product and its centrality in the digital society, as can also be seen from the strong performance on the RaiPlay Radio www.raipplayradio.it website and app of the same name.

Rai's international commitment should be noted, with its constant and qualified presence in the European Broadcasting Union and an increase in collaboration and partnership agreements with other public service providers around the world. Rai can count on its network of international relationships to face the sector challenges, as it also works towards boosting Italy's image.

During 2019, Rai's activity was focused on the progressive implementation process of the 2019-2021 Business Plan, which received a positive appraisal from the Ministry of Economic Development last October, and the cornerstones of which we outlined in last year's letter. A Plan that, in summary, intends to allow Rai to complete its switchover 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.

However, in the session of March 2020, the Board of Directors, having examined the implications of the continuing Coronavirus crisis on the business plan and in being called to honour its public service mandate in the emergency for both the country and also Rai itself, unanimously decided that it was unfortunately necessary to postpone implementation of the Business Plan and therefore also some fundamental organisational measures.

We are aware of our duty, as a public service and on behalf of all those who work with us, and our civic commitment to serve Italy as it experiences one of the most difficult periods since that of the post-war. We stand beside all the families who have lost loved ones and those who are suffering from the economic and social consequences.

In line with our mandate, this is a commitment to immediately and to the best of our ability, even in light of the limitations that have also affected our business, guarantee continuous information on the measures taken by the government and encourage responsible behaviour by the population, communicating in the simplest and most effective way possible, with the fundamental contribution of in-depth analysis from scientific experts.

In this spirit, in addition to ensuring entertainment broadcasts, Rai has also guaranteed ad hoc programming in agreement with the Government to respond to changing cultural needs and, above all, educational needs, which sees the contribution from illustrious thinkers, university professors and academics from the Accademia della Crusca and the Accademia Nazionale dei Lincei.

Rai's distance learning, which is developed mainly, but not only, online, is an extraordinary joint commitment to making a wide range of quality content available and usable on all devices. This is offered to the school system, families and students of all ages on Rai channels and on Rai Cultura – www.raicultura.it/ - and Rai Play – www.raisplay.it/learning/.

This is an entertainment and educational offer aimed at children, young people and students, including additional content that can also be accessed through television (and available online), in particular on the Rai Scuola (DTT channel 146), as well as on Rai Storia (DTT channel 54), Rai 5 (DTT channel 23) and Rai Gulp (DTT channel 42).

This editorial and production effort is a virtuous example of how, having set a clearly defined and timely goal, collaboration between public institutions, amongst which Rai is honoured to be included, is fundamental in achieving otherwise impossible public utility goals, especially during a period of great difficulty. In this way, it has been possible to provide a solution for forced school closures with multimedia programmes designed to facilitate, with the contribution of qualified experts, the continuing study of school subjects for classes of all levels.

Rai will continue to be guided by and fully comply with the values that define public service, defined by law and convention, as well as with the commitments established by the Service Contract, in awareness of our role and particularly in the coming months, expected to be a period of great responsibility for Italy in the aftermath of the Covid-19 emergency.

We would therefore like to thank our Shareholder, the Ministry of Economic Development and our stakeholders for their trust, support and participation in our initiatives to continuously improve our work for the benefit of the community.

Marcello Foa

Financial Highlights

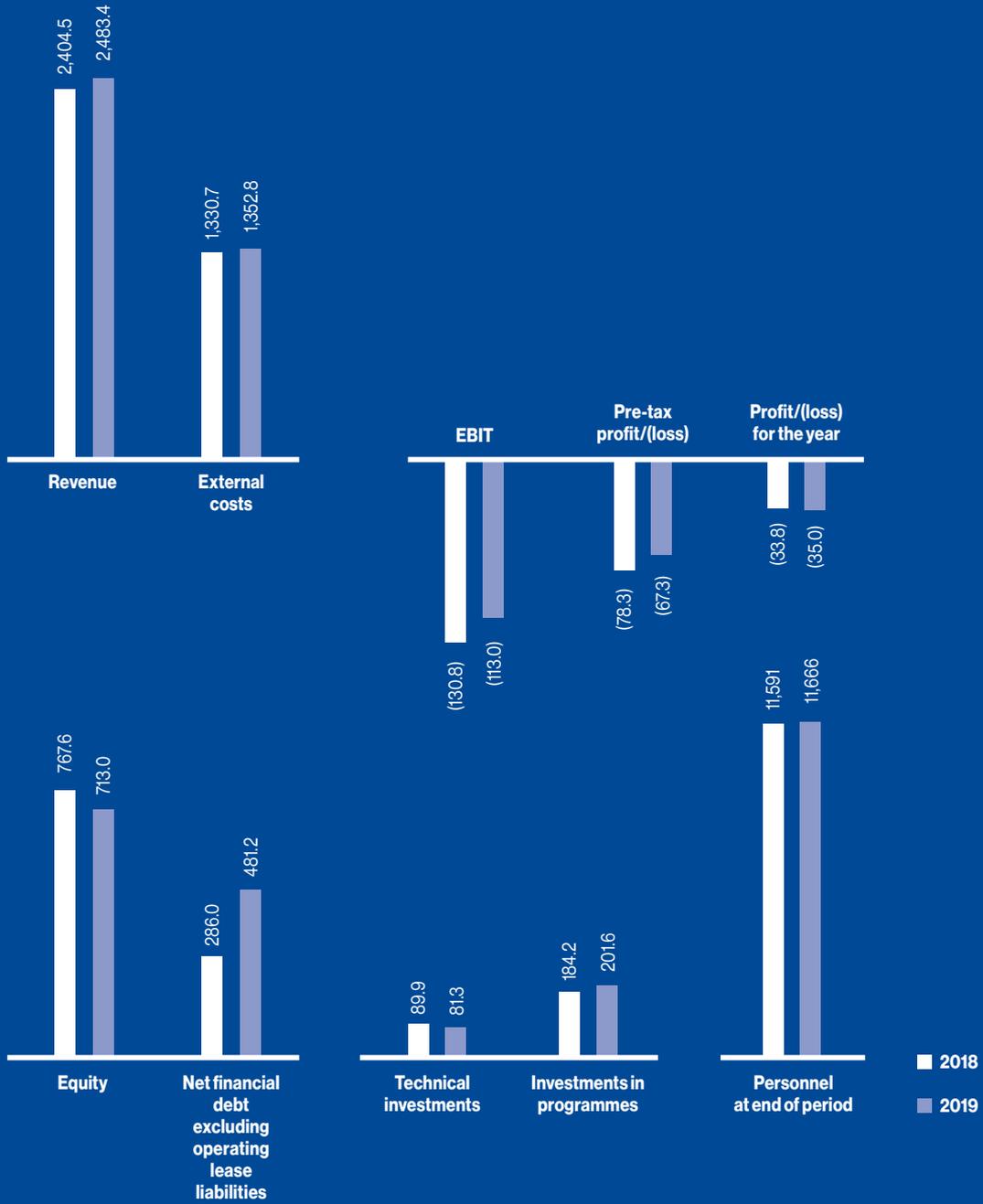
Rai SpA

(€/million)	FY 2019	FY 2018	Change
Revenue	2,483.4	2,404.5	78.9
External costs	(1,352.8)	(1,330.7)	(22.1)
HR expenses	(939.0)	(911.8)	(27.2)
Total operating costs	(2,291.8)	(2,242.5)	(49.3)
EBITDA	191.6	162.0	29.6
EBIT	(113.0)	(130.8)	17.8
Pre-tax profit/(loss)	(67.3)	(78.3)	11.0
Profit/(loss) for the year	(35.0)	(33.8)	(1.2)

Investments in programmes	201.6	184.2	17.4
Technical investments	81.3	89.9	(8.6)
Investments in lease rights of use	14.1	0.0	14.1
Total investments	297.0	274.1	22.9

(€/million)	31 December 2019	31 December 2018	Change
Equity	713.0	767.6	(54.6)
Net financial debt excluding liabilities for operating leases	481.2	286.0	195.2

(units)	31 December 2019	31 December 2018	Change
Permanent personnel as at 31 December	11,527	11,152	375
Temporary personnel as at 31 December	139	439	(300)
Temporary and permanent personnel as at 31 December	11,666	11,591	75



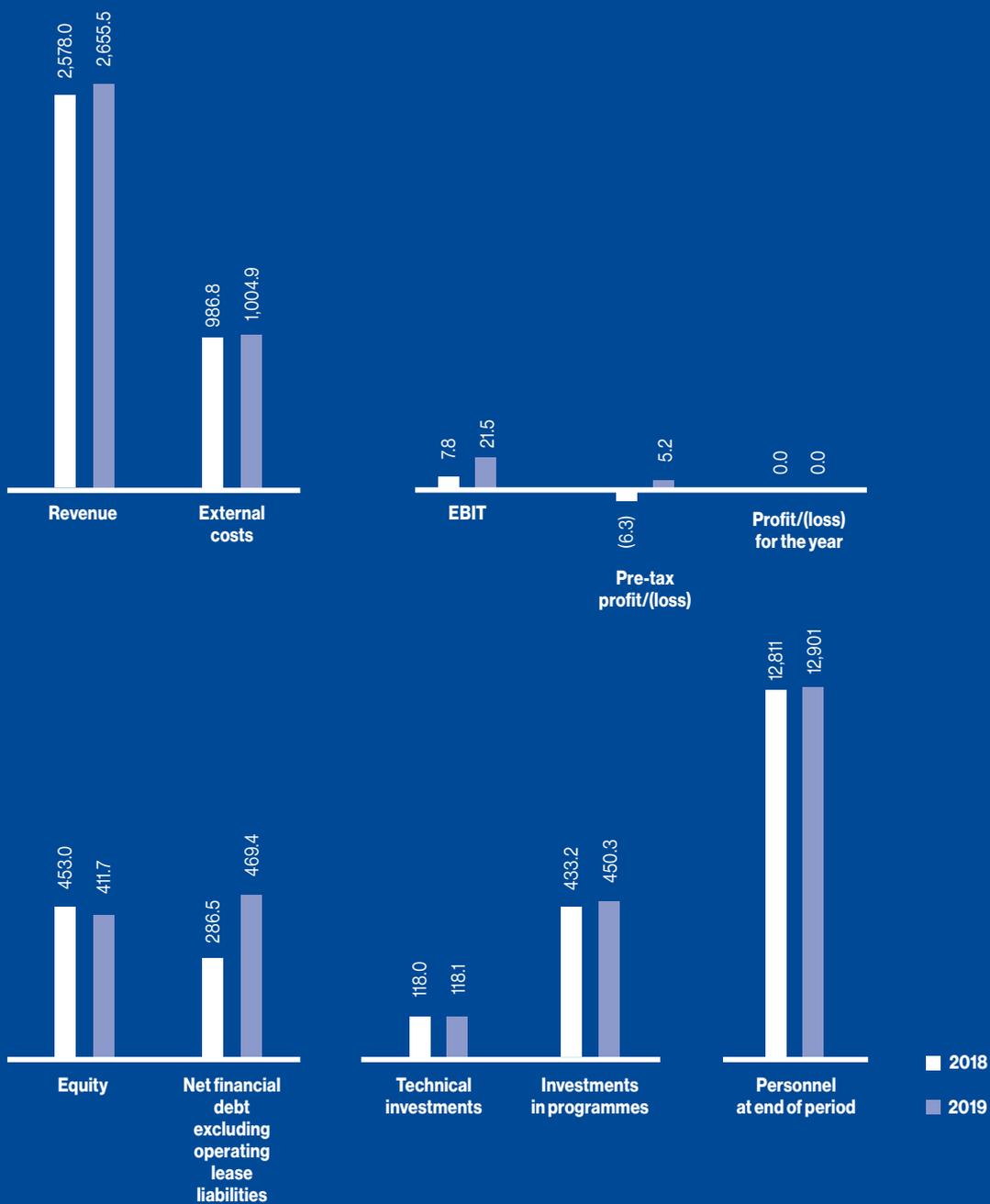
Rai Group

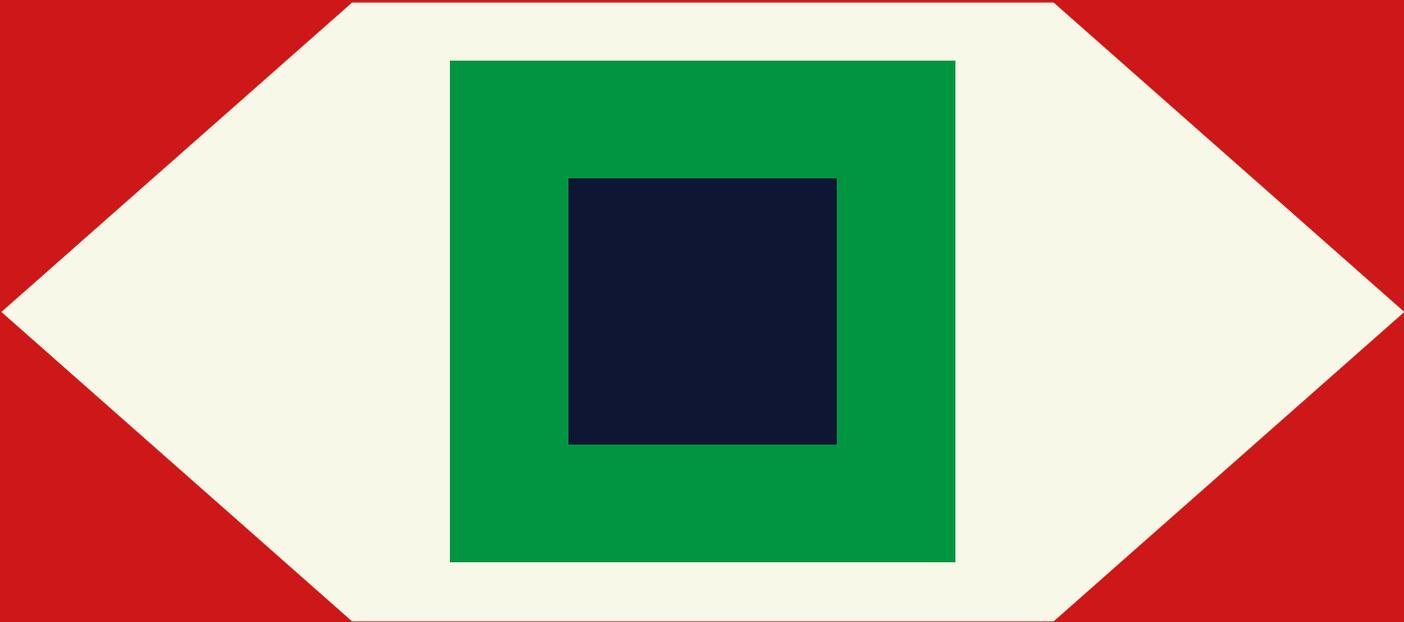
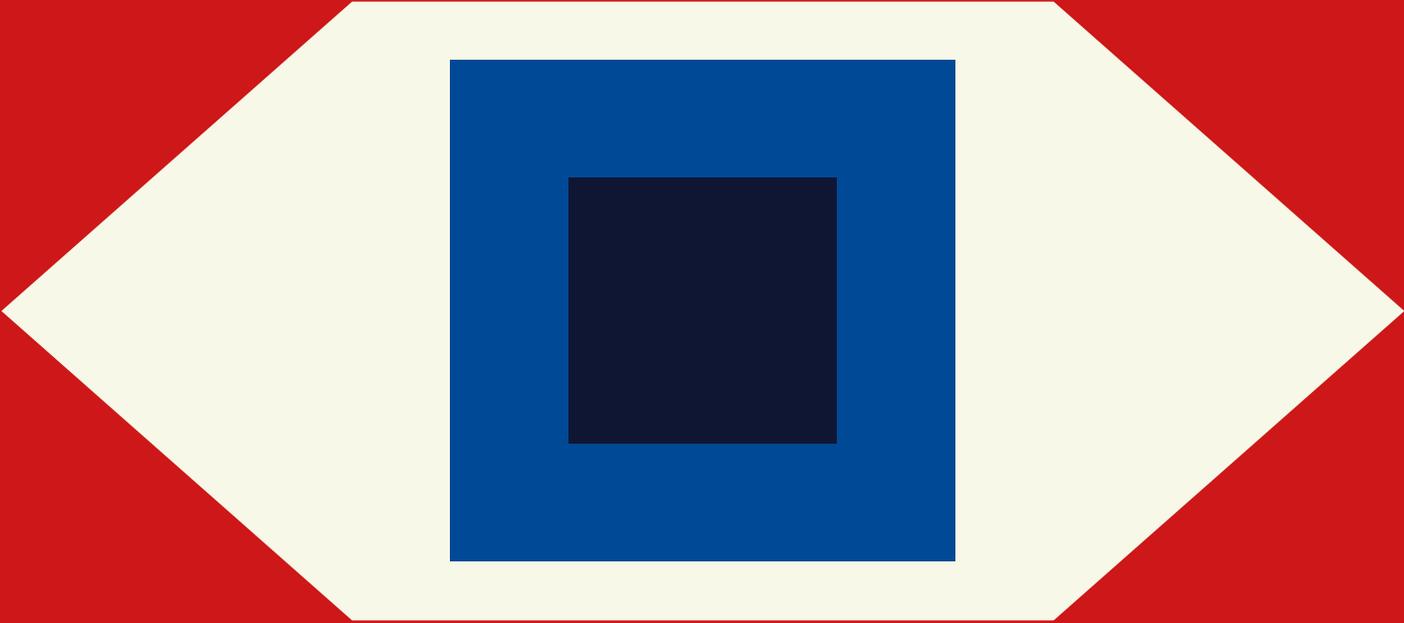
(€/million)	FY 2019	FY 2018	Change
Revenue	2,655.5	2,578.0	77.5
External costs	(1,004.9)	(986.8)	(18.1)
HR expenses	(1,036.0)	(1,006.2)	(29.8)
Total operating costs	(2,040.9)	(1,993.0)	(47.9)
EBITDA	614.6	585.0	29.6
EBIT	21.5	7.8	13.7
Pre-tax profit/(loss)	5.2	(6.3)	11.5
Profit/(loss) for the year	0.0	0.0	0.0

Investments in programmes	450.3	433.2	17.1
Technical investments	118.1	118.0	0.1
Investments in lease rights of use	15.6	0.0	15.6
Total investments	584.0	551.2	32.8

(€/million)	31 December 2019	31 December 2018	Change
Equity	411.7	453.0	(41.3)
Net financial debt excluding liabilities for operating leases	469.4	286.5	182.9

(units)	31 December 2019	31 December 2018	Change
Permanent personnel as at 31 December	12,726	12,300	426
Temporary personnel as at 31 December	175	511	(336)
Temporary and permanent personnel as at 31 December	12,901	12,811	90





Report on Operations

Mission

By Decree of the Italian Prime Minister, 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

The audiovisual market is increasingly characterised by periods of disruption, which are changing the traditional paradigms of the media world, with an impact both on an industrial level and in terms of individual consumption habits.

Globally, the media market has been affected by the adjustment/consolidation processes of the conglomerates established with the mergers and acquisitions that took place between 2018 and 2019. The main ones included: the establishment of WarnerMedia following the acquisition of Time Warner by AT&T, the purchase of Sky by Comcast; the transaction that saw Disney take over the assets of 20th Century Fox and, in December 2019, the merger of Viacom and Cbs which established ViacomCbs.

In Europe as well, traditional media companies, through mergers and acquisitions, are reshaping the competitive scenario and changing relationships of forces amongst competitors; the common goal is to strengthen presence in the audiovisual market also to counter the increasingly relevant OTT services.

The main strategic operations in 2019, include the action taken by the Canal+ Group, controlled by Vivendi SA, which announced the acquisition of the M7 Group, a pay TV operator active in Central Europe. M7 is the owner of various platforms distributing national and international content and channels (such as Disney Channel, HBO, Eurosport, National Geographic and Nickelodeon). The strategy of European Media Companies is to combine content production and its distribution across various platforms.

Between the end of 2019 and the start of 2020, important VoD services were also launched in Europe, with more to come, including AppleTv +, available in Italy since November 2019, Disney + already launched in the US and in Italy in March 2020, while the two media conglomerates, NBCUniversal (Comcast) and Warner Media (AT&T), will launch—for now only in the USA—Peacock (July 2020) and HBO Max (27 May 2020) respectively. These new services will lead to a streaming war in the OTT market, of which Netflix and Amazon Prime Video are the indisputable leaders today. The business model is evolving away from the *classic* SVoD models towards *hybrid* forms, which involve the use of an SVoD/AVoD mix. In this area, from February 2019, Hulu planned for advertisements to be included and reduced its subscription cost from \$7.99 to \$5.99 per month, offering an Ad-free version for \$11.99 per month. Amazon was ahead of the trend, as early as January 2019, it improved its video offer by acquiring IMDB Freedrive and including it in Amazon Fire Tv, a free platform based on an AVoD system that has already reached, including in the USA, over 40 million active users per month, competing with industry players such as Roku. The service is currently only available in the USA, but will also be launched in Europe and Italy in 2021, and will be available in BMW and Fiat Chrysler vehicles.

Main television operators with registered offices in Italy

Terrestrial Digital technology

Rai
Mediaset group
Discovery Italia group
Sky Italia group
Cairo Communication
AL.MA Media
Viacom Italia
Gedi Gruppo Editoriale

Free Tv

Satellite technology

Rai
Mediaset group
Discovery Italia group
Sky Italia group
Cairo Communication
Viacom Italia

Pay Tv

Satellite and Terrestrial digital

Sky Italia

(publishers active on the platform, which also broadcast their channels on Sky)

Mediaset group
Discovery Italia
Walt Disney Italia
Fox Italia group
Turner Broadcasting System
Viacom Italia
De Agostini S.p.A.
GEDI Gruppo Editoriale
A&E Television network

Sky (Comcast) is also revolutionising its strategy to remain competitive in the audiovisual market by transforming itself from a content *producer* and *distributor*, into a true *aggregator* (HUB)—both through its traditional Sky/Sky Q pay TV platform and its own SVoD Now Tv service—offering its subscribers an increasing number of services. The aim is to offer customers different content from a single initial interface, without any graphic distinction between their own brand and the hosted brands. This operation, in the Italian market, has already seen agreements between Sky and Mediaset Premium, with DAZN, Netflix and also Vevo, Spotify, YouTube and Eurosport; the agreement with Disney + is currently being finalised. This type of deal appears to have benefits for both parties: on one hand, the traditional Pay operator maximises the chances of keeping—if not expanding—its customer base; on the other, it allows OTT operators to enter and/or consolidate themselves in a crowded and structured market such as the SVoD market. Finally, this aggregation of services responds to a specific consumer need, namely *simplification*, allowing the user to pay for different subscribed services with a single bill.

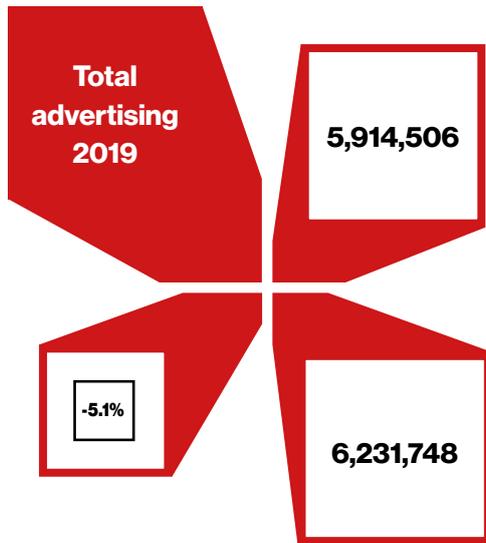
In Italy, according to data provided by the Ergo Research Institute's *Digital Trends 2019* research, compared to average consumption the medial time budget (on an average day) is 6 hours and 34 minutes (+ 2.6% compared to 2018), of which 59% (3 hours and 53 min) is dedicated to video consumption: of this, 71% (-6 percentage points compared to 2018) are in linear mode (free and traditional pay TV) and 29% in non-linear mode (SVoD/TVoD/EST, Catch up/AVoD and on-demand Pay TV). In relation to the use of content in non-linear mode, by implementing a device view, connected or connectable TVs are used by 55% of individuals, followed by Laptops 25%, Smartphones 23% and PCs and Tablets at 13% (gross of duplications); 44% of individuals viewed content with others, 33% alone, while 23% of the sample indiscriminately consumed on-demand content alone or in company. The percentage breakdown by gender and age group shows that non-linear consumption tends to prevail more amongst males (33% vs 26% women 15+ individuals) and younger; the phenomenon of de-linearisation grows with decreasing age, with more than 50% of the 15-34-year-olds claiming to enjoy video content mainly on demand; on the contrary, about 90% of those over 65 said they enjoy content mainly in linear mode. This consolidation process towards non-linear consumption does not see the use of "television" content being abandoned, but rather its multi-device and multi-platform consumption.

In relation to average Italian consumption, in the Censis survey—published in the *16th Report on communication The media and the construction of identity*—it emerged that, in family spending trends between 2007 and 2018, in the face of a generalised contraction, with average values still struggling to return to pre-crisis levels, media spending increased significantly, in particular that related to purchasing smartphones and telephone accessories, which recorded an increase of just under 300% and that relating to the purchase of computers (+ 64%). Publishing continues to follow a negative trend and, in the period under review, saw a drop of 37.8%. The multiplication of devices owned by the public has led to an increasingly cross-cutting use

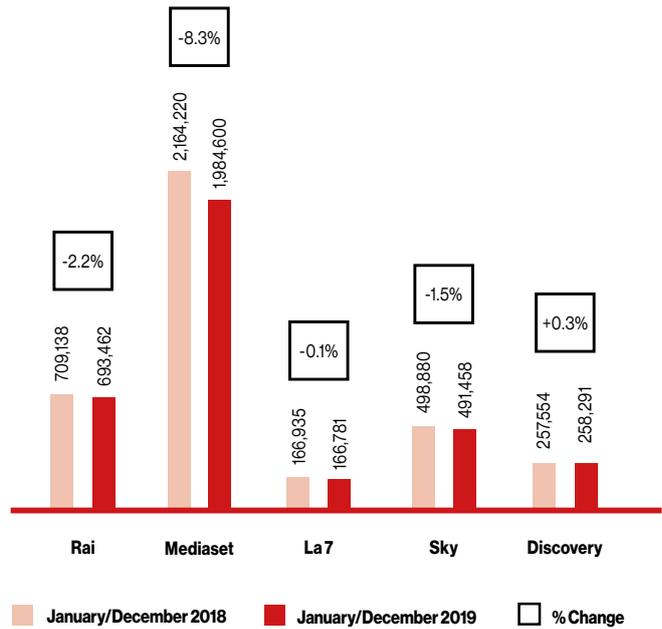
of content, used via whichever medium the customer/consumer considers more suitable to meet their primary needs at the time. The evolution of average consumption by age group, again according to the Censis Report, saw typically "high-consuming" younger targets (14-29 years) surpassed by the 30-44 year-old group, which recorded TV consumption penetration values of 94% (compared to 89.9% for the 14-29 age group), 94.8% for the use of mobile phones (compared to 89.8%), radio 85.4% (compared to 73.4%), the Internet 93.9% (compared to 90.3%) and Social Media 91.6% (compared to 86.9%).

Again looking at this consumer segment, according to the data provided by the *Internet Media Observatory* of the Politecnico di Milano, the most popular social media networks are: Facebook with about 33.7 million unique users (93% reach of the digital population in November 2019), Instagram with 24.1 million (67% reach), Pinterest with 10.4 million followers (27% reach), TikTok with approximately 6.4 million users (18% reach amongst 18+, a percentage that rises to 23% amongst 18-24 year olds and marks a growth of 240% compared to 2018). The research also shows that 68% of the social media population (about 35 million users, equal to 59% of the Italian population - data from *We are Social* January 2019) follows influencers and celebrities (a percentage that rises to 82% for 16-24-year-olds) to keep up to date on trends (37%) and/or for advice and ideas about what to buy (30%). By influencers we mean celebrities, professionals and also amateur experts, who create engagement, lead discussion topics and sell products/services particularly through social media networks. The research by the Politecnico di Milano also reveals a growing interest by companies in a new strategic approach called Influencer Marketing. This is a communication lever where an operator and/or brand collaborates with influencers to convey specific messages to well-defined targets. The main objectives that drive companies to invest in this new communication strategy include building brand awareness for a campaign or a new product (43%), increasing consumer engagement (32%) and encouraging greater proximity to the brand (28%). In relation to the volume of investment in the Influencer Marketing segment, for 2018 (most recent data available), the Politecnico di Milano recorded a value of €180 million, equal to a 7% share of the digital advertising total, an figure which is predicted to grow in the coming years.

Based on official Nielsen figures, the advertising market reported a drop in 2019 of 5.1% compared to 2018 in Italy, from €6.232 billion to €5.914 billion. Also including the Search and Social component, according to Nielsen estimates (€2,859 billion), the advertising investment market would only fall by 0.9%, from a total value of €8.850 billion to €8.774 billion. In relation to the share of revenue from various media types, again in comparison with 2018, TV recorded a significant decrease (-5.3%), Radio continued its positive trend, albeit with a more contained growth rate, recording + 1.7%, the Digital Advertising sector grew by 3.5% (+ 8.3% including the Search and Social Media estimate). The printed segment is still down: -10% for newspapers and -13.9% for magazines. The negative trend continued for the Outdoor (-8.4%) and Direct mail (-3%) segments; cinema and GoTv advertising revenues went up (+13.8% and +4.5% respectively).

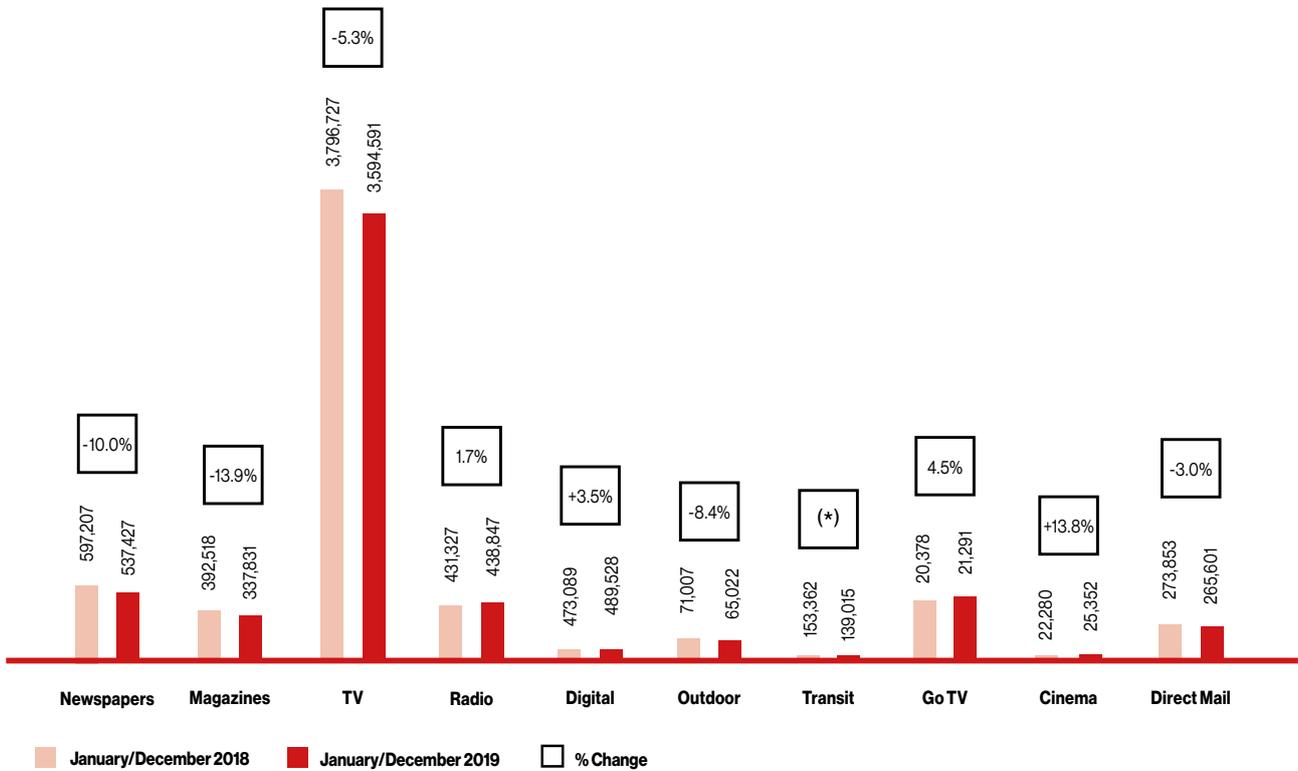


Estimate of the advertising market - TV
(net data, source Nielsen, €/000)



Changes in advertising revenue by medium

(values net of internet desk [search and social] source Nielsen, thousands of euros)



(*) (*) Non-homogeneous reference universe.

The reference universe is that of the means recognised by Nielsen with the exception of Newspapers where FCP - Assoquotidiani data is used only for the following types: Local, Itemised and Service, and Radio where the FCP - Assoquotidiani data are used only for Off-Schedule type (including c.a.).

In only the television market, in terms of advertising revenue by individual publisher, Rai showed a decrease of 2.2%, which, however, was less than the market average, with Mediaset at 8.3%, Sky at 1.5%, La7 at 0.1%, and Discovery slightly up at + 0.3%.

In evolutionary terms, moreover, the media market will be affected not only by ever-increasing competition from the launch of new on-demand services, but also by important technology developments that will have repercussions on an economic, social and industrial level.

As foreseen, in the 2018 Budget Law and confirmed in that of 2019, to allow for the sale of the 700 Mhz band for 5G use, including in Italy, by 30 June 2022, terrestrial television broadcasts are expected to be transferred from the Dvb-T standard (Digital Video Broadcasting - Terrestrial 1) to the new standard broadcasting for DVB-T2 digital television, which will allow greater broadcasting efficiency and, therefore, the same number of TV channels to be broadcast even with a reduced frequency space, precisely because of the aforementioned release of the 700 MHz band.

An overall readjustment to the frequencies used today throughout Italy will therefore be necessary, which will begin in September 2021 and will be carried out with the current Dvb-T standard (first generation) but in high definition (HD). The competent administration believe that, at that date, practically all televisions will be HD (some research shows that for weaker sections of the population there may still be a need to install a small decoder). Because of this technological change, in Italy, from 1 January 2017, a law was introduced that all televisions on sale must have an integrated digital tuner for the reception of programmes in Dvb-T2 technology with HEVC coding.

The law states that the transition ends in June 2022, with the definitive transition to DVB-T2 technology. At that date, all first-generation devices will no longer be able to receive TV content. This will have to be carefully monitored as the latest TV sales forecasts seem not to reflect the assumptions made in the

legislative framework; the most recent market analyses show greater market inertia.

This step will see a real disruption of the classic and traditional mechanisms of the media world in general and the television world in particular. According to Cisco, for example, within a couple of years in Italy, 87% of people will have mobile connectivity and just under 15% will have a 5G connection. Again over a short period of time (2018/2023), the average connection speed will reach 75.9 Mbps for fixed broadband and 66.7 Mbps for mobile network connections (in 2018 the figure was 24.2 and 17 Mbps respectively). The increase in available bandwidth and the spread of new devices, both fixed and mobile, will therefore boost, on one hand, the development of new offers (services, immersive videos, streaming platforms) and, on the other, increasingly higher consumption independently managed by individual users; this is at the same time both an opportunity and a threat for traditional broadcasters. In the face of this significant increase in the transmission capacity of telecommunication networks, broadcasters will be able to strengthen their role as suppliers of premium content to be supplied to the population through new technologies that allow "anywhere and any time" use. At the same time, traditional broadcasters must, however, avoid being marginalised on the market by international players (over the top) who work on a global scale, polarising the tastes and consumption of the population. Also, the development of the real possibilities offered by the new IP connection technologies will be monitored against the current high performance of traditional TV broadcasting networks.

As regards traditional pay TV services during 2019, Mediaset Premium closed down on the digital terrestrial platform, in June 2019, and Sky posted an 8.6% decrease in subscribers, from 4.3 million in 2018 to approximately 4.0 million in November 2019 (data does not include the portion of users subscribed to Sky through DTT). The free satellite platform TivùSat saw an increase both in active smart cards (+ 6.5% vs 2018)—which reached 3.6 million—and in the number of registered users (+ 5.1% compared to 2018) - that exceed 2.4 million (operator data).

413

TV channels that can be received on the main platforms

347

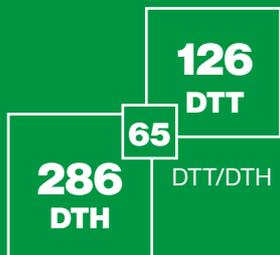
TV channels

produced by companies with registered offices in Italy

413
of which

347
of which

Technology platforms



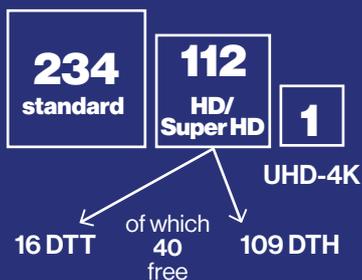
347
of which

TV publishing groups with offices in Italy

65

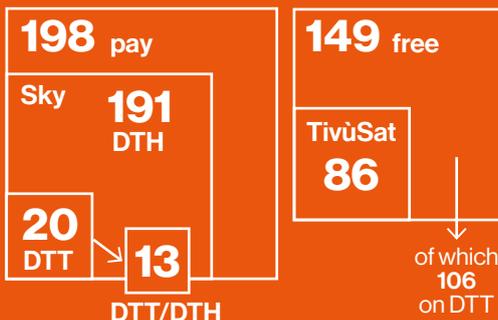
347
of which

Definition type



347
of which

Pay TV vs Free TV



In 2019, in terms of the competition framework, the following changes are highlighted:

- Rai Libri is launched in January; after Canale 5, Italia 1 and Rete 4 also returned to Sky as HD versions; Viacom invested in on demand streaming, acquiring Pluto TV, the free service with advertising;
- in March, Paramount Channel became Paramount Network, a name already used by other versions of the channel in the rest of the world; the Discovery Group consolidated its free offering on TivùSat, with the channels Real Time HD, DMax HD (both replacing the SD version), K2 and Frisbee, from April also adding Giallo HD, Motor TREND HD and Food Network for a total of 11 active channels on the satellite platform;
- in April, Boing SpA (a joint-venture between RTI Mediaset and Turner – WarnerMedia Group), acquired LCN 45 with the POP TV channel from Sony Pictures Entertainment Italia, which will be replaced by the children's channel Boing Plus in July; Mediaset acquired position LCN 55 occupied by Cine Sony, from Sony Pictures Entertainment Italia and temporarily replaced by Mediaset Extra 2;
- in June, Rai launched the Rai Cultura portal, with eight special-interest areas (Art, Literature, History, Music, Cinema, Theatre and Dance, Philosophy, Science), for viewers to access an extensive range of cultural content from the public service operator, as well as various ad hoc productions;
- in the same month, the Mediaset Premium pay TV platform on DTT closed, along with the Premium Play and Premium Online services. The Premium channels dedicated to cinema and TV series are still active on Infinity and on the satellite/terrestrial platform of Sky Italia, which is the only operator active on the pay TV market in Italy;
- the Pop channel owned by Sony Pictures Entertainment

(LCN 45), finished broadcasting in July and was replaced by Boing Plus; the other Sony, Cine Sony (LCN 55) channel also finished broadcasting and in its place Mediaset Extra began broadcasting;

- again in July, Mediaset Italia 2 (LCN 66, 120, 566) finished broadcasting;
- from September the Rai Sport + HD (LCN57) and Rai Sport (LCN 58) channels began to offer a partially differentiated and not completely simulcast programming;
- in November the Rai 1 and Rai 1 HD channels, on the launch of the *Viva RaiPlay!* programme, broadcast in simulcast with RaiPlay (visible on Smart TVs, PCs, Smartphones and Tablets);
- the De Agostini group Alpha channel (LCN 59) finished broadcasting in December and broadcasts on the Motor Trend (Discovery) channel began in its place.

In December 2019, the TV channels headed by TV publishers based in Italy (source: Confindustria RadioTv) totalled 347 – net of duplications – available on DTT, DTH or on both platforms; of these 347, 61 are available only on the DDT terrestrial platform, 221 only on satellite (free and pay) and 65 are available on both platforms. In terms of the business model, a total of 149 free channels are available, 86 of which can be seen on the TivùSat platform; there are 198 payment channels net of duplications – now under a single operator (Sky Italia) after the closure of Mediaset Premium – of which 178 visible on the satellite platform, 7 only on the digital terrestrial platform and 13 visible on both platforms. The high-definition offer from 112 channels (92 HD, 20 Super HD) was stable, net of overlaps on the various platforms, to which a channel in UHD-4K was added. HD channels are mainly present on satellite (109 channels).

The Rai Group

The Rai Group ensures a vast and diversified public service offering, present on all platforms, able to address the public in all its forms, in line with the contents of the *2018-2022 Service Agreement*, approved in December 2017. In compliance with the provisions, Rai undertakes to expand its activities and diversify its television, radio and multimedia offers.

In relation to audience surveys on Rai-relevant media (TV, Radio, Digital), again in 2019, the Group was committed to promoting transparent measurement systems, based on shared international best practice, as far as possible, amongst all sector operators and in line with the requirements of the competent guarantor authority (AGCOM). Indeed, Rai continues to support and promote an approach to the audience measurement carried out by cross-controlled bodies that brings together all sections of the reference industry related to the surveyed medium: publishers, advertising investors, agencies and media centres also through their respective trade associations. The Joint Industry Committee (JIC) model, as described, is currently adopted by Auditel, for measuring television ratings, and by Audiweb, for measuring digital audiences. On the other hand, for radio, the company in charge of monitoring listening (TER - Tavolo Editori Radio) is set up as a Media Owned Committee, which brings together only the editorial part (national publishers and associations representing local broadcasting).

In all cases, Rai's has an active role with these bodies and their technology partners, 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.

The main technical and methodological innovations developed in these areas during 2019 specifically, related to the systems for measuring television ratings on digital platforms (survey carried out by Auditel) and online publishing (survey carried out by Audiweb).

In relation to television audience surveys, Auditel solidly launched its multi-year evolution plan focused on the "Total Audience" project which, when fully operational, will be able to consolidate audience ratings for programmes, specific content and advertising, on TV and on each individual digital device, thereby obtaining an overall total audience by average minute. In line with international guidelines, this process is also based on the accurate measurement of use on digital devices which, once fully operational, will be based both on the use of census data, collected with the active collaboration of the participating publishers (therefore measuring all consumption), and a continuous measurement (panel) survey sample necessary for identifying the socio-demographic profile of users of specific online content. In relation to the overall progress of the digital device survey project, a necessary progress step towards the television total audience, after an adequate period of checks, audience ratings data was released to the market on the census relating to use of video content via browsers on PCs and Mobile for

6 Publishers (Rai, Mediaset, La7, Sky, Discovery and DeAgostini) beginning on 24 June 2019. Subsequently, starting from 8 December 2019, the survey scope was extended to include the use of video content through mobile apps (for Android and iOS operating systems) which represent a significant share of consumption, or more than half of Mobile content, corresponding to approximately 54% of total viewing time. From February 2020, the survey also includes consumption on Smart TV Apps. Again in 2020, the installation of a specific meter capable of detecting video content consumption on various individual and family devices and the study of an individualisation and profiling model for digital audiences are planned. Both of these elements are necessary to produce audience rating data on digital devices at an individual level, which is not foreseen before 2021.

In relation to the survey of digital audiences created by Audiweb, in 2019, the production of audience data continued with the renewed Audiweb 20 methodological system, designed to provide a timely and accurate representation of the different ways online editorial content is consumed, in a market characterised by a large number of national publishers and with the presence of large international players (such as Google and Facebook) who are not involved in the development of surveys based on methodologies shared with national publishers and advertising investors represented by UPA. In the absence of agreements with these large international operators and considering their relevance for the market, the Audiweb Board of Directors decided to extend, from March 2019, the information base coverage used for planning online advertising spaces (so-called planning tape) also to publishers not enrolled in the Audiweb 2.0 survey. Since that date, all online entities that have registered more than 20 million unique visitors on a monthly basis have been included in the planning tape. In this case, the entities are monitored with partial limitations on the surveyed content (for example video traffic). The measurement of advertising content is still excluded from Audiweb's scope. However, opportunity and feasibility assessments continue on this extension.

In relation to the survey of radio audiences carried out by the TER (Tavolo Editori Radio) company, 2019 was both a year of consolidation for the audience detection system that was launched in 2017 and a first opportunity to reflect on the need and opportunity to develop the current survey methodology based on CATI telephone interviews. The TER Radio survey is based exclusively on telephone interviews, in which a sample of individuals is asked to list their listening on the previous day by each single quarter of an hour and by single broadcaster, as well as with the list of broadcasters listened to in the previous 7 days. The average day and 7 days listening data—useful for editorial programming analyses—is estimated on the basis of 60,000 interviews and shared with the market every six months. This survey (called the Main Survey) is accompanied by a further telephone survey (Parallel Survey on a sample of 10,000 individuals/half year) tasked with providing additional ratings for each broadcaster over the coming 14/28 days, data necessary for the "coverage" estimates for advertising campaigns. However,

Map of the Rai offer

(as at 31/12/2019)

Television ¹

Generalist

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 HD², Rai 5 HD³, Rai Movie HD³, Rai Premium HD², Rai 4K³

Special-interest channels

Rai News 24, Rai News 24 HD³, Rai Storia, Rai Storia HD³, Rai Scuola, Rai scuola HD³, Rai Sport, Rai Sport+ HD, Rai Gulp, Rai Gulp HD³, Rai Yoyo, Rai Yoyo HD³

Radio⁴

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 Techete⁵, Rai Radio Live, Rai Radio Kids

¹ The television offering is available on DTT, satellite and RaiPlay.

² Visible on DTT in areas reached by MUX5 and on TivùSat.

³ Visible only on TivùSat.

⁴ The radio offering is also available on digital terrestrial and satellite TV, on the web and on RaiPlay Radio App. The specialised stations (Rai Radio Tutta Italiana, Rai Radio Classica, Rai Radio Techete⁵, 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.

⁵ Rai's offering is enhanced by some programmes broadcast on national channels being re-offered in various ways, depending on the world region.

Information

Tg1, Tg2, Tg3, TgR, Rai Parlamento, Rai Sport, Rai News 24, Televideo, Giornale Radio Rai, Gr Parlamento

International Offers⁵

Rai Italia, Rai World Premium, Rai News 24

Internet - Web

Rai.it, RaiPlay.it, Rainews.it
RaiPlayRadio.it,
Raicultura.it

Internet - App

RaiPlay, RaiPlayRadio,
RaiNews, RaiPlay Yoyo

Cinema

Rai Cinema,
01 Distribution

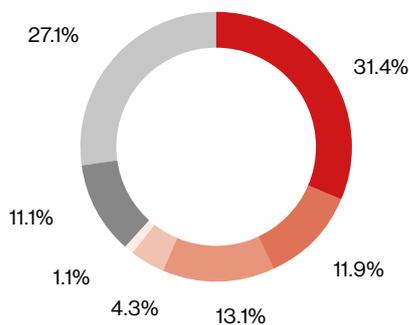
Home video

01 Distribution, Rai Com

Publishing

Rai Libri

Programming by genre on generalist networks (Source Rai)

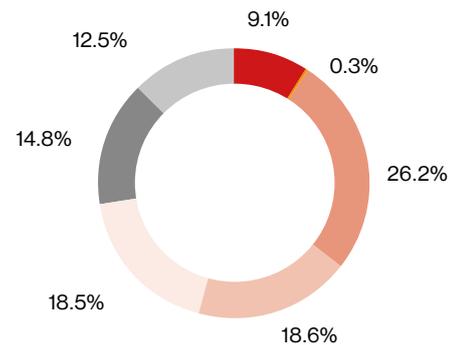


- General and in-depth information
- Information programmes
- Cultural and entertainment programmes
- Sports information and programmes

- Programmes for minors
- European and Italian works
- Other genres

Generalist networks: Rai 1, Rai 2, Rai 3.
Specialised networks: Rai 4, Rai 5, Rai Gulp, Rai Movie, Rai News 24, Rai Premium, Rai Scuola, Rai Sport, Rai Storia, Rai Yoyo.

Programming by genre on specialised networks (Source Rai)



the CATI detection method has some critical drawbacks, especially at a technical level and therefore, in the second half of 2019, Rai began to work on an evolution of the methodological system which, starting from 2020, should lead to the development of a structured path to be shared amongst publishers, which will lead to a survey using objective and automatic tools (meters) over the next two years. Finally, such a development could also encourage the involvement of TER associations representing the advertising market (investors, agencies and media centres) in TER governance, also meeting AGCOM requests.

Digital terrestrial and satellite television

Rai has the largest offer amongst operators active on the market 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, complementary in relation to digital terrestrial, makes it possible to reach parts of the population not covered by DTT. Following experiences in other countries, Rai has contributed to the free TivùSat satellite platform on which all 14 Rai channels are available, also accessible in HD. 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 connectable TVs (Smart TVs or through certain types of interactive decoders).

Again in 2019, the Rai Group was one of the main television market leaders. From an editorial point of view, leadership has been retained thanks to continuous innovation and experimentation.

Rai's dramas have been expanded by sub-genre and focused further on different audience type, with performance results almost always above the average of channels. In particular, Rai 1's prime time dramas took an average 21% share—over 1.5 points higher than the network's prime time average - and Rai 2 reached a 9% share—exceeding the average of the channel's prime time programmes by more than 2 points. In addition to the major international co-productions (3^a seasons of the Anglo-Italian series *I Medici* and *Il nome della Rosa*), the continued great national successes (*Il Commissario Montalbano*, *Che Dio ci aiuti*) were joined, amongst others, by the *biopics/docuseries* (*Io sono Mia*, *Il mondo*

sulle spalle and *Enrico Piaggio un sogno italiano*) the musical dramas (*La compagnia del Cigno*), the coming-of-age dramas (*Ognuno è perfetto* and *Pezzi unici*).

The most experimental dramas were reserved for RaiPlay which produced *Liberi Tutti* exclusively for the web, dealing with the theme of cohousing, designed specifically for online use. For the Group's digital platform, the most innovative programme was certainly *Viva RaiPlay!*, the first episode had a 25.5% share and the full 13 episodes had more than 10 million media views.

In the entertainment genre, there were many excellent productions, firstly, the *69th Sanremo Festival*, second in the general ranking of the most viewed programmes in 2019 (after the President of the Republic Sergio Mattarella's end of year message) with the final having a 56% share.

On the cultural genres and service front, Rai, in addition to putting out winning formulas (including, amongst others, *Danza con me Roberto Bolle*, *Meraviglie*, *La penisola dei tesori*), continued to experiment with themes and formats such as *Quella notte sulla luna* (a single episode of *Ulisse* produced for the 50th anniversary of Man's first step on the moon).

Also in this genre, the RaiPlay platform offered a new innovative cultural programme, *Superquark+*, born out of the television programme aimed at traditional audiences, but completely renewing it in form and language, while maintaining Piero Angela's historic management. The format had excellent results (154,000 media views in the week of 23 to 31 December) and, as for *Viva RaiPlay!*, managed to reach some segments of the more traditionally television audience on one hand, and on the other to interest the youngest population targets.

As for sport, in addition to the major events related to the world of football (*Champions League*, *Supercoppa*, *European Football Championship* qualifiers and the *Coppa Italia*), in 2019, Rai also gave greater visibility to women's sports with great success both in terms of image and audience ratings (for example *World Football Championship*, *European Volleyball Championship*, *Ski World Cup*, *Water Polo World Championship*).

In 2019, Rai 1 confirmed itself as the reference network for the Italian population: with an 18.5% share in prime time, 16.3% in the entire day and more than 22.7 million daily contacts. This wide recognition and credibility are probably due to its full coverage of the main cultural, information and entertainment events.

In the ranking of the top 20 most viewed programmes on TV in 2019, 18 were titles broadcast by Rai 1, 8 drama titles, including *Il Commissario Montalbano* and the biopic *Io sono Mia*; football and entertainment events follow, above all the *Sanremo Festival* (69th^a edition).

The most innovative and original programme was *Viva RaiPlay!*, in 10th place in the ranking of the most viewed programmes on TV in 2019, the first television episode gained a 25.5% share. This cross-media format has managed to gain the audience ratings of a general TV audience, including the traditional one, on the web platform and is a radical change both in the presentation and the structure of classic entertainment.

In the area of film programming, the most viewed title of the year was *Il Diritto di contare*, based on the African American physicist Johnson, who collaborated with NASA challenging racism and

sexism, coming up with the trajectories that led to the Apollo 11 mission.

In the area of informative and cultural content *Che tempo che fa*, *Porta a porta* and *Meraviglie - La penisola dei tesori* were confirmed, with the latter helping to promote a positive image of Italy.

Also in the cultural sphere, Rai 1 enhanced and promoted *Prima alla Scala* con la *Tosca* and events linked to Matera in its role as European Capital of Culture.

Again in 2019, Rai 2 was confirmed as the network of experimentation and innovation, with the inclusion of new formats in the programme schedule, in prime time and late evening.

In relation to the Network's main programmes, the new talent show formula *The Voice of Italy* was launched and the reality show *Il collegio* was confirmed, products that have achieved good results both in terms of share and penetration for younger targets: the blind auditions stage saw an average age of 49 - 8 years less than the average for the Channel's prime time programmes - while *Il Collegio* saw an average age of 40 - reducing the average age by 17 years for the Network's prime time, a remarkable achievement for a generalist channel. Rai 2, also by taking advantage of the wide range of archive materials owned by the Group, has focused on musical content putting forward formats dedicated to the great stars of national and international music, such as the *C'è ...* series, the first episode *C'è Celentano* did extremely well (14.4% share) and the programme dedicated to Freddie Mercury, *Freddie - Morgan racconta i Queen*, producing an excellent result in terms of share (6.8% share) and, above all, lowering the Channel's average prime time age by 6 years.

Even bought-in prime time series achieved better results than in 2018, thanks to a wider availability of titles (+7 compared to 2018); they included *The Good Doctor* and the new Spanish series *Il molo rosso*, from the creators of the *La casa di carta* series.

There are also many new features in the Network's day time selection: 11 new titles were introduced on weekdays - including the game show *Apri e Vinci* and *Giovani e influencer* - and 9 on weekends, such as *La Domenica Ventura* and *Generazione Giovani*.

Rai 3's social commitment continues: the Network dedicated particular attention to the world of women, also evidenced by its choice of female presenters for numerous programmes. Certainly, the commitment to programming to tackle highly topical issues such as violence against women was of utmost importance. Rai 3 has also given space for the light and comic female voice - proposing *La Tv delle ragazze - Gli Stati Generali* - and a historical-cultural piece - with the programme *Le ragazze*. Network entertainment focused on musical events with the series *In arte ...*, each episode dedicated to the voices that have contributed to the history of Italian music (Mina, Ornella Vanoni and Gianna Nannini).

Rai 3 succeeded in innovating its own approach, while maintaining well-known faces and characters, for example, the programme *A raccontare comincia tu* by Raffaella Carrà, where an effective and highly entertaining narrative is built but with discontinuous methods and narrative structures.

For the prime time information genre, we note the ongoing

The most viewed programmes (top 3)

(Source Auditel. For the programmes with various episodes, the audience of the most viewed episode is shown)

Film

Title	Channel	Date	Audience	Share
Il diritto di contare	Rai 1	09/10/2019	4,479,000	20.5%
Heidi (A. Gsponer)	Rai 1	05/01/2019	4,444,000	20.4%
Generentola (K. Branagh)	Rai 1	26/12/2019	4,343,000	19.8%

Drama

Title	Channel	Date	Audience	Share
Il Commissario Montalbano	Rai 1	11/02/2019	11,574,000	45.4%
Io sono Mia	Rai 1	12/02/2019	8,010,000	31.4%
La Stagione della Caccia - C'era una volta Vigata	Rai 1	25/02/2019	7,275,000	31.0%

Entertainment

Title	Channel	Date	Audience	Share
69th Sanremo Festival (part 1 and 2)	Rai 1	09/02/2019	10,654,000	56.2%
Sanremo Start	Rai 1	05/02/2019	10,975,000	38.6%
Viva RaiPlay!	Rai 1	04/11/2019	6,704,000	25.5%

Sports special features

Title	Channel	Date	Audience	Share
Champions League	Rai 1	10/04/2019	2,359,000	13.6%
Rai Sport - Il processo alla tappa	Rai 2	26/05/2019	1,719,000	12.2%
Sport Mediaset	Italia 1	02/09/2019	1,509,000	10.3%

Sport

Title	Channel	Date	Audience	Share
UEFA Champions League (Ajax-Juventus)	Rai 1	10/04/2019	7,996,000	29.7%
Italian Supercoppa (Juventus-Milan)	Rai 1	16/01/2019	7,796,000	35.9%
European championship qualifiers (Italy-Bosnia Herzegovina)	Rai 1	11/06/2019	7,453,000	32.4%

Religious programmes

Title	Channel	Date	Audience	Share
Via Crucis	Rai 1	19/04/2019	3,699,000	16.4%
Angelus	Rai 1	01/01/2019	3,010,000	24.5%
Urbi et Orbi benediction	Rai 1	25/12/2019	2,599,000	27.1%

Information programmes

Title	Channel	Date	Audience	Share
Ballata per Genova	Rai 1	14/06/2019	3,178,000	18.3%
Una Serata di Stelle per il Bambino Gesù	Rai 1	20/11/2019	2,994,000	15.7%
La Partita del Cuore	Rai 1	28/05/2019	2,787,000	12.4%

Animation and cartoons

Title	Channel	Date	Audience	Share
Adrian	Canale 5	21/01/2019	4,594,000	19.0%
Ballerina (F.an.)	Rai 1	30/12/2019	2,818,000	12.3%
Zootropolis	Canale 5	04/01/2019	2,475,000	11.6%

Science and environment

Title	Channel	Date	Audience	Share
Linea Verde	Rai 1	10/02/2019	3,783,000	23.1%
Quella notte sulla Luna	Rai 1	20/07/2019	2,521,000	18.3%
Melaverde	Canale 5	24/11/2019	2,321,000	16.4%

Culture

Title	Channel	Date	Audience	Share
Meraviglie - La penisola dei Tesori	Rai 1	12/03/2019	4,662,000	19.4%
Ulisse - Il Piacere della scoperta	Rai 1	05/10/2019	3,911,000	19.9%
Matera 2019 - Open The Future!	Rai 1	19/01/2019	3,892,000	20.8%

Inchiesta

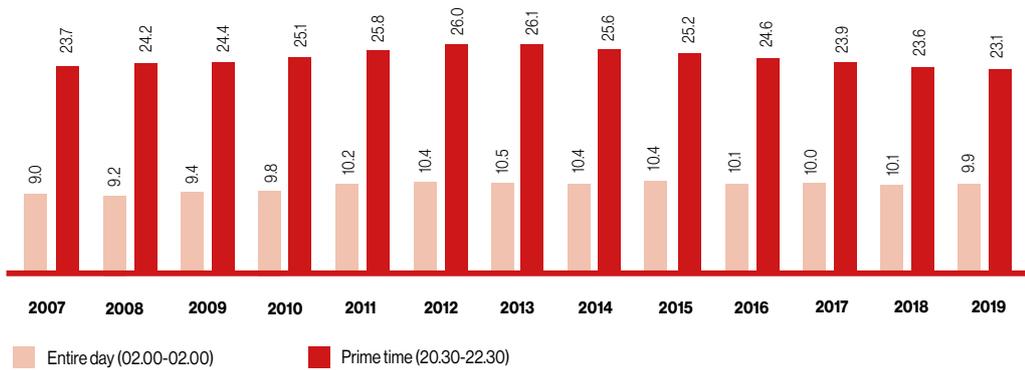
Title	Channel	Date	Audience	Share
Porta a Porta	Rai 1	15/10/2019	3,898,000	25.6%
Una carezza al dolore dei bambini	Rai 1	19/04/2019	3,063,000	14.7%
Otto e Mezzo	La7	27/05/2019	2,624,000	10.0%

Current events

Title	Channel	Date	Audience	Share
Message from the President - Sergio Mattarella	Unified Network	31/12/2019	10,214,000	59.8%
Che Tempo Che Fa + Il Tavolo	Rai 1	10/02/2019	3,974,000	17.4%
Republic Day	Rai 1	02/06/2019	3,099,000	37.4%

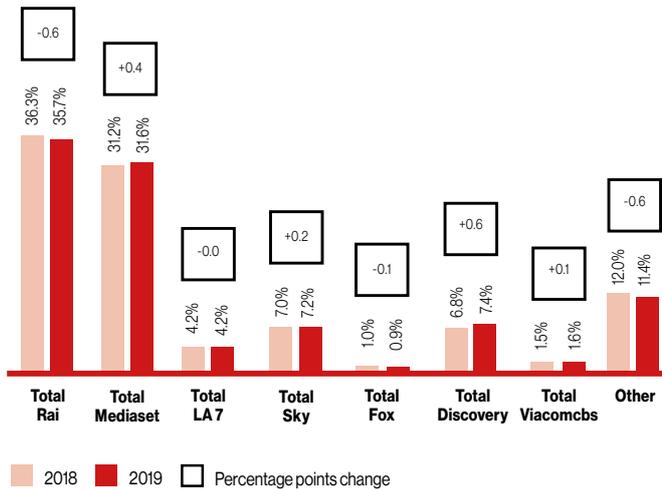
Evolution of the average television audience

(source Auditel, figures in millions)



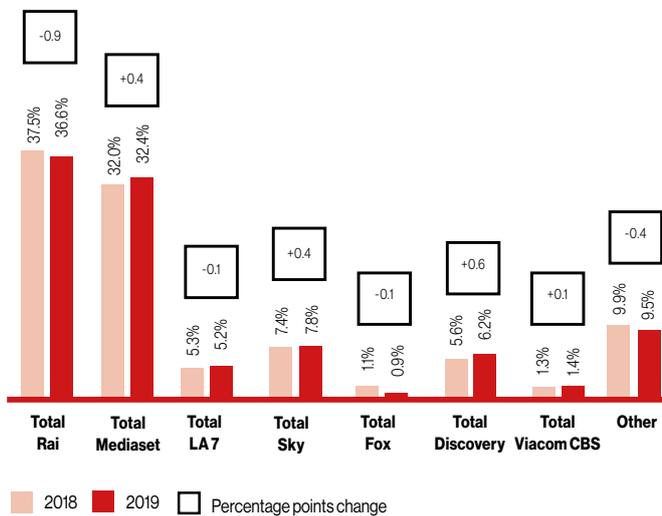
Average daily publisher shares generalist and specialised channels

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



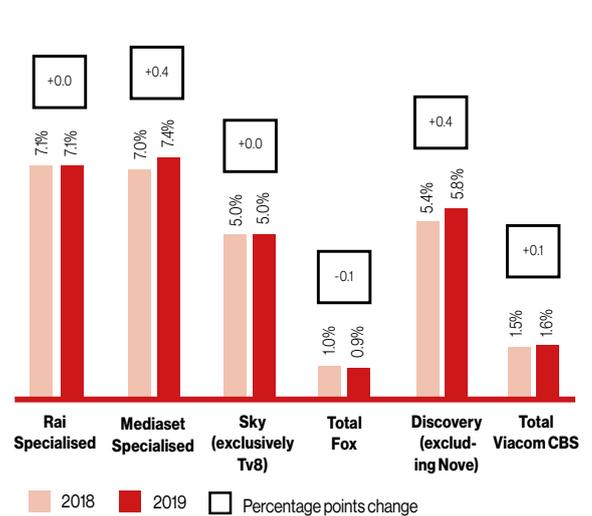
Prime time publisher shares generalist and specialised channels

(time band 20:30 - 22:30, source Auditel)



Average day publisher shares specialised channels

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



TV channels average annual share

	Entire day (02:00-02:00)		Prime time (20:30-22:30)	
	2019	2018	2019	2018
Rai 1	16.27%	16.70%	18.54%	19.16%
Rai 2	5.57%	5.82%	6.11%	6.25%
Rai 3	6.78%	6.69%	5.74%	5.73%
Rai Generalist	28.62%	29.20%	30.38%	31.14%
Rai 4	1.35%	1.41%	1.36%	1.44%
Rai Premium	1.28%	1.22%	1.20%	1.18%
Rai Movie	1.13%	1.05%	1.25%	1.23%
Rai 5	0.41%	0.43%	0.43%	0.46%
Rai Storia	0.23%	0.25%	0.30%	0.30%
Rai Scuola	0.03%	0.03%	0.03%	0.04%
Rai Yoyo	1.16%	1.23%	0.79%	0.81%
Rai Gulp	0.29%	0.35%	0.25%	0.32%
Rai Sport	0.57%	0.44%	0.44%	0.34%
Rai News 24	0.64%	0.64%	0.20%	0.20%
Rai Specialised	7.09%	7.05%	6.25%	6.34%
Total Rai	35.70%	36.25%	36.63%	37.48%
Canale 5	15.42%	15.46%	14.87%	15.53%
Italia 1	4.84%	4.99%	5.39%	5.62%
Rete 4	3.93%	3.82%	4.63%	4.06%
Mediaset Generalist	24.18%	24.27%	24.89%	25.21%
Mediaset Specialised	7.44%	6.95%	7.49%	6.83%
Total Mediaset	31.63%	31.21%	32.38%	32.03%
La7	3.66%	3.67%	4.81%	4.84%
Total La7	4.16%	4.19%	5.19%	5.25%
Total Sky	7.23%	7.00%	7.80%	7.43%
Total Fox	0.90%	1.01%	0.94%	1.06%
Total Discovery	7.41%	6.83%	6.23%	5.56%
Total Viacom CBS	1.60%	1.51%	1.38%	1.29%
Other channels	11.37%	12.00%	9.45%	9.90%
Total TV	100.00%	100.00%	100.00%	100.00%

Report programme and the positive results of *Le parole della settimana*.

The network has managed to also remain a point of reference for information, insight and culture in the day time slot, with

Radio

Radio continues to be at the avant-garde of media world innovation and renewal processes. According to 2019 TER data, 58.2% of radio listening happens exclusively outside the home, while only 18% is exclusively indoors. In terms of means, the car radio is confirmed as the preferred device for 71.9% of interviewees, followed by traditional devices for 31.6%; the Smartphone still appears to be a relatively infrequently used medium for radio listening, chosen by only 8.5% of respondents.

The radio sector is also gradually changing on an entertainment level, to tackle new challenges from new competitors and technological evolution. On one hand, there are podcasts, smart speakers (from Apple, Google, Amazon and Samsung, which have proprietary voice assistance systems, respectively, Siri, Google Assistant, Alexa and Bixby) and audio streaming services (including Spotify, Amazon Music Unlimited, Deezer, Google Play Music, Apple Music); on the other, new transmission technologies (DAB+), the development of apps, and aggregators of radio broadcasters and in-car systems. These changes are reshaping the radio segment - with multiple accesses, devices and formats, to aid the transition from a *radio market* to a *listening market*.

Strategic initiatives in Italy in the period under review include the agreement between national Italian broadcasters (Rai, Radio Mediaset, Gedi, Sole 24 Ore, Rtl 102.5, RDS 100% grandi successi, Radio Italia, Radio Kiss Kiss, A.c.r.c.- Radiofreccia) and local broadcasters (Associazione Aeranti-Corallo and Federazione radio televisioni – FRT) giving rise to the creation of PER – Player Editori Radio. PER's objective is the launch of Radio Player Italia, a free app to manage streaming of Italian radio stations on all platforms and connectible devices (connected cars, voice assistants, smart TVs, smart watches, tablets, computers and smartphones). Thanks to the close partnership with Radio Player Worldwide, PER will partner up with other European countries to create a hub to facilitate agreements with automotive manufacturers and integrate the platform with systems.

The proliferation of content, formats and technology also characterise Rai's radio service, an innovative segment which is able to interpret the fluid identity of sound in all its versions and claim its place at the heart of the digital scenario. Specifically, Rai Radio's contribution to the multimedia project *Viva RaiPlay!* must be noted, created and developed in the Via Asiago studios in Rome, the historical site of radio.

Therefore, 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. With this logic, the editorial profile of the generalist channels is structured in compliance with the

the regular morning schedule (*Buongiorno Italia, Buongiorno regione*) and various programmes such as *Tutta salute, TV talk, Kilimangiaro, Chi l'ha visto 11:30, Geo* and *Vox Populi*.

genre quotas identified by the aforementioned Contract: News, Information, Culture, Society, Music, Service and Public Utility.

In 2019, Rai Radio also continued its commitment to social communication, with specific awareness and communication campaigns (over 120). In addition, almost 640 hours of audio described TV programmes for the deaf were broadcast and development of the *Progetto Beethoven* began, a service that allows deaf people to listen to music and live shows.

In detail, the Rai Radio offer is organised into 12 stations, broadcast on 8 technological platforms, diversified based on editorial mission and reference target, all active online and on social media:

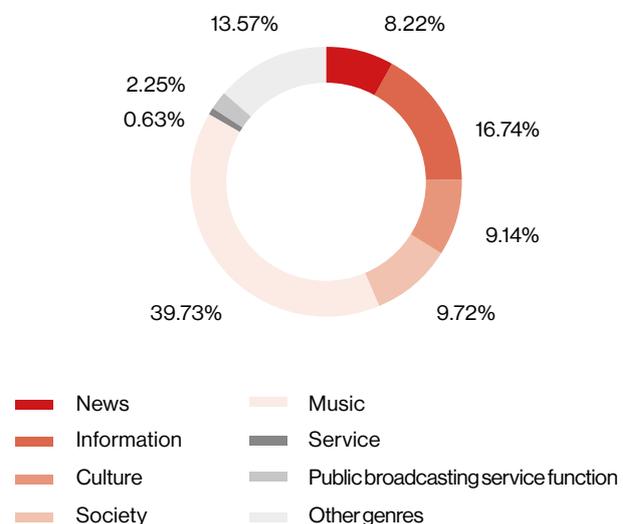
- 3 generalist radio stations: Rai Radio 1, Rai Radio 2 and Rai Radio 3;
- 2 special-interest stations: Rai Isoradio (infomobility) and Rai Gr Parlamento (institutional);
- 7 specialised digital stations: Rai Radio Tutta Italiana, Rai Radio Classica, Rai Radio Live, Rai Radio Kids, Rai Radio Techete', Rai Radio 1 Sport and Rai Radio 2 Indie.

The specialised stations join those generalist and special-interest to make up a complete offer aimed at capturing vertical audiences.

Finally, it is important to underline that the national radio offer structure is characterised by the presence of important vertically integrated multimedia publishing groups also on the advertising front: Rai Group (Rai Pubblicità S.p.A); Mediaset Group (Mediamond S.p.A); Elemedia/ Gedi Group (A. Manzoni & C. S.p.A.)

Radio programming by genre

(broadcast time; source Rai)



Main operators active in the radio market¹

(Source Rai)



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

² There are approximately 400 local broadcasters; Radio Company, Radio Marte e Radio Norba are representative of different geographical areas.

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.

Digital

The 2019-2021 Business Plan, approved by the Board of Directors in the meeting of 6 March 2019, as briefly illustrated amongst the *Significant events occurring after the end of the year* in the 2018 Financial Statements, placed the Digital segment amongst the main assets of Rai's new market positioning, leading to the evolution of the mission and objectives assigned to the Digital offer. The editorial mission involved the design and development of a content distribution strategy on the platform and a complete offer reorganisation, as well as the definition of an innovative interface improved with digital experience services. The development of the new RaiPlay platform, launched in October 2019, was defined on the basis of the following drivers: the simplification of content organisation; the redesign of the graphics interface and improvement of the user experience; the optimisation and maximisation of the system's performance; an increase in the scope of distribution platforms (agreements with Smart TV manufacturers); the integration of a recording function (Smart TV App).

During 2019, Rai services mainly referred to:

- **Rai.it**, the portal, divided into five areas (News, Sport, TV, Radio and Corporate) and which will soon also include Culture;
- **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 an app version;
- **Rainews.it/TgR web**, the portal through which you can access all Rai information, also available in an App version;
- **RaiPlay Yoyo**, the animation app for children that allows all the contents of the Rai Yoyo channel (live and on demand) used in complete safety and without advertising.

Remaining in the Digital area, the launch of the new Rai Cultura portal should be noted, with an entirely redesigned graphics interface, including the display features, for better surfing and a better user experience in general. The portal is for users to access and use the cultural content of Rai online with dedicated items and services from original content produced by the Rai Cultura web editorial team, TV, thematic and generalist programmes, as well as the considerable resources of the Rai archives. This new offering streamlines the individual subject areas of Art, Literature, Philosophy, History, Music (classical music, icons, OSN), Cinema and Theatre/Dance in a single portal. As expected, the "Culture" portal will be included in the menu of the website Rai.it alongside News, Sport, TV, Radio and Corporate.

During 2019, Rai consolidated its strategy on digital and social platforms, seeking to create opportunities to engage users, also to develop brands and talents to subsequently involve

in TV and radio activities and projects. In detail, the branding and traffic-building strategy was consolidated, to pursue the following objectives: promotion of Rai's television and digital product; user engagement/advocacy; creation of traffic to Rai's digital platforms; economic enhancement (branded content, agreements with major players, such as YouTube). Social media platforms also continue to demonstrate significant potential for TgR's offer and training activities in this area continued at national and regional editorial offices.

Rai's offer was 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). Moreover, the key tool of user registration was fully implemented.

In the second half of 2019, the Digital offer was enhanced and improved for the launch of the *Viva RaiPlay!* programme hosted by Fiorello (4 November-27 December 2019). After an initial television launch, the programme continued online for 18 episodes. This operation was important in terms of image and performance, but above all with a view to pursuing the public service mission of introducing and familiarising the, by its nature, more television literate audience to the Digital universe. In addition, the programme launch was an opportunity to update the RaiPlay portal graphics interface and improve the user experience, making it more intuitive and engaging, also by launching a live structured strategy with on demand and exclusive content. Finally, the platform's offer was further expanded and integrated with various TV series—specifically designed and produced for the digital world, such as the aforementioned *Liberi Tutti*—films, documentaries, exclusive international acquisitions, programmes from the Teche archive, sports and animation.

Rai's vast offer is present on interactive digital terrestrial televisions and decoders certified with the DgTvi Gold and Platinum sticker with the services RaiPlay, TgR, Rai News Rai Sport and Telecomando.

Alongside the promotion of Rai's brands, products and digital platforms on social media networks, the caring strategy launched in 2018 continued in a real area of Customer Care for digital platforms. Amongst other things, this also responds to the need, provided for in the Service Contract, 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

The marketing of Rai channels abroad is entrusted to the subsidiary Rai Com S.p.A. The latter oversees the European distribution of broadcasting rights for television and radio stations (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 the non-European distribution of Rai Italia (a best of Rai productions with the addition of original programmes aimed at Italians abroad, including an English-language news programme and, in some continents, three Serie A games per week), Rai World Premium (the channel that broadcasts original dramas produced by Rai) and Rai News 24. Rai's offering in non-European areas includes Rai Radio 1.

The channels are broadcast through local television platforms—via cable, satellite or new media platforms—in various ways, both free and paid for and in progressive alignment with international developments in services and technologies, aimed at integrated the Italian range with non-linear content.

In the United States, Canada, Australia and Europe the channels are offered to subscribers in "Package" or "Premium - A la carte" plans. Users – to view Rai channels – pay a monthly fee, in addition to their subscription with their operator; in Asia, the Rai Italia is accessible in free to air mode; in Latin America and Africa the channels are offered in "Basic" or "Extended Basic" mode, which provide for a monthly subscription price to the operator, with no additional costs.

In 2019, the European area benefited from sales agreements with better conditions in Belgium, France (recently, the new agreement with Orange), Germany, Holland and Austria, and an excellent performance of Rai 1, Rai 2 and Rai 3 in Switzerland, with a positive impact on the year's turnover. It was also possible to increase annual turnover for other countries, such as Malta and Portugal. The performance of channels in East Europe, mainly Romania, where Rai 1 covers all basic operator segments, was extremely satisfactory.

On a non-European level, agreements were signed during 2019 with new US and Latin American cable operators for Rai Italia broadcasts. Moreover, agreements with leading operators in Brazil (including Telefonica and Sky) and in Canada. In Sub-Saharan Africa, Rai Com is involved in negotiations with satellite operators and OTT, interested in including Rai Italia in their product offering, as in Asia.

TV offer performance

According to Auditel data, in 2019, the average number of viewers amounted to 9.9 million for the entire day and 23.1 million for prime time, down on 2018 (-174 thousand and -499 thousand viewers respectively).

The Rai Group confirmed its market leadership with 35.7% of the share for the entire day (-0.6 pp compared to 2018) and 36.6% for prime time (-0.9 pp); Mediaset grew and reached a 31.6% share (+0.4 pp) and 32.4% in prime time (+0.4 pp) throughout the day. Overall, the traditional generalist networks (Rai 1, Rai 2, Rai 3, Canale 5, Italia 1, Rete 4 and La7) recorded a 0.6 pp drop in share on a daily basis, from 57.1% in 2018 to 56.5% in 2019; the prime time slot lost 1.1 pp, from 61.2% to 60.1%. The semi-generalist networks increased, reaching 10% for the entire day (+0.9 pp) and 10.2% in prime time (+1 pp). The specialised stations, albeit in a very limited way, fell by 0.2 pp for the entire day, moving from 33.8% to 33.6%, but gained 0.1 pp in prime time, moving from 29.6% to 29.7%.

In detail:

- Rai 1, with a 16.3% share over the entire day (-0.4 pp compared to 2018) and 18.5% in prime time (-0.6 pp over 2018), confirmed its position as the most viewed network, maintaining a good margin, particularly in prime time, compared to the Mediaset flagship, Canale 5, which recorded, over the entire day, a share of 15.4% (unchanged compared to 2018) and 14.9% (-0.7 pp compared to 2018) in prime time;
- Rai 2 lost 0.2 pp throughout the day, settling on a share of 5.6% and 0.1 pp in the prime time, falling to 6.1%;
- Rai 3 grew for the entire day, with a share of 6.8% (+0.1 pp) and was stable in prime time with 5.7%.

In terms of the performance of the competition's main channels during the period in question, the following results are reported: Italia 1 had a 4.8% share, over the entire day (-0.1 pp compared to 2018) and for the prime time slot had a 5.4% share (-0.2 pp); Rete 4 grew for the entire day, reaching 3.9% (+0.1 pp compared to 2018) and in prime time with 4.6% (+0.6 pp); La7 remained stable both for the entire day and in prime time with 3.7% and 4.8% share respectively; TV8 continued to increase, reaching a 2.2% share (+0.2 pp) over the entire day and 2.4% (+0.1 pp) in prime time; NOVE grew by 0.2 pp both for the entire day and in prime time, with a share of 1.6% and 1.7% respectively.

In relation to semi-generalist and specialised networks, results showed a substantial stability in Rai channels' performance compared to the previous year, both for the entire day (7.1% share) and in prime time (6.3% share), against Mediaset's growing audience (+0.5 pp for the entire day, +0.7 in prime time). For the other semi-generalist channels (TV8, Nove, Cielo, Real Time, DMax, Sky Uno, 20), overall performance remained stable compared to 2018, with the exception of TV8, which grew in terms of share by +0.2 pp for the entire day and 0.1 pp for the prime time slot, Real Time which grew by +0.3 pp both for the entire day and prime time and NOVE, which grew both for the entire day and in prime time by 0.2 pp.

Radio offer performance

According to TER data, in 2019, radio penetration was 65.8% (population 14+), 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 stations (Rai Radio 1, Rai Radio 2, Rai Radio 3 and Isoradio) stood in fourth place in the ranking of publishers with an average audience of 685 thousand listeners and a share of 10.7% in 2019; Radio Mediaset, with its four stations (R101, Radio 105, Virgin Radio and RMC), reported an average audience of around 981 thousand users with a share of 15.4%; the RTL 102.5 Group (RTL-102.5 and Radio Freccia) reported an average audience totalling 745 thousand individuals and an 11.7% share; Gedi (Radio DeeJay, Radio Capital and M2o), reported an average audience of 739 thousand individuals and a share of 11.6%. In calculating average listeners and share for the Rai Radio Group, Rai Radio Classica, which is only active in the provinces of Turin, Milan, Rome, Naples and Ancona, is not included; Mediaset Radio does not include the local radio station Radio Subasio, mainly active in central Italy; for the RTL Group, the calculation does not include the performance of Radio Zeta, which is mainly active in North Italy.

The main radio stations of the Rai Group reported the following results (06:00-24:00 time band):

- Rai Radio 1, with an average audience of 292 thousand individuals and a share of 4.6%, ranking 6th;
- Rai Radio 2, with an average audience of 221 thousand individuals and a share of 3.5%, in 9th place;
- Rai Radio 3, with an average audience of 123 thousand individuals and a share of 1.9%, ranking 14th;
- Rai Isoradio is in 17th place with 49 thousand listeners and a 0.8% share.

In terms of the main competitors:

- RTL 102.5, with an average audience of 636 thousand individuals and a share of 10%, ranking 1st;
- followed in 2nd place by Radio 105 with 499 thousand individuals and a share of 7.8%;
- Radio DeeJay was in 3rd place with an average audience totalling 467 thousand individuals and a share of 7.3%;
- RDS, in 4th place with an average audience of 457 thousand individuals and a share of 7.2%;
- Radio Italia is in 5th place, with an average audience totalling 401 thousand individuals and a share of 6.3%.

Digital and social offer performance

In December 2019 (source Audiweb 2.0, unless otherwise indicated), the total digital audience in Italy reached 33.4 million unique users on an average day, with 4 hours and 41 minutes of time spent per month per person.

In 2019, an average of nearly 41.6 million individuals, i.e. around 70% of the Italian population connected to Internet at least once a month. Users browsing from a PC totalled 27.3 million, while users connected to the Internet from a mobile phone totalled around 36 million. The main activity performed by online users is watching videos: with an average of 36.1 million individuals using it.

In the ranking of main active online groups in Italy, Rai ranks 30th with 10.5 million users connected on average at least once a month to one of the various sites. The Mediaset App ranks 11th, with an average of 19.8 million users. Top rankers include some major international players such as Google, Facebook, Amazon and Microsoft, immediately followed by Gruppo GEDI, ItaliaOnline and Mondadori.

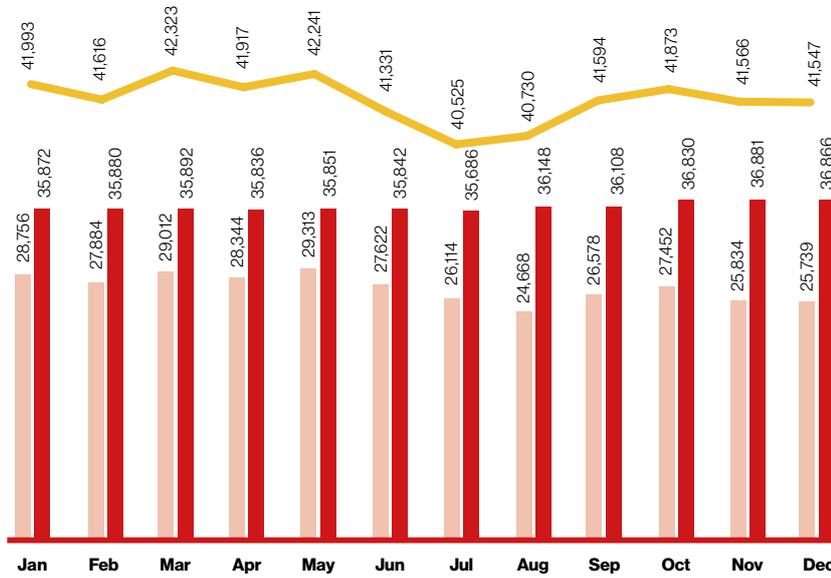
The Rai information portal, Rai News, recorded a monthly average of unique users of 3.4 million in 2019, which is still very far from main competitors (Corriere.it 22.3 million; Il Messaggero 21.2 million; Repubblica.it 21 million; TgCOM24 15.5 million). In relation to video portals of main national publishers, in 2019, for RaiPlay the monthly average stood at around 6.7 million unique users, Sky recorded a monthly average of 8 million unique users, Mediaset Play an average of 7.8 million unique users and La7 3.4 million unique users.

Again in 2019, according to Webtrekk census data, RaiPlay consolidated and improved its performance by recording over 676 million media views and almost 138 million unique visitors (+33% for number of media views and +14.5% the unique visitors compared to 2018). YouTube growth was even more significant: the number of views doubled compared to 2018—also thanks to the launch of the second official channel entirely dedicated to *Il Collegio*—coming close to one billion seven hundred million (YouTube Analytics data).

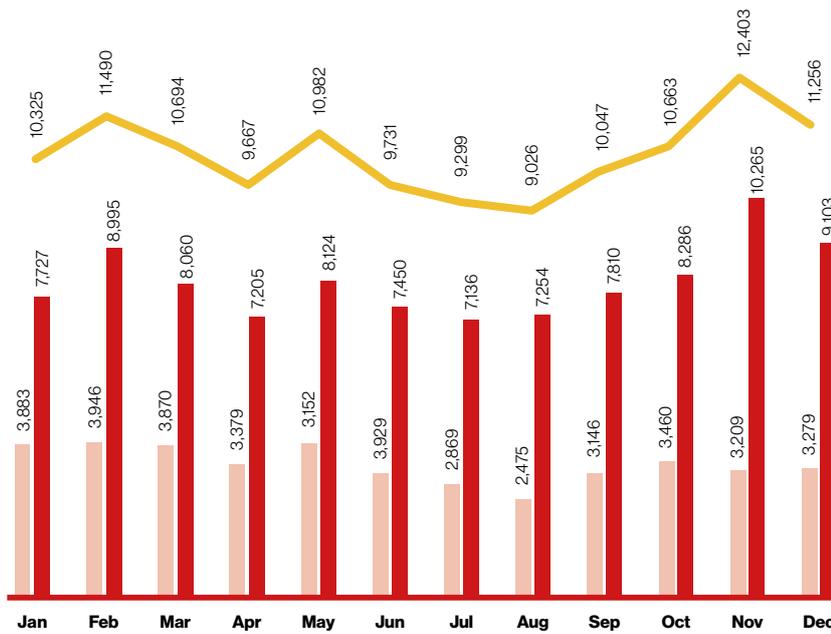
Dramas were the most watched content on RaiPlay, accounting for 39% of total views in on demand mode, followed by TV programmes accounting for 27%. The most watched programmes were *Il paradiso delle signore – Daily*, *Il Collegio*, *Un posto al sole* and *Che Dio ci Aiuti*.

Live sporting events on RaiPlay recorded an excellent viewing performance: the nine matches of the *2018/2019 Champions League* totalled 3.4 million views; Euro 2020 qualifying matches played by the Italian team had 1.4 million views; the Giro d'Italia – 102^a edizione had 5 million views; the *Tour de France* had 2.1 million views. The 2019 *Italian Supercoppa* final played between Lazio and Juventus on 22 December 2019, generated over 1 million views (Webtrekk census data).

Digital Audience per month - 2019
(unique contacts/000, source Audiweb)



Digital Audience per month referring to Rai - 2019
(unique contacts/000, source Audiweb)



In 2019, the contents on the RaiPlay Yoyo App generated 45 million views (Webtrekk census data).

The aforementioned *Viva RaiPlay!* programme hosted by Fiorello, without a doubt contributed to the RaiPlay platform's growing performance. In the weeks it was broadcast (4 November-27 December 2019), it totalled (source Webtrekk) 15.5 million views (33% in live-streaming) on Rai domains, as well as 6 million on YouTube channels. The live show, lasting 60 minutes, achieved results comparable to important Rai events such as *Sanremo* and the national football team matches (5.1 million live-streaming). In the period under review, *Viva RaiPlay!* was also the most viewed Rai on-demand title with 10.4 million views. The operation also affected Rai's global traffic, in six weeks, in comparison with the same period in 2018, both the number of registered active users increased (+ 49% live video consumption; + 23% on demand), and the number of visitors (+ 11% live video consumption; + 9% on demand), as well as in terms of social media interaction (source: *Nielsen Social Content Ratings™*), where in the aforementioned period, the programme generated just under 1.6 million hits (75% Instagram; 13% Facebook; 12% Twitter).

Again relating to the social media world, in 2019, 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 61.6 million total interactions. With this share, Rai is the second publisher for the number of generated interactions (source: *Nielsen Social Content Ratings™*).

As expected, from 8 December 2019, Auditel also registered TV ratings on digital devices, though both browsers and apps (TV Apps were excluded). The system for registering TV ratings on digital devices monitors the online ratings of six publishers (DeAgostini, Discovery, La 7, Mediaset, Rai and

Sky), representing 86.5% of total traditional television viewing. The survey is of a census type and the system uses two different metrics, Total Time Spent, calculated by adding up all the seconds when each device views editorial and advertising content of a single publisher and Legitimate Streams, which measures the volume of content streams delivered and viewed for at least 300 milliseconds, i.e. the technical threshold that guarantees the effective start of the stream, from each device.

For the period 8 December 2019 – January 2020, which also includes the ratings generated by apps, the total Total Time Spent was equal to 43.5 million hours, fairly evenly distributed amongst the three main publishers: Sky (31.15%), Mediaset (31.06%) and Rai (30.69%). This figure is the result of diverging trends between content consumed in linear mode, where the ranking amongst publishers is Sky (38.79%), followed by Rai (28.81%) and Mediaset (26.29%) and in VoD mode, where the hierarchy between the three publishers sees Mediaset in first place (33.34%), followed by Rai (31.58%) and Sky (27.5%). While in the linear mode pay publisher performance is primarily driven by sporting events, in VoD mode the entertainment offer seems to be of high importance for Mediaset.

In terms of Legitimate Streams, the relative strengths of the three major publishers change: amongst the more than 907 million views in the period in question, Sky registered over 54%, Mediaset just under 28% and Rai 11.6%. This distribution is strongly influenced by the operators' formats, obviously rewarding "short" content compared to "medium-long".

In the ranking of the most watched live channels, Rai's top position is fourth place with Rai 1. Amongst the most viewed on demand titles, the leader for Rai is *Il Paradiso delle Signore*, fifth in the ranking of all measured publishers, which follows *Uomini e donne*, *Le Iene* (Mediaset), *Sky Digital News* and *Sky Cinema Vod* (Sky).

Television

Generalist channels

Rai 1

Maximising audiences and creating public value in an increasingly constant search for a combination of quality, values and ratings. Rai 1 provides audiences with an inclusive offering that genuinely strives to create a positive socio-cultural impact within the country through informative, cultural and entertainment content.

When we talk about Rai, we cannot help but mention Rai 1. A large part of the company's image and reputation is influenced by this flagship network, which is largely responsible for defining its values and the way in which it is perceived.

Rai 1 has the ability to really move audiences with its exclusive events, entertain them with engaging and familiar formats and create knowledge that focuses on the most relevant topics from both the national and international perspectives. 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.

It is precisely because of its ability to engage such a wide audience that the network plays such an important role in the company's overall strategy and fulfils such a crucial civil responsibility in the cultural landscape of the country as a whole.

In keeping with the statements made by the European Broadcasting Union (EBU), the *core values* of the public service by which Rai 1 is inspired are as follows:

- universality: reaching and providing content for all segments of society without exception. Everyone, everywhere;
- independence: to be trusted and trust-worthy 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.

Rai 1 also confirmed its leading position in 2019 in terms of both audience numbers and the richness and variety of its offering with 22.7 million daily contacts, an average daily viewing time of 1 hour and 42 minutes, a 16.3% share of the viewing figures over the whole day and an 18.5% share of the prime-time figures. This data is evidence of the unifying power of a network that has successfully built an editorial offering capable of ensuring the stability of its share in an increasingly competitive and fragmented context.

Rai 1's strength lay in a programming schedule spanning various television genres and characterised by the quality of its content, guaranteeing universal enjoyment for all. 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 programming schedule continued to innovate with new genres, formats and languages in a constant search for content that was increasingly in line with its public service remit.

The drama season achieved exceptional results


22.7 mn
DAILY
CONTACTS


102
MINUTES SEEN
PER DAY


16.3%
SHARE IN 24
HOURS


18.5%
PRIME TIME
SHARE

1. *Una Storia da Cantare*
2. *Sanremo Music Festival*
3. *Imma Tataranni-Sostituto Procuratore*



with an average of 80 evenings of transmission achieving a 21.3% share with over 5 million viewers. Production continued with the aim of achieving a balance between *returning series* of tried and tested products, the launch of new shows, and events relating to the history of our country and civic engagement.

The 11.1 million viewers (44.6% of the share) that tuned in to the new episodes of *Il Commissario Montalbano* (average across 2 episodes) marked a historical record, peaking at a 56.3% share of the viewing figures amongst graduates. *La Stagione della Caccia* - the TV movie based on Andrea Camilleri's historical novels (7.3 million, 31.0% share) - and the fifth season of *Che Dio Ci Aiuti* (5.6 million, 24.0% share) also achieved great success.

New releases included Rai 1's new coming-of-age show *La Compagnia del Cigno* (23.4% average individual share and 23.4% amongst girls of 15-24), *Imma Tataranni-Sostituto Procuratore*, based on the novels by Mariolina Venezia (22.4% overall and 28.6% amongst graduates) and *Ognuno è Perfetto*, a series looking at boys living with Down syndrome (20.5% average share). This extraordinary series of successes culminated with a number of TV movie events dedicated to great figures from our history such as *Io Sono Mia* (31.4% and over 8 million viewers), *Enrico Piaggio* (23.9% share and 5.8 million) and *Storia di Nilde* (16.2% and 3.8 million).

On the entertainment front, a number of established titles such as *Ballando con le Stelle* and *Tale e Quale Show* were given a new lease of life through a combination of sobriety, elegance and the ability to excite audiences. The dance talent show presented

by Milly Carlucci achieved an average share of 22.8%, up 2% on 2018, whilst *Tale e Quale Show* once again managed to achieve an average share of 20%, also launching the spin-off *Tali e Quali*, which, thanks to the excellent response from the public (20.5% share) will be back for future seasons.

The latter part of 2019 was something of an experimental season with the following 3 new entries:

- *Una Storia da Cantare* proved the most popular Saturday evening series of the last 5 years with a share of 18.8%, combining quality, viewing figures and culture;
- *20 Anni che Siamo Italiani* continued along the pop-culture route initiated by *Una Storia da Cantare*; it also launched 2 new faces, namely Vanessa Incontrada and Gigi D'Alessio, who were warmly received by audiences with positive and increasing viewing figures (19% on average, with the last episode achieving 21.2%);
- *La Porta dei Sogni*. three episodes, three clear prime-time victories. 14.5% on average with a positive trend.

Of course, there were also major events capable of generating amazing successes: Rai 1 began 2019 with Roberto Bolle's *Danza con Me* (21.3% share, 4.5 million viewers) and ended it with *L'Anno che Verrà* (30.2% share),

not to mention the Sanremo Music Festival hosted by Claudio Baglioni, Virginia Raffaele and Claudio Bisio, which achieved a 49.4% share with an average of 9.8 million viewers and the best results ever in the digital sphere.

Highlights of the prime-time programming also

4. *La Compagnia del Cigno*
5. *20 Anni che Siamo Italiani*
6. *Enrico Piaggio*



included entertainment events linked to major social engagement initiatives and projects such as *La Partita del Cuore*, *Teleton*, *Prodigi* and *Bambin Gesù*, which served to raise both public awareness and very significant levels of funding for research.

The cultural offering, which included 26 prime-time shows (7 more than in 2018 and 16 more than in 2017) was also recognised for its quality, innovation and high ratings, establishing itself as a cornerstone and indeed a key strength of Rai 1's programming. The 10 prime-time episodes of Alberto Angela (4 *Meraviglie* and 6 *Ulisse*) achieved an average share of 18.5% of the viewing figures, increasing to 29.0% amongst graduates.

Cinema also played a key role in the network's prime-time schedule, which focused on major international titles such as *Il Diritto di Contare*, *La La Land* and *Brooklyn* and a number of Italian greats including *A Casa Tutti Bene*, *Metti la Nonna in Freezer* and *Arrivano i Prof.*

Rai 1 has always stood for authoritative information. In addition to Tg1 and the continued detailed analysis of late-evening news, politics and events show *Porta a Porta*, the new *Frontiere* investigation programme and the daily live coverage provided by *Uno Mattina* and *La Vita in Diretta*, Rai 1 once again demonstrated great care in covering major national and international events, promptly amending its programming to make way for live analysis and updates and in doing so becoming a leading source of information across the entire television offering.

Sports fans, meanwhile, were catered for not only

with exclusive coverage of the Coppa Italia and major national football matches but also the best Wednesday matches of the 2018/2019 Champions League broadcast on Rai 1.

The network also continued to gradually and consistently renew the languages and content it offers even during the daytime, with an editorial line that has favoured a direct relationship with the public and fixtures with a strong public service dimension, without neglecting the fun and games provided by *Reazione a Catena*, *L'Eredità* and *I Soliti Ignoti*, all of which proved undeniably successful in the prized and strategic early-evening and access time slots.

In what was ultimately a constantly changing scenario, Rai 1 endeavoured, in short, to reinforce its authority and at the same time experimented with new products, genres and languages in an attempt to involve all audiences and tap into their ever-changing needs and expectations.

“Within the competitive landscape in which it finds itself, Rai 1 has asserted its image as a prestigious and authoritative network that represents the national identity and supports people in their day-to-day lives. As a channel, it has the ability to unite and excite a very broad audience and serves as a safe and comfortable TV platform”.

- 7. *Che Dio Ci Aiuti*
- 8. *Tale e quale show*
- 9. *Ognuno è Perfetto*



15.9_{mn}DAILY
CONTACTS

50

MINUTES SEEN
PER DAY

5.6%

SHARE IN 24
HOURS

6.1%

PRIME TIME
SHARE

Rai 2

In what has become an increasingly complex and challenging competitive scenario, Rai 2 accentuated its spirit of innovation, making a name for itself as a rapidly evolving network bringing audiences a general-interest offering with a strong identity.

Rai 2 is the creative and experimental network, the channel that seeks to identify new listening habits in its efforts to improve. Its risky creativity and innovation-based approach which nevertheless proved popular with the public allowed Rai 2 to reassert its position amongst the most watched channels, holding 3rd place in the prime-time ratings and 4th place across the whole day.

On the entertainment front, 2019 saw the revitalisation of the talent show genre, which faced strong competition in the pay-TV sector.

A new pop version of *The Voice of Italy* was created and immediately sparked the interest of the public, achieving very high ratings amongst young viewers and teenagers (16.8% in the 4-14 age group and 18.7% in the 15-19 age group) and a strong following on social networks, with the official @thevoiceofitaly account generating some 863,000 interactions throughout the show (49% of all linear interactions generated).

The rewriting of *Made in Sud* and the brilliant idea of having a new host have been crowned with success. The 10 episodes aired during the spring season achieved an average share of 8.7%, with presenter Stefano De Martino establishing himself as the recognisable new face of the network, as well as playing a key role in the revival of *Stasera Tutto è Possibile* after a 9-episode series that aired in the autumn.

Il Collegio continued to amaze with its ability to break record after record and attract very young and teenage audiences - a target that general-interest TV had been struggling to tap into.

The third season, scheduled to air in February, broke all previous records, with an average age of 41 years and proving particularly popular amongst the youngest of audiences, as demonstrated by its shares of the 4-14 years (31.7%) and 15-19 years (28.5%) age groups. A success that is supported by and confirmed on social networks where *Il Collegio* has consistently ranked amongst the most commented prime time programmes on Facebook, Twitter and Instagram.

The fourth season, scheduled for the autumn, further strengthened the channel's connection with the younger generations and broke all previous records, with the youngest-ever audience, at an average age of under 40 years, and was the most widely viewed of all time, with a share of 10.6%.

The programme also achieved promising levels of performance on the social front, with extremely positive results on all fronts and even better than those achieved with previous editions. With a total of some 2.7 million interactions (linear, excluding sporting events), the programme ranked in 1st place in the Nielsen social ranking during the airing period, with an exponential increase in the number of interactions in comparison with the previous edition. Instagram was the most effective social media channel, accounting for 79% of interactions in the linear category and 93% if we take into account the 24/7 category as evidence of the programme's ability to attract an increasingly young audience.

Rai 2's autumn season saw the arrival of *Che Tempo che Fa* - a programme that has become something of a media ritual over the years, continuously developing the fields of information, in-depth analysis and

1. *Che Tempo che Fa*
2. Rocco Schiavone
3. *Volevo Fare la Rockstar*



entertainment and at the same time producing some rather impressive listening and social performances. Experimental initiatives included a series of live stage comedies including *Salemme il Bello ... della Diretta* and *Maledetti Amici Miei*, which attempted to bring improvisation and theatre to the world of TV with a rich cast of Italian actors.

The daytime entertainment offering, meanwhile, was centred around 3 key titles, namely *Quelli che il Calcio*, highlighting its satirical dimension, and *I Fatti Vostri* and *Detto Fatto*, both of which further reinforced and modernised its ability to entertain.

As for the network's information offering, in addition to the *Petrolio* series of major contemporary surveys, *Nemo* also produced 2 titles combining in-depth analysis and infotainment, namely socio-political talk show *Popolo Sovrano* and *Realiti - Siamo Tutti Protagonisti*, delving into the social sphere to look at issues such as selfie Italy and the narcissism of the poor.

Drama reflects the imagery of the network. its image built on a combination of Italian titles, characterised by their contemporary and sophisticated writing that is very much in keeping with the international trend for *quality TV*, and a selection of resolutely mainstream titles, the aim being to produce a varied and high-quality offering.

As for Italian drama, the spring of 2019 saw Rai 2 air a second season of original fantasy thriller *La Porta Rossa*, followed in the autumn by *Rocco Schiavone* and *Volevo Fare la Rockstar*.

As for purchased series, there was certainly no lack of experimentation when it came to European productions, which included compelling thriller series *Il*

Molo Rosso along with *medical dramas* such as *The Good Doctor* and the traditional brand-new and exclusive crime offering (the *NCIS* franchise, *SWAT*, *The Rookie*, *Bull* and new series *FBI*).

Rai 2 has gained increasing respect as the sports network, showing and promoting disciplines that had previously been considered minority sports and flanking them with *premium* matches with great popular appeal, a rich offering of events and in-depth analysis that also places great importance on keeping viewers up to date with the latest news.

The Rai 2 sports offering in the first few months of the year focused largely on football, with the last 16 of the Coppa Italia, and skiing, with the World Cup and the World Championship. The major cycling season began in March with both the Italian (Tirreno-Adriatico, Milan-Sanremo and Strade Bianche) and international classics (Tour of Flanders, Paris-Roubaix, Amstel Gold Race and Liège-Bastogne-Liège), reaching a climax in May with the Giro d'Italia.

June was the month of youth football, with the European Under 17 and Under 21 Championships, and women's football, with a great performance on the part of the Italian national team competing in the World Championships. The focus in July was on the World Aquatics Championships and the Tour de France and in August the men's and women's national volleyball teams. In the autumn, attentions turned to the Rugby World Cup and again to women's and youth football and the great cycling classics.

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

- 4. *Il Bello della Diretta*
- 5. *Stasera Tutto è Possibile*
- 6. *Il collegio*





16.8mn

DAILY
CONTACTS



57

MINUTES SEEN
PER DAY



6.8%

SHARE IN 24
HOURS



5.7%

PRIME TIME
SHARE

Rai 3

Rai 3 sheds light on the reality that surrounds us through in-depth information and storytelling, creating a world to which the viewer wants to belong and to which they can relate through a truly integrated system of values, titles and faces.

It has achieved extremely positive results in terms of ratings for the network, maintaining 3rd place overall across the whole day in the 2019 ranking of general-interest channels, with a 6.8% share of viewing figures. Even more significant are the weekday daytime viewing figures (07:00-20:30), of which it achieved a 7.65% share.

As part of its public service mission, Rai 3 offers in-depth analysis, investigative reports, real-life stories and interviews with political, economic and social figures. In 2019, Rai 3 was again recognised for both its daytime and its prime-time political and informative in-depth analysis, from *Agorà*, of which a summer version, *Agorà Estate*, was also aired, and *Mi Manda Rai 3 to 1/2 Ora in Più*, not forgetting *Indovina Chi Viene a Cena*, *Presadiretta*, *Report*, *#Cartabianca* and *Chi l'Ha Visto?*.

Rai 3 modernised and reinforced its offering with the two editions, one in spring, the other in the autumn, of new programme *A Raccontare Comincia Tu*, written by and starring Raffaella Carrà and featuring interviews with celebrities, sharing their private stories with the queen of presenters.

The *Speciale Mina* paid tribute to the career of an

extraordinary artist that the public continues to adore despite her absence from our screens for over 40 years.

The autumn revealed Serena Dandini's new *Stati Generali* format - a sharp, scathing and irreverent satire programme offering an innovative insight into the world of the web.

The offering was also characterised by a series of cultural and historical evening 'events', including *Che Storia è la Musica*, written by and featuring musical maestro Ezio Bosso narrating great works of classical music through a series of sessions filmed in the theatre in the company of various famous guests, *M. il Figlio del Secolo*, in which Antonio Scurati recounted the birth of Fascism in the evocative setting of the Palazzo dei Congressi in Rome with readings by Luca Zingaretti, Valerio Mastandrea and Marco D'Amore, and *Il Diario di Anna*, marking 90 years since the birth of Anne Frank, in which Corrado Augias looked back at her tragic autobiography.

The one genre that has featured the most heavily in Rai 3's prime-time programming over the years is undoubtedly the popularisation of science, an offering that has been further enhanced by the new *Sapiens* programme, taking viewers on a journey of knowledge to discover places of unspoilt beauty, with contributions from various documentaries and leading figures from the scientific world.

Rai3 renewed its date with *Il Borgo dei Borghi*, starring Camila Raznovich, and *Città Segrete*, with Corrado Augias, both of which met with considerable public approval that allowed the network to successfully

1. *Mi manda Rai 3*
2. *1/2 Ora in Più*
3. *Geo*



maintain a key advantage in editorial terms.

The daytime offering was notably centred on a daily basis around nature and environmental programme *Geo*, now in its 25th edition, which achieved record viewing figures in 2019, peaking at a 15% share. With regard to weekend viewing, *Kilimanjaro* continued to take viewers on a journey around the world with some excellent, evocative and insightful film clips accompanied by interviews and studio segments.

Rai3 also maintained its winning line-up of prime-time women's productions in 2019 with offerings such as *Amore Criminale*, produced in conjunction with the Carabinieri and the State Police to highlight the plight of victims' families and remember the women killed, followed by the spin-off *Sopravvissute* - a programme dedicated to all those women who have saved themselves from toxic, unhealthy and violent relationships - and *Le Ragazze*, both of which look back from their own perspective at how the country has changed from one decade to another. All three of these programmes brought a sense of continuity to what was a compact and demographically coherent block, with a strategy and positioning that focused on emotional storytelling and that gave Rai 3 an exclusive style and appealed to what proved to be a valuable audience for the Rai.

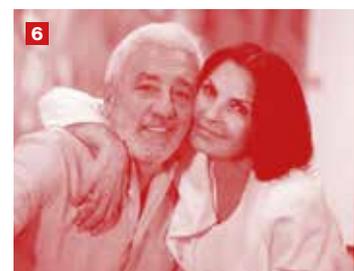
In 2019, the network's late-evening schedule was once again where it focused the majority of its experimental programmes, with the aim of broadening the variety of audience profiles it attracted and therefore increasing audience numbers. This included innovative titles such as *Lessico Amoroso*, plumbing the depths of love in all of its many and varied forms, *L'Approdo*, offering

an insight into the realities of segregation and prejudice, and Saturday night late shows including *#Photoshow*, exposing key figures that have been in the news in the past week, and *Rai Pipol*, featuring Italians from various walks of life that have been asked to provide a satirical description of what we are like and what we are becoming.

Other late-night shows included *Ieri e Oggi*, featuring portraits of former stars of the entertainment world courtesy of the Rai archives, *Anti Narcos* - a series of television reports on the fight against drugs and traffickers -, *Il Corpo dell'Amore* - a documentary focusing on a group of people with disabilities dealing with sexuality -, *Prima dell'Alba*, looking at the nocturnal world in all its forms and featuring some incredible and often little-known stories, *Grazie dei Fiori*, featuring interviews with figures from the entertainment world that have shaped the history of Italian music, *Doc3*, offering a review of art-house documentaries, and *Commissari* - a series of interviews with key law enforcement figures.

Rai 3 has made storytelling the true backbone of the network through a series of innovative codes and languages that have come to characterise all of the genres it offers. Also in 2019, the network used various means to illustrate civil society and the realities of everyday life, experimenting with various new programmes in access time slots. *Nuovi Eroi* told the story of a little-known Italy driven by a deep sense of civic duty and the expression of the sense of community that defines a nation. *Storie Minime*, meanwhile, adopted a roving format, offering glimpses into the private lives of the protagonists that not only established a connection with the latter

4. *A raccontare comincia tu*
5. *Presa diretta*
6. *Un Posto al Sole*





5.7 mn



2.4 mn



0.7 mn

but also excited, moved, amused and surprised the viewer. *That's Amore* was a docu-reality show that aimed to highlight the special intimate relationship between man and animal, whilst *Che Ci Faccio Qui* brought us stories of life and liberation, inspiration and resistance. *Le Parole della Settimana* offered a series of high-profile interviews with some of the country's key political, social and cultural figures, and the *Report*, *Indovina Chi Viene a Cena* and *Presca Diretta* programmes picked up major awards at various prestigious national and international festivals and ceremonies in 2019.

As for the web and social offering, there are now over 80 digital production lines following, pre-empting and continuing the linear schedule thanks to a cross-media representation that is active on various social networks as well as the company's RaiPlay platform. In 2019, over 200 pieces of social content relating to the various programmes featured in the schedule were created and published, from live-tweeting with screenshots to more elaborate content such as multi-format graphics cards, subtitled video clips and even 'premium' videos.

There were also many live streams and Instagram stories including surveys, quizzes and backstage insights, effectively bringing together the worlds of television and digital output and incorporating Q&A experiments involving the communities that had developed around the programmes in question.

The *Timeline - una Storia al Giorno, dal Primo all'Ultimo Social* project, which saw a multi-channel stream broadcast live every morning at 07:40 from the *Agorà* studio simultaneously on RaiPlay, Facebook, Twitter and YouTube Rai, is now in its third season, with almost 500 episodes under its belt and 50,000 to 100,000 daily views.

The numbers of followers that Rai 3 and its programmes had gained on its Facebook (5.67 million, up 23.5%), Twitter (2.4 million, up 4.8%) and Instagram (742,000, up 66.8%) accounts were up on 2018. Also significant was the increase in the number of views of published video content - the direct result of a strategy designed to focus not only on increasing fan numbers but also on making the content in question go viral and the ability to boost engagement. Rai 3's Facebook videos (including those posted by both the network itself and its various programmes) achieved 365 million views - up 34% on 2018 -, with 21 million interactions - up 51.3 million on 2018.

"Rai 3 has reinforced its identity and developed its activity across all programming slots thanks to an offering that balances innovative and experimental choices with tried and tested titles".

- 7. *Killmagiaro*
- 8. *Città Segrete*
- 9. *Sapiens - Un Solo Pianeta*



Semi-generalist and special interest channels

Rai Gold

Rai 4

Action, crime/thriller, epic, fantasy, science fiction and horror: Rai 4 not only offers a well-established mix of genres, but more importantly has the ability to translate these genres themselves into a wide variety of products, ranging from brand-new and original to cult repackaging, independent production to mainstream blockbusters and TV series.

Faced with increasingly fierce competition, notably from OTT platforms, Rai 4 achieved a share of 1.35%, with significantly more stable viewing figures than in 2018.

With regard to prime-time serial programming, the best results were achieved by some of the channel's brand-new products with a strong editorial dimension. Fantasy series *Siren*, which offered a contemporary take on the classic legend that was part-romance, part-Stephen King, achieved an impressive and unprecedented peak in viewing figures amongst Rai 4 series (2.96% share) and a level only previously achieved by titles such as *Criminal Minds*, *Gomorra* and *Il Trono di Spade*.

Marvel's Runaways, a fresh new take on the extremely popular superhero trend aimed at younger audiences, also proved to be a big hit with viewers, as did cult series *Narcos*, the early seasons of which looked at the rise and fall of Pablo Escobar, which saw a steady rise in popularity, peaking at a 2.20% share of the viewing figures.

Other brand-new series that stood out as part of the prime-time offering of dramas with a resolutely horizontal storyline included dark female-oriented crime thriller *Absentia*, sequel/reboot *24: Live Another Day* and the epics *Britannia* and *Vikings*, the latter having aired its fifth season this year.

Brand-new to Rai 4, nerd power-inspired action series *Scorpion* and crime-fighting *MacGyver* also achieved excellent ratings.

Reruns of crime series made a vital contribution to the average daytime ratings, with hits such as the ever-popular *Criminal Minds* and *Elementary*, both of which continue to achieve excellent viewing figures, even in the prime-time slot.

The late-evening slot, meanwhile, hosted two different representations of the period drama genre, namely the network premier of *Babylon Berlin*, an opulent noir representation of 1920s Berlin, and the brand-new *Halt and Catch Fire*, focusing instead on the computer boom of the 1980s, a night-time marathon of which unsurprisingly featured on the schedule for International Internet Day on 29th October.

As far as the film offering was concerned, as is the case every year, the biggest hits consisted primarily of prime-time offerings and alternated between titles that were exclusive to the channel, many selected from outside of the mainstream offering, and repeats already aired on general-interest networks, reflecting the mix of genres and dual product characterisation for which the Rai 4 offering has become known.



4.7 mn

DAILY
CONTACTS



42

MINUTES SEEN
PER DAY



1.4%

SHARE IN 24
HOURS



1.4%

PRIME TIME
SHARE

1. *24: Live Another Day*
2. *Babylon Berlin*
3. *A-Team*



Top of the list was Marvel blockbuster *Guardiani della Galassia* (Guardians of the Galaxy), followed by the reboot of the *A-Team* and *Parker* - a noir action thriller starring the iconic Jason Statham that proved consistently popular with the channel's viewers.

Salt, action thriller *Chaos*, starring Jason Statham, fantasy *The Medallion*, starring Jackie Chan, and thriller *Obsessed* proved to be big hits, with brand-new titles to the Italian market such as Spanish action crime movie *Box 314: La Rapina di Valencia*, thriller *A Lonely Place to Die* and sophisticated European fantasy *Cold Skin* also making their presence felt. Other titles in the Rai Cinema catalogue included supernatural thriller *Premonitions*, all-star action movie *I Mercenari*, action comedy *Spy* and survival movie *Paradise Beach*.

Then, of course, there is the channel's regular audience pleaser *Prometheus* - the prequel to the *Alien* saga, along with all the films of the series, were broadcast on the fortieth anniversary of its cinema première, in conjunction with a special report on the magazine *Wonderland* dedicated to Hans Ruedi Giger, the visionary Swiss artist creator of the xenomorphic aliens.

The integration of schedule and production content is one of the key ideas behind weekly late-night magazine show *Wonderland*, dedicated to fantasy and crime, with specials dedicated to *Babylon Berlin*, *Halt and Catch Fire*, *Alien* and *Narcos*, as well as the 2 episodes dedicated to celebrating the 50th anniversary of the moon landing, unsurprisingly amongst the best-received programmes of the year.

Staying with purchased series, the autumn saw an improvement in average performance levels with *The Dark Side*, visiting cursed houses from Italian folk legends, doing well in the winter and *Stranger Europe*, shedding light on the most hidden, unusual and transgressive faces of various European capitals, proving popular in the autumn.

Last but not least, three now-classic features on the network's events calendar were also back on the schedule, these being the two *Eurovision Song Contest* semi-finals, aired in prime time, the *BRIT Awards*, in the late-evening slot, and the live night-time broadcast from Los Angeles for the *Emmy Awards* ceremony.

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

- 4. *Guardiani della Galassia*
- 5. *Narcos*
- 6. *Britannia*





5.4mn

DAILY
CONTACTS

30

MINUTES SEEN
PER DAY

1.1%

SHARE IN 24
HOURS

1.3%

PRIME TIME
SHARE

Rai Movie

Rai Movie is the movies for you.

In the face of a rapidly growing and undifferentiated movie offering that can be accessed on multiple devices, the channel is recognised for its carefully chosen and well thought out programming based on themes and genres that are aired in the most appropriate time slots. The channel, which was the first to bring Western movies back to our screens having recognised them as a distinguishing feature, offers a wide range of genres, vibes and themes designed to satisfy both newly identified and loyal target audiences.

Faced with growing competition, Rai Movie improved its audience figures across all segments in 2019 in accordance with both Italian and European product scheduling obligations and maintaining its focus on providing quality cinema - one of the public service's key missions.

The most successful prime-time titles notably included the *Tutti i Western di Sergio Leone* cycle produced to mark the anniversary of the great maestro's birth.

Rai Movie also dedicated a cycle to the David di Donatello Awards for the second year running in early 2019 by airing a series of 100 films that had picked up awards in past years.

The channel scheduled the *Tra le Righe del Cinema* cycle of 115 films based on books, adaptations of novels, memoirs, biographies, plays and comics to mark the Turin International Book Fair (9th-13th May),

as well as allocating plenty of air time to the event and its various initiatives in its weekly *Movie Mag* and on the channel's social networks.

As is the case every year, a number of movies linked to the Venice International Film Festival were scheduled for August, including both titles that had been presented at previous editions and tributes to key figures of the festival itself. As the Festival's official television broadcaster, Rai Movie also widely covered the event both on TV and online, including the opening and closing ceremonies, press conferences and the main red-carpet moments, as well as dedicating daily special editions of *Movie Mag* to the films and their protagonists.

The channel marked the global release of Quentin Tarantino's *C'era una Volta a Hollywood* (Once Upon a Time in Hollywood) by broadcasting a series of films chosen by the master himself and looking at the Los Angeles film industry of 1969, which provided both the historical background and the costume inspiration for his latest work, and the films were introduced and commented by Tarantino himself. The selection ranged from delightfully genre cinema, including two Westerns and a pop spy story, to comedy and even iconic films from the days of protest and the sexual revolution.

Fifty years after the union struggles of the Hot Autumn of 1969, the *Cinema e Lavoro* ('Cinema and Work') cycle of over 40 titles, ranging from classics by Luchino Visconti and Bernardo Bertolucci to contemporary titles by Gus Van Sant and Ken Loach, were broadcast between 26th October and 23rd November, whilst the period between 25th November and 1st December 2019 remembered Mario Soldati with a series of films and a special production, *Soldati racconta Soldati*, that premiered

1. *EMeglio che Tu Pensi la Tua*
2. *Il Buono, il Brutto, il Cattivo*
3. Rai Movie's interviews at the Venice International Film Festival



at the Torino Film Festival on 25th November, and the traditional *Colazione da Rai Movie* weekday morning breakfast show was also dedicated to the director every day during that period.

As usual, a number of ad hoc programmes marking national events and anniversaries or of particular socio-cultural significance were aired once again in 2019, and Rai Movie was particularly careful when it came to philological research and copy quality, maintaining the utmost respect for the original formats and broadcasting in the best possible definition. The channel allows foreign films to be aired in 'dual audio' mode, with the original soundtrack available on the second digital terrestrial audio channel, where permitted by contractual agreements. Wherever possible, titles are also broadcast in audio description mode.

Movie Mag, the aforementioned flagship production by Rai Movie, now in its fifth season, is dedicated to current affairs and in-depth cinema analysis, with particular emphasis on Italian films. The magazine show, which is produced in close collaboration with the ANICA, covers both films that have already been released and those in the pipeline, as well as awards and festivals, the history of cinema and interviews with some of its leading figures, and curiosity pieces such as Simon & The Stars' *Cine-oroscopo* and Alberto Farina's *See you Next Wednesday*. There are also plans to launch a weekly news programme focusing on current issues relating to production and national distribution in conjunction with the ANICA.

In addition to major events, the magazine show also covers festivals and smaller events and, having consolidated its ratings in 2019, is now repeated on Rai 1 at night.

The network's collaboration with the Centro Sperimentale di Cinematografia continued in 2019 with the third season of *OffStage*, featuring some of our most beloved screen actors sharing their experiences in front of an audience of students from the centre's acting course in an intimate and engaging exchange between those who have made it and those who dream of making it one day.

Rai Movie reinforced its role as the official television broadcaster of the most prestigious of Italian festivals, including not only Venice but also the Rome Film Festival and the Torino Film Festival, both of which also featured in in-depth analyses dedicated to them in the form of *daily* broadcasts that went out late in the evening during the actual events or *specials*. Rai Movie was the only Italian television channel to offer full coverage of the EFA-European Film Awards, the ceremony for which was streamed live from Berlin.

The 2019 edition of the David di Donatello Awards was covered in relay with the live broadcast of the awards ceremony on Rai 1, while the Nastri D'Argento awards, which saw Italian film journalists travel to Taormina, were shown on Rai Movie with a dedicated special produced in close and fruitful collaboration with the Italian National Union of Film Journalists (SNGCI).

- 4. *Movie Mag*
- 5. *Offstage*



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.

and in 2019, *Colpiti al Cuore*, dedicated to films focusing specifically on the Years of Lead, was featured at the Torino Film Festival alongside a dedicated special on Mario Soldati, whilst documentary *Oltre la Sala*, looking at the world of small-screen cinema through the eyes of reporters, presenters, experts and journalists from the 60s to the present day, was presented at the Rome Film Festival.

Meanwhile, *È Meglio Che Tu Pensi la Tua* - a short film looking at teacher Franco Lorenzoni's last year teaching a fifth-year class - dealt with the issue of film literacy. The documentary was presented and

sparked a great deal of discussion within the *Alice nella Città* division of the festival aimed at younger audiences.

Alongside the TV schedule, web and social network activity has also sought not only to circulate and supplement content but also, first and foremost, to document festivals, exhibitions and film events in real time. Equally significant was the digital *SnapMovie* section, introducing the channel's scheduling with a series of short videos notably relating to events such as the David di Donatello Awards and the Turin Book Fair, and also accompanying the 2019 *Tutti i Western di Sergio Leone* Western film cycle.

"Rai Movie is the movie-only channel, offering comedies, action films, romantic films, thrillers and Westerns spanning a wide variety of genres, ambiances and themes".

6. *Sissi la Giovane Imperatrice*

7. *Rome International Film Festival*





3.9mn

DAILY CONTACTS



48

MINUTES SEEN PER DAY



1.3%

SHARE IN 24 HOURS



1.2%

PRIME TIME SHARE

Rai Premium

Rai Premium brings you the best drama and the biggest entertainment hits with its moving, thought-provoking, laughter-inducing offering.

As a channel that is always in tune with its audience, Rai Premium offers a traditionally rich selection of Italian drama alongside the greatest entertainment hits, further reinforcing its excellent performance levels in 2019 as it built on the success of previous years. These results have been achieved through a great deal of work on the product itself that has made it possible to create a competitive programme schedule that reflects audience expectations.

The prime-time strategy of integration and synergy with the schedules of other networks remains in place, with the proposal to repeat drama and entertainment programmes, even immediately after they air on the general-interest network, with titles such as *Imma Tataranni*, *La Porta Rossa 2*, *Un Passo dal Cielo 5*, *Pezzi Unici* and *Ognuno è Perfetto* confirming the popularity of the immediate repeat approach.

In addition to the drama offering, the network continues to rerun, both immediately and in the short-term, entertainment productions by general-interest channels featuring the most well-known public figures, with titles such as *Ballando con le Stelle*, *Tale e Quale Show*, *La Corrida*, *Made in Sud* and *Stasera Tutto è Possibile* also bringing an element of fun and excitement to Rai Premium.

Reruns of the best and most popular Rai dramas continue to be well received by the public as part of the daily schedule, both during the daytime and, back-to-back, on weekends. Showing repeats of products broadcast across the various afternoon slots during the week, in fact, allows audiences to catch up with missed episodes of ever-popular series such as *Un Medico in*

Famiglia, *Il Maresciallo Rocca*, *Ho Sposato uno Sbirro*, *Provaci Ancora Prof!* and *Fuoriclasse*, amongst others, on the weekend.

Rai Premium also successfully reran the second season of *Il Paradiso delle Signore Daily* in key slots such as the Saturday afternoon marathon and Sunday late-evening.

Small-screen movies and international series notably including long-running American serials such as *Medium*, which succeeded in attracting new audiences, and *Blue Bloods*, a traditional light crime drama starring Tom Selleck, achieved excellent results.

That said, Rai Premium also offered original productions that were extremely warmly received by audiences, including *Allora in Onda*, which brought duo Marco Marzocca and Stefano Sarcinelli back to our screens, for the first time on Rai Premium, revisiting the historical Rai repertoire with the usual satirical verve and achieving very impressive ratings in the process, and *Mood*, complete with innovative new graphic design, retracing the history of Italian customs, decade by decade.

The new edition of *Uniche*, the late-evening programme highlighting the stories of incredible women who, through their own experiences, had various life lessons to share, a lesson in kindness and tenacity, a strength that lies hidden in the eyes and in the beauty of their stories, however far they may be from the spotlight, also achieved very satisfactory results.

Last but not least, *L'Uomo in Bianco*, a 4-episode production on various Popes, also enjoyed remarkable success with its series of investigative reports, incorporating elements of both remembrance and modernity, produced in collaboration with Rai Vaticano.

“Past and current drama and entertainment to experience and relive the exciting product quality that Rai offers”.

1. *Stasera Tutto è Possibile*
2. *Ognuno è Perfetto*
3. *Ho Sposato uno Sbirro*



Rai Italia

Rai Italia is the TV channel for Italians living abroad on non-European continents, promoting the Italian language, culture and business around the world through sport, news, drama, special events and entertainment.

The editorial offering is divided into 4 different schedules, designed to take into account the time zones of the continents on which it is broadcast - North America, South America, Africa and Asia/Australia. The splitting of schedules on the American continent was a long-awaited new development that was finally made possible thanks to the new transmission system. The same technological implementation made it possible to switch to HD, initially only for football matches and later across the entire backbone of the offering, with 2019 also providing an opportunity to experiment with subtitling windows in Spanish, Portuguese and English.

Rai Italia's catchment area comprises some 5 million Italians living abroad (and registered with the AIRE), 60 million natives and around 250 million so-called *Italics* - people with various links to our country via their kinship, interests or passions and who appreciate and follow the Italian way of life and share its basic values.

Rai Italia now reaches 20 million households around the world (households certified through contracts with distributors), in addition to countries on the Asian continent that receive Rai Italia via the Asia Sat 5 satellite with 'free to air' live broadcasting.

The channel offers this huge audience the best of the Rai networks immediately after the national broadcasting of the programmes in question and

offers all of the top titles that characterise the current Italian TV offering, including major events (most importantly the *Sanremo Festival*), drama (from *Il Commissario Montalbano* to *Don Matteo* and *I Medici*), soaps (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, informative talk shows (from *Porta a Porta* to *Carta Bianca*), in-depth analysis (from *Report* to *Presa Diretta*, from *Petrolio* to journalistic specials), education (from the science and art nights with Piero and Alberto Angela to programmes showcasing our national beauty with *Geo* and *Linea Bianca*, for example) and sport (from the top football championships to cycling's Giro d'Italia).

Rai also purchased matches from the *A-TIM Series* specifically for Italians abroad, scheduled live with commentary in Italian by the Rai Sport editorial team, to allow them to maintain and strengthen contact with their home country, *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.

There was also a strong service element to the live news offering, with major editions of Tg1, Tg2, Tg3 and Rai News 24, as well as 2 regional editions a day of TgR, chosen in rotation based on the territorial map as a way of promoting and serving all local communities.

Rai Italia produces an original daily programme from Rome for Italian communities abroad. *L'Italia con Voi* is a daily show featuring both studio and remote guests that has been extended to a running time of 90 minutes. The programme features a new look and language, with means of expression that reflect the prestige and quality of the major productions of a similar format that

4. *L'Italia con Voi*
5. *L'Italia che Aiuta*
6. *Cristianità*



Rai offers its national audiences, as well as enlisting the services of correspondents and film-makers from abroad highlighting the lives and problems experienced by the communities in question, along with individual and collective success stories, and tales of integration and renewed ties with Italy.

These reports are included weekly in a special edition comprising only contributions from abroad (*L'Italia con Voi - Le Storie* special) that is also broadcast on Rai 3, to meet the demand for 'feedback', highlighting the Italian contribution to the growth of the host countries concerned and to the global dissemination of the Made in Italy label.

There is a constant dialogue between viewers and institutions and an ongoing relationship with the Ministry of Foreign Affairs and International Cooperation, as well as with the different areas of Public Administration and professionals with expertise in dealing with the problems experienced by emigrants, not to mention leading institutional representatives, ministers, parliamentarians elected at home and abroad, and political representatives of both the majority and the opposition.

The programme features a *Made by Italics* editorial section full of insights, anecdotes and statistical commentary on the cultural fertility of the Italian lifestyle, as well as *La Lezione di Italiano*, in collaboration with linguists from the Dante Alighieri Society.

Some of the initiatives executed across the various continents over the course of the year were promoted by consulates, including the afternoon of talk and music dedicated to the foreign stages and the return to Italy of the *Sanremo Giovani World Tour* group in the spring, the media partnership with the *Italy Run* mini-marathon in New York, the summer media partnership with the *Italian Contemporary Film Festival* in Toronto, full coverage of the *New York Canta* evening of music in the autumn, the televising of singer-songwriter Carmen Consoli's masterclass in Boston in the winter, the filming of the

Italian concert of opera arias in the most prestigious theatre in Sao Paulo, Brazil, and the week-long *Capri, Hollywood* festival celebrating the fruitful fusion of Italian and international cinema in the presence of many Academy Award-winners.

One of Rai Italia's long-established programmes *Cristianità*, the live studio talk show looking at themes relating to faith and how it is experienced across the continents, has now been on air for over twenty years, sitting alongside the Pope's Mass and Angelus from St. Peter's Square every Sunday and debating issues relating to helping the sick, the needs and rights of the disabled, and the problems associated with voluntary work in general. *I Mercoledì di Francesco* - a half-hour programme summarising the midweek audience that is of particular interest in that it sees the Pope address an audience in St. Peter's Square or the Paul VI Audience Hall in different languages - completes the offering.

In terms of original content, following the 2018 *Soldati d'Italia* dedicated to military peace missions, 2019 brought a series of 6 art-house documentaries made in various countries around the world, from Senegal to Myanmar, Mozambique to Jordan, to our screens in the form of *Solidali d'Italia. Cooperare per lo Sviluppo*, meanwhile, raised awareness of experiences and trends that went beyond traditional emigration alone with a programme dedicated to those Italians who had decided to make their professional knowledge available to aid the development of critical parts of the world, looking at day-to-day life at the offices of the Agency for Development Cooperation, which operates under the strategic direction of the Ministry of Foreign Affairs and International Cooperation.

Rai Italia's original productions were permanently available online and on the RaiPlay platform.

“Original programmes and the best Rai productions for Italians abroad, maintaining close ties even though they're far away”.

1. *Solidali d'Italia*
2. *L'Italia con Voi*
3. *La giostra dei gol*



Rai Cultura

Rai Cultura produces, distributes and promotes the circulation and multi-platform *reuse* of special-interest content focusing on culture, cultural entertainment, history and quality training. 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.

As well as curating the multi-platform offering from the Rai Storia, Rai 5 and Rai Scuola TV channels, the vertical special-interest portals (art, literature, history, music, cinema, theatre and dance, philosophy and science) which merged in 2019 to form the single www.raicultura.it platform, and the Rai National Symphony Orchestra portal, Rai Cultura controls programming slots in the schedules of Rai's general-interest channels with a series of its very own titles, including the following:

- on Rai 1, *Italiani (speciali Storia)* and *Italia Viaggio nella Bellezza*, looking at Italy's UNESCO World Heritage Sites;
- on Rai 2, *Memex*, *Digital World* and *Viaggio nell'Italia del Giro*;
- on Rai 3, *Passato e Presente* (daily with a repeat on Rai Storia), *Le Parole della Costituzione*, *Provincia Capitale*, *Di Là dal Fiume e Tra Gli Alberi*, *L'Italia della Repubblica*, *Diario Civile, 14-18 Grande Guerra 100 Anni Dopo, 1939-1945. La Seconda Guerra Mondiale*, *Cronache dal Medioevo*, *Cronache dal Rinascimento* and *Save the Date*.

Broadcast on Rai 1, Rai 3 and Rai Storia, *Sembra Ieri Cronache e Storia*, produced in conjunction with Rai News.

Rai Cultura is a hub of expertise when it comes to producing art music for the company, with various

exclusive events and prestigious concerts produced by Rai Cultura and broadcast on general-interest networks. Events aired on general-interest channels in 2019 included both the Vienna New Year's Concert and the one hosted at Venice's La Fenice Theatre, conducted by Myung-Whun Chung, the Naples Epiphany Concert, performed by the Orchestra Partenopea di S. Chiara, the Easter Concert from Orvieto Cathedral, the *Concerto per la Repubblica* from the Sala dei Corazzieri del Quirinale, broadcast on Rai 1 on 1st June, and the live broadcast of the opening night of the La Scala season on 7th December with Giuseppe Verdi's *Tosca*.

With regard to the end-of-year festivities, Rai Cultura is always busy behind the scenes, producing the Christmas Concerts from the Senate, the *Teatro alla Scala* and the *Upper Basilica of Assisi*, which every year features the Rai National Symphony Orchestra, for broadcast on Rai 1.

In summary, 10 art music events were produced for Rai general-interest networks in 2019, amounting to a total of 14 hours of brand-new content.

The launch of the new www.raicultura.it portal in May 2019 made it possible to strengthen the commitment to web-based and social activities and to promote new products on social networks with the aim of reinforcing the role of the Rai in the network's cultural debate - a challenging role that has been developed through a cross-media understanding of the entire production process with a view to adopting more and more ways of reusing, sharing and discussing content that are appropriate to social networks.

In addition to monitoring and promoting TV programming, creating ad hoc content for the portal and creating new formats for social accounts, Rai Cultura notably published hundreds of services, in-depth reports, galleries and extra content in the fields of art, literature, history, philosophy, music, theatre, dance, cinema and science, as well as

covering Italian cultural events such as the *Senato & Cultura* cycle, with exclusive live-streaming, web documentaries and specials relating to events and anniversaries of great social and cultural importance, along with native web content and valuable content stored in the RAI archives. The portal also includes an *Agenda Culturale* section with articles and services illustrating a selection of the cultural events taking place in Italy on a monthly basis.

The web documentary dedicated to *Leonardo Da Vinci* and marking the 500th anniversary of his death, complete with videos from Rai television programmes, interviews and reports produced especially for the web, infographics and a photo gallery, was of particular note. A series of lesson plans that can be used in the classroom on interactive multimedia blackboards and which teachers have been able to use to illustrate and further pupils' knowledge of Leonardo Da Vinci as an artist, engineer, scientist, architect, urban planner and inventor were published on the Rai Scuola portal, and there were many detailed analyses of the most important national anniversaries, such as Memorial Day (27th January), Remembrance Day (10th February), Liberation Day (25th April), the Giornata della Legalità (23rd May) and the Republic Day (2nd June).

Special web documentaries were produced on various other topics and events of national interest covering a wide range of themes, from Caravaggio to Umberto Eco, from Primo Levi to places of Italian cultural heritage.

The year 2019 saw the publication of specials on Paolo Borsellino, the 200th anniversary of Leopardi's *The Infinite*, the *Prima del Teatro alla Scala* and various history, philosophy, literature and

science festivals that took place throughout the country, amongst others.

A number of special features were produced with a view to promoting the Rai Cultura brand on social media accounts, including *Citazioni* (daily inspirational quotes); *Accadde Oggi* (key historical facts and short videos remembering important figures and events), *Cult* (short excerpts from the Rai archives that look back at moments of cultural excellence that were aired on public television in their respective contexts) and *L'Opera d'Arte del Giorno*, showcasing a different work of art every day.

Social media account follower numbers continued to increase, notably where the Instagram accounts of Rai Cultura, which reached the 300,000 mark, and Rai Storia, which reached the 200,000 mark, were concerned, while Rai Storia also had almost 500,000 followers on Facebook.

Last but not least, it is worth pointing out that the *Viaggio in Italia - La Corte Costituzionale project was introduced to schools*. The Constitutional Court, in conjunction with the Ministry of Education, Universities and Research (MIUR), implemented the project that brings together constitutional judges and students from 20 secondary schools right across Italy for the second year with the aim of increasing young people's awareness and appreciation of the values of citizenship, legality and democracy, as well as knowledge of the role the Constitutional Court plays in guaranteeing fundamental rights and freedoms. In addition to numerous materials and files, the site published the production *Le Parole della Costituzione*, in which the judges of the Constitutional Court analysed some of the key words of the Constitution in what proved to be useful reflection for raising awareness and promoting the sharing of constitutional values.



3.3mn

DAILY
CONTACTS

18

MINUTES SEEN
PER DAY

0.4%

SHARE IN 24
HOURS

0.4%

PRIME TIME
SHARE

Rai 5

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

In 2019, it alternated original productions with the most significant documentaries on the international market and the production of major events on the Italian music and opera scene.

The prime time offer confirmed the programming according to theme-based evenings in order to offer viewers a recurrent schedule.

A series of documentaries on key figures in world literature (Roald Dahl, J.R.R. Tolkien, Arthur Conan Doyle, Agatha Christie, Graham Greene, Antoine de Saint-Exupéry, Philip K. Dick and Luis Sepúlveda) was a notable feature of the Monday schedule, followed by two new productions - the first, *Punto di Svolta*, following Edoardo Gubino as he set out to discover various European authors who, since the start of the 20th century, have marked a turning point in the world of fiction, including but not limited to the Old Continent (Kafka, Proust, Joyce and, again, Agatha Christie), the second, *L'Altro '900*, continuing the series of portraits of some of the great yet unfairly overlooked Italian writers of the 20th century.

Massimo Bernardini was another protagonist on Monday programmes with the new season of *Nessun dorma!* dedicated to the fusion of musical genres including jazz, opera, pop and symphonic. The late-evening schedule featured the *Nuovo Cinema Italia* slot, showcasing the first and second works of a number of emerging figures in Italian cinema of the new millennium.

Tuesday's schedule continued to include some major works from the world of international art cinema, broadcasting the most significant and original new titles from around the world (with the exceptions of the *Vienna New Year's Concert* aired on Tuesday 1st January, the live broadcast of Vincenzo Bellini's *La Straniera* from the Maggio Musicale Fiorentino on 14th May and the tribute to Franco Zeffirelli with the opera *Aida* on Tuesday 18th June).

Wednesdays, meanwhile, continued to introduce audiences to various pop icons from the worlds of music, cinema and entertainment, from Barbra Streisand to Ava Gardner, Nirvana to The Doors, Cary Grant to Alfred Hitchcock and Pink Floyd to Queen (the documentary *Queen: Days of Our Lives* achieved a 2.6% share of the viewing figures), with *Stars of the Silver Screen* bringing us a number of episodes dedicated to movie stars Jack Nicholson, Anthony Hopkins, Vincent Price and Gene Wilder.

The concert by the Carabinieri Bands and the *L'Arte d'ò Sole* series conducted by Renzo Arbore in tribute to Neapolitan song, which proved very popular with

1. *Le Mani di Primo Levi*
2. *Le terre del monson*
3. *Nessun Dorma*





780

HOURS
OF MUSIC
SHOWS
BROADCAST



200

HOURS
OF THEATRE
SHOWS
BROADCAST



37

ART MUSIC
EVENTS PRO-
DUCED

audiences (the series achieved an overall average share of 1.7%, with over 450,000 viewers (a 2.1% share) tuning in for the first episode), were also worthy of note, as was the original Rai 5 production *Le Mani di Primo Levi*, broadcast on Wednesday 31st July to commemorate the 100th anniversary of the birth of Primo Levi.

In keeping with its mission, Thursday prime-time on Rai 5 offered some of the leading titles from the worlds of ballet, opera and symphonic music, such as the ballets *White Darkness* and *Onegin*, the ballet *Carmen* from the Teatro dell'Opera in Rome, concerts by the Accademia Nazionale di Santa Cecilia with renowned pianist Martha Argerich and Mischa Maisky, Antonio Pappano and Conrad Tao, the opera *Manon Lescaut* conducted by Riccardo Chailly for the Teatro alla Scala, and, of course, concerts by the Rai National Symphony Orchestra.

Also of note was the new experimental offering *Il Sogno del Podio* - a 4-part series taking viewers behind the scenes at the competition that the London Symphony Orchestra holds every other year to honour the best novice conductor - a high-profile contest that pits 20 young competitors from all over Europe against one another.

Then, of course, there was *Proserpine*, from the *Spoletto Festival dei Due Mondi* (Festival of Two Worlds), the midsummer concert by the Wiener Philharmoniker and even, in the autumn, the cycle dedicated to the rehearsals of *La Traviata* with Riccardo Muti and the Cherubini Orchestra.

The second part of the prime-time offering notably included the new edition of *Prima della Prima* - a

long-standing feature of the schedule taking viewers 'behind the scenes' of major opera productions -, and the 3-part evening series *Lezioni di Suono*, organised every year by the Orchestra di Padova e del Veneto conducted by Marco Angius and focusing this time on the music of Giorgio Battistelli.

For the Friday evening schedule, which focused on the theme of art, Rai 5 served up a reflection on architecture with new series *I Tre Architetti*, dedicated to Giò Ponti, Mies van der Rohe and Frank Lloyd Wright, followed by the *Velázquez. L'ombra della vita*, with art critic Tomaso Montanari who described the works of the Spanish master. The new series *The art show* then investigated the relationship between the image society and contemporary art. This, in turn, was followed by the brand-new series *Art of France*, looking at the master painters from across the Alps, and *Vienna: impero, dinastia e sogno* dedicated to the Austrian capital and its profoundly impact on European culture. Of note was the première documentary *Leonardo, l'ossessione di un sorriso* to celebrate the 500th anniversary of the artist's death.

With various production programmes such as *Save the Date*, a feature looking at the week in culture, and *Terza Pagina*, previewing and reflecting upon the cultural supplements of the major Italian newspapers, also broadcast on a Friday evening.

The second part of the prime-time schedule notably included the new season of *Under Italy*, discovering mysterious Italian hypogea and underground places with plenty of stories to tell, and the *Museo con Vista* (Tate Britain's Great British Walks) series, highlighting the strong link between the great British painters and the landscape.

4. *Proserpine*
5. *Punto di svolta*
6. *Vienna Summer Night Concert*



The new *Art Night* programme debuted in the autumn, reinforcing the channel's art programming with an organic special-interest offering comprising both original documentaries (such as *Ombre Elettriche* on the three painters Franco Angeli, Tano Festa and Mario Schifano and *Emergenza Art* on the business of the illegal trafficking of works of art and more specifically on efforts involving the Carabinieri Command for the Protection of Cultural Heritage to recover major masterpieces belonging to our heritage) and purchased programmes.

The Saturday theatre programme, another well-established event, proposed a succession of tragedies and comedies, carefully combined in a mosaic that offered ample opportunity for reflection on contemporary and civil issues amidst flashes of humour: on the comedy front, cycles with Neri Marcorè, Ale & Franz, Riccardo Rossi and Raul Cremona, and on the civil reflection front shows starring Corrado Augias, Piergiorgio Odifreddi, Massimo Popolizio and Moni Ovadia, not forgetting the tribute to Oriana Fallaci on the 90th anniversary of her birth (*Le Parole di Oriana in Concerto*, with Maria Rosaria Omaggio).

Rai 5 also brought nature, the environment, travel and exploration to our screens in 2019, with a strong anthropological slant in both the daytime and prime-time slots on Sundays (with series such as *Wild Italy V*, *Wild Canaries*, *Wild Caraibi* and *Le Terre del Monsoon*, for example), and the notable inclusion of *Di Là dal Fiume e Tra Gli Alberi*, in collaboration with Rai 3.

Exceptions to the nature-based offering included the tribute to maestro Claudio Abbado, aired on Sunday 20th January, the Memorial Day concert *Libero è Il Mio Canto*, the live broadcasting of the *Concerto per Milano* with Riccardo Chailly on 9th June and the live broadcasting of the *Sinfonia delle Stagioni* concert directed by maestro Nicola Piovani to mark the 10th anniversary of the L'Aquila earthquake.

Rai 5 offered a total of some 780 hours of art music, opera and ballet performances in 2019, including over 300 hours' prime-time viewing, in addition to some 200 hours of theatre performances, and 37 art music events were also produced, amounting to some 70 hours of brand-new content.

"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."

- 7. *Queen: Days of Our Lives*
- 8. *L'Arte d'O Sole*
- 9. *Oregon-Stuttgarter Ballett*





1.4mn

DAILY CONTACTS



24

MINUTES SEEN PER DAY



0.2%

SHARE IN 24 HOURS



0.3%

PRIME TIME SHARE

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 produces, selects, manages and distributes a multi-channel and multi-platform offering of in-depth historical content spanning the entire media spectrum, from television to the web to social media, with the aim of taking audiences to every corner of the world and through every era, recounting facts and shedding light on different places, characters, civilisations, lifestyles, cultural dynamics, political processes and social achievements.

It is a public service, broadcast and cross-media offering that can be accessed from any device, providing something of a memory bank for all citizens, of which Rai is particularly proud.

In addition to permanent week-to-week fixtures such as *Passato e Presente* with Paolo Mieli, *Conflitti* (formerly *Mille Papaveri Rossi*) and *Il Giorno e la Storia*, the special-interest nature of the prime-time offering was reinforced in 2019 in an attempt to build audience loyalty.

The Monday scheduled dedicated to Italy's cultural and artistic heritage featured *I Grandi Dimenticati* during the winter season - a 6-part series showcasing some of the forgotten jewels of

the country's artistic and cultural heritage and the stories that have developed and intertwined around them over the centuries.

The extraordinary Italian historical and artistic heritage took centre stage in the new edition of *Italia: Viaggio nella Bellezza*, produced in conjunction with the MiBACT and taking viewers on a journey amidst the more or less known Italian "gems", to discover the remnants the past and the actions undertaken to protect and preserve them.

With *Provincia Capitale*, *Cronache dal Mito* and *Repubblica Romana 1849, un Romanzo d'Avventura* also taking us back in time and exploring different places.

Provincia Capitale, by now in its third edition and aired on both Rai 3 and Rai Storia, told the story of the Italian provinces through Edoardo Camurri's journey to discover the cultural identities of the smaller corners of our country, whilst *Cronache dal Mito*, a new series adopting the 'Cronache da ...' format, looked at the legends on which our society was founded through a series of chronicles.

Repubblica Romana 1849, un Romanzo d'Avventura, meanwhile, saw bonafide frontline envoy Cristoforo Gorno look back at this epic chapter in our history 170 years after the event.

In addition to new episodes of *Cronache dal Mito*, dedicated to the legends of Athena, Apollo, Heracles, Artemis and Odysseus, the latter half of the year also welcomed new episodes of *Italia Viaggio nella Bellezza* to Rai Storia. After the history

1. *Repubblica Romana 1849, Un Romanzo d'Avventura*
2. *Fiume Città di Vita*
3. *Fausto Coppi*



of the Accademia dei Lincei and the story of the Reggia di Capodimonte, the 4-part series looked at forgery in the art world in an investigation that proved to have plenty of surprises in store.

The 2019 edition of *Italia Viaggio nella Bellezza* concluded with 2 episodes looking at Italian excellence beyond our borders through the history of Italian Egyptology and the Italian Archaeological School of Athens.

The second part of the prime-time offering brought us *Genio e Sregolatezza* - a 4-part series on the history of the period following World War II, recounted here through the eyes of artists who drew inspiration from it for their works.

Tuesday's schedule was dedicated to key historical figures, with the biographies of a number of great women and men fitting naturally into the *Italiani* cycle, presented by Paolo Mieli and highlighting in great detail, marking the anniversaries of their births or deaths, the lives of illustrious Italians such as Fabrizio De André, Giorgio Gaber and Beniamino Placido, Carlo Donat-Cattin, Giuseppe Tucci, Curzio Malaparte, Gabriella Ferri, Sergio Leone, Corrado, Ruggero Orlando, Indro Montanelli and Giuseppe Cassieri, Mike Bongiorno, Fausto Coppi, Cesare Zavattini and Carlo Cattaneo, and even Benigno Zaccagnini and Alda Merini.

1969, *Niente Come Prima* offered a year-by-year account of the period from 1960 to 1970 through a collection of often unpublished images taken from the famous historical archives of the Istituto Luce, whilst docudrama *Buonasera Presidente*, which

premiered between May and June, featured 11 former Presidents of the Italian Republic brought back to life by actors using the Presidents' own words in response to Filippo Ceccarelli's questions.

Other key features included the special *La Cina al Centro*, marking the 70th anniversary of the birth of the People's Republic of China, *Italiane - Il Risorgimento delle Donne*, bringing us the story of the Risorgimento through the voices and actions of women, who also played their part in the fight for independence and the recognition of civil rights, and *Amori di Latta*, looking at love from an adolescent's perspective.

The late-evening schedule, meanwhile, was centred around 1969, offering a month-by-month account of what happened during a year that could now be presented live to the public thanks to the Rai archives, the digitalisation work that has been undertaken by Rai Teche and in-depth examination efforts on the part of Rai Storia.

Tuesday evenings towards the end of the year brought us *Storia delle Nostre Città* - a series that looked at the origins and the historical-artistic importance of some of the most beautiful Italian cities and explored the heritage and pride of towns that across various eras have marked the history of our peninsula over the centuries.

Wednesday's offering was also very much about tales of history, this time looking at the period prior to World War I with *1918-1939. La Pace Fragile* - a series looking at key periods in Europe's history and bringing to light the stories of various figures that

4.5. *Italia: Viaggio nella Bellezza*
6. *I grandi dimenticati*



have been somewhat overlooked by historiography.

The *Cronache di Hitler* series began airing in February and was created using only archive material, most of it previously unseen, whilst *I Kennedy* took an in-depth look at the events of the Kennedy dynasty and tribute was paid to major anniversaries with programmes such as *Telegramma 2171. L'Anno del Patto Atlantico*, marking 70 years since the signing of the North Atlantic Treaty, *Destination Moon*, celebrating the 50th anniversary of the moon landing, a special on the attack on New York's Twin Towers in 2001, the collapse of *Wall Street* in 1929 and *L'Ombra del Muro* commemorating 30 years since the fall of the Berlin Wall.

Also of note were the 'Nec recisa recedit'. *Soria della Guardia di Finanza* special looking at the glorious history of the Yellow Flames, *Tornando a Casa*, recounting the adventurous recovery of the body of the only Italian sailor who disappeared in the shipwreck of the *Macallè* on 14th June 1940, a special episode dedicated to poet Gabriele D'Annunzio and the Regency of Carnaro, marking the 100th anniversary of the Fiume endeavour, *Bulli e Pupe*, an Istituto Luce production featuring lots of previously unseen colour materials and looking at the Italian youth of the 50s, 2 episodes *Guerra Fredda*, *La Storia*, looking at the period between the end of World War II and the fall of the Berlin Wall, and *L'Industria dei Sequestri*, based on incidents of kidnapping in Italy and produced jointly with the ARD.

Last but not least, there was a special dedicated to *Ezra Pound*, the American poet who spent most of

his life in our country, and 3 episodes of the 1919-1922 *Cento Anni Dopo* series, looking at the history of our country and the stories of some of the Italians of the time.

Thursday's schedule was dedicated to the stories of great civilisations and saw the renewed major success of *a.C.d.C.*, which told the story of the Egyptian people with *Pianeta Egitto*, of the Celts with *I Celti*, and of major female historical figures such as Joan of Arc, Catherine the Great and Louise of Prussia with *Grandi Donne*, as well as revealing the mysteries surrounding the cities of *Petra* and *Teotihuacan*.

Leonardo da Vinci - L'Ultimo Ritratto - a documentary on the life and legacy of the great genius marking the 500th anniversary of his death - was also very warmly received, as were *I Segreti delle Cattedrali*, looking at the architectural evolution of Christian temples, *Hasekura - Un Samurai in Vaticano*, recounting the diplomatic mission of the Japanese delegation, *Ferro e Sangue*, looking at the Thirty Years War, the *L'Impero della Regina Vittoria* series dedicated to Queen Victoria's empire, and episodes dedicated to Richard the Lionheart, the Palace of Versailles and Princess Sissi.

Friday's offering included a number of successful series such as *Storia del West* and *Maxi, il Grande Processo alla Mafia*, brand-new specials such as *Don Luigi Sturzo*, 100 years after the founding of the Partito Popolare, *Fossoli - Anticamera per l'Inferno*, about the concentration and transit camp for the deportation of Jews and political opponents to

7. *Moon Day*
8. *Cronache di Hitler*
9. *Dal Tirreno all'Antartide, lo Straordinario Viaggio di Ajmone-Cat*



Germany, and *Dal Tirreno all'Antartide, lo Straordinario Viaggio di Ajmone-Cat*, which retraced the various stages of this incredible journey. Four-part series *Dei Delitti*, looking at the history of the crimes that marked the 20th century (crimes of passion, politics, family and against women) was also of note, as was 6-part series *Storia dell'Economia*, examining the period between the first industrial revolution and the present day through technological discoveries, moments of opulence and societal crises.

Cinema Italia, meanwhile, was a regular Saturday fixture offering an insight into some of the cinematographic works created, produced and directed in our country, along with the *Documentari d'Autore* cycle aired in the late-evening slot and comprising a large number of previously unaired international documentaries.

Rai Storia was steadfastly committed to remembering, commemorating and celebrating important anniversaries with an extensive and carefully curated schedule marking various anniversaries that took place over the course of the year, including International Holocaust Remembrance Day (27th January), the National Memorial Day of the Exiles and Foibe (10th February), International Women's Day (8th March), the National Day of Remembrance and Commitment to Remembering the Victims of the Mafia (21st March), Liberation Day (25th April) and Republic Day (2nd June) and the anniversaries of the Capaci bombing (23rd June), the Ustica massacre (27th June), the Via D'Amelio massacre (19th July) and the Bologna station bombing (2nd August). There was also plenty

of coverage of the 50th anniversary of the Piazza Fontana massacre (12th December).

Last but not least, the last Sunday of the month brought us *TeleMatera* with Edoardo Camurri - a magazine show covering the cultural events taking place in Matera, European Capital of Culture for 2019, on a monthly basis.

"Rai Storia puts key institutional fixtures, significant anniversaries and major commemorations at the heart of its essential TV and cross-media events offering highlighting the Italian cultural scene".

- 10. *Storia della Guardia di Finanza*
- 11. *a.C.d.C.*
- 12. *Buonasera Presidente*



0.2_{mn}

DAILY CONTACTS



16

MINUTES SEEN PER DAY

Rai Scuola

The channel devoted to formal and informal instruction, education and digital, scientific and technological literacy: culture and learning at the centre of the television's function as a Public Service.

All Rai Scuola programmes are designed and produced in the form of modules that can be used on the website or as short contributions, arranged in theme-specific blocks or used as materials for the *Lesson Plan* programmes.

This year also saw the channel continue to place great emphasis on issues relating to the scientific world by expanding the *Memex* project offering with new episodes made in 2019.

Memex - Vita da Ricercatore looked at the professional and private lives of a number of researchers that had received international funding, using 'unconventional' live footage to offer an insight into the framework in which they operated and the cultural and social contexts that had influenced them.

Memex - Nautilus was a scientific research programme comprising both studio and outside broadcast sections dealing with chemistry, genomics, physics, astrophysics, geology and more, with the emphasis always very much on moving from theory to practice, from principle right through to application. Each episode ended with *Prendi la Strada Giusta* providing information and guidance for use in schools and the workplace.

Memex - Magazzino 26, produced at the *Euro Science Open Forum 2020* held at Magazzino 26 in the Old Port of Trieste, documented the largest interdisciplinary science and innovation event in Europe, highlighting and analysing the most advanced scientific research and innovation scenarios.

Memex - Donne di Scienza, meanwhile, looked at the most successful female Italian researchers of the present day and highlighted the stories of the great female protagonists of the scientific world of the past.

The channel also continued and modernised its programming dedicated to the teaching of the English language, with a coordinated original language edutainment, cultural, educational and drama offering with English subtitles.

In this respect it is worth highlighting the *Erasmus Plus Stories - Studiare e Lavorare in Europa* series, in which each episode looked at a different personal experience of studying, working or undertaking a work placement thanks to an Erasmus + scholarship. The programme featured the stories of both young Italians who had returned from abroad and foreigners who had chosen to come to Italy.

The aim Rai Scuola sought to achieve with this programme was to provide information about the opportunities that Europe offers, outline reasons for embarking upon such a programme and encourage people to experience Europe first-hand, focusing on personal experiences intended to serve as models and good practices to follow.

1. *Donne di Scienza*
2,3. *Nautilus - Virus e Oceani*



A significant amount of air time was also set aside for providing detailed educational documentary films relating to topical issues such as ecology, nature, science, environmental sustainability and circular economy, eco-friendly cities, intercultural integration and legality.

Social programme *Digital World*, now in its fourth edition, meanwhile, investigated and reflected upon changes relating to digital technologies, organised by theme and useful for teacher training purposes, not least because it was broken down into 5-minute sections that could be implemented using tabs and additional information on the web. The programme covered a number of themes, including knowledge tools and School 2.0; the use of digital teaching methods, new professions and study and workplace orientation; and new roles such as machine learning experts, data scientists, artificial intelligence experts, etc.

The new edition of *Toolbox*, which addressed issues relating to robotics, programming and coding in middle schools, also proved popular, with Prof. Alessandro Bogliolo from the University of Urbino bringing us a series of video tutorials illustrating the world of robotics for schools and offering an introduction to Industry 4.0 and, using electronics, 3D printing and laser cutting, showed us how to build and programme robots and circuits.

The channel also paid strong attention to philosophy with the continuation of the programme *Zettel Debate. Fare Filosofia*, in conjunction with the MIUR Commission, brought us new orientations on the teaching of philosophy in schools, along with a studio

debate driven and guided by two exceptional hosts in the form of the professors Maurizio Ferraris and Felice Cimatti. The programme also documented the *Olimpiadi di Filosofia*, promoted by the MIUR and the Italian Philosophical Society, this year.

The Rai Scuola specials of 2019 notably included

- *Auschwitz 2019 - Il Filo delle Parole* - Remembrance Day told through the eyes of the winning school in the MIUR's 'Il Viaggio della Memoria' (Journey of Memory) competition, which visited the Krakow ghetto and the Auschwitz-Birkenau camps and listened to the words of those who witnessed the horrors that took place there.
- *Il Dolore e l'Esilio*, on 10th February - Memorial Day - focused on the project developed by the Chris Cappell College in Anzio relating to the memory of the foibe and the tragedy of the Istrian and Dalmatian exodus with a visit to the foibe near Trieste, in the company of historians Guido Crainz and Raoul Pupo.
- *Leonardo, un Ponte Tra Passato e Futuro*, meanwhile, marked the 500th anniversary of Leonardo da Vinci's death by looking at the design and production of Berny and T1N4 - two robots with which the students of ISIS school in Castellanza had entered - and indeed won - international competitions.
- *Sulle Orme di Giovanni*, marking the anniversary of the Capaci bombing, told the story of the journey, organised by the MIUR, made by the schools that travelled to Palermo aboard the Nave della Legalità vessel for a day dedicated to the memory of Giovanni Falcone, Paolo Borsellino, Francesca Morvillo and their escorts.

4. *Zettel Debate. Fare filosofia*
5. *Scuola Digital World*
6. *Memex Galileo*



- *Diritto allo Studio, Arma di Pace* told of the project undertaken by teachers and students of ICT Galliani in Naples who, as part of the 'Dalle Aule Parlamentari alle Aule di Scuola' ('From Parliamentary Chamber to Classroom') project, developed a series of initiatives on the right to study and tackling non-attendance at school.
- *Democrazia è Libertà*, also part of the 'Dalle Aule Parlamentari alle Aule di Scuola' project, highlighted the experience of teachers and students of the Liceo Capece di Maglie school who, based on the teachings of fellow countryman Aldo Moro, analysed the importance of constitutional decrees and the role they play in their daily lives.
- *Meccatronica e Industria 4.0.* looked at the experiences of students of the ITIS Meccatronico Veneto undertaking sandwich placements designed to enrich their academic education by simultaneously introducing them to the realities of the workplace.
- *(R) Esistenze, Matera fra Storia e Memoria* was a special dedicated to the city of Matera, which won Silver and Gold Medals for Civil and Military Valour for its role in the Resistance. Students of the Liceo Classico and the Liceo Artistico Duni Levi in Matera illustrated their project on the Basilicata city through an historical journey of insight and awareness.
- *Progetto Spazio*, produced in conjunction with the Italian Air Force, documented the activities that take place at the Air Force's CAE Multi Crew Training Centre in Pratica di Mare in preparation for the scientific experiments that will be performed aboard the International Space Station.

Also of note was the *Viaggio in Italia - La Corte Costituzionale* project, which saw the Constitutional Court, in conjunction with the Ministry of Education, Universities and Research (MIUR), implementing the project that brings together constitutional judges and students from 20 secondary schools right across Italy for the second year.

A *Speciale Rai Scuola* dedicated to the lecture given by President of the Constitutional Court Giorgio Lattanzi at the Carlo Urbani Professional Institute in Ostia and 15 clips entitled *Le Parole della Costituzione*, in which the 15 judges of the Court analysed some of the keywords of the Constitution, offering a useful reflection designed to increase both awareness and the sharing of constitutional values, were also produced. The 15 clips were subsequently repeated on Rai 3.

With regard to programming in collaboration with third parties, the following were particularly noteworthy:

- *Alberto Manzi - Attualità di un Maestro* - a production in collaboration with the Centro Alberto Manzi that revived the teaching methodology adopted by Maestro Manzi. Each episode began with an archive contribution from the *Fare e Disfare* programme and the subsequent updating of its educational practice. Various experts illustrated the teaching method, offering explanations complete with examples and drawings, as was the case in Alberto Manzi's lessons.
- the third series of *Invito alla Lettura*, in cooperation with CEPELL-MIBACT, was dedicated to teachers working in school libraries, in keeping

- 7. *Vita da ricercatore*
- 8. *Zettel/Debate*
- 9. *Memex Galileo*



with the MIUR's 'Biblioteche Scolastiche Innovative' ('Innovative School Libraries') project. The programme was awarded the prestigious *FELA Literacy Award* in 2019 as a television project aimed at improving the professional development of teachers in the field of literacy and was able to reach a large number of teachers.

- *Bicentenario dell'Infinito di Leopardi* - an event organised in Recanati and across all Italian schools to mark the bicentenary of the writing of one of the poet's most famous lyric poems, which was read simultaneously by all of the students involved on the morning of 28th May 2019. Rai Scuola recorded the day of celebrations and produced an in-depth analysis complete with interviews with experts to explain the meaning of Infinity in terms of Leopardi's poetry.
- The two *Speciali Magazzino 26 Città della Scienza ESOF 2020 Trieste* programmes produced by Rai Cultura and Rai Friuli-Venezia Giulia in cooperation with the *Fondazione Internazionale Trieste* looked at why Trieste was chosen as the European City of Science to host the ESOF in 2020.

Marking the *Giornata della Lotta alla Contraffazione per gli Studenti*, organised in Bari by the Ministry of Economic Development, Rai Scuola, in cooperation with the MISE, followed and streamed the event live on the Rai Scuola website and created a special edition that also featured an in-depth analysis with students and institutional representatives, illustrating various initiatives designed to promote the culture of legality.

"Rai Scuola is broadening its own horizons by strengthening the range of tools and content available on the network and accessible on mobile devices, developing operational links with schools, universities, the main cultural institutions and the most active players in the world of scientific and technological research".

10. 11. 12.
*Nautilus - Agricoltura,
Grafene, Cemento*



48

CONCERTS

from the Stagione Sinfonica season by subscription

3

CONCERTS

from the "Rai Nuovamusicca" project

1

CONCERT

abroad

4

special concerts

12

CONCERTS

in Italy

Orchestra Sinfonica Nazionale Rai

The work of the Rai National Symphony Orchestra in 2019 marked a new highlight of the Italian music scene thanks to the outstanding quality of its performances and the exceptional standards of its guest artists.

A total of 48 concerts from the Symphonic Season were available on subscription. Having already proven himself on the international stage, the first part of the year marked young conductor Robert Trevino's debut with the National Symphony Orchestra, with an entirely Straussian programme.

Other highlights of the season were the exceptional presence of Christoph Eschenbach with Arkadij Volods as soloist. James Conlon conducted Haydn's *The Creation* oratorio on 14th and 15th February, hosted by the Choir of the Accademia di Santa Cecilia, whilst Juraj Valčuha returned with a programme that included Tchaikovsky's *Piano Concerto No.1*, performed by the very young and formidable Alexander Malofeev, who had already been a guest during the previous season. This was followed by Omer Meir Wellber conducting Mozart's *Great Mass in C Minor* and a residence by Nicolai Znajder, who performed in three concerts in which he played the roles of soloist, chamber musician and conductor. The presence of Fabio Luisi, reinforcing his relationship with the National Symphony Orchestra, was of particular importance, whilst Kirill Petrenko, having been appointed Musical Director of the Berliner Philharmoniker, was also back on 26th and 27th April to conduct the National Symphony Orchestra - a privilege only a handful of orchestras around the world have enjoyed.

The 2019/20 season kicked off on 11th and 12th October 2019 with the opening concert conducted by Principal Conductor James Conlon with a programme including Mendelssohn's *Concerto for Violin and Piano*, performed by Roberto Ranfaldi, the orchestra's first violin, and Mariangela Vacatello on piano. The initial 3 concerts with Conlon were followed by concerts conducted by Juraj Valčuha, Kazuki Yamada, Michele Mariotti and Tomas Netopil.

The 2019 schedule also included the second and third concerts, which attracted a huge number of young people with an interest in all forms of modern art, of the 2018/19 edition of the *Rai Nuovamusicca* contemporary music festival (conducted by Oscar-winner Tan Dun, showcasing some of his compositions for soloists and orchestra, and Aziz Shokhakov, with Gianpaolo Pretto, the orchestra's first flute, playing the *Maderna Concerto* dedicated to Severino Gazzelloni to mark the centenary of the great flautist's birth, respectively), as well as the first of the 2019/20 season, conducted by Ryan McAdams and featuring an entirely American programme.

January saw the return of prestigious Argentine pianist Martha Argerich with a sell-out show, 10 years after her last concert with the Orchestra Sinfonica Nazionale and 60 years after her first concert with the Rai National Symphony Orchestra, based in Turin, whilst March got underway with the now traditional and eagerly awaited *Concerto di Carnevale*, opening with Paul Hart's effervescent *Cartoon* brought to life by the exuberant and extraordinary Janoska Ensemble quartet, with young Turin-based percussionist Simone Rubino, directed by Maestro William Eddins, returning to the Auditorium della Rai stage for the occasion. Later in the year, Marcello Rota conducted the final evening

1. James Conlon conducts the Rai National Symphony Orchestra
2. Rai National Symphony Orchestra
3. Interview with James Conlon



of the Mazzacurati International Cello Competition on 4th October, including the presentation of the 3 finalists and the announcement of the winner, whilst on 22nd December, James Conlon conducted the Auditorium's Christmas Concert in a performance of what is now becoming a Christmas tradition - Tchaikovsky's *The Nutcracker* ballet.

The National Symphony Orchestra also featured in both reruns of the season's concerts and a number of specially created projects hosted in Udine, Piacenza, Florence, Naples (a marathon comprising all 9 of Beethoven's symphonies performed in a single day along with the Orchestra of the Teatro San Carlo under the direction of Juraj Valčuha), Matera, in the case of the events planned as part of the European Capital of Culture initiative, Milan (twice - for Mito and Milano Musica in Scala), Venice, in the case of the Biennale Musica, Modena, Bergamo, for the inauguration of the Donizetti Festival, and of course the traditional Christmas Concert in Assisi, broadcast on 25th December on Rai 1.

The Orchestra was also invited to perform in Prague in September as part of the Dvořák Festival, in which Christoph Eschenbach conducted a concert featuring music by the Czech composer.

The collaboration with Rai Fiction continued with the recording of soundtracks for Rai productions, which, in 2019, included music for *I Ragazzi dello Zecchino d'Oro*, *Rocco Schiavone*, *Enrico Piaggio* and *Mare Fuori*.

The Orchestra's chamber groups were also more active than ever, with no fewer than 8 concerts at the Quirinale in 2019, 4 concerts as part of the *Domeniche dell'Auditorium* series (one of which saw Nicolai Znajder make a special appearance,

along with the Orchestra's first strings) and an octet performance of Schubert's Octet for two Mito concerts in Turin and Milan.

The Rai Orchestra successfully coordinated the Rossini Opera Festival in Pesaro for the third time in a row, with this year's edition of the event building on the record takings and attendance of the previous edition. The pieces performed at the event were *Semiramide* and *Equivoco Stravagante*, each of which was performed 4 times, with a large gala concert on 21st August bringing the event to a close.

January 2019 saw the conclusion of the third edition of WOW, featuring 4 performances of Rossini's *La Cenerentola* (3 concerts for schools and one open to the public) in a revised and shortened format aimed (not exclusively) at a very young audience.

Florence-based theatre company Venti Lucenti coordinated the event and produced the theatrical element with the involvement of the children and their teachers who, together with the Orchestra and the singers of the Accademia del Maggio Musicale Fiorentino, brought Rossini's greatest fairy-tale opera to life.

Following two successful years with the La Casa dei Suoni project, the Orchestra has continued to collaborate with the Fondazione Teatro Ragazzi e Giovani Onlus of Turin on various educational initiatives over the course of the 2019-2020 season, giving rise to a new project entitled *Casa Beethoven* and aimed at young and very young audiences and families looking to delve a little deeper into the life and Symphonies of a timeless musical genius like Ludwig van Beethoven, with 2020 marking the 250th anniversary of his birth. A whole host of interactive musical performances at the Casa del

9

CONCERTSRossini Opera
Festival 2019

12

CONCERTSbroadcast
on TV and/or
streamed

10

CONCERTS

for schools

4

RECORDINGSof soundtracks
for Rai dramas

2

**EDUCATIONAL
PROJECTS**

in progress

Teatro Ragazzi e Giovani, meanwhile, gave young viewers the opportunity to participate in an audio fairytale to prepare them for Saturday afternoon concerts at the Auditorium Rai Arturo Toscanini.

The cycle itself was divided into 8 afternoon events spread throughout the year, including 4 interactive musical performances with actors Pasquale Buonarota (creator of the theatre project) and Alessandro Pesci, in the company of the concertmasters of the Rai National Symphony Orchestra, and 4 great concerts from the *Classica Per Tutti* cycle at the Auditorium Rai Arturo Toscanini in Turin.

Last but not least, the *Professione Orchestra* educational project was implemented for the third year in a row, offering a series of masterclasses for young musicians looking to forge a career in music. The project was implemented in conjunction with the Accademia di Pinerolo and involved the first parts of the Rai National Symphony Orchestra as teachers, entrusted with the task of sharing techniques and methods of dealing with passages and solos from the symphonic repertoire and conducting section rehearsals with the young students, combined with attentive individual work aimed at improving their ability to control the musical performance.

The Orchestra also offered a variety of discounted ticket and season ticket options for students and under 35s for 2019 in an attempt to encourage younger audiences to get involved.

All of the season's concerts were broadcast, some live, on Rai Radio 3 (also available in audio streaming mode), with some also broadcast in Eurovision for the Euroradio circuit.

Rai Cultura broadcast 12 events, some of them live, on Rai 5 in 2019, and these were also available to stream on the RaiPlay portal at www.raisplay.it/dirette/rai5.

All the institutional information, along with the concert calendar and press releases accompanied by weekly photographic materials, can be found on the website, www.osn.rai.it, along with digital versions of all of the librettos featured during the season.

The highlights of the season since September 2019 have also been published in the events section of the Rai Cultura portal www.raicultura.it and in the special section thereof dedicated to the Orchestra, www.raicultura.it/musica/tematica/orchestra-rai.

The Orchestra has official *Facebook*, *Twitter* and *Instagram* accounts where its ever-growing fanbase can follow and comment on its latest activities, concerts, backstage, tours, insights and curiosities, presentations and reviews of events. A number of social initiatives were also implemented over the course of 2019 through the creation of new and advanced historical-musical editorial content (quotations, historical photos, iconography, etc.).

Rai Ragazzi

A rich and innovative editorial offering for children and young people is one of the defining features of Rai's public service mission.

Rai Ragazzi is responsible for producing content aimed at younger audiences, including original programmes produced at the Rai studios, cartoons and live series that are either co-produced or purchased, and web and social content, and broadcasting it on the specialist Rai Yoyo and Rai Gulp channels.

The Rai Ragazzi offering is governed by three major guidelines:

- an editorial responsibility towards an audience of children and teenagers and their families to provide high-quality original productions and a selection of the best international series that are educational and entertaining and encourage critical thinking, creativity and a taste for the finer things;
- the promotion of the Italian creative industry, involving the best talents and the best national audiovisual companies producing cartoons and kids' series as part of a process of growth and internationalisation;

- constant innovation, with the ability to offer new formats, styles, languages, technologies and modes of interaction in a highly progressive environment.

In the current climate, in fact, tastes and preferred ways of enjoying TV and audiovisual programmes are changing rapidly, especially amongst children aged 8 years and over, but also where younger children are concerned; what we are faced with is a different context from that of a few years ago and the importance of our role and our responsibilities as a public service is greater now than ever.

The offering spans multiple platforms and services that compete for children's time and attention, meaning that children are involved, from a very young age, in commercial dynamics that do not always respect the stages of development and the editorial quality of what is on offer.

There is increasing demand on the Rai to provide original, distinctive and contemporary programming for those young children who are new to the TV and multimedia offering for the first time every year, for young people experiencing the independence of a new relationship with the media and social networks, and for all those currently going through the once-in-a-lifetime experience of childhood or adolescence.



2.6mn

DAILY
CONTACTS

62

MINUTES SEEN
PER DAY

1.2%

SHARE IN 24
HOURS

11.7%

4-7 YEARS
SHARE
IN 24 HOURS

Rai Yoyo

Rai Yoyo is the ad-free first TV channel aimed at young children.

The Rai's pre-school offering, based on a solid and carefully structured narrative framework, is designed to support children as they explore both themselves and the world around them, helping them to understand that there is room for them, too, that difficulties can be overcome and that others can be friends.

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.

The offering aimed at the youngest of audiences tends to become increasingly targeted (*infant TV, pre-school, upper pre-school or bridge*) as the number of channels and platforms available grows, with Rai Yoyo hosting and organising a wide range of programmes, combining general storytelling based on fun and the teaching of values with programmes introducing specific curricula, from language learning to art, history, science and mathematics, right across its schedule.

Rai Yoyo's audience alternates between watching the colours flash across the screen and playing with their parents' smartphones and immersing

themselves in the touchscreens of their tablets, which is why Rai Yoyo's programming was immediately integrated with the non-linear social network offering, the RaiPlay Yoyo app and the RaiPlay platform and based on much-loved titles but always varied and in multiple formats.

Products proposed by the station are divided into:

- studio entertainment productions (such as *La Posta di Yoyo* and *L'Albero Azzurro*) and events (*20 Anni di Melevisione*, the Yoyo Christmas concert, *Spettacolo per Cartoons on the Bay*, etc.);
- purchased series (*Bing*, *Molang*, *Kit e Kate*, *La Famiglia Volpittassi*, *Zafari*, *Leo e Tig*, *Peppa Pig*, *Masha e Orso*, *PJ Masks*, *Il Rally della Casa di Topolino*, *Vampirina*, *Dottorissa Peluche*, *Disney English*, etc.);
- co-productions (*44 Gatti*, *Topo Tip*, *Minicuccioli*, *Yoyo*, *Trullalleri*, *Lupo*, *Ricky Zoom*, *Winx Club*, etc.).

As well as giving viewers the option of replaying the channel's series and programmes on RaiPlay and via the RaiPlay Yoyo app, web activities are a great source of creative and productive development. Managed internally by a dedicated team, they allow for the creation of increasingly targeted content dedicated to multi-platform offerings and social pages (Facebook, Instagram and Twitter), generating a continuous flow of content that represents an increasingly direct and daily connection with an audience of children and their parents.

"Rai Yoyo is a leading player on both the national and international scenes; the network favoured and indeed most widely followed by children and families and ultimately a network that brings people together".

1. 44 Gatti
2. Albero Azzurro
3. Bing





1.3mn

DAILY
CONTACTS

32

MINUTES SEEN
PER DAY

0.3%

SHARE IN 24
HOURS

2.1%

8-14 YEARS
SHARE
IN 24 HOURS

Rai Gulp

Rai Gulp is the television channel that supports children in the transition from childhood to adolescence.

Aimed at a school-age audience ranging from primary school age to the early adolescent years. These are children who are discovering school, reading, autonomy and differences. and just starting to watch children's TV channels, with an increasingly extensive and tailored offering, as well as following certain prime-time shows. 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, dramas, 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.

It is important not only to reject stereotypes - which stem largely from the Internet, advertising and the persistence of cultural archaicism - but to take positive steps towards debasing them in an intelligent and respectful way. 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:

- studio entertainment productions (such as *Robo-Cod*, *Explorer* and *Sport Stories*), studio entertainment productions with live links to both national (*Lucca Comics*, the 30th anniversary of the Convention on the Rights of the Child, the Rome and Turin Book Fairs, etc.) and international events (*Junior Eurovision Song Contest*);
- purchased series (*Dennis e Gnasher Scatenati* (Dennis and Gnasher Unleashed), *Thunderbirds are Go!*, *Kung Fu Panda*, *Baby Boss di Nuovo in Affair* (The Boss Baby: Back in Business), *Il Destino delle Tartarughe Ninja* (Rise of the Teenage Mutant Ninja Turtes), *Spiderman*, *Rapunzel*, *Heidi II*, *Belle e Sebastien* (Belle and Sebastian), *Backstage*, *Dance Academy*, *Soy Luna*, *Jamie Johnson*, etc.);
- cartoon co-productions (*Atchoo*, *Bat Pat*, *Berry Bees*, *Gormiti*, *Artù*, *Leo Da Vinci*, *Hanukkah Il Miracolo dell'Olio*, *La Stella di Andra e Tati*, etc.) and live series (*Jams*, *Club 57*, *Cercami a Parigi*, *Penny on Mars*, etc.).

1. *Baby Boss*
2. *Hanukkah - La Festa delle Luci*
3. *Jams*



Rai Gulp's offering is rich and diversified to help young people discover different styles and languages and independently develop their own tastes, overcoming the algorithmic logic of so much non-linear content that results in audiences continuing to watch similar programmes time and again.

Along with classic series produced with fun and relaxation in mind, which never fail to cover issues such as the sense of community, the acceptance of new things and the rejection of gender stereotypes, Rai Gulp is known for its productions that address important issues such as the fight against sexual harassment, the rejection of racism and violence, the memory of the Shoah, legality and the rights of children in an innovative way and using appropriate language.

Original drama productions such as the *Jams* series and animated specials such as *La Stella di Andra e Tati*, meanwhile, have been recognised and won awards at numerous international festivals and events.

Despite a children's offering sourced largely from major multinational players, Rai Gulp still maintains and develops a strong local connection with various travelling productions from a child's perspective across all regions of Italy (from the magazine show *Explorers* to the young champions of #sportstories and the best loved advent calendar traditions) and by inviting schools from across Italy to take part in the great *Rob-o-Cod* coding competition, organised in conjunction with the Rai Centre for Research, Technological Innovation and Experimentation.

“Rai Gulp is a channel that supports boys and girls from childhood through to adolescence, with an offering incorporating a wide variety of styles, from cartoons to drama, from live programmes to documentaries and web content, that puts the emphasis on insightful and educational entertainment and provides a source of fun and relaxation, as well as instilling a sense of team spirit and offering an insight into the complexity of contemporary society”.

- 4. *Rob-o-Cod*
- 5. *Sport Stories*
- 6. *Ricky Zoom*



Rai News 24

Rai News 24 - the all-news public service channel founded in 1999 that delivers timely and transparent news and information and reports on current affairs both in Italy and around the world. A major productive and organisational undertaking that is always live, all day, every day.

2019 saw the channel further reinforce its profound identity as 'an *'all-news' channel that also offers so much more*'. Rai News 24, is not, in fact, an uninterrupted newscast but rather a flow of information, interviews, reports and reviews enriched with features and in-depth analysis, memorial pieces and original documents with a flexible and always adjustable framework based on current affairs and in constant collaboration with regional branches and foreign correspondents.

In 2019, the channel reinforced the strategy it had already successfully launched the previous year, which consisted, on the one hand, of the continuous provision of information serving as the channel's agency for all broadcasts on the general-interest networks, as well as for the news, working ever closer with the TgR to do so, and on the other, of strengthening the social side of the network via the web. This enabled the all-news public service channel to continue and indeed to accelerate its development in the framework of efforts on the part of the Rai to enrich its own information offering.

The backbone of Rai News 24 is the news, delivered on the hour, every hour in a live 24-minute

segment, even at night, whilst the second half of the hour is dedicated to bringing us brief updates followed by features and analysis. The channel delivers the news at fixed and distinguishable but not static times, meaning that the schedule, which must always be flexible, is not set in stone and is able to adapt to any new events that might occur in order to prioritise live coverage of current events. The editorial machine is always ready with special editions and links to follow all events taking in place both in Italy and abroad, with a total of 5,000 hours of news and reviews and hundreds of hours of live coverage, features and analysis produced every year.

2019 also reinforced the progress the channel had made in previous years, with Rai News 24 confirming its position as the leading all-news channel on digital terrestrial television with a 0.6% share across the entire day and 2.4% between 06:00 and 09:00 - the prime-time slot for all-news channels. Rai News 24 was also broadcast in simulcast on Rai 1 with a 9.33% share and on Rai 3 with a 5.2% share.

The information offering for the 06:00-09:00 slot was centred around news and press reviews. On Mondays, and in conjunction with Rai Sport, the channel brought viewers up to date on the championship and the most important sporting events of the weekend, followed by current affairs and analysis between 09:00 and 12:00 including a major contribution by TgR colleagues and foreign correspondents - a key asset that makes the difference between public service and competition.

Together with *Studio 24*, dedicated to analysing the day's events, *Cronache Italiane*, *Cronache dal*



31mn

DAILY
CONTACTS



30

MINUTES SEEN
PER DAY



0.6%

SHARE IN 24
HOURS

1. *Basta la Salute*
2. *Cronache Mondo*
3. *Frammenti d'Arte*





33 million
UNIQUE USERS



80%
ON MOBILE
DEVICES



450,000



1 million



90,000

Mondo looked at what was happening not only in Italy but also in Paris, Berlin, London, Cairo, Jerusalem, Beijing and the Far East.

A news programme focusing on sport, in collaboration with Rai Sport, aired at 12:30 and 20:00, whilst the weekday afternoon schedule also included weekly features relating to culture, mobility, entertainment, gastronomy, health and cinema (*Leggi Che Ti Passa, Vrooom, Mordi e Fuggi, Basta la Salute, Week End al Cinema, Tuttifrutti*, etc.), as well as *Newsroom Italia*, offering an analytical insight into the latest news and political current affairs, and *Economia24* and *La Bussola*, both of which looked at the day's events in the economic, financial and parliamentary political spheres.

At 18:00, depending on any relevant political and news coverage, the new version of *Telegram*, live from the studio, brought viewers up to date with the main events of the day.

In the evening, meanwhile, *Checkpoint* offered an overview of the latest political and international news, along with a rational review of the main foreign news headlines. Later in the evening, from 23:15, the channel brought viewers a preview and an analysis of the front pages of both the Italian and foreign press, before alternating throughout the night between news, reviews, specials and analysis.

Rai News 24 is also on the web: the Rainews.it portal, with news, updates, photos, videos, webdocs and latest-generation multimedia products, proved to be a leading source of national information. The portal attracted 33 million unique users in 2019, with a monthly average of 3.5 million, in line with the previous year's performance. The

use of smartphones and tablets also increased significantly, with almost 8 out of 10 users accessing Rainews.it on a mobile device. The total number of pages viewed annually was close to 300 million, and performance levels amongst social media accounts also improved, with 10% more users on the Facebook page (450,000 likes), reaching around 1.5 million people every week. The Twitter profile exceeded the 1 million-follower threshold, with 7.3 million post views per month, whilst the number of contacts on the @rainewsofficial Instagram account tripled from 30,000 followers in 2018 to almost 90,000.

Televideo remained a simple and timely tool that Italians associated with authority, speed and reliability. Penetration levels, usage type (news, weather and TV programming) and user satisfaction remained in line with those of 2018, thanks also to various smartphone apps that had broadened the usage options available to audiences.

“With a wide-reaching, fast and comprehensive information offering that is rewarded with consistently high ratings, Rai News 24, in its 20 years in existence, has innovated and experimented with styles, technologies and production models that have helped forge the Rai heritage and much more, and will continue to build on these cornerstones in order to develop and deliver information in an increasingly comprehensive and timely manner”.

4. *Meteo Show*
5. *Newsroom Italia*
6. *La Bussola*





2.6mn

DAILY
CONTACTS

30

MINUTES SEEN
PER DAY

0.6%

SHARE IN 24
HOURS

Rai Sport

Top-level football, cycling, swimming, skiing, athletics, golf and Paralympic sports, along with the return of basketball, volleyball, rowing, snowboarding and freestyle, motocross and GP, billiards, horse-racing and riding, skeet shooting, archery, skating, orienteering, boxing, martial arts and sailing.

Rai Sport brings all of the sports action into the homes of all Italians.

2019 was a great year for sport on Rai channels, with the most important national and international sporting events being broadcast live and unencrypted, complete with analysis by experts and former champions. The editorial product offering was enriched with a digital offering that varied across different platforms, bringing viewers extensive coverage of sporting events available to stream via the website www.raisport.rai.it and with social content that made it possible to develop audience relations by boosting engagement levels.

One trial in particular, involving the 102nd edition of the Giro d'Italia, saw the production of an ad hoc digital schedule with an exponential growth in followers across the various social networks. As host broadcaster, Rai Sport followed the Corsa Rosa with daily updates on Rai Sport HD and Rai 2 offering a mix of sport, history and culture amounting to a total of 170 hours of live broadcasting. A non-stop live broadcast from the starting village right through

to the end of the race was delivered for the first time in a productive effort that was ultimately rewarded with higher ratings than the previous edition for both live broadcasts and features.

The public appetite for cycling was again confirmed with the Tour de France, which achieved extraordinary ratings despite the fact that there were no Italians in the race for overall victory. This exciting edition of the event brought us detailed reports and spectacular images that made the public appreciate not only the competitive aspect of the race but also the beautiful landscapes of the various transalpine resorts it passed through. The main stages of the Giro d'Italia Rosa - the most important event in the world of women's cycling - were also shown during the Tour de France, which was followed by various guests and contributions from the Rai studios in Milan.

The World Cycling Championships in Yorkshire, which saw a double gold medal win for Italy with youngsters Tiberi and Battistella whilst Matteo Trentin took silver in the elite race, meanwhile, brought plenty of intensity and spectacle of their own.

Also proving to be a winning formula in 2019 was the Rai's partnership with the Italian national football team, with all of the Azzurris' matches produced and curated exclusively by Rai Sport. Viewers were able to follow the qualification stages for the 2020 European Football Championship with all 10 matches broadcast live and exclusively on Rai 1, along with the usual post-match analysis on Rai Sport HD.

The successes achieved on the pitch were reflected not only in the enthusiasm of the fans but also in the

1. Italian Open golf
2. Serie A Basketball
Virtus Bologna -
Olimpia Milano
3. FIFA Women's World
Cup, France 2019



great ratings achieved right throughout the event, with over 5.8 million viewers - a 26.69% share of the viewing figures -, for example, tuning in for the Italy-Finland match, the first in the round, and 6.7 million (31.20%) for the Finland-Italy return match. The Italy-Greece match that saw the Azzurri qualify for Euro 2020, meanwhile, achieved a 32.23% share of the viewing figures, with 7.1 million viewers tuning in.

The adventures of the U21 national team at the European category championships in June 2019 thrilled millions of fans, as reflected in the viewing figures for the debut match, which achieved a 29.17% share on Rai 1 with over 5.6 million viewers.

The national women's football team's journey to the FIFA Women's World Cup 2019 in France - an event of great social as well as sporting importance - was followed with the same passion, with the efforts of Milena Bertolini's #ragazzemondiali ladies winning the hearts of viewers and prompting deep public reflection on gender equality in sport and indeed in Italian society in general. This wise editorial choice was also reflected in the ratings, with over 5.2 million viewers, accounting for nearly 40% of the viewing figures, tuning in to Rai 1 for the Italy-Holland afternoon quarter-final.

These events confirm the strong presence of Rai Sport in high-level soccer. A presence that is also strengthened by the Champions League and Coppa Italia matches, which have achieved important results in terms of audience.

The Atalanta-Lazio Coppa Italia final broadcast exclusively on Rai 1 was watched by 7.3 million viewers, achieving a 28.53% share of the figures,

whilst the TottenhamLiverpool Champions League final broadcast on Rai 1 achieved a 26.96% share with over 5.6 million tuning in.

The sporting summer continued on the Rai channels with the Gwangju World Aquatics Championships, during which Italy continued its tradition of success with victories for great champions such as Federica Pellegrini and Gregorio Paltrinieri and success for rising star Benedetta Pilato who, having taken silver at the Korean world championships in the 50m breaststroke, achieved further success at the subsequent European Championships in Glasgow in December, winning her first international gold medal at just 14 years of age.

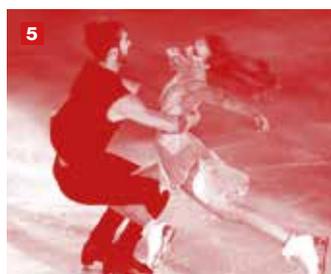
Completing the elite sporting line-up was the Men's and Women's European Volleyball Championships, in which the Italian team, having already secured a place at the Tokyo Olympics, substantiated the good results achieved at the 2018 World Championships.

Athletics, the queen of Olympic sports, also played a key role in Rai Sport's autumn programming with live coverage and analysis of the World Championships in Doha.

Rai Sport was the home of the top national basketball and volleyball championships, with live coverage of the most important matches every day. One particular highlight of 2019 was the return of basketball to a general-interest network after more than a two-year absence from our screens, with the 29th December match between Virtus Bologna and Olimpia Milano broadcast on Rai 2.

Motorsport fans, meanwhile, were able to follow the

4. Men's European Volleyball Championship
5. ISU Grand Prix of Figure Skating, Turin
6. World Athletics Championships, Doha



MXGP Motocross World Championship with 9-time world champion Tony Cairoli, with analysis of current issues relating to the world of motorsport courtesy of weekly feature *Reperto Corse*, not to mention reports and continuous updates from the circuits of the Moto GP World Championship within the news bulletins.

Rai Sport also covered various other sporting fields such as billiards (including the Italian Stecca and Finali Boccette Master Goriziana championships and pool finals), horse-racing and riding (Grand Prix d'Amérique, Derby di Galoppo and Piazza di Siena), skeet shooting, skating, orienteering, field hockey, frisbee, rowing, archery and gymnastics.

The Rai networks' golf coverage also deserves a special mention, with the live broadcasting of the Italian Open, whilst the return to the Rai of the noble art of boxing and a fortnightly martial arts offering was also significant, especially with the Olympics on the horizon.

2019 both began and ended with major winter sports events, providing a great showcase for all the victories and defeats, medals won and medals lost. The sporting adventures of the Ski World Cup on some of the most famous of slopes, including Wengen, Kitzbühel, Cortina and Garmisch, alternated with the great feats from the emerging disciplines of snowboarding and freestyle, with plenty of air time also allocated to ice-skating, including all of the events from the ISU Grand Prix circuit broadcast live on the Rai Sport HD channel and available to stream live on the web.

Rai 2's long-standing sports reports were also back with a new look and included *Dribbling*, *90° Minuto*

and *La Domenica Sportiva*, now complete with a second part, *L'Altra DS*, dedicated to sports other than football. These were supplemented by weekly updates from the Serie A football championship in the form of *A Tutta Rete* and *La Settimana Ventura*, the latter in conjunction with Rai 2.

Rai Sport HD, meanwhile, brought us new features such as *90° Minuto del Sabato*, showing the goals from the Serie B league and preview images from the Serie A during the news, *Calcio Totale*, bringing viewers the latest football news, images from the Monday evening match and updates from transfer market, and *C Siamo*, the Pro League football feature with guests and links.

The sailing world was also given a greater platform in 2019 thanks to the *L'Uomo e il Mare* feature, with Paralympic sports getting plenty of air time, too, with the now long-established fortnightly *Sportabilia* feature offering live coverage of major national and international events including the World Para Swimming Championships, the World Para Athletics Championships, the Blind Football European Championships, the Italian Wheelchair Basketball Championship and the Special Olympics. Also of note in 2019 was the Rai's commitment to enhancing the social role of sport as an exceptional tool for promoting integration and fighting all types of discrimination.

“Rai Sport is a constant presence representing an ever-broader range of disciplines and combining traditional platforms with modern communication styles and tools to bring the public high-quality sporting entertainment”.

7. 20th Italian Billiards Championship
8. Women's European Volleyball Championship
9. Giro d'Italia



Information

Tg1

Tg1 has been the Rai's flagship news offering since 1952, a long-standing newscast that keeps viewers up to date with the latest developments in the worlds of institution, politics, society, religion, economics and culture.

As the undisputed leader of the country's news offering in terms of both viewing figures and image and perfectly in line with the Rai 1 values of universality, quality and authority, Tg1 reinforced its position at the top of the rankings once again in 2019. Auditel data has confirmed the station's supremacy, across all editions, thanks to the extremely loyal viewers who choose to tune in to the news from Italy's leading TV channel.

The success of Tg1 is also reflected in a broad schedule that includes three main 30-minute editions as well as several flash editions throughout the day - one in sign language, one *Sessantasecondi* 60-second bulletin and one longer night-time edition.

In-depth journalistic analysis also played a central role in Tg1's information offering in 2019 with long-standing weekly fixtures *TV7* and *Speciale Tg1*, 52 live broadcasts of institutional and religious events and current developments, and numerous special editions that built up a significant following through their coverage of the year's key events, from the fire at Notre Dame to the attacks in Sri Lanka, from the death of Andrea Camilleri to the 10 special live editions on the government crisis.

A great deal of importance was also placed on the issues of climate change and new technologies, with dozens of reports spanning all editions.

TV7 put employment, the environment, rights, new trends and digital innovation in the spotlight, whilst *Speciale Tg1* brought us exclusive reports from the main theatres of war, investigations on climate change and insights into the new frontiers of technology, crossed liberated ISIS territories in northern Syria and Iraq, documented the looting of World Heritage sites by the so-called Islamic State, and illustrated the tragedy experienced by Yazide women reduced to sex slaves by ISIS through a series of exclusive testimonies. Significant emphasis was also placed on the issues of gender equality and climate change, with investigative reports on 'green living' in Italy and reports from the Amazon.

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. 2019 was the year in which Tg1 notably dedicated its *Unomattina* news slot to the campaign for the European elections, as well as international political events focusing on the Middle East, the confrontation between major powers the US-China-Russia and the Mediterranean, social stories looking at volunteering, disability, the most vulnerable members of society and the issues of poverty and migrants, reporting the pontificate of Pope Francis, environmental issues, remembering great collective tragedies, and calls for constitutional values,

Tg1 - 13:30



3.3mn
VIEWERS



21.5%

Tg1 - 20:00



4.7mn
VIEWERS



22.7%

1. Rai Tg1 - title
2. Demolition of the Morandi bridge in Genoa
3. Sri Lanka - Easter Sunday attacks



justice, the fight against femicide and the mafias and the commitment to legality to be respected. New developments for 2019 included a stronger commitment to culture, cinema and all forms of art and in-depth analysis of new trends (such as the return of the comic).

Then, of course, there were the many special-interest 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. 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.

There was no shortage of in-depth insight on entertainment, with *DoReCiakGulp*, and of medical information with *Tg1 Medicina*. *Tg1 Motori* on the world of cars and *Tg1 Persone* with its portraits of men and women whose lives reflect the main themes in our times, as well as *Tg1 Videochats*.

“Accuracy of information, respect for pluralism, credibility and the precision of its content are what make Tg1 such a safe bet when it comes to news, combining tradition with innovation to offer all Italians an insight into the world around them”.

4. Law enforcement operations against the Ndrangheta in the Vibonese
5. Sri Lanka - Easter Sunday attacks
6. Paris - Fire at Notre Dame Cathedral



Tg2 - 13:00


2.0_{mn}
VIEWERS

13.9%

Tg2 - 20:30


1.6_{mn}
VIEWERS

7.1%

Tg2

Tg2 is careful to provide only truthful information from verified sources in a timely and pluralist manner, recounting the facts objectively and always careful to highlight different perspectives.

Over the course of 2019, Tg2 increased its information offering with a new 08:30 edition of the news and new slots set aside for both daily and weekly analysis of not only political news, with *Tg2 Post*, but also leisure and the promotion of our country's artistic and cultural heritage, with *Tg2 Weekend*, and the environment and soft mobility with *Tg2 Motori*, which included new sections looking at the use of bicycles and the new frontiers of energy.

Users have gradually come to appreciate this increase in the information offering and the product was rewarded with a growth in its ratings over the course of the year.

Tg2's 2019 information offering was centred around 5 daily editions of the news, 16 features and 38 special editions and reports and spanned the entire country from coast to coast, as well as news from abroad, with a wealth of testimonies, moving accounts and images.

With a capillary presence of envoys, crews and ultralight transmission systems for live links on the ground, Tg2 reported on national and international emergencies, social issues, political debate, the exploitation of undeclared work, immigration, the femicide emergency, the tragedy of poverty, organised crime and the work of law

enforcement agencies, as well as scientific and technological research, the digital world, the world of work and training, customs, cultural heritage and sustainable development, taking on an increasingly recognisable role through analysis, innovation and experimentation.

This all amounted to a total of 1,080 hours of broadcasting - up 10% on the previous year - centred around news, features and special editions and reports.

The 13:00 edition reinforced its share of just under 14% of the viewing figures, with the 20:30 slot achieving a 7.1% share, the 18:15 news over 4% and the new 08:30 news slot over 3%. The 10:55 flash edition also maintained its share of the viewing figures.

Maximum ratings were achieved by special events that also gave rise to various dossiers and special editions, such as the tragic fire that engulfed Paris's Notre Dame cathedral and the deaths of Andrea Camilleri and Luciano De Crescenzo.

The number of institutional fixtures included in the schedule also increased in 2019, with the corresponding air time guaranteeing coverage of events such as the General Assembly of the Court of Cassation, the inauguration of the Judicial Year of the Court of Auditors, the Alfieri del Lavoro ceremony, the extraordinary meeting of the Constitutional Court for the presentation of the report on its own case law, the report of the Governor of the Bank of Italy, the Regatta of the Maritime Republics in Venice, the historical regatta of Venice and various others.

1. Ceremony for the presentation of Attestati d'Onore to the new Alfieri della Repubblica
2. Diario dall'Antartide
3. Interview with Ferruccio De Bortoli



Then, of course, there were the special editions linked mainly to news events such as the attacks in New Zealand, Holland and Sri Lanka, the events of the *Mouvement des Gilets Jaunes* in Paris, the tensions in Venezuela with exclusive interviews with the protagonists of the crisis, the attack on the Italian military in Iraq, the anniversary of the earthquake in central Italy, the elections, and the special dedicated to the 50th anniversary of the moon landing.

Tg2 also produced the advertisement broadcast across all Rai networks on 25th November to mark the International Day for the Elimination of Violence against Women.

The mission to Antarctica, involving two Tg2 correspondents chosen following a national call issued by the PNRA National Arctic Research Program to follow the work of the Italian base there, was also a resounding success, taking this extraordinary opportunity to bring us some unique coverage in the form of *Diario dall'Antartide*, complete with dozens of reports, some live, and a *Dossier*.

A good share was also reached for what is considered an important part of programming on Rai networks: the in-depth analyses ensured by Tg2 through its 16 features, many of them historical. Each deals with specific issues: medicine, art, cinema, books, current affairs, culture, food and wine, tourism, leisure time, customs, accounts and unpublished stories of people and their life, third sector and volunteering, youth, disability, mobility, renewable energy, new technological frontiers and IT, political debate.

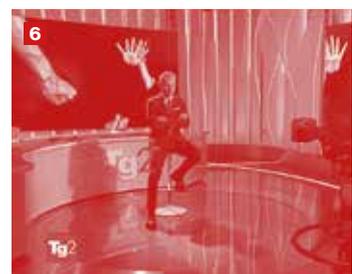
There are daily features, which over the entire week, are greatly appreciated by viewers, with peaks of audience up to a 10% share.

These included *Tg2 Post*, launched in February 2019 and providing a daily platform for the discussion of national and international political issues, as well as guaranteeing informative coverage of major news events and Italian and foreign emergencies over the course of the year, with an average share of 4% of the viewing figures, peaking at almost 8%.

With the emphasis on comprehensive and increasingly strategic editorial programming, the web offering continued to grow, with a new-look website and the circulation of audiovisual content on all other distribution platforms - Facebook, Twitter and Instagram -, too. The Tg2 offering also got a profile boost over the course of 2019, reaching 100,226 users following the Facebook profile with positive reactions and likes and 117,165 followers and 86,400 Twitter followers with a monthly average of 1.3 million tweet views, whilst the Instagram account created in October 2019 reached almost 3,000 followers in just three months.

“Tg2 provides the viewer with well-structured, pluralist, comprehensive and objective information through a high-quality modern offering that includes a wealth of analysis and plenty of food for thought”.

- 4. *Tg2 Post*
- 5. *Tg2 News Special*
- 6. *Advertisement produced to mark the International Day for the Elimination of Violence against Women*



Tg3 - 14:10



1.6mn
VIEWERS



11.1%

Tg3 - 7:00PM



1.7mn
VIEWERS



10.8%

870

HOURS NEWS
AND FEATURES
BROADCAST

Tg3

Tg3 is the news programme that brings us live stories of real life, people, their characters, hopes and challenges and helps us understand why things happen, capturing the spirit of change.

Not only does it bring us the latest news but it also gives the viewer the keys to understanding it.

Tg3 is the news programme that is always ready to cover both Italian and foreign emergencies with special editions as and when they arise, a well-structured information offering that starts at 12:00 with the only national Rai news channel produced in and broadcast from Milan (and followed by around a million viewers), full of live links thanks to its network of correspondents and reporters throughout the country bringing us the latest events as they develop.

The 14:20 edition, pulling in a 11.1% share of the viewing figures, was particularly sensitive to the day-to-day issues of families and the environment, whilst the 19:00 slot, with an average share of 11.1%, offered insights into the day's key events using clear and comprehensible language to enable all viewers to form their own opinions.

Linea Notte, with a 5.2% share, reinforced its position as a leading platform for commentary and analysis, with *Tg3 Mondo*, a foreign policy programme offering a cross-section of international affairs on Saturday and Sunday evenings with guests from all over the world speaking live, also doing well.

With over 870 hours of news and features broadcast in 2019, Tg3 further consolidated the relationship of trust it had established with its viewers, a relationship that was also reinforced through a series of special-interest weeks and through the investigations aired during the 19:00 news slot that offered an analysis of the real-world situations all around us, from accidents in the workplace to excellence in public health, from young start-ups to caring for the vulnerable - all relatively little-known aspects of real life that are usually given little coverage in the media.

The Tg3 news offering is also particularly mindful of the European dimension, dedicating a daily programme to the European Parliament elections in the form of *Stavolta Voto* and taking viewers on a prolific journey around all of the countries in the European Union with a series of reports from correspondents and studio guests. This commitment was rewarded with a 4% share of the viewing figures, amounting to some 500,000 viewers. On the day of the vote itself, the main edition of the news was broadcast from Brussels, demonstrating the programme's pro-European stance.

Tg3's service information offering was also reinforced with *LIS* - the sign language edition of the news - and *Fuori Tg* - a daily programme looking at issues that affect everyone's lives and one that, with a 7.9% share of the figures, certainly strengthened the connection with viewers, who got to participate live in each episode.

1-6.
The new Tg3 studio
and the faces of some of
its presenters



The Tg3 information offering was supplemented by various weekly features, including the cultural analysis provided by *Fuori Linea*, broadcast after the midday news on Sundays from an arts venue, museum, historical location, exhibition or theatre, and *Chièdiscena* - the Saturday night show bringing viewers live dance and theatre performances in the comfort of their own homes.

Agenda del Mondo, meanwhile, was a weekly world news programme that brought us a series of insightful reports on foreign policy through the stories and daily lives of the protagonists, representing the realities of the world around them, whilst *Pixel* was a weekly feature on innovation, from the latest web developments to technologies relating to new energy sources and the 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: giving viewers the option of watching all previous editions of the news and features online. Tg3 was the first news programme to use social networks and performed particularly well in terms of growth, views and sharing. Its Facebook, Twitter and Instagram accounts continued to attract growing numbers of followers, which helped to expand its target of 15 to 24-year-olds by an average of 1% across all editions.

“Tg3 is the news programme produced by the well-known brand and followed by an audience that demands clear, in-depth information. It uses direct language to give viewers the keys to understanding change and the challenges that it brings”.



40 YEARS
BROADCASTING

TgR - 14:00



2.4 MILLION
VIEWERS



15.7%

TgR - 19:35



2.3 MILLION
VIEWERS



12.3%

TgR

TgR: the local matters that matter to you.

With 24 editorial teams spread across all of the Italian regions, TgR guarantees full coverage of national matters and is the backbone of the public service information offering.

As a news programme that has its finger constantly on the pulse of the various communities throughout the country, the TgR maintained its proximity to Italy's various linguistic and cultural minorities in 2019 with special editions, ensuring a service that met the needs of the many and varied societies that make up our multi-faceted and colourful nation through its ability to identify, listen to and act upon the demands of the country's various social, economic and cultural entities.

The programme also stepped up its commitment to social issues, demonstrating its tangible proximity to those communities affected by natural disasters by listening to the problems and realities of those in difficulty with a view to providing information that would be of some practical help at regional level, gathering reports, statements and requests for analysis.

This profound and deep-rooted connection with the local area has helped to reinforce the excellent results achieved by both daytime and evening editions, with *TgR Buongiorno Regione* (13.18% as opposed to 12.26% the previous year) and *Buongiorno Italia* (12.79%, over one percentage point more than in 2018) both registering considerable increases in their shares of the viewing figures.

The online offering has achieved consistent growth in terms of views and contacts, reinforcing its strategic importance to the network and bringing an additional and complementary dimension to the offering whilst at the same time integrating into the fabric of regional news programmes.

This platform, which is now of central importance for its ability to be inclusive and play an active role in digital interaction with the local population, achieved excellent results in terms of views, with consistent growth across all social networks. These results were achieved not only thanks to news reports, but also through socio-cultural insights that effectively painted a picture of an Italy that is always keen to recognise and acknowledge its traditions and its distinctive cultural features.

1. Links during the European and administrative elections of 2019
2. Interviews during the Prix Italia
3. Carlo Verdone in front of the TgR microphones



Over the course of 2019, TgR's *Matera Italia* feature illustrated and documented the efforts and commitment on the part of our country to the delicate challenge faced by Matera, the 2019 European Capital of Culture, putting appropriate emphasis on the importance of the event with a weekly report on the corresponding artistic, cultural and entertainment initiatives. This task will continue in 2020 with *Parma Italia*, showcasing the goings-on in the Italian Capital of Culture of 2020.

“TgR continues to place great importance on providing viewers with reliable local news and information in keeping with its mission to provide extensive regional coverage and its focus on the many distinctive features of our country”.

It is also important to highlight the many popular features of the TgR offering and their ability to inform and update the viewer on issues relating to science (*Leonardo*), culture (*Petrarca* and *Bellitalia*), local proximity (*Regione Europa*, *EstOvest*, *Mezzogiorno Italia* and *Mediterraneo*) and economics (*Piazza Affari* and *Officina Italia*).

Now in its 41st year, TgR is the second most watched news offering in the business world, with over two million viewers tuning in to each edition, helping to reinforce its position in an increasingly competitive television market.

- 4. Links during the 2019 Universiade
- 5. 6. TgR and TgR Regione - titles



Rai Parlamento

Rai Parlamento is the news offering responsible for monitoring parliamentary activity, performing a daily public service role with live links, features and news, keeping citizens up to date with the work of both Italian and European institutions as new developments emerge and using increasingly clear, concise and understandable language.

The offering comprises a variety of fixtures and programme types and not only follows the activities of the Chamber of Deputies and the Senate of the Republic, but also provides information on the work carried out by the Presidency of the Republic, the European Parliament and the Government.

This commitment on the part of Rai Parlamento saw it rewarded with growing ratings and a pathway to modernisation that included a new programme covering events of particular importance in the form of *Speciale Tg Parlamento*, along with various other new publications also introduced in 2019.

The three daily editions of *Tg Parlamento* were broadcast live and characterised by the many links they incorporated in their interpretation of the parliamentary political day, as well as exclusive services and infographics offering a simple and direct illustration of what the provisions in question actually meant.

As is the case with all of the programmes in the news offering, *Tg Magazine* and its weekly features (*Filo Diretto*, *Il Ritratto*, *Le Parole della Politica*, *Territori* and *Orizzonti d'Europa*) were also available on the website, at www.raiparlamento.rai.it.

When the 2019 European Parliament elections came around, Rai Parlamento replaced the traditional

debate model adopted by *Tribune Politiche* with a new format - *Confronti* -, an information model that aimed primarily to provide clarity by introducing strict time limits for questions and answers.

Rai Parlamento sought to respond to voters' need to know and understand the actual content of the decisions made - something that attracted widespread interest, as demonstrated by the record ratings achieved during the government crisis with the live broadcast by the Senate of the Republic on 20th August 2019 regarding the communications of the President of the Council. This parliamentary political fixture edited by Rai Parlamento recorded an average audience of 2.44 million viewers and a 22% share of the viewing figures between the communications of the President of the Council, the subsequent debate between the parliamentary groups and the response of Giuseppe Conte.

New productions introduced alongside long-standing Rai Parlamento programmes included *Question Time* - weekly parliamentary sessions looking at discussions between parliament and government -, the *Speciale Parlamento* live broadcasts, and the weekly *Punto Europa* and *Settegiorni* features, providing in-depth analysis of the work of the European Parliament and the national Parliament respectively.

Rai Parlamento was also responsible for producing *Spaziolibero* - a long-standing national fixture of the Rai programme schedule providing an opportunity for voluntary, cultural, trade union and religious associations to highlight and raise awareness of their projects and ideas amongst a wide audience. The Rai Parlamento offering included other similar broadcasts such as *Accesso Regionale*, working in close collaboration with regional teams and overseeing the editorial aspect to bring us the latest regional developments.

Production information

(1st January 2019 - 31st December 2019)

Tg Parlamento

09:30 news Rai 1 -
236 editions
15:15 news Rai 3 -
219 editions
18:00 news Rai 2 -
231 editions

Tg Magazine

136 episodes

*Filo Diretto; Il Ritratto;
Le Parole della Politica;
Territori Life;
Orizzonti d'Europa*

Question Time Chamber of Deputies

36 live broadcasts

Question Time Senate of the Republic

12 live broadcasts

Speciale Camera

10 live broadcasts

Speciale Senato

10 live broadcasts

Settegiorni

35 transmissions

Punto Europa

37 transmissions

*(repeat also included in
the schedule)*

Speciale Tg Parlamento

2 live broadcasts

European specials,
International Day for the
Elimination of Violence
Against Women

Spaziolibero TV

117 transmissions

Spaziolibero Radio

32 transmissions

European Parliament elections 2019

6 episodes
for the interviews
15 for debates
8 slots for self-produced
political broadcasts
and the same for radio

1. Spazio Libero
2. Settegiorni
3. Speciale Telegiornale



Rai Fiction

Rai Fiction is responsible for producing drama to broadcast on general-interest networks, special-interest channels and the RaiPlay digital platform.

The Rai's commitment to promoting Italian and European audiovisual production is one of the linchpins of its public service mission to paint a picture of both contemporary and historical Italy, promote talent and the national audiovisual industry, support innovation and project Italian productions onto the international scene.

What has really made the work of the Rai drama factory stand out in recent years is its ability to consistently raise the bar in terms of both quality and planning capacity, on the one hand by modernising and expanding the genres and indeed the scope of domestic serial production and on the other by accentuating the drive for internationalisation that has led the Rai to highlight the richness of the country's cultural, literary and historical heritage with increasingly sophisticated styles and high production standards.

The last three seasons in particular have seen the public service's drama offering gain objective recognition abroad - no mean feat, and one that was achieved thanks to the successful completion of ambitious projects with a strong identity, characterised by a high standard of writing, the talents involved and excellent production value that have helped to establish the position of the Rai's drama offering in the major league of international serial production.

The three seasons of the great *I Medici* saga (distributed in all English-speaking countries as

Netflix Original series *Medici*), *L'Amica Geniale* (co-produced with HBO) and *Il Nome della Rosa* (co-produced with the AMC) enabled the Rai to put its drama offering on the map and compete on a global scale in terms of creative and production quality, attracting the attentions and gaining the trust of major public and private players and reviving Italy's excellence when it comes to great serial storytelling.

This major path that it has travelled has also given the Rai's long-standing vocation for international co-productions renewed impetus thanks to the European Alliance with France TV and ZDF (Germany) - a production pool whose main objective is to develop and co-produce innovative and high-quality television series based on European culture and values and to which each of the partners concerned brings its own professional background, its own perception of storytelling and its own talent to create projects that can compete on a global scale and win back both the youngest of audiences and the most sophisticated.

These included *Leonardo* - the first title by the Italian-led Alliance, which began shooting in December 2019. This major series required a great deal of productive commitment and saw one of the greatest protagonists of the Renaissance culture embody Europe's cultural heritage, with which all of those belonging to the Alliance could identify. Created by Frank Spotnitz and Steve Thompson and directed by Daniel Percival, the series boasted a high-profile international cast, including Aidan Turner as Leonardo, Freddie Highmore, Matilda De Angelis, Giancarlo Giannini and Robin Renucci.

The 2019 public service drama offering accounted for 80% of the hours produced in Italy - an encouraging figure in terms of the overall growth of

1. *Basta un Paio di Baffi*
2. *Boez - Andiamo Via*
3. *Giorgio Ambrosoli - Il Prezzo del Coraggio*



the domestic drama offering and one that reinforced the Rai's role as a fundamental driving force in the national production sector.

It is important to note that the top 19 positions in the Top 20 drama programmes of 2019 were all occupied by RAI productions, notably including major series *Il Commissario Montalbano*, which was once again the most watched programme (with the exception of *Il Festival di Sanremo*), with an average audience of 11.1 million viewers and a 44.6% share of the viewing figures.

Likewise, Rai titles also took the top 19 places in the Top 20 drama per-share rating with regard to paid TV satellite subscriptions, demonstrating that even when faced with an offering as rich as that of satellite pay TV, the Rai's drama offering continues to appeal to the most demanding of audiences.

Rai 1 broadcast 80 evenings of drama over the course of the year, along with 25 brand-new titles, with an average audience of 5 million viewers and a share of 21.3% of the viewing figures.

In addition to the prime-time figures there is, of course, the afternoon slot, which maintained a steady performance with the 2nd season of daily series *Il Paradiso delle Signore*.

These new episodes reached an average audience of 1.6 million viewers with a share of 14%, gradually consolidating an audience of loyal viewers. Furthermore, the first 55 episodes of the 2nd season aired on RaiPlay achieved 10.6 million media views (up 31% on last season's media views over the same period), with 1.1 million unique browsers, maintaining a weekly upward trend.

Repeats on the flagship channel, which ran on 55 evenings in 2019, also achieved positive ratings, with the titles concerned once again reaching an average audience of 3.3 million and a 17.7% share of the viewing figures, reinforcing the value of rerunning drama programmes.

With regard to the other networks, Rai 2 broadcast 16 evenings of brand-new drama, pulling in an average audience of 2.3 million viewers and an average share of 9.6%. On Rai 3, meanwhile, in addition to daily soap fixture *Un Posto al Sole* (1.7 million viewers, a 7.1% share), there was something new for the early-evening slot in the form of 10-part docufiction *Boez - Andiamo Via*.

Drama was again the most widely watched genre on RaiPlay; indeed, of a total of over 510.2 million media views over the course of the calendar year, 200 million related to the drama genre alone (39%). In other words, over a third of Rai VOD usage was generated through drama content.

Il Paradiso delle Signore was the most widely viewed programme of the year (with 41.9 million media views), followed by *Un Posto al Sole* (19 million media views) and *Che Dio Ci Aiuti* (18.8 million media views).

From a composition perspective, the Rai 1 offering maintained its multifaceted dimension in 2019 by using various formats and genres to satisfy a wide general-interest audience, combining classics, successful sequels and innovative high-concept products with serial productions. 2019 was characterised by the presence of challenging titles, alternating news with sequels of popular series, international events and mainstream products.

4. *I Figli del Destino*
5. *I Medici - Nel Nome della Famiglia*
6. *I Ragazzi dello Zecchino d'Oro*



Let us start with events. In addition to *Il Commissario Montalbano* and the new episode in the event collection *C'era una Volta Vigata - La Stagione della Caccia* (7.3 million viewers, representing a 31% share), based on the historical novel of the same name by Andrea Camilleri, Umberto Eco's *Il Nome della Rosa*, a major series co-produced with the AMC Network and the Tele München Group, also debuted in 2019, with a stellar cast led by John Turturro and Rupert Everett and directed by Giacomo Battiato.

The series, which made its debut achieving an average of over 6.5 million viewers and 27.4% of share, was sold – before the editing was completed – in 130 countries including the United States (Sundance TV), England (BBC), France (Orange) and Germany (Sky). This was an important result that confirms how the foreign market appreciates the quality of Rai's TV dramas and demonstrates in practice how Italianness is a living source of ideas, creativity, values and compelling stories.

The season concluded in the autumn with *I Medici. Nel Nome della Famiglia* (4 million viewers, a 17.7% share) - the great saga dedicated to the famous Florentine banking family, created by Frank Spotnitz, and a great international co-production with the emphasis very much on quality and characterised by the involvement of major Italian and international artistic talents and technicians. This innovative and valuable experience paved the way for new opportunities that have made it possible to boost the authority and credibility of public service drama at the highest level on the international market.

Moving on to the new concepts introduced, *La Compagnia del Cigno* - a coming of age story written

and directed by Ivan Cotroneo - reached an average audience of over 5.6 million viewers with a 23.3% share, peaking at 31% and achieving satisfactory results amongst younger audiences (23.4% amongst 15-24-year-old girls) and the graduate target (26%).

Mentre Ero Via - a new chapter in the collection of stories focusing on female rebirth - was another success, pulling in 5.2 million viewers with a 22.6% share of the viewing figures.

Again on the new series front, *Imma Tataranni - Sostituto Procuratore*, directed by Francesco Amato and based on the novels of Campiello award-winner Mariolina Venezia, who was involved in the writing, was also a great success, attracting some 5 million viewers - a 22.4% share). This arthouse crime drama featured a charming and subtly feminine protagonist played by Vanessa Scalera, who won the hearts of Rai 1 audiences from the very first episode and proved particularly popular amongst the graduate target audience (28.1%).

Other productions achieving satisfactory viewing figures included coming of age story *Pezzi Unici*, directed by Cinzia TH Torrini, and *Ognuno è Perfetto*, directed by Giacomo Campiotti, both of which were based on issues that form a key part of the public service mission, namely the world of adolescence and young people's futures and desire for integration. *Pezzi Unici*, a mystery drama about the rehabilitation and training of a difficult group of boys who get the opportunity to work in a workshop, pulled in 4.7 million viewers, with a 20.7% share of the total viewing figures, whilst *Ognuno è Perfetto*, based on the successful Belgian format *Tytgat Chocolat* and focusing on the journey of growth

7. *Il Commissario Montalbano*
8. *Il Nome della Rosa*
9. *Il Paradiso delle Signore-Daily*



and affirmation of a group of children with Down syndrome in what proved to be a sensitive and dynamic road movie, attracted an average of 4.6 million viewers - a 20.5% share.

And so we come to the sequels. *Che Dio Ci Aiuti*, now in its 5th season, successfully modernised its formula while maintaining its ability to engage an increasingly wide audience (5.6 million viewers, a 24% share), whilst *La Strada di Casa - Seconda Stagione* with Alessio Boni reached a total of some 4 million viewers, with a 17.2% share. The new adventures of commander of the State Forestry Corps Francesco Neri, protagonist of *Un Passo dal Cielo 5*, meanwhile, obtained an average of 4.4 million viewers, with a 20% share.

With regard to TV movies, there were two titles with a strong sense of civil engagement, namely *Liberi di Scegliere* (4.3 million viewers, a 17.7% share), based on the true story of a juvenile judge who committed to helping the sons of mafia gang bosses to grow up without having to repeat the mistakes and follow in the footsteps of their fathers, and *Il Mondo sulle Spalle* (6 million viewers, a 24% share), inspired by the true story of Enzo Muscia, the worker who saved his company from closure and received the honour of Knight of the Order of Merit of the Republic in 2017.

The three new comedies in the *Purché Finisca Bene* cycle - *Basta un Paio di Baffi* (5.1 million viewers, a 21.6% share), *L'Amore, il Sole e le Altre Stelle* (4.6 million viewers, a 19.7% share) and *Non Ho Niente da Perdere* (3.7 million viewers, a 15.2% share) - also performed well.

Successful TV movies looking at our country's history and some of its leading figures, meanwhile,

included *Io Sono Mia*, dedicated to the great tragic figure of Mia Martini (8 million viewers, a 31.4% share), *Enrico Piaggio - Un Sogno Italiano* (5.8 million viewers, a 23.8% share) - a new chapter in the collection looking at entrepreneurial figures who have forged the reputation of Italian industry and creativity around the world -, and *I Ragazzi dello Zecchino d'Oro* (4.3 million viewers, a 18.4% share), looking back at the Italy of the 60s and one of the TV programmes that shaped the history of the RAI in the context of the famous Kermesse Canora for children.

The year's Rai 1 offering was again characterised by a strong presence of docufiction programmes of great civic value linked to major anniversaries of various symbolic figures of the institutions and events that have shaped our country's history.

These included *I Figli del Destino* (3 million viewers, a 12.4% share), commemorating the introduction of racial laws, the deportations, the return of survivors and the difficulties associated with reintegration through the personal accounts of four witnesses (including Senator Liliana Segre) who were themselves children at the time, *Storia di Nilde* - a portrait of the first female President of the Chamber marking the 20th anniversary of her death (3.7 million viewers, a 16.2% share), *Io Ricordo Piazza Fontana* (2.4 million viewers, a 10.4% share), marking fifty years since the massacre caused by the bomb exploding at the headquarters of the Banca Nazionale dell'Agricoltura in Milan, and *Giorgio Ambrosoli - Il Prezzo del Coraggio* (2.5 million viewers, a 12% share), marking the 40th anniversary of the death of the middle-class hero.

Moving on to Rai 2, efforts to innovate with the prime-time drama offering continued with the

- 10. *Io sono Mia*
- 11. *La stagione della caccia*
- 12. *La Porta Rossa 2*



Volevo Fare la Rockstar series, which reached 1.5 million viewers and a 6.6% share of the total viewing figures, proving the most popular amongst teenage girls and younger audiences. Substantial figures, then, for an experimental project characterised by its innovative style and content and topped off with a high-profile cast.

It is also important to underline the overall results achieved outside of the TV sphere alone, with the series actually obtaining over 2.6 million media views on RaiPlay and over 36,000 interactions on social media platforms - a consistent and promising result thanks to a strategic new approach to the multi-platform offering.

With regard to sequels, the second season of supernatural crime drama *La Porta Rossa* by Carlo Lucarelli and Giampiero Rigosi achieved excellent ratings, whilst the return of commissioner Cagliostro reached an average audience of over 2.8 million viewers with a share of 11.8% of the total viewing figures.

The 4 new episodes of *Rocco Schiavone*, based on the novels and short stories by Antonio Manzini, further reinforced the brand's success with an average audience of 2.5 million and a 10.5% share, proving particularly popular amongst the graduate target (19.1%) and the upper socioeconomic class (19%). In addition to these results, over 1.8 million media views on RaiPlay were also achieved.

On Rai 3, innovation continued thanks to intense experimentation in genres and formats. including the docufiction *Boez - Andiamo Via* (910,000 viewers, a 4.3% share), produced in collaboration with the Ministry of Justice. The series tells of a

journey from Rome to Santa Maria di Leuca made on foot by six youngsters convicted of breaking the law and in internal and external custody, a journey-cum-pilgrimage along the Via Francigena by way of an alternative punishment as a means of redemption.

Also not to be missed was soap opera fixture *Un Posto al Sole* - the longest-standing Italian series, offering a daily look at feelings and social issues with a loyal and passionate audience of all ages and even achieving a particularly high Qualitel score (8.3) this year.

As well as reinforcing the position of RaiPlay as a platform for new content that complements the traditional offering, autumn 2019 saw the debut of various original titles created especially for the new public service digital entertainment channel.

The box set of *Liberi Tutti* - the first original RaiPlay series written and directed by Giacomo Ciarrapico and Luca Vendruscolo - was launched in December, bringing us a comedy series about a crooked lawyer who finds himself under house arrest in the cohousing development in which his ex-wife and daughter live in a brand-new 30-minute format. The series received some 600 media views in its first fortnight online alone.

- 13. *Liberi di Scegliere*
- 14. *Storia di Nilde*
- 15. *Un Passo dal Cielo 5*



Cinema

The Rai Group's cinematographic and audiovisual content is purchased, produced and distributed by Rai Cinema, as a wholly-owned subsidiary of the parent company.

Acquisition

With regard to procuring content for the group's networks from major producers, packages were notably negotiated with 20th Century Fox International Television, Sony Pictures Television Distribution, New Regency, Lionsgate and Disney, with Fox supplying a total of 36 movies and two renewed series for 2019 and 2020 to add to the Rai Cinema arsenal. Current general-interest titles included 2018 Oscar-winning movies such as *La Forma dell'Acqua* (The Shape of Water - Best Film and Best Director) and *Tre Manifesti a Ebbing* (Three Billboards Outside Ebbing - Best Actress).

Sony, meanwhile, supplied 54 movies, 4 TV movies, a current series and a library series for broadcast across all Rai channels. The movies included: the last *Blade runner*, *Call me by your name*, *Baby driver* and *Jumanji, welcome to the jungle*, the classic cult *Django unchained* and the complete franchises of *Underworld* and *Resident evil*. Other acquisitions included the continuation of *The Good Doctor*, *S.W.A.T.* and *Chesapeake Shores* series.

A package of 29 films for broadcast across all Rai channels was also negotiated with New Regency, amongst them *Bohemian Rhapsody* (which won the 2019 Oscar for Actor in a Leading Role), whilst Lionsgate supplied three first-run movies and two library movies for the prime-time cinema offering.

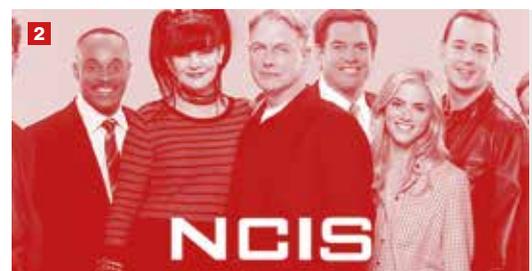
Last but not least, two product packages were finalised with Walt Disney Italia for the renewed strenne catalogue (*Frozen*, *Ratatouille* and *Gli Aristogatti* (The Aristocats)), two first-run series for special-interest channels and the continuations of *Criminal Minds*, *Siren* and *Runaways*, in addition to repeats of three *cult* movies (*Pretty Woman*, *The Proposal* and *The Help*) and the expired seasons of *Castle*, *Criminal Minds* and *Ghost Whisperer*.

Efforts to integrate the movie offerings of all of the networks in the group continued with the provision of high-quality cinematic productions from Italian independent cinema distributors including Eagle, Lucky Red, Bim, Iif, Videa, Movies Inspired, Academy Two, Vision Distribution and Koch.

With regard to more TV-oriented products in particular, a wide selection was sourced from German company ZDFE which, thanks to a strong partnership, provides a substantial amount of content to fill the scheduling slots of the network's TV movie, TV collection, mini-series and ongoing series offerings. As part of the existing three-year volume agreement with Beta Film, however, the purchasing of all exclusive rights for Italy (both linear and non-linear) for the first two seasons of major series *El Embarcadero* (*Il Molo Rosso* - a total of 16 episodes) and new episodes of the *Hudson & Rex* series, which sees the return of star Rex to the new Canadian location, was also finalised.

Also of note were the packages finalised with several European partners including the BBC (the *Les Misérables* mini-series), Fremantle (German series *Squadra Speciale Cobra 11*) and Newen (French series *Candice Renoir*). With regard to international titles for distribution, a number of titles were purchased as part of the multi-year agreement

1. *The Good Doctor*
2. *NCIS*



with the Leone Film Group, including some of the biggest films on the international independent cinema scene, namely Martin Scorsese's new film *The Killer of the Flower Moon* - a key acquisition in terms of both quality and commercial value and because Italy will be the only country in the world where the film will not be distributed by Paramount -, Sam Mendes's Golden Globe-winning and 10-time Oscar nominated *1917*, James Marsh's *Instrumental*, based on the autobiography of English pianist James Rhodes, Philip John's *Let There be Rock*, with Antony Hopkins, Gail Mancuso's family film *A Dog's Journey*, Roger Kumble's *After We Collided* - the sequel to *After*, a box office hit that took over €6.5 million -, Miguel Sapochnik's *Good Year*, which saw Tom Hanks return to the sci-fi genre, Rian Johnson's *Knives Out*, released in cinemas in December 2019 and taking over €5 million in the box office, Elise Duran's romantic comedy *Can You Keep a Secret*, Brenda Chapman's fairytale adventure *Come Away* and Flora Sigismondi's thriller/horror aimed at younger audiences, *The Turning*.

Movie production

Rai Cinema contributed to the production of many titles over the course of 2019 that made up a wide and varied product offering.

Films that have finished shooting and are ready to be screened at festivals or released in cinemas include Jonathan Nossiter's *Last Words* - a dystopian story that blends ecological philosophy with post-apocalyptic elements and starring Nick Nolte, Charlotte Rampling and Alba Rohrwacher -, Ferdinando Cito Filomarino's thriller *Born to Be Murdered*, featuring a great international cast, Abel Ferrara's *Siberia* - the introspective journey of a man coming to terms with his affections and his life -, Gianni Amelio's *Hammamet*, looking at the last

months of Bettino Craxi's life, Nanni Moretti's *Tre Piani*, inspired by the novel by Israeli writer Eshkol Nevo, Gabriele Muccino's *Gli Anni Più Belli* - a story of love and friendship spanning half a century of Italian history -, *Il Materiale Emotivo* - an adaptation of a screenplay by Ettore Scola, rewritten by husband and wife partnership Castellitto and Mazzantini -, Giorgio Diritti's *Volevo Nascondermi* - a biopic on the life of Emilian Naïve painter Antonio Ligabue -, Massimiliano Bruno's *Ritorno al Crimine* - the sequel to the successful *Non Ci Resta Che il Crimine* -, Stefano Mordini's *Gli Infideli* - an episodic comedy that paints a savage picture of the modern-day man -, Danilo Caputo's *Semina il Vento* - the story of a student from Milan who abandons her studies to return to her homeland in Taranto - and Francesco Amato's *18 Regali* - a timeless tale of the meeting of a mother and daughter, inspired by a true story.

Films currently in post-production include

Gabriele Mainetti's long-awaited *Freaks Out*, Daniele Luchetti's *Lacci* - the savage tale of a marriage based on the novel by Domenico Starnone -, Susanna Nicchiarelli's new international project *Miss Marx*, about the youngest of Marx's daughters, Claudio Cupellini's *La Terra dei Figli*, based on a graphic novel by Gipi, the new Manetti Bros. project *Diabolik*, Michelangelo Frammartino's *Il Buco*, about the incredible feat of very young speleologists who discovered Europe's deepest cave in Calabria in 1961, Emma Dante's second work, *Le Sorelle Macaluso*, about the relationship that links the lives of four sisters from Palermo, Giorgia Farina's *Guida Romantica a Posto Perduto*, telling the story of how a young woman with anxiety disorders develops a close and affectionate relationship with an alcoholic man, and *The Walking Liberty* - an animated film by Alessandro Rak.

The first works completed in 2019 included Gianluca Iodice's *Il Cattivo Poeta*, telling the story of the last months of D'Annunzio's life, Pietro Castellitto's bitter comedy *I Predatori*, Carlo Hintermann's *Il Libro delle Visioni*, combining a modern-day American university setting with 18th-century Prussia, and Nicola Abbatangelo's *The Land of Dreams* - a romantic musical set in 1920s New York.

Films that started shooting in 2019 and are still in the making include Paolo Taviani's *Leonora Addio* - the next leg of the journey into the world of Pirandello - and Umberto Carteni's *Divorzio a Las Vegas* - a comedy about the reconciliation of a couple that has to divorce having married as youngsters.

Films that were prepared in 2019 ready to be shot in 2020 included Mario Martone's *Qui Rido Io* - a reconstruction of some of the moments in the life of Eduardo Scarpetta -, Leonardo Di Costanzo's *Dall'Interno*, looking at the prison world, *Io Sono Babbo Natale* - a family film for Christmas 2020, directed by Edoardo Galea, Roberto Andò's *Il Bambino Nascosto*, about the relationship between a piano teacher and a boy from the Camorra, Giulio Ricciarelli's *La Guardia* - the story of a policewoman forced to rethink her own views on immigrants -, Jonas Carpignano's *A Chiara*, about a young girl's journey of awareness growing up in a crooked family, and Roberto Faenza's *Resilient*, based on the true story of Mario Capecchi, winner of the Nobel Prize for Medicine, who had a hard but extraordinary childhood.

Documentary production

As far as reality and documentary cinema was concerned, Rai Cinema launched 42 projects that reflected both its editorial lines and its mission to support independent producers and authors in

2019. Alongside new projects by directors that had already made a name for themselves on the Italian documentary scene (such as Agostino Ferrente, Barbara Cupisti, Fabrizio Ferraro, Federica Di Giacomo, Elisa Amoruso and Ruggero Gabbai), Rai Cinema invested in a number of young directors such as Ana Shametaj, Claudia Brignone, Sophia Luvara, Federico Ferrone and Michele Manzolini.

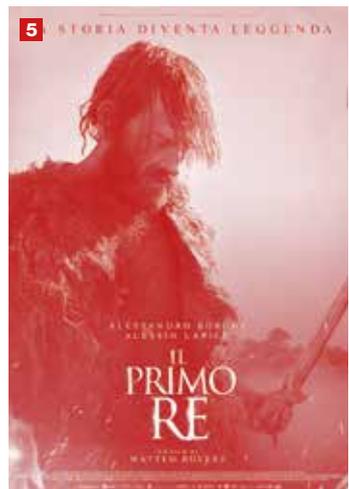
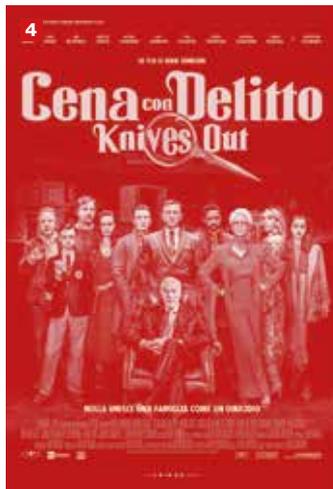
The five finalists nominated for Best Documentary at the EFA-European Film Awards included, for the first time, two Italian documentaries, namely *La Scomparsa di Mia Madre* and *Selfie*, which had already been presented at the Sundance Film Festival and the Berlin Film Festival respectively.

Notable features on the television broadcasting landscape included *1948 L'Anno che Cambiò Italia* (Rai 1, 985,252 viewers, a 9.51% share), *Sono Gassman! Vittorio Re della Commedia* (Rai 1, 846,976 viewers, 7.87%), *Viaggio in Italia. La Corte Costituzionale nella Carceri (Speciale Tg1)*, 489,404 viewers, 4.60%), *La Spartenza (Speciale Tg1)*, 609,037 viewers, 7.42%), *L'Altro Spazio (Speciale Tg1)*, 461,621 viewers, 5.75%), *I Villani* (Rai 3, 723,382 viewers, 7.29%), *1969 l'Italia Vista dalla Luna* (Rai 3, 185,658 viewers, 2.71%) and *Basileus la Scuola dei Re* (Rai 3, 138,589 viewers, 2.66%).

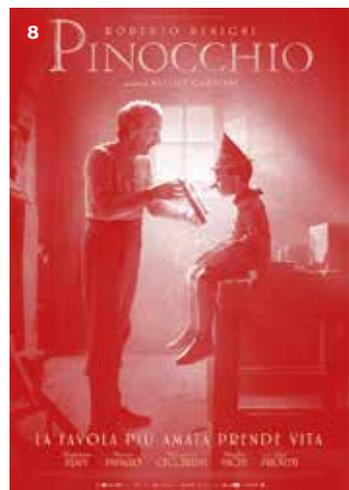
Festivals

The year 2019 was also filled with success in Italy and abroad. Four films produced with the support of Rai Cinema were featured at the Berlinale, including two feature films - Federico Bondi's *Dafne* and Michela Occhipinti's *Flesh Out* - and two documentaries - Agostino Ferrente's *Selfie* and Adele Tulli's *Normal*, all of which featured in the Panorama section.

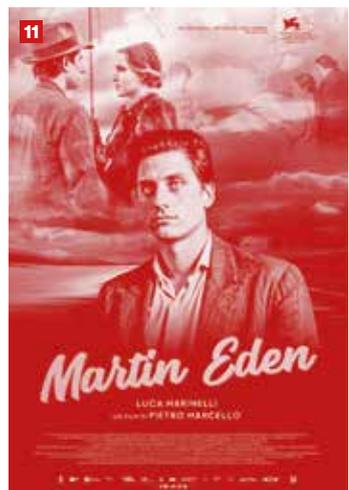
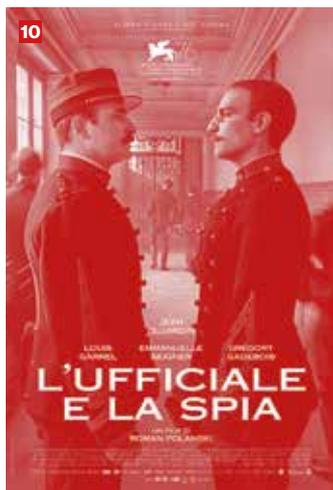
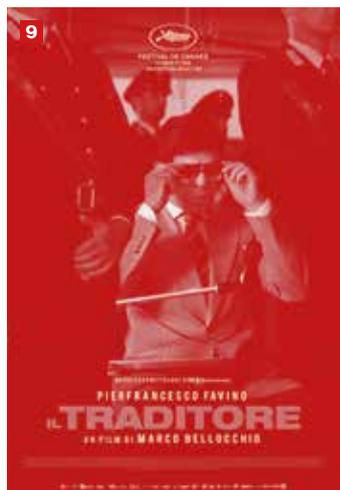
- 3. 5 è il Numero Perfetto
- 4. Cena con Delitto (Knives Out)
- 5. Il primore

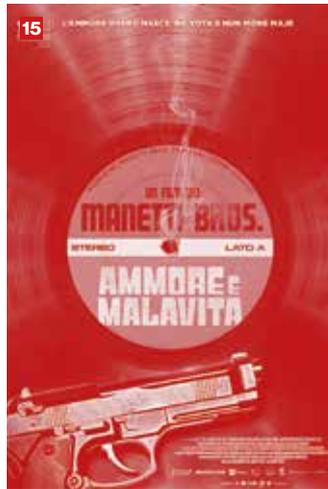
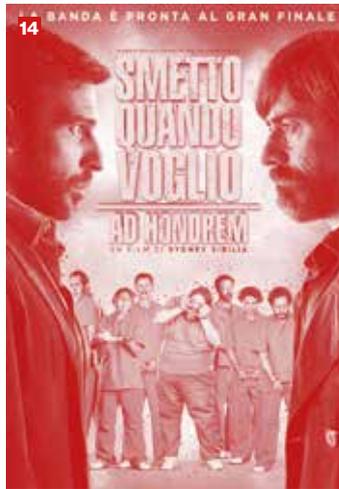
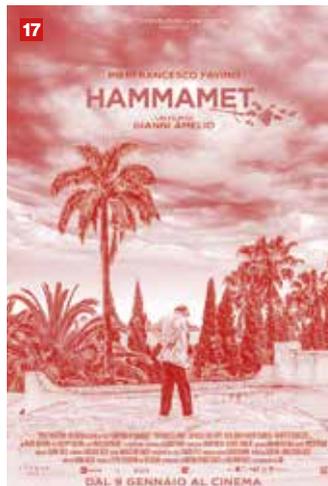


- 6. Momenti di Trascurabile Felicità
- 7. Non ci resta che il crimine
- 8. Pinocchio



- 9. Il traditore
- 10. L'Ufficiale e la Spia
- 11. Martin Eden



12. *Tutta un'Altra Vita*13. *Tutto il Mio Folle Amore*14. *Smetto Quando Voglio*15. *Ammore e Malavita*16. *Gli Anni Più Belli*17. *Hammamet*

Rai Cinema's presence at the Cannes Film Festival was significant and diversified. competition entry *Il Traditore* by Marco Bellocchio, starring Pierfrancesco Favino as Tommaso Buscetta, as well as Lorenzo Mattotti's animated film *La Famosa Invasione degli Orsi in Sicilia* in the Un Certain Regard section and Luca Guadagnino's short film *The Staggering Girl*, starring Julianne Moore, and Flatform's short film *Quello Che Verrà è Solo una Promessa* in the Directors' Fortnight section.

19 David di Donatello were awarded to films supported by Rai Cinema: including Best Film and Best Director, going to Matteo Garrone's *Dogman*. Great success also for *Sulla mia pelle*, which won Alessio Cremonini the David award for Best New Director and Alessandro Borghi the David award for Best Actor. In addition, there were 6 Golden Globes awarded by the Foreign Press in Italy – including Best Film for *Il Traditore* by Marco Bellocchio – and the Nastro d'Argento awarded last June 29 in Taormina by the National Society of Italian Film Journalists; with Marco Bellocchio's *Il Traditore* once again triumphing and picking up 7 Nastri (Best Film, Best Director, Best Screenplay, Best Actor, Best Supporting Actor, Best Editing and Best Soundtrack).

Rai Cinema also presented 20 titles in the Venice Film Festival, including 3 in competition, these being Mario Martone's *Il Sindaco di Rione Sanità*, Pietro Marcello's *Martin Eden*, for which the lead actor, Luca Marinelli, won the Coppa Volpi for Best Actor, and Roman Polanski's *L'Ufficiale e la Spia*, winner of the Silver Lion Award - Grand Jury Prize.

Non-competing productions presented alongside these included Gabriele Salvatores's *Tutto il Mio Folle Amore* and Francesca Archibugi's *Vivere*, Gianni Amelio's short film *Passatempo*, which opened the

International Critics' Week, *Chiara Ferragni - Unposted* - a portrait of the famous influencer by Elisa Amoroso and presented in the Sconfini section, and, as an event hosted by the festival, Lorenzo Giovenga's *Happy Birthday*, with Jenny De Nucci, Fortunato Cerlino and singer Achille Lauro - a transmedia short film dedicated to the social phenomenon known as Hikikomori - a pathological form of isolation that affects young people between 14 and 30 years of age.

Later in the year, Rai Cinema presented 25 titles at the Rome Film Festival, including Andrei Konchalovsky's *Il Peccato*, Cristina Comencini's *Tornare* and Giulio Base's *Bar Giuseppe*, and 9 at the Torino Film Festival, including, in competition, Antonio Padovan's *Il Grande Passo*, for which protagonists Giuseppe Battiston and Stefano Fresi took the award for Best Actor. Last but not least, *Il Traditore* was the Italian entry in the Best Foreign Language Film category at the 2019/2020 Oscars.

Distribution

In 2019, Rai Cinema distributed 31 films in cinemas, amounting to box office takings of €61 million and 9.4 million tickets sold, putting it in third place in the distributors' ranking - the leading Italian distributor after the big American players - with a market share of around 10%.

The best-performing title on the list was Matteo Garrone's *Pinocchio*, with total box office takings of around €15 million.

Marco Bellocchio's *Il Traditore*, chosen as the Italian entry in the Oscar bid for Best Foreign Language Film 2020, also achieved excellent takings (around €5 million), as did fellow Italian title Massimiliano Bruno's *Non ci Resta che il Crimine* (€4.8 million), as well as

Jenny Gage's *After* (€6.4 million) and Rian Johnson's *Cena con Delitto - Knives Out* (over €5 million).

With regard to the home video market, meanwhile, Rai Cinema achieved a market share of 4.8%. Notable developments on the home video distribution front included the outlining of a major commercial collaboration with Eagle Pictures SpA that will see Eagle, in coordination with Rai Cinema, manage the physical home video distribution activities of all Rai Cinema audiovisual works as of 1st January 2020, thus ensuring Rai Cinema's continued support for the national audiovisual industry as such an important sector of the country's system.

Commercial agreements

Marketing operations across the various distribution channels following Theatrical and Home Video reinforced the excellent results achieved 2018, with the notable agreement signed with Sky Italia for the sale of pay-per-view and Pay/Svod rights for titles released in 2019. Then, of course, there were the agreements signed with major digital platforms for the distribution of products in TVoD and EST mode such as iTunes, Chili, Timvision, Google Play, Sony, Xbox by Microsoft and Wuaki. A commercial agreement was also reached, in collaboration with Rai Com, with Amazon, for the granting of SVoD rights on the new Amazon Video Direct service. Again through Rai Com, a further agreement was signed with Netflix for the SVoD sale of 61 Second Pay, Premium and Library titles.

With regard to the more traditional channels (airlines, newsstands, etc.), relations with Alitalia, Trenitalia and Mondadori continued, along with new partnerships with the Gedi Group, where newsstand sales are concerned, for the marketing of two series

- one dedicated to Federico Fellini and the other to Eduardo De Filippo.

Finally, on the international front, the greatest performances came courtesy of the Marco Bellocchio film *Il Traditore*, which was sold in 68 countries, Pietro Marcello's *Martin Eden* and Gabriele Salvatores's *Tutto il Mio Folle Amore*.

Digital activities

New for 2019 were the creation and publication of the first Italian VR app, launched with a press conference during the Cannes Film Festival, and the production of Rai Cinema's first transmedia project, *Happy Birthday*, consisting of three types of content - 'traditional', 360° VR and a social story for Instagram and Facebook.

Rai Cinema reinforced its commitment to its online offering with the usual support of the Rai Cinema Channel in promoting all films produced and co-produced by Rai Cinema and across the main social networks (Facebook, Instagram, Twitter and LinkedIn).

The Rai Cinema Channel was completely overhauled with an editorial plan designed to enhance the exclusive content that the platform offers, supported by constant news production and integration with the main social networks and high-profile media partners. A section for short films in their original language was also introduced for the first time to provide content for foreign citizens residing in Italy and encourage integration.

Teche

Recordings of much of the audiovisual material produced and transmitted by the Rai are stored in the company's archives, which date back to the 1930s for radio programmes and the 1950s for television programmes. This impressive database of sounds, images and documents combine elements of literature, cinema, theatre, music, sport, politics and society to document the last century in our country's history, and much more besides.

Various initiatives aimed at strengthening the brand as a point of reference for public services on the country's audiovisual landscape also continued in 2019, thanks, in part, to efforts to promote the production of a number of documentaries produced almost exclusively using archive materials (including *Fellini Fine Mai* - a competitive entry at the Venice Film Festival - and *1969 L'Italia Vista dalla Luna*), as well as participation in international festivals at which some of the great Rai films of the past were presented having been carefully restored (Marguerite Duras's 1982 documentary *Roman Dialogue* was presented at the Toute la Mémoire du Monde Festival in Paris and Vittorio Cottafavi's 1981 production *Maria Zef* was a competitive entry at the Venice Film Festival).

As always, an abundance of valuable archive material was made available to cultural initiatives that took place over the course of the year both in Italy and abroad, the most significant of which included the creation of some 50 or so temporary and museum exhibitions and around 30 fairs, festivals and public events held by various associations and foundations. These included: the Museo dell'Automobile, the Mostra Mediterraneo exhibition, the Mostra La Colonna Traiana exhibition, the Maxxi - National Museum of 21st Century Art, the FAI, the Cinemovel Foundation, the Jewish Museum of Venice and the Louvre, as well as the La Voce exhibition at the Palexpo, the Mu.Ma - Institute of Museums of the Sea and Migration, the GNAM - National Gallery

of Modern Art - in Rome, the Palazzo Ducale Genova, the Teatro alla Scala Foundation, the Civita Association and its exhibition dedicated to Carlo Carrà, Unicity, Mostra Noi, Archivissima, Premio Roma, Cor Andreotti e Fellini, Cinecittà, Bibart, Avvenire, the Fondazione Fendi, the Fondazione La Pira, and the Polo Novecento, Burri Morandi e Altri Amici and Piccoli Tasti, Grandi Firme exhibitions.

Rai Teche also continued its important efforts to promote and exploit the archive's historical titles by selecting and supplying programmes for the RaiPlay platform.

The *Teche Rai* division was and still is, in fact, one of the main elements of appeal amongst digital users.

The Teche continues to make a vital contribution to networks and news offerings through the Multimedia Catalogue (CMM), bringing the number of hours of searchable content to 2 million for television and 2.1 million for radio, representing a significant increase on the previous year.

Some 26 million searches were performed by registered users looking for archive materials to be reused in programmes over the course of 2019.

Last but not least, as has tended to be the case in recent years, the Teche continued its important efforts in terms of the cultural enhancement of the Rai memory as a historical and educational resource for the entire country, increasing its usage levels amongst institutions, museums, schools, universities and public and private foundations that refer to the public service as a rich source of high-quality historical materials when it comes to marking any kind of celebration or anniversary pertaining to recent history.

Rai Teche contributions can now be found in many Italian and foreign museums, Italian cultural institutes abroad, universities and libraries.

Radio

The Radio is an original component of the Public Service and an advance guard of hybridisation amongst the media, an example of the convergence between the most deep-rooted consumption of society and the expectations of an increasingly diversified and demanding audience. Developments in terms of production, distribution and usage have exacerbated cross-contamination in terms content, formats and technologies in an ecosphere that fully incorporates the fluid identity of the audio product and the central role that it plays in the digital society.

These characteristics are reflected in the strategic path mapped out by a media company that adopts a multi-platform approach. The extension of the Dab+ network, the ramification of digital radio, with *visual* and *social media* quality standards, and the authentic *refarming* of the production machine have supported a migration of the editorial offering of which listeners using personal, home or mobile devices and the Rai PlayRadio app will already have become aware.

The general-interest channel profile is based on the editorial genre quotas outlined in the service agreement, namely news, information, *culture*, *society*, *music*, *service* and *public utility*.

Rai Radio 1. News and information exceed 57% of the broadcast hours; this is followed by 22% music, concentrated in the late evening time slot and society with 14%. The minimum quota stated in the agreement (total 70%) was by far adhered to.

Rai Radio 2. The main genres are music (41.5%) and society (11.7%), while the share of *other genres* (e.g. variety and entertainment) total 39% overall. There is no total minimum share.

Rai Radio 3. The predominance of music (55%) and culture (25.9%), followed by information (9%), was representative of a channel that largely guaranteed 90% of what was provided for in the agreement.

The public utility genre included the traffic and weather news - a continuity service that offered a great deal of added value, especially in terms of the mobile population, which is becoming a key factor in the Rai Isoradio offering.

The programming of special-interest channels Rai Radio Classica, Rai Radio Live, Rai Radio Kids, Rai Radio Techete' and Rai Radio Tutta Italiana accounted for 87% of the hours broadcast across the aforementioned genres.

A significant proportion of local broadcast programming on Rai Radio 1 reinforced the station's position in terms of local and community news, starting with information (three daily editions of the Giornale Radio Regionale regional news programme) and affiliated programmes broadcast in special-statute regions to safeguard the autonomous provinces and linguistic minorities in the Valle d'Aosta and Trentino-Alto Adige, the Province of Bolzano in Friuli-Venezia Giulia, Sardinia and Sicily. Productions by mobile Rai Radio channels at regional branches were also further developed.

Rai Radio coordinates company communications across all of the channels, in conjunction with the Social Responsibility team, with the aim of improving the multi-faceted implementation of awareness, communication and fundraising campaigns, the promotion of initiatives, and public engagement with regard to social issues and third-sector activities. A total of 46 fundraising campaigns were planned in 2019, along with 22 awareness campaigns, 9 social communication campaigns (Rai per il Sociale, Pubblicità Progresso and Agenzie Sovranazionali) and 49 institutional campaigns on behalf of the Presidency of the Council of Ministers, amounting to a total of 7,160 appearances.

The television audio description service for the blind was broadcast by Rai Radio 1 in medium wave frequency, making the leading dramas and TV series accessible to those with sensory impairments. A total of 637 hours were broadcast over the course of the year.

The development of the *Progetto Beethoven* (Beethoven Project) - the service that allows deaf people with cochlear implants to listen to music and live shows at the station's studios, presented at the Prix Italia and based at Via Asiago since 2020 - was also significant.

Special Projects

Viva RaiPlay! The multimedia project conceived by Fiorello, which has become an innovative cornerstone of the autumn season, was created and developed at the studios on Via Asiago, supported by the same industrial and creative planning that has driven the entire Rai production chain, across its TV, web and radio offerings.

EUYO European Union Youth Orchestra. The Rai is a partner to the European Union Youth Orchestra, which brings together the brightest talents from the 28 member countries to symbolise the ideal of integration, the unifying role of music, and artistic excellence. The Rai organised the *Concert for a Sustainable Europe* in May, as part of the third Italian Sustainable Development Festival, with some 900 candidates taking part in the 2019 auditions, 80 of whom went through to the finals hosted in

Viale Mazzini. The final composition of the 2020 Orchestra included 22 talented young Italians.

World Dab Automotive The annual World Dab convention (Turin, 20th June) was one of the international forums promoted by Rai Radio in an attempt to strengthen investment and encourage initiatives designed to promote digital radio, particularly in the automotive sector. On this particular occasion, the Rai illustrated the extension plans that provide for a major increase in coverage.

EBU - New Radio Day Rai Radio hosted New Radio Day 2019 (23rd-25th October), the annual conference of radio stations belonging to the EBU (European Broadcasting Union), at Via Asiago, giving the Rai the opportunity to showcase Progetto Radioplayer Italia and the technological and productive developments that had taken place at the station's studios, now entirely digitalised and meeting the relevant TV, web and social media standards.

Radioplayer Italia. The Rai guided the process of setting up the single Italian radio platform for the distribution of online content on digital operating systems and devices - a project supported by all private, national and local publishers. The Radioplayer platform was already active in many EU countries, with Italy's addition to the offering reinforcing the central role that radio plays in the digital market and in European citizens' consumption habits.

1. EUYO orchestra
2. Radioplayer Italia
3. Finals of the European Union Youth Orchestra auditions at Via Mazzini



Rai Radio 1



292,000
LISTENERS



4.6%
SHARE IN 24
HOURS



6th
PLACE

3,445
HOURS OF
INFORMATION

Audience and other indicators

The main quality indicator is the Qualitel survey, which again in 2019 was carried out by the Istituto Gfk. The average score for radio (7.2%) was calculated based on the satisfaction rating of the Rai channels surveyed - 7.0% for Rai Radio 1, 7.4% for Rai Radio 2, 7.1% for Rai Radio 3 and 7.2% for Isoradio.

The audience survey, promoted by TER (Tavolo Editori Radio) and carried out by Gfk-Ipsos, assigns the following average daily share values to the 4 Rai channels: 4.57% for Rai Radio 1; 3.46% for Rai Radio 2; 1.93% for Rai Radio 3 and 0.77% for Rai Isoradio. The Group's total share (10.73%) puts the Rai in 4th position in the national ranking.

Generalist channels

Rai Radio 1

Rai Radio 1 continued to reinforce its role as a reliable and authoritative all-news broadcaster throughout 2019 with an information offering centred around the GR radio news broadcasts aired every hour.

Insights, live and special reports provide timely accounts of what is happening in Italy and in the world: from the political (*Radio Anchio* in the mornings, *Zapping* in the evenings and *Tra Poco in Edicola* at night) and economic spheres (*GR1 Economia*), to current affairs, employment, respect for human rights and the fight against crime and gender violence (*Il Mattino di Radio 1*, *Italia Sotto Inchiesta*, *Giorno per Giorno*, *Radio 1 in Viva Voce* and *Mangiafuoco Sono Io*), not to mention regional offerings such as *Centocittà*, in collaboration with the TgR, and clever satire (*Un Giorno da Pecora*).

Furthermore, all Rai Radio 1 programmes placed great emphasis on social, environmental and economic sustainability, digital literacy and social inclusion over the course of the year.

Of particular note with regard to social sustainability were the *Radio di Bordo* programme dedicated to the sea, *Coltivando il Futuro*, looking at agriculture and the land, and, new for this year, *L'Aria Che Respiri*, focusing on the environment.

Programmes dedicated to the issues of digital and cultural literacy, meanwhile, included *Eta Beta* (looking at technological innovations and their use in day-to-day life) and, to some extent, *Te La Do Io l'Arte*.

Plenty of air time was also set aside for issues

1. 2nd June procession in Rome
2. L'Aquila - 10th anniversary
3. La Nave della Legalità



Rai Radio 2



221,000
LISTENERS



3.5%
SHARE IN 24
HOURS



9th
PLACE

3,458
HOURS OF MUSIC

relating to social inclusion, with *La Finestra su San Pietro* (broadcast every Sunday morning and as of this year also including a 'Spazio Caritas' section), followed by *Giorno per Giorno* (Monday to Friday at 10:30), *Le Storie di Radio 1* (a programme looking at social exclusion), *Babele* (which dealt with interreligious dialogue), *Formato Famiglia* (Monday to Friday at 12:30), *Tutti in Classe* (dedicated to life in the classroom) and the all-female *Vittoria*.

Programmes such as *Radio Anche'io*, *Italia Sotto Inchiesta*, *Radio 1 in Viva Voce*, *Zapping*, *Zona Cesarini* and *Tra Poco in Edicola* also often dealt with this sort of topic. In addition, all programmes are committed to always supporting and listening to the campaigns promoted by the Rai social secretariat.

Many media partnerships were confirmed in 2019: with Rai Radio 1 confirmed as the official station of various festivals and other regional events including Vinitaly, Musicultura, the Journalism Festival, Viviccità, the Italian and European Offshore Championships, the Italian Open, the Terzani Prize, the Trento Festival of Economics and the Italian Open Championships in Grosseto (Paralympics).

A new editorial strategy for the three social platforms (Facebook, Twitter and Instagram) was also introduced in 2019 and based on two key factors, namely promoting the programmes on the schedule and creating original formats that reflected the role of the channel and its public service mission.

The aim being to develop social communication that was mindful of people's problems, based on the concept of community and linked to the world of volunteering while at the same time expanding the Rai Radio 1 community.

The main *Giornale Radio* news broadcasts were relaunched every day along with statements from political representatives on topical issues, exclusive interviews and, at the end of the day, the *La Nota Positiva* slot reserved exclusively for good news.

Rai Radio 1 used the *Social(è)* format on a weekly basis to bring us a 'social' story in both senses of the term, creating positive links, introducing good practices, stimulating culture and highlighting problems.

2019 also saw a great deal of involvement in live videos on the most important events covered in the media, from the Ilva plant in Taranto to the fires in Australia and the earthquake in Albania.

When it came to Rai Radio 1 events, social platforms essentially magnified the radio content with off-air content such as previously unseen video clips and exclusive interviews.

The Rai Radio 1 sports offering, meanwhile, was expanded to include Rai Radio 1 Sport - a digital channel launched in 2018 and often featuring guests and experts discussing the latest developments in the world of sport and highlighting the social, educational and inclusive benefits of partaking in sport, be it at amateur, youth, school or any other level.

Rai Radio 1 Sport had its finger permanently on the pulse of Paralympic sport, with weekly interviews with athletes and managers from all disciplines, not to mention both summer and winter Special Olympics events, highlighting the support that exists for the growth and inclusion of those with intellectual and social disabilities. Not straying too far from these themes, testimonies from sports associations that cater for those with autism, prisoners and those from disadvantaged areas of large cities were also featured.

1. Rai Radio 2 Social Club
2.3. La Barcolana



Rai Radio 2

Multi-platform editorial projects, experimentation with new ways of 'seeing' and 'discovering' radio, modernisation in terms of sound, musical selection and talent, live events, regional storytelling, social awareness campaigns, brand visibility through cross-media initiatives and increased on-field and online activity formed the basis of Rai Radio 2's extensive offering for 2019.

With open microphones and cameras running 24 hours a day, 7 days a week, making the most of the technological innovations that have been implemented at the studios, Rai Radio 2 provided listeners with a programme schedule centred around cult programmes and original new productions, demonstrating its positioning as a station very much in keeping with the times and one designed to be listened to again and again, watched and even shared.

The Rai Radio 2 morning slot was also filled by *// Ruggito del Coniglio* - a long-standing mainstay of the network's schedule - in 2019, followed by the popular *Radio 2 Social Club* - the music lounge that would also air on Rai 2 and RaiPlay from September. This form of inter-network collaboration was developed with a view to implementing cross-media strategies designed to promote multi-channel products.

The schedule, which was particularly well received amongst listeners, brought us plenty of success stories, including *Non è un Paese per Giovani*, *La Versione delle Due*, comedy in the form of *Numeri Uni*, both versions of *Caterpillar* (the AM version in the morning and the afternoon version), Lillo e Greg from *610*, great music with *Back2Back*, the classic male version of *I Lunatici*, broadcast live every night live with Roberto Arduini and Andrea Di Ciancio,

on weekdays and the new female version, *Le Lunatiche*, with Barbara Venditti and Federica Elmi, on weekends, as well as the modernised version of *Blackout*.

There were certainly plenty of new offerings for 2019, too, amongst them Lodo Guenzi with *Lo Stato Sociale*, bringing audiences a completely unpredictable show every Sunday afternoon, Morgan, in the Saturday evening slot, with his monographs of great Italian singer-songwriters, and of course, as previously mentioned, the return of Fiorello with his cross-media project, also available in radio format in the form of *Viva RaiPlay! Alla Radio*, on Saturdays and Sundays.

The weekend schedule got a complete overhaul with Marisa Laurito, Pino Insegno, Tommaso Labate, Diletta Parlangeli, Francesco De Carlo, Pippo Lorusso, Andrea Mezzancella and DJ Osso joining the Rai Radio 2 team.

There were plenty of special initiatives, too, including 4 event episodes with Nek and Andrea Delogu, *I Radio 2 Day* (day-long events dedicated to great Italian musicians) and *I Radio 2 Live*, 'special gatherings' from the Via Asiago studios, both *on air* and *available to stream*, with performances by Alice Merton, Ainé, Alessandra Amoroso, Mesa, Mahmood, Nada, Rancore, Pausini & Antonacci, Canova, Franco 126, Tre Allegri Ragazzi Morti, Giorgio Poi, Coma_Cose, La Rappresentante di Lista, Negrita, Boomdabash and Myss Keta, Paola Turci, The Kolors and Biagio Antonacci.

There was also, as always, plenty of editorial content to complement the television schedule, with the following notable contributions in addition to the *Maratona Telethon* across all Rai channels:

1. Eurovision Song Contest
2. Mahmood
3. Back2back - Luciano Ligabue



- Rai 1 – the *David di Donatello Awards*, the *Eurovision Song Contest* and the *Sanremo Giovani* contest;
- Rai 2 – *Radio 2 Social Club*, *C'è Celentano*, *Speciale Freddie Mercury*, *The Voice of Radio 2*, *Quelli Che il Calcio* and the *Festival di Castrocaro* music festival; Rai Radio 2 also produced the theme tune and playlist for TV programme *Friego*, conducted by a member of its talented team;
- Rai 3 – *May 1st Concert*;
- Rai 4 – *Tomorrowland*;
- Rai News 24 – The *Back2Back* TV experience continued, looking at some of the greatest music of all times.
- Great emphasis was placed on live events broadcast from squares and theatres, too, as part of broader media partnership projects that contributed to the creation of events, festivals, concerts and open-air celebrations in which the Rai Radio 2 network has demonstrated increasing openness in terms of the languages of contemporary musical culture and beyond, including the Biografilm Festival, Barcolana, CaterRaduno, Cinè, the Ischia Global Film & Music Festival, the Torino Film Festival, Rock in Rome, Vinitaly, Maker Faire and Radio 2 Summer Live - the action-packed summer tour dedicated to the audience of fans around the country who have followed the network.

Last but not least, a particularly impressive effort was made in terms of production when it came to the *Sanremo Music Festival* and the *Giro d'Italia*, of which Rai Radio 2 was the official radio station, with over 100 hours of live coverage of the events.

The attention that the network placed on sustainability was also unparalleled. Indeed, 2019 marked the 15th edition of *M'illumino di Meno: Energy Saving Day*, launched and supported by Rai Radio 2, and the long-standing *Caterpillar* programme, driving the largest

radio campaign ever executed to raise awareness of energy consumption and sustainable mobility.

The project, which incorporated broadcast, web and social network components, was supported once again in 2019 by the most senior state offices and some of the leading Italian and European monuments as a symbolic energy-saving gesture.

On 31st December, Rai Radio 2, as the event's official radio station, celebrated *Capodanno For Future* - Italy's first zero-impact end-of-year celebration, organised with the emphasis very much on eco-sustainability - live from Milan.

The network also attended major international event Sonar - the annual electronic music and multimedia art event considered one of the best places to discover and appreciate progressive artists and influential music and contemporary art professionals -, held in Barcelona.

The multimedia content of Rai Radio 2's programmes, including photos, videos and exclusive backstage footage, was significantly increased and proved popular amongst audiences on RaiPlayRadio.it/ Radio2, on Rai Radio 2's Facebook, Twitter and Instagram accounts and on the Rai's YouTube channel.

The Rai Radio 2 Indie offering - the digital channel dedicated entirely to innovative music with carefully compiled playlists of Italian and international tracks, original live performances by emerging artists and music programmes dedicated to the leading figures in the world of music - was also very well received. This original offering was supported by research into the independent, rock and alternative scenes, as well as into new Italian and foreign pop music and the most exclusive live events.

Rai Radio 3



123,000
LISTENERS



1.9%
SHARE IN 24
HOURS



14th
PLACE

2,253
HOURS
DEDICATED
TO CULTURE

Rai Radio 3

Rai Radio 3 once again placed particular emphasis on major issues of cultural and civil debate in 2019, strengthening both the scope and the quality of its musical offering.

On that note, it is worth highlighting the live coverage of both the opera and the symphonic seasons from the Teatro alla Scala, as well as from the Teatro Regio di Torino, the Teatro Comunale di Bologna, the Teatro La Fenice in Venice, the Teatro dell'Opera in Rome and the Teatro di 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 *I Concerti del Quirinale di Radio 3* concerts continued, bringing us a prestigious live performance every Sunday morning from the Quirinale, now in its 20th edition and still increasing its audience numbers.

The *I Concerti Euroradio* concert series was also back to enrich the morning and Sunday afternoon slots, coming to us from some of the world's leading institutions and allowing the channel to showcase the work of various prestigious orchestras.

Rai Radio 3 broadcast over 700 concerts covering a variety of musical genres over the course of 2019, offering ample opportunity for further examination thanks to its many musical programmes, such as *Wikimusic* and the extremely popular *Lezioni di Musica*, in addition to these concerts.

There are many programmes and events that recall important dates in Italian history, such as 27 January, when a Rai Radio 3 live broadcast from Casoli, in the province of Chieti, told about the *Giorno della Memoria*, with a special live evening.

Coverage of this sort of special event was also motivated by the channel's interest in themes and languages, as demonstrated by the theatre production dedicated to the life and stories of writer Shirley Jackson on 8th March, featuring readings by the actresses of the Miti Pretese company, followed on 21st March - World Poetry Day - by an entire schedule centred around readings of Giacomo Leopardi's poetry by some of the leading voices of the past and present, marking 200 years since the publication of what is perhaps the most famous poem of the Italian literary tradition - *L'Infinito*.

Later, on 25th April, it told the stories of 10 cities that had been decorated for military valour in the fight for liberation as part of what became known as *Dieci Città della Resistenza* (Ten Cities of the Resistance) day, bringing us a rich selection of testimonies about the events that took place in some cities, narrated over the course of the day's various broadcasts.

The narrative approach adopted by *Un Giorno della Storia* also looked at the Anniversary of the Liberation of Rome on 4th June, the fall of the Berlin Wall on 9th November and, in a unique way linked to the memories of witnesses, the 50th anniversary of the Piazza Fontana massacre on 12th December. Other special days were organised directly by Rai Radio 3 and included ProGrammatica Day, involving dozens

1. Live from Sala A at Via Asiago for International Women's Day *Una Tazza di Stelle*. The history and stories of Shirley Jackson
2. Seventh edition of #ProGrammaticaDay
3. Hollywood Party



of schools in project designed to promote the Italian language as part of Italian Language Week. The theme for 29th October this year was the language of the stage and the event also marked the start of the *Tutto Esaurito* theatre month, offering dozens of theatrical performances either recorded or live from the Teatro India in Rome and the Rai studios on Via Asiago throughout November and notably in honour of the International Day for the Elimination of Violence Against Women on 25th November.

Rai Radio 3 reinforced its position as a live broadcaster with coverage of the most important cultural events right throughout 2019, covering events such as the Libri Come book and reading festival in Rome and Book Pride in Milan in March, the Turin Book Fair, the Cannes Film Festival and the Venice Biennale in May, the Trento Festival of Economics in June, the Locarno Film Festival in August followed by the Venice International Film Festival, the Festivalletteratura in Mantua, the Festival Filosofia in Modena and Pordenonelegge in September, the Rome Film Festival in October, UmbriaLibri and the Torino Film Festival in November and the Più Libri Più Liberi alla Nuvola dell'Eur book fair in Rome in December.

Using the same methods (live broadcasts, live links and recordings) it also brought us the main scientific festivals of the year, including coverage from Rome on 12th-14th April and Genoa in October, as well as the Food and Science Festival in Mantua and the Medical Science Festival in Bologna.

A great deal of coverage was also dedicated to the 500th anniversary of Leonardo da Vinci's death with a packed series of broadcasts that notably included a cycle of the *Pantheon* programme. Also dedicated to Leonardo was the *Festa di Radio 3* programme from Cesena on 31st May to 2nd June,

beginning with the great artist's journey to Romagna and centred around the lesson on blurring the boundaries between reality and fantasy that formed part of his legacy.

Having followed Matera's bid to be the European Capital of Culture 2019 since it was first launched in 2011, Rai Radio 3 continued to follow the events taking place in the Lucanian city over the course of the year, as well as organising a series of events, *Le Lezioni Materane*, in which 10 intellectuals offered their views on the proposed theme - *Visto da Sud* (The Southern Perspective) -, which was also the focal point of Materadio 2019, the *Festa di Radio 3* celebration that took place from 13th-15th September.

With this in mind, Rai Radio 3 also promoted the first Podcast Festival held in Camogli on 7th-9th June, an event that brought together a whole host of innovators from the field of radio and beyond. This new initiative was fuelled by the ever-greater importance that the network's offering is placing on new formats and the needs of an audience that, in addition to traditional forms of broadcasting, is more frequently choosing to listen to programmes at different times and on different platforms.

Particular attention is now placed on the packaging of daily content that can be played back in streaming mode or downloaded in podcasts, with a whole host of products, both pre- and post-broadcast, now available via the network in various formats, along with the *Ad Alta Voce* audiobook library.

It is also worth mentioning the growth in the range of films, images and non-traditional radio channel content available, and in particular the video streaming offering that notably covers special initiatives, thanks to the use of social networks.

Rai Isoradio



49,000
LISTENERS



0.8%
SHARE IN 24
HOURS



17th
PLACE

Special-interest channels

Rai Isoradio

Isoradio reinforced its flow programming approach in 2019, bringing us urban and suburban traffic news and music, 24 hours a day, 365 days a year.

Daily links were established with the traffic police, the municipal police in major cities, Autostrade per l'Italia, the ANAS, port authorities, airports and railways in order to ensure the continuous provision of accurate information regarding the status of both urban and suburban traffic throughout the peninsula.

New developments for 2019 included the daily *Strada Facendo* programme, launched on 14th October, the *Nella Giusta Direzione* campaign launched in collaboration with the Istituto Superiore di Sanità - a series of short clips produced by experts to promote accurate health-related information -, the weekly *ANAS Per Chi Viaggia* feature, which saw ANAS provide information regarding the traffic situation for the weekend, as well as current events and initiatives, and pointing out various short tourist trails using the ANAS road network around the country, the new *Casello-Casello* evening fixture, looking at the day's news, reporting on events, books and gatherings, and providing a platform for the leading figures in the worlds of music and entertainment once the traffic had died down, the *Isoambiente* campaign, executed in conjunction with experts from the Italian Society of Environmental Medicine (SIMA) since December with the aim of raising awareness of how and to what extent the environment affects our health, and a series of short interviews conducted in cooperation with the Ministry of Health on antibiotic resistance and first-aid campaigns, including contributions from the Ministry's experts, in November and December.

Various campaigns against the use of mobile phones, the tragic phenomenon of children being left in cars, distraction at the wheel and the abandonment of animals and in favour of the increased use of seatbelts were also promoted and executed over the course of 2019 through various interviews, in-depth analysis, testimonies and appeals.

Other popular fixtures on the schedule included the weekly *Viaggiare in Sicurezza con la Polizia Stradale*, in which traffic police officials informed travellers about the rules of the Highway Code, how they should behave when driving, the penalties they might incur, etc., the *Notte Sicura con Isoradio* night-time slot, on air from 00:30 to 05:30, a radio event consisting of music and news for those travelling at night and focusing on road safety, the *Studenti a Isoradio* slot, featuring both lower and upper secondary school pupils talking live about the issues of education and road safety, *Le Cinque Giornate di Sanremo* - a special programme dedicated to those travelling -, *Sulla Strada* - the slot dedicated to the world of road haulage -, and *Arrivi e Partenza*, offering a closer look at various events, figures and places. Then, of course, there was the music offering, complete with in-depth analysis and monographs from artists who were often hosted live at the Rai Isoradio studios.

The *Ricorderai* feature aired on Saturdays and Sunday as of October 2019 took audiences on a journey into the well-stocked Rai archive to discover music, excerpts from broadcasts, characters and anecdotes from the worlds of radio and television, rebroadcast live on the weekend in the company of various guests and key figures.

Various interviews on and detailed insights into fundraising campaigns authorised by the RAI's Social Responsibility team and special institutional events were also broadcast throughout the year.

1. Isoradio - School visit
2. Isoradio portal
3. Isoradio player



Gr Parlamento

As the institutional Rai Radio channel dealing mainly with parliamentary matters pertaining to the Senate of the Republic and the Chamber of Deputies and looking at Italian society from an institutional perspective, the GR Parlamento information offering comprised daily parliamentary news bulletins, an extensive daily press review and various in-depth analysis features, political current affairs, as well as the economy, environment, labour, respect for human rights, the fight against crime and corruption, and social issues.

Live broadcasting of chamber sessions and of proceedings of Parliamentary Committees, initiatives, events and press conferences that take place in institutional venues and that are of public interest.

In addition the usual institutional information it provides, GR Parlamento offered numerous daily analysis features looking at the issues of social, environmental and economic sustainability, digital literacy and social inclusion. *Federalismo Solidale* and *No Profit* (which aired 4 times a week) notably dealt with the themes of rights, diversity, social matters and the third sector, whilst *L'Italia Che Va* (which aired twice a week) painted a picture of a country at work, successful entrepreneurship and young people's keen interest in advanced technology and sustainability and *Parlamento 2.0* analysed the technological content of the laws currently under examination in the chambers and the innovations also introduced in day-to-day parliamentary work. *Che Genere di Politica*, meanwhile, examined the emphasis placed on gender equality with regard to the measures currently under consideration by the Parliament and indeed those that had recently been adopted, whilst weekly fixture *Le Leggi di Domani* focused on the measures being examined by

parliamentary committees with particular emphasis on the aforementioned issues.

There were also many *Speciali* special editions marking not only the various conventions and conferences held at the Palazzo Madama and the Palazzo Montecitorio, but also significant anniversaries in our country's history with the celebrations, interviews, insights, testimonies and accounts from leading figures.

Specialised stations

The special-interest channels support the general-interest and theme-specific radio stations in compiling a comprehensive offering with the aim of tapping into vertical audiences. They can be enjoyed in Dab+ format, on TV, online and via the Rai PlayRadio app (Rai Radio Classica is also available on FM in the metropolitan areas of Milan, Turin, Rome, Naples and Ancona).

Rai Radio Classica

Rai Radio Classica is the benchmark for Italian and international art music, from early through to contemporary, with The schedule includes the opera, musicals, operetta and orchestra repertoire: slot dedicated to the Rai National Symphony Orchestra and past Rai orchestral seasons from the archives.

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, *I Concerti del Quirinale*, and the music of soundtracks.

1. Flashmob organised by Rai Radio Classica on Piazza Bellini in Naples marking the anniversary of the birth of Arturo Toscanini
2. Rai Radio Classica-
3. GR Parlamento - portal



Rai Radio Kids

Rai Radio Kids is a source of entertainment, music and engagement for children.

Big Bang, the talk show featuring Armando, Lallo, Lella and Krud, uses cues to take about day-to-day life, whilst *DJ* brings the music, as well as playing host to guest children's songwriters.

On the reading front, the station brought us the great classics and a growing number of original productions, as well as readings of texts written by very young writers including schoolchildren. The channel's online offering, meanwhile, even included recipes for the little ones, Finally, more information on nature, performances, events, science, the environment, tourism and technology.

Rai Radio Live

Rai Radio Live took listeners on a very personal tour of Italy through the various events happening up and down the country, as well as descriptions of different towns and a look at the worlds of food and wine, the performing arts and music, providing an up-to-date calendar of all of the cultural, musical and social events taking place, followed by daily fixture *Fronte del Palco*. In addition, musical interviews of *Era ora - Il lato C della musica* and colloquial ones of *Questioni di Stilo*. On the weekend, *Vita da Strada*, to discover Italian towns, wine and food shows and events related to the world of literature. Quality music, rock and pop are the leitmotiv throughout the programming.

Rai Radio Techete'

Rai Radio Techete' looked back at and replayed excerpts from past radio shows divided into three categories - variety, sport and drama -, offering some rather original insights that promoted the best of Italian radio from the first post-war period through to the present day. These were the unmissable nuggets of radio entertainment, the emotion of sport as told by the major radio journalists of the time, stories of music and special programmes marking birthdays and anniversaries as told using archive materials. Then, of course, there were the voices and characters that have made radio so great, the best-known programmes replayed in full, the comedies and the great dramas.

Rai Radio Tutta Italiana

Rai Radio Tutta Italiana is known for its easy-listening style, with its rapid speech interventions, analyses that never exceeded three minutes and features such as *Mi Ritorni in Mente*, looking back at the most important events year after year, or *Cantare è d'Amore*, showcasing the most beautiful love songs of the last fifty years. Lastly, more than 120 profiles dedicated to the star singers from Umberto Bindi to Tiziano Ferro. And there is plenty of space for emerging singers and new independent trends.

Rai Radio Tutta Italiana is also on FM as the theme song of Rai Gr Parlamento during the evening and night time slots.

1. Radio Kids - Cartoons on the bay, Turin
2. Radio Live - portal
3. Radio Techete'



Digital

2019 was a turning point for Rai with the approval of the 2019-2021 Business Plan, which introduced highly innovative business processes for the overall offer strategy and recognised the digital segment amongst the main assets of the new market positioning.

During 2019, the application of the guidelines set out in the Business Plan led to the substantial evolution of the mission and objectives for the organisational framework that monitors the digital offer. Consequently, in the first half of 2019, we continued with the completion and management of digital projects that had already been defined in the previous year and in the second half of the year, we launched the development project for Rai's new digital offer strategy of, which sees RaiPlay putting itself forward as a new independent publisher. No longer only involved in live and on demand streaming services for television channels, but now also in the production of original content conceived specifically for type of audience and digital creation methods.

The new editorial mission involved the design and development of a new content distribution strategy on the platform and a complete offer reorganisation and the definition of an innovative interface improved with digital experience services.

The development of the new RaiPlay platform, launched on 30 October 2019, was defined on the basis of the following editorial drivers:

- to simplify content organisation, highlighting the distinction between content available on the RaiPlay platform - in an OTT offer logic with the specific promotion of the original products and

the extensive on-demand catalogue - and the service functions related to television viewing (live-streaming linear channels and the possibility of viewing content in catch-up mode);

- to update user interface and user experience aspects, adopting graphics solutions in line with OTT market trends and browsing paths by gender or theme capable of maximising the propensity to consume content;
- to make the browsing experience uniform across all distribution platforms (web browsing, mobile app and smart TV App), optimising digital product usability to strengthen its positioning;
- to maximise the performance of the automatic system for organising and presenting content in a tailored way for each registered user (content recommendation service);
- to increase the scope of distribution platforms, in particular through strategic agreements with the main smart TV segment producers, which in 2019, was the use environment with the highest growth rate of video consumption (+ 90.4% compared to 2018);
- to integrate a registration function in the RaiPlay App for smart TV, completing the strategy for collecting and improving consumption data on all platforms.

The new RaiPlay platform was launched a few days before the start of the first original RaiPlay production, the *Viva RaiPlay!* show, hosted by Fiorello from 13 November to 20 December with three episodes per week. This was also the main vehicle in the positioning campaign for the new digital product and new offer strategy.



5 BILLION
PAGE VIEWS



966
MILLION VIDEO
VIEWS

69.2
MILLION VISITS



13 mn
REGISTERED
USERS

In the latter part of the year, RaiPlay consolidated its role as a publisher with other original products such as *VivaAsiago10!*, the morning show hosted by Fiorello; *Negramaro - L'anima vista da qui*, a documentary on the human side and career of this Salento band; *SuperQuark+*, the digital spin-off of Piero Angela's historic programme; and *Liberi Tutti*, the first Rai drama distributed exclusively on RaiPlay.

Results for the year

Based on the Audiweb 2.0 report of last December, the digital scenario in Italy in 2019, can be summarised as follows: the total digital audience, that is the audience active on all digital devices, reached 41.6 million users, 69.6% of Italians. In the average day, 33.4 million Italians were online and surfed from smartphones 29.7 million (66.9% of Italians between 18 and 74 years) and from tablets over 4.8 million (10.7% of Italians between 18 and 74 years). The online time per person during the average day was 4:41:36.

The Rai digital product distributed on proprietary platforms recorded a total of about 5 billion page views (+21% compared to 2018) and 996 million video views (+35% compared to 2018), with a monthly average of 26 million individual browsers (+11% compared to 2018) for 69.2 million visits (+30% compared to 2018). There are over 13 million registered users on Rai platforms (RaiPlay, RaiPlay Radio, RaiPlay Yoyo) (+5 million compared to the 2018 final balance, with a growth of 63%).

In detail:

- RaiPlay recorded a total of about 837 million page views (+34% vs 2018), with a monthly average of 15.2 million unique browsers (+30% vs 2018) for 42 million visits (+38% vs monthly average in 2018);
- RaiPlay Radio, the service dedicated to the Rai Radio offer, recorded a monthly average of 1 million unique browsers (unchanged from 2018) and a total of 54.5 million on average, audio and video (+6% compared to 2018);
- RaiPlay Yoyo, the App dedicated to children, has recorded since its launch about 29.4 million video views and a monthly average of 128 thousand individual browsers;
- RaiNews.it recorded a total of 688 million of page views (+9% vs 2018) and 74.3 million video views (+81% vs 2018), with a monthly average of 10 million unique browsers (+8% vs 2018);
- Rai.it generated a total of over 104 million page views (-6% vs 2018) and a monthly average of 2.6 million unique browsers (+10% compared to 2018).

The distribution of Rai syndicated content on YouTube and MSN generated over 1.75 billion video views (+101% compared to 2018). This area also saw the launch of the new YouTube channel dedicated to the broadcast of *Il Collegio*, which took place in April 2019, generated 702.8 million views and collected 759 thousand subscribers with a consumption profile centered on the younger segments (over 42% of views were by viewers under 24). (Data Youtube Analytics)

1. The Viva RaiPlay! presentation
2. Raiplay - portal
3. Liberi tutti



In terms of downloads, Rai applications totalled:

- RaiPlay Radio - 13.7 million (excluding updates);
- RaiPlay Radio - 2.3 million (excluding updates);
- RaiNews - 1.6 million;
- RaiPlay Yoyo - 1.1 million (excluding updates).

The offer

As expected, the new editorial mission of the RaiPlay platform started to take shape in November, with the *VivaRaiPlay!* Project, the first ever show to be exclusively broadcast live on an OTT platform. Rosario Fiorello's entertainment programme, broadcast on RaiPlay from 13 November for 18 episodes of approximately 90 minutes each (in addition to the 5 15-minute promotional broadcasts on Rai 1's prime time access), was delivered into the homes of Italians by live-streaming and on demand methods, generating excellent results in terms of traffic and popularity, both for the product and the platform.

The project had a much wider value for Rai in addition to the excellent results achieved in terms of traffic, reputation and branding. It was the first production conceived exclusively for digital with the aim of promoting the understanding and use of the RaiPlay platform with the general public and, more generally, those not familiar with digital. During the six weeks of the programme, *VivaRaiPlay!* generated over 15.1 million views on RaiPlay and 5.5 on YouTube.

In addition to *VivaRaiPlay!*, in the final quarter of 2019, the RaiPlay platform consolidated its role as a real publisher by offering the public other exclusive

products, designed and created exclusively for non-linear distribution:

- *VivaAsiago10!*, the fun morning show hosted by Fiorello: 18 25-minute episodes with a music-based format, light commentary on current events and general comedy;
- *L'anima vista da qui*, the documentary dedicated to the history and friendships of the band Negramaro, available on RaiPlay from 15 November, the date of the official presentation of the product at the Rome Film Festival;
- *Superquark +*, Piero Angela's new educational programme developed in a digital format: 10 episodes of 15 minutes dedicated to science, new technology and also interesting snippets related to daily experiences;
- *Liberi tutti*, the mini-series written by Luca Vendruscolo and Giacomo Ciarrapico produced by Rai Fiction in 10 episodes of 25 minutes with a view to using *digital first*.

In addition to the launch of the RaiPlay platform, in 2019, Rai's digital offer also covered other areas. Here is a brief overview.

Rai.it. the inclusive portal that makes the vast Group's digital offer easily accessible. Rai.it promotes and provides access to all television and radio programming, as well as to the informative and multimedia content from all news mastheads, showing the most important news from Rai News and Rai Sport. Rai.it also offers a series of services that are of great importance and interest to the audience, such as the guide to the Rai programmes and the access to the corporate information of Rai.

1. Giorgio Ambrosoli
2. Rome International Film Festival
3. Rai.it Website



YouTube and MSN. In 2019, the YouTube platform was once again confirmed as one of the most strategic assets in terms of distribution of Rai products in the digital sphere and, together with the MSN offer, has made it possible to expand the audience engagement methods, reaching, free of charge, an increasingly large audience of users, especially younger people.

During the first half of 2019, a Rai YouTube channel was launched for the television broadcast *Il Collegio*, produced to strongly appeal to the youngest and most relevant segments of the population. On the basis of this experience, a space dedicated to content was launched with the best programming offer and, with a view to an integrated strategy with the proprietary platform, the main YouTube channel was re-branded from Rai to RaiPlay.

Rai Cultura. In 2019, the new Rai Cultura portal was published with a completely redesigned graphics interface in line with the content browsing strategy and display structure. The portal aims to make Rai's cultural offer accessible and usable in the digital environment with dedicated content and services. The new platform is organised by thematic areas and fed with original content produced by the Rai Cultura editorial staff, cultural programmes from special-interest and generalist television programming and titles from the Rai Teche archive.

RaiPlay Radio. The Rai radio world portal broadcasts the 10 radio stations, 5 on air and 5 digital, live and also offers two exclusive digital stations, Radio 1 Sport and Radio 2 Indie, with selections and

specific programmes. The offer clearly shows the different identities of each radio network with the network portals and programme pages, on which you can find a rich offer of content of live-streaming, on demand and podcasts.

TgR web. The release plan for the project continued, which saw the TgR Molise site go online, fully integrated into the overall publication project.

Press Office. The new ufficiostamparai.it website was launched in February 2019, with improvements to the organisation and presentation of content with higher impact images and graphics.

Rai Sport. Construction of the new portal was completed in May 2019. In addition, web specials for sporting events programming were created, including those for the *Tour de France*, the *Gwangju Swimming World Championships* and the *Giro d'Italia*.

The segment aimed at children and teenagers is a strategic asset of the Rai digital offering, it includes the RaiPlay platform with a *Children's* section, the RaiPlay Yoyo App, Rai Yoyo and Rai Gulp offers on Smart TV, the special-interest portals www.raiyoyo.rai.it and www.raigulp.rai.it and some vertical projects related to television products broadcast by generalist and special-interest Rai channels.

In 2019, Rai put together a specific development strategy for this target, focusing on the following objectives:

1. *Tour de France*
2. *RaiPlay Radio - portal*
3. *Gwangju Swimming World Championships*



Platform RaiPlay - Children's Section. Amongst the features of the new RaiPlay platform is an offer for a wider target that includes children, teenagers and families with a dedicated section with various types of entertainment, cartoons, films, short films, live action and programmes. A rich and diverse offer with over 300 titles with about 100 hours of on-demand product per month, divided by target and genre, and available on all devices.

During 2019, Rai changed the offer strategy - previously only focused on the replay model - improving it with many premier titles not yet available on television or absolutely exclusive.

In particular, from January to June, numerous cult series were premiered including *Mini Ninja*, *Molang 3*, *Peppa Pig 8*, *PjMask*, *44 gatti*, *Noce di cocco*, *La Famiglia Volpittassi*, *Missione Spazio Reloaded*, *Winx 8*, *Club 57*, *J.A.M.S.*, *TWIRLYWOOS*, *Ridolino e i suoi amici*, *Thunderbirds are go!* (season 2), *Leo e Tig*, *Sara e Marti* (season 2), *Seven and me* (season 2), *Le canzoni animate dello Zecchino d'Oro 2019*, *Topo Tip S3*.

RaiPlay Yoyo App. The application with parental locks, is dedicated to children and provides a rich on demand specialist schedule structured for three different targets, defined by age group, and is updated weekly. Completely free of charge and in a safe digital environment, it has no advertising and parental locks. It has a simplified and intuitive interface and allows children to find all the cartoon series and television programmes broadcast by the Rai Yoyo channel, to watch live or on demand.

The programme schedule is organised 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 provide tailored content suitable for the age of each user.

The catalogue of available content is added to each week, with a careful editorial offer that takes into account the different age targets and tastes of younger viewers. In 2019, around 50 titles were made available on rotation for a total of around 2,700 episodes to watch online and, of these, about 1,600 episodes available offline.

Children's MHP offer. An on-demand offer, available via Smart TV, updated weekly in relation to new editorial releases (*Exclusives/Premiers/New series*) proposed by the specialist Rai Yoyo and Rai Gulp channels.

RaiYoyo.it. At the end of 2019, the new RaiYoyo.it portal was published, which promotes network programme offer with improved individual digital products and ad hoc communication.

1. Platform RaiPlay - Children's Section
2. RaiPlay Yoyo App
3. Zecchinodoro.it website



RaiGulp.it. The portal for children offering daily news on TV programming events and the launch of related offers on RaiPlay. A portal also full of original content created ad hoc and organised by theme.

Zecchinodoro.raii.it. The new website dedicated to the historic Zecchino d'oro musical event was published to mark the 2019 edition.

Social Media and Digital Marketing

During 2019, Rai's branding and traffic-building strategy was consolidated on social media and digital platforms, pursuing four main objectives: promotion of the Rai, television and digital product; user engagement/advocacy; the creation of traffic to Rai's digital platforms; monetisation. The opportunities created through branded social media content must be added. This sits alongside the partnership agreements in place with major players (YouTube amongst others).

The social media strategy has generated exceptional results mainly thanks to the effectiveness of the social media promotion activities during the *2019 Sanremo Festival*: not only did it produce excellent results for the digital offer on Rai's proprietary digital platforms, the event also broke records in the social media sphere. During the entire week of the Festival, there were more than 15 million social media hits on Rai profiles, an increase of around 2 million compared to the previous year.

Social media platforms continue to demonstrate a significant referral potential also for the network of TgR offer sites. The rate of traffic generated on regional news pages benefited from the presence on social media and maintained an average of 30% (TgR Veneto continued to rank first, with its peaks of 50%).



220 PROFILES

22.9 mn



77 ACCOUNTS

4.3 mn



242 ACCOUNTS

266,000
TWEETS



2.2 mn
DOWNLOADS

Here are some brief insights (*Sources: Nielsen Social Content Ratings and FanPageKarma*) by single social media platform:

Facebook. During 2019, the 220 Rai Facebook profiles managed to attract around 235 million people, with an overall fan base that reached 22.9 million. The amount of shares was also notable, almost 13.2 million, of which 11 million were videos. Post-click video views over 10 seconds totalled 36.2 million. Rai 3 and the *Che tempo che fa* programme page were the most successful in engaging Facebook users, attracting an average of over 180,000 people per day in 2019.

Instagram. During 2019, the number Rai Instagram profiles was rationalised, with a reduction from 90 to 77 accounts. The total fan base reached 4.3 million and stories are confirmed as the best promotional driver, the 26,000 published in 2019, generated 169 million views.

Twitter. Rai's has 242 official accounts on Twitter, with a total of 7.3 million followers. The 266,000 tweets published over the past year received 3.7 million likes.

During 2019, Rai developed strategies for promoting and positioning its products in the social media sphere, planning advertising campaigns on the main digital platforms with the aim of:

- repositioning RaiPlay in the digital system, increasing the availability and prominence of content;
- increasing downloads of the RaiPlay App;

- reaching 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 and/or for a young audience.

The results for the first half of 2019 on Facebook, Instagram, Google/YouTube, Twitter and Apple Search are presented below, showing the percentage change compared to the same period of the previous year (*Sources: Google Ads, Facebook Business Manager, Twitter Ads, App Store*):

- impressions: 1,152,477,750 (+73%);
- downloads of Rai apps: 2,163,593 (+203%).

The results are therefore due to the optimisation of campaigns and the strategy, which in 2019 was focused on the greater distribution of the RaiPlay brand.

The marketing activities for the RaiPlay digital platform family have been developed with over 200 videos, gifs and graphics developed ad hoc for organic and paid campaigns dedicated to RaiPlay, RaiPlay Radio, RaiPlay Yoyo, the RaiPlay summer offer, the promotion of new TgR sites, major drama events and sporting events.

The caring strategy has been improved with a dedicated area for digital platforms to encourage direct communication with users and the collection of reports and any complaints through the most suitable technological platforms. During 2019 the support@rai.it mailbox for the support of digital Rai users registered more than 233,000 reports. In the final quarter of 2019, in conjunction with the release

of the new RaiPlay platform, customer care collected over 150,000 technical reports, moving from a daily average of 200 requests to over 1,500, of which 7% were of an editorial nature.

RaiPlay branding was also promoted through participation in important events:

- the 32nd edition of the Turin International Book Fair with a space dedicated to RaiPlay;
- the 76th edition of the Venice Film Festival with the presentation of the short film *Happy Birthday* distributed exclusively on RaiPlay;
- the 14th edition of the Rome Film Festival with a dedicated space. Activities mainly focused on presenting the RaiPlay App, the new editorial offer and the analysis and consolidation of the brand with event user surveys. The documentary *L'anima vista da qui* was premiered and promoted at the Festival and available exclusively on RaiPlay.

Digital Inclusion

Rai confirmed its commitment on issues related to the digital transformation and its widespread impact on life, on stakeholder network, literacy strategy and digital culture.

The network with institutions and public and private, national and international realities that share the company's objectives was consolidated and implemented. Stakeholders were identified who, in different ways, could contribute to content production and improvement and activities related to 4.0 education and the dissemination of science, technology, innovation, skills and the digital culture.

Rai's digital inclusion strategy and development was also defined, which envisages:

- coordinated strengthening of the traditional offer through communication campaigns, synergies and combination of linear and digital offer, inclusion of specials on specific issues within television and radio programmes and the production of *Complimenti per la Connessione 3*;
- a platform/aggregator of existing and new content, with focus on digital literacy and innovation. A *digital academy* to provide trainers, students and citizens of all ages with the education necessary for full digital citizenship;
- new native digital publications. an editorial and multi-platform project that includes web fiction, educational content and educational paths, history contents and stories to examine, understand and reflect on the various aspects of the digital life which, in this current era, increasingly overlaps with real life.

Public broadcasting service function

Weather and Traffic

New and expanded schedule space for Rai News 24, *Uno mattina*, *Agorà* and *La vita in diretta*.

With the resumption of the new season of *Buongiorno Regione*, the weather slots for the Regions of Basilicata, Calabria, Campania, Molise, Umbria, Puglia, Sardinia and Abruzzo were reconfirmed.

On the radio product front, *Meteo Europa* continued to be broadcast on Rai Radio 3 and Rai Radio 1, with the usual focus on cities hosting musical, theatrical and sporting events.

From November, in fulfilment of the Service Contract, the *Bolneve* (the weather forecast and avalanche bulletin) was resumed in collaboration with the Carabinieri Corps Forestry Service. In the autumn, *Bolmare* returned to its normal weekly programming on only Sundays (weather forecasts and shipping news), also broadcast on digital radio.

For digital radio, the production of integrated weather and mobility forecasts for the weekend continues. The communication training course for Italian Air Force weather forecasters also continued with new hosts that will take turns during 2020.

Activity continued to develop new logistical and technological infrastructure to support radio and TV broadcasting and the spread of web and mobile platforms. In this context, construction of the final stall and two content rooms was completed and the new mobility graphics are fully operational.

Accessibility

The obligations enshrined in the 2018-2022 Service Contract in relation to accessibility make the Company's commitment and focus increasingly incisive, seeing it increase the hours of subtitled, audio described, LIS translated (Italian Sign Language) programming, as well as focusing on the web offer.

In particular, in June subtitling on Rai Premium for two prime time programmes a week began, for a total of about 80 hours produced in 2019. In addition, the first live audio described television programme was broadcast, on the occasion of the opening of the season at the Teatro alla Scala on Rai 1 on 7 December and lasting three hours.

Programming in LIS (Sign Language) features on 1,460 editions of Telegiornale LIS annually (a daily edition of the news programmes broadcast by generalist channels and a daily edition on Rai News, including the weather, from last September increased to 8 minutes); an edition of TgLIS within the *Buongiorno Regione* was added to this programming, for the regions of Tuscany and Basilicata only.

At Institutional level, the LIS translation of the President of the Republic's end-of-year speech broadcast by the Unified Networks, and the Prime Minister's end-of-year press conference, lasting about three hours, was confirmed.

For the first time, in 2019, over 30 hours of LIS live broadcasting was carried out to cover all the stages of the government crisis, as well as some services in broadcasts relating to disability issues and the deaf, including in particular *Uno Mattina* and *Chi l'ha visto?*

2019 Weather and Mobility News

Radio

Onda Verde:

- **209** editions per week throughout the schedules of the three radio networks;
- **35** editions per week with slots from 01:05 to 05:05 in the Rai Radio 1 night time schedule;
- **14** radio slots per week on the Rai Isoradio station night time schedule;
- **6** editions per week on Gr Lazio with slots at 7:18 from Monday to Saturday.

Meteo Radio:

- **119** weekly editions of weather reports from 6:00 to 23:30 in the generalist networks schedules;
- **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 and on digital radio;
- **84** Meteo editions per week with scheduled events (from 5:30 to 24:30) in the Rai Isoradio station schedule;
- **47** weather forecasts for regional radio news at 7:18 in Abruzzo, Basilicata, Calabria, Campania, Molise, Umbria, Sardinia.

Television

CCiSS News:

- **51** editions per week with scheduled slots from 5:55 to 19:30 distributed in the schedules of Rai 1, Rai 2, Rai 3, TgR Regionale, Rai News 24.

Weather News:

- **119** editions per week with scheduled slots over 24 hours in the schedules of Rai 1, Rai 2, Rai 3, Rai News 24.

In relation to TgR, there are 20 regional editions and 9 include a public utility forecast:

- **280** weekly editions of automatic weather forecasts,
- **60** forecast slots in *Buongiorno Regione*,
- **5** slots in *Buongiorno Italia*.

Rai Easy Web is the website for visually impaired people offering cultural entertainment and leisure content for all age groups. The website was designed and implemented in compliance with the provisions of Law No. 4/2004 "*Provisions to facilitate disabled access to IT tools*".

The entire website is accessible to the blind through a Braille bar and speech synthesis. It features multimedia works aimed at improving the computer literacy of adults and children, as well as meeting the multiple visualisation needs for the various types of vision disorders; great works of classical music or opera to listen to; radio programmes of great cultural importance selected from the Rai archive and broadcast again with easy access; specials on topical subjects and commemorations of relevant events; a new section focused on "memorable facts and lives".

Rai Easy Web also hosts the section dedicated to simultaneous audio descriptions of films and dramas published on RaiPlay.

Televideo Services

Televideo began in 1984 and, since then, has been a stable point of reference on the information landscape and an Italian habit. Also available in web version, it is still one of the most usable products and support for people's daily lives.

It is broadcast in its national format on all Rai channels and, in its regional format, on Rai 3. From only 300 pages of 1984, Televideo has progressively grown and now includes 15,000 pages per day on National Televideo and the 21 Regional Televideo sites.

In January 2019, the National programme schedule was fully rationalised and pages dedicated to Public Utilities were fully updated, with a user index making sections clearer and more recognisable. Currently, the offer has sections on the environment, social inclusion, digital literacy, books, culture and Italy.

Accessibility

2019

Subtitling

Over 16,000 hours of subtitled product, of which:

- **Around 2,700** hours in the studio (including 5 daily editions of main Tg and 4 daily journalistic slots);
- **around 6,700** live or semi-live hours (including 9 shorter daily editions of Tg, 8 daily journalistic slots and the Bolzano office *Tagesschau* regional news in German);
- **around 6,800** hours for recorded programmes;
- around **700** hours of programmes with English subtitles;
- around **1,300** hours of subtitled programmes on the web - including, for the first time, the Paralympic swimming world championships highlights - with an increase of about 30% compared to 2018.

Audio Described

- **Around 1,500** hours of audio described product on generalist networks, now covering three quarters of prime time film and drama programming (about 15% more than in 2018);
- **Around 1,900** hours of audio described product on Rai Premium (almost double compared to 2018);
- around **117** of audio described product on Rai Movie.

Televideo Services

2019

National Televideo published:

- **Environment:** 1,500 pages across the Renewable Energy, Reduce-Reuse-Recycle, Environmental Sustainability, Green Agenda, Sustainable Mobility, Green Economy and Coast Guard information service sections.
- **Social:** 7,800 pages across the Audio descriptions, Fundraising and Services for Visual and Hearing Impaired Accessibility sections; 2,700 information pages on Work, Health and Digital Literacy.
- **Culture:** 2,400 pages across the areas of: Pagine da Leggere, All'Ordine del Giorno, Scaffale, La Rai da Leggere, Un libro, Accadde oggi and Matera 2019 European Capital of Culture sections.

Regional Televideopublished (for the 21 regional sites and with weekly updates):

- **Environment:** around 3,300 pages for the Agenda Verde section;
- **Culture:** 4,400 pages for the section: *Borghi da Gustare*, the particular cultural interest content having been taken up in the digital station programming for Rai Radio Kids and Radiocorriere Tv.

TV production

The realisation of Rai's television editorial projects - general and specialised channels, news and sports - is entrusted to highly specialised internal professional staff and supported by the highest standards of technology, so as to offer the viewer a product which is always in line with the public service mission and at the level of quality, including technical, that this requires.

Technology activities carried out during 2019 followed several development lines. A technological update for the AVID platform was planned and the core system was updated for the National News single production infrastructure and the integrated production systems for TgR were equipped with an emergency broadcasting mode, also to be activated in the event of a default of the main integrated production system.

In relation to TV studios, two new HD-based studios with IP technology were built, one at the Nomentano production centre (flight case mounted and operational since June 2019) and the other at the Saxa 3 studio.

This project was particularly important as its highly innovative nature - these were the first two in Italy of this type - led to a qualitative leap in the skills of specialist engineering designers. In this sense, much was also invested in human capital with courses and participation in specialised events, some of which abroad and via the web. The integration commitment and effort came from in house, boosting internal skills, valuable capital for future production centre updating projects.

The generalist channels central controls and broadcasting systems also saw the start of a complete system update. In particular, new entirely optical fiber cabling is in progress and all broadcasting stations have been built.

In post-production, workstations and storage for Teulada, Milan, Saxa Rubra, Naples and Turin have been updated with expanded capacity and functionality.

For External Shooting, the assignment phase for construction of new ITA four-camera HD cameras is almost finished. The tracking system for moving footage capture was also updated, which is the communication system involving motorcycles, helicopters and planes mainly used in the filming of programmes such as the *Giro d'Italia*.

The T3 platform has been progressively extended to almost all production workflows and to the TecaMaster digitalisation project. The Teca Master digitisation flow became fully operational at the beginning of 2019, to date, the overall digital archive (both from digitisation of the Teca Master and from new productions) consists of 291,771 hours of archived products of which 54,132 hours are digitised in the Teca Master, 72,600 hours in the News Archive and 15,200 hours in programme editing.

In 2019, for Rai 1, Rai 2, Rai 3, Rai Cultura, Rai Ragazzi and Rai Gold, in addition to the programmes traditionally produced in house - including: prime time shows such as *the Sanremo Festival*, *Ballando con le stelle*, *Tale e quale show*, *L'anno che verrà*,

Serata Roberto Bolle, *The Voice of Italy*; cultural entertainment such as *Meraviglie - la penisola dei tesori*, *Superquark*, *Ulisse*, *Città segrete*, *Sapiens*, *Speciali storia*; the day-time schedule including *Uno mattina*, *Agorà*, *La Vita in diretta*, *Detto fatto*, *Storie italiane*, *linea verde*; in-depth journalistic programming including *Porta a porta*, *Report*, *Presa diretta* -, new programmes were produced including: *La Porta dei Sogni*, *Maledetti amici miei*, *Popolo sovrano*, *Salemme in scena*, *Una storia da cantare*.

Production for Rai Cultura was particularly intense, with the musical seasons of the Teatro alla Scala in Milan, the Teatro dell'Opera in Rome, the Orchestra di Santa Cecilia, concerts in institutional bodies (Quirinale, Senate, etc.) and many other theatrical events. Specific events related to Matera's designation as the 2019 European capital of culture were also added.

The commitment required by news mastheads was also noteworthy, a commitment that has increased, amongst other things, with new schedules for Tg2 (*Tg2 Post*, *Tg2 Italia*) and new editions of the Rai Parlamento newsletter.

In relation to sport, particularly intense effort was required to cover the Giro d'Italia, with two new collateral sections and full coverage of two mountain stages. Important sporting events were covered such as the Women's World Cup in France, the European Under-21 Football Championship in Italy, the Cycle Tour of Sicily and coverage was guaranteed for all the sporting events for which Rai has acquired the rights.

In 2019 - in addition to the historic *Un posto al sole* - Rai's staff were engaged in the production of the dramas *Ognuno è perfetto* and *topi 2* and preparatory activities for the production of *Cuori coraggiosi* began.

Rai's internal production commitment does not stop at television alone. The production of the *Viva RaiPlay!* programme was particularly important. This characterised the relaunch of the Rai digital platform, but also that of functional programming for the new Digital Inclusion Structure committed to spreading digital culture in Italy.

Overall, in 2019, Rai's production activity led to a substantial saturation of all four Television Production Centers (Rome, Milan, Naples and Turin) and external media.

Technological activities

Information and Communication Technology

The digitalisation of operational processes, as well as the use of cross-media and the Internet as a distribution channel are turning Rai into a Digital Media Company, making it an integral part of the "infosphere", understood as "global information space". Information and communication technologies - suitably developed in compliance with strategic directives - have supported, enabled and in some respects guided change, contributing to the achievement of expected goals.

The new challenges are tackled by governing a prospective plan (*ICT Digital Platform*) in which project initiatives are organised in a comprehensive framework and which supports the "IT centric service" vision of the offering, through a management system based on defined, repeatable and measurable operational processes.

The evolutionary trend has been guided by new approaches to Business Process Integration, Data Governance, Mobile Working, IT Ecosystem and Cyber Security strategies.

In relation to Business Process Integration, work was aimed at guaranteeing IT services connection logic, integrating components built on a *business architecture* model whose distinctive factors are modularity, scalability and flexibility:

- the feasibility study for the integration of editorial, economic and production processes was completed; through the "technical sheet", it will be possible to set up interoperability logics on the information systems that support them (On Air, SIP, Primsys), capable of ensuring unambiguous 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;
- for management and administrative processes digitalisation, commitment has been focused on solutions geared to economic planning, financial planning and business accounting, exploiting a new model in the scope of internal production activities. Optimisation activities were carried out on tools for Customer and Supplier Electronic Billing;
- for editorial planning, preparatory activities were completed for the release of the On Air Scheduler module for the all-digital broadcasting of Rai Scuola, Rai Storia and Rai 5 stations, already activated in terms of closing Radio Corriere;
- in relation to the production resource planning (Primsys), work relating to short-term planning for Light External Shooting, Lightweight, Assembly, Means and Connections services began, as well as on integration with SAP ERP and a new analysis tool for the Company Datawarehouse;

- in the area of administrative management, developments for Collaborators were addressed;
- in relation to the objectives for content dematerialisation, we note the design of Paperless Purchasing, e-Procurement and IT Services solutions to support the access tracking process (e.g. Extras).

As regards the focus on *Data Governance*, past practices of integration and use of *big data* in the Company's operational and decision-making processes have shown how important it is for a *Digital Media Company* to be a *Data Driven Company*. The sharing of the "Data Governance" initiative has created the right conditions for the Company to consider its data as an asset and can therefore define, communicate and implement standards, procedures, metrics and responsibilities, as well as guiding and monitoring compliance with the defined policies, regarding the use and processing of data.

A part of the investment was earmarked for the development of platforms for the structured management of information assets. In this regard, in the Marketing field, an experimental tool is being developed that extends the data lake to data on Instagram, taking advantage of the consolidated experience of the cloud service for sentiment analysis of Rai programmes (SARAI) through Twitter data.

A new tool is being designed with the collaboration of the University of Turin which, by making use of artificial intelligence algorithms, will support the analysis of emotions aroused by television programmes and identifies the social networks of viewers who publish their comments.

Agility, speed of response and mobility are typical requirements of a Digital Media Company, therefore the Mobile Working opportunity has gained great importance in the ICT development strategies of Rai and in the related development plans.

By exploiting cloud paradigms and making Unified Communication & Collaboration tools available, which integrate the use of devices of a different nature (PCs, house phones, mobile phones, mobile clients, video conferences), content sharing has been enabled and communication facilitated, including in heterogeneous contexts:

- the migration of email to the Cloud Microsoft Exchange On Line solution has begun, which improves the use of mobile devices, such as smartphones, tablets and portable PCs;
- a new cloud service was released enabling consultation of Listening Data on the move, thereby enabling access to reports from mobile devices, including from outside the company network;

- a cloud storage service integrated with the on premise systems of the Company was provided.

Since companies' ability to cooperate and integrate also depends on the network of which they are part, it is essential to create suitable platforms for sharing and exchanging data and information. The most significant initiatives in this area included:

- integrated management and processing – between Rai and Revenue Agency – of the Ordinary and Special TV licence fees, in compliance with the technical paradigms established by the Agency for digital Italy; in particular, note is made of the extension to communications to prevent evasion through the mass PEC sending system;
- the new online platform of Rai Ragazzi for the reception of projects and proposals from producers, which includes the selection and assessment of contents.
- the development of the needs planning support solution, which allows data to be sent to the Ministry of Economic Development;
- the creation of the *Prix Italia* system, to support the preparation and configuration of the various event editions, the management of data sheets and of multimedia contents of the broadcasters participating in the competitions;

To support change, new styles and innovative approaches are necessary in order to keep pace with a world that is constantly changing. Knowledge and risk management are critical success factors, therefore only a holistic approach to Cyber Security and the issue of IT Risk is capable of combining natural (human factor) and artificial elements, thus ensuring the ability to face the challenges of technology for a Digital Media Company operating as a public service.

As required by the *Comprehensive IT Security Model*, the IT Security Compliance Assessment took place in 2019, in conjunction with the IT Risk Assessment Compliance, to update the periodic assessment of the IT security and IT risk level. The resulting evidence and recommendations resulted in appropriate additions to the Organic Security Plan and made it possible to develop a Risk Processing Plan.

In particular, in the Cyber Security area, the "SCC - Security Coordination Center" was launched for the coordination of IT Security activities. This system, which maintains relations with CNAIPIC (National Cyber Anti-crime Center for the Protection of Critical Infrastructures), is organised to analyse data, including from external sources, with a view to proactive intervention and to mitigate risks connected to normal functioning impairment of the Company's critical services.

The digital business support platform requires that the enabling infrastructure components be kept constantly up to date. In 2019 the effort was focused on the following initiatives:

- multi-platform and multi-network digital distribution: the objective of the activities in this area was to facilitate, through the IP Network, the dissemination of content and metadata on diversified access and distribution platforms. This objective required the development of the virtual network for the transmission of digitised files (IP File Based Network), as well as adaptation of the web farm infrastructure and nodes exposed to the big internet to ensure Rai's effective and efficient delivery offer;
- with the expansion of the Rai offer on the Web channels, the ICT Department has contributed to the design of the infrastructures used in the *Viva RaiPlay!* programme and at the same time launched an initiative to develop internet services to increase the level of service quality in terms of accessibility and continuity;
- the building of the disaster recovery infrastructure of the RaiPlay platform at the Turin site began;
- in relation to data transport strategies, an evolution of the CDN (Content Delivery Network) has been developed which has improved the availability and dissemination of content in terms of quality and reliability;
- the streaming portal was built, which enhanced the content transport infrastructure to be shared on the company Intranet.

Data Center: the availability of an IT Data Center layer is essential to meet the needs of the Digital Media Company in terms of management of services, information and content. In this area:

- the definition of the design for the Business Continuity and Disaster Recovery of Data Centers has begun, which are the technological cornerstone of the digital transformation. The design favours the adoption of systems and technologies mainly geared towards virtualisation, preparatory activities for the use of hybrid cloud solutions;
- The technological storage update continued, with the adoption of flash technology which, having greater capacity density and flexibility characteristics, makes it possible to render environments for data management more efficient.

Application infrastructure components:

- with respect to the platforms for structured data and information management, the new SAP S4/HANA version was released, in view of developments in the systems that focus on planning, administration and control;
- the system supporting the Rai Contact Center service was updated with a new version of the Siebel in Cloud component, which optimises the maintenance of licenses and operating costs compared to the previous on premise configuration;
- to meet the increasingly frequent requirements of integration between the various company systems, the implementation of a new API Connect infrastructure was launched, capable of managing, enabling and tracking communications between different instruments;
- in relation to the use and enhancement of the Company's audiovisual heritage, operations have begun to make the new MAM (Multimedia Asset Management) platform available for the management of audio/video content.

The ICT Control Room at the Turin site - a space where monitoring groups oversee IT services, network infrastructure and workstations - has been completely updated from a plant engineering and set-up point of view.

1.2. The new Control Room where ICT services are monitored



3. Room E - Via Asiago



Broadcast and Frequency Management Services

The activity was developed along many guidelines in 2019. Below are the main activities.

Release of the 700 MHz band and Finance Law: new National Frequency Assignment Plan. The Budget Law 2019 (Law no. 145/18) introduced changes of great impact on the television sector, including, above all, the need to update, by AGCOM, the National Frequency Plan (PNAF) for the distribution of television services following the release, from July 2022, of the 700MHz band for broadband mobility services (refarming). The PNAF, published with Resolution 39/19/CONS of 7 February 2019, takes into account the need to ensure complete national population reception through the use of UHF band frequencies in exclusive use at national level.

In addition, for Rai the aforementioned Law provided - in relation to the multiplex containing regional information - "*the obligation to sell a portion of the assigned transmission capacity, in any event not less than one programme, in the transitional period, in favour of each subject legitimately operating in the local area, assignees of the rights of use of channels CH 51 and 53*" (Law 145/18 - Art. 1 paragraph 1104). As a result of this, in December 2019, a service offer was published aimed at the "*transfer of Rai transmission capacity*", structured on the basis of the methods and economic conditions defined by AGCOM itself with Resolution 457/19/CONS.

The refarming process was the focus of intense and numerous consultations called by both the Ministry of Economic Development and AGCOM, for the analysis of the impact on the public service. With a view to ensuring continuity of population reception starting from 2022, the project to extend the Mux Rai, currently with lower coverage, was launched. For completeness, to begin an information path for users, a test was activated to verify the suitability of receivers in relation to the new Dvb-T2 standard (HEVC Main 10 Test).

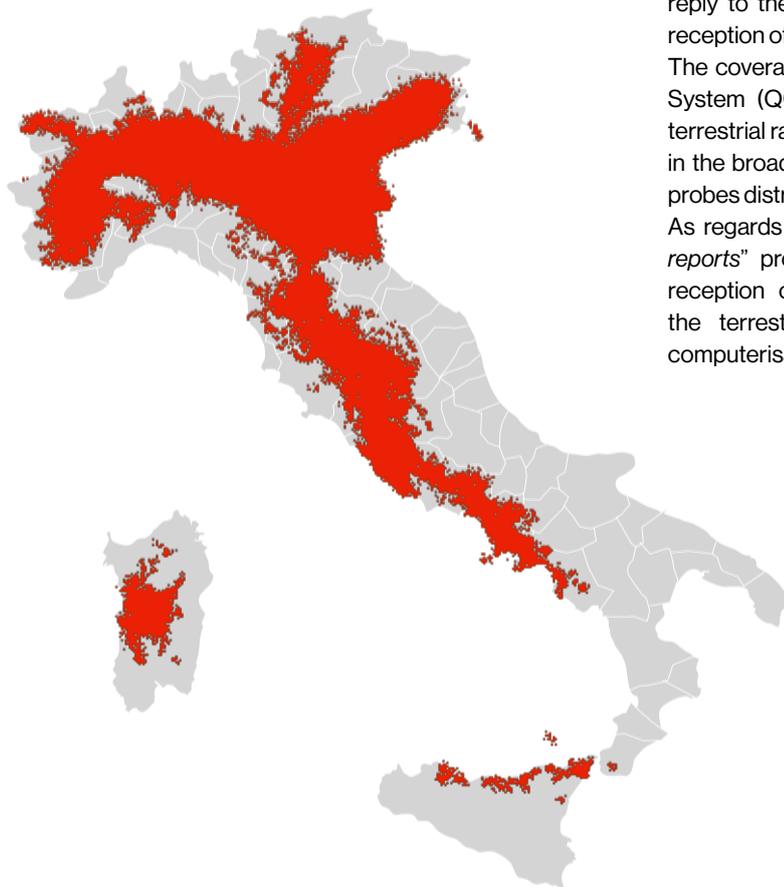
Analogue (FM) and digital (DAB) radio. Rai always pays close attention to protecting the analogue radio service: monitoring is constant, often with the need for administration activities, at different levels, ranging from participation in measurement campaigns, when there has been interference situations, to participation in technical meetings, up to formal actions, including of a judicial nature.

In relation to DAB digital radio, 23 systems were launched in 2019 to cover motorway sections: A1 Milan-Naples, A4 Turin-Trieste, A3 Naples-Salerno, A30 Caserta-Salerno, E45 Orte-Perugia.

At the end of 2019, Rai's DAB+ network was made up of 57 stations for a mobile outdoor coverage equal to 56% of the national population.

Potential interferences from the implementation and/or modification of transport and distribution systems are constantly monitored. 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 2019, around 70 frequency coordinations requested by the Ministry of Economic Development were managed. Rai's presence on the national and international spectrum management tables (UIT-WRC, CEPT, EBU) is also constant, including, in 2019, the World Radiocommunication Conference held in the autumn.

DAB+ coverage as at 31 December 2019



AGCOM frequency register. In November 2019, Rai was assigned responsibility for managing the National Frequency Register - previously managed by Rai Way - for updating the radioelectric data of the networks of systems that broadcast Rai services (DTT, DAB, FM).

Relations with Rai Way. During 2019, numerous contracts were agreed with Rai Way both for the supply of connectivity services for the production of television and radio broadcasts, and aimed at extending/modifying terrestrial broadcasting networks or the satellite platform. Work continued on monitoring and controlling the service levels of the Rai Way network and monitoring the progress of the implementation of orders which provided for the enhancement of broadcasting/transmission services (extension of coverage of Mux 2, Mux 3 and Mux 4 up to 95%, extension of the coverage of the DAB+ network, permanent connections of company production sites with institutional sites, etc.).

Monitoring of coverage. Constant support was ensured to reply to the various parliamentary questions on the topic of reception of the Rai radio and television signal.

The coverage monitoring is supported by the Quality Control System (QCS) which monitors the technical quality of the terrestrial radio and television service and detects any outages in the broadcasting and transmission network with the use of probes distributed across various sites throughout the country. As regards relationships with users, the "management of user reports" project was completed, on issues concerning the reception of the Rai radio and television service through the terrestrial platform, by setting up a database and computerisation and automation of the entire process.

Research and Development

The focal point of Rai's Research and Development strategies is the experimentation and implementation of new technological platforms aimed at broadcasting, telecommunications, television production and accessibility support and are essential prerequisites for the evolution of services in line with the requirements of the Service Agreement 2018-2022.

The references that guide these activities can be identified in the current technological and regulatory contexts that characterise the radio, television and multimedia world both nationally and internationally.

From a regulatory standpoint, the expected reduction in frequency resources and the consequent necessary rescheduling of digital terrestrial television by 2020 -2022 have a significant impact.

The main technological innovations currently being carried out in the radio and television sector can be identified as follows:

- the evolution of display systems both from the point of view of intrinsic characteristics (UHD-4K spatial definition, HFR temporal definition and HDR vision quality) and the increasingly complex type of usable devices (Smart TVs, Smartphones, PCs);
- the evolution of broadcasting systems, with the increasingly widespread presence of fixed broadband in the area and the introduction of new 5G technologies dedicated to mobile broadband networks;
- new tools, based on methodologies and techniques related to artificial intelligence, used both in the analysis, indexing and processing of audio-video content and in that of audio-video content coding algorithms.

To ensure an optimal use of these new technologies, it is indispensable, amongst other things, to build new television and multimedia products that are highly interactive and immersive, as well as new promotional procedures based on the knowledge and profiling of users.

In keeping with the ongoing technological and regulatory changes, the main research and development areas pursued during 2019 regarded the evolution of audio/visual production and coding systems, the study and distribution of new multimedia services, the evolution of the fixed and mobile distribution networks and the development of technologies and services to support accessibility. These themes, managed in close synergy by different company areas, have also been partially developed in collaboration with third parties and as part of funded projects.

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 and AMWA NMOS*, including through laboratory tests and developments and the participation at events organised by national and international entities.

Support continued for the broadcasting of the experimental channel Rai 4K via satellite, both in terms of signal encoding and providing technical advice for the production of programmes in UHD-4K (Ultra High Definition-4K) format.

In this context, of special relevance was the experimentation into HDR (High Dynamic Range) technology, an innovation that will allow high dynamic range imaging to be generated and transmitted and which is considered a basic feature of new TV formats, both HD and UHD-4K. This technology was introduced in selected company productions such as, for example, some episodes of *Meraviglie*.

In addition, simultaneous HDR and SDR (Standard Dynamic Range) production was further explored, essential to optimise production costs and times when it is necessary for the product to be distributed in both UHD and current HD formats.

At the same time, we began an assessment of the HFR (High Frame Rate) shooting technology, which significantly improves the resolution of fast moving images. A typical application is the filming of sporting events, but other types of content can also benefit, such as documentaries.

The broadcasting of HFR contents at a 100 Hz frequency (100 frames per second) and in the UHD format according to the DVB standard is compatible with the current UHD receivers at 50 Hz and requires only a moderate increase in transmission capacity.

The introduction of these technologies requires careful management of resources and in this respect studies continued for video encoding techniques based on profound neural networks, also aimed at contributing to the future technological-scientific development of international standards (MPEG, ISO-IEC, ETSI).

A first video coder prototype entirely based on neural networks was therefore built which, although not yet state of the art in terms of coding efficiency, demonstrates the feasibility of the approach. The joint work is ongoing with the Politecnico di Torino.

As part of the DigiMaster project for the digitalisation of archives, the digitalisation of magnetic supports for the Palermo and Campobasso office systems began, while for films, new functions have been developed to optimise the process which is currently underway both in Rome and Turin.

In the area of the digital archive evolution, experiments continued on quality control solutions for digital master files and efforts are underway with regard to the technical analysis of future LTO/ LTF5 storage technology scenarios and the design of components for the migration and use of protected contents.

In relation to advanced content management systems, in 2019, the first phase of experimental activities in the field of indexing and visual search of video content was completed. Experiments were carried out both to assess the correlation between finished programmes and raw archive materials and to introduce visual search into marketing and advertising applications.

Experimental studies also continued in the field of automatic classification systems based on Deep Learning networks. These systems enable documentation cost optimisation and increase the potential for exploiting content.

The development of a platform – called RAI Media Cognitive Services (MCS) – for Cloud integration of artificial intelligence services was also consolidated, adding visual search functions based on standard and market technologies. The requirements for a further extension of the platform were defined both for the integration of additional services and for the inclusion of additional functions, which allow the efficient creation of training datasets.

A functional review of the automatic transcription system *ANTS* (*Automated Newscast Transcription System*) was launched, with a view to expand the system with new analytical services, for example the extraction of descriptors for visual search, automatic classification and real-time detection of audiovisual events (theme songs, clips).

In 2019, the *News.vid.io* project, co-financed by the *Google DNI* programme, was launched, in which Rai participates within a team of European researchers and system integrators, for the design and implementation of a news content for online platforms production system, assisted by artificial intelligence technology. In the same period, we began the development of a collaborative augmented reality application for production centres: this application will help the director and the set designer to place virtual assets in a real TV studio, to then create the actual scenography.

In the field of connected television applications, a new version of the *RaiPlay 2020* application was built on the HbbTV (Hybrid

Broadcast Broadband) platform. In addition to a new graphic design, the new application was completely redesigned to optimise - in collaboration with the Politecnico di Milano - all aspects of ergonomics, ensuring maximum ease of use, intuitive browsing and simplified access to the app on TV through a smartphone for registered users.

Furthermore, studies and trials on systems for the protection of on-demand content provided on next generation televisions continue.

As part of the activities concerning the accessibility of Rai content, in 2019, the planning phase was completed for the creation of a semi-automatic subtitling platform for regional newscasts.

The *Progetto Beethoven* was completed at the Toscanini Auditorium in Turin with the cabling of a sector of the stalls with a magnetic induction ring that enables deaf people with a cochlear implant to listen to concerts. During the initiative's inauguration, which took place in collaboration with the Department of Otolaryngology of the City of Health and Science of Turin, on 4 April 2019, around twenty deaf patients with cochlear implant were able to listen to one of the concerts of the Rai Symphony Orchestra season for the first time.

During 2019, in collaboration with Rai Ragazzi, the first season of the television *Rob-o-Cod* programme was co-produced, a game show to promote coding in schools, that saw 16 teams of middle school pupils challenge each other with robots they had built and programmed on increasingly complex race courses. The 28-part first season of the programme was produced at the Turin Production Center and broadcast on Rai Gulp in April and May 2019. Production of the second season has been underway since the end of 2019.

As part of research efforts dedicated to the development of systems for the creation and use of innovative contents, *Rai Bridge* is a system that allows linear TV to be enriched with synchronised content that can be used through an Android application. Based on the positive trials in 2018, in 2019, this system was brought into full operation and a production platform geared towards to data journalism, based on hyper media news and concept book systems also developed by Rai, is currently in industrialisation phase and will be put into operation.

The study of new radio applications continued, starting with the Hybrid Content Radio application developed for customising content with a mix of linear and on demand, allowing Rai radio content to be accessed and browsed through voice commands using smart speakers.

Remaining in the radio sector, possible technological solutions were assessed to guarantee continuity of the DAB+ service

also in motorway tunnels and a joint trial was coordinated with ASPI (Autostrade per l'Italia company), the subsidiary Rai Way, EuroDab and DabItalia for a multi-operator DAB service in the Monte Mario tunnel on the A1 in Bologna.

Work 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. In this context, one of the first demonstrations of *live TV broadcasting via 5G* to mobile phones was held on 24 June, in collaboration with the Municipality of Turin and TIM, during the show organised by the Municipality of Turin for the city's patron saint San Giovanni celebration. This technology was subsequently presented at the IBC 2019 international fair in Amsterdam.

In order to increase the offer of broadcasters through the distribution of OTT (Over-the-Top) multimedia contents on broadband networks, Rai participated in DVB activities for the definition of the new DVB-I standard for the distribution of live TV and VoD TV services on the Internet that can be used via connected television or mobile devices in the same way as the traditional broadcast services, as well as a demonstration of this new technology at IBC 2019. In addition, Rai participated in the definition of the commercial requirements for the new DVB-HB (Home Broadcast) standard which aims to facilitate the domestic use of television content on devices such as smartphones or tablets without the need for a high-speed internet connection.

The work of defining an extension to the Dvb-S2X standard for Beam Hopping was completed, a technology that allows optimised exploitation of the transmission capacity typical of the new satellites, capable of providing multispot coverage of the earth's surface, with applications in satellite broadband for services to collective mobile means such as aeroplanes, large ships or trains.

In the context of mobile filming, *the* commitment to the funded project H2020 Multidrone continued. 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 2019, the multi-drone mission planning and control dashboard was designed and developed, a fundamental element of the system. The development activities were joined by field activities that saw the commitment of technical and human resources both in preparatory experimental activities for project trails and in company productions, in particular for Rai Gold, using drones.

Furthermore, the activities of the H2020 5G City project, aimed at the development of three 5G test-beds in the cities of Barcelona, Bristol and Lucca, were completed, with the development of immersive applications that, for example, allow you to virtually

visit the Puccini House Museum, or an augmented reality *view* of some monuments in Lucca using a Hololens viewer, a three-dimensional model that can be explored and is equipped with descriptive textual information.

In 2019, a further H2020 project on 5G began, called 5G-TOURS which provides, together with partners such as TIM, Ericsson, the Municipality of Turin and the Fondazione Musei, for the study and development of applications in the media sector, such as remote production and immersive media, which will exploit the 5G network infrastructure in Turin made available by the project partners.

As part of the H2020 MediaRoad project, which finished in November 2019 and aimed to support innovation processes in the media sector in Europe, "Open Innovation Days" were organised to encourage discussions and exchanges between companies and start-ups with regard to innovation, creating a network of media stakeholders.

During 2019, two new patent applications were filed and the licences obtained for over 30 new patents, which were filed in previous years.

During the school year just ended, the Rai Technological Innovation and Testing Research Centre also actively participated in the project Rai Porte Aperte by hosting 12 schools for a total of over 250 visitors who were guided through the various technological innovations currently being studied according to two different approaches, one more strictly technological and the other with greater focus on new services.

Networks and Platforms

There were many projects in 2019 to strengthen and develop the network and for the release of Rai content on digital platforms.

2019 saw the relaunch of RaiPlay and the Rai streaming content platform. For the first time ever in Italy, Rai has broadcast a live entertainment broadcast in prime time, *Viva RaiPlay!* exclusively via IP.

The broadcast - in simulcast on Rai 1 and RaiPlay from 4 November and exclusively on RaiPlay from 13 November to 20 December 2019 - involved about 20 hours of streaming and the technical preparation and management of VoD clips, as well as control activities and monitoring of distribution on the IP network.

Once again, Rai assumed the role of user "facilitator" for new technologies, and the editorial choice proved successful, both in terms of audience and image, so much so that Fiorello has been called the "new Manzi 2.0 master of public TV".

The set up of the IP distribution technical project took into account the definition of the requirements and verification of infrastructure needs. New RaiPlay Apps suitable for different devices and operating systems were developed, the CMS and the back-end servers were adapted for log in and to manage histories and favourites, work was carried out on the Web Farm and the integration of a new player, and the new recommendation engine is already active, all central factors for an improved user experience.

The chain elements were defined to guarantee work flow robustness and reliability with the improvement of the company intranet and web farm. In detail:

- the packaging system for streaming and the editing and storage systems for VOD was updated
- the front-end server was upgraded to increase delivery capacity of web pages and apps, to upgrade the server for delivery to the CDN for VOD services and to acquire new encoders for IP distribution of 4K;
- the circuits were expanded between Rome's production facilities and new methods defined for delivery to the CDN provider with the creation of dedicated circuits for the CDN entry points;
- a temporary Disaster Recovery platform was acquired for the *Viva RaiPlay!* Project;
- the CDN contract was extended and new delivery capacity was acquired;
- the FFmpeg-based encoding software platform used for automatic publication processes was released;
- the new Jira support platform was implemented to manage internal trouble ticketing and support for RaiPlay users;
- a monitoring room was designed and built for *Viva RaiPlay!* live.

With the support of the Politecnico di Milano Design faculty, a preliminary study was carried out using biometric analysis and eye tracking, in preparation for the design of the new RaiPlay offer interface for smart TV (RaiPlay 2.0).

In 2019, two major projects for the application infrastructure were implemented. In detail:

- Washi Content Management System: a first version of the new application architecture was designed and implemented to support content management. Further functional developments are underway which will lead to this platform also being used for further business projects. Using the new technologies based on micro services, the management of all the contents of RaiPlay digital offer will be more efficient through the new system;
- RaiPlayer: a functional evolution of the new video player was implemented for the browsing offer (both from mobile devices and from PC), already designed and implemented in 2018. In particular, the features for connecting to Chromecast devices and for the management of Digital Right Management (DRM) platforms were extended. The player was implemented on some smart TV applications.

Positioning agreements for the Rai offer were concluded with Hisense, Sony and Panasonic. For smart TVs, these agreements include visibility of the RaiPlay App in the system gallery and the pre-installation of the RaiPlay App, while the agreement with Hisense also includes a dedicated RaiPlay button on the remote control.

An app (Rai MeMo) dedicated to Weather and Mobility information was built and is due for release in 2020, and analysis has begun for the expansion of this offer through the creation of a web portal and a web channel.

As part of strategic activities regarding satellite broadcasting, a number of projects continued in coordination with the TivùSat platform, with Rai Way operating activity and the relationship with satellite operators Eutelsat and SES Astra.

We drafted the plan for the free distribution of satellite Smart Cards, envisaged in the Rai-MISE 2018-2022 service contract, to be submitted for approval to said Ministry.

Technical and support assistance was provided to Rai Com for the distribution of Rai Italia channels abroad, in relation to the change in the transponder for satellite broadcasting in Asia, the new channel for South America and the extension of the contract for Rai Africa.

The reconfiguration has begun of satellite transponders to include regional programming from the second half of 2020.

In addition, the role of Rai 4K channel was consolidated during 2019, with the broadcasting on the satellite platform TivùSat of high-audience UHD events such as the Champions League matches, television series, films and documentaries. Starting from 15 July, Rai 4K will broadcast for 24 hours a day with a rolling programme lasting around 12 hours.

Participation in national and international groups for the standardisation of television receivers with three front ends (DTT, SAT and IP) continued, also taking into account the changed technological scenario that will result from the sale of the 700 MHz band.

Through its representatives in the international associations to which it belongs, Rai monitors the technological evolution of platforms close to being launched on the market. Of particular interest are content protection technologies (ECP - Enhanced Content Protection), including UHD, full compliance with the HbbTV standard for the distribution of OTT services in a horizontal environment and the evolution of audiovisual formats (UHD, audio immersive). In addition, contacts were agreed with TV and STB manufacturers to ensure that broadcasters' requests are duly taken into account in relation to the roadmap for launching services.

Since 2019, Rai has been a member of the WorldDAB Association, an international organisation that promotes the development of digital radio in Europe and worldwide, and actively participates in promotion, research, technological

development and regulatory support for digital radio (DAB+).

In line with the strategic development directives, technological and infrastructural solutions are being studied for more efficient and effective distribution of audiovisual content over the IP protocol. In this scenario, the MoU signed by Rai, Rai Way and Open Fiber is set to explore the new potential of NGA networks in the distribution of public service content: this collaboration will allow for the testing of 8K content broadcasting on IP networks, one of the first attempts in the world to test these technologies in an integrated way.

Preliminary activities were launched for the project to build a proprietary CDN that will provide Rai with a complementary distribution on private CDN and global CDN, a strategy adopted by all major players, including international, to ensure control of service quality and of quality of experience.

With the aim of creating a data driven strategy, increasingly necessary to offer the Rai viewer/user an offer in line with that of the audiovisual market via broadcast and IP, the definition of a new digital audience monitoring system was launched, through a service offered by Consip-Almaviva-SAS.

Event data was analysed (registered users/downloads/YouTube trends) and insights were processed relating to the functioning of UX through the creation of behaviour segments. In addition, technical coordination was defined for Auditel technological fulfilment to guide the technological and methodological decisions for the Total Audience survey.

Technologies

The development of a detailed investment plan is underway to facilitate the evolution of the technology needed to deal with the radical changes imposed by the competitive context and strategic corporate priorities, modernising the entire business to ensure more efficient operating methods.

The initiatives, which will continue in the coming years, are grouped into 6 major implementation areas for Rai's television and cross-media product: National News, Regional News, TV Studios, External Shooting, Delivery Platform, Media Factory.

The production of news for national news is a central factor for the public service. The first part of the existing production systems technical update was carried out and a in-depth update is underway which will lead to new TV studios and control rooms for Tg1 and Tg3, and with them an important rationalisation of the Saxa Rubra area.

In the area of regional news, important technical and infrastructure updates are planned which - amongst other things - will lead to full integration of the regional and national news systems and the implementation of business continuity. Similarly, initiatives have been launched to support regional information with the purchase of new and modern mobile connection systems, in addition to the renewal of satellite vehicles.

Extraordinary maintenance work continued on almost all regional offices with the replacement of audio mixers and updating of audio-video systems.

As for Studios and External Shooting, an in-depth upgrade of systems is underway to replace obsolete and standard definition technologies.

The design of the Nomentano studio complex was completed and preliminary works are underway on site. The new control rooms will be UHD ready and this technology will also be introduced on two heavy goods vehicles.

The design of new full UHD vehicles was completed and is in progress for new control rooms, numerous vehicles and mobile connections. Again in this area, various safety and adjustment operations are underway for stage lighting and production systems.

In relation to Delivery Platforms, the security system for the generalist network broadcasting stations at Saxa Rubra was completed and the 4K-UHD for the broadcasting of the 210 TivùSat channel was inaugurated. The business continuity system and disaster recovery is being designed - which will protect the emission systems of Rome and Turin - and new

routing systems of Naples and Milan, which will be the two main and automated nodes of the TV signal contribution network.

The complete overhaul of the emission systems in a multi-platform perspective and with new generation technology, based on IP and cloud systems, is underway; some systems have been adapted to support subtitling and Televideo (teletext) systems, and testing of TgR Lazio live subtitling has started.

For the Media Factory - the infrastructure, network and management processes of all Rai audiovisual content including those from the Teche archive digitalisation - numerous improvement and modernisation works are underway, especially in relation to security for protection archived data and work flows (business continuity/disaster recovery) and resistance to cyber attacks (cyber security) but also in terms of environmental sustainability (lower resource consumption).

From the second half of 2019, a new push was given to the training and qualification of highly specialised technical staff. It is essential that designers understand the market and worldwide industry trends, and for this reason, in addition to the institutional training - carried out largely in the EBU area - relationships with the main reference industrial partners have been consolidated. The relationship is bidirectional, useful to improve Rai's knowledge of the market and latest technologies and to strengthen Rai's presence as a technology driver in the Italian broadcasting market.

The current strictly technological approach is moving towards a position centered on very high definition (4K-UHD) in all those areas where this is important and convenient - as in the case of sport and high quality programmes - towards high definition (HD) as the basic quality level of the product, but immediately setting up the infrastructures for future evolution.

The transition to IP technology also continues decisively, with it being introduced where it brings real value to business processes and if there are no contraindications in terms of security and reliability.

Last but not least, much attention was paid to the issue of environmental sustainability in the design of the new systems, in particular in terms of reducing electricity consumption.

Transmission and distribution activities

Rai Way is the Group company 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 21 local offices are located throughout the country and it employs 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*, meaning 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 analogue 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 allows it to play a central role in its reference scenario, also being able to explore markets related to the development of new generation telecommunication networks.

In 2019 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.

In December 2019, Rai and Rai Way signed an agreement to regulate the implementation of work on the digital terrestrial television network required by the refarming process, with consequent changes to the Service Contract signed in July 2014, extending it until June 2028. This is an important agreement that will lead to the creation of a more extensive and technologically advanced configuration of the radio and television broadcasting network than the current one, reaffirming the strategic role of Rai Way, not only for Rai but for the entire country.

During the year, activities to complete the refarming of the portion of the radio link network in the 3.7-3.8 GHz band were completed, the coverage of the broadcasting service for the digital radio DAB+ continued and the first systems were activated for the extension of the thematic MUX 2, 3 and 4 coverage, preparatory to the refarming process.

As part of the initiatives launched to encourage the evolution and development of services included in the Service Contract, a so-called "hot spot" was created with guaranteed quality, completely designed and developed by Rai Way.

In relation to the business segment connected to third-party customers, the trends observed over recent years were confirmed in 2019; that is, the contribution of corporate, fixed wireless access provider (FWAP) and broadcaster customers counterbalanced the pressure on revenues that characterises the "hosting" services for mobile telephony operators (MNOs).

On the innovation front, efforts continued in the acquisition of technological skills and development of preparatory ideas for the development of innovative projects, both with a view to new services to be offered to customers, and with the evolution of internal organisational processes and models, in the key Digital Transformation.

Property and Local Sites

Real Estate Assets and Services

Rai manages its real estate assets according to the criteria of economy, efficiency, optimisation and sustainability, improving them with both routine and extraordinary work, ensuring they are of the highest quality and functional standards. It provides services related to logistics, office equipment and staff mobility.

The total real estate assets managed amount to approximately 780 thousand m², of which 660 thousand are owned and the remaining leased, and is distributed throughout 65 municipalities. To this 11 correspondence offices in as many countries are added. They include properties of particular architectural and historical importance, including the General Management building in viale Mazzini and the Radio Directorate building in via Asiago in Rome, the Production Center in Corso Sempione in Milan, Palazzo Labia in Venice and the regional offices in Florence.

They are divided into offices and editorial offices (37%), television and radio studios and other production technical areas (31%), 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 (20%) and the head offices in Rome and Turin (20%).

Much work was carried out in 2019 on Rai's real estate assets. This included work carried out as part of the fire regulations programme to update the main corporate sites, including the Teca Central and the Salary Services Center in Rome, the TV Production Center in Via Teulada and that of Milan in Corso Sempione.

A seismic risk assessment campaign was carried out on relevant and strategic corporate buildings - to date covering approximately 40% of properties - after performing on-site surveys, geological surveys and mechanical characterisation tests of materials and with seismic improvement works already carried out at the Regional Offices of Cosenza and Palermo.

As part of the asset rationalisation programme, in 2019 the executive phase began for the sale of the Rai skyscraper in via Cernaia in Turin, one of the most prestigious properties in the Piedmontese capital with its 19 floors, 72 meters high and 28,600 m² overall.

The development of the research project that produced the *Rai BIM Proprietary Guideline* in preparation for the design, 3D modelling and maintenance of corporate properties continued through Building Information Modeling (BIM), a working method that allows the shared management of information and models during all phases of the building process. In 2019, the Saxa Rubra centre buildings were modelled followed by those of the remaining main sites in Rome and Milan.

1. The Rai offices in Viale Mazzini
2. The Rai Production Center in Milan C.so Sempione
3. TV Production Center in Via Teulada



At the site in Via Asiago in Rome, restructuring and multimedia work on Room B was carried out, also equipping it for television productions, and other modernisation works were carried out in various parts of the complex.

In 2019, activities continued to improve and modernise real estate assets. The main works carried out and under construction include: the re-qualification of the service systems; the improvement of the thermal insulation of buildings; the installation of advanced building management systems; the replacement of traditional lighting with LED technology. In addition, old rooms were refurbished and buildings and plant engineering at production centres and local offices were brought up to date with regulations.

Separate waste collection activities and the alignment and rationalisation of existing contracts for the environmentally friendly disposal of special waste also continued.

In 2019, on the mobility front the ecological profile of the company fleet improved with the inclusion of new hybrid and electric vehicles replacing those that reached the end of their operating cycle.

Regional and foreign offices

Rai territorial coverage is divided into 17 Regional Offices and 11 Foreign correspondence offices distributed in the main countries.

In 2019, the pilot Droni Project was completed, with pilot team formed and numerous missions coordination in collaboration with regional and national institutions. The Office Technical Assistance group was set up, with professionals from various regional bodies, with the aim of internalising specialist assistance on post-production systems. Furthermore, office service recovery vehicles and satellite transmission (ITA) was rolled out with the supply of new cars operating in the Ka band (ITAKa).

1. Rai drone flying over the Quirinale
2. The Regional offices of Potenza
3. Room B in Via Asiago during Viva RaiPlay!



Sales activities

Advertising

The sale of Rai advertising space – on generalist and specialised radio and television channels, on digital and satellite free-to-air channels, on Rai domain, on product placements, on teletext and on other minor media – is managed exclusively by Rai Pubblicità, a wholly-owned subsidiary of Rai.

In 2019, the global economic context saw contained growth, albeit with signs of international trade expansion in the third quarter and in the euro area, economic activity was held back by manufacturing weakness, particularly in Germany.

In 2019, growth of Italian GDP slowed compared to 2018, maintaining a trend below the euro area average, with household consumption and investment falling and a total unemployment rate that remained at still too high levels.

With this backdrop, in 2019, the advertising market recorded a fall of 5.1% compared to the same period of the previous year. TV investment fell by over €202 million (-5.3%). Positive performances were registered for Radio (+ 1.7%), Cinema (+ 13.8%), Internet (+ 3.5%) and Go TV (+ 4.5%) (Nielsen source).

Nielsen estimates that advertising investment grew by around €241 million on unrecognised media, such as OTT, Search, Social Media, Classified, etc., with a positive change of 9.2% compared to last year.

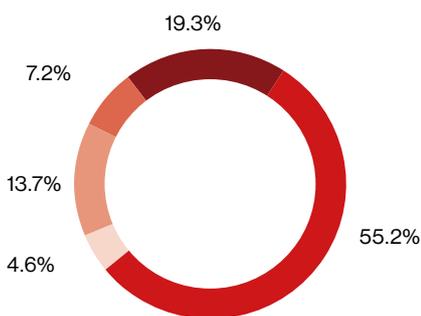
In 2019, despite the complex situation, and the loss of the Champions League broadcasting rights for autumn 2019, efforts made by the company meant the Rai Group closed its final advertising revenues only slightly down on 2018.

To compete in this constantly changing market, since last year, Rai Pubblicità has been engaged in a project aimed at providing itself with a solid data infrastructure, capable of supporting it rapidly and efficiently in understanding and interpreting current phenomena, both at a tactical and strategic level.

In addition, in 2019, Rai Pubblicità updated its organisational structure, mainly in the sales area, to make it increasingly suitable for market demand and the global vision of the business.

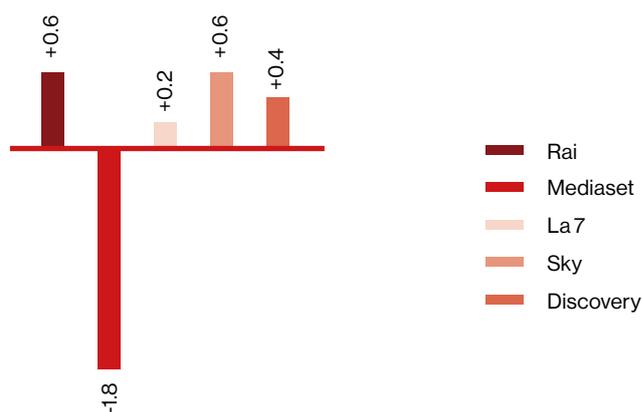
The market trend in the first two months (Nielsen data) was positive, recording an increase of 2%; Rai Pubblicità benefits from the Group editorial offer that has established itself as a market leader, both in terms of audience ratings and production quality.

TV share 2019

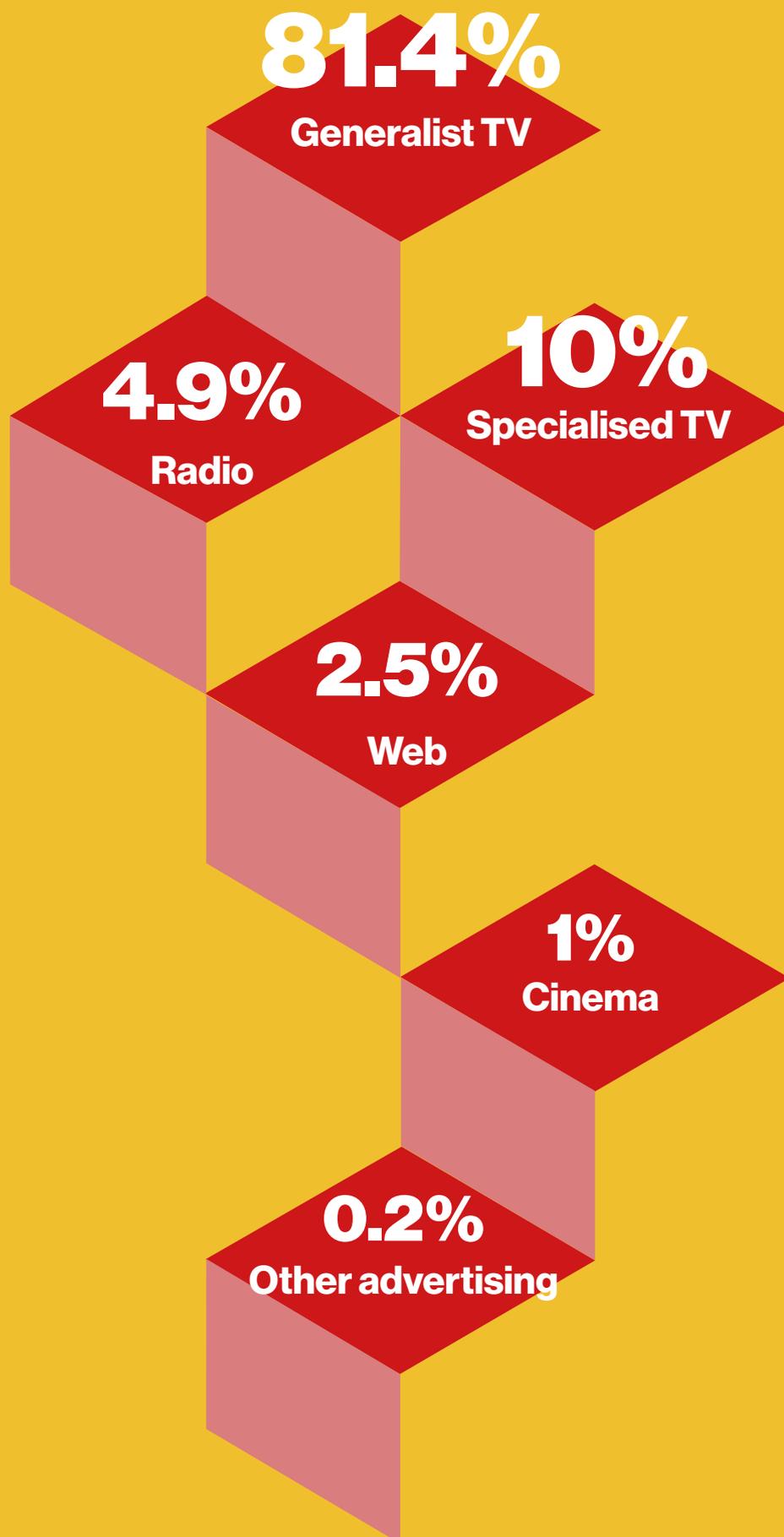


Source: Nielsen Data

Changes in TV share 2019 compared to 2018



Advertising of the Rai Group - breakdown by medium - actual 2019 figures



Sales

Rai Group's sales activities are managed by the wholly-owned subsidiary company Rai Com.

Agreements, tenders and partnerships

One of the areas of the Rai Group's sales activity relates to negotiating, stipulating and managing agreements with local public administration, institutional bodies and private entities; contracts arising from obligations of the Rai/State Service Agreement (linguistic minorities and Rai Italia) with the exception of Ministries; contracts relating to the activities of the Rai National Symphony Orchestra; the management of national and European calls for tenders; the management and stipulation of the free agreements of Rai Pubblica Utilità for Televideo and/or for needs related to Rai programming by partners such as CNR, Istituto Poligrafico and Zecca dello Stato, Italian Red Cross, Trenitalia, Italo, etc.

During 2019, the communication initiatives for the Conventions with public and private bodies continued as in 2018. Amongst the most significant new partners are the Veneto Region for regional communication initiatives and the Italian Association of Employment Agencies - Assosom, with which an agreement was made for the broadcasting on Rai 2 of an 8-episode format dedicated to the world of work and fully in line with the Rai public service mission.

The focus on events, gatherings and anniversaries that take place throughout the national territory remains constant, and includes the convention with Fondazione Matera - Basilicata 2019 for the production special "Open the future - inaugural ceremony of Matera European Capital of Culture 2019" broadcast on Rai 1 on 19 January 2019.

As far as international partnerships are concerned, there are conventions with Tunisia, Jordan and Armenia with a view to regional improvement with special *Linea Verde* episodes and communication activities in the *A Sua Immagine* programme.

Routine activities are naturally aimed at consolidating collaborations with previous partners at national level and their performance testifies to the effectiveness of promoted initiatives and their degree of satisfaction. This is also true for partners such as the Consorzio Tutela Grana Padano, renewed for the third consecutive time.

In compliance with the obligations under the Rai/State Public Service contract, an extension was signed for another year with the Presidency of the Council of Ministers for the conventions pertaining to the Slovenian, Friulian and French language minorities and the programming for Italians resident abroad.

Finally, we note the excellent results from the activities of the Turin National Symphony Orchestra.

Sales of the international library

Sales of rights to foreign countries: cinema and television

With reference to the distribution of television and film content, 2019 saw a very interesting trend in commercial relationships, especially in the TV segment.

Amongst the TV series productions that are enjoying considerable success, worthy of note is the long-running *Il Paradiso delle Signore* series, a true drama developed over several episodes that has been included in soap opera programming in countries in Western and Central Europe, achieving significant results thanks to the considerable volume of available hours.

The recent acquisition strategy has favoured investment in the industrialisation project of the (daily) series, allowing the potential already found in the markets from the first seasons to be capitalised on.

The great Rai co-productions were the undisputed champions of recent international distribution with *L'amica geniale* and *Il nome della Rosa*, already almost entirely distributed.

The series with smaller volumes such as *Mentre ero via*, *La Vita Promessa*, *Scomparsa*, *L'Allieva* have found their place in relevant markets such as the Usa, Canada, and Western and Eastern Europe.

Amongst the detective series, the last two TV movies of *Il Commissario Montalbano* have had great international success with high demand in particular in Spain, France, the United Kingdom and Latin America, but also Japan, USA, Finland, Croatia, Hungary and Portugal.

Falling within the same genre, *Non Uccidere*, *L'ispettore Coliandro* and *I Bastardi di Pizzofalcone* also obtained very good results. Spanish TVE used the traditional *Montalbano* slot for both the series of *I Bastardi di Pizzofalcone* creating a type of "made in Rai" programming.

Amongst the crime series, *Non Uccidere* continues to lead with impressive listening data through the bilingual ARTE broadcaster in France and Germany, in the UK on the prestigious Walter Presents platform and not least, on the Global Series Network in the United States.

With respect to the distribution of documentaries, we note

episodes of Alberto Angela's *Meraviglie* and *Stanotte a...* (Egyptian Museum, Saint Peter, Pompeii, Venice, Florence), which were distributed in over 40 countries around the world. Of the documentary genre, we also note international markets' interest for crime series involving investigations, a great heritage of Rai networks, including *Maxi Processo* and *Mafia Capitale*. The other leading titles amongst documentaries in 2019, were *Ghost Town*, *Car Legends* and *Fumettology* (Fish Eye).

With regard to theatrical cinema, in the first part of the year an important result was recorded with the film *Dafne* by Federico Bondi which participated in the Panorama section of the Berlinale 2019 and was distributed in Australia, New Zealand, Japan, Brazil, East Europe and China. The film *Magari* produced interesting results in Australia, Austria, Lithuania, the former Yugoslavia, Switzerland and Latin America.

Based on the success in the Out of Competition section at the 2019 Venice Film Festival, the new film by Gabriele Salvatores, *Volare*, was sold in China, Latin America, Spain and Portugal. Daniele Lucchetti's *Momenti di Trascurabile Felicità* presented at the Marché du Film - Cannes Film Festival also saw good results, as did the new medium-length format by Luca Guadagnino *The Staggering Girl* selected in the Quinzaine section of the Cannes Film Festival.

Sales are made up of 80% dramas, 15% cinema and 5% documentaries (2%), the airline market (1%) and formats (2%).

Sales of rights to foreign countries: classical music

In 2019, the distribution of classical music abroad celebrated the most important cultural events of the Italian opera scene with Rai productions broadcast live by the main international media partners.

The leading works of 2019 were *La Cavalleria Rusticana* (Fondazione Matera 2019 and Teatro San Carlo in Naples) and *Tosca* (Teatro alla Scala, 7 December 2019). In the first, the evocative backdrop of the Sassi di Matera magnified the potential of Mascagni's work. In the one of a kind setting of Piazza San Pietro Caveoso, in partnership with the Teatro San Carlo in Naples, the opera event, to celebrate Matera capital of culture 2019, was broadcast live in 9 European countries - including the Switzerland, France, Belgium, Germany and Austria - through a co-production agreement with RSI Radiotelevisione Svizzera Italiana. It was also broadcast near live in Japan by the Tohokushinsha thematic TV and in Korea by Il Media.

Puccini's *Tosca* opera on 7 December, at the Teatro alla Scala, was the fourth most awaited and sought after worldwide live event of the year. The live broadcast from the Prima della Scala in Milan was shown live on television in Portugal, Hungary, Greece,

Switzerland, the Czech Republic and, in co-production with the German TV ZDF, in Germany, Austria, France and French-speaking territories. The work was subtitled in 5 languages and broadcast live in cinemas in Denmark, Norway, England, Ireland, Holland and Spain where tickets sold exceeded 7,000, coming only second to a Walt Disney animation at the box office.

In addition to Italy, with the live broadcast on Rai 1, the work was broadcast near live in Japan under an agreement with the NHK which also acquired the rights to the Ballet *La Bella Addormentata nel Bosco* produced in June 2019 by the Teatro alla Scala of Milan.

Live concerts in 2019 obviously include the Christmas concerts at the Teatro alla Scala, distributed by RSI and Servus TV for Austria, and from the Basilica of San Francesco in Assisi, a communication project with Intesa Sanpaolo, which recorded the concert on CD for its national and international clientele.

In relation to home video rights, there are agreements in place with various publishers such as C-Major, Musicom and Naxos for the rights to opera productions at different theatres. In this area, *La Cenerentola* and *Tristan und Isolde* at the Teatro dell'Opera in Rome and *Die Entführung aus dem Serail* and *Don Pasquale* at the Teatro alla Scala were produced.

Rai channels marketing and distribution abroad

Rai channels are distributed abroad with very satisfactory results.

In Europe, through agreements with important operators in the most relevant areas (such as Telenet in Belgium, Orange in France, KPN in the Netherlands, Mediapool in Germany, UPC, A1 and Salzburg in Austria), Rai 1, Rai 2 and Rai 3 recorded excellent audience ratings.

The performance of channels in East Europe, mainly Romania, where Rai 1 currently covers all basic operator segments, was noteworthy.

In the non-European market, in 2019 agreements were formalised with new US and Latin American cable operators (e.g. Telefonica and Sky in Brazil) for the re-broadcasting of Rai Italia, and good results were also achieved in Canada.

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 2019 that consolidated

distribution in China (CCTV), Russia and the former Soviet Union (Vremja), 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 the agreements with ART and CSR, which lay the foundations for the development of co-production activities and allow the respective groups to boost their catalogues for international distribution and national programming.

During 2019, co-production activities led to the creation of: with ARTE GEIE, the international version of *Stanotte a Pompei* and a documentary on *Federico Fellini*; with ARTE France, a documentary on *Anna Magnani*; with RSI and ARTE GEIE a documentary on *Francesco Borromini*.

Sports broadcasting rights

Existing agreements for the marketing of archive rights in Italy and abroad of club libraries continued. In addition, library agreements were established with the Cosenza, Spal and Venice clubs - in line with those signed in the past with over 42 football clubs - which provide, amongst other things, for the sale of the historic archive to the clubs and a non-exclusive license for the retransmission of the library images on Rai networks.

In addition, for the current season in Atalanta, Bologna and Sampdoria, the rights to create, produce and market the filming of the internal matches of the respective Clubs have been agreed, various archive sports images from the Rai Teche archive were sold, as well as some events including the Viareggio tournament and the Settecolli swimming event.

Editions

In its capacity as music publisher, Rai Com develops and manages Rai's music catalogue and handles the realisation and distribution of rights related to light music, contemporary and classical music.

To support Rai radio and television programming, 46 new programme layouts were created within the schedules that, together with the traditional use of the music catalogue, allow almost 120 programmes to be covered.

Music editions support is therefore confirmed across all the programming of the generalist networks; the production of original music requested by Rai has been of particular

importance within programmes such as *La Prova del Cuoco*, *L'Eredità*, *Reazione a Catena*, *I Soliti Ignoti*, *Detto Fatto*, *I Fatti Vostri*, *Presa Diretta*.

In addition to daily efforts to support the Generalist Network editors, at the request of Rai Cultura, the music from the Rai Com library was used in 44 documentaries while Rai Ragazzi commissioned music for the *Explorers*, *Sport Stories* and *Bumbi* programs.

The Rai 1 and Rai 2 brand audio logos, the new Rai Play audio logo and 18 institutional promos were developed. In addition, 14 programme layouts were created in collaboration with Radio.

In relation to soundtrack editions and musical productions, the important joint work and collaboration with Rai Fiction and Rai Cinema and, consequently, with the most important Italian television and cinema production companies was confirmed.

In relation to long-series television productions, the production of important titles is worth noting, such as: *Ognuno è perfetto* whose soundtrack was made in collaboration with the Rai National Symphony Orchestra, *Volevo fare la rock star*, the new series *Il Commissario Ricciardi*, the docu-reality *Boez - Andiamo Via*, *Pezzi Unici* with Sergio Castellitto, *Mare Fuori*, *Vivi e Lascia Vivere* for Pappi Corsicato's production and the drama *Imma Tataranni*.

Also noted is the production of subsequent seasons of the series *Il Paradiso delle signore 2* (160 episodes), *La Vita Promessa 2*, *L'allieva 3*, *Nero a Metà 2*, *Rocco Schiavone 3* and *La Strada di Casa 2*.

Finally, there were musical projects for the TV movies: *I ragazzi dello Zecchino d'Oro*, *Enrico Piaggio. Un sogno italiano*, *Permette? Alberto Sordi*, *Storia di Nilde* and two new TV movies in the *Il Commissario Montalbano* series.

In relation to the production of cinema soundtracks, the success of the soundtrack of the award-winning (and shortlisted at various festivals) *Il traditore* and the music for the film *Hammamet* are noted, both with the prestigious participation of Maestro Nicola Piovani.

Contemporary music editions saw over 200 performances worldwide in 2019, including those performed at: Biennale di Venezia, Festival Bologna Modern, Sagra Musicale Malatestiana (Rimini), Wien Modern Festival, Musica Festival Strasbourg and World Music Days 2019 in Tallinn.

Teche archive and production services

Rai's archive material continues to generate interest with national and international broadcasters, confirming its leadership in the reference market. Facilities and production services also confirm a positive trend and, in relation to the management of indirect revenues, the excellent performance of the series *L'amica geniale* is noted.

Licensing and home video

Home video Italia – direct distribution, licensing sales, normal trade sales

The performance of the home video sector is in line with the results of previous years, despite a lacklustre market. A result achieved thanks to a sales strategy that takes into account all the market distribution lines: from newsagents, to normal trade up to digital exploitation.

Excellent results were achieved for the newsstand channel, in collaboration with the main market players: Arnoldo Mondadori Editore (AME), the Editoriale L'Espresso Group (Gedi) and RCS Media Group. These collaborations allowed the sale of over 233 thousand DVDs in 2019. We highlight the success of the series *Il Commissario Montalbano*, *Rocco Schiavone* and *I Medici*.

In the normal trade area, we note the special pack dedicated to *Il Commissario Montalbano* and the major series produced by Rai *L'Amica Geniale* and *I Medici*.

Licensing

The sales activity of brands related to Rai entertainment (*The Voice*, *Il Festival della Canzone Italiana*, *Il Collegio*, *La Prova del Cuoco*) recorded good results.

Publishing sector activity was characterised by the excellent relaunch of the magazine *La Prova del Cuoco* edited entirely by Rai Com. As part of the product range for children, publishing of the *PJ Mask* animation series continues to be popular with the younger audience.

Patents and Cultural Heritage

Two important agreements were finalised in relation to the enhancement of the Dvb-T2 patents, thanks also to the collaboration with the Research, Technological Innovation and Experimentation Center of Turin.

After the first agreement finalised directly by Rai Com, which laid the foundations for use of Rai patents until 2023, a second agreement was finalised by the *Pool* (established in 2016), which in addition to Rai includes some important broadcasters (BBC) and technology companies (Direct Tv, Etri, etc ...).

Sales activities for the Sanremo ticket office and *Opera Omnia* historical and artistic promotion project continued to grow and continued to receive healthy interest from international bodies and foundations.

Digital rights

Growth of the EST/TVoD market remained constant thanks to agreements with the main transactional platforms in Italy (iTunes, Google, Chili, etc.) and the continuous increase in the rights in the Rai Com portfolio, which today sees a library availability of over 1,500 titles. Use of AVOD rights continued their growth trend also thanks to the collaboration established with Rai and Rai Pubblicità.

The collaboration with Trenitalia for the supply of content on the entertainment system of Frecciarossa trains was also very successful.

Rai Libri

The first half of 2019 was characterised by the efforts to launch the publishing house's rebranding through the release of a series of books related to major television events or to well-known personalities from Rai world, and a commercial dedicated to Rai Libri broadcast in January on Rai networks.

The first launch of the year was dedicated, through the production of 8 books, to Rai 1 top-rated television series *La compagnia del cigno*, with the aim of enriching the classical offer and expanding the target audience. It is a "prequel" of the drama: seven volumes with the stories of the seven young protagonists, boys and girls between 15 and 17, with different personalities and social backgrounds, in addition to the final novel that tells the whole story and which was published after the airing. The launch of the book initiative was characterised by an important and massive communication plan on TV, print media and the web, connected to promotion of the television series.

In the second part of the year the collaboration with the drama continued with the launch of the book inspired by the series *Volevo fare la rockstar* aired on Rai 2.

The strategy to promote best-selling authors of the previous year met with renewed success at the beginning of 2019, with the publication of the new book by Natalia Catellani, one of the

most beloved members of *La prova del cuoco* cast, *Le torte salate di casa mia*, who has already sold 20,000 copies of her previous book *I dolci di casa*.

In terms of contents, in 2019 we continued to pursue our commitment to bring back to Rai Libri faces and voices of Rai television and radio broadcasting that are traditionally published by third parties.

Two historical faces of Rai programming have begun a collaboration with the publishing house, Milly Carlucci with *La vita è un ballo*, a story about dance linked to the successful show *Ballando con le stelle* and journalist Bruno Vespa with *Luna*, an essay dedicated to the celebration of the 1969 moon landing. This line of works, also included the new book *Notte Fonda* by Salvo Sottile, the novel related to Rai 3 in-depth programme *Prima dell'alba*.

We also confirmed our commitment to promote the faces and programmes of Rai schedule through the addition of a new author, Bianca Guaccero with *Il tuo cuore è come il mare*, a personal story dedicated to her daughter, and Andrea Delogu with the book *Dove finiscono le parole* which, appropriately lightly but wisely accompanies readers through his personal experience with dyslexia. The book was a great success with over 15,000 copies sold and 4 reprints.

The second part of the year saw the publication of the *Meraviglie – La penisola dei tesori* book by the best-selling author Alberto Angela, which met expected sales with 50,000 copies sold.

There was no shortage either of well-known names from the world of entertainment: with books in this area including *Quando c'è la salute* by Michele Mirabella and *Sarò Franco* by Franco di

Mare, well-known authors with quality projects. The annual appointment for the Christmas bookshop favourite *La Prova del Cuoco* with Elisa Isoardi was confirmed, with the new book on kitchen innovation and tradition *Buonissimo!* while journalist Gigi Marzullo tackled his own genre in a wonderful book which asks readers to choose how and whether to answer his 365 problems.

Another excellent book was Osvaldo Bevilacqua's *Il paese dei mille paesi*, a story of Italy's small villages that are the soul of this beautiful country.

No attention was lacking for young and very young readers: in October, the *Il Collegio* fan book was launched and saw 4 reprints and 10,000 copies sold.

Sell-out data almost tripled, in a market scenario that saw a slight increase compared to the previous year (5.5% Gfk sell-out data).

Rai Libri was an important protagonist of the great editorial event in spring 2019, the Turin Book Fair, with sold-out presentations every day, long queues at the book signings for Alberto Angela, Vincenzo Mollica e Bruno Vespa – and a 40% increase in direct sales revenues from books compared to 2018.

Great efforts were also made on the newsstand channel, with the launch of the 20 volumes series *Come eravamo. Il romanzo degli italiani dalle origini all'Unità di Italia* by Alberto Angela and distributed in conjunction with the newspaper La Repubblica. A high quality and comprehensive project that has met with great sales success and which confirmed Alberto Angela as a best-selling author in Rai Libri schedule.

Other activities

Communication

Rai's communication activities are carried out with a view to improving and strengthening the corporate image both as a public service and the country's largest media company. In 2019, in particular, initiatives were aimed at strengthening the brand and corporate reputation and making stakeholders aware of the characteristics of quality, excellence and Rai's ability to predict new trends.

35 communication projects were developed including, the cross-media plan for Fiorello's *Viva RaiPlay!*, projects for the Internet Day, Moon Day, David di Donatello, Prix Italia, Salone del Libro and classical music programming.

66 events were organised during the year for the launch of strategic television products or for the country's cultural events, with workshops, conferences, exhibition halls, media partnership initiatives, as always in close collaboration with Italian and international institutions. Amongst those organised were Abu Day in March in Venice, the conference "*Nessuno Escluso*" and the Preto Prize with AGCom. There were also many conferences/events to promote historical and social dramas: *Il Nome della Rosa, I Medici, Ognuno è Perfetto, L'aquila grandi speranze, Cronache del Muro di Berlino, Figli del Destino, Piazza Fontana, Ambrosoli*. But also in the spaces of fairs and exhibitions: the Salone del Libro, Più libri e Più liberi, Rome Film Festival, Maker Faire, Digital Week, Mostra su Coppi per i 100 anni, etc...

Specific initiatives were also in place for special occasions such as Moon Day, the Armed Forces Day, World Autism Day and against Women's Violence Day and the settimana della Legalità. Artists connected to Rai were also celebrated, such as for the 60 years of Baudo's career - at the press conference for the *Buon compleanno* programme - and in memory of Mike Bongiorno at the *Allegria, allegria, allegria* conference. Finally, with *Le parole di Camilleri*, some of the author's previously unpublished ideas were projected on the building in Viale Mazzini, as a tribute to the writer and Rai colleague who recently passed away.

The promotion of Rai products is also carried out through the selection and planning of advertising spaces outside the Company's broadcasting and multimedia offer. In 2019, advertising plans were put together for around 30 Rai products, with static and moving billboards, daily and periodic press, video communication, web and cinema.

Amongst the various plans, were the dramas *Il Commissario Montalbano, Il Nome della Rosa, I Medici, Nel nome della famiglia, L'amica geniale, Ognuno è perfetto*, as well as some standard product launches for *The Voice of Italy* and *Viva RaiPlay!* and the launch of digital and cultural programming, including the Symphony Orchestra programme, the Rai Cultura portal and the opening of the season at La Scala.

The Rai product is also promoted through participation in awards and festivals: during 2019, it took part in 97 with a total of 149 registrations (both nationally and internationally). 117 nominations were received and 64 awards won by programmes and ads produced and co-produced by Rai.

A more selective entry choice has reduced the number of registered programmes compared to the past, but led to an increase in both the nominations and awards (in 2018 there were 108 nominations and 54 awards won with more than 400 programmes entered).

L'Amica Geniale won Best Series at the Monte Carlo Television Festival and the C21 Drama Awards in London, two of the most prestigious awards for TV in the world and numerous nominations were received at other international festivals.

La stella di Andra and Tati, the cartoon coproduced by Rai Ragazzi on the history of the Bucci sisters, which tells the story of the Holocaust seen through the eyes of two 4 and 6-year-old girls, received the prestigious Rockie Awards as the best animation production for children at the Canadian Banff World Media Festival. It received another award for best animated programme at the Mundi festival in Poland, organised under the patronage of the Pontifical Council for Culture.

The animated series *44 Gatti* won a prestigious award at the Xiamen International Animation Festival in China after being nominated for the Content Innovation Awards, organised by TBI and *Jams* won Best live Action Kids Programme at the MIPCOM in Cannes. *Jams* had further success at Cartoons on the Bay where it won the Best Action Series Live Action.

Also at national level there was no lack of awards for journalistic reports and quality programmes included in Rai schedule. The *Narcotica* documentary Rai 3 won the Franco Giustolisi Giustizia e Verità award. There was great satisfaction for the results achieved at the Diversity Brand Summit: Rai was included amongst the 20 best companies according to the Diversity Brand Index, which measures consumers' perception of brand inclusiveness. A similar recognition came during the Diversity Media Awards, where *Ballando con le stelle* and *L'amica geniale* were rewarded for their ability to promote inclusion.

The three prizes obtained in the third edition of the Italian Paralympic Awards should also be noted: best TV short for *I limiti non esistono*, best TV programme for *La vita è una figata* and best web magazine for the Rai Sport website.

Rai Sport won best sports channel of the year at FICTS, a festival dedicated to sports culture taking place annually in Milan.

But this was not only in relation to products: in 2019 Rai also took part in awards for the recognition of activities that contribute to social cohesion, amongst the main objectives for the Company's purpose. The RaiPlace website was awarded the Italian Champions Intranet as a project integrating employee's internal communication, managerial and administrative information and a training offer that allows the use of online courses.

Rai always maintains a direct communication channel with its public through the Contact Center, users can contact the Company on the freephone number 800 938362 and via the web using the ScriveR@i service.

During 2019, the Contact Center was also involved in the *Viva RaiPlay!* corporate strategic initiative: A new option is available on the freephone automatic reply menu to support problems relating to the use of RaiPlay. User support is also available via email, through the ScriveR@i service and with the online publication of specific FAQs.

From autumn 2019, the Contact Center has also dealt with telephone entries for prize games, previously managed by the subsidiary Rai Com.

Services (January-December 2019)**Contacts****%**

RispondeRai 800 938362 Telephone channel regarding the licence fee, editorial issues, TV games, RaiPlay	772,508	95.8%
ScriveRai Web channel to contact Rai	15,372	1.9%
Pronto la Rai Web channel to book telephone appointments to discuss licence fee issues	8,145	1%
Prize games and telephone competitions - telephone reservations Web channel for games and telephone prize contests	7,760	1%
Prize games and telephone competitions - web reservations Web channel for games and telephone prize contests	1,257	0.1%
GiocheRai - Studio games Web channel to apply for participation in studio TV games	1,498	0.2%
Total	806,540	100%

Rai annually grants about 400 media partnerships and sponsorships for cultural, social and environmental issues with institutional and international implications, in step with the current social landscape and technological evolution. These include: for the promotion of knowledge and reading, major events such as the Turin International Book Fair, Maggio dei Libri, Napoli Città del libro, Più Liberi Più Liberi, Giffoni, Lucca Comics; environment and cultural heritage with the Fai weeks, the Maker Faire; arts and culture with the historic Festival dei due Mondi in Spoleto; for sport, the ninth edition of Matera Sport Film Festival, the International Barcolana regatta in Trieste and, again in Trieste, the City of Science. And cinema, with the 37th edition of the Turin Film Festival, the Venice International Film Festival, the Rome Film Festival, the ASFF-AS Film Festival.

During the year 104 press conferences were held, 19 of which related to major events (*The Sanremo Festival, Prix Italia*, TV and radio schedules, *Viva RaiPlay!*, etc.), 10 of a social-institutional nature (Moon Day, Libera, Plastic Free, Airc, Universiade, Telethon, etc.) across Rome, Milan, Naples, Florence, Turin and L'Aquila.

61 issues of NewsRai were produced and distributed during the conferences and published on the web; there were 10 thousand press releases, including institutional and product releases; around 90 photo shoots were held in the Rai studios in Rome, Milan, Naples and Turin. There were numerous photocalls during the press conferences, shooting and photographic services during the *Sanremo Festival* and in addition to the presentation

of the autumn programming, the *Prix Italia*, *RaiPlay* and *Viva RaiPlay!* launch and special initiatives such as the Florentine preview of *Pezzi Unici*.

In addition, the Rai press office, on top of 5 different daily editions of the press review, deals with the distribution of electoral data processed by the demoscopic companies during the political, administrative and European elections, a service highly valued by Italian and foreign newspapers.

The Rai press office is also on Twitter, Facebook and LinkedIn. Over 3,500 posts were made in 2019.

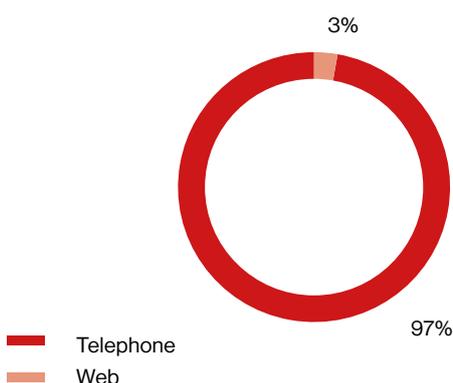
The best performing platform is Twitter with 2,200 posts, an average of 2 million 200 thousand content views every month.

The LinkedIn platform produced excellent results (which has been in operation for less than two years) with a growth of 200% in the last year, the Rai brand has a presence for both external and internal communication (over 6,000 Rai employees are on the platform).

Not forgetting the Rai weekly newsletter – active for over a year to grow a deeper understanding of the Company amongst its employees, to consolidate the sense of belonging and trust in the public service with a view to positive communication – has illustrated and celebrated, with more than 70 articles, the artistic and architectural heritage of Rai, the history of cinema produced by Rai, anniversaries of television and radio programmes, awareness campaigns and books.

Amongst the main special projects of 2019, note should be made of the numerous *Rai Porte Aperte* school visits; special events in Italy, including the one in Sanremo during the Festival, in Bari for the 60th anniversary of Rai offices in Puglia, in Turin for the Salone del Libro, in Rome for the Ref Kids + Family; school-to-work projects; communication collaborations with partners such as Università Bocconi for Brand Equity, MAECI for Sanremo Giovani World Tour, the Guardia Costiera for #PLASTICFREEGC, Rai Radio 2 for the Concerto del Primo Maggio. But also Videocittà, Internet Day, Rai Moon Day, Le Parole di Camilleri and many others.

Contact channel



Images of the various editions of the Rai Porte Aperte project



Porte Aperte Project 2019

(January-December)

School visits carried out	456 visits (for a total of 11,050 students)
School-work alternation projects received in the previous school year and selected and activated in the following school year	42 School-to-work projects received in 2018 and 14 selected and implemented in 2019
Internship requests received and implemented	1,245 requests received and 263 internships activated
Visits to the webpage www.rai.it/porteaperte	43,428 visits
Participants in special events throughout Italy	7,800 participants in 13 events
Total students met	19,513

Award prizes won in 2019 in Italy

N. Festival	Country	Award	Winning programme	Publisher
1	Italy	Best backstage	Il Commissario Montalbano	Rai 1
2	Europe/Holland	Gold medal Use of Motion Pictures category	Roma Europa Festival advert	Creative Direction
3	Europe/Holland	Gold medal Open titles category	Cinema Festival di Roma advert	Creative Direction
4	Europe/Holland	Silver medal in the Special event category	Roma Europa Festival advert	Creative Direction
5	Europe/Holland	Open/Titles Category Silver Medal	Roma Europa Festival advert	Creative Direction
6	Europe/Holland	Silver medal for the Sport Programme category	Oltre la Rete- Focus On Japan advert	Creative Direction
7	Europe/Holland	Silver medal in the Interstitial Promo category	FEFF advert	Creative Direction
8	Italy	Special Jury Award	I Signori del Vino	Tg2
9	Italy	Video Special mention	Geo	Rai 3
10	Italy	Pulcinella Awards Live Action category	Jams	Rai Ragazzi
11	Italy	Best Documentary	I Limiti Non esistono	Communication Department
12	Italy	Quality TV Award	Nigara	Rai 2
13	Italy	Quality TV Award	Pechino Express	Rai 2
14	Italy	Quality TV Award	Viaggio senza ritorno	Rai 1
15	Italy	Quality TV Award	Sereno Variabile	Rai 1
16	Italy	Quality TV Award	Danza Con me	Rai 1
17	Italy	Quality TV Award	La Vita è una figata	Rai 1
18	England	Gold medal in the 2d/3d Animation category	FEFF advert	Creative Direction
19	Italy	Top 20 brand	CIP project	Rai
20	Italy	Best TV Series	L'amica geniale	Rai 1
21	Italy	Best Entertainment	Ballando con le stelle	Rai 1
22	Italy	Best TV Series	Il nome della Rosa	Rai 1
23	Canada	Best animation	La stella di Andra e Tati	Rai Ragazzi
24	Monte Carlo	Best TV Series	L'amica geniale	Rai 1
25	America/Los Angeles	Gold medal marketing animation category	Roma Europa Festival advert	Creative Direction
26	America/Los Angeles	Gold medal animation category	Roma Europa Festival advert	Creative Direction
27	America/Los Angeles	Gold medal Motion Graphics category	Roma Europa Festival advert	Creative Direction
28	America/Los Angeles	Silver medal in the Special event category	Roma Europa Festival advert	Creative Direction
29	America/Los Angeles	Gold medal in the Special event category	FEFF advert	Creative Direction
30	America/Los Angeles	Gold medal illustration category	FEFF advert	Creative Direction
31	America/Los Angeles	Silver medal in the Marketing animation category	FEFF advert	
32	America/Los Angeles	Silver medal programme promotional promo category	FEFF advert	Creative Direction
33	America/Los Angeles	Silver medal title sequence category	FEFF advert	Creative Direction
34	America/Los Angeles	Bronze medal animation category	FEFF advert	Creative Direction

N. Festival	Country	Award	Winning programme	Publisher	
35	Promax Global	America/Los Angeles	Gold medal title sequences category	La Grande Corsa advert	Creative Direction
36	Promax Global	America/Los Angeles	Bronze medal illustration category	La Grande Corsa advert	Creative Direction
37	Promax Global	America/Los Angeles	Bronze medal in Program Open/ Titles Category	La Grande Corsa advert	Creative Direction
38	Television Reporting Award Goffredo Parise	Italy	Parise Award for the best TV reportage	Presadiretta - Iperconnessi	Rai 3
39	Content Innovation Awards	Europe/ France	Best Kids Live Action Series	Jams	Rai Ragazzi
40	Premio Giornalistico "Giustizia e Verità – Franco Giustolisi"	Italy	Special award "Franco Giustolisi - Fuori dall'armadio - Senato"	Narcotica	Rai 3 - Tg3
41	Premio Giornalistico "Giustizia e Verità – Franco Giustolisi"	Italy	Special Jury Award	Report (all editorial staff)	Rai 3
42	Festival Mundi	Europe/Poland	Best animation programme	La stella di Andra e Tati	Rai Ragazzi
43	Ebu Eurovision Connect	Europe	Silver medal in the category	RaiPlay Ad	Creative Direction
44	Ebu Eurovision Connect	Europe	Silver medal for the category	FEFF advert	Creative Direction
45	Milano International Ficts festival	Italy	TV Sports channel of the year	Rai Sport	Rai Sport
46	Milano International Ficts festival	Italy	Wreath of Honour Award	Oltre la Rete- Focus On Japan advert	Creative Direction
47	Milano International Ficts festival	Italy	Honourable Mention	FIFA Women's World Cup France 2019 Advert	Creative Direction
48	Milano International Ficts festival	Italy	Honourable Mention	I Limiti Non esistono	Communication Department
49	"Cyber Sousa" Award of 2019 Xiamen International Animation Festival	Asia /China	Best animated series in the Overseas category	44 Gatti	Rai Ragazzi
50	Clio Awards	America/Los Angeles	Gold medal in the "Motion Graphics" category	Festival di Venezia advert	Creative Direction
51	Clio Awards	America/Los Angeles	Gold medal in the "editing" category	Festival di Roma advert	Creative Direction
52	Clio Awards	America/Los Angeles	Silver medal for the category	Festival di Roma advert	Creative Direction
53	Clio Awards	America/Los Angeles	Bronze medal in the "61 seconds and over" category	Festival di Venezia advert	Creative Direction
53	Clio Awards	America/Los Angeles	Bronze medal in the "61 seconds and over" category	Festival di Venezia advert	Creative Direction
54	Content London and C 21's International Drama Awards	England	Best TV series not in English	L'amica geniale	Rai 1
55	Giffoni Film festival	Italy	Giffoni Experience Award	La Compagnia del Cigno	Rai 1
56	Rome Short Film	Italy	Special Mention	Non far rumore	Rai 3
57	Premio giornalistico "Carlo Azeglio Ciampi"	Italy	Radio and TV Section Award	Sulle Tracce di Padre Dall'Oglio	Tg1 - specials
58	Link Festival of "buongiornoismo"	Italy	Special award Lucchetta	Riccardo Iacona for Presa Diretta	Rai 3
59	Assolatte Lattendibile Award	Italy	Award "Economic Scenario" category	La Guerra dei Dazi	Rai 3
60	European Judicial and Investigative Journalism Award	Italy	Investigative Journalism Category	Giulia Bosetti	Rai 3
61	Sapore di Sale	Italy	Cervia Ambiente Award	Indovina chi viene a cena	Rai 3
62	Basilicata Cinema Movie Award	Italy	Movie Award	Matteo Messina Denaro	Rai 3
63	Journalistic Award	Italy	Premiolino	Claudio di Pasquale for Report	Rai 3
64	Intranet Italian Champion	Italy	Top 4 internal communication projects	Rai Place	Ruo/Ict/Digital/ Communications

Agreements with Central Government

Agreements with the Central Government are managed directly by the Parent Company. During 2019, new agreements were made and many of the numerous communication campaigns launched in previous years continued.

The most significant activities that characterised 2019 include:

- *Ministry for Employment and Social Policies.* Activities were launched for a campaign relating to the issues of safety at work, social inclusion and the fight against poverty, with a plan of initiatives in radio and television programmes in the schedule; communication activities on work and social policies also continued with *Anpal (National Agency for Active Labour Policies)*, in the broadcasting of *Il Posto Giusto*, now in its 6th edition;
- *Ministry of Education.* During the year, two communication campaigns were organised, for the opening of the school year, with the *Tutti a scuola* programme, and the celebration of the bicentenary of *L'infinito* di Leopardi, curated by Rai Cultura;
- *Ministry of Health.* Two communication campaigns were run during the year on the conscious use of antibiotics and first aid procedures;
- *Guardia Costiera (MIT - Ministry of Infrastructure and Transport).* As part of a joint awareness-raising activity on sustainable development and environmental protection, Rai and the Guardia Costiera collaborated in the creation of an institutional video on the reduction of microplastics in the marine and coastal environment;
- *Prime Minister's Office.* Two institutional videos for the promotion of the Universal Civil Service and awareness raising for the Fund for the fight against child educational poverty were made;
- *Ministry of Economic Development.* Implementation of initiatives on the *national day for the fight against counterfeiting for students* by Rai Cultura and awareness information on the state bonus for the replacement of TVs and decoders prior to 2017;
- *Ministry of Agricultural, Food and Forestry Policies.* The communication campaign for promoting agriculture products in the Italian supply chain continued with the airing of the 4th edition of the *Frigo* programme;
- *Ministry of Cultural Heritage and Activities and Tourism.* In addition to the promotion and improvement campaign for Italian cultural heritage assets, both tangible and intangible, registered on the UNESCO Lists and carried out in 2018, Rai and the Ministry signed a further agreement for a new initiative for the most recent site registered on the World Heritage List, "The Prosecco hills of Conegliano and Valdobbiadene".
- The collaboration with *Cepell - Center for books and reading* - was also important as part of the Rai Cultura *Invitation to reading* programme for improving children's reading; foundations were also laid for a communication plan on Rai Radio Kids dedicated to reading aloud.

Finally, in December 2019, a Memorandum of Understanding was signed with the aim of promoting initiatives to reduce plastic pollution in nature, improving and spreading a culture of environmental sustainability and making the Rai company "Plastic Free" with the non-profit WWF Italia.

Changes in the regulatory framework

Assignment of rights of use of frequencies, rearming of the so-called 700 band, and adoption of related deeds

On 5 August 2019, the Ministry of Economic Development (MISE) issued new measures by which the Ministry of Economic Development (hereinafter MISE) granted Rai the rights of use (second generation digital terrestrial Dvb-T2) for the operation of two networks, as well as the transmission capacity corresponding to half of a national multiplex, without specifying the frequencies. The rights will be available from 1 July 2022 and will be valid for 10 years (2032).

Pursuant to article 1, paragraph 1031, of the Budget Law 2018, as amended by article 1, paragraph 1104, of the Budget Law 2019, the National Authority for Guarantees in Communications (hereinafter also AGCom or the Authority) - by means of Resolution no. 457/19/CONS of 27 November 2019 (*Definition of the economic terms and conditions for the transfer of transmission capacity by the concessionaire of the Public Service to the assignees of rights of use at local level relating to channels 51 and 53 UHF*) - has determined, after having called a specific public consultation with Resolution no. 398/19/CONS, the economic terms and conditions for the transfer by Rai, within the multiplex containing regional news, of a share of allocated transmission capacity, in any case not less than a programme, during the transitional period to the assignees of the rights of use at local level for channels 51 and 53 UHF.

Pursuant to the provisions of the measure, Rai has published on its website a price list containing, for each region concerned, the total price for the transfer of transmission capacity in the regional multiplex for the purposes of starting negotiations.

By the Director's Decree dated 28 November 2019, the Ministry identified, in accordance with roadmap (Decree of the Minister of Economic Development of 19 June 2019), the dates of the switch-off operations of CH 50 and 52 and CH 51 and 53 in the provinces in restricted area A, respectively, and set the dates of the optional switch-off operations of CH 51 and 53 in the remaining provinces of the regions in restricted area A, as well as the dates of the optional switch-off operations of the frequencies of network operators at local level, for each of the regions or autonomous provinces.

As part of the actions undertaken by the MISE to guide the transformation process towards TV 4.0, some national and local digital terrestrial programmes (currently broadcast on CH 50 - 53) will be assigned to different transmission frequencies. During the first phase between 13 January and 30 May 2020,

the replacement of frequencies will affect the provinces of Sardinia, Liguria, Tuscany and Lazio.

Provisions related to radio broadcasting

With Resolution no. 389/19/CONS, "*Analysis of the relevant market in the radio broadcasting sector and ascertainment of the absence of dominant positions or in any case positions prejudicial to pluralism, pursuant to Article 43, paragraph 2, of Legislative Decree no. 177 of 31 July 2005 (phase 2)*," the Authority illustrated the results of the public consultation launched by Resolution no. 224/19/CONS, regarding the analysis of the relevant market (already identified by Resolution no. 506/17/CONS) and the ascertainment of the absence of dominant positions in the radio broadcasting sector, pursuant to Article 43, paragraph 2, of Legislative Decree no. 177 of 31 July 2005.

As a result of the proceedings, the Authority ascertained that, at present, there are no predominant positions liable of constituting significant individual or collective market power in the national market for radio broadcasting services, nor are the conditions in place for such a position, though not dominant, to be considered, at any rate, detrimental to pluralism.

By Resolution no. 455/19/CONS of 27 November 2019, the National Authority for Guarantees in Communications decided to introduce amendments and additions to the Regulations governing the start-up phase of terrestrial radio transmissions in digital technology as per Resolution no. 664/09/CONS, as amended by Resolutions no. 567/13/CONS and no. 35/16/CONS, introducing, specifically, for all national network operators such as Rai an obligation to reserve a share of transmission capacity units for independent content providers, in order to boost the launch of the national and local digital radio market. Pursuant to the aforementioned resolution, Rai prepared a Service Offer containing the technical and economic conditions of the service for access to broadcasting capacity for independent radio content providers.

Automatic channel numbering plan

By Resolution no. 456/19/CONS, AGCom carried out the proceedings for the update of the automatic numbering plan for digital terrestrial TV channels and the related methods for the assignment of numbers pursuant to Article 1, paragraph 1035 of Italian Law no. 205 of 27 December 2017, as amended by Article 1, paragraph 1109 of Italian Law no. 145 of 30 December 2018, according to which: "*given the new frequency structure and the methods for defining the technical areas [...] the Authority*

[...] hereby updates the automatic numbering plan of the digital terrestrial TV channels and the methods for the assignment of numbers by 31 December 2019 [...] in compliance with the pluralism of the media, the principles of transparency, fairness and non-discrimination and a rational allocation of numbering."

Provisions relating to public contracts

During the second half of 2019, the National Anti-Corruption Authority (hereinafter referred to as ANAC) intervened on, inter alia, the following issues: obligation to acquire the tender identification code, to notify the ANAC and to pay the contribution to the Authority for the cases excluded from the scope of application of the Code and for the so-called "special sectors" (with notices on whose cogency in-depth investigations are in progress); subcontracting by means of a specific notice sent to the Government and Parliament following the ruling of 26 September of the Court of Justice of the European Union (Case C-63/18), on the non-conformity with Community law of the national rule providing for a quantitative limit on subcontracting, designed to prevent risks of criminal infiltration; compatibility of the clauses of the Standard Call for Tender No. 1 with Legislative Decree No. 50 of 19 April 2016, as amended by Legislative Decree No. 32 of 18 April 2019, converted into Law No. 55 of 14 June 2019 (so-called "construction works jump-start").

Finally, as of 1 January 2020, Article 4 (*withholding taxes and compensation in contracts and subcontracts and extension of the reverse charge scheme for combating the unlawful provision of labour*) of Law no. 157 of 19 December 2019 converting, with amendments, Decree Law no. 124 of 26 October 2019 containing "Urgent provisions on tax matters and non-deferrable needs," has, in short, provided for a series of measures to combat the non-payment of withholding tax on income paid to employees and equivalent workers directly employed in the execution of works or services (through the introduction of a new article 17-bis in Legislative Decree no. 241 of 1997, on the issue of single payment and compensation), in particular by providing for the obligation for the contracting party, in relation to contracts having the characteristics identified by the measure, to request contractors and subcontractors to mandatorily issue a copy of the payment orders relating to the payment of withholding taxes, in order to ascertain the total amount paid by the companies; it has also established that the contracting party, against whom specific penalties are levied due to the failure to comply with the relevant obligations, is required to suspend, in the manner and

to the extent specified in the measure, the payment of the fees amounts by the contractor in the event of failure to submit or in the event of omitted or insufficient payments.

The Italian Revenue Agency subsequently intervened on the subject with its own resolutions and circulars. The provision then extended reverse charging to services carried out through tender contracts, subcontracting, award to consortium members or negotiated arrangements however named, which are carried out with the prevalent use of labour (labour intensive) at the contracting party's premises and with the use of capital goods owned by the contracting party. This scheme does not apply to transactions carried out with parties required to apply the split payment mechanism pursuant to Article 17-ter of Presidential Decree no. 633 of 1972.

Finally, Article 1, paragraphs 581-587 (Purchases and negotiations by the Public Administration) of Law no. 160 of 27 December 2019 has expanded and extended the use of centralised purchasing and negotiation instruments.

Prohibition to advertise gambling and betting

By Resolution no. 132/19/CONS, AGCom has adopted specific Guidelines on implementing Article 9 (Prohibition to advertise gambling and betting) of Law Decree no. 87 of 12 July 2018 containing "Urgent measures for the dignity of workers and companies", converted into Italian Law no. 96 of 9 August 2018 with amendments, which also introduced measures to fight the gambling disorder. The National Authority for Guarantees in Communications has provided interpretations regarding the subjective, objective and temporal scope of application of the provision (which, in a nutshell, has set out the prohibition of any form of advertising, even indirect, relating to games or betting with money winnings, as well as gambling, with the extension of the prohibition, as of 1 January 2019, also to sponsorships and all other forms of communication of promotional content), thus aiming to coordinate the new rules with the sector regulations and with constitutional and European Union principles.

Please note that the Company has already adapted its activities on this point, also in relation to the provisions of Article 25, letter s) of the Service Contract and Article 3, paragraph 1, letter r) of the Agreement.

Promotion of European and Italian works by audiovisual media service providers

Article 3 of decree-law no. 59 of 28 June 2019, containing "*Urgent measures concerning the personnel of symphonic and opera foundations, support for the film and audiovisual sector and financing of the activities of the Ministry for Cultural Heritage and Activities and for the holding of the UEFA Euro 2020 event*" (later converted, with amendments, into Law no. 81 of 8 August 2019) provided for the aforesaid simplification and support measures for the cinema and audiovisual sector, amending articles 44-*bis* to *sexies* of the Consolidated Law on Audiovisual and Radio Media Services concerning: European works programming and investment obligations for the suppliers of linear and on demand audiovisual media services; AGCom's powers in relation to the promotion of European and Italian works by audiovisual media service providers and application provisions for original Italian audiovisual works.

The aforementioned obligations have been amply remodulated, also concerning timing, the time bases or benchmarking obligations, to the reference levels and percentages, to the distribution of obligations amongst the categories of works, types of supplier obliged to comply, fluctuations downwards or upwards compared to the programming and investment obligations. Application of certain programming and investment obligations established by the new rules, pursuant to Legislative Decree 204 of 7 December 2017, (*Reform of legislative provisions on promoting European and Italian works by the suppliers of audiovisual media services, regulated by article 34 of Law 220 of 14 November 2016*), adopted to transpose Law 220 of 14 November 2016, has been postponed once again from 1 July 2019 to 1 January 2020, and article 44-*sexies* TUSMAR and related the application rules on original Italian works have been amended, thus referring the rules on "reserved" investment sub-quotas concerning certain European works constituting an original Italian expression; while, through the amendment to paragraph 5 of article 44-*ter* TUSMAR, the discipline that identifies the additional sub-quotas that Rai must allocate to works produced by independent producers and specifically intended for minors has been redefined.

Furthermore, the Concessionaire is under an obligation to reserve, during the time slot from 6 p.m. to 11 p.m., at least 12% of the broadcasting time for original Italian cinematographic or audiovisual works of fiction, animation, or original documentaries, wherever produced, setting the minimum sub-quota that the Company must reserve for original Italian cinematographic works, wherever they may be produced, in the amount of one-fourth. The latter percentages must now also be respected on an annual basis.

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 set up a technical co-regulation roundtable to adopt specific guidelines, later modified by Resolution no. 358/19/CONS on the display of pictograms of audiovisual works intended for the web.

With Resolution no. 359/19/CONS, containing "*Guidelines for the classification of audiovisual works intended for the web and video games referred to in the Regulation approved by Resolution no. 74/19/CONS and the establishment of the Permanent Observatory for the co-regulation of the classification of audiovisual works intended for the web and video games*," the Authority adopted the aforementioned Guidelines and established, within the Authority's Audiovisual Contents Directorate, the Permanent Observatory for the co-regulation of the classification of audiovisual works intended for the web and video games.

Finally, with Resolution no. 421/19/CONS, the Authority launched a public consultation on the amendments to be made to the draft Regulation on programming and investment obligations in favour of European works and works by independent producers referred to in Resolution no. 595/19/CONS, as amended by Resolution no. 24/19/CONS, in order to adapt it to the new provisions on the subject contained in the aforementioned Law no. 81/2019, which enacted Decree Law no. 59/2019, with particular reference to the adjustment of the programming and investment thresholds, the introduction of flexibility measures (new paragraph 3 of article 44-*quinquies* TUSMAR) and the provision of a special scheme for non-linear audiovisual media service providers established abroad (paragraph 1-*bis* of article 44-*quater* TUSMAR) and the clarification, as regards the mandatory quotas, of the transposition of the date of 1 January 2020 provided by law for the entry into force of the new thresholds.

Changes to anti-money laundering legislation

Legislative Decree no. 125 of 4 October 2019, amending and supplementing Legislative Decrees no. 90 and no. 92 of 25 May 2017, implemented Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing and amending Directives 2009/138/EC and 2013/36/EU. Amongst other things, the decree clarified the definition of "politically exposed person" and modified the criteria for determining the actual ownership of customers other than natural persons, the regulation of disclosure and access to information on the actual ownership of legal persons and trusts and the obligations of the customer, in addition to intervening on the obligations of enhanced customer due diligence and specific sanctions for obliged persons subject to oversight.

Budget Law 2020

Article 1, paragraphs 355 and 356 (*Rai licence fee exemption for the low-income elderly people*) of Law no. 160 of 27 December 2019, containing "Government Budget for fiscal year 2020 and multi-annual budget for the three-year period 2020-2022," raised the annual income threshold for exemption from the payment of the radio and TV licence fee for people aged 75 years to over to €8,000 when fully operational and as from 2020.

The said law also provided for several measures, including the establishment of specific public funds and specific requirements for the renewal of motor vehicle equipment.

Gender equality in listed companies

Both the law converting the so-called "tax decree" (article 58-*sexies* of Law 157/2019), and the 2020 Budget Law (article 1, paragraphs 302-305, of Law 160/2019) that followed shortly after introduced specific measures aimed at protecting the lesser represented gender, extending from three to six the mandates to which the provisions of Law no. 120 of 2011 apply to the senior management bodies, intervening both on article 147-*ter* and on article of 148 of Legislative Decree no. 58 of 1998 (*Consolidating Act concerning financial intermediation provisions*, TUF) in order to provide that the appointment of directors and members of the control body be made based on a criterion that ensures gender balance. In addition, the criterion for the appointment of directors (paragraph 302) and members of the control body (paragraph 303) is amended for the same purpose, providing that the lesser represented gender must obtain at least two fifths of the elected directors (40 per cent), compared to at least one third previously in force. Paragraph 304 also provides that the aforesaid criterion shall apply from the first renewal of the boards of directors and statutory auditors of listed companies following the effective date of the law, without prejudice to the criterion of at least one fifth provided for by Article 2 of Law 120/2011, for the first renewal following the date of commencement of trading.

For the purposes of applying the rules described above, the National Commission for Companies and the Stock Exchange has published a specific Communication, by which it has provided interpretations on how the new rules on gender quotas should be applied to corporate bodies composed of three members.

Provisions related to separate accounting

By Resolution no. 391/19/CONS, the National Authority for Guarantees in Communications launched an investigation aimed at verifying the "Operational Project" for the application of the provisions on separate accounting, provided for by Article 25, paragraph 1, letter r) of the 2018-2022 Service Contract.

Corporate Governance

Implementation of 2019-2021 Business Plan

At the meeting held on 19 December 2019, the Company's governance body established the Gender Departments and proceeded to update the Company's macro-structural structure in relation to the start of the reorganisation process aimed at adopting the content-centric model set out in the 2019-2021 Business Plan adopted by the Company. These Departments will operate "horizontally" across the channels and will constitute a new supply chain in the publishing area of the macro-structure.

At the meeting of 20 March 2020, the Board of Directors examined the implications of the protracted Coronavirus crisis on the Business Plan and agreed that, since Rai is called to honour its Public Service mandate in emergency conditions for the country and therefore also for our company, it is necessary to postpone the implementation of the Business Plan and the gender departments. Therefore, until 31 December 2020, the Networks will operate in the manner currently in force.

Corporate Governance Report - the Rai Control Governance Model and the Internal Control and Risk Management System (SCIGR)

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 set up their own internal control and risk management system (SCIGR), which, 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 at 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 SCIGR is integrated in the most general organisational and corporate governance structures and is organised into three levels: Management (I level), Management with monitoring functions (II level), Internal audit (III level).

An efficient SCIGR facilitates making 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 regulatory framework and device of Rai's SCIGR is mainly represented by:

- Company Articles of Association;
- Service Contract;
- Code of Ethics;
- 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 2019 the main activities on the subject of Internal Control System were:

- the continuation of the Integrated Risk Assessment Project at Rai SpA, started in the second half of 2018 with aim of gaining an overall view of corporate risks (compliance and operational), including the updating of the anti-corruption risk areas and the risks tied to observance of the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01. This is to be achieved by defining a unique methodology of reference and an integrated risk identification and management model that offers an overview of the company's phenomena, and attainment of an adequate overall risk profile.
- dopo aver completato le fasi di analisi preliminare, sviluppo metodologico e pre-mappatura dei rischi, tenendo anche conto degli sviluppi organizzativi e di processo in corso legati all'implementazione del Piano Industriale, nel 2019 sono state avviate le attività sul campo mediante le interviste in ciascuna area aziendale, finalizzate all'individuazione e valutazione dei rischi. 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 prevention measures, including risks of corruption.
- the implementation of the new integrated reporting management model (also anonymous) for Rai SpA and the Group's subsidiaries (with the exception of listed companies with their own Internal Audit structure), governed by the new specific procedure approved in January 2019 by the Board of Directors of Rai SpA.

Thanks to the integration of the various aspects of the internal control system under analysis, this model has made it possible to improve the process of investigating a report and ensure the completeness of the analyses with a positive impact on the effectiveness and efficiency of the internal control and risk management system;

- continuous training and awareness-raising of management and employees, through information and training activities on Legislative Decree 231/2001 and Law 190/2012, which saw the provision in 2019 of e-learning courses on anti-corruption and the Organisation, Management and Control Model, classroom sessions and newsletters.

The Rai Corporate Governance Model



RASA: Manager of the Register for the Contracting Entity
RPC: Corruption Prevention Manager

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 where Rai operates, also through its subsidiaries.

The Code is broken down into three macro-areas:

1. initially, to underscore its importance, 11 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 towards 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;
- 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 ethical aspects along the supply chain;
- the relationship with customers and users, particularly 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.

For monitoring purposes, the Stable Committee for the Code of Ethics, which reports to the Chief Executive Officer, has been set up; it ensures information flows to the RAI Supervisory Board pursuant to Legislative Decree 231/2001 and periodic reporting on the initiatives taken as a result of reports received and their outcomes. The Committee also sends the Corruption Prevention Manager the reports received presumably pertaining to corruptive profiles, even only abstract in nature, and informs him/ her 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 aspects to be highlighted are the provision of a confidential email address for reports of alleged violations of the Code and the related penalty system and the communication and training of personnel on the principles and ethical rules set out in the Code.

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 carried out by the system of the Parent Company, from which the other companies draw inspiration.

In carrying out its management and coordination activities, Rai SpA promotes and fosters the independent performance by its subsidiaries, which are individual recipients of the requirements of Legislative Decree 231/2001, of the activities of preparation and revision of its Organisation, Management and Control Model pursuant to Legislative Decree 231/2001, providing indications also considering the Group's organisational and operational structure. It also promotes the adoption of general principles to ensure legality also at associates.

The Organisation, Management and Control Model (MOGC), adopted by Rai S.p.A. pursuant to the said Decree on the administrative responsibility of bodies, sets out standards and control measures referred to the types of offence included in Legislative Decree 231/2001 until July 2017.

Control standards are prepared based on principles and indications in the Guidelines of Confindustria, and on the best international practices.

The Model also contains a description of the methods and responsibilities for approving, implementing and updating the Model. Proposals for updates and/or adjustments, submitted by the Chief Executive Officer to the Board of Directors, are prepared by a special team called "Team 231". The most recent update to Model 231 was approved by the Board of Directors of the Parent Company in its meeting of 27 July 2017.

The Supervisory Body is entrusted with updating the Model and supervises its suitability and effective implementation. The Supervisory Board of Rai SpA is a body established in accordance with the Articles of Association; has autonomous powers of initiative and control for the exercise of its functions, and reports to the Board of Directors (Title IX, Article 32 of the Articles of Association). It is a collective body that provides for the presence of two external members, one of whom takes the chair and the Internal Audit Manager pro tempore, depending on the function performed.

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.

In addition, training initiatives and seminars are promoted for management and employees; In addition to these initiatives, a "newsletter" was drawn up in 2019 specifically for communication and updating on "231" issues.

In 2018, the Supervisory Body promoted and supported the launch of the Risk Assessment on "231" risks, with the aim of keeping the framework of risks with an impact on the Model updated and ensuring the adequacy of the crime prevention system. This activity is part of the broader Integrated Risk Assessment Project mentioned above.

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 current Supervisory Board was appointed with effect from 1 August 2019 and falls from office when the Board of Directors that appointed it expires.

Anti-corruption

Considering the heavily regulated context in which the Company operates and the business of reference, anti-corruption is a significant issue 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.

Specifically, the monitoring of this issue is handled individually by each Group company: in fact, they have their own Three-Year Corruption Prevention Plan (PTPC) or an MOGC pursuant to Legislative Decree 231/2001 which includes the Anti-Corruption provisions, as well as a Corruption Prevention Manager (RPC) or an Anti-Bribery Representative as a member of the Supervisory Board. In this regard, as part of its management and coordination activities carried out with regard to its subsidiaries and in compliance with the logics set forth in the regulation issued on 29 December 2014, Rai SpA ensures that the subsidiaries identify the aforementioned roles and adopt their own PTPC or MOGC that includes anti-corruption provisions.

Since 2015, the Board of Directors of Rai SpA, in compliance with Law 190 of 6 November 2012, containing "*Provisions for prevention and repression of corruption and illegality in the Public Administration*", has appointed a Corruption Prevention Manager and has adopted the Three-year Corruption Prevention Plan (PTPC) of Rai SpA (2015-2017), then presented to ANAC, which also indicates the implementation standards and criteria for Rai's subsidiaries. During the following years, the PTPC was updated, re-projecting structure, method and logic. The main changes introduced were the result of three separate activities: implementing the National Anti-corruption Plan, the guidelines and recommendations of ANAC, Risk Assessment and analysis of the results of audit reports and investigations into notifications received.

Considering that, due to the variety and breadth of the Rai Group's activities, there are many areas of potential risk and extensive mapping (risks related to personnel management, awarding works, services and supplies, managing revenues, sales, management of legal affairs, etc.), it is useful to further explore the subject of risks from corruption also because of their possible transversal nature.

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 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, set out in the methodological notes, going to the RPC from the Representatives in charge were made operational.

The objective of the current Integrated Risk Assessment Project already mentioned above is also to enable the implementation of an increasingly integrated internal control and prevention system, taking advantage of the opportunity, indicated by Law no. 190/2012, to adopt new measures and/or consolidate those already in place through coordinated action, in order to fight the phenomena of corruption and illegality more effectively.

Specifically, the PTPC adopts the following tools to support the prevention of risk:

- transversal control principles that apply to all processes and the company areas;
- specific protocols for the “General Areas” set out in the National Anti-Corruption Plan (PNA);
- anomaly indicators, identified on the basis of experience/knowledge and that can stimulate management to pay more attention to its activities.

The function of Anti-corruption Representative is aligned with the organisational changes underway. 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 NRresponsabilievs, the Heads for foreign Correspondence Offices and the Heads of the TV Production Centres of Rome, Milan, Naples and Turin.

To further enhance these roles and update them continuously, a periodical newsletter system is active, as well as 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 modules) targeted at analysing corruption prevention and enabling personnel to understand the contents and updates of the aforementioned Three-year Plans.

As concerns transparency, considered one of the main anti-corruption levers and measures available to the Company by the PNA, it is worth mentioning Law 220/2015 Reform of the Rai and the Public Broadcasting Service introduced important company transparency changes; 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. That data was published on the Company website in the section called “Rai for Transparency” as of 25th July 2016.

The aforementioned Plan replaces the previous “Three-year Program for the Transparency and Integrity of Rai SpA”; as a result, the Head of Transparency no longer exists (that responsibility had been assigned to the Head of Corruption Prevention). The relative responsibility has been attributed to the Chief Executive Officer.

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.

Human Resources management, development and compensation and the activities 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 an *HR business partner* perspective, guaranteeing correctness of industrial relations and ensuring observance of the labour legislation and inspectorate functions.

The development of the organisational structure, design functions and operation of the processes, support computer systems, and 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 are also ensured. Finally, Rai Academy ensures personnel training and research activities as well as the development of the "knowledge hub" and the alignment of skills with company strategies.

The Company's permanent workforce increased by 375 employees during 2019 (from 11,152 at the beginning of the year to 11,527 at the end of December 2019).

In particular, there were 209 terminations, of which: 69 for having reached retirement requirements; 111 for consensual termination, resignations and incentives; three for intra-group mobility; 26 through death, dismissals, litigation and contractual expiry dates.

584 people were hired, detailed as follows: 333 to stabilise fixed term personnel; 15 for intra-group mobility; 15 reintegrated following litigation; 221 (of which 179 with vocational training apprenticeship and 7 for the National Symphonic Orchestra of Turin) for entries to reform the workforce due to turnover, strengthening some structures or due to new requirements.

During 2019, reorganisation processes were put in place with the aim of making the structures more functional to production needs. The critical staffing issues resulting from these processes have been addressed through initiatives to rationalise resources, change professional profiles, and internal mobility measures (also through job posting).

The "entries plan" continued for those suited following selection

carried out in 2018 for young school-leaving graduates (office staff, programme assistants, production technicians, technicians and ICT technicians) graduates (in engineering and economics), production specialists. People were employed under vocational apprenticeship contracts, pursuant to art. 10 of the Rai CCL for Middle Managers, Office Staff and Workers. This enabled the Company to handle any critical workforce aspects all over the country, resulting from both production/organisation needs, and for service terminations due to the 2018 incentives to leave plan.

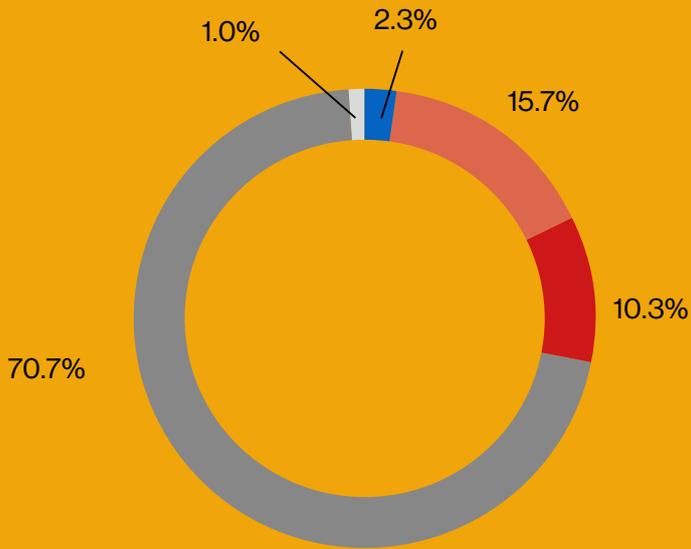
Use was also made, residually, of recruitment with set-term contracts, limiting them to workers belonging to the obligatory placement segment (for whom there are obligations to hire people as a percentage of those employed and commitments taken due to the convention signed with the Disabled Work Inclusion Service of the Lazio Region) and cases – very few – applying the CCL related to the employment of the widows/widowers and orphans of employees who died whilst employed, and - only in very limited cases of unattainable professional figures or for which a high risk of losing in litigation was identified for Rai - to workers who have been used for a long time at the Company through contracts with companies under contract with Rai.

In the light of recent regulatory changes in the field of fixed-term work as well as in application of the minutes of the trade union meeting of 17 October 2018, the process of stabilising in-service resources already used for fixed-term work in 2018 continued.

In order to enhance the skills and optimise the use of internal resources, with respect to the company's specific production and organisational needs, the tendency is to encourage the internal mobility of personnel also through job posting. Assessment initiatives aimed at changing professional profiles with a view to the professional growth of employees are also launched.

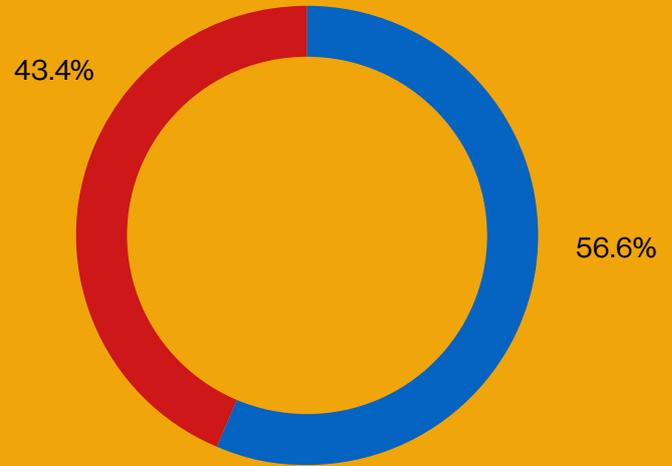
Since 1 May 2019, the holiday transfer system, provided for by article 24 of Legislative Decree no. 151 of 14 September 2015 and introduced in the Company, for all categories of workers, by the respective contractual agreements, has been operative on an experimental basis. With a view to solidarity, it has been possible to give free days off and leave to permanent employees who request it for specific needs, having fully used those to which they are entitled.

Breakdown of workforce by macro categories



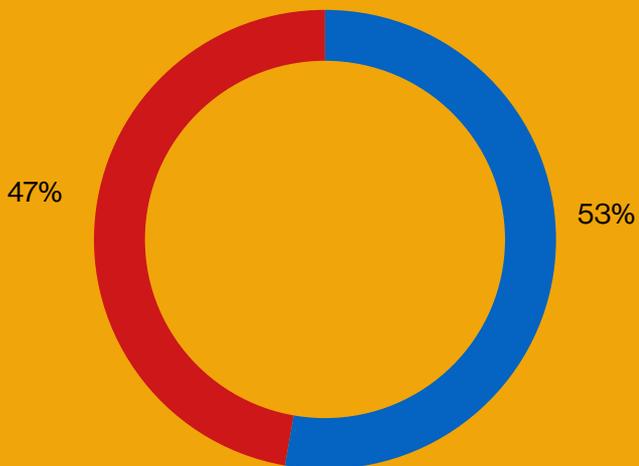
- Senior managers
- Journalists
- Officers (Middle managers)
- Other personnel
- Orchestra players

Breakdown of workforce by gender



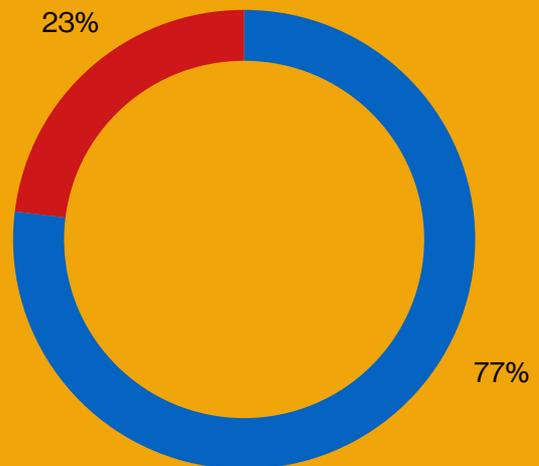
- Men
- Women

Breakdown of hires by gender



- Men
- Women

Breakdown of terminations by gender



- Men
- Women

During 2019, with reference to journalist staff, the term contracts were limited to the remaining resources that were suitable for internal selection in 2013 and, with a view to rationalising costs and improving organisational efficiency, a voluntary incentive initiative was implemented - in line with the change path underlying the 2019-2021 Business Plan - for executive staff.

In addition, following the issue of the "*Guidelines on Personnel Rotation*", the preparation of a rotation plan for the organisational positions concerned has been started.

As regards the company organisation, the first half of 2019 saw an organisational evolution consistent also with the first indications resulting from the guidelines and items of the 2019-2021 Industrial Plan. On this point, the most significant organisational actions included introduction of the Corporate General Management, with the following reporting to it:

- the Transformation Office Department, newly created;
- the Human Resources and Organisation Departments, Legal and Corporate Affairs, Safety & Security (which no longer falls within the remit of the Chief Technology Officer), Purchasing, TV and Artistic Resources (which has acquired the Artistic Resources and Non Workforce unit), Sports Broadcasting Rights;
- the new Public Utility Department and the Teche Department, previously reporting directly to the Chief Digital Officer (CDO) area, which has been abolished;
- the Chief Financial Officer (CFO) – Finance and Planning area;
- the Chief Technology Officer (CTO) area which has become CTO - Technological Infrastructures within which: A new Technological Department has been established absorbing the Engineering unit, previously falling in the Chief Operations Officer (COO) area; the Quality and Planning Department has been abolished; the Technology and Data Management & Insights business units, previously falling within the Digital area, was transferred to the Platforms and Distribution Department (later renamed Networks and Platforms);
- the Real Estate Infrastructures and Local Branches Department, newly established, to which the following report: the Real Estate Asset and Services Department and regional and Foreign Offices Coordination Department.

In addition, functional dependence on the Corporate General Management of the Chief Operations Officer - TV Production area has been established.

Further actions have been taken in the Top Management support areas, namely:

- the Governance and Corporate Secretariat Department reports directly to the Board of Directors;
- the Chief Executive Officer Staff Department (removed from the Governance and Corporate Secretariat Department), subsequently renamed Chief Executive Officer and

Corporate General Manager, report directly to the Chief Executive Officer and functionally to the Corporate General Manager.

In addition, it is worth noting the actions aimed at reorganising the Communication, External, Institutional and International Relations area through:

- the creation of the International Relations and European Affairs Department, which reports functionally to the Chairperson and hierarchically to the Chief Executive Officer;
- the creation of the Institutional Relations Department, reporting directly to the Chief Executive Officer;
- the placement of the Communication Department reporting directly to the Chief Executive Officer.

In addition, the Marketing Department and the Financial Reporting Structure (already reporting directly to the CFO) have been placed under the direct supervision of the Chief Executive Officer. Finally, the Studies Office, which reports directly to the Chief Executive Officer, was set up, in application of the provisions included in the Service Contract.

During the second half of the year, the organisational measures that were taken as a result of the guidelines and elements of the 2019-2021 Business Plan and the revision of the organisational perimeters of certain areas continued. In this regard, it is worth noting:

- the reorganization of the former Digital Department, renamed Rai Play and Digital Department, in view of a modular development of the project for the growth of the digital offering;
- the reorganisation of the Chief Executive Officer and Corporate General Manager Staff Department, aimed at having dedicated controls on topics of interest to Top Management, such as transparency, privacy and relations with editorial offices and areas;
- the reorganisation of the former Licence Fee Department in the CFO-Finance and Planning area, renamed Licence Fee and Artistic Heritage, with the integration of the mission of fostering the artistic heritage of the Rai Group;
- the definition of the organisational structure and detailed responsibilities of the International Relations and European Affairs Department;
- the revision of the specific responsibilities of the Communication Department and, compared to the previous structure, the change of name of certain structures;
- the revision of the first level organisational structure of the Human Resources and Organisation Department, characterised by the acquisition of the Labour Cost structure, which previously reported directly to the Strategic Planning and Management Control Department in the CFO-Finance and Planning area (with which it maintains its functional dependence);

- the revision of the organisational structure and responsibilities of the Television and Artistic Resources Department, updating it with the incorporation of the "Artistic Resources and Non Workforce" unit, previously transferred from the Human Resources and Organisation Department;
- the revision of the organisational structure of the former Platforms and Distribution Department in the CTO-Technological Infrastructures area, renamed Networks and Platforms;
- the revision of the organisational breakdown of the activities for which the Deputy Director for Non-Journalistic Activities of the Rai Sport Department is responsible.

With regard to trade union relations, for personnel regulated by the CCL (National Contract) for middle managers, office staff and workers, the minutes of the meeting of 21-22 January 2019 - signed as part of the "National Observatory" established by the contract renewal agreement of 28 February 2018 - set out the most significant part of the application issues, with the identification of the workers who meet the requirements to benefit from the new contractual provisions.

On 17 April, the Parties also signed an agreement which defined the contents of the "*Welfare Plan*" to be activated – applying contractual provisions in the contractual renewal agreement of 28 February 2018 – through a digital platform supplied by an external specialised party, to be identified through a tender procedure regulated by the "*Public Contracts Code*". The Observatory discussion then continued in the following six months on the residual application matters and, as established in the Framework Agreement on Active Polices of 13 December 2018, on the workforce and top organisational positions to be filled following departures in the 2016-2018 three-year period. These matters were settled with the minutes of the meeting of 16 December 2019.

On the same date, a new agreement was reached with the trade unions on the performance bonus for the three-year period 2019-2021, which binds the payment of the bonus to the achievement of a positive value in the Rai Group's financial statements under the item "Profit/(loss) for the year" (including the costs of the performance bonuses provided for by the CCL applied at the Company) and which sets quality, innovation and productivity indicators.

On the journalist side, discussions continued with USIGRai on the project aimed at providing TgR regional news on the web and social network platforms, through meetings to evaluate the progress of the project at the editorial offices in Florence, Trento and Palermo and with the start of experimentation at the editorial office in Campobasso.

With regard to journalistic activities carried out outside the newsrooms, on 23 July an agreement was signed with USIGRai

and the FNSI to ascertain the journalistic qualification to be awarded to 250 resources between self-employed workers and employees, used by the company in a specific period of time and within a specific programming perimeter. It was reached at the end of an intense discussion with the trade unions.

Subsequently, on 29 July 2019, the Parties signed an agreement for the recruitment - through public selection - of 90 professional journalists to cover the TgR's regional editorial offices with the most critical staffing issues.

As regards out-of-court labour disputes, besides the usual consultancy activities provided to requesting structures and single employees in order to take action to prevent and/or reduce the number of labour disputes, 66 settlement reports were signed with the unions, to close 25 cases pending and prevent 41 potential disputes. Furthermore, support was given to the Legal and Corporate Affairs Department to settle 37 positions in court, assessing the settlement conditions of each applicant.

A total of 212 precautionary settlements were formalised with the same number of workers encouraged to leave (whilst defining 6 pending cases and 9 out-of-court claims), and then executing (most of which with career rebuilding) 35 final sentences.

In September 2019, a new area of activity called Disability Management was introduced, with the aim of identifying a corporate governance system for employees that fosters accessibility and full employment inclusion.

Consultancy on regulations and welfare is steady. During 2019, the complex work of monitoring and interpreting new legislation and/or regulations relating to the payment of indemnities, the use of special permits/leaves, the obligations connected with the employment relationship (including the effects of "quota 100" - the pension reform law), privacy (updating of privacy policies) and support to the operational offices continued, in particular for checks relating to selections and out-of-company assignments. Internal innovative initiatives worth noting include the regulation of holiday transfers, the new regulation for holiday use by executive personnel, the remuneration of the fair bonus, and the new policy for the use of digital devices by employees and collaborators.

During 2019, training initiatives saw the development of the digital portal "Rai Academy" and the implementation of the Training Offer Catalogue.

The Rai Academy Portal, hosted on the Rai Place corporate intranet portal, is designed according to user needs. A video tutorial illustrates its features, including a constantly updated and customised section that reports the number and type of

courses held for each employee. In 2019, the Training Offer Catalogue - which hosted 170 courses, more than half of which were delivered remotely - was enriched with navigable sheets, which detail content, articulation, planned editions and any other useful information to verify that a course matches one's own training needs. As a whole, about 23,000 course hours were provided online in 2019.

The year 2019 was also marked by the launch of a number of training campaigns with a significant impact, either because of the number of participants or the novelty of the topics covered. These include the project "*Conoscere la lingua inglese*" which involved about 500 employees, who participated in one-to-one courses or, for the first time ever at the company, through blended learning.

The "*Login*" project, the three-year path whose goal is the structured inclusion of new employees, also continued. It aims at generating a sense of belonging and transmitting company values and culture. In this context, three "Benvenuto in Rai" events, days dedicated to apprentices during which the Company presents itself through the testimonies of top management, were held. The location, chosen from amongst the best-known radio and TV studios in Italy, such as Sala A in Via Asiago and Studio 5 (the *Porta a Porta* studio), and the presence of famous entertainers aimed at giving new colleagues that sense of the Rai core business. At the same time, 6 workshops were held for the tutors, aimed at providing them with all the proper tools to welcome, train and evaluate new hires.

After the first experimental session started in 2018, the course "*Palestra di Narrazione*" has been recognised as a reference point to provide theoretical and practical tools that cut across the different genres and forms of storytelling. In 2019 two editions of the course were organised, characterised by the possibility of having a discussion with experts, who are invited to ad-hoc meetings in 4 of the 8 modules of which the course consists of. The workshop mode proved to be particularly effective: The "training" of course members also continued outside the "Gym", with individual writing exercises then sent to the teachers. The students then become part of a professional community that is periodically called to join the last edition's students to participate in the debate with experts.

With a view to providing opportunities for information providers to gain deeper knowledge, the training path "*Africa/Afriche/Italia. Raccontare un continente*" was launched in September 2019 with the aim of improving the editorial skill to critically choose which issues, news, and stories of Africa and Africans to tell, taking into account the correct terminologies and stereotypes to be eliminated. It is a first experimentation of an in-depth study of international issues, as a result of which the feasibility of new editions on different issues will be evaluated.

As part of the training on digital transformation and inclusion, in the second half of 2019 the course "*Digital Transformation Program*" was created, dedicated to company management on the issues of digital innovation and related evolutionary scenarios.

The course was divided into 4 thematic meetings, for a total of 28 hours, with the participation of experts on aspects related to the transformation and processes of technological, organisational, and product innovation brought about and/or supported by digital technology. A total of about 60 senior managers (Directors and structure managers) took part in the course.

New compliance initiatives include the launch of the online course on "*Sustainability*". As an integral part of a broader path towards sustainability that the Rai Group has been taking for some time, the course was completed by over 9,000 participants, who have thus made their contribution to the construction of the so-called Materiality Matrix.

As a whole, about 55,000 training hours with attendance were supplied.

In addition, the usual activities concerning compulsory safety training continued, including extensive training on electrical risk and training for administrative and production area representatives.

Overall, in 2019 the Company provided 90,000 training hours, involving 74% of its workforce: 62% attended courses, 26% took e-learning courses and 12% received on-the-job training.

During 2019, the use of the online CV, launched in April 2018, was consolidated with the aim of collecting updated and detailed information on the training and professional experience of Group employees, with the aim of tracking their professional history, outlining their current profile and providing information on their possible skills and availability. To date, about 5,500 employees have filled in at least 50% of the sections and of these, about 3,300 employees have completed filling in all basic sections.

As regards the journalist population, in order to gain a greater awareness of the company's capital, Rai counts amongst its priority projects the completion of the "Mappatura Giornalisti" which, during its first edition, saw the involvement on a voluntary basis of 510 resources throughout the country. A second edition will be launched in 2020 to cover the entire journalist population and will aim to integrate the basic information already held by the relevant company departments by measuring, with the help of a team of experts, the level of maturity of certain professional skills, and any training needs, while collecting feedback and suggestions. With this information it will be easier to set targeted

follow-up initiatives such as training, job rotation and planned development.

As regards selection activities, during 2019:

- 12 selection processes have been activated for different professional profiles;
- three different trade union agreements were implemented to stabilise employees in the middle managers, office staff and workers area and journalist area and to find new journalists to join the company;
- internal resources have been evaluated with a view to professional development and improvement;
- activities contained in the employer branding plan have been implemented;
- students doing a curricular internship or an alternating school/work period were integrated into the Company.

Twelve selection initiatives were started – through public notice – for several professional positions (Orchestra members - I Double-bass, Double-bass section, Violin section, I Horn, III Horn, I Oboe, I Bassoon, Surveyors, Office Staff and Technicians for the German and Latin language groups). A total of 2,291 applications were received, 1,396 candidates were called in the first selection stage and 230 were put forward to assessment. The search for specialist profiles to be included in the Marketing Department and Purchasing Department was also concluded.

In addition, with the publication of the relevant calls for applications, the initiatives deriving from trade union agreements "*Internal Selection for Collaborators of the Rai Group*" and "*Internal Assessment for Journalists*", aimed at stabilising 150 and 250 resources respectively, and "*Professional Journalists*" aimed at identifying 90 professionals for the TgR to be hired over the next few years.

In compliance with obligations resulting from *Law 68/99 – Regulations for the labour rights of the disabled*, 27 resources were assessed for office employee and technician positions.

Related to the agreements signed to employ the widows/widowers and orphans of employees who died during employment, 8 resources were assessed and found suitable as Office staff or Production technician.

Activities continued on the professional development of colleagues in the workforce involved in job change processes (50 resources).

As part of the employer branding activities, the development of the relative digital channels continued – managing the Rai page on the social network LinkedIn.

Rai also took part in the career days held by some Italian Universities (Bologna, Bocconi, Tor Vergata, Turin Polytechnic, Luiss, La Sapienza, and Federico II) and a specific contest reserved for the students of management engineering coming from 9 different faculties, organised by the University of Tor Vergata. On those occasions Rai came into direct contact with about 1,800 students and young graduates.

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) were carried out on the topics of "*Communication and Journalism*" and "*TV Production and Post Production*". That initiative, which came to an end in May with a celebratory event held at the Turin Book Fair, involved 309 students from all over Italy, and generated a total of about 12,000 hours of educational workshops.

In order to bring companies and the Italian educational world together, please note that the Company welcomed 258 curricular internships from the main Italian universities (218 students) and from the Schools of Journalism acknowledged by the National Order of Journalists (40 students).

In order to provide employees with more widespread and timely information on the main initiatives undertaken by the Rai Group, the development of the Rai Place corporate intranet portal continued with the consolidation of traditional information sources and the identification of new corporate entities with information content of collective interest to be disseminated through the portal's tools (professional opportunities, benefits, conventions, events and welfare).

The renewal project of the company's intranet portal was amongst the 4 winners of the first edition of the Intranet Italia Day 2019 award. The accolade was awarded by a jury of Italian and international experts to those companies that have created engaging ideas, content and initiatives, useful and well-designed services, features and applications that have produced important results for the company and its employees, and innovative companies in internal communication. The award ceremony was held on Thursday, 10 October 2019, in Milan during the annual Internet Italia Day conference.

Also in 2019, the traditional "*Bimbo Rai*," the day when employees can go to work accompanied by their children, now in its thirteenth edition, was held.

Intercompany Relations

In 2019 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, recorded a 41.4% increase during 2019 (46.5% adjusted for distribution of the dividend), with performance significantly higher than the market.

Rai Way closed 2019 with a capitalisation of approximately €1,667 million.

During 2019, the percentage of Rai Way share capital held by Rai S.p.A. 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

Rai Cinema

(€/million)	31 December 2019	31 December 2018
Revenue	302.7	311.5
EBIT	23.0	25.3
Profit/(loss) for the year	14.8	15.7
Total profit/(loss) for the year	14.4	16.0
Shareholders' equity	276.7	262.2
Net financial position	(152.0)	(163.4)
Net financial position excluding operating lease liabilities	(151.9)	(163.4)
Investments	248.1	248.6
Workforce (in units)	154	151
of which fixed-term	9	19

Rai Com

(€/million)	31 December 2019	31 December 2018
Revenue	41.3	49.8
EBIT	9.8	16.5
Profit/(loss) for the year	7.2	11.3
Total profit/(loss) for the year	7.1	11.3
Shareholders' equity	113.4	117.6
Net financial position	126.1	137.2
Net financial position excluding operating lease liabilities	126.4	137.2
Investments	0.8	0.3
Workforce (in units)	107	105
of which fixed-term	1	4

Rai Corporation

(USD/million)	31 December 2019	31 December 2018
Revenue	-	-
EBIT	(0.3)	(4.6)
Profit/(loss) for the year	(0.3)	(4.6)
Total profit/(loss) for the year	(0.3)	(4.6)
Shareholders' equity	(4.9)	(4.6)
Net financial position	3.8	4.0
Net financial position excluding operating lease liabilities	3.8	4.0
Investments	-	-
Workforce (in units)	-	-
of which fixed-term	-	-

Rai Pubblicità

(€/million)	31 December 2019	31 December 2018
Revenue	635.7	639.2
EBIT	12.0	12.1
Profit/(loss) for the year	8.0	8.1
Total profit/(loss) for the year	8.0	8.2
Shareholders' equity	37.6	37.7
Net financial position	1.0	5.6
Net financial position excluding operating lease liabilities	3.9	5.6
Investments	1.1	1.0
Workforce (in units)	359	349
of which fixed-term	14	36

Rai Way

(€/million)	31 December 2019	31 December 2018
Revenue	222.3	217.9
EBIT	90.1	83.8
Profit/(loss) for the year	63.4	59.7
Total profit/(loss) for the year	63.1	60.1
Shareholders' equity	184.2	180.8
Net financial position	(9.5)	16.6
Net financial position excluding operating lease liabilities	30.0	16.6
Investments	35.3	27.0
Workforce (in units)	615.0	615
of which fixed-term	12.0	13

Financial balances of Rai S.p.A. with subsidiaries as at 31 December 2018 and 2019

Subsidiaries (€/000)	Rai Cinema	Rai Com	Rai Corporation in liquidation	Rai Pubblicità	Rai Way	Total subsidiaries
Lease rights of use						
As at 31 December 2019	-	-	-	-	103	103
As at 31 December 2018	-	-	-	-	-	-
Current trade receivables						
As at 31 December 2019	1,493	87,929	-	180,363	8,394	278,179
As at 31 December 2018	2,522	83,795	-	178,998	2,847	268,162
Current financial assets						
As at 31 December 2019	157,785	-	-	-	-	157,785
As at 31 December 2018	165,677	-	-	-	82	165,759
Other current receivables and assets						
As at 31 December 2019	5,736	2,617	-	7,507	20,670	36,530
As at 31 December 2018	5,201	3,780	-	2,922	20,174	32,077
Non-current financial liabilities for leases						
As at 31 December 2019	-	-	-	-	(74)	(74)
As at 31 December 2018	-	-	-	-	-	-
Trade payables						
As at 31 December 2019	(2,528)	(16,053)	-	(173)	(68,981)	(87,735)
As at 31 December 2018	(11,799)	(7,761)	-	(80)	(66,491)	(86,131)
Current financial liabilities						
As at 31 December 2019	(5,857)	(126,390)	(3,226)	(3,917)	(252)	(139,642)
As at 31 December 2018	(2,303)	(134,862)	(3,428)	(5,635)	-	(146,228)
Current lease liabilities						
As at 31 December 2019	-	-	-	-	(32)	(32)
As at 31 December 2018	-	-	-	-	-	-
Other current payables and liabilities						
As at 31 December 2019	(445)	(358)	-	(3,535)	(2,477)	(6,815)
As at 31 December 2018	(445)	(6)	-	(3,448)	(2,504)	(6,403)

Financial balances of Rai S.p.A. with joint ventures and associates as at 31 December 2018 and 2019

Joint ventures and associates (€/000)	Audiradio in liquidation	Auditel	Player Editori Radio	San Marino RTV	Tavolo Editori Radio	Tivù	Total joint ventures and associates
Lease rights of use							
As at 31 December 2019	-	-	-	-	-	-	-
As at 31 December 2018	-	-	-	-	-	-	-
Current trade receivables							
As at 31 December 2019	-	-	-	55	1	108	164
As at 31 December 2018	-	-	-	57	-	110	167
Current financial assets							
As at 31 December 2019	-	-	-	183	-	-	183
As at 31 December 2018	-	-	-	-	-	-	-
Other current receivables and assets							
As at 31 December 2019	-	-	-	-	-	-	-
As at 31 December 2018	-	-	-	-	-	-	-
Non-current financial liabilities for leases							
As at 31 December 2019	-	-	-	-	-	-	-
As at 31 December 2018	-	-	-	-	-	-	-
Trade payables							
As at 31 December 2019	-	(1,051)	-	-	-	(409)	(1,460)
As at 31 December 2018	-	(1,977)	-	-	-	(415)	(2,392)
Current financial liabilities							
As at 31 December 2019	-	-	-	-	-	-	-
As at 31 December 2018	-	-	-	(70)	-	-	(70)
Current lease liabilities							
As at 31 December 2019	-	-	-	-	-	-	-
As at 31 December 2018	-	-	-	-	-	-	-
Other current payables and liabilities							
As at 31 December 2019	-	-	-	-	-	-	-
As at 31 December 2018	-	-	-	-	-	-	-

Economic balances of Rai S.p.A. with subsidiaries as at 31 December 2018 and 2019

Subsidiaries (€/’000)	Rai Cinema	Rai Com	Rai Corporation in liquidation	Rai Pubblicità	Rai Way	Total subsidiaries
Revenue from sales and services						
As at 31 December 2019	12	72,892	-	541,570	-	614,474
As at 31 December 2018	13	61,721	-	552,760	-	614,494
Other revenue and income						
As at 31 December 2019	3,744	4,354	-	3,351	10,413	21,862
As at 31 December 2018	3,686	3,984	-	3,534	10,654	21,858
Costs for the purchase of consumables						
As at 31 December 2019	-	-	-	-	-	-
As at 31 December 2018	-	-	-	-	-	-
Costs for services						
As at 31 December 2019	(268,577)	(15,726)	-	399	(209,731)	(493,635)
As at 31 December 2018	(278,014)	(8,384)	-	344	(206,905)	(492,959)
HR expenses						
As at 31 December 2019	980	1,105	-	1,641	342	4,068
As at 31 December 2018	1,020	968	-	1,106	364	3,458
Other costs						
As at 31 December 2019	-	(408)	-	-	-	(408)
As at 31 December 2018	-	(390)	-	-	-	(390)
Write-down of financial assets						
As at 31 December 2019	-	(695)	-	-	-	(695)
As at 31 December 2018	-	(23)	-	-	-	(23)
Depreciation, amortisation and other write-downs						
As at 31 December 2019	-	-	-	-	(32)	(32)
As at 31 December 2018	-	-	-	-	-	-
Financial income						
As at 31 December 2019	3,452	11,311	-	8,167	38,808	61,738
As at 31 December 2018	17,840	11,556	-	21	35,804	65,221
Financial expense						
As at 31 December 2019	(53)	(1)	-	-	(1)	(55)
As at 31 December 2018	(71)	-	-	-	-	(71)

Economic balances of Rai S.p.A. with joint ventures and associates as at 31 December 2018 and 2019

Joint ventures and associates (€/000)	Audiradio in liquidation	Auditel	Player Editori Radio	San Marino RTV	Tavolo Editori Radio	Tivù	Total joint ventures and associates
Revenue from sales and services							
As at 31 December 2019	-	-	-	-	-	592	592
As at 31 December 2018	-	-	-	-	-	564	564
Other revenue and income							
As at 31 December 2019	-	-	-	17	7	5	29
As at 31 December 2018	-	-	-	22	7	45	74
Costs for the purchase of consumables							
As at 31 December 2019	-	-	-	-	-	-	-
As at 31 December 2018	-	-	-	-	-	-	-
Costs for services							
As at 31 December 2019	-	(8,930)	(18)	4	(624)	(1,636)	(11,204)
As at 31 December 2018	-	(7,930)	-	2	(661)	(1,660)	(10,249)
HR expenses							
As at 31 December 2019	-	-	-	171	-	-	171
As at 31 December 2018	-	-	-	170	-	-	170
Other costs							
As at 31 December 2019	-	-	-	-	-	-	-
As at 31 December 2018	-	-	-	-	-	-	-
Write-down of financial assets							
As at 31 December 2019	-	-	-	-	-	-	-
As at 31 December 2018	-	-	-	-	-	-	-
Depreciation, amortisation and other write-downs							
As at 31 December 2019	-	-	-	-	-	-	-
As at 31 December 2018	-	-	-	-	-	-	-
Financial income							
As at 31 December 2019	-	-	-	10	-	-	10
As at 31 December 2018	-	-	-	13	-	-	13
Financial expense							
As at 31 December 2019	-	(31)	-	-	-	-	-
As at 31 December 2018	-	-	-	-	-	-	-

Significant events occurring after the end of the year

After the financial year ended, the Covid-19 virus, which originated in China, spread worldwide, with the consequent definition of the epidemic as a "pandemic situation" by the World Health Organization. In the current scenario, where the spread of the virus has not yet stopped, there is an increased risk that the global outlook for future growth will be adversely affected - even significantly - with a direct impact on the overall macroeconomic framework and financial markets.

Italy is one of the most affected countries. This has led to significant pressure on the country's health system and the consequent adoption by the Government of a series of measures that have introduced restrictive and unprecedented measures to the activities of the Public Administration, the economy in general and the daily lives of Italian citizens, as well as substantial economic interventions in support of families, workers and businesses.

Given that the spread of the pandemic, which occurred after the end of the financial year, has not led to the elimination of the going concern assumption in the preparation of these financial statements nor, in accordance with IAS 10, the adjustment to the accounts is currently complex to make a reasonable estimate of the medium-term impacts, in light of the uncertainties present. However, the Group tackled immediately and with extreme determination this difficult juncture, constantly monitoring the evolution of the virus in order to proactively manage its effects.

To this end, as early as 22 February, at the news of the first case originating in Italy, Rai set up a permanent multidirectional corporate Task Force with management and editorial coordination functions on the Coronavirus emergency, chaired by the Corporate General Manager and reporting periodically to top management bodies on its activities.

During the emergency period, the operational information provided immediately to employees was continuously updated as the national situation evolved (to date about 90 documents/procedures). At the individual level, the need to scrupulously comply with the general prevention measures issued by the Ministry of Health was reiterated, while - from the point of view of company operations - specific provisions were issued to regulate a number of cases: from contact with positive people or people who have come into contact with positive people, to stays or transits through risk areas,...

Numerous electronic communication channels have been activated with employees to manage the various support needs.

Rai has also updated the Risk Assessment Document by preparing a supplement to the specific risk assessment "Covid-19".

Massive recourse to smart working has been favoured, extending it to ever-wider categories of personnel, reaching about 7,700 Group employees; where it has not been possible to use this method, the layout of the workstations has been reviewed in order to comply in any case with the requirements regarding distancing, providing the appropriate personal protective equipment (masks and, if necessary, gloves).

Extraordinary sanitisation measures were also implemented in the offices and premises of the company (for over 600,000 m³), together with the provision of disinfectant gels at each site.

In order to strengthen preventive measures to protect the health of employees, and pursuant to the infection prevention safety protocols provided for in the Prime Ministerial Decree of 11 March 2020, devices are installed to measure body temperature using thermal scanners or remote thermometers so that, where the temperature exceeds 37.5°, access to company premises is forbidden.

Similar measures have been adopted in the programming area, providing for the absence of an audience and the obligation to keep a safe distance between the people participating in the programmes in order to avoid forms of increased risk.

In addition, the Company, in the current phase of national health emergency, has set up a technical roundtable for the promotion and harmonisation of corporate activities in the social field with the aim, inter alia, to formulate content proposals, awareness campaigns, calls to action and other initiatives deemed appropriate; With reference to the need to redefine and adapt information activities, Rai has adopted organisational provisions aimed at coordinating and optimising the flow of information relating to both news and information programmes of the different Networks and at monitoring and coordinating initiatives to combat the so-called fake news phenomenon.

Rai has therefore given priority, over and above the necessary measures to protect its staff, to the issue of its responsibility as a Public Service Concessionaire and, consequently, the need to fulfil its obligations and duties towards Italy as best as possible - also in the dramatic context that the epidemic has created and, in relation to the changes in the composition of the audience induced by the obligation to stay at home, especially for the elderly and school-age minors in the daytime slots.

With Resolution no. 61/20/CONS, AGCom ascertained the "(...) non-compliance (...) with the principles of transparency and non-discrimination as per article 25, paragraph 1, letter s) point iii) of the 2018-2022 Service Contract" and warned Rai "to immediately cease conduct similar to that which is the subject of the established infringement." The relevant investigative

measures (14/19/DCA and 42/19/CONS) have been challenged before the Lazio Regional Administrative Court. By Order no. 3180/2020 of 22 April 2020, the Board suspended the effectiveness of the aforementioned resolution.

Outlook of operations

The coronavirus pandemic represents a violent shock for the world economy and the European Union, with very serious social and economic consequences. Despite the rapid and integrated policy response, this year the EU economy will suffer a recession of historic proportions.

According to the European Commission's spring economic forecasts, the eurozone economy will contract by a record 7.7% in 2020 and then grow by 6.3% in 2021. Growth projections for the eurozone have been revised downwards by around 9 percentage points compared to the 2019 autumn economic forecast.

The shock to the eurozone economy is symmetric, as the pandemic has affected all Member States, but both the fall in production in 2020 and the scope of the rebound in 2021 are expected to be markedly different. The economic recovery of each Member State will depend on the evolution of the pandemic in that particular country, as well as on the structure of each economy and its capacity to respond with stabilisation policies. Given that the EU's economies are interdependent, the dynamics of the recovery in each Member State will also affect the strength of the recovery in the other Member States.

In this context, the outlook for Italy is a drop in GDP of 9.5% in 2020 and growth in the following year of 6.5%. Therefore, as for the eurozone as a whole, the Italian economy is not expected to fully recover this year's losses before the end of 2021.

As far as Rai is concerned, the most significant effects of this development will primarily affect advertising revenues. The good start in the first two months of 2020 was, in fact, subverted by the outbreak of the pandemic that hit our country amongst the first and most strongly, forcing the national government to adopt strict measures to combat and contain it, which have obviously had a severe impact on the advertising sector.

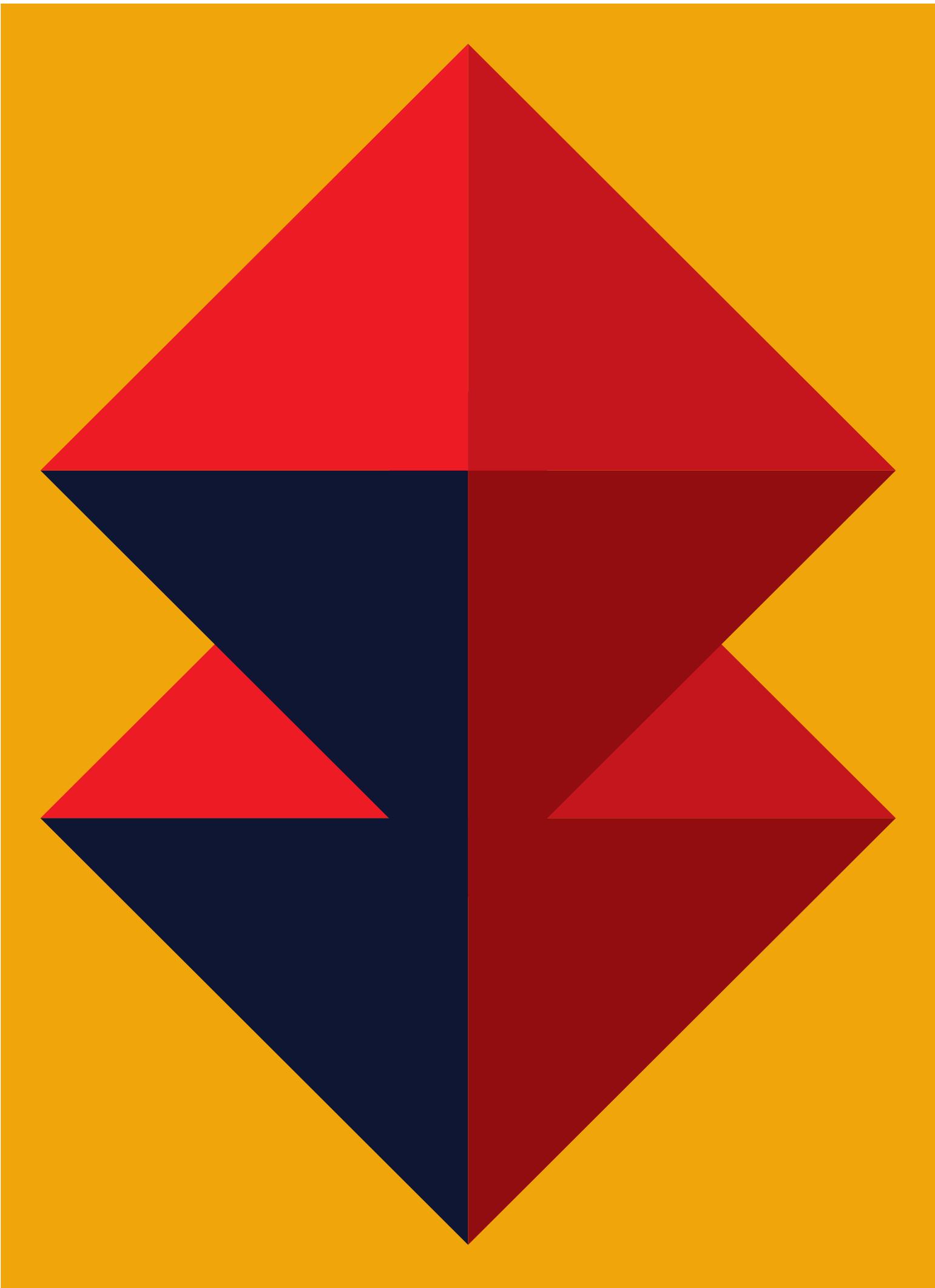
Resolution 69/20/CONS by which AGCom warned Rai to implement a series of measures regarding pluralism of information, as well as imposing an administrative penalty of €1.5 million, was challenged before the Lazio Regional Administrative Court and is currently suspended as a result of Board Order no. 2805 of 16 April 2020.

In a situation dominated by uncertainties regarding the prospects for a recovery in production activities and services, any estimate for the current year is subject to such a level of variability that does not allow making assumptions regarding the performance of advertising sales with a sufficient level of reliability. In any case, based on the experience of the crisis triggered by the burst of the sub-prime mortgage bubble and the bankruptcy of Lehman Brothers in 2008, which led to a 5.5% fall in GDP in Italy in 2009 with a 13.4% fall in advertising turnover, it is reasonable to expect, in the presence of broader estimates of a reduction in GDP (in the order of 9%), an even more serious market downturn in percentage terms.

Another sector particularly under pressure, involving the subsidiary Rai Cinema, is that of film distribution in relation to the generalised and complete closure of cinemas and theatres and with no reasonably definable prospects of recovery in the absence of a calendar for future reopening. Revenues from marketing on the various platforms are also suffering the repercussions of this crisis, which is upsetting the windows of exploitation.

On the other hand, as regards the cost side, the far greater effect is linked to the postponement to 2021 of the most important sports competitions, starting with the European Football Championship and the Summer Olympics with the consequent loss of the related costs for the acquisition of the rights and the expected production costs that will therefore affect the 2021 financial year.

In short, considering that the licence fee resources, net of one-off revenues recorded in 2019, will remain substantially stable, the current period - as a result of the trends summarised above - should record a small loss for the period, which is in any case smaller than that assumed in the budget forecasts. Debt should stay at sustainability levels, although it is on the rise compared to 31 December 2019 and to the initial estimates for the current period.



**Separate
Financial
Statements**
as at 31 December 2019

Analysis of the consolidated results and performance of operating results, financial position and cash flows of the financial year 2019

Reclassified statements

Income statement

(€/million)	FY 2019	FY 2018	Change
Revenue	2,483.4	2,404.5	78.9
<i>External costs net of major sports events</i>	<i>(1,352.8)</i>	<i>(1,319.8)</i>	<i>(33.0)</i>
<i>Major sports events</i>	<i>0.0</i>	<i>(10.9)</i>	<i>10.9</i>
External costs	(1,352.8)	(1,330.7)	(22.1)
HR expenses	(939.0)	(911.8)	(27.2)
EBITDA	191.6	162.0	29.6
Depreciation, amortisation and write-downs	(301.1)	(294.3)	(6.8)
Provisions	(3.5)	1.5	(5.0)
EBIT	(113.0)	(130.8)	17.8
Net financial income (expense)	45.4	52.4	(7.0)
Earnings from equity investments recognised at equity	0.3	0.1	0.2
Pre-tax profit/(loss)	(67.3)	(78.3)	11.0
Income tax	32.3	44.5	(12.2)
Profit/(loss) for the year	(35.0)	(33.8)	(1.2)
Other comprehensive income	(19.6)	(3.6)	(16.0)
Total profit/(loss) for the year	(54.6)	(37.4)	(17.2)

Capital structure

(€/million)	31 December 2019	31 December 2018	Change
Fixed assets	2,274.6	2,219.6	55.0
Net working capital	(460.9)	(603.4)	142.5
Provisions for risks and charges	(162.9)	(149.7)	(13.2)
Employee benefits	(400.9)	(412.9)	12.0
Net invested capital	1,249.9	1,053.6	196.3
Equity	713.0	767.6	(54.6)
Net financial debt excluding operating lease liabilities	481.2	286.0	195.2
Operating lease liabilities	55.7	0.0	55.7
Net financial debt	536.9	286.0	250.9
	1,249.9	1,053.6	196.3

The year ended 31 December 2019 showed a net loss of €35.0 million, substantially in line with the result for 2018 (loss of €33.8 million).

Some summary information on the main items of the income statement and capital structure is provided below, along with the reasons for the most significant variances compared to the figures of the previous financial year.

Income statement

Revenue

This is made up of licence fees, advertising proceeds and other trade revenue, totalling €2,483.4 million, up by €78.9 million (+3.3%).

Revenue

(€/million)	FY 2019	FY 2018	Change
TV licence fees	1,798.8	1,758.0	40.8
Advertising	540.2	550.1	(9.9)
Other revenue	144.4	96.4	48.0
Total	2,483.4	2,404.5	78.9

TV licence fees

TV licence fees amounted to €1,798.8 million, up by €40.8 million (+2.3%) compared to the previous financial year, as seen in the table below.

TV licence fees

(€/million)	FY 2019	FY 2018	Change
Licence fees for the year – household licences	1,624.3	1,623.2	1.1
Ordinary licence fee exemptions	9.5	10.9	(1.4)
Licence fees for the year – ordinary	1,633.8	1,634.1	(0.3)
Licence fees for the year – special licences	84.9	79.4	5.5
Special licence fee exemptions	0.2	0.2	0.0
Licence fees for the year – special	85.1	79.6	5.5
Licence fees collected by enforcement order – ordinary licence fees collected by the State in the period	20.3	23.9	(3.6)
Adjustment of past ordinary licences collected by enforcement order – collected by the State from 2004 to 2015	41.3	0.0	41.3
Licence fees collected by enforcement order – special licences	6.9	6.5	0.4
Licence fees collected by enforcement order	68.5	30.4	38.1
Contingencies on ordinary licence fees	11.4	13.9	(2.5)
Total	1,798.8	1,758.0	40.8

The increase in the item was the result of licence fees collected by enforcement order, up by €38.1 million compared to the same period of 2018. These were due to the recognition of higher amounts collected by the State through roles in the years between 2004 and 2015 and by the increase in special licences (+€5.5 million).

Advertising

In 2019, the advertising market recorded a fall of 5.1% compared to the previous year (source: Nielsen Data).

In detail, TV, which continues to be the leader in the advertising market, accounting for over 60% of the market, recorded a 5.3% decrease in investment; the other media where Rai is significantly present, such as Radio and Internet, on the other hand, showed a positive performance of 1.7% and 3.5%, respectively.

In this context, Rai's advertising proceeds (€540.2 million), shown in detail in the table below were down by €9.9 million compared to 2018 (-1.8%).

Advertising

(€/million)	FY 2019	FY 2018	Change
Television advertising on general-interest channels:			
– air time	306.7	324.9	(18.2)
– promotions, sponsorships and other initiatives	144.2	132.4	11.8
	450.9	457.3	(6.4)
Television advertising on specialist channels	54.9	61.9	(7.0)
Radio advertising	26.7	26.8	(0.1)
Web advertising	8.9	6.6	2.3
Other advertising	0.2	0.2	0.0
Share due to third parties	(2.0)	(2.2)	0.2
Contingencies	0.6	(0.5)	1.1
Total	540.2	550.1	(9.9)

Other revenue

This item amounted to €144.4 million, up by €48.0 million (+49.8%) compared to the previous financial year.

A breakdown of this item is shown in the table below.

Other revenue

(€/million)	FY 2019	FY 2018	Change
Special services under convention	37.9	37.9	0.0
Fulfilment of service contract obligations and digital programming development – Law 145/2018	38.5	0.0	38.5
Service and other provisions of services to investees	20.1	20.3	(0.2)
Sale of rights	12.3	10.5	1.8
Distribution and sale of channels	11.1	11.5	(0.4)
Sale of patents and trademarks	8.4	0.3	8.1
Sundry services, mainly for institutional purposes	6.9	8.5	(1.6)
Other	7.0	8.0	(1.0)
Share of sales due to third parties	(0.5)	(0.5)	0.0
Contingencies	2.7	(0.1)	2.8
Total	144.4	96.4	48.0

The increase compared to 2018 is due:

- is due to €38.5 million, which is the contribution recognized by the State as consideration for the performance of obligations under the service contract, including those for the development of digital programming, determined for the years 2019 and 2020 by Law no. 145 of 30 December 2018;
- €8.1 million for sale of patents and trademarks for the portion relating to the licensing of patents that are essential to the DVB-T2 standard owned by Rai.

With regard to the trends shown above, other revenue accounted for an increase of 1.8 percentage points compared to 2018, at the expense of advertising (-0.7 p.p.) and advertising (-1.1 p.p.), as shown in the table below.

Percent of revenue

	FY 2019	FY 2018
TV licence fees	72.4%	73.1%
Advertising	21.8%	22.9%
Other revenue	5.8%	4.0%
Total	100.0%	100.0%

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 €2,291.8 million, up €49.3 million (+2.2%) compared to 2018. The reasons for this are illustrated below.

External costs

These amounted to €1,352.8 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 rendered to subsidiaries, operating costs and other management-related costs (indirect taxes, contributions payable to the Control Authorities, etc.).

As shown in the table below, the item recorded an increase of €22.1 million (+1.7%) compared to the previous year, despite the presence in 2018 of the costs of the Winter Olympics (€10.9 million, of which €10.0 million for the acquisition alone of the recording rights) and in 2019 of the decrease in costs for rent and hire (€18.2 million) due to the first-time adoption of IFRS 16, which provides for a different method for recognising the charges for long-term operating leases (amortisation of rights of use and financial expense instead of instalments recognised in external costs).

This increase was largely due to recording rights (+€36.5 million compared to the 2018 figure less the cost for the Winter Olympics) for the following sports events: football – Coppa Italia (+€24.8 million) due to higher contractual costs and a higher number of matches played in 2019 compared to 2018; football – Champions League (+€6.7 million) acquired from the 2018/2019 edition; football – National team (+€9.1 million) also due to the presence in 2019 of the Under 21 European Football Championship.

External costs

(€/million)	FY 2019	FY 2018	Change
Purchases of materials	11.0	11.1	(0.1)
Costs for services:			
Contractors	133.6	128.1	5.5
Services for programme acquisition and production	197.6	191.8	5.8
Business travel and accessory personnel costs	34.9	34.3	0.6
Signal broadcast and transmission – Rai Way	210.7	206.1	4.6
Maintenance, repairs, transport and similar	36.2	34.8	1.4
IT system documentation and assistance services	52.2	49.5	2.7
Other outsourced services (telephone, supply, cleaning, postal, insurance etc.)	83.3	80.1	3.2
Purchase of showings from subsidiaries	271.6	280.7	(9.1)
Rent payable and leases	25.7	43.9	(18.2)
Recording rights (mainly sports broadcasting rights)	159.2	132.7	26.5
Rights of use	108.2	104.8	3.4
Recovery of expenses	(3.1)	(2.7)	(0.4)
Contingencies	(15.3)	(11.2)	(4.1)
	1,294.8	1,272.9	21.9
Other costs:			
Administrative fees and rights for use of frequencies	10.9	10.9	0.0
Prizes and winnings	6.6	6.0	0.6
Fee to Control Authority	4.9	5.2	(0.3)
TASI/ IMU tax	8.7	8.7	0.0
Other indirect taxes and other duties	8.1	8.4	(0.3)
Newspapers, magazines, books and publications	1.8	1.7	0.1
Membership fees	3.5	3.5	0.0
Losses on disposals	0.2	0.1	0.1
Other	2.0	2.2	(0.2)
Contingencies	0.3	0.0	0.3
	47.0	46.7	0.3
Total	1,352.8	1,330.7	22.1

HR expenses

This item amounted to €939.0 million, up by €27.2 million (+3.0%) compared to the previous year. As detailed in the table below, this increase is the due only partly to the growth in wages, salaries and social security costs (+€19.2 million).

HR expenses

(€/million)	FY 2019	FY 2018	Change
Wages, salaries and social security costs	881.4	862.2	19.2
Employee severance pay provisions	40.3	40.0	0.3
Pensions and similar obligations	12.2	12.5	(0.3)
Other	9.8	11.5	(1.7)
	943.7	926.2	17.5
Redundancy incentives	13.4	6.5	6.9
Recovery of expenses	(5.4)	(4.6)	(0.8)
Capitalised HR expenses	(13.3)	(13.0)	(0.3)
Contingencies	0.6	(3.3)	3.9
	(4.7)	(14.4)	9.7
Total	939.0	911.8	27.2

The trend in wages, salaries and social security costs is linked to the impact of the lingering effects of the previous year, contractual automatism, staffing policies and career advancements as well as allocations for future contract renewals.

These include:

- lower provisions for litigation of €2 million (others);
- greater expense for redundancy incentives (+€6.9 million);
- net contingent liabilities instead of contingent assets present in the previous year for releases of provisions now in excess (+€3.9 million).

The **average number of employees** during the period, including temporary personnel, was 11,476 units with 131 units less than in 2018, caused by a decrease in fixed-term personnel (397 units) and an increase in permanent personnel (266 units).

Current employees as at 31 December 2019 consisted of 11,527 units of headcount (including permanent personnel, temporary top management and apprenticeship contracts) and 139 units of temporary personnel. The decrease of 375 units in headcount compared to 31 December 2018 was caused by the exit of 209 units, of whom 84 due to incentives (mainly under the 2018 initiative), and by the hiring of 584 units, of whom 333 to stabilise temporary personnel, 179 under new apprenticeship contracts, 15 following lawsuits and 15 for entries from Group companies.

EBITDA

In connection with the changes stated above, EBITDA was positive and totalled €191.6 million, up €29.6 million compared to the previous year.

Depreciation, amortisation and write-downs

The balance of the item amounted to €301.1 million, up €6.8 million (+2.3%) compared to 2018 and refers to depreciation, amortisation and write-downs of current and non-current assets as shown in the table below.

It is worth noting that the item includes the amortisation of the lease rights of use, amounting to €16.4 million, due to the application as of 1 January 2019 of the accounting standard IFRS 16, which, as already mentioned, provides for a different method for recognising the expenses of long-term operating leases (amortisation of rights of use and financial expenses instead of the cost for rents and leases).

Depreciation, amortisation and write-downs

(€/million)	FY 2019	FY 2018	Change
Amortisation			
Amortisation of programmes			
Drama	147.0	150.4	(3.4)
Cartoons	8.0	5.9	2.1
Other	2.0	2.9	(0.9)
	157.0	159.2	(2.2)
Of property, plant and equipment			
Buildings	12.3	11.7	0.6
Plant and machinery	48.9	48.6	0.3
Industrial and commercial equipment	1.8	1.7	0.1
Other assets	6.0	5.9	0.1
	69.0	67.9	1.1
Of intangible assets			
Software	7.4	7.1	0.3
Other rights	0.1	0.1	0.0
	7.5	7.2	0.3
Lease rights of use			
Land and buildings	13.5	0.0	13.5
Other assets	2.9	0.0	2.9
	16.4	0.0	16.4
	92.9	75.1	17.8
Total amortisation and depreciation	249.9	234.3	15.6
Write-downs (write-backs)			
Of intangible assets			
Programmes under amortisation	43.5	52.9	(9.4)
Programmes in progress	5.3	1.7	3.6
Other	0.6	0.0	0.6
	49.4	54.6	(5.2)
Of investments valued at cost	0.3	4.0	(3.7)
Of other non-current assets			
Minimums guaranteed on commercial activities	0.5	0.6	(0.1)
Other non-current assets	0.2	0.0	0.2
	0.7	0.6	0.1
Of trade receivables and other current assets			
Trade receivables	0.1	0.1	0.0
Receivables from subsidiaries	0.7	0.0	0.7
Other current receivables and assets	0.0	0.7	(0.7)
	0.8	0.8	0.0
Total write-downs	51.2	60.0	(8.8)
Total depreciation, amortisation and write-downs	301.1	294.3	6.8

Provisions

The item, which recognises the provisions for risks and charges and any uses not classifiable in specific items of profit or loss, shows a negative balance of €3.5 million (positive for €1.5 million in 2018) caused by provisions for €6.3 million and by uses of provisions set aside in previous years and now in excess by €2.8 million.

EBIT

The trends in revenues and costs illustrated above resulted in a negative EBIT of €113.0 million, an improvement of €17.8 million compared to 2018.

Net financial income (expense)

The item, as detailed in the following table, was positive at €45.4 million (€52.4 million in 2018) and shows the economic effects arising from distribution of the dividends by the subsidiaries, from recognition of the actuarial interest for employee benefits, the effects of financial management, such interest income/ expense from banks, Group companies and bondholders, exchange rate charges/gains and, from 2019, interest expense for leases as a result of the adoption of the new accounting standard IFRS 16.

Financial income and expenses

(€/million)	FY 2019	FY 2018	Change
Dividends			
Rai Cinema	0.0	14.5	(14.5)
Rai Way	38.8	35.8	3.0
Rai Com	11.3	11.6	(0.3)
Rai Pubblicità	8.1	0.0	8.1
Other	0.0	0.1	(0.1)
	58.2	62.0	(3.8)
Other net financial income (charges)			
Net interest income (expense) with banks	(0.5)	(0.6)	0.1
Net interest income (expense) from subsidiaries and associates	3.4	3.3	0.1
Interest expense on lease contracts	(0.8)	0.0	(0.8)
Interest expense on bonds	(6.7)	(6.1)	(0.6)
Interest on employee benefit liabilities	(3.7)	(4.2)	0.5
Net exchange rate gains (losses)	0.0	(0.3)	0.3
Losses on rate hedging transactions	(2.6)	0.0	(2.6)
Contingent assets	0.2	0.0	0.2
Other	(2.1)	(1.7)	(0.4)
	(12.8)	(9.6)	(3.2)
Net financial income	45.4	52.4	(7.0)

The most significant variances compared to the previous year concern:

- reduction of €3.8 million in dividends;
- losses on rate hedging transactions for €2.6 million for the portion relating to the lower bond issue in 2019 (€300 million) compared to 2015 (€350 million) and for the early termination of the IRS Forward Start to hedge the issue rate, which involved a financial outlay of €18.4 million. The remaining portion of €15.8 million was recognised in profit or loss on a straight-line basis over the five-year term of the bond issued on 4 December 2019;
- greater interest on bonds for litigation of €0.6 million related to the new bond issue.

The average cost of loans, consisting of uncommitted lines of credit, revolving lines, EIB loan and the bonds with maturity in May 2020 and December 2024, was 1.7%, substantially in line with the rate for the year 2018 (1.8%).

Earnings from equity investments recognised at equity

The item showed a positive balance of €0.3 million (€+0.1 million in 2018) brought about by valuation of the associates and joint ventures at net equity.

Income tax

This item presented a positive value of €32.3 million (€44.5 million in 2018) and is due to the balance between current and deferred taxes, as itemised in the following table:

Income tax

(€/million)	FY 2019	FY 2018	Change
IRES	0.0	0.0	0.0
IRAP	0.0	0.0	0.0
Deferred tax liabilities	2.0	1.9	0.1
Deferred tax assets	30.3	42.6	(12.3)
Total	32.3	44.5	(12.2)

As in 2018, the economic trends in the year did not result in taxable income for direct taxes.

Deferred tax liabilities pointed to a positive economic effect of €2.0 million due to return of the temporary differences recognised in the previous years.

Deferred tax assets had a positive economic effect of €30.3 million due to recognition of the tax loss of the year, which was offset by the income brought in by the Group companies during tax consolidation.

Capital structure

Fixed assets

This item amounted to €2,274.6 million, up €55.0 million compared to 31 December 2018, of which €54.9 million due to the first-time recognition of lease rights of use. A breakdown of this item is shown in the table below.

Fixed assets

(€/million)	31 December 2019	31 December 2018	Change
Property, plant and equipment	893.9	888.4	5.5
Lease rights of use	54.9	0.0	54.9
Assets in programmes	381.7	385.8	(4.1)
Long-term investments	922.3	922.1	0.2
Others	21.8	23.3	(1.5)
Total	2,274.6	2,219.6	55.0

Property, plant and equipment, explained in detail in the table below, increased by €5.5 million.

Property, plant and equipment

(€/million)	31 December 2019	31 December 2018	Change
Land	371.4	371.4	0.0
Buildings	300.3	302.2	(1.9)
Plant and machinery	134.7	128.3	6.4
Industrial and commercial equipment	6.2	5.6	0.6
Other assets	23.8	22.7	1.1
Work in progress and payments on account	57.5	58.2	(0.7)
Total	893.9	888.4	5.5

Lease rights of use amounted to €54.9 million and, as already mentioned, are recognised from 2019 as a result of the entry into force of IFRS 16, with reference to lease and rental contracts for assets with a term of more than 12 months.

These contracts are to be recorded 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".

The audit carried out highlighted inclusion, applying the standard, of lease contracts for buildings and cars; the table below shows the amount of rights of use for these types of contracts.

Lease rights of use

(€/million)	31 December 2019	31 December 2018	Change
Buildings	50.2	0.0	50.2
Motor vehicles	4.7	0.0	4.7
Total	54.9	0.0	54.9

Assets in programmes, down by €4.1 million and explained in detail in the table below, are mostly represented by Dramas, on which, as shown below, most investments in the period were concentrated.

Assets in programmes

(€/million)	31 December 2019	31 December 2018	Change
Drama	283.8	291.7	(7.9)
Cartoons	39.3	33.6	5.7
Rights of library use	58.6	60.5	(1.9)
Total	381.7	385.8	(4.1)

Long-term investments, consisting of company equity investments and other financial assets falling due beyond 12 months, showed no significant changes.

The item is broken down in detail in the table below.

Long-term investments

(€/million)	31 December 2019	31 December 2018	Change
Equity investments in subsidiaries			
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
	912.3	912.3	0.0
Equity investments in associates			
Auditel Srl	0.9	0.7	0.2
Tavolo Editori Radio Srl	0.1	0.0	0.1
Euronews	0.1	0.6	(0.5)
Tivù Srl	2.9	2.4	0.5
San Marino RTV SpA	1.8	2.1	(0.3)
	5.8	5.8	0.0
Other equity investments	0.9	0.9	0.0
Fixed-income securities	2.3	2.4	(0.1)
Other	1.0	0.7	0.3
Total	922.3	922.1	0.2

Other assets, explained in detail in the table below, decreased by €1.5 million.

Other fixed assets

(€/million)	31 December 2019	31 December 2018	Change
Software	21.1	22.1	(1.0)
Commercial rights with football clubs	0.7	1.2	(0.5)
Total	21.8	23.3	(1.5)

Investments for the year amounted to €297.0 million, up €22.9 million (+8.4%) compared to 2018. Unlike in 2018, the figure for 2019 includes investments in lease rights of use amounting to €14.1 million.

In detail:

- greater investments in programmes for €17.4 million (+9.4%) referring mainly to the Drama genre;
- lower technical investments for €8.6 million (-9.6%) related to property, plant and equipment for €4.7 million and software for €3.9 million.

Investments

(€/million)	FY 2019	FY 2018	Change
Drama	184.6	171.5	13.1
Cartoons	13.7	12.7	1.0
Other	3.3	0.0	3.3
Investments in programmes	201.6	184.2	17.4
Tangible investments	75.0	79.7	(4.7)
Software	6.3	10.2	(3.9)
Technical investments	81.3	89.9	(8.6)
Investments in lease rights of use	14.1	0.0	14.1
Total investments	297.0	274.1	22.9

Net working capital

Net working capital

(€/million)	31 December 2019	31 December 2018	Change
Inventories	0.1	0.1	0.0
Trade receivables	337.6	285.4	52.2
Other receivables	202.6	199.7	2.9
Trade payables	(561.8)	(591.1)	29.3
Other payables	(407.1)	(464.5)	57.4
Assets (Liabilities) for deferred taxes	(32.3)	(33.0)	0.7
Total	(460.9)	(603.4)	142.5

The most significant changes compared to 31 December 2018 regard the following items:

- **trade receivables**, up by €52.2 million, of which 38.5 million for the recognition of the receivable from the State for the performance of obligations under the service contract, including those for the development of digital programming as per Law no. 145 of 30 December 2018;
- **trade payables**, down by €29.3 million due to lower payables to suppliers;
- **other payables**, down by €57.4 million for liabilities at 31 December 2018 to personnel as a result of redundancy incentive initiatives in the second half of 2018.

Provisions for risks and charges

The item provisions for risks and charges, which totalled €162.9 million, increased by €13.2 million compared to 31 December 2018 mainly due to provisions related to the employee management.

Employee benefits

The item employee benefits, which amounted to €400.9 million, showed a €12.0 million decrease compared to 31 December 2018 due to payments of employee severance pay to resigning employees and to payments to the beneficiaries of the supplementary company pension fund, which offset the incremental effect of the reduction in discount rates.

The table below shows the details of the provisions and relevant changes compared to 31 December 2018.

Employee benefits

(€/million)	31 December 2019	31 December 2018	Change
Employee severance pay	(198.3)	(204.2)	5.9
Supplementary company pension provisions	(119.9)	(124.9)	5.0
Provisions in lieu of the former fixed indemnity for journalists (former pay in lieu of notice to journalists)	(68.7)	(68.7)	0.0
FASDIR assistance provisions for the retired	(13.7)	(14.6)	0.9
Other	(0.3)	(0.5)	0.2
Total	(400.9)	(412.9)	12.0

Net financial position

The year recorded a negative net financial position, calculated following the ESMA scheme, for €536.9 million, showing a worsening over 31 December 2018 of €250.9 million, as illustrated in the table below.

The adoption of the new accounting standard IFRS 16 resulted in the recognition as at 31 December 2019 of operating lease liabilities for €55.7 million; net of this amount, financial debt at 31 December 2019 would amount to €481.2 million, down by €195.2 million compared to 31 December 2018.

This worsening was due to negative cash flow resulting mainly from the loss for the year, the cash payments deriving from the 2018 redundancy plan (whose monetary effect was recorded in the early months of 2019), the payment of advances for broadcasting rights for the 2020 European Football Championship and the failure to pay the contribution, already mentioned, for the fulfilment of service contract obligations, including those for the development of digital programming pursuant to Law no. 145 of 30 December 2018.

The increase in bonds is due to the issue, in the last part of the year, of a new 5-year unsecured senior bond for €300 million, listed on Euronext Dublin, replacing the previous issue of €350 million, maturing in May 2020. At the same time as the issue, the IRS Forward Start transactions entered into in 2017 to hedge the interest rate risk on this refinancing operation were closed.

The average financial position (excluding operating lease liabilities and assets/ liabilities for derivatives) was negative by approximately €192 million (negative by €47 million in 2018), down by €145 million due to higher debt at the beginning of the year and the negative cash flow in the period.

On 22 October 2019, Moody's published a rating action that confirmed the Long-Term Issuer Baa3 for Rai (Investment Grade), changing the outlook from stable to negative.

The analysis conducted based on capital 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 1.75 (1.37 as at 31 December 2018);
- the financial debt coverage ratio, which is the ratio between net financial debt (net of the licence fee receivables and liabilities resulting from application of IFRS 16 for operating leases) and equity, was 0.68 (0.37 as at 31 December 2018);
- 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 net of liabilities resulting from application of IFRS 16 for operating leases) was 0.59 (0.60 as at 31 December 2018).

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.

Net financial position

(€/million)	31 December 2019	31 December 2018	Change
Liquidity	164.3	72.6	91.7
Current financial receivables			
Due to subsidiaries and associates	158.0	165.8	(7.8)
Financial assets on derivatives	0.2	0.6	(0.4)
Tied accounts	4.7	5.5	(0.8)
Other	0.5	0.3	0.2
	163.4	172.2	(8.8)
Current financial debt			
due to banks	(10.0)	(10.0)	0.0
Bond issue	(349.6)	0.0	(349.6)
Due to subsidiaries and associates	(139.7)	(146.3)	6.6
Lease liabilities	(21.1)	(5.7)	(15.4)
	(520.4)	(162.0)	(358.4)
Non-current financial debt			
due to banks	(5.0)	(15.0)	10.0
Bond issue	(298.9)	(348.7)	49.8
Financial liabilities on derivatives	0.0	(5.1)	5.1
Lease liabilities	(40.3)	0.0	(40.3)
	(344.2)	(368.8)	24.6
Net financial debt	(536.9)	(286.0)	(250.9)
<i>of which:</i>			
- due to subsidiaries/associates	18.3	19.5	(1.2)
- due to third parties	(555.2)	(305.5)	(249.7)
	(536.9)	(286.0)	(250.9)
<i>of which: operating lease liabilities</i>	(55.7)	0.0	(55.7)
Net financial debt excluding operating lease liabilities	(481.2)	(286.0)	(195.2)

Financial Statements of Rai SpA

Balance sheet

(in Euro)	Note	Year ended	
		31 December 2019	31 December 2018
Property, plant and equipment	12.1	893,886,006	888,324,485
Lease rights of use	12.2	54,876,181	-
Intangible assets	12.3	403,481,533	409,116,865
Equity investments	12.4	919,026,455	919,097,004
Non-current financial assets	12.5	3,297,603	3,045,681
Deferred tax assets	12.6	-	-
Other non-current assets	12.7	7,068,006	42,756,039
Total non-current assets		2,281,635,784	2,262,340,074
Inventory	13.1	90,365	117,483
Trade receivables	13.2	337,647,502	285,439,744
Current financial assets	13.3	163,432,046	172,186,380
Current income tax receivables	13.4	18,292,481	17,965,464
Other current receivables and assets	13.5	177,216,726	138,928,858
Cash and cash equivalents	13.6	164,263,931	72,583,049
Total current assets		860,943,051	687,220,978
Total assets		3,142,578,835	2,949,561,052
Share capital		242,518,100	242,518,100
Reserves		542,396,109	586,664,704
Retained earnings (losses)		(71,887,010)	(61,581,515)
Total shareholders' equity	14	713,027,199	767,601,289
Non-current financial liabilities	15.1	303,889,889	368,848,702
Non-current lease liabilities	15.2	40,257,070	-
Employee benefits	15.3	400,924,178	412,894,232
Provisions for non-current risks and charges	15.4	162,863,047	149,650,733
Deferred tax liabilities	15.5	32,289,381	33,023,372
Other non-current payables and liabilities	15.6	549,545	1,161,492
Total non-current liabilities		940,773,110	965,578,531
Trade payables	16.1	561,804,682	591,055,807
Current financial liabilities	16.2	499,270,961	161,952,463
Current lease liabilities	15.2	21,132,677	-
Current income tax liabilities	16.3	30,737,278	30,224,116
Other current payables and liabilities	16.1	375,832,928	433,148,846
Total current liabilities		1,488,778,526	1,216,381,232
Total liabilities		2,429,551,636	2,181,959,763
Total shareholders' equity and liabilities		3,142,578,835	2,949,561,052

Income statement

(in Euro)

	Note	Year ended	
		31 December 2019	31 December 2018
Revenue from sales and services	17.1	2,457,740,691	2,378,078,140
Other revenue and income	17.2	25,636,915	26,439,576
Total revenue		2,483,377,606	2,404,517,716
Costs for the purchase of consumables	17.3	(11,014,360)	(11,110,446)
Costs for services	17.3	(1,294,750,269)	(1,272,870,487)
Other costs	17.3	(47,028,752)	(46,665,188)
HR expenses	17.4	(938,991,816)	(911,838,657)
Impairment of financial assets	17.5	(805,544)	(86,641)
Depreciation, amortisation and other write-downs	17.6	(300,303,430)	(294,280,862)
Provisions	17.7	(3,493,955)	1,457,349
Total costs		(2,596,388,126)	(2,535,394,932)
EBIT		(113,010,520)	(130,877,216)
Financial income	17.8	62,418,535	65,717,462
Financial expense	17.8	(16,966,195)	(13,294,180)
Earnings from equity investments recognised at equity	17.9	285,028	155,052
Pre-tax profit/(loss)		(67,273,152)	(78,298,882)
Income tax	17.10	32,245,064	44,445,518
Profit/(loss) for the year		(35,028,088)	(33,853,364)

Statement of comprehensive income

(in Euro)

	Year ended	
	31 December 2019	31 December 2018
Profit/(loss) for the year	(35,028,088)	(33,853,364)
Items that can be reclassified to the income statement:		
Profit/(loss) on cash flow hedge	(10,415,232)	(6,334,097)
Tax effect	-	289,200
Total	(10,415,232)	(6,044,897)
Items that cannot be reclassified to the income statement:		
Recalculation of defined-benefit plans	(9,130,770)	2,442,478
Total	(9,130,770)	2,442,478
Total profit/(loss) for the year	(54,574,090)	(37,455,783)

Statement of Cash Flows

(€/000)	Note	Year ended	
		31 December 2019	31 December 2018
Pre-tax profit		(67,273)	(78,299)
Adjustments for:			
Depreciation, amortisation and write-downs	17.5 17.6	301,109	294,368
Provisions and (issues) of personnel provisions and other provisions		75,883	58,722
Net financial expenses (income)	17.8	(45,452)	(52,423)
Earnings from equity investments recognised at equity	17.9	(285)	(155)
Other non-monetary items		121	136
Cash flow generated by operating activities before changes in net working capital		264,103	222,349
Change in inventory		27	70
Change in trade receivables	13.2	(53,013)	7,052
Change in trade payables	16.1	(29,606)	40,164
Change in other assets and liabilities		(32,683)	(61,965)
Use of provisions for risks	15.4	(24,181)	(29,849)
Payment of employee benefits and to external provisions	15.3	(63,659)	(62,874)
Taxes paid		-	-
Net cash flow generated by operating activities		60,988	114,947
Investments in property, plant and equipment	12.1	(75,040)	(79,730)
Disposal of property, plant and equipment	12.1	116	492
Investments in intangible assets	12.3	(208,079)	(194,479)
Disposal of intangible assets	12.3	-	60
Sale of equity investments	12.4	5	-
Equity investments	12.4	(1)	(6)
Dividends collected		58,594	62,256
Interest collected		84	72
Change in financial assets	12.5 13.3	8,658	2
Net cash flow generated by investing activities		(215,663)	(211,333)
Long-term loans taken out	15.1	299,469	-
Long-term loan repayments	15.1 16.2	(10,000)	(10,000)
Repayments of liabilities for leases	15.2	(15,438)	-
Increase (Decrease in short-term borrowings and other loans)	16.2	(6,269)	10,738
Net interest paid (*)		(21,406)	(2,669)
Net cash flow generated by financing activities		246,356	(1,931)
Change in cash and cash equivalents		91,681	(98,317)
Cash and cash equivalents at the beginning of the year	13.6	72,583	170,900
Cash and cash equivalents at the end of the year	13.6	164,264	72,583

(*) Referring to financial assets/liabilities

Statement of changes in equity

(€/’000)	Share capital	Legal reserve	Other reserves	Retained earnings (losses)	Total Shareholders’ equity
Balances as at 1 January 2018	242,518	11,766	575,415	(24,642)	805,057
Allocation of profit/loss	-	276	5,252	(5,528)	-
Profit/(Loss) for the year	-	-	-	(33,853)	(33,853)
Statement of comprehensive income components	-	-	(6,045)	2,442	(3,603)
Total profit/(loss) for the year	-	-	(6,045)	(31,411)	(37,456)
Balances as at 31 December 2018	242,518	12,042	574,622	(61,581)	767,601
Allocation of profit/loss	-	-	(33,853)	33,853	-
Profit/(Loss) for the year	-	-	-	(35,028)	(35,028)
Statement of comprehensive income components	-	-	(10,415)	(9,131)	(19,546)
Total profit/(loss) for the year	-	-	(10,415)	(44,159)	(54,574)
Balances as at 31 December 2019	242,518	12,042	530,354	(71,887)	713,027

Notes to the Separate Financial Statements as at 31 December 2019

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, organised according to Italian law.

The Separate Financial Statements as at 31 December 2019 (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 provisions 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 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.

In view of the provisions of Legislative Decree 38 of 28 February 2005, when preparing its Separate 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 Separate Financial Statements, the Company provided complete information, applying the IFRS consistently to the periods stated in these Separate Financial Statements. As from 1 January 2019, the accounting standard IFRS 16 "*Leases*" (hereinafter "IFRS 16") took effect; in this regard, reference should be made to Note 3 "Valuation criteria".

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 provisions are

1

General
information

2

Drafting
criteria

- 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 earnings for 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.

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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 2018; except for what is connected to the entry into force on 1 January 2019 of the new standard IFRS 16, which replaced IAS 17 "Leases" and the related Interpretations (IFRIC 4 "Determining whether an arrangement contains a lease," SIC 15 "Operating leases—Incentives" and SIC 27 "Measurement of the substance of transactions in the legal form of lease"). Effects resulting from first-time adoption are illustrated in Note 5 "Effects resulting from the first-time adoption of the accounting standard IFRS 16".

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. 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 perspectively.

The estimated useful life of the main property, plant and equipment is the following:

	Useful life (years)	
	Min	Max
Buildings	10	50
Plant and machinery	4	8
Industrial and commercial 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.

Lease rights of use

Lease agreements correspond to contracts that grant the exclusive right to use an identified or identifiable good and which confer the substantive right to obtain all the economic benefits deriving from its use for a certain period of time in exchange for consideration. Contracts or elements of complex contracts that have such characteristics are recognised in the separate financial statements through the recognition in the statement of financial position of a liability consisting of the present value of the lease payments, as set out in the valuation criteria for lease liabilities. At the same time and as an entry balancing the recognition of the liability, the corresponding right of use is recorded under assets, amortised on a straight line basis over the duration of the lease contract or the related economic-technical useful life, if shorter. The lease term is the non-cancellable period for which the counterparty is entitled to use the underlying asset.

The following types of contracts fall under this accounting method:

- property leases;
- car rentals.

Typically, contracts for the rental of buildings for industrial use provide for tacit renewals on expiry, which can be further renewed for the same term: Consequently, each renewal gives rise to a new right of use representative of the new (albeit tacit) agreement reached between the parties.

At the commencement date of the lease, the cost of the right-of-use asset shall comprise:

- a) the amount of the initial measurement of the lease liability;
- b) any lease payments made at or before the commencement date;
- c) any initial direct costs (e.g., mediation costs);
- d) in the presence of current obligations for the dismantling, removal of assets and recovery of sites, the registration value of costs estimated (actualised) to be sustained when the structures are abandoned, recognised as a balancing item to a specific provisions for non-current risks and charges.

The amount under a), recorded as a balancing entry to the lease liability line, recognises:

- fixed lease payments;
- variable lease payments that depend on an index or a rate (e.g., ISTAT adjustment index);
- the exercise price of a purchase option if it is reasonably certain that the option will be exercised;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

If the lease contract provides for the possibility to exercise the purchase option and there is reasonable certainty of exercising it, the right of use is recorded under property, plant and equipment in the corresponding class of assets and is amortised over the useful life of the asset.

The Company has availed itself of the option provided for by IFRS standards 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 (approximately less than €5,000), as costs for services.

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. Iden-

tifiability 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:

a) 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:

- 1) 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 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 indeterminateness 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
Drama	3
Exploitation rights of football library	4
Cartoons	5

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. 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 carried as Equity.

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 shareholder's portion 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 provisions 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 other comprehensive income; (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 other 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 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. Discounting is carried out by 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 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 financial 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 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 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.

Lease liabilities

They represent the current value of payments due under lease contracts (as set out in the previous paragraph "Lease rights-of-use") and are recognised at the commencement date of the lease contract.

The current value of the payments due is calculated using the implicit lease interest rate or the marginal financing rate of the lessee applicable at the commencement date of the lease if the lease's implicit interest rate cannot be calculated readily. The marginal financing rate corresponds to the interest rate that would have been incurred to obtain a loan with a similar cash profile and the same collateral as the lease contract (so-called Incremental Borrowing Rate).

After the commencement date, the lease liability, measured using the amortised cost method, is increased to take into account the accrued interest expense and decreased as a result of payments made. It may also be restated to take into account any new valuations or changes to the lease agreement. Where the changes relate to the lease term or the valuation of an option to purchase the underlying asset, the lease liability is restated using a revised discount rate at the date of the change.

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.

Liabilities related to tax disputes and uncertain income tax treatment are allocated to income tax liabilities.

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 provisions 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 programmes 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 provisions. 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 provisions 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 provisions 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 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 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 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 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 audiovisual 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, nonrefundable 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 revenue 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.

Short-term lease rentals (lasting less than 12 months) and those whose underlying asset is of low value (approximately less than €5,000) are charged to the income statement over the 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 are recorded as current income tax liabilities net of paid advances or in the item current income tax assets when the net balance is a credit. Current taxes are measured by multiplying the estimated taxable income by the applicable tax rates. Both the estimate of taxable income and the tax rates used are based on tax legislation in force or substantially in force at the reference date.

Current taxes are recognised in the income statement, except for those related to items directly attributable to equity.

The item also includes an estimate of the charges that could burden the Company in relation to outstanding tax disputes or uncertain income tax treatment, recognised as a balancing entry to current or non-current income tax liabilities if the estimated time to resolve the dispute or the underlying uncertainty is over 12 months.

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.

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).

4

Use of estimates

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 15.3 "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 right of use to which they refer and as a balancing entry in the provisions 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

Tax effects arising
from the first-time
adoption
of accounting
standard IFRS 16

IFRS 16 establishes that all lease contracts (for the definition of which see Note 3 'Valuation criteria', paragraph 'Lease rights-of-use') are to be recognised in the lessee's financial statements by recording a liability in the statement of financial position, represented by the present value of future lease payments (the measurement of which is made as described in Note 3 "Valuation criteria", paragraph "Lease liabilities"), with the concurrent recognition under assets of the corresponding lease right of use, amortised on a straight-line basis over the term of the lease contract or the related economic-technical useful life, if shorter.

Therefore, the lessee will recognise amortisation for the right of use 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 which was in force until 2018.

In the financial report, payment of instalments repaying the aforementioned liability is presented in cash flows from financing. therefore, referred to leases previously classified as operating leases, application of IFRS 16 implies 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.

The audit carried out by the Company highlighted inclusion, applying the standard, of the following contract types:

- property leases;
- car rentals.

Upon first-time adoption of accounting standard IFRS 16, the Company opted:

- to adopt the "simplified retrospective approach" allowed by the standard for leases previously classified as operating leases, recognising the lease payable and the corresponding right of use value measured on the remaining contractual instalments at 1 January 2019 (switch-over date) and discounted based on the marginal financing rate applicable to the Company on the same date (for a definition see Note 3 "Valuation criteria", paragraph "Lease liabilities");
- to continue to recognise as an expense the payments due for short-term leases (of less than 12 months' duration) and for leases where the underlying asset of modest value;
- not to re-examine each lease in force as at 1 January 2019, applying IFRS 16 solely to contracts previously identified as leases (pursuant to IAS 17 and IFRIC 4);
- to check recoverability of right of use assets as at 1 January 2019 based on the measurement made for the Separate Financial Statements as at 31 December 2018, based on the cost of the leases in compliance with provisions in IAS 37.

In order to determine whether, at the switch-over date, following the initial recognition of the asset consisting of the right of use and the financial liability, the conditions for the recognition of deferred taxes in accordance with IAS 12 were met, the Company considered these assets and liabilities, though recognised simultaneously in the financial statements, as two separate items. This interpretation of the transaction allowed the Company to avail itself of the exemption from deferred tax recognition provided for in paragraphs 15 and 24 of IAS 12. Subsequent changes in the temporary differences for which, due to the aforementioned exemption, no deferred taxation was initially recognised, as they absorb such differences by their very nature, are not recognised.

To highlight the effects deriving from the application of the new standard, the statement of financial position has been modified with the introduction of the following items:

- lease rights of use, among non-current assets;
- lease liabilities allocated to current and non-current liabilities in relation to the timing of the maturity of the liabilities (within and beyond 12 months, respectively).

The main impacts on the Separate Financial Statements can be summed up as follows:

- statement of financial position:
 - greater non-current assets for recognition of lease rights of use of €57,212 million as at 1 January 2019 and lease liabilities of €57,212 million as at 1 January 2019. The difference between the two values (€452 thousand) is caused by advances paid in 2018 for contractual instalments straddling the two years;

- reallocation of costs of dismantling and restoring sites amounting to €142 thousand as at 1 January 2019 (net of the accumulated depreciation of €302 thousand) from property, plant and equipment to lease rights of use;
- reallocation of financial lease liabilities from current financial liabilities to current lease liabilities in the amount of €5,654 thousand;
- income statement: different type, quantification, qualification and classification of costs (amortisation of the lease rights of use under amortisation and other write-downs and interest expense for leases under financial expenses compared to the previous classification of costs for leases and rentals under costs for services) with a positive impact on gross operating profitability. Furthermore, the combination between straight line amortisation of lease use rights and the effective interest rate method applied to lease payables normally imply (except for circumstances characterised by decreasing payments along the contract term) higher expenses in the income statement in the initial years of a lease and decreasing expenses in the last years of the lease, compared to IAS 17.

The income statement and balance sheet figures for the comparative year are not restated, as required by the application of the simplified retrospective approach.

The effects on the consolidated statement of financial position as at 1 January 2019 of applying the accounting standard can be found in the following table:

(€/000)	31 December 2018	IFRS 16	1 January 2019
Property, plant and equipment	888,324	(142)	888,182
Lease rights of use	-	57,354	57,354
Intangible assets	409,117	-	409,117
Equity investments	919,097	-	919,097
Non-current financial assets	3,046	-	3,046
Deferred tax assets	-	-	-
Other non-current assets	42,756	-	42,756
Total non-current assets	2,262,340	57,212	2,319,552
Inventory	118	-	118
Trade receivables	285,440	-	285,440
Current financial assets	172,186	-	172,186
Current income tax receivables	17,965	-	17,965
Other current receivables and assets	138,929	(452)	138,477
Cash and cash equivalents	72,583	-	72,583
Total current assets	687,221	(452)	686,769
Total assets	2,949,561	56,760	3,006,321
Share capital	242,518	-	242,518
Reserves	586,664	-	586,664
Retained earnings (losses)	(61,581)	-	(61,581)
Total shareholders' equity	767,601	-	767,601
Non-current financial liabilities	368,849	-	368,849
Non-current lease liabilities	-	41,982	41,982
Employee benefits	412,894	-	412,894
Provisions for non-current risks and charges	149,651	-	149,651
Deferred tax liabilities	33,023	-	33,023
Other non-current payables and liabilities	1,162	-	1,162
Total non-current liabilities	965,579	41,982	1,007,561
Trade payables	591,056	-	591,056
Current financial liabilities	161,952	(5,654)	156,298
Current lease liabilities	-	20,432	20,432
Current income tax payables	30,224	-	30,224
Other current payables and liabilities	433,149	-	433,149
Total current liabilities	1,216,381	14,778	1,231,159
Total liabilities	2,181,960	56,760	2,238,720
Total shareholders' equity and liabilities	2,949,561	56,760	3,006,321

6

Recently
issued
accounting
standards**Accounting principles approved by the European Union but still not mandatorily applicable**

- Regulation no. 2019/2075 issued by the European Commission on 29 November 2019 endorsed the document "*Amendments to references in the conceptual framework in International Financial Reporting Standards*" was approved. The amendments aim to update the existing references to previous frameworks in different accounting standards and interpretations, replacing them with references to the revised conceptual framework.
These amendments are effective starting from the years beginning on or after 1 January 2020.
- Regulation no. 2019/2104, issued by the European Commission on 29 November 2019, endorsed the document "*Definition of Material (Amendments to IAS 1 and IAS 8)*". The document clarifies the definition of "material" in order to make it easier for companies to make judgments on materiality and to improve the relevance of the information in the notes to the financial statements.
These amendments are effective starting from the years beginning on or after 1 January 2020.

The Company assessed that above changes will have no significant impacts on the 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.
- On 22 October 2018, the IASB issued the document "*Amendments to IFRS 3 Business Combinations*". The document's 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 26 September 2019, the IASB issued the document "*Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform*". The objective of the amendments is to avoid the interruption of hedging relationships due to the uncertainties linked to the transition of IBOR rates following the reform process introduced by the **European Financial Benchmark Regulation**, in particular due to the inability to meet the specific accounting requirements for hedging transactions in the periods prior to the transition.
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.

8

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:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Current assets		
Options on currency for Rai Cinema	91	263
Forward purchase of currency for Rai Cinema	82	297
Receivables from subsidiary Rai Cinema for forward currency purchase derivative instruments	8	-
	181	560
Non-current liabilities		
Interest rate swap	-	5,129
	-	5,129
Current liabilities		
Forward purchase of currency for Rai Cinema	8	-
Payables to the subsidiary Rai Cinema for currency-option derivative instruments	91	263
Payables to the subsidiary Rai Cinema for forward currency purchase derivatives	82	297
	181	560

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".

As regards exchange rate derivatives, if any, 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 provisions separately by financial instrument category:

(€/’000)	Cash flow hedge reserve Interest rate swap forward start
Balance as at 31 December 2018	(5,129)
Change in fair value	(13,288)
Reclassification from OCI to financial income and expense	2,873
Balance as at 31 December 2019	(15,544)

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 and options on rates.

On 4 December 2019, Rai issued a new 5-year fixed-rate bond of €300 million. At the same time, the four Interest Rate Swap Forward Start contracts for a notional amount of €350 million entered into in April 2017 and effective May 2020 were closed, as the condition for which they had been entered into, i.e., the new fixed rate bond issue, was met.

Medium/long-term borrowings as at 31 December 2019 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.

Sensitivity analysis

The sensitivity analysis conducted on the uncovered financial positions, made up of only the short-term financial positions, and only for 2018 also on Rai Interest Rate Swap Forward Start contracts, is provided in the table below:

(€/’000)	Interest rate change	Change in economic result before tax effect	Change to cash flow hedge reserve
Year ended 31 December 2019	+50 b.p.	936	-
	-50 b.p.	(936)	-
Year ended 31 December 2018	+50 b.p.	489	7,748
	-50 b.p.	(489)	(8,957)

Exchange rate risk

During 2019, Rai made payments in USD for about 7 million for several contracts (USD 6 million in 2018) 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 10 million.

Hedging transactions are not in place as at 31 December 2019 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:

(€/000)	Year ended 31 December 2019		Year ended 31 December 2018	
	USD	Other foreign currencies	USD	Other foreign currencies
Trade receivables	-	-	-	-
Trade payables	(2,142)	(568)	(1,271)	(760)
Cash on hand	5,993	84,256	1,738	50
Current financial assets	-	3	-	2
Other non-current assets	7	78	7	75
Other current receivables and assets	-	9	1	22
Non-current lease liabilities	-	(502)	-	-
Current financial liabilities	(8,910)	-	(5,171)	-
Current lease liabilities	(18)	(278)	-	-
Other current payables and liabilities	(15)	(109)	(13)	(105)

Sensitivity analysis

As at 31 December 2019 and 31 December 2018 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 the subsidiaries Rai Corporation and Rai Cinema, offset by the liquid assets in USD.

(€/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 2019	1.1234	-10%	1.0111	(565)
		+10%	1.2357	462
Year ended 31 December 2018	1.1450	-10%	1.0305	(523)
		+10%	1.2595	428

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 provisions 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, at the effective interest rate of the financial asset.

The analysis of the receivables by due date (before provisions for write-downs) is provided below:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Invoices to be issued	185,901	133,431
Falling due	136,273	140,409
Expired from 0 to 90 days	2,744	249
Expired from 91 to 180 days	4,395	1,108
Expired over 180 days	19,371	20,484
Invoices issued	162,783	162,250
Total trade receivables	348,684	295,681

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 2019 and 2018.

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 Company's financial structure consists of a bond issue with maturity date in December 2024 for €300 million taken out in December 2019 (please refer to Note 15.1 "Non-current financial liabilities and current portions of non-current financial liabilities") and a European Investment Bank (hereinafter "EIB") loan against the project to implement terrestrial digital technology for €15 million; the bond loan of €350 million issued by the Parent Company in 2015 matures in May 2020.

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 €420 million and revolving line with a pool of banks totalling €320 million maturing in December 2023.

The new revolving line, not used as at 31 December 2019, requires that the following Consolidated Financial Statements parametric/ equity ratio be met:

- net financial debt (adjusted for receivables from the State for licence fees, financial items relating to Rai Way and liabilities resulting from application of IFRS 16 for operating leases)/Net equity ≤ 2 .

This ratio was fully met as at the reporting date, posted at 1.21.

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 2019 and 31 December 2018. 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.

(€/000)	Year ended 31 December 2019				Year ended 31 December 2018			
	< 1 year	2-5 years	>5 years	Total	< 1 year	2-5 years	>5 years	Total
Trade payables and other liabilities:								
Trade payables	561,830	-	-	561,830	591,056	-	-	591,056
Other payables and liabilities	375,833	416	134	376,383	433,149	970	192	434,311
Medium/long-term financial liabilities:								
Medium/long-term loans	10,261	5,052	-	15,313	10,470	15,313	-	25,783
Bonds	4,125	316,500	-	320,625	5,250	355,250	-	360,500
Short-term financial liabilities:								
Bonds	355,250	-	-	355,250	-	-	-	-
Due to subsidiaries (negative c/a balances)	139,469	-	-	139,469	146,228	-	-	146,228
Joint ventures and associates:	-	-	-	-	70	-	-	70
Payables for financial leases	-	-	-	-	5,654	-	-	5,654
Derivative instruments:								
Derivatives on exchange rates	-	-	-	-	-	5,647	-	5,647
Derivative instruments on exchange rates to third parties	8	-	-	8	-	-	-	-
Derivative instruments on intercompany exchange rates	173	-	-	173	560	-	-	560

With regard to lease liabilities, a breakdown of the carrying amount by maturity is provided in Note 15.2 "Lease liabilities".

9

Management
of capital risk

The Company's capital management objectives are inspired by preservation of the ability to continue guaranteeing optimum capital strength, including 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:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Shareholders' equity	713,027	767,601
Total shareholders' equity and liabilities	3,142,579	2,949,561
Ratio	22.7%	26.0%

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 no. 13.3 "Current financial assets" and 16.2 "Current financial liabilities".

(€/000)	Year ended 31 December 2019			Year ended 31 December 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivatives on exchange rates	-	-	-	-	-	-
Derivatives on interest rates	-	-	-	-	(5,129)	-

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:

(€/000)

	Year ended 31 December 2019				Notes (*)
	Assets and liabilities at amortised cost	Financial assets and liabilities at fair value with balancing entry in the income statement	Financial assets and liabilities measured at fair value with balancing entry in other comprehensive income	Total assets and liabilities	
Assets					
Trade receivables	337,648	-	-	337,648	13.2
Current financial assets	163,259	173	-	163,432	13.3
Cash and cash equivalents	164,264	-	-	164,264	13.6
Non-current financial assets	3,298	-	-	3,298	12.5
Equity investments in other companies (**)	-	906	-	906	12.4
Total financial assets	668,469	1,079	-	669,548	
Liabilities					
Trade payables	(561,805)	-	-	(561,805)	16.1
Current financial liabilities	(499,098)	(173)	-	(499,271)	16.2
Current lease liabilities	(21,133)	-	-	(21,133)	16.2
Non-current financial liabilities	(303,890)	-	-	(303,890)	15.1
Non-current lease liabilities	(40,257)	-	-	(40,257)	15.1
Total financial liabilities	(1,426,183)	(173)	-	(1,426,356)	

(*) 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.

(€/000)

	Year ended 31 December 2018				Notes (*)
	Assets and liabilities at amortised cost	Financial assets and liabilities at fair value with balancing entry in the income statement	Financial assets and liabilities measured at fair value with balancing entry in other comprehensive income	Total assets and liabilities	
Assets					
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	12.5
Equity investments in other companies (**)	-	906	-	906	12.4
Total financial assets	532,695	1,466	-	534,161	
Liabilities					
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
Total financial liabilities	(1,116,168)	(560)	(5,129)	(1,121,857)	

(*) 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.

12

Non-current assets

12.1 Property, plant and equipment

Property, plant and equipment, which amounted to €893,886 thousand (€888,324 thousand as at 31 December 2018), are broken down as follows:

(€/000)	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Work in progress and payments on account	Total
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)
Balance as at 31.12.2018	371,397	302,177	128,251	5,625	22,689	58,185	888,324
First-time adoption of IFRS 16 (1)	-	(142)	-	-	-	-	(142)
Change in the year							
Increases and capitalisation	43	6,422	27,583	1,935	5,160	33,897	75,040
Disposals (2)	-	(2)	(33)	(10)	(175)	(18)	(238)
Reclassifications (3)	-	4,080	27,808	486	2,147	(34,521)	-
Transfers (4)	-	-	10	(6)	(40)	(59)	(95)
Amortisation	-	(12,264)	(48,934)	(1,844)	(5,961)	-	(69,003)
Balance as at 31.12.2019	371,440	300,271	134,685	6,186	23,820	57,484	893,886
<i>broken down as follows:</i>							
Cost	371,440	482,821	1,473,934	72,189	115,751	57,484	2,573,619
Accumulated amortisation	-	(182,550)	(1,339,249)	(66,003)	(91,931)	-	(1,679,733)
Detail:							
(1) Cost	-	(444)	-	-	-	-	(444)
Accumulated amortisation	-	302	-	-	-	-	302
	-	(142)	-	-	-	-	(142)
(2) Cost	-	(303)	(20,174)	(1,657)	(9,846)	(18)	(31,998)
Accumulated amortisation	-	301	20,141	1,647	9,671	-	31,760
	-	(2)	(33)	(10)	(175)	(18)	(238)
(3) Cost	-	4,080	27,808	486	2,147	(34,521)	-
Accumulated amortisation	-	-	-	-	-	-	-
	-	4,080	27,808	486	2,147	(34,521)	-
(4) Cost	-	-	9	(8)	(96)	(59)	(154)
Accumulated amortisation	-	-	1	2	56	-	59
	-	-	10	(6)	(40)	(59)	(95)

Following the application of IFRS 16, costs for decommissioning and restoring sites were reclassified from property, plant and equipment to lease rights of use for an amount of €142 thousand as at 1 January 2019.

Investments amounting to €75,040 thousand (€79,730 thousand as at 31 December 2018) 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 equipment is specified in Note 18.2 "Commitments."

12.2 Lease rights of use

In accordance with IFRS 16, the newly introduced lease rights of use totalled €54,876 thousand, as follows:

(€/’000)	Land and buildings	Other assets	Total
Balance as at 31.12.2018	-	-	-
First-time adoption of IFRS 16 (1)	52,145	5,209	57,354
Change in the year			
Increases	11,750	2,337	14,087
Decreases (2)	(139)	-	(139)
Amortisation	(13,536)	(2,890)	(16,426)
Balance as at 31.12.2019	50,220	4,656	54,876
<i>broken down as follows:</i>			
Cost (3)	61,963	7,168	69,131
Accumulated depreciation (3)	(11,743)	(2,512)	(14,255)
 Detail:			
(1) Cost	52,447	5,209	57,656
Accumulated amortisation	(302)	-	(302)
	52,145	5,209	57,354
(2) Cost	(139)	-	(139)
Accumulated amortisation	-	-	-
	(139)	-	(139)
(3) Amounts net of totally amortised assets, amounting to:	2,095	378	2,473

Investments during the period, amounting to €14,087 thousand, refer to property rental contracts or contracts for the rental of transport vehicles that entered into effect during the period.

The value of costs for short-term leases and leases of low-value assets is reported in Note 17.3 "Costs for the purchase of consumables, costs for services and other costs".

No income from the subleasing of assets led to the recognition of a right of use highlighted in Note 17.2 "Other revenues and income."

12.3 Intangible assets

Intangible assets, which amounted to €403,482 thousand (€409,117 thousand as at 31 December 2018), are broken down as follows:

(€/’000)	Programmes	Software	Trademarks	Other rights	Work in progress and payments on account	Total
Cost (1)	655,058	23,041	54	150	185,030	863,333
Accumulated depreciation (1)	(346,250)	(11,376)	(47)	(125)	-	(357,798)
Provisions for write-downs	(66,091)	-	-	-	(30,327)	(96,418)
Balance as at 31.12.2018	242,717	11,665	7	25	154,703	409,117
Change in the year						
Increases and capitalisation	108,403	2,730	-	-	96,947	208,080
Disposals / value recoveries (2)	-	(2)	-	-	-	(2)
Reclassifications (3)	74,277	4,721	-	-	(78,998)	-
Transfers (4)	-	37	-	-	58	95
Write-downs (5)	(43,455)	-	-	-	(5,874)	(49,329)
Use of provisions for write-downs	39,101	-	-	33	-	39,134
Amortisation	(196,119)	(7,430)	(6)	(58)	-	(203,613)
Balance as at 31.12.2019	224,924	11,721	1	-	166,836	403,482

broken down as follows:

Cost (6)	654,385	24,929	10	200	200,439	879,963
Accumulated depreciation (6)	(358,783)	(13,208)	(9)	(33)	-	(372,033)
Provisions for write-downs	(70,678)	-	-	(167)	(33,603)	(104,448)

Detail:

(1) Amounts net of totally amortised assets in the previous period, equal to:	202,547	3,784	-	350	-	206,681
(2) Cost	-	(7)	-	-	-	(7)
Accumulated amortisation	-	5	-	-	-	5
	-	(2)	-	-	-	(2)
(3) Cost	74,510	4,721	-	200	(79,431)	-
Accumulated amortisation	-	-	-	-	-	-
Provisions for write-downs	(233)	-	-	(200)	433	-
	74,277	4,721	-	-	(78,998)	-
(4) Cost	-	96	-	-	58	154
Accumulated amortisation	-	(59)	-	-	-	(59)
	-	37	-	-	58	95
(5) Cost	-	-	-	-	(2,165)	(2,165)
Provisions for write-downs	(43,455)	-	-	-	(3,709)	(47,164)
	(43,455)	-	-	-	(5,874)	(49,329)
(6) Amounts net of totally amortised assets, amounting to:	183,586	5,652	44	150	-	189,432

Investments, which amounted to €208,080 thousand (€194,479 thousand as at 31 December 2018) mainly refer to dramas for €184,647 thousand and cartoons for €13,704 thousand.

The amount of work in progress and payments on account refers to programmes for €156,717 thousand, software for €9,378 thousand and other rights for €741 thousand.

The write-downs recognised during the year amounted to €49,329 thousand, 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 18.2 "Commitments".

12.4 Equity investments

Equity investments, which amounted to €919,026 thousand (€919,097 thousand as at 31 December 2018), are broken down as follows:

Interests in subsidiaries

(€/000)	Year ended 31 December 2018			Change in the year Write-downs	Year ended as at 31 December 2019		
	Cost	Write-downs	Financial statement value		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	(2,891)	-	-	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
Total equity investments in subsidiaries	915,237	(2,891)	912,346	-	915,237	(2,891)	912,346

- **Rai Cinema SpA** (100% Rai): the share capital, €200,000 thousand, consists of 38,759,690 shares of the nominal value of €5.16 each. The investment is recognised for the value of €267,848 thousand.
- **Rai Com SpA** (100% Rai): the share capital, €10,320 thousand, consists of 2,000,000 shares of the nominal value of €5.16 each. The investment is recognised for the value of €107,156 thousand. During 2019, a dividend of €11,311 thousand on the 2018 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 2019, the shareholders' equity of the company, at the exchange rate in force as at 31 December 2019, was negative for €4,373 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 provisions for charges.
- **Rai Pubblicità SpA** (100% Rai): the share capital amounts to €10,000 thousand and consists of 100,000 shares of the nominal value of €100.00 each. The investment is recognised for the value of €31,082 thousand. During 2019, a dividend of €8,121 thousand on the 2018 profit was disbursed and recognised in the item financial income.
- **Rai Way SpA** (64.97% 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 2019, a dividend of €59,731 thousand was disbursed. The amount concerning Rai, €38,808 thousand, was recognised in the item financial income.

Equity investments in joint ventures and associates

(€/000)	Year ended 31 December 2018			Change in the year			Year ended 31 December 2019		
	Cost	adjustment to Shareholders' Equity	Financial statement value	Acquisitions/ Transfers	Profit/(loss)	Decrease due to dividends	Cost	adjustment to shareholders' Equity	Financial statement value
Joint ventures:									
San Marino RTV SpA	258	1,803	2,061	-	(223)	-	258	1,580	1,838
Tivù Srl	483	1,954	2,437	-	795	(353)	483	2,396	2,879
Associates:									
Audiradio Srl (in liquidation)	1,428	(1,428)	-	-	-	-	1,428	(1,428)	-(a)
Auditel Srl	10	716	726	-	171	-	10	887	897
Euronews SA	850	(256)	594	-	(499)	-	850	(755)	95
Player Editori Radio Srl	-	-	-	1	4	-	1	4	5
Tavolo Editori Radio Srl	2	25	27	(4) (b)	37	-	1	59	60
Total equity investments in joint ventures and associates	3,031	2,814	5,845	(3)	285	(353)	3,031	2,743	5,774

(a) Valuation relating to the Financial Statements as at 31 December 2018, the latest available.

(b) Sale of 1.90% of the interest held by Rai, for a total of €4 thousand of which:

cost	(1)
adjustment to Shareholders' Equity	(3)
	(4)

- **Audiradio Srl in liquidation** (27% Rai): the share capital amounts to €258 thousand and consists of 258,000 shares of the nominal 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 provisions for charges.
- **Auditel Srl** (33% Rai): the share capital amounts to €300 thousand and consists of 300,000 shares of the nominal value of €1.00 each. The equity investment was recognised for the value of €897 thousand, corresponding to the percentage concerning Rai on the shareholders' equity of the company posted in the Financial Statements as at 31 December 2019. Following the profit attained by the company in 2018 and in 2019 totalling €518 thousand, the equity investment was revalued for the portion concerning Rai, which came to €171 thousand.
- **Euronews - Société Anonyme** (2.52% Rai): the share capital, €32,860 thousand, consists of 2,190,678 shares of the nominal value of €15.00 each. Following the capital increase reserved for MGN and NBC, approved by the General Meeting of Euronews on 3 October 2019, RAI's investment share in Euronews rose from 3.08% to 2.52%. The investment was written down as at 31 December 2019 for the amount of €499 thousand to adjust it to the percentage concerning Rai on the shareholders' equity value of the company corresponding to €95 thousand.
- **Player Editori Radio Srl** (13.90% Rai): the company was incorporated on 23 July 2019, with a share capital of €10 thousand, divided between national and local radio producers (70% and 30%, respectively). Rai's shareholding is 13.9% of the share capital. The company's main objective is the creation and technological development of a unified IT platform for the aggregation of radio content using an IP Protocol for subsequent provisions to shareholders and third parties. Following the profit attained by the company in 2019, which amounted to €28 thousand, a revaluation for the portion concerning Rai, €4 thousand, was recognised. The equity investment was recognised for the value of €5 thousand, which corresponds to Rai's portion of the company's shareholders' equity as at 31 December 2019.
- **San Marino Rtv SpA** (50% Rai): the company, formed in 1991 with joint shares of Rai and E.R.A.S. - Ente di

Radiodiffusione Sammarinese - pursuant to Law no. 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 the face value of €516.46 each. Following the loss recorded by the company in 2019, which amounted to €446 thousand, a write-down for the portion concerning Rai, €223 thousand, was recognised. The equity investment was recognised for the value of €1,838 thousand, which corresponds to Rai's portion of the company's shareholders' equity.

- **Tavolo Editori Radio Srl** (13.9% Rai): the share capital, €10 thousand, is divided between national publishers (70%, of which Rai 13.9%) and local ones (30%). On 23 July 2019, the three-yearly reorganisation of Ter's shareholding structure was carried out, as required by the company's by-laws. The reorganisation involved an update of the shares of the national broadcasters who are already shareholders of Ter and the entry in the capital of ACRC and CN Media. As part of this transaction, Rai sold 1.9% of its equity investment, reducing it from 15.8% to 13.9%. Following the profit attained by the company in 2019, which amounted to €264 thousand, a revaluation for the portion concerning Rai, €37 thousand, was recognised. The equity investment was currently recognised for the value of €60 thousand, which corresponds to Rai's portion of the company's shareholders' equity as at 31 December 2019.
- **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 2019, distribution of a dividend of €735 thousand was decided. The amount due to Rai, €354 thousand, was recorded to reduce the book value of the equity investment. Following the profit attained by the company in 2019 which amounted to €1,651 thousand, the equity investment was revalued for the portion concerning Rai, which came to €795 thousand. Therefore, the equity investment was recognised for the value of €2,879 thousand, which corresponds to Rai's portion of the company's shareholders' equity.

Equity investments in others companies

(€/000)	Year ended 31 December 2018			Change in the year	Year ended as at 31 December 2019		
	Cost	Write-downs	Financial statement value	Write-downs	Cost	Write-downs	Financial statement value
Almaviva SpA	324	-	324	-	324	-	324
Banca di Credito Cooperativo di Roma	1	-	1	-	1	-	1
International Multimedia University Umbria Srl in bankruptcy proceedings	52	(52)	-	-	52	(52)	-
Istituto della Enciclopedia Italiana Treccani SpA	713	(132)	581	-	713	(132)	581
Total other equity investments	1,090	(184)	906	-	1,090	(184)	906

- **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 the face 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, i.e., the amount paid 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 incurred by the company. Share capital is represented by 62.724.105 share of a nominal value of €1.00 each.

12.5 Non-current financial assets

Non-current financial assets, which amounted to €3,298 thousand (€3,046 thousand as at 31 December 2018), break down as follows:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Securities	2,342	2,422
Other financial assets (non-current deferrals)	897	552
Financial receivables from employees	238	251
- Provisions for write-down of non-current financial assets	(179)	(179)
Total non-current financial assets	3,298	3,046

Non-current financial assets are shown net of the provisions for write-downs of €179 thousand (un- changed compared to 31 December 2018), entirely referring to the financial receivables from employees.

The Securities item, €2,342 thousand (€2,422 thousand as at 31 December 2018), 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:

(€/000)	Year ended 31 December 2019				Year ended 31 December 2018			
	<1 year	2-5 years	>5 years	Total	<1 year	2-5 years	>5 years	Total
Receivables from subsidiaries - c/a transactions	157,777	-	-	157,777	165,759	-	-	165,759
Receivables from joint ventures - c/a San Marino RTV SpA	183	-	-	183	-	-	-	-
Tied current accounts	4,749	-	-	4,749	5,528	-	-	5,528
Securities	-	2,342	-	2,342	-	2,422	-	2,422
Receivables from the subsidiary Rai Cinema for derivative instruments	8	-	-	8	-	-	-	560
Receivables for derivatives activated for Rai Cinema	173	-	-	173	560	-	-	-
Financial receivables from employees	51	59	-	110	56	72	-	128
Other financial assets	491	897	-	1,388	283	552	-	835
Total financial assets	163,432	3,298	-	166,730	172,186	3,046	-	175,232

The short-term portion of the Financial assets, which amounted to €163,432 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".

12.6 Deferred tax assets

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Deferred tax assets eligible for offset	127,165	128,392
Deferred tax liabilities eligible for offset	(159,454)	(161,415)
Net deferred tax liabilities	(32,289)	(33,023)

As at 31 December 2018, at 31 December 2019 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 15.5 "Deferred tax liabilities" for the relevant analyses.

Income taxes are reported in Note 17.10 "Income tax".

12.7 Other non-current assets

Other non-current assets, which amounted to €7,068 thousand (€42,756 thousand as at 31 December 2018), are broken down as follows:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Advances for trade initiatives	8,139	8,123
Advances for sports events	6,291	41,475
Amounts committed to cautionary deposit with third parties	1,578	1,595
Receivables from personnel	691	527
- Provisions for write-down of other non-current assets	(9,631)	(8,964)
Total other non-current assets	7,068	42,756

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 provisions for write-down of other non-current assets, which amounted to €9,631 thousand (€8,964 thousand as at 31 December 2018), is broken down below:

(€/000)	Balances as at 31 December 2018	Provisions	Balances as at 31 December 2019
Provisions for write-down of advances for sports events	(6,102)	(47)	(6,149)
Provisions for write-down of advances for trade initiatives	(2,862)	(470)	(3,332)
Provisions for write-down of other non-current assets	-	(150)	(150)
Total provisions for write-down of other non-current assets	(8,964)	(667)	(9,631)

13

Current
assets

13.1 Inventory

Inventory, net of its provisions for write-downs, amounted to €90 thousand (€118 thousand as at 31 December 2018), and is broken down as follows:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Inventory	12,144	12,237
Provisions for write-down of inventory	(12,054)	(12,119)
Total inventory	90	118

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, which amounted to €337,648 thousand (€285,440 thousand as at 31 December 2018), are broken down as follows:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Trade:		
– Status of performance of service contract obligations - Law 145/2018	38,462	-
– Italian Tax Revenue Office for services under agreement	12,000	8,000
– Other receivables	18,441	18,608
– Provisions for write-downs of trade receivables	(9,598)	(9,498)
Subsidiaries:		
– Receivables	279,618	268,906
– Provisions for write-downs for the subsidiary Rai Com SpA	(1,438)	(743)
Joint ventures and associates:	163	167
Total trade receivables	337,648	285,440

Receivables, excluding the provisions for write-downs, from joint ventures and associates refer to:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Subsidiaries:		
Rai Cinema SpA	1,493	2,522
Rai Com SpA	87,929	83,796
Rai Pubblicità SpA	180,363	178,998
Rai Way SpA	8,395	2,847
Receivables from subsidiaries	278,180	268,163
Joint ventures and associates:		
San Marino RTV SpA	55	57
Tivù Srl	108	110
Receivables from joint ventures and associates	163	167

The breakdown of trade receivables by geographical area shows a national prevalence.

Receivables from the Revenue Office total €12,000 thousand, for management of ordinary licences, of which €4,000 thousand for each of the years 2019, 2018, and 2017.

The other receivables are recognised for a nominal value of €18,441 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 provisions for write-downs of €11,036 thousand (€10,241 thousand as at 31 December 2018) as detailed below:

(€/000)	Balances as at 31 December 2018	Provisions	Uses and other asset giro accounts	Balances as at 31 December 2019
Provisions for write-downs - trade	(9,498)	(110)	10	(9,598)
Provisions for write-downs of trade receivables from subsidiary Rai Com	(743)	(695)	-	(1,438)
Total bad debt provisions - trade	(10,241)	(805)	10	(11,036)

As at 31 December 2018, 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 €163,432 thousand (€172,186 thousand as at 31 December 2018), decreased by €8,754 thousand. The breakdown of the item and the comparison with the previous year are shown below:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Receivables from subsidiaries - c/a transactions	157,777	165,759
Tied current accounts	4,749	5,528
Receivables from joint ventures - c/a San Marino RTV	183	-
Assets for derivatives activated on behalf of Rai Cinema	173	560
Receivables from the subsidiary Rai Cinema for derivative instruments	8	-
Financial receivables from employees	51	56
Other current financial assets	491	283
Total current financial assets	163,432	172,186

The receivables from subsidiaries - c/a transactions break down as follows:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Receivables from subsidiaries - c/a transactions:		
Rai Cinema SpA	157,777	165,677
Rai Way SpA	-	82
Receivables from subsidiaries - c/a transactions	157,777	165,759

Tied current accounts, which came to €4,749 thousand (€5,528 thousand as at 31 December 2018) 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, consisting solely of the current portions:

(€/’000)	Year ended 31 December 2019	Year ended 31 December 2018
Assets for derivatives activated on behalf of Rai Cinema	173	560
Receivables from the subsidiary Rai Cinema for derivative instruments	8	-
Total derivative financial instruments – current portion	181	560
Total derivative financial instruments	181	560

Derivative financial instruments, recorded at fair value, as at 31 December 2019 break down as follows:

- current portion of derivatives instruments activated through the mandate granted by Rai Cinema, equal to €173 thousand (€560 thousand as at 31 December 2018) that reflects in the financial debt with the subsidiary, as illustrated in Note 16.2 “Current financial liabilities”. No non-current portions are recognised;
- the current portion of receivables from the subsidiary Rai Cinema, equal to €8 thousand (zero as at 31 December 2018) refers to the hedging instruments (with negative fair value) activated by Rai under the mandate received from Rai Cinema, whose effects transit from the intercompany accounts. 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 €18,292 thousand (€17,965 thousand as at 31 December 2018), are specified as follows:

(€/’000)	Year ended 31 December 2019	Year ended 31 December 2018
IRES requested as refund for IRAP deductibility for employee expense and similar	16,905	16,905
Deductions on assignments to foreign companies	1,755	728
- Provisions for write-downs for current income taxes	(728)	(728)
IRES receivable	17,932	16,905
IRAP receivable	360	1,060
Total current income tax receivables	18,292	17,965

Current income tax receivables are shown net of the provisions for write-downs of €728 thousand (unchanged compared to 31 December 2018) related to withheld taxes on income risking recoverability.

The IRAP receivable, €360 thousand (€1,060 thousand as at 31 December 2018) refers to the IRAP advances paid to tax authorities in previous periods.

The taxes are commented on in Note 17:10 “Income taxes”.

13.5 Other current receivables and assets

Other current receivables and assets, which totalled €177,217 thousand (€138,929 thousand as at 31 December 2018) break down as follows:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Receivables from subsidiaries	36,529	32,010
Advances for sports events	63,397	27,261
Advances to suppliers, collaborators and agents	22,214	20,650
Receivables from entities, companies, bodies and others	11,116	9,497
Receivables from personnel	9,135	9,396
Receivables from social security and welfare institutions	2,829	2,627
Other tax receivables	1,529	1,882
Receivables for subsidies and grants from the State, EU and other public entities	427	479
Other receivables (current deferrals)	33,176	38,431
- Provisions for write-downs of other current receivables and assets	(3,135)	(3,304)
Total other current receivables and assets	177,217	138,929

The breakdown of the receivables from subsidiaries follows:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Receivables from subsidiaries:		
Rai Cinema SpA	5,736	5,201
Rai Com SpA	2,617	3,780
Rai Pubblicità SpA	7,507	2,922
Rai Way SpA	20,669	20,107
Receivables from subsidiaries	36,529	32,010

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 that are explained in the following breakdown and include the receivables arising from application of Law 89/2014 in the item "other":

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Travel expenses	3,528	3,396
Labour disputes	2,621	2,947
Production expense advances	1,831	1,719
Other	1,155	1,334
Receivables from personnel	9,135	9,396

- other tax receivables break down as follows:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
VAT refund requested	1,333	1,690
Other tax refunds requested	159	158
Other tax receivables	37	34
Total other tax receivables	1,529	1,882

The provisions for write-down of other current receivables and assets, which amounted to €3,135 thousand (€3,304 thousand as at 31 December 2018), is broken down below:

(€/000)	Year ended 31 December 2018	Uses and other asset giro accounts	Absorption in income statement	Provisions	Year ended 31 December 2019
Provisions for write-downs of other current receivables and assets	(3,304)	202	20	(53)	(3,135)

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 €164,264 thousand (€72,583 thousand as at 31 December 2018), are broken down into the following items:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Bank and postal deposits	163,969	72,327
Cash and equivalents	295	256
Total cash and cash equivalents	164,264	72,583

Bank and postal deposits amounted to €163,969 thousand (€72,327 thousand as at 31 December 2018) 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. The increase compared to the previous year is due to the issue of the new bond.

Cash and equivalents amounted to €295 thousand (€256 thousand as at 31 December 2018) and include the liquidity represented by cash in the company's coffers as at 31 December 2019.

The Company's cash on hand is shown in the following table by currency as at 31 December 2019 and as at 31 December 2018:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Cash on hand in Euro	158,187	70,795
Cash on hand in USD	5,993	1,738
Cash on hand in other currencies	84	50
Total cash and cash equivalents	164,264	72,583

Here below is the breakdown of shareholders' equity:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Share capital	242,518	242,518
Legal reserve	12,042	12,042
IFRS first-time adoption reserve – restricted	462,706	467,198
IFRS first-time adoption reserve – free	83,192	103,248
Cash flow hedge reserve	(15,544)	(5,129)
Valuation reserve for equity investments – restricted	-	319
Valuation reserve for equity investments – free	-	1,237
Other reserves	-	7,749
Total other reserves	530,354	574,622
Actuarial reserves for employee benefits	(33,521)	(24,390)
Losses carried forward	(3,338)	(3,338)
Profit (Loss) for the year	(35,028)	(33,853)
Total retained earnings (losses carried forward)	(71,887)	(61,581)
Total shareholders' equity	713,027	767,601

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Shareholders'
equity

Shareholders' equity – Possibilities for distribution

(€/000)	Amount	Possibilities use (*)	Free amount	Distributions in the last three years	
				To cover losses	For other reasons
Share capital	242,518				
Legal reserve	12,042	2	12,042		
IFRS first-time adoption reserve – restricted	462,706	1-4	462,706		
IFRS first-time adoption reserve – free	83,192	1-2-3	83,192	24,548	-
Cash flow hedge reserve	(15,544)		(15,544)		
Restricted valuation reserve for equity investments	-	1-2	-	319	-
Free valuation reserve for equity investments	-	1-2-3	-	1,237	-
Others	-	1-2-3	-	7,749	-
Total other reserves	530,354				
Actuarial reserves for employee benefits	(33,521)		(33,521)		
Losses carried forward	(3,338)		(3,338)		
Loss in the year	(35,028)		(35,028)		
Total shareholders' equity	713,027		470,509	33,853	-
Restricted amount:					
Legal reserve			(12,042)		
IFRS first-time adoption reserve – restricted			(462,706)		
Total free reserves			-		

(*) Legend:

- 1 for capital increases;
- 2 for coverage of 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 the Extraordinary Shareholders' Meeting – Article 7(6) of Legislative Decree 38 of 28.02.2005. 6.

Share capital

As at 31 December 2019, 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%; 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, which amounted to €530,354 thousand (€574,622 thousand as at 31 December 2018), are broken down as follows:

- the IFRS first-time adoption reserve totalled €545,898 thousand (€570,446 thousand as at 31 December 2018) 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 €462,706 thousand;
 - IFRS first-time adoption reserve – free, totalling €83,192 thousand;
- the cash flow hedge reserve registered to reduce equity, for a value of €15,544 thousand, refers to the measurement at fair value of derivatives hedging the risk of a change in interest rates (€5,129 thousand as at 31 December 2018); the change compared to 31 December 2018 had negative effects on the comprehensive income statement for €10,415 thousand;

Losses carried forward, for €71,887 thousand (€61,581 thousand as at 31 December 2018), including the loss for the year, break down as follows:

- actuarial reserves for employee benefits, registered for €33,521 thousand; the change compared to 31 December 2018 (€24,390 thousand) had negative effects on the comprehensive income statement for €9,131 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 €35,028 thousand.

15.1 Non-current financial liabilities and current portions of non-current financial liabilities

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Non-current
liabilities

Non-current financial liabilities, including current portions, totalled €663,510 thousand (€378,849 thousand as at 31 December 2018). The figure breaks down as follows:

(€/’000)	Year ended 31 December 2019			Year ended 31 December 2018		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Bonds	298,890	349,620	648,510	348,720	-	348,720
M/L-term payables to banks	5,000	10,000	15,000	15,000	10,000	25,000
Hedging derivative liabilities – interest rates	-	-	-	5,129	-	5,129
Total	303,890	359,620	663,510	368,849	10,000	378,849

Non-current financial liabilities, including the current portions, increased by €284,661 thousand compared to 31 December 2018 mainly for the bond issue by Rai in December 2019 for a nominal amount of €300 million (see also Note 8.3 "Liquidity risk"), offset by the repayment of two instalments of the EIB loan for €10,000 thousand and the closure of the Interest Rate Swap Forward Start, recorded in the 2018 financial statements for €5,129 thousand.

Medium/long-term payables as at 31 December 2019 consisted of a new bond issued for a nominal amount of €300 million, maturing in December 2024, and of a €15,000 amortising loan maturing in 2021 from the EIB, granted to Rai for development of digital terrestrial infrastructure. The current portion of the bonds, on the other hand, consists of the amount maturing in May 2020 of the loan issued in 2015, with a nominal value of €350 million.

The new *senior unsecured bond* issued by Rai in December 2019 and listed on Euronext Dublin, is fully subscribed to by national and international institutional investors, has a nominal rate of 1.375%, maturity in December 2024 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 provisions, 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;
- 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 22 October 2019, Moody's published a rating action confirming the Long-Term Issuer Baa3 of Rai (Investment Grade) and changing the outlook from stable to negative.

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 by operating lease liabilities), net of receivables from the state for television licence fees/shareholders' equity ≤ 1.3 ;
- net financial debt (adjusted by operating lease liabilities), net of receivables from the State for television licence fees/EBITDA ≤ 1.0 ;

These ratios, modified with respect to the previous year in agreement with the EIB in order to cancel the effects of the application of IFRS 16 on net financial debt, were met at the reporting date, at 1.14 and 0.79, respectively.

The liability for interest rate hedging derivatives, (at 31 December 2018 equal to €5,129 thousand) referring to the four Interest Rate Swap Forward Start contracts entered into in 2017 on a notional amount of €350 million to hedge the risk of interest rate increases on the new bond issue, was closed in December 2019, since the

condition for which they had been taken had been fulfilled, namely the new bond loan. The closing of these derivatives, which guaranteed a 5-year mid-swap rate of approximately 0.89% (against a rate of -0.238% at the time the loan was issued), generated a financial outlay of €18,417 thousand, broken down as follows:

- €2,631 thousand to the income statement for the portion relating to the lower issue realised compared to the one expected and covered in 2017 (€300 million instead of €350 million);
- €242 thousand to the income statement as a portion of the year's closing mark to market;
- €15,544 thousand suspended in the cash flow hedge reserve, to be distributed over the remaining life of the newly issued bond issue.

The final due date of financial liabilities held (current and non-current) is shown in the following table:

(€/000)	Year ended 31 December 2019			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Bonds	349,620	298,890	-	648,510
Payables to subsidiaries – current account positions	139,470	-	-	139,470
Payables to the subsidiary Rai Cinema for derivative instruments	173	-	-	173
M/L-term payables to banks	10,000	5,000	-	15,000
Liabilities for derivatives taken out on behalf of Rai Cinema	8	-	-	8
Total	499,271	303,890	-	803,161

(€/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 payables to banks	10,000	15,000	-	25,000
Hedging derivative liabilities – interest rates	-	5,129	-	5,129
Payables to associates – current account positions	70	-	-	70
Finance lease liabilities	5,654	-	-	5,654
Total	161,952	368,849	-	530,801

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 2015, maturing in May 2020: fair value corresponding to the market price of 101.4356, including interest ratio;
- bond issued by the Company in December 2019 and maturing in December 2024: fair value corresponding to the market price of 100.3372, 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.

(€/000)	Year ended 31 December 2019		Year ended 31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Bond issue €350 million - maturity 28.05.2020	349,620	355,025	348,720	352,118
Bond issue €300 million - maturity 04.12.2024	298,890	301,012	-	-
EIB Loan	15,000	15,305	25,000	25,431

15.2 Lease liabilities

Non-current lease liabilities, including current portions, total €61,390 thousand. The figure breaks down as follows:

(€/000)	Year ended 31 December 2019		
	Non-current portion	Current portion	Total
Finance lease liabilities	-	5,700	5,700
Operating lease liabilities	40,257	15,433	55,690
Total	40,257	21,133	61,390

The value of current lease liabilities is represented solely by the current portion of non-current lease liabilities, as short-term asset leases are recognised in the income statement under the item costs for the purchase of consumables, costs for services and other costs.

The value of cash outflows from leases in the year was €15,208 thousand, plus interest of €555 thousand.

Interest expense accrued on lease liabilities is detailed in Note 17.8 "Financial income and expenses," to which reference should be made.

Finance lease liabilities, amounting to €5,700 thousand, relate to the exercise of option rights in 2018 for the purchase of the building used as the regional headquarters.

The due dates lease liabilities (current and non-current) are shown below.

(€/000)	Year ended 31 December 2019			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Finance lease liabilities	5,700	-	-	5,700
Operating lease liabilities	15,433	33,605	6,652	55,690
Total	21,133	33,605	6,652	61,390

15.3 Employee benefits

Employee benefits, which amounted to €400,924 thousand (€412,894 thousand as at 31 December 2018), are broken down as follows:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Provisions for employee severance pay	198,289	204,217
Provisions for supplementary pension benefits	119,851	124,871
Provisions in lieu of the former fixed indemnity for journalists	68,721	68,669
Health insurance fund for Rai senior managers (FASDIR)	13,699	14,587
Other	364	550
Total employee benefits	400,924	412,894

The provisions 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 provisions 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, former employees 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 provisions 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 provisions 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 articles 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, multiplied by the average residual life of the retired senior managers at the valuation date, which as at 31 December 2019 was found to be 12 years.

Provisions for employee benefits measured using actuarial techniques break down as follows:

(€/’000)	Year ended 31 December 2019					Year ended 31 December 2018				
	Employee severance pay	Supplementary pension	Provisions in lieu of former fixed indemnity for journalists	Fasdir	Other benefits	Employee severance pay	Supplementary pension	Provisions in lieu of former fixed indemnity for journalists	Fasdir	Other benefits
Present value of the liability at the start of the year	204,217	124,871	68,669	14,587	550	236,297	136,545	69,446	14,587	587
Current cost of defined benefit plans	-	-	-	-	(44)	-	-	171	-	8
Current cost of defined contribution plans	40,282	-	-	50	-	39,979	-	-	1,008	-
Interest expense	1,926	1,193	440	172	-	2,663	773	535	172	-
Actuarial (gains)/losses resulting from changes in demographic assumptions	(2,343)	-	-	-	-	-	-	-	-	-
Actuarial (gains)/losses resulting from changes in financial assumptions	8,828	4,927	2,738	-	-	(2,223)	(466)	47	-	-
Actuarial (gains)/losses from past experience	(4,388)	(467)	(164)	-	-	703	(875)	372	-	-
Cost of past benefits and (gains)/losses on settlement	-	-	(1,414)	-	-	-	-	(1,470)	-	-
Benefits paid	(10,200)	(10,673)	(1,548)	(1,110)	(142)	(10,346)	(11,106)	(432)	(1,180)	(45)
Transfers to external funds for defined contribution plans	(40,234)	-	-	-	-	(40,084)	-	-	-	-
Other movements	201	-	-	-	-	(22,772)	-	-	-	-
Present value of the liability at the end of the year	198,239	119,851	68,721	13,699	364	204,217	124,871	68,669	14,587	550

Costs for employee benefits, as measured using actuarial assumptions and recognised in the income statement, break down as follows:

(€/000)	Year ended 31 December 2019					Year ended 31 December 2018				
	Employee severance pay	Supplementary pension	Provisions in lieu of former fixed indemnity for journalists	Fasdir	Other benefits	Employee severance pay	Supplementary pension	Provisions in lieu of former fixed indemnity for journalists	Fasdir	Other benefits
Current cost of defined benefit plans	-	-	-	-	44	-	-	(171)	-	(8)
Current cost of defined contribution plans	(40,282)	-	-	(50)	-	(39,979)	-	-	(1,008)	-
Cost of past benefits and gains/losses on settlement	-	-	1,414	-	-	-	-	1,470	-	-
Net interest (expense) income:										
– interest expense on the liability	(1,926)	(1,193)	(440)	(172)	-	(2,663)	(773)	(535)	(172)	-
– interest income on assets servicing the plan	-	-	-	-	-	-	-	-	-	-
Total net interest (expense) income:	(1,926)	(1,193)	(440)	(172)	-	(2,663)	(773)	(535)	(172)	-
Total	(42,208)	(1,193)	974	(222)	44	(42,642)	(773)	764	(1,180)	(8)
of which recognised as labour cost	(40,282)	-	1,414	(50)	44	(39,979)	-	1,299	(1,008)	(8)
of which recognised as financial income (expense)	(1,926)	(1,193)	(440)	(172)	-	(2,663)	(773)	(535)	(172)	-

Costs for defined benefit plans recognised in other comprehensive income components break down as follows:

(€/000)	Year ended 31 December 2019					Year ended 31 December 2018				
	Employee severance pay	Supplementary pension	Provisions in lieu of former fixed indemnity for journalists	Fasdir	Other benefits	Employee severance pay	Supplementary pension	Provisions in lieu of former fixed indemnity for journalists	Fasdir	Other benefits
Revaluations:										
– Actuarial gains/(losses) resulting from changes in demographic assumptions	2,343	-	-	-	-	-	-	-	-	-
– Actuarial gains/(losses) resulting from changes in financial assumptions	(8,828)	(4,927)	(2,738)	-	-	2,223	466	(47)	-	-
– Actuarial gains/(losses) from past experience	4,388	467	164	-	-	(703)	875	(372)	-	-
Total	(2,097)	(4,460)	(2,574)	-	-	1,520	1,341	(419)	-	-

The main actuarial assumptions adopted are reported below:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Financial assumptions:		
Average discount rate (1):		
– Provisions for employee severance pay	0.62%	1.27%
– Provisions for supplementary pension benefits for former employees	0.66%	1.28%
– Provisions for supplementary pension benefits for former senior managers	0.70%	1.33%
– Provisions in lieu of the former fixed indemnity for journalists	0.50%	0.85%
Inflation rate:		
– Provisions for employee severance pay	1.20%	1.50%
– Provisions for supplementary pension benefits	1.20%	1.50%
– Provisions in lieu of the former fixed indemnity for journalists	1.20%	1.50%
Expected rate of growth in remuneration/benefits (2):		
– Provisions for employee severance pay	2.40%	2.625%
– Provisions for supplementary pension benefits	0.96%	1.21%
– Provisions in lieu of the former fixed indemnity for journalists	2.70%	3.00%
Demographic assumptions		
Maximum retirement age:		
– Provisions for employee severance pay	As per law	As per law
– Provisions for supplementary pension benefits	-	-
– Provisions in lieu of the former fixed indemnity for journalists	As per law	As per law
Mortality tables:		
– Provisions for employee severance pay	SI 2016 revised	SI 2016 revised
– Provisions for supplementary pension benefits	AS62	AS62
– Provisions in lieu of the former fixed indemnity for journalists	SI 2016 revised	SI 2016 revised
Disability tables:		
– Provisions for employee severance pay	INPS tables by age and gender	INPS tables by age and gender
– Provisions for supplementary pension benefits	-	-
– Provisions in lieu of the former fixed indemnity for journalists	-	-
Average annual employee leaving rate:		
– Provisions for employee severance pay	6.60%	6.60%
– Provisions for supplementary pension benefits	-	-
– Provisions in lieu of the former fixed indemnity for journalists	6.00%	5.30%
Annual probability of advance requests:		
– Provisions for employee severance pay	1.50%	1.50%
– Provisions for supplementary pension benefits	-	-
– Provisions in lieu of the former fixed indemnity for journalists	-	-

(1) Measured as the weighted average of the Eur Composite AA December 2019 interest rate curve for 31 December 2019 and Eur Composite AA 2018 for 31 December 2018.

(2) Including inflation.

The effects of a reasonably possible change in the discount rate for the year as at 31 December 2019 and as at 31 December 2018 are shown below:

Provisions for employee severance pay - sensitivity analysis

(€/000)	Sensitivity	Year ended 31 December 2019	Year ended 31 December 2018
Discount rate	+0.50%	192,633	197,597
	-0.50%	204,353	211,327

Provisions for supplementary pension benefits - sensitivity analysis

(€/000)	Sensitivity	Year ended 31 December 2019	Year ended 31 December 2018
Discount rate	+0.50%	114,913	119,817
	-0.50%	125,194	130,328

Provisions in lieu of the former fixed indemnity for journalists - sensitivity analysis

(€/000)	Sensitivity	Year ended 31 December 2019	Year ended 31 December 2018
Discount rate	+0.50%	67,563	67,152
	-0.50%	69,909	72,587

The timing of liabilities for defined benefit plans for employees is shown below:

(€/000)	Provisions in lieu of former fixed indemnity for journalists	Employee severance pay	Provisions for supplementary pension benefits	
			Former employees	Former senior managers
Expected payments as at 31.12.2020	5,723	53,116	5,984	4,241
Expected payments as at 31.12.2021	3,549	18,309	5,721	4,024
Expected payments as at 31.12.2022	5,429	6,736	5,451	3,808
Expected payments as at 31.12.2023	5,344	6,239	5,176	3,591
Expected payments as at 31.12.2024	6,299	6,688	4,895	3,377
Expected payments as of 01.01.2025 and following years	45,202	116,745	46,833	4,241

15.4 Provisions for non-current risks and charges

Provisions for non-current risks and charges, which amounted to €162,863 thousand (€149,651 thousand as at 31 December 2018), are broken down as follows:

(€/’000)	Balances as at 31 December 2018	Provisions	Drawdowns	Absorptions	Balances as at 31 December 2019
Provisions for legal disputes	58,500	5,299	(9,106)	(1,993)	52,700
Provisions for building renovation and refurbishment	28,000	786	(786)	-	28,000
Provisions for accrued compensation costs	14,052	27,152	(13,975)	(77)	27,152
Provisions for the risk of recourse on bad debts by the concessionaires Rai Pubblicità and Rai Com	7,160	576	(36)	(264)	7,436
Provisions for write-downs of surplus investments	4,037	345	-	-	4,382
Provisions for dismantling and restoration costs	3,967	23	-	-	3,990
Provisions for social security disputes	3,000	-	-	-	3,000
ISC and ICM provisions Agents	745	68	(11)	(29)	773
Other provisions	30,190	6,050	(259)	(551)	35,430
Total provisions for risks and charges	149,651	40,299	(24,173)	(2,914)	162,863

Provisions for legal disputes, totalling €52,700 thousand, show the prudential, forecasted estimate of charges for pending lawsuits in which the Company is involved in various ways. Specifically, the figure includes €30,200 thousand in provisions for civil, administrative and criminal litigation (including legal costs) and €22,500 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 €27,152 thousand, include 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 €7,436 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 provisions 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 2019, as illustrated in Note 12.4 “Investments”, to be referred to.

Provisions for dismantling and restoration costs, totalling €3,990 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 €773 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.

15.5 Deferred tax liabilities

Deferred tax liabilities totalled €32,289 thousand and are stated net of €127,165 thousand of deferred tax assets eligible for offsetting. The net balance as at 31 December 2018 showed a deferred tax liability of €33,023 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:

(€/000)	Balances as at 31 December 2018	Changes		Balances as at 31 December 2019
		Income statement	Equity	
Statutory/tax differences on property, plant and equipment	(154,719)	1,960	-	(152,759)
Taxable difference equity investments	(6,696)	1	-	(6,695)
Deferred tax liabilities eligible for offset	(161,415)	1,961	-	(159,454)
Negative taxable income	128,370	30,306	(31,511)	127,165
Tax effects resulting from the first-time adoption of the accounting standard IFRS 15 - Advertising revenues	22	(22)	-	-
Deferred tax assets eligible for offset	128,392	30,284	(31,511)	127,165
Net deferred tax liabilities	(33,023)	32,245	(31,511)	(32,289)

Deferred tax assets were recognised when their future recoverability was considered reasonably certain.

Deferred tax assets on tax losses carried forward totalled €127,165 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.

15.6 Other non-current payables and liabilities

Other non-current payables and liabilities are all stated in Euros. Totalling €550 thousand (€1,162 thousand as at 31 December 2018), 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".

16.1 Trade payables and Other current payables and liabilities

Trade payables and other current payables and liabilities amounted to a total €937,638 thousand (€1,024,205 thousand as at 31 December 2018). The figure breaks down as follows:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Trade payables	472,609	502,532
Trade payables to subsidiaries	87,736	86,132
Trade payables from joint ventures and associates	1,460	2,392
Total trade payables	561,805	591,056
Payables to personnel	176,408	231,375
Payables to social security institutions	74,060	72,235
Other tax payables	36,817	34,966
Other payables from subsidiaries	4,050	4,077
Other payables accruing for assessments	4,377	3,878
Payables for frequency rights	-	1
Other payables	4,834	4,878
Advances:		
– Ordinary licence fees	66,148	73,687
– Other advances	1,653	912
Accruals for fees and interest	3,456	3,138
Deferrals:		
– Adjustment to advertising revenues	2,407	2,320
– Licence fees	651	868
– Grants for the switch-over to digital terrestrial	610	805
– Other deferrals	362	9
Total other current payables and liabilities	375,833	433,149
Total trade payables and other current payables and liabilities	937,638	1,024,205

Trade payables, totalling €561,805 thousand, fell by €29,251 thousand compared to 31 December 2018.

The breakdown of trade payables and other payables to subsidiaries, joint ventures and associates is shown in the table below:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Subsidiaries:		
Rai Cinema SpA	2,528	11,799
Rai Com SpA	16,053	7,762
Rai Pubblicità SpA	173	80
Rai Way SpA	68,982	66,491
Trade payables to subsidiaries	87,736	86,132

16

Current
liabilities

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Joint ventures and associates:		
Auditel Srl	1,051	1,977
Tivù Srl	409	415
Trade payables from joint ventures and associates	1,460	2,392

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Subsidiaries:		
Rai Cinema SpA	445	445
Rai Pubblicità SpA	1,128	1,128
Rai Way SpA	2,477	2,504
Other payables from subsidiaries	4,050	4,077

The other current payables and liabilities decreased by €57,316 thousand compared to 31 December 2018.

Payables to personnel totalled €176,408 thousand (€231,375 thousand as at 31 December 2018). The figure breaks down as follows:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Untaken paid annual leave	63,881	66,116
Untaken time in lieu	52,489	51,705
Wage and salary assessment	47,420	67,693
Redundancy incentives	10,673	44,307
Other	1,945	1,554
Payables to personnel	176,408	231,375

Payables to social security institutions totalled €74,060 thousand (€72,235 thousand as at 31 December 2018). The figure breaks down as follows:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Payables to supplementary pension funds for personnel	24,076	22,815
Payables to INPGI	13,848	13,990
Payables to INPS	25,155	24,426
Payables to CASAGIT	1,459	1,437
Contributions on assessed wages and salaries	9,161	9,135
Other payables	361	432
Payables to social security institutions	74,060	72,235

Other tax payables show taxes payable to the Inland Revenue other than current income tax. The item breaks down as follows.

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Group VAT payables	3,121	2,030
Suspended VAT payables	1,003	1,008
Withholding tax on wages and salaries for employees and contractors, substitution tax and other withholdings	32,693	31,928
Total other tax payables	36,817	34,966

Deferrals for grants for the switch-over to digital terrestrial included €610 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.

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 €499,271 thousand (€161,952 thousand as at 31 December 2018). The breakdown is shown in the table below:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Bonds	349,620	-
Payables to subsidiaries – current account positions	139,470	145,668
M/L-term payables to banks (current portion)	10,000	10,000
Payables for financial leases	-	5,654
Payables to the subsidiary Rai Cinema for derivative instruments	173	560
Liabilities for derivatives taken out on behalf of Rai Cinema	8	-
Payables to joint ventures and associates – San Marino RTV current account	-	70
Total current financial liabilities	499,271	161,952

Payables to subsidiaries – current account positions decreased by €6,198 thousand; The breakdown by company is shown in the following table:

(€/’000)	Year ended 31 December 2019	Year ended 31 December 2018
Rai Cinema SpA	5,683	1,743
Rai Com SpA	126,391	134,862
Rai Corporation in liquidation	3,227	3,428
Rai Pubblicità SpA	3,917	5,635
Rai Way SpA	252	-
Payables to subsidiaries – current account positions	139,470	145,668

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:

(€/’000)	Year ended 31 December 2019	Year ended 31 December 2018
Liabilities for derivatives taken out on behalf of Rai Cinema	8	-
Payables to the subsidiary Rai Cinema for derivative instruments	173	560
Total derivative financial instruments – current portion	181	560
Hedging derivative liabilities – interest rates	-	5,129
Total derivative financial instruments – non-current portion	-	5,129
Total derivative financial instruments	181	5,689

Derivative financial liabilities, recorded at fair value, as at 31 December 2019 break down as follows:

- Current portion of derivatives instruments activated through the mandate granted by Rai Cinema, equal to €8 thousand (zero as at 31 December 2018) that reflects in the financial debt with the subsidiary, as illustrated in Note 13.3 “Current financial assets”. No non-current portions are recognised.
- The current portion of payables to the subsidiary Rai Cinema, equal to €173 thousand (€560 thousand as at 31 December 2018) refers to the hedging instruments (with positive fair value) activated by Rai under the mandate received from Rai Cinema, whose effects transit from the intercompany accounts. No non-current portions are recognised.

Information on risks hedged and on hedging policies is disclosed in Note 8.1 “Market risk”.

16.3 Current income tax liabilities

Current income tax liabilities totalled €30,737 thousand (€30,224 thousand as at 31 December 2018), refer entirely to payables 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, as described in Note 18.4 “Transactions with related parties - Tax consolidation”.

Income taxes are reported in Note 17.10 “Income tax”.

17.1 Revenue from sales and services

The main items are analysed below:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
TV licence fees	1,798,788	1,758,041
Advertising	540,213	550,144
Other revenue	118,740	69,893
Total revenue from sales and services	2,457,741	2,378,078

The breakdown of revenue by geographical area shows that most revenue is from the domestic market.

TV licence fees

Licence fees, amounting to €1,798,788 thousand (€1,758,041 thousand in 2018), break down as follows:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Licence fees for the year – household licences	1,633,777	1,634,111
Licence fees for the year – special licences	85,116	79,629
Licence fees collected by enforcement order	68,522	30,393
Licence fees for prior years – household licences	11,373	13,908
Total TV licence fees	1,798,788	1,758,041

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 (article 1, paragraph 293). This established a reduction of 5%, 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.

Law no. 145 of 30 December 2018 confirmed, when fully operational, the amount of €90 due for the Rai licence fee for private use and stabilised the allocation to Rai of 50% of the extra revenue.

In relation to the amounts reported above:

- TV licence fees collected by enforcement order refer to licence fees due in 2015 and previously, levied under an enforcement order addressed to households with overdue payments; these include the adjustment for higher amounts collected by the State through roles in the years between 2004 and 2015 of €41,344 thousand;
- previous year licences – households are related to 2018 licence fees that became known in financial year 2019 in so far as they were paid to the State during the year.

17

Income
statement

The separate annual accounts, designed to ensure proportionality between the costs incurred by Rai for the performance of the Public Service activities entrusted to it and the resources from licence fees and certified by an auditor chosen on the basis of a public procedure supervised by the Regulatory Authority, show a lack of public funding for the period 2005-2018 amounting to approximately €2.5 billion.

Advertising

Advertising revenues, for €540,213 thousand (€550,144 thousand as at 31 December 2018), break down as follows:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Television advertising on general-interest channels:		
– <i>air time</i>	306,701	324,876
– <i>promotions, sponsorships and special initiatives</i>	138,279	126,780
– <i>product placements</i>	5,937	5,604
Television advertising on specialist channels	54,873	61,965
Radio advertising	26,738	26,808
Web advertising	8,892	6,576
Other advertising	161	220
Share due to third parties	(1,974)	(2,154)
Contingencies	606	(531)
Total advertising	540,213	550,144

Other revenue

Other revenue from sales and services, for €118,740 thousand (€69,893 thousand as at 31 December 2018), break down as follows:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Grant for development of digital programming under article 1(c.101) of Law 145/18	38,462	-
Special services under convention	37,883	37,880
Sale of rights	12,098	10,287
Distribution and sale of channels	11,111	11,490
Transfer of patent rights of use	8,376	269
Sundry services, mainly for institutional purposes	6,868	8,542
Production and facility services	536	486
Home video distribution	229	196
Agreements with telephone service providers	69	314
Other	1,246	1,194
Share due to third parties	(496)	(474)
Contingencies	2,358	(291)
Total other revenue	118,740	69,893

17.2 Other revenue and income

Other revenue and income, for €25,637 thousand (€26,440 thousand as at 31 December 2018), break down as follows:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Other income from investees	18,367	20,342
Income from operating subleasing from Group companies	1,768	-
Grants related to income	1,077	2,040
Cost recoveries and expense refunds	695	777
Compensation for damages	561	577
Income from real estate investments	239	235
Other	2,655	2,297
Contingencies	275	172
Total other revenue and income	25,637	26,440

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 provisions of services by Rai.

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Rai Cinema SpA	3,598	3,626
Rai Com SpA	2,651	3,302
Rai Pubblicità SpA	1,959	2,896
Rai Way SpA	10,152	10,511
Tavolo Editori Radio Srl	7	7
Total other income from investees	18,367	20,342

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 €1,352,794 thousand (€1,330,645 thousand as at 31 December 2018). The figure breaks down as follows:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Purchases of consumables	11,014	11,110
Costs for services	1,294,750	1,272,870
Other costs	47,030	46,665
Total costs for the purchase of consumables, services and other costs	1,352,794	1,330,645

Purchases of consumables totalled €11,014 thousand (€11,110 thousand as at 31 December 2018). The breakdown is shown in the table below:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Sundry production materials	4,006	3,525
Purchase of fuel and oil	2,238	2,355
Sundry non-production materials	2,043	2,080
Technical inventories	420	567
Changes in inventory	27	70
Other materials	2,358	2,568
Contingencies	(78)	(55)
Purchases of consumables	11,014	11,110

The breakdown of costs for services is shown in the table below. The item totalled €1,294,750 thousand (€1,272,870 thousand as at 31 December 2018), net of discounts and rebates obtained. It includes, inter alia, emoluments, indemnities of office and expense refunds paid to Directors, for a total of €1,003 thousand, and to Statutory Auditors, for a total of €161 thousand.

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Purchase of showings	271,611	280,715
Signal broadcast and transmission – Rai Way	210,699	206,069
Programme production services	197,606	191,776
Recording rights	159,241	132,715
Contractors	133,612	128,148
Rights of use	108,180	104,744
IT system documentation and assistance services	52,163	49,537
Maintenance, repairs, transport and similar	36,179	34,840
Daily allowances, travel expenses and accessory costs for personnel	34,923	34,302
Rentals and leases	25,683	43,940
Other outsourced services	83,315	80,108
Recovery of expenses	(3,074)	(2,702)
Contingencies	(15,388)	(11,322)
Costs for services	1,294,750	1,272,870

In accordance with Article 2427(16-bis) of the Civil Code, please note that fees accruing to the year ended 31 December 2019 for services provided by the external auditors amounted to €167 thousand for the annual auditing of accounts, €24 thousand for other auditing services, including auditing of the half-year financial report and €20 thousand for non-auditing services.

Other costs, equal to €47,030 thousand (€46,665 thousand at 31 December 2018) break down as follows:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
User rights to digital television frequencies and other fees and contributions	10,854	10,858
Prizes and winnings	6,591	6,024
Contributions to control authorities	4,842	5,172
IMU/TASI taxes	8,701	8,732
Other indirect taxes and other duties	8,126	8,385
Newspapers, magazines, books and publications	1,846	1,736
Membership fees	3,545	3,460
Losses on disposals	214	134
Other	2,016	2,157
Contingencies	295	7
Other costs	47,030	46,665

17.4 HR expenses

HR expenses, which amounted to €938,992 thousand (€911,839 thousand as at 31 December 2018), are broken down as follows:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Wages, salaries and social security costs	881,359	862,237
Employee severance pay	40,282	39,979
Pensions and similar obligations	12,234	12,499
Other	9,768	11,511
HR expenses	943,643	926,226
Costs for redundancy incentives	13,394	6,463
Recovery of expenses	(5,350)	(4,601)
Capitalised HR expenses	(13,326)	(12,988)
Other HR expenses	(5,282)	(11,126)
Contingencies and releases of provisions	631	(3,261)
Total HR expenses	938,992	911,839

The item includes €40,332 thousand of charges for defined contribution plans and €1,458 thousand of income from defined benefit plans, net of past benefits, as reported in Note 15.3 "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 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 January 2019-31 December 2023 is still in force, while the Rai–AD Rai 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 2019			Year ended 31 December 2018		
	Permanent employees (average No.) (1)	Temporary employees (average No.)	Total	Permanent employees (average No.) (1)	Temporary employees (average No.)	Total
Senior managers (2)	272	-	272	275	-	275
Middle managers	1,188	-	1,188	1,133	-	1,133
Journalists	1,780	83	1,863	1,645	213	1,858
Administrative and production employees (3)	7,006	140	7,146	6,910	378	7,288
Workers	884	10	894	891	41	932
Orchestra musicians and other artists	108	5	113	118	3	121
Total	11,238	238	11,476	10,972	635	11,607

(1) Of which apprentices 345

95

(2) The figure includes top managers engaged under temporary employment contracts.

(3) The figure also includes technicians and general practitioners

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 fixed-term employees.

17.5 Impairment of financial assets

This item recognises impairment losses (including recoveries) of financial assets, which include all assets of a contractual origin that give right to receiving cash flows (including trade receivables).

The item, equal to €806 thousand (€87 thousand as at 31 December 2018) refers to the provisions in detail below, already illustrated in Note 13.2 "Trade receivables", to which reference should be made.

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Trade receivables	111	64
Receivables from the subsidiary Rai Com SpA	695	23
Total impairment of financial assets	806	87

17.6 Depreciation, amortisation and other write-downs

Depreciation, amortisation and other write-downs totalled €300,303 thousand (€294,281 thousand as at 31 December 2018). The figure breaks down as follow:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Amortisation		
Property, plant and equipment:		
Buildings	12,264	11,745
Plant and machinery	48,934	48,563
Industrial and commercial equipment	1,844	1,669
Other assets	5,961	5,913
Total depreciation of property, plant and equipment	69,003	67,890
Lease rights of use:		
Buildings	13,536	-
Other assets	2,890	-
Total amortisation and depreciation of lease rights of use	16,426	-
Intangible assets:		
Programmes	157,018	159,250
Software	7,431	7,056
Trademarks	5	7
Other rights	25	103
Total amortisation of intangible assets	164,479	166,416
Total amortisation and depreciation	249,908	234,306
Write-downs		
Programmes under amortisation	43,454	52,899
Programmes in progress	5,324	1,743
Other intangible assets	550	-
Equity investments recognised at cost	345	4,047
Other non-current receivables and assets	668	638
Current income tax receivables	-	728
Other current receivables and assets	54	(80)
Total write-downs	50,395	59,975
Total depreciation, amortisation and write-downs	300,303	294,281

With regard to lease rights of use, recognised as from 1 January 2019, reference should be made to Note 5 "Effects of the first-time adoption of IFRS 16".

17.7 Provisions

The item, recognising provisions for risks and charges and any risks not classifiable under specific income statement items, shows net provisions for €3,494 thousand (net absorptions for €1,457 thousand as at 31 December 2018), caused by provisions for €6,261 thousand, offset by releases for €2,767 thousand.

17.8 Financial income and expenses

Net financial income, which amounted to €45,453 thousand (€52,423 thousand as at 31 December 2018), are broken down as follows:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Financial income:		
Dividends	58,240	61,970
Interest income from subsidiaries	3,497	3,353
Interest income from banks	98	125
Foreign exchange gains realised	163	-
Gains from currency valuation	73	95
Interest income from joint ventures – San Marino RTV	10	13
Interest on securities	3	3
Gains on equity investments	2	-
Other	333	158
Total financial income	62,419	65,717
Financial expense:		
Charges on derivatives - interest rates	(2,631)	-
Interest on employee benefit liabilities	(3,732)	(4,143)
Interest expense on bonds	(6,725)	(6,145)
Interest expense due to banks	(596)	(697)
Interest expense on lease contracts	(763)	-
Foreign exchange losses realised	(186)	(315)
Foreign exchange losses	(112)	(120)
Interest expense due to subsidiaries	(53)	(71)
Other	(2,168)	(1,803)
Total financial expense	(16,966)	(13,294)
Net financial income (expense)	45,453	52,423

Breakdown of dividends:

(€/000)	Year ended 31 December 2019	Year ended 31 December 2018
Rai Cinema SpA	-	14,508
Rai Com SpA	11,311	11,556
Rai Pubblicità SpA	8,121	-
Rai Way SpA	38,808	35,804
Almaviva SpA	-	102
Total dividends	58,240	61,970

17.9 Earnings from investments recognised at equity

Earnings from equity investments recognised at equity amounted to a positive €285 thousand (positive for €155 thousand as at 31 December 2018). The figure breaks down as follows:

(€/’000)	Year ended 31 December 2019	Year ended 31 December 2018
Auditel Srl	171	28
Euronews SA	(499)	(590)
Player Editori Radio Srl	4	-
San Marino RTV SpA	(223)	2
Tavolo Editori Radio Srl	37	8
Tivù Srl	795	707
Total effect of recognition under the equity method	285	155

The breakdown of the change in equity investments recognised under the equity method is reported in Note 12.4 “Equity investments”.

17.10 Income tax

Income taxes payable totalled a positive €32,245 thousand (€44,446 thousand as at 31 December 2018) due to the effect of deferred tax assets and liabilities. The figure breaks down as follows:

(€/’000)	Year ended 31 December 2019	Year ended 31 December 2018
IRES	-	-
IRAP	-	-
Total current taxes	-	-
Deferred tax liabilities	1,961	1,855
Deferred tax assets	30,284	42,591
Total deferred taxes	32,245	44,446
Total tax for the year	32,245	44,446

The difference between the theoretical tax rate and the effective tax rate is shown below:

(€/’000)	Year ended 31 December 2019	Year ended 31 December 2018
Loss before tax	(67,273)	(78,299)
IRES tax rate	24.00%	24.00%
Theoretical tax gain	16,146	18,792
Tax differences	16,099	25,654
IRAP	-	-
Total income taxes	32,245	44,446

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 pre-tax profit/(loss).

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

Other guarantees given, which amounted to €37,658 thousand (€58,284 thousand as at 31 December 2018), are broken down as follows:

(€/000)	Year ended 31 December 2019			Year ended 31 December 2018		
	Personal guarantees Surety guarantees	Collateral	Total	Personal guarantees Surety guarantees	Collateral	Total
Subsidiaries	32,842	-	32,842	53,468	-	53,468
Joint ventures and associates	2,582	-	2,582	2,582	-	2,582
Other	-	2,234	2,234	-	2,234	2,234
Total	35,424	2,234	37,658	56,050	2,234	58,284

Guarantees provided included the recognition of an obligation to pay, guaranteeing the early repayment of €31,563 thousand of surplus VAT (€52,026 thousand as at 31 December 2018) by subsidiaries, undertaken with Inland Revenue.

The Company has also recognised €392,240 thousand of guarantees provided by third parties (€398,909 thousand as at 31 December 2018) on commercial and financial obligations held by the Company. Those guarantees mainly consist of:

- 1) 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;
- 2) 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 for the 2020 Olympic Games, for qualifications at the 2020 European football Championships and 2022 World football Championships.

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 2019	Year ended 31 December 2018
Sports broadcasting rights	254.4	313.6
Investments in drama and cartoons	108.5	107.0
Rights and services for the production of programmes	42.7	45.1
Technical investments	27.8	24.0
Total commitments	433.4	489.7

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;
- 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.

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;

Note 15.4 "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 2019 and 31 December 2018.

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 with which the Company has an interest as indicated in Note 12.4 "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 2019 and as at 31 December 2018 of transactions between the Company and related parties conducted in the years ended 31 December 2019 and 31 December 2018:

(€/000)	Subsidiaries	Senior Management	Other related parties	Total
Lease rights of use				
As at 31 December 2019	103	-	-	103
As at 31 December 2018	-	-	-	-
Current financial assets				
As at 31 December 2019	157,785	-	183	157,968
As at 31 December 2018	165,759	-	-	165,759
Trade receivables				
As at 31 December 2019	278,180	-	163	278,343
As at 31 December 2018	268,162	-	167	268,329
Other current receivables and assets				
As at 31 December 2019	36,529	-	-	36,529
As at 31 December 2018	32,077	-	-	32,077
Non-current lease liabilities				
As at 31 December 2019	(74)	-	-	(74)
As at 31 December 2018	-	-	-	-
Employee benefits				
As at 31 December 2019	-	(4,118)	(13,699)	(17,817)
As at 31 December 2018	-	(4,069)	(14,587)	(18,656)
Current financial liabilities				
As at 31 December 2019	(139,642)	-	-	(139,642)
As at 31 December 2018	(146,228)	-	(70)	(146,298)
Current lease liabilities				
As at 31 December 2019	(32)	-	-	(32)
As at 31 December 2018	-	-	-	-
Trade payables				
As at 31 December 2019	(87,736)	-	(1,460)	(89,196)
As at 31 December 2018	(86,131)	-	(2,392)	(88,523)
Other current payables and liabilities				
As at 31 December 2019	(6,815)	(7,872)	(15,128)	(29,815)
As at 31 December 2018	(6,403)	(5,900)	(14,050)	(26,353)

The follow table details the income effects of transactions between the Company and related parties conducted in the years ended 31 December 2019 and 31 December 2018:

(€/000)	Subsidiaries	Senior Management	Other related parties	Total
Revenue from sales and services				
As at 31 December 2019	614,474	-	593	615,067
As at 31 December 2018	614,494	-	564	615,058
Other revenue and income				
As at 31 December 2019	21,862	-	30	21,892
As at 31 December 2018	21,858	-	74	21,932
Costs for services				
As at 31 December 2019	(493,635)	(1,231)	(11,187)	(506,053)
As at 31 December 2018	(492,959)	(898)	(10,249)	(504,106)
Other costs				
As at 31 December 2019	(408)	-	-	(408)
As at 31 December 2018	(390)	-	-	(390)
HR expenses				
As at 31 December 2019	4,068	(16,841)	(10,991)	(23,764)
As at 31 December 2018	3,458	(16,445)	(12,457)	(25,444)
Impairment of financial assets				
As at 31 December 2019	(695)	-	-	(695)
As at 31 December 2018	(23)	-	-	(23)
Depreciation, amortisation and other write-downs				
As at 31 December 2019	(32)	-	-	(32)
As at 31 December 2018	-	-	-	-
Financial income				
As at 31 December 2019	61,738	-	10	61,748
As at 31 December 2018	65,221	-	13	65,234
Financial expense				
As at 31 December 2019	(55)	-	(31)	(86)
As at 31 December 2018	(71)	-	-	(71)

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 provisions 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 for example licences for use on home video and commercial video), 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 provisions 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 provisions 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 provisions 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 €31,338 thousand as at 31 December 2019.

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 2019. 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:

Auditel

Auditel Srl provides television audience share measurement and data publication services, including also digital devices.

Player Editori Radio

An agreement is in place providing for the granting of a license to Rai to use a unified platform, developed and made available by Player Editori Radio, which allows aggregating radio content using an IP protocol for subsequent provisions to shareholders and third parties.

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.

Tavolo Editori Radio

Tavolo Editori Radio Srl provides radio audience share measurement and data publication services.

Tivù

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;
- Tivù provides an EPG service for the digital terrestrial and satellite platforms and an encryption service.

19

Subsequent
events

COVID-19

After the financial year ended, the Covid-19 virus, which originated in China, spread worldwide, with the consequent definition of the epidemic as a "pandemic situation" by the World Health Organization. In the current scenario, where the spread of the virus has not yet stopped, there is an increased risk that the global outlook for future growth will be adversely affected - even significantly - with a direct impact on the overall macroeconomic framework and financial markets.

Italy is one of the most affected countries. This has led to significant pressure on the country's health system and the consequent adoption by the Government of a series of measures that have introduced restrictive and unprecedented measures to the activities of the Public Administration, the economy in general and the daily lives of Italian citizens, as well as substantial economic interventions in support of families, workers and businesses.

Given that the spread of the pandemic, which occurred after the end of the financial year, has not led to the elimination of the going concern assumption in the preparation of these financial statements nor, in accordance with IAS 10, the adjustment to the accounts is currently complex to make a reasonable estimate of the medium-term impacts, in light of the uncertainties present. However, the Company tackled immediately and with extreme determination this difficult juncture, constantly monitoring the evolution of the virus in order to proactively manage its effects.

The measures taken by the government authorities to contain the virus have inevitably hit the advertising communications sector very hard. Therefore, a period characterised by a sharp contraction in revenue for the entire market is expected, and at present it is not possible to estimate how long it will last. In addition, the postponement of major sporting events, such as the European Football Championship and the Olympic Games, as well as of many other major competitions, will negatively impact advertising investment in 2020 for operators who, like Rai, had purchased the relevant rights.

On the other hand, in 2020, the Company will benefit from not having incurred the costs associated with the purchase and production of the aforementioned sporting events.

In terms of ratings, TV, as a result of the lockdown, has benefited from an increase in audience; radio too, no longer burdened by drive time peaks, has recorded an increase in the average listening time and other

devices, such as smartphones and PCs, as well as smart speakers and radiovision, are being used for streaming. According to Audiweb, the Internet is also benefiting from increased traffic at the moment: Despite the difficult juncture, Digital Rai, unlike the other media, is recording a slight growth in turnover compared to the previous year, although it still lower than expected.

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.

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Appendix

(Values as at 31 December 2019)	Registered office	No. shares/ units held	Nominal value (Euros)	Share capital (€/000)	Shareholders' equity (€/000)	Profit (loss) (€/000)	Equity interest held %	Carrying amount (€/000)
Subsidiaries								
Rai Cinema SpA	Rome	38,759,690	5.16	200,000	276,663	14,770	100.00%	267,848
Rai Com SpA	Rome	2,000,000	5.16	10,320	113,377	7,191	100.00%	107,156
Rai Corporation in liquidation	New York (USA)	50,000	10.00 (1)	500 (2)	(4,373) (3)	(268) (4)	100.00%	- (5)
Rai Pubblicità SpA	Turin	100,000	100.00	10,000	37,638	8,047	100.00%	31,082
Rai Way SpA	Rome	176,721,110	- (6)	70,176	184,197	63,361	64.971%	506,260
								912,346
Joint ventures and associates								
Audiradio Srl in liquidation	Milan	69,660	1.00	258	(33) (7)	- (7)	27.00%	- (8)
Auditel Srl	Milan	99,000	1.00	300	2,717	458	33.00%	897
Euronews SA	Lyon (F)	55,271	15.00	26,886	3,784	(22,175)	2.52%	95
Player Editori Radio Srl	Milan	1,390	1.00	10	38	28	13.90%	5
San Marino RTV SpA	S. Marino (RSM)	500	516.46	516	3,676	(446)	50.00%	1,838
Tavolo Editori Radio Srl	Milan	1	1,580.00	160	432	264	13.90%	60
Tivù Srl	Rome	1	482,500.00	1,002	5,985	1,658	48.16%	2,879
								5,774

(1) Values in USD.

(2) Values in USD/000.

(3) USD - 4,912,551 at the exchange rate of 31 December 2019 of Euro/USD 1.1234.

(4) USD - 300,705 at the exchange rate of 31 December 2019 of Euro/USD 1.1234.

(5) The balance sheet deficit of €4,373 thousand is covered by provisions for charges of an equal amount.

(6) Ordinary shares with no stated par value.

(7) As per financial statements as at 31 December 2018, the last available.

(8) The balance sheet deficit of €9 thousand is covered by provisions for charges of an equal amount.

20.2 Net financial position

Net financial position, as measured in accordance with the recommendations of paragraph 127 of the ESMA no. ESMA/2013/319, implementing Regulation (EC) No 809/2004, is reported in the table below:

(€/’000)	Year ended 31 December 2019	Year ended 31 December 2018
A. Cash	295	256
B. Other cash equivalents	163,969	72,327
C. Securities held for trading	-	-
D. Liquidity (A + B + C)	164,264	72,583
E. Current financial receivables	163,432	172,186
F. Current bank debt	-	-
G. Current portion of long-term loans [*]	(359,620)	(10,000)
H. Other current financial debt	(160,783)	(151,952)
I. Current financial debt (F+G+H)	(520,403)	(161,952)
J. Net current financial position (I+E+D)	(192,707)	82,817
K. Non-current bank debt	(5,000)	(15,000)
L. Bonds issued	(298,890)	(348,720)
M. Other non-current financial debt	(40,257)	(5,129)
N. Non-current financial debt (K+L+M)	(344,147)	(368,849)
O. Net financial position (J+N)	(536,854)	(286,032)
Of which operating lease liabilities	(55,690)	-
Net financial position excluding operating lease liabilities	(481,164)	(286,032)

(*) of which €349,620 thousand relating to the bond issued in May 2015 with a nominal amount of €350 million, maturing in May 2020.

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, considering the novelties introduced by article 35 of Decree Law no. 34/2019 (so-called “Growth Decree”), please note the following.

Grants received (art. 1, paragraph 125)

No sums were collected in 2019, 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 2019 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.

Entity	Grant paid in 2019	Amount (€/000)
Associazione nazionale fra lavoratori mutilati e invalidi del lavoro (Italian National Association of Workers Mutilated and Disabled in the Workplace)	Grant to the victims of workplace accidents, widows and orphans of victims	50
Associazione centro italiano studi superiori formazione e aggiornamento giornalismo radiotelevisivo (Italian centre for higher education for radio and TV journalism)	Scholarships in the master's course in drama screenwriting	32
Association "Associazione amici di Roberto Morrione"	Roberto Morrione Award	10
Guglielmo Marconi Foundation	Sostegno al Museo Guglielmo Marconi (Guglielmo Marconi Foundation to support the Guglielmo Marconi Museum)	10

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 €35,028,088.44, together with the Report on Operations;
- to cover the loss for the year of €35,028,088.44 through the use of the reserve for first-time adoption of IFRS - free.

21

**Resolution
proposal**

Certification pursuant to article 154-*bis* of Italian Legislative Decree 58/98

The undersigned Fabrizio Salini, 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 in preparing the Separate Financial Statements as at 31 December 2019 during the 2019 financial year.

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 as at 31 December 2019 of RAI Radiotelevisione italiana Spa:
 - a) have been prepared in accordance with International Financial Reporting Standards endorsed by the European Union pursuant to EC Regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002;
 - b) correspond to the entries in the books and accounting 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, 25 May 2020

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' Meeting of RAI Radiotelevisione italiana SpA

Dear Shareholders,

It should be noted that the Shareholders' Meeting of 5 July 2019 appointed, until the Shareholders' Meeting to approve the financial statements for 2021, Maria Teresa Mazzitelli and Giovanni Ciuffarella as standing auditors of RAI Radiotelevisione Italiana SpA, and Carmine di Nuzzo (Chairman); and Pietro Contaldi and Antonella Damiotti as alternate auditors.

The Board of Statutory Auditors ensures, together with the other corporate bodies of the Parent Company, the systematic control of the correct application of the corporate governance principles and, in addition to monitoring compliance with the law and the Articles of Association, oversees compliance with the principles of correct administration and specifically the adequacy of the organisational, administrative and accounting structure adopted by RAI SpA and its concrete functioning.

With the status acquired by RAI SpA as a Public Interest Entity (EIP), the Board of Statutory Auditors of the Parent Company also acts "Internal Control and Audit Committee," as per Article 19 of Legislative Decree no. 39/2010, with monitoring functions on financial reporting, on the effectiveness of internal control, internal audit and risk management systems, on the statutory audit and, finally, on the independence of the independent auditors, in particular with regard to the type of services, in addition to the audit, possibly provided to the entity subject to the statutory audit.

These Separate Financial Statements for the year ended 31 December 2019 of RAI SpA submitted to your attention was approved by the Board of Directors during the meeting of 25 May 2020 and were prepared on a going concern basis since it is not believed that there are financial, operation or other type of ratios - not even depending on the significant events that occurred in the early months of 2020, concerning, in particular, the effects caused by the Covid-19 pandemic - 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.

During the year 2019, from the date it took office, the Board of Statutory Auditors carried out monitoring activities in compliance with the duties assigned to it by law, taking into account the rules of conduct recommended by Italy's Association of Chartered Accountants, the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili.

With reference to the activity carried out, we present the following.

Sufficient 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.

The Board of Statutory Auditors did not find any transactions undertaken that did not conform to law and the articles of association or that were potentially in contrast with decisions taken by the Shareholders' Meeting or such as to affect the integrity of company assets.

No specific observations on the adequacy of the Company's organisational structure or of the administrative and accounting system, or on its reliability in correctly presenting operations are reported.

The Board of Statutory Auditors did not find any atypical or unusual transactions carried out with third parties or related parties during the year 2019 or after the reporting date.

Transactions of an ordinary nature, at arm's length, carried out with Group companies and related parties are appropriate and in the Company's interest.

On 8 June 2020, the Company appointed to carry out the audit PRICEWATERHOUSECOOPERS SpA issued the Report pursuant to Articles 14 of Legislative Decree no. 39 of 27 January 2010 and 10 of Regulation (EU) no. 537 of 16 April 2014 on the financial statements as at 31 December 2019 of RAI SpA, with a positive and unqualified opinion on conformity with the standards adopted by the European Union and on the ability of the financial statements to represent clearly, truthfully and correctly the financial position, the economic result and the cash flows of the Company. The Report, which does not contain any remarks or requests for disclosure, states that the Directors' Report and the information on corporate governance and ownership structure are consistent with the Financial Statements as at 31 December 2019 of RAI SpA.

With reference to the monitoring of the independence of the company appointed to carry out the statutory audit, the Board of Statutory Auditors - in its capacity as Internal Control and Audit Committee - points out that in the Additional Report issued pursuant to Article 11 of EU Regulation no. 537/2014 PRICEWATERHOUSECOOPERS SpA confirmed its independence pursuant to Article 6, paragraph 2), letter a) of said Regulation. Based on the documentation and information received, the Board of Statutory Auditors does not believe that there are any aspects to be highlighted with regard to the independence of PRICEWATERHOUSECOOPERS SpA.

No complaints pursuant to Article 2408 of the Italian Civil Code were received by the Board of Statutory Auditors during the year 2019 or after the reporting date.

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 2409, seventh paragraph of the Italian Civil Code were made.

The Board of Statutory Auditors met 8 times since it took office in 2019. The minutes of these meetings are recorded in the appropriate book.

The Board of Statutory Auditors also attended 10 meetings of the Board of Directors during the same period.

The above meetings were held in compliance with legislative, statutory and regulatory provisions governing their functioning. During the Board meetings, the obligations of periodic reporting to the Board of Directors and the Board of Statutory Auditors provided for by Article 2381 of the Italian Civil Code were fulfilled.

The Board of Statutory Auditors has reviewed and monitored the adequacy of the Company's internal control system and, in its capacity as Internal Control and Audit Committee, the effectiveness of the internal control and risk management and internal audit system with regard to financial reporting.

The Board of Statutory Auditors also monitored the statutory audit of the financial statements and verified and checked the independence of the independent auditors in accordance with Articles 10, 10-bis, 10-ter, 10-quater and 17 of Legislative Decree no. 39/2010 and Article 6 of European Regulation no. 537/2014, with particular regard to the adequacy of the services provided other than auditing.

The monitoring activity was also carried out through: (i) information received during periodic meetings with the Internal Audit Department; (ii) the examination of company documents and the results of the work carried out by the Company engaged in the statutory audit; (iii) the information provided by the Supervisory Body established pursuant to Legislative Decree no. 231/2001; (iv) active participation in the meetings of the Board of Directors.

During 2019, the company took the following actions concerning governance:

- Update of the Three-Year Plan for Corruption Prevention 2019/2021 and the Protocol "Criteria and Methods for Recruiting Personnel and Awarding Assignments to External Collaborators"; Update of the "Procedure for managing and processing whistleblowing (also anonymous reports)" (24 January 2019);
- Appointment of new Supervisory Body (25 July 2019)

Information relating to sustainability in the RAI Group in accordance with the provisions of Legislative Decree no. 254 of 30 December 2016 is set out in a separate document (Sustainability Report/NFS) subject to specific approval.

The Board of Statutory Auditors also reviewed and monitored, to the extent of its remit, the adequacy of the Company's organisational structure and its functioning both through information collected from the

heads of the competent company functions and through meetings and exchanges of information with the Independent Auditors as well as with the Internal Audit Department. With specific regard to the organisational and procedural controls put in place pursuant to Legislative Decree no. 231/2001, the Board of Statutory Auditors reports that it has received adequate information on the activities carried out during 2019 and that it has no remarks to make in this regard.

The Board of Statutory Auditors assessed and monitored the adequacy of the administrative and accounting system, or on its reliability in correctly presenting operations, through: (i) the information and documents obtained during meetings with the Financial Reporting Officer for preparing the Company's financial reports and the examination of the declarations jointly with the Chief Executive Officer on 25 May 2020; (ii) information obtained from the heads of the relevant company departments; (iii) the review of company documents and the results of the work carried out by the Company tasked with the statutory audit.

In the light of the monitoring activities carried out, the Board of Statutory Auditors believes, to the extent of its remit, that the administrative and accounting system is substantially adequate and reliable for the purposes of correctly representing operations.

During the year, the Board of Statutory Auditors met periodically with representatives of the Independent Auditors in order to exchange relevant data and information, including for the purpose of supervising the statutory audit of the annual and consolidated financial statements.

Based on the information received from the Independent Auditors, no facts, circumstances or irregularities have emerged that should be reported in this Report.

The monitoring and control activities carried out by the Board of Statutory Auditors did not find any facts worth mentioning in this Report.

The Board of Statutory Auditors examined the financial statements for the year ended 31 December 2019 and reports as follows:

- a) it verified that the financial statements correspond to the facts and information of which it came to learn of, following the discharge of its duties, and has no observations to make in this regard;
- b) since the Board of Statutory Auditors has not been tasked with the analytical control of the content of the financial statements, it monitored the approach adopted in the financial statements, their general compliance, in terms of their preparation and structure, with the law and the accounting standards of reference and has no observations to make in this regard;
- c) also verified compliance with the legal provisions concerning the preparation of the Directors' Report and the consistency of this document with the information acquired during the monitoring activities. There are no observations to make in this regard;
- d) to the best of their knowledge, in preparing the financial statements, the Directors did not derogate from the provisions of the law pursuant to Article 2423, fourth paragraph, of the Italian Civil Code.

Please note that the financial year as at 31 December 2019 of RAI SpA closed with a loss of €35,028,088.

Please refer to the notes accompanying the financial statements for further details.

In conclusion, having taken note of the financial statements as of 31 December 2019 and the information provided by the Directors, considering the results of the activity carried out by the Independent Auditors, the Board of Statutory Auditors, to the extent of its remit, has no objections to make to the proposed resolution on the financial statements of RAI SpA for the year ended 31 December 2019, as presented by the Board of Directors to the Shareholders' Meeting.

Rome, 8 June 2020

The Board of Statutory Auditors

Carmine di Nuzzo	Chairman
Maria Teresa Mazzitelli	Standing Auditor
Giovanni Ciuffarella	Standing Auditor

Independent Auditor's 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 2019, 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 2019, 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 20149 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 12079880155 Iscritta al n° 110614 del Registro dei Revisori Legali - Altri Uffici: Ancona 60131 Via Sandro Totti 1 Tel. 0712132311 - Bari 70122 Via Abate Gianna 72 Tel. 0805640211 - Bologna 40126 Via Angelo Finelli 8 Tel. 0516386211 - Brescia 25123 Via Borgo Pietro Wuhler 23 Tel. 0303667501 - Catania 95120 Corso Italia 302 Tel. 0957533211 - Firenze 50121 Viale Gramsci 15 Tel. 0552482811 - Genova 16121 Piazza Piccopetra 9 Tel. 01029041 - Napoli 80121 Via dei Mille 16 Tel. 08136681 - Padova 35138 Via Vicenza 4 Tel. 049873481 - Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 - Parma 43121 Viale Tanara 20/A Tel. 0521275011 - Pescara 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - Roma 00154 Largo Pocheti 29 Tel. 06570251 - Torino 10122 Corso Palestro 10 Tel. 011556771 - Trento 38122 Viale della Costituzione 33 Tel. 0461237004 - Treviso 31100 Viale Foliesani 90 Tel. 0422696011 - Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 - Udine 33100 Via Poscolle 43 Tel. 043225789 - Varese 21100 Via Albuzzi 43 Tel. 0322285039 - Verona 37133 Via Francia 21/C Tel. 0458263001 - Vicenza 36100 Piazza Fontelandolfo 9 Tel. 0444393311

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Key Audit Matters

Evaluation of the recoverability of investments in programmes

“Valuation criteria” paragraph “Intangible assets” and “Impairment of non-financial assets” and Note 12.3 “Intangible assets” of the separate financial statements as at 31 December 2019

The item “Intangible assets” of the separate financial statements of RAI - Radiotelevisione italiana SpA as at 31 December 2019 includes programmes totalling Euro 381.6 million (of which Euro 156.7 million as intangible assets under development), which account for 95 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 2019, 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.

Report on Compliance with other Laws and Regulations

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 2019, 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 2019 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 2019 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, 8 June 2020

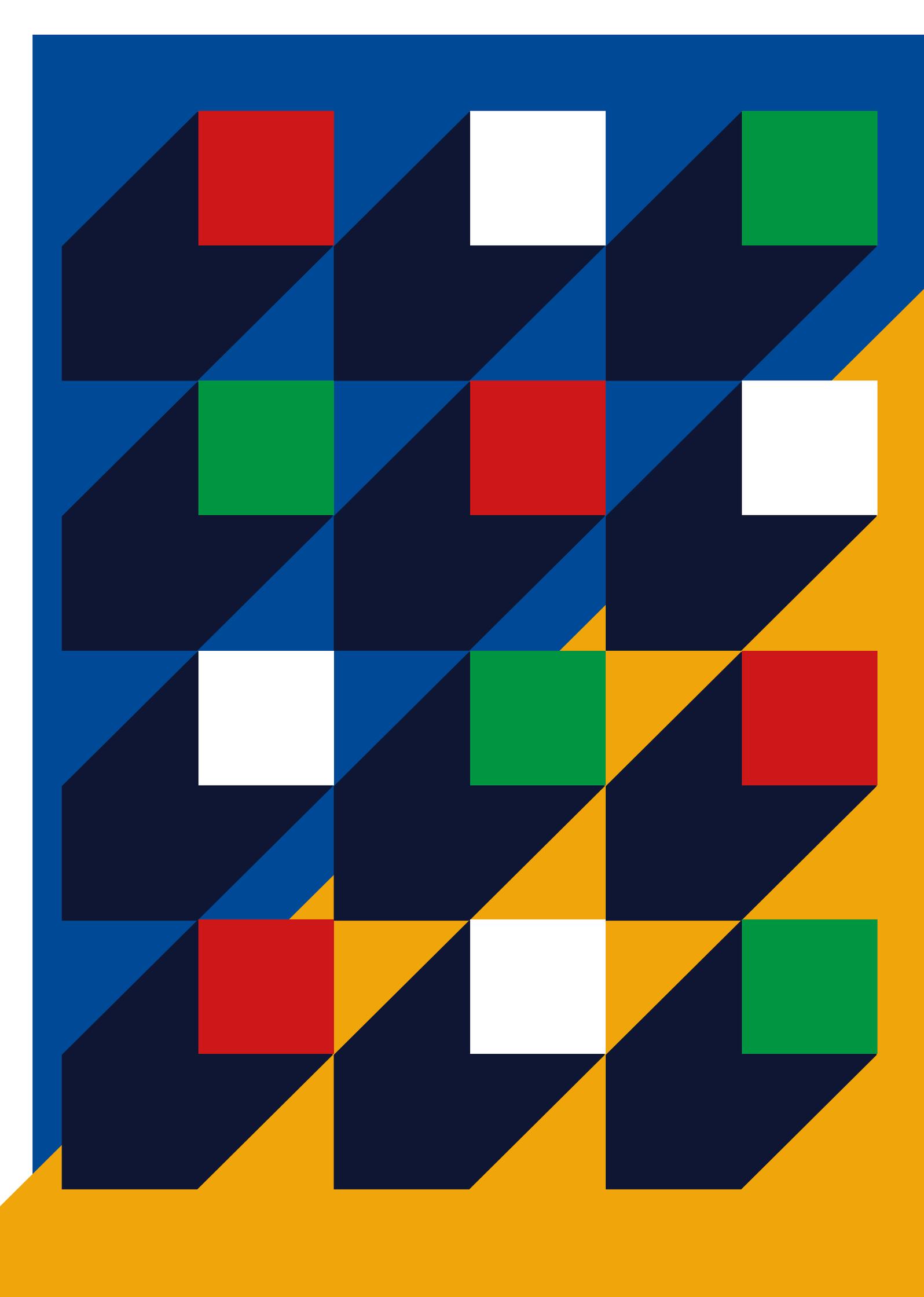
PricewaterhouseCoopers SpA

Signed by

Pier Luigi Vitelli
(Partner)



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



The cover features a dark blue background with a large yellow triangle on the left side. A dark blue rectangular box is centered on the page, containing the title text in white.

**Consolidated
Financial
Statements**
as at 31 December 2019

Analysis of the consolidated results and performance of operating results, financial position and cash flows of the financial year 2019

Reclassified statements

Income statement

(€/million)	FY 2019	FY 2018	Change
Revenue	2,655.5	2,578.0	77.5
<i>External costs net of major sports events</i>	<i>(1,004.9)</i>	<i>(975.9)</i>	<i>(29.0)</i>
<i>Major sports events</i>	<i>0.0</i>	<i>(10.9)</i>	<i>10.9</i>
External costs	(1,004.9)	(986.8)	(18.1)
HR expenses	(1,036.0)	(1,006.2)	(29.8)
EBITDA	614.6	585.0	29.6
Depreciation, amortisation and write-downs	(587.1)	(576.5)	(10.6)
Provisions	(6.0)	(0.7)	(5.3)
EBIT	21.5	7.8	13.7
Financial income (expense)	(16.6)	(14.2)	(2.4)
Equity investments measured using the equity method	0.3	0.1	0.2
Pre-tax profit/(loss)	5.2	(6.3)	11.5
Income tax	(5.2)	6.3	(11.5)
Profit/(loss) for the year	0.0	0.0	0.0
of which attributable to minority interests	22.1	21.0	1.1
Other comprehensive income	(20.3)	(2.9)	(17.4)
Total profit/(loss) for the year	(20.3)	(2.9)	(17.4)
of which attributable to minority interests	22.0	21.2	0.8

Capital structure

(€/million)	31 December 2019	31 December 2018	Change
Fixed assets	2,080.4	2,006.8	73.6
Net working capital	(507.9)	(650.6)	142.7
Provisions for risks and charges	(197.5)	(181.8)	(15.7)
Employee benefits	(422.0)	(434.9)	12.9
Net invested capital	953.0	739.5	213.5
Equity	411.7	453.0	(41.3)
Net financial debt excluding operating lease liabilities	469.4	286.5	182.9
Operating lease liabilities	71.9	0.0	71.9
Net financial debt	541.3	286.5	254.8
	953.0	739.5	213.5

The year 2019 ended in line with the year 2018 with a balanced net profit.

Some summary information on the main items of the income statement and capital structure is provided below, along with the reasons for the most significant variances compared to the figures of the previous financial year.

Income statement

Revenue

This is made up of licence fees, advertising proceeds and other trade revenue, totalling €2,655.5 million, up by €77.5 million (+3.0%).

Revenue

(€/million)	FY 2019	FY 2018	Change
TV licence fees	1,798.8	1,758.0	40.8
Advertising	623.7	631.1	(7.4)
Other revenue	233.0	188.9	44.1
	2,655.5	2,578.0	77.5

TV licence fees

TV licence fees amounted to €1,798.8 million, up by €40.8 million (+2.3%) compared to the previous financial year, as seen in the table below.

TV licence fees

(€/million)	FY 2019	FY 2018	Change
Licence fees for the year – household licences	1,624.3	1,623.2	1.1
Ordinary licence fee exemptions	9.5	10.9	(1.4)
Licence fees of the year – ordinary	1,633.8	1,634.1	(0.3)
Licence fees for the year – special licences	84.9	79.4	5.5
Special licence fee exemptions	0.2	0.2	0.0
Licence fees of the year – special	85.1	79.6	5.5
Licence fees collected by enforcement order - ordinary licence fees collected by the State in the period	20.3	23.9	(3.6)
Adjustment of past ordinary licences collected by enforcement order, collected by the State from 2004 to 2015	41.3	0.0	41.3
Licence fees collected by enforcement order – special licences	6.9	6.5	0.4
Licence fees collected by enforcement order	68.5	30.4	38.1
Contingencies on ordinary licence fees	11.4	13.9	(2.5)
Total	1,798.8	1,758.0	40.8

The increase in the item was the result of licence fees collected by enforcement order, up by €38.1 million compared to the same period of 2018. These were due to higher amounts collected by the State through roles in the years between 2004 and 2015 and by the increase in special licences (+€5.5 million).

Advertising

In 2019, the advertising market recorded a fall of 5.1% compared to the previous year (source: Nielsen Data).

In detail, TV, which continues to be the leader in the advertising market, accounting for over 60% of the market, recorded a 5.3% decrease in investment; the other media where the Rai Group is significantly present, on the other hand, showed a positive performance: Radio (+1.7%), Cinema (+13.8%) and Internet (+3.5%).

In this context, Rai Group's advertising proceeds, shown in detail in the table below, amounted to €623.7, down by €7.4 million compared to 2018 (-1.2%).

Advertising

(€/million)	FY 2019	FY 2018	Change
Television advertising on general-interest channels:			
– air time	347.1	367.1	(20.0)
– promotions, sponsorships and other initiatives	163.2	149.4	13.8
	510.3	516.5	(6.2)
Television advertising on specialist channels	62.1	70.3	(8.2)
Radio advertising	30.4	30.3	0.1
Cinema advertising	6.1	4.7	1.4
Web advertising	16.1	11.3	4.8
Other advertising	1.2	0.7	0.5
Share due to third parties	(3.2)	(2.1)	(1.1)
Contingencies	0.7	(0.6)	1.3
Total	623.7	631.1	(7.4)

Other revenue

This item amounted to €233.0 million, up by €44.1 million (+23.3%) compared to the previous financial year.

A breakdown of this item is shown in the table below.

Other revenue

(€/million)	FY 2019	FY 2018	Change
Special services under convention	43.9	43.9	0.0
Fulfillment of service contract obligations and digital programming development - Law 145/2018	38.5	0.0	38.5
Sale of music rights and editions	61.8	67.5	(5.7)
Film and home video distribution	26.8	27.9	(1.1)
Distribution and sale of channels	13.0	19.2	(6.2)
Sale of patents and trademarks	13.7	0.5	13.2
Fees for hosting plant and equipment	29.9	30.6	(0.7)
Sundry services, mainly for institutional purposes	9.5	11.1	(1.6)
Signal diffusion services, rental of circuits, radio links and connections	2.9	2.6	0.3
Interactive telephone	0.1	0.3	(0.2)
Gains	4.3	0.0	4.3
Grants related to income	5.9	4.5	1.4
Other	10.9	9.4	1.5
Share of sales due to third parties	(31.3)	(31.8)	0.5
Contingencies	3.1	3.2	(0.1)
Total	233.0	188.9	44.1

The increase compared to 2018 is due:

- is due to €38.5 million, which is the contribution recognized by the State as consideration for the performance of obligations under the service contract, including those for the development of digital programming, determined for the years 2019 and 2020 by Law no. 145 of 30 December 2018;
- €13.2 million to the sale of patents and trademarks for the licensing of patents that are essential to the DVB-T2 standard owned by Rai;
- €4.3 million to gains, of which €3.4 million to the sale of a building owned by Rai Pubblicità.

There were also significant decreases of:

- €5.7 million, under sale of music rights and editions, due to lower revenues from the sale of SVOD rights and the effects on the previous year of an agreement for the retrocession of rights acquired by it with a football team;
- €6.2 million, under distribution and sale of channels, due to the loss of income deriving from marketing agreements for sports special-interest channels, which ended with the 2017/2018 football season.

With regard to the trends shown above, other revenue accounted for an increase of 1.5 percentage points compared to 2018, at the expense of advertising (-0.5 p.p.) and advertising (-1.0 p.p.), as shown in the table below.

Percent of revenue

	FY 2019	FY 2018
TV licence fees	67.7%	68.2%
Advertising	23.5%	24.5%
Other revenue	8.8%	7.3%
Total	100.0%	100.0%

Operating costs

These are made up of external costs and HR expenses, meaning both internal and external costs pertaining to the Group's ordinary business except for those concerning financial management.

They totalled €2,040.9 million, up €47.9 million (+2.4%) compared to 2018. The reasons for this are illustrated below.

External costs

These amounted to €1,004.9 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, operating costs and other management-related costs (indirect taxes, contributions payable to the Control Authorities, etc.).

As shown in the table below, the item recorded an increase of €18.1 million (+1.8%) compared to the previous year, despite the presence in 2018 of the costs of the Winter Olympics (€10.9 million, of which €10.0 million for the acquisition alone of the recording rights) and in 2019 of the decrease in costs for rent and hire (€25.7 million) due to the first-time adoption of IFRS 16, which provides for a different method for recognising the charges for long-term operating leases (amortisation of rights of use and financial charges instead of instalments posted among external costs).

This increase was largely due to recording rights (+€36.5 million compared to the 2018 figure less the cost for the Winter Olympics) for the following sports events: football - Coppa Italia (+€24.8 million) due to higher contractual costs and a higher number of matches played in 2019 compared to 2018; football - Champions League (+€6.7 million) acquired from the 2018/2019 edition; football - National team (+€9.1 million) also due to the presence in 2019 of the Under 21 European Football Championship.

External costs

(€/million)	FY 2019	FY 2018	Change
Purchases of materials	13.4	12.8	0.6
Costs for services			
Contractors	138.4	132.7	5.7
Services for programme acquisition and production	208.9	209.5	(0.6)
Business travel and accessory personnel costs	38.7	38.0	0.7
Maintenance, repairs, transport and similar	44.2	43.2	1.0
IT system documentation and assistance services	55.8	53.2	2.6
Other outsourced services (telephone, supply, cleaning, postal, insurance etc.)	153.7	145.7	8.0
Rent payable and leases	58.9	84.6	(25.7)
Recording rights (mainly sports broadcasting rights)	161.4	134.9	26.5
Rights of use	108.6	105.4	3.2
Recovery of expenses	(13.7)	(13.6)	(0.1)
Contingencies	(15.8)	(12.7)	(3.1)
	939.1	920.9	18.2
Other costs			
Administrative fees and rights for use of frequencies	10.9	10.9	0.0
Prizes and winnings	6.6	6.0	0.6
Fee to Control Authority	5.5	5.8	(0.3)
TASI/ IMU tax	9.8	10.4	(0.6)
Other indirect taxes and other duties	9.9	10.2	(0.3)
Newspapers, magazines, books and publications	1.9	1.8	0.1
Membership fees	3.9	3.9	0.0
Losses on disposals	0.3	0.2	0.1
Other	3.3	3.8	(0.5)
Contingencies	0.3	0.1	0.2
	52.4	53.1	(0.7)
Total	1,004.9	986.8	18.1

HR expenses

This item amounted to €1,036.0 million, up by €29.8 million (+3.0%) compared to the previous year. As detailed in the table below, this increase is the due only partly to the growth in wages, salaries and social security costs (+€25.0 million).

HR expenses

(€/million)	FY 2019	FY 2018	Change
Wages, salaries and social security costs	972.0	947.0	25.0
Employee severance pay provisions	44.6	44.1	0.5
Pensions and similar obligations	13.8	14.1	(0.3)
Other	10.9	15.2	(4.3)
	1,041.3	1,020.4	20.9
Redundancy incentives	14.1	7.5	6.6
Recovery of expenses	(1.3)	(1.3)	0.0
Capitalised HR expenses	(18.1)	(16.3)	(1.8)
Contingencies	0.0	(4.1)	4.1
	(5.3)	(14.2)	8.9
Total	1,036.0	1,006.2	29.8

The trend in wages, salaries and social security costs is linked to the impact of the lingering effects of the previous year, contractual automatism, staffing policies and career advancements as well as allocations for future contract renewals.

These include:

- lower provisions for litigation of €5.9 million (others);
- greater expense for redundancy incentives of €6.6 million;
- no contingent assets, present in the previous year for €4.1 million for releases of provisions now in excess.

The **average number of employees** during the period, including temporary personnel, was 12,689 units with 116 units less than in 2018, caused by a decrease in fixed-term personnel (425 units) and an increase in permanent personnel (309 units).

Current employees as at 31 December 2019 consisted of 12,726 units of headcount (including permanent personnel, temporary top management and apprenticeship contracts) and 175 units of temporary personnel. The increase of 426 units in headcount compared to 31 December 2018 was caused by the exit of 233 units, of whom 101 due to incentives (mainly as a result of the 2018 initiative), and by the hiring of 659 units, of whom 350 to stabilise temporary personnel under agreements with trade unions, 44 to stabilise other temporary personnel, 190 under new apprenticeship contracts, and 15 following lawsuits.

EBITDA

In connection with the changes stated above, EBITDA was positive and totalled €614.6 million, up €29.6 million compared to the previous year.

Depreciation, amortisation and write-downs

The balance of the item amounted to €587.1 million, up €10.6 million (+1.8%) compared to 2018 and refers to depreciation, amortisation and write-downs of current and non-current assets as shown in the table below.

It is worth noting that the item includes the amortisation of the lease rights of use, amounting to €25.0 million, due to the application as of 1 January 2019 of the accounting standard IFRS 16, which, as already mentioned, provides for a different method for recognising the expenses of long-term operating leases (amortisation of rights of use and financial charges instead of the cost for rents and leases).

Depreciation, amortisation and write-downs

(€/million)	FY 2019	FY 2018	Change
Amortisation			
Amortisation of programmes			
Drama	278.6	286.3	(7.7)
Film	98.3	101.7	(3.4)
Cartoons	12.8	10.4	2.4
Other	4.7	5.6	(0.9)
	394.4	404.0	(9.6)
Of property, plant and equipment			
Buildings	13.5	17.2	(3.7)
Plant and machinery	77.6	73.6	4.0
Industrial and commercial equipment	3.0	3.0	0.0
Other assets	6.3	6.3	0.0
	100.4	100.1	0.3
Of real estate investments	0.2	0.3	(0.1)
Of intangible assets			
Software	9.7	9.4	0.3
Other rights	0.3	0.3	0.0
	10.0	9.7	0.3
Lease rights of use			
Buildings	21.4	0.0	21.4
Other assets	3.6	0.0	3.6
	25.0	0.0	25.0
Total amortisation and depreciation	530.0	514.1	15.9
Write-downs (write-backs)			
Of intangible assets			
Programmes under amortisation	47.2	55.4	(8.2)
Programmes in progress	5.8	2.5	3.3
Other	0.6	0.3	0.3
	53.6	58.2	(4.6)
Of other non-current assets			
Minimums guaranteed on commercial activities	(0.1)	0.8	(0.9)
Other non-current assets	0.2	0.0	0.2
	0.1	0.8	(0.7)
Of trade receivables and other current assets			
Trade receivables	3.3	2.7	0.6
Current income tax receivables	0.0	0.7	(0.7)
Other receivables	0.1	0.0	0.1
	3.4	3.4	0.0
Total write-downs	57.1	62.4	(5.3)
Total depreciation, amortisation and write-downs	587.1	576.5	10.6

Provisions

The item, which recognises the provisions for risks and charges and any uses not classifiable in specific items of profit or loss, shows a negative balance of €6.0 million (negative for €-0.7 million in 2018) caused by provisions for €11.2 million and by uses of provisions set aside in previous years and now in excess by €5.2 million.

EBIT

The trends in revenues and costs illustrated above resulted in a positive EBIT of €21.5 million, an improvement of €13.7 million compared to 2018.

Financial income (expense)

The item, as detailed in the following table, was negative by €16.6 million (-€14.2 million as at 31 December 2018) and shows the economic effects arising from recognition of the actuarial interest for employee benefits, the effects of financial management, such interest income/expense from banks and bondholders, exchange rate charges/gains and, in 2019, interest expense on lease contracts as a result of the adoption of the new accounting standard IFRS 16.

Financial income and expenses

(€/million)	FY 2019	FY 2018	Change
Net interest income (expense) net with banks and other lenders	(0.5)	(1.1)	0.6
Interest expense on bonds	(6.7)	(6.1)	(0.6)
Interest on employee benefit liabilities	(4.0)	(4.4)	0.4
Interest expense on lease contracts	(1.1)	0.0	(1.1)
Net exchange rate gains (losses)	0.5	(0.5)	1.0
Losses on rate hedging transactions	(2.6)	(0.1)	(2.5)
Net contingent assets	0.3	0.0	0.3
Other	(2.5)	(2.0)	(0.5)
Net financial expenses	(16.6)	(14.2)	(2.4)

The most significant variances concern:

- losses on rate hedging transactions for €2.6 million for the portion relating to the lower bond issue in 2019 (€300 million) compared to 2015 (€350 million) and for the early termination of the IRS Forward Start to hedge the issue rate, which involved a financial outlay of €18.4 million. The remaining portion of €15.8 million was recognised in profit or loss on a straight-line basis over the five-year term of the bond issued on 4 December 2019;
- greater interest on bonds for litigation of €0.6 million related to the new bond issue;
- lower interest expense to banks of €0.6 million as a result of the repayment, in July 2018, of the Rai Way amortising loan.

The average cost of loans, consisting of uncommitted lines of credit, medium-long-term revolving credit lines, and the bonds with maturity in May 2020 and December 2024, was 1.7%, substantially in line with the rate for the year 2018 (1.8%).

Earnings from equity investments recognised at equity

The item showed a balance of €+0.3 million (€+0.1 million in 2018) brought about by valuation of the associates and joint ventures at net equity.

Income tax

This item presented a negative value of €5.2 million (€6.3 million in 2018) and is due to the balance between current and deferred taxes, as itemised in the following table:

Income tax

(€/million)	FY 2019	FY 2018	Change
IRES	(32.6)	(32.1)	(0.5)
IRAP	(6.9)	(6.7)	(0.2)
Deferred tax liabilities	2.0	3.0	(1.0)
Deferred tax assets	31.8	41.8	(10.0)
Direct taxes of previous years and other taxes	0.5	0.3	0.2
Total	(5.2)	6.3	(11.5)

The economic dynamics of the year caused positive taxable results for all Group companies except for the Parent Company. For those revenues, a total of €32.6 million was set aside for IRES and €6.9 million for IRAP.

Deferred tax liabilities pointed to a positive economic effect of €2.0 million (€3.0 million in 2018) due to return of the temporary differences recognised in the previous years.

Deferred tax assets pointed to a positive economic effect of €31.8 million (€41.8 million in 2018) mainly due to being entered in accounts for the tax loss of the Parent Company.

Capital structure

Fixed assets

This item amounted to €2,080.4 million, up €73.6 million compared to 31 December 2018, of which €72.0 million due to the first-time recognition of lease rights of use. A breakdown of this item is shown in the table below:

Fixed assets

(€/million)	31 December 2019	31 December 2018	Change
Property, plant and equipment	1,078.2	1,077.5	0.7
Lease rights of use	72.0	0.0	72.0
Assets in programmes	882.5	881.7	0.8
Long-term investments	10.0	9.8	0.2
Others	37.7	37.8	(0.1)
Total	2,080.4	2,006.8	73.6

Property, plant and equipment, explained in detail in the table below, grew by €0.7 million.

Property, plant and equipment

(€/million)	31 December 2019	31 December 2018	Change
Land	383.4	383.4	0.0
Buildings	322.6	330.5	(7.9)
Plant and machinery	255.2	259.2	(4.0)
Industrial and commercial equipment	10.6	9.6	1.0
Other assets	24.8	23.9	0.9
Work in progress and payments on account	81.6	70.9	10.7
Total	1,078.2	1,077.5	0.7

Lease rights of use amounted to €72.0 million and, as already mentioned, are recognised from 2019 as a result of the entry into force of IFRS 16, with reference to lease and rental contracts for assets with a term of more than 12 months.

These contracts are to be recorded 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".

The audit carried out highlighted inclusion, applying the standard, of lease contracts for land, buildings and goods (mostly cars); the table below shows the amount of rights of use for these types of contracts:

Lease rights of use

(€/million)	31 December 2019	31 December 2018	Change
Land and buildings	66.1	0.0	66.1
Other assets	5.9	0.0	5.9
Total	72.0	0.0	72.0

Assets in programmes, up by €0.8 million and explained in detail in the table below, mostly refer to the Drama and Film genres, on which, as shown below, most investments in the period were concentrated.

Assets in programmes

(€/million)	31 December 2019	31 December 2018	Change
Drama	471.2	483.7	(12.5)
Film	295.3	286.8	8.5
Cartoons	46.5	41.4	5.1
Rights of library use	58.6	60.5	(1.9)
Other	10.9	9.3	1.6
Total	882.5	881.7	0.8

Long-term investments, consisting of company equity investments and other financial assets falling due beyond 12 months, showed no significant changes.

The item is broken down in detail in the table below.

Long-term investments

(€/million)	31 December 2019	31 December 2018	Change
Equity investments in associates			
Auditel Srl	0.9	0.7	0.2
Euronews	0.1	0.6	(0.5)
San Marino RTV SpA	1.9	2.1	(0.2)
Tivù Srl	2.9	2.4	0.5
	5.8	5.8	0.0
Other equity investments	0.9	0.9	0.0
Fixed-income securities	2.3	2.4	(0.1)
Other	1.0	0.7	0.3
Total	10.0	9.8	0.2

Other assets, explained in detail in the table below, were basically stable. The items goodwill and customer portfolio both resulting from the provisions of a portion of the sum paid to acquire control of a company merged through incorporation into Rai Way in 2017.

Other fixed assets

(€/million)	31 December 2019	31 December 2018	Change
Software	29.3	28.7	0.6
Goodwill	5.0	5.0	0.0
Customer portfolio	2.7	2.9	(0.2)
Commercial rights with football clubs	0.7	1.2	(0.5)
Total	37.7	37.8	(0.1)

Investments for the year amounted to €584.0 million, up €32.8 million (+6.0%) compared to 2018. Unlike in 2018, the figure for includes investments in lease rights of use amounting to €15.6 million.

In detail:

- greater investments in programmes for €17.1 million (+3.9%) referring mainly to the Drama genre;

- technical investments were substantially stable. In particular, these include:
 - increases in property, plant and equipment for €4.0 million relating to the transmission network both for the maintenance of the infrastructure and for the development of new initiatives such as the extension of the digital terrestrial television broadcasting service networks, the replacement of transmission connections operating in the 3695 MHz - 3800 MHz frequency band and the extension of the DAB+ service with the construction of new sites to cover the main motorways;
 - equal reductions in software.

Investments

(€/million)	FY 2019	FY 2018	Change
Drama	314.2	302.4	11.8
Film	110.4	109.0	1.4
Other programmes	25.7	21.8	3.9
Total investments in programmes	450.3	433.2	17.1
Property, plant and equipment	107.8	103.8	4.0
Software	10.2	14.2	(4.0)
Other	0.1	0.0	0.1
Total technical investments	118.1	118.0	0.1
Investments in lease rights of use	15.6	0.0	15.6
Total investments	584.0	551.2	32.8

Net working capital

Net working capital

(€/million)	31 December 2019	31 December 2018	Change
Inventories	1.5	2.3	(0.8)
Trade receivables	447.5	377.4	70.1
Other receivables	184.1	187.0	(2.9)
Trade payables	(691.2)	(706.0)	14.8
Other payables	(428.8)	(487.8)	59.0
Assets (Liabilities) for deferred taxes	(21.0)	(23.5)	2.5
Total	(507.9)	(650.6)	142.7

The most significant changes compared to 31 December 2018 regard the following items:

- **trade receivables**, up by €70.1 million, of which 38.5 million for the recognition of the receivable from the State for the performance of obligations under the service contract, including those for the development of digital programming;
- **trade payables**, down by €14.8 million due to lower payables to suppliers;
- **other payables**, down by €59.0 million for liabilities at 31 December 2018 to personnel as a result of redundancy incentive initiatives in the second half of 2018.

Provisions for risks and charges

The item provisions for risks and charges, which totalled €197.5 million, increased by €15.7 million compared to 31 December 2018 mainly due to provisions related to the employee management.

Employee benefits

The item employee benefits, which amounted to €422.0 million, showed a €12.9 million decrease compared to 31 December 2018 due to payments of employee severance pay to resigning employees and to payments to the beneficiaries of the supplementary company pension fund, which offset the incremental effect of the reduction in discount rates.

The table below shows the details of the provisions and relevant changes compared to 31 December 2018.

Employee benefits

(€/million)	31 December 2019	31 December 2018	Change
Employee severance pay	(218.2)	(225.0)	6.8
Supplementary company pension provisions	(120.3)	(125.4)	5.1
Provisions in lieu of the former fixed indemnity for journalists (former pay in lieu of notice to journalists)	(68.7)	(68.7)	0.0
FASDIR assistance provisions for the retired	(13.8)	(14.7)	0.9
Other	(1.0)	(1.1)	0.1
Total	(422.0)	(434.9)	12.9

Net financial position

The year recorded a negative net financial position, calculated following the ESMA scheme, for €541.3 million, showing a worsening over 31 December 2018 of €254.8 million, as illustrated in the table below.

The adoption of the new accounting standard IFRS 16 resulted in the recognition as at 31 December 2019 of operating lease liabilities for €71.9 million; net of this amount, financial debt at 31 December 2019 would amount to €469.4 million, down by €182.9 million compared to 31 December 2018.

Net financial position

(€/million)	31 December 2019	31 December 2018	Change
Liquidity	194.6	92.2	102.4
Current financial receivables			
Financial assets on derivatives	0.2	0.6	(0.4)
Tied accounts	4.7	5.5	(0.8)
Due to associates	0.2	0.0	0.2
Other	0.6	0.4	0.2
	5.7	6.5	(0.8)
Current financial debt			
Due to banks	(10.1)	(10.1)	0.0
Due to other lenders	(0.1)	(0.1)	0.0
Bond issue	(349.6)	0.0	(349.6)
Lease liabilities	(27.3)	(5.7)	(21.6)
Due to associates	0.0	(0.1)	0.1
	(387.1)	(16.0)	(371.1)
Non-current financial debt			
Due to banks	(5.2)	(15.2)	10.0
Bond issue	(298.9)	(348.7)	49.8
Due to other lenders	(0.1)	(0.2)	0.1
Financial liabilities on derivatives	0.0	(5.1)	5.1
Lease liabilities	(50.3)	0.0	(50.3)
	(354.5)	(369.2)	14.7
Net financial debt	(541.3)	(286.5)	(254.8)
<i>of which operating lease liabilities</i>	<i>(71.9)</i>	<i>0.0</i>	<i>(71.9)</i>
Financial debt excluding operating lease liabilities	(469.4)	(286.5)	(182.9)

This worsening is entirely due to negative changes in working capital items, such as the non-payment of the contribution, already mentioned, for the performance of obligations under the service contract, including those for the development of digital programming pursuant to Law no. 145 of 30 December 2018 and other receivables of the associates, the payments resulting from the 2018 redundancy incentive plan (whose monetary effects were recorded in the early months of 2019), the payment of advances for broadcasting rights for the 2020 European Football Championship.

The increase in bonds is due to the issue by the Parent Company, in the last part of the year, of a new 5-year unsecured senior bond for €300 million, listed on Euronext Dublin, replacing the previous issue of €350 million, maturing in May 2020. At the same time as the issue, the IRS Forward Start transactions entered into in 2017 to hedge the interest rate risk on this refinancing operation were closed.

The average financial position (excluding operating lease liabilities and assets/ liabilities for derivatives) was

negative by approximately €217 million (negative by €56 million in 2018), down by €161 million due to higher debt at the beginning of the year and the negative cash flow in the period.

On 22 October 2019, Moody's published a rating action that confirmed the Long-Term Issuer Baa3 for Rai (Investment Grade), changing the outlook from stable to negative.

The analysis conducted based on capital 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 2.31 (1.63 as at 31 December 2018);
- the financial debt coverage ratio, which is the ratio between net financial debt (net of the licence fee receivables and liabilities resulting from application of IFRS 16 for operating leases) and equity, was 1.14 (0.63 as at 31 December 2018);
- 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 net of liabilities resulting from application of IFRS 16 for operating leases) was 0.55 (unchanged as at 31 December 2018).

The residual loan with the European Investments Bank (€15 million) and the revolving line with a pool of banks for a total of €320 million, both for the Parent Company, foresee compliance with the following balance sheet parameters/ratios to be met in the Consolidated Financial Statements:

- EIB loan ratios (changed, in agreement with the lender, compared with the previous year in order to cancel the incremental effects on net financial debt resulting from the application of IFRS 16):
 - net financial debt adjusted for receivables from the State for licence fees and net of liabilities resulting from application of IFRS 16 for operating leases/net equity ≤ 1.3 ;
 - net financial debt adjusted for receivables from the State for licence fees and net of liabilities resulting from application of IFRS 16 for operating leases/EBITDA ≤ 1.0 .

Those ratio requirements were met at 1.14 and 0.76, respectively.

- Revolving line ratio:
 - Net financial debt adjusted for receivables from the State for licence fees, financial items relating to Rai Way and liabilities resulting from application of IFRS 16 for operating leases/Net equity ≤ 1.7 .

This ratio was met, posted at 1.21.

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 Consolidated Financial Statements, to which the reader is referred.

Financial statements of the Rai Group

Consolidated statement of financial position

(€/million)	Note	Year ended	
		31 December 2019	31 December 2018
Property, plant and equipment	13.1	1,075.3	1,073.1
Real estate investments	13.2	2.9	4.4
Lease rights of use	13.3	72.0	-
Intangible assets	13.4	920.2	919.5
Equity investments	13.5	6.7	6.7
Non-current financial assets	13.6	3.3	3.1
Deferred tax assets	13.7	-	-
Other non-current assets	13.8	16.7	50.2
Total non-current assets		2,097.1	2,057.0
Inventory	14.1	1.5	2.3
Trade receivables	14.2	441.7	373.3
Current financial assets	14.3	5.7	6.5
Current income tax assets	14.4	18.4	19.0
Other current receivables and assets	14.5	154.8	121.9
Cash and cash equivalents	14.6	194.6	92.2
Total current assets		816.7	615.2
Total assets		2,913.8	2,672.2
Share capital		242.5	242.5
Reserves		165.4	197.2
Retained earnings (losses)		(60.8)	(50.3)
Total Group shareholders' equity		347.1	389.4
Third-party capital and reserves		42.6	42.5
Retained earnings (losses) attributable to minority interests carried forward		22.0	21.1
Total shareholders' equity attributable to minority interests		64.6	63.6
Total shareholders' equity	15	411.7	453.0
Non-current financial liabilities	16.1	304.2	369.2
Non-current lease liabilities	16.2	50.3	-
Employee benefits	16.3	422.0	434.9
Provisions for non-current risks and charges	16.4	197.2	181.5
Deferred tax liabilities	16.5	21.0	23.5
Other non-current payables and liabilities	16.6	0.5	1.6
Total non-current liabilities		995.2	1,010.7
Trade payables	17.1	691.2	706.0
Provisions for current risks and charges		0.3	0.3
Current financial liabilities	17.2	359.8	16.0
Current lease liabilities	16.2	27.3	-
Current income tax liabilities	17.3	31.5	31.0
Other current payables and liabilities	17.1	396.8	455.2
Total current liabilities		1,506.9	1,208.5
Total liabilities		2,502.1	2,219.2
Total shareholders' equity and liabilities		2,913.8	2,672.2

Consolidated income statement

(€/million)	Note	Year ended	
		31 December 2019	31 December 2018
Revenue from sales and services	18.1	2,640.3	2,566.9
Other revenue and income	18.2	15.2	11.1
Total revenue		2,655.5	2,578.0
Costs for the purchase of consumables	18.3	(13.4)	(12.8)
Costs for services	18.3	(939.1)	(920.9)
Other costs	18.3	(52.4)	(53.1)
HR expenses	18.4	(1,036.0)	(1,006.2)
Impairment of financial assets	18.5	(3.3)	(2.7)
Depreciation, amortisation and other write-downs	18.6	(583.8)	(573.8)
Provisions	18.7	(6.0)	(0.7)
Total costs		(2,634.0)	(2,570.2)
EBIT		21.5	7.8
Financial income	18.8	1.7	1.4
Financial expense	18.8	(18.3)	(15.6)
Earnings from investments recognised at equity	18.9	0.3	0.1
Pre-tax profit/(loss)		5.2	(6.3)
Income tax	18.10	(5.2)	6.3
Profit/(loss) for the year		-	-
<i>of which attributable:</i>			
- to the Group		(22.1)	(21.0)
- to minority interests		22.1	21.0

Consolidated statement of comprehensive income

(€/million)

	Year ended	
	31 December 2019	31 December 2018
Profit/(loss) for the year	-	-
Items that can be reclassified to the income statement:		
Profit/(loss) on cash flow hedge	(10.8)	(5.9)
Conversion of balances with currency that is not the Euro	(0.1)	(0.1)
Tax effect	0.1	0.2
Total	(10.8)	(5.8)
Items that cannot be reclassified to the income statement:		
Recalculation of defined-benefit plans	(9.6)	3.0
Tax effect	0.1	(0.1)
Total	(9.5)	2.9
Total profit/(loss) for the year	(20.3)	(2.9)
<i>of which attributable:</i>		
- to the Group	(42.3)	(24.1)
- to minority interests	22.0	21.2

Consolidated Cash Flow Statement

(€/million)	Note	Year ended	
		31 December 2019	31 December 2018
Profit (loss) before tax		5.2	(6.3)
Adjustments for:			
Depreciation, amortisation and write-downs	18.5 18.6	587.1	576.5
Provisions and (issues) to personnel provisions and other provisions	18.7	90.1	70.3
Net financial charges (income)	18.8	16.6	14.2
Earnings from investments recognised at equity	18.9	(0.3)	(0.1)
Other non-monetary items		(4.0)	0.2
Cash flow generated by operating activities before changes in net working capital		694.7	654.8
Change in inventory	14.1	0.8	0.1
Change in trade receivables	14.2	(71.6)	12.9
Change in trade payables	17.1	(15.1)	45.9
Change in other assets/liabilities		(62.0)	(105.4)
Use of provisions for risks	16.4	(31.5)	(31.9)
Payment of employee benefits	16.3	(69.6)	(68.8)
Taxes paid		(6.6)	(5.6)
Net cash flow generated by operating activities		439.1	502.0
Investments in property, plant and equipment and real estate investments	13.1 13.2	(107.8)	(103.8)
Disposal of property, plant and equipment and real estate investments	13.1 13.2	5.7	0.6
Investments in intangible assets	13.4	(460.6)	(447.4)
Disposal of intangible assets	13.4	2.0	1.0
Dividends collected		0.3	0.4
Interest collected		0.4	0.3
Change in financial assets	13.6 14.3	0.7	1.4
Net cash flow generated by investing activities		(559.3)	(547.5)
Long-term loans taken out	16.1	299.5	-
Long-term loan repayments	16.1	(10.2)	(70.2)
Repayments of liabilities for leases	16.2	(20.5)	-
(Decrease)/increase in short-term borrowings and other loans	17.2	-	5.7
Interest paid ⁽¹⁾ ⁽²⁾		(25.2)	(6.5)
Dividends distributed		(21.0)	(19.3)
Net cash flow generated by financial activities		222.6	(90.3)
Change in cash and cash equivalents		102.4	(135.8)
Cash and cash equivalents at the beginning of the year	14.6	92.2	228.0
Cash and cash equivalents at the end of the year	14.6	194.6	92.2

(1) Referring to financial assets/liabilities.

(2) the item includes costs incurred for the 2019 bond issue.

Statement of changes in consolidated equity

(€/million)	Share capital	Legal reserve	Others reserves	Retained earnings (losses)	Group shareholders' equity	Non-controlling interests	Total Shareholders' equity (note 15)
Balances as at 1 January 2018	242.5	11.8	196.6	(37.4)	413.5	61.7	475.2
Allocation of profit/loss	-	0.2	(5.6)	5.4	-	-	-
Distribution of dividends	-	-	-	-	-	(19.3)	(19.3)
Transactions with shareholders	-	-	-	-	-	(19.3)	(19.3)
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)
Total profit/(loss) for the year	-	-	(5.8)	(18.3)	(24.1)	21.2	(2.9)
Balances as at 31 December 2018	242.5	12.0	185.2	(50.3)	389.4	63.6	453.0
Balances as at 1 January 2019	242.5	12.0	185.2	(50.3)	389.4	63.6	453.0
Allocation of profit/loss	-	-	(21.0)	21.0	-	-	-
Distribution of dividends	-	-	-	-	-	(21.0)	(21.0)
Transactions with shareholders	-	-	-	-	-	(21.0)	(21.0)
Profit/(loss) for the year	-	-	-	(22.1)	(22.1)	22.1	-
Statement of comprehensive income components	-	-	(10.8)	(9.4)	(20.2)	(0.1)	(20.3)
Total profit/(loss) for the year	-	-	(10.8)	(31.5)	(42.3)	22.0	(20.3)
Balances as at 31 December 2019	242.5	12.0	153.4	(60.8)	347.1	64.6	411.7

Notes to the Consolidated Financial Statements as at 31 December 2019

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, organised according to Italian law.

The Consolidated Financial Statements as at 31 December 2019 (hereinafter "Consolidated 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 provisions 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 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. As from 1 January 2019, the accounting standard IFRS 16 "Leases" (hereinafter "IFRS 16") took effect; in this regard, reference should be made to Note 4 "Valuation criteria".

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 from the consolidated Income Statement and indicating the integrated economic result of the income and charges that are

directly recognised in Shareholders' Equity pursuant to the IFRS;

- 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 earnings for 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 €, 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.

The companies included in consolidation as at 31 December 2019 and 31 December 2018 are detailed in Note 22 "Appendix", an essential part of the Consolidated Financial Statements. The same annex includes any change to the consolidation area that occurred in the period.

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 third parties are entered in the specific consolidated 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 the consolidated shareholders' equity.

Diversely, the sale of shares involving loss of control resulting in the following being recognised in the consolidated 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;

3

Principles of consolidation

- any values entered in other consolidated comprehensive income related to the former subsidiary for which a turnaround to the Income statement is foreseen, or when the turnaround to the consolidated 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 consolidated income statement or consolidated shareholders’ equity as other consolidated 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 consolidated 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 consolidated 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. 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 consolidated income statement. When control is assumed, any amounts previously entered in other comprehensive income are attributed to the consolidated income statement or to another consolidated shareholders’ equity item, if reclassification to the consolidated 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 associates

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 associates 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 consolidated income statement when the investee is no longer a subsidiary. In those circumstances, the reserve is recognised in the consolidated 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).

4

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 2018; except for what is connected to the entry into force on 1 January 2019 of the new standard IFRS 16, which replaced IAS 17 "Leases" and the related Interpretations (IFRIC 4 "Determining whether an arrangement contains a lease," SIC 15 "Operating leases—Incentives" and SIC 27 "Measurement of the substance of transactions in the legal form of lease"). Effects resulting from first-time adoption are illustrated in Note 6 "Effects resulting from the first-time adoption of the accounting standard IFRS 16".

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. 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 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	14
Industrial and commercial 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.

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 of 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.

Lease rights of use

Lease agreements correspond to contracts that grant the exclusive right to use an identified or identifiable good and which confer the substantive right to obtain all the economic benefits deriving from its use for a certain period of time in exchange for consideration. Contracts or elements of complex contracts that have such characteristics are recognised in the consolidated financial statements through the recognition in the statement of financial position of a liability consisting of the present value of the lease payments, as set out in the valuation criteria for lease liabilities. At the same time and as an entry balancing the recognition of the liability, the corresponding right of use is recorded under assets, amortised on a straight line basis over the duration of the lease contract or the related economic-technical useful life, if shorter. The lease term is the non-cancellable period for which the counterparty is entitled to use the underlying asset.

The following types of contracts entered into by the Group fall under this accounting method:

- property leases;
- car rentals;
- office equipment rental.

Typically, contracts for the rental of buildings for industrial use provide for tacit renewals on expiry, which can be further renewed for the same term: Consequently, each renewal gives rise to a new right of use representative of the new (albeit tacit) agreement reached between the parties.

At the commencement date of the lease, the cost of the right-of-use asset shall comprise:

- a) the amount of the initial measurement of the lease liability;
- b) any lease payments made at or before the commencement date;
- c) any initial direct costs (e.g., mediation costs);
- d) in the presence of current obligations for the dismantling, removal of assets and recovery of sites, the registration value of costs estimated (actualised) to be sustained when the structures are abandoned, recognised as a balancing item to a specific provisions for non-current risks and charges.

The amount under a), recorded as a balancing entry to the lease liability line, recognises:

- fixed lease payments;
- variable lease payments that depend on an index or a rate (e.g., ISTAT adjustment index);
- the exercise price of a purchase option if it is reasonably certain that the option will be exercised;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease;

If the lease contract provides for the possibility to exercise the purchase option and there is reasonable certainty of exercising it, the right of use is recorded under property, plant and equipment in the corresponding class of assets and is amortised over the useful life of the asset.

The Group has availed itself of the option provided for by IFRS standards 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 (approximately less than €5,000), as costs for services.

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
Drama produced	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

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.

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 consolidated 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 carried as Equity.

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 provisions 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.

Contract work in progress, 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 reporting date, all financial assets that are not those recognised at fair value with balancing entry in the consolidated 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, at 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 an impairment of an asset recognised in the past decreases, and the decrease can be objectively connected with an event that occurred after recognition of the impairment, it is charged back to the consolidated 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 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 consolidated 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 financial 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 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 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.

Lease liabilities

They represent the current value of payments due under lease contracts (as set out in the previous paragraph "Lease rights-of-use") and are recognised at the commencement date of the lease contract.

The current value of the payments due is calculated using the implicit lease interest rate or the marginal financing rate of the lessee applicable at the commencement date of the lease if the lease's implicit interest rate cannot be calculated readily. The marginal financing rate corresponds to the interest rate that would have been incurred to obtain a loan with a similar cash profile and the same collateral as the lease contract (so-called Incremental Borrowing Rate).

After the commencement date, the lease liability, measured using the amortised cost method, is increased to take into account the accrued interest expense and decreased as a result of payments made. It may also be restated to take into account any new valuations or changes to the lease agreement. Where the changes relate to the lease term or the valuation of an option to purchase the underlying asset, the lease liability is restated using a revised discount rate at the date of the change.

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.

Liabilities related to tax disputes and uncertain income tax treatment are allocated to income tax liabilities.

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 provisions 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 programmes 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 provisions. 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 provisions 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 consolidated 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 provisions 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 consolidated 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; 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 consolidated 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 consolidated 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 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 promo-

tional 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 plant 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 revenue 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.

Short-term lease rentals (lasting less than 12 months) and those whose underlying asset is of low value (approximately less than €5,000) 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 are recorded as current income tax liabilities net of paid advances or in the item current income tax assets when the net balance is a credit. Current taxes are measured by multiplying the estimated taxable income by the applicable tax rates. Both the estimate of taxable income and the tax rates used are based on tax legislation in force or substantially 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.

The item also includes an estimate of the charges that could burden the Group in relation to outstanding tax disputes or uncertain income tax treatment, recognised as a balancing entry to current or non-current income tax liabilities if the estimated time to resolve the dispute or the underlying uncertainty is over 12 months.

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.

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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 of the Consolidated Financial Statements, the most significant estimates of the process of drafting the Consolidated Financial Statements because they involve making considerable recourse to subjective opinions, assumptions and estimates related to themes uncertain 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

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 provisions for employee severance pay and the supplementary pension funds specified in Note 16.3 "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. The impacts of the new measurements 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 Group 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 right of use to which they refer and as a balancing entry in the provisions 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.

IFRS 16 establishes that all lease contracts (for the definition of which see Note 4 'Valuation criteria', paragraph 'Lease rights-of-use') are to be recognised in the lessee's financial statements by recording a liability in the statement of financial position, represented by the present value of future lease payments (the measurement of which is made as described in Note 4 "Valuation criteria", paragraph "Lease liabilities"), with the concurrent recognition under assets of the corresponding lease right of use, amortised on a straight-line basis over the term of the lease contract or the related economic-technical useful life, if shorter.

Therefore, the lessee will recognise amortisation for the right of use 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 which was in force until 2018.

In the financial report, payment of instalments repaying the aforementioned liability is presented in cash flows from financing. therefore, referred to leases previously classified as operating leases, application of IFRS 16 implies 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.

The analysis carried out by the Group highlighted inclusion, applying the standard, of the following contract types:

- property leases;
- car rentals;
- office equipment rental.

6

Effects
of the first-time
adoption
of IFRS 16

Upon first-time adoption of accounting standard IFRS 16, the Group opted:

- to adopt the “simplified retrospective approach” allowed by the standard for leases previously classified as operating leases, recognising the lease payable and the corresponding right of use value measured on the remaining contractual instalments at 1 January 2019 (switch-over date) and discounted based on the marginal financing rate applicable to the Group on the same date (for a definition see Note 4 “Valuation criteria”, paragraph “Lease liabilities”);
- to continue to recognise as an expense the payments due for short-term leases (of less than 12 months’ duration) and for leases where the underlying asset of modest value;
- not to re-examine each lease in force as at 1 January 2019, applying IFRS 16 solely to contracts previously identified as leases (pursuant to IAS 17 and IFRIC 4);
- to check recoverability of right of use assets as at 1 January 2019 based on the measurement made for the Consolidated Financial Statements as at 31 December 2018, based on the cost of the leases in compliance with provisions in IAS 37;

In order to determine whether, at the switch-over date, following the initial recognition of the asset consisting of the right of use and the financial liability, the conditions for the recognition of deferred taxes in accordance with IAS 12 were met, the Group considered these assets and liabilities, though recognised simultaneously in the financial statements, as two separate items. This interpretation of the transaction allowed the Group to avail itself of the exemption from deferred tax recognition provided for in paragraphs 15 and 24 of IAS 12. Subsequent changes in the temporary differences for which, due to the aforementioned exemption, no deferred taxation was initially recognised, as they absorb such differences by their very nature, are not recognised.

To highlight the effects deriving from the application of the new standard, the statement of financial position has been modified with the introduction of the following items:

- lease rights of use, among non-current assets;
- lease liabilities allocated to current and non-current liabilities in relation to the timing of the maturity of the liabilities (within and beyond 12 months, respectively).

The main impacts on the Consolidated Financial Statements can be summed up as follows:

- consolidated statement of financial position:
 - greater non-current assets for recognition of lease rights of use of €76.9 million as at 1 January 2019 and lease liabilities of €76.4 million as at 1 January 2019. The difference between the two values (€0.5 million) is caused by advances paid in 2018 for contractual instalments straddling the two years;
 - reallocation of costs of dismantling and restoring sites amounting to €4.7 million as at 1 January 2019 (net of the accumulated depreciation of €4.5 million) from property, plant and equipment to lease rights of use;
 - reallocation of financial lease liabilities from current financial liabilities to current lease liabilities in the amount of €5.7 million;
- consolidated income statement: different type, quantification, qualification and classification of costs (amortisation of the lease rights of use under amortisation and other write-downs and interest expense for leases under financial expenses compared to the previous classification of costs for leases and rentals under costs for services) with a positive impact on gross operating profitability. Furthermore, the combination between straight line amortisation of lease use rights and the effective interest rate method applied to lease payables normally imply (except for circumstances characterised by decreasing payments along the contract term) higher expenses in the income statement in the initial years of a lease and decreasing expenses in the last years of the lease, compared to IAS 17.

The income statement and balance sheet figures for the comparative year are not restated, as required by the application of the simplified retrospective approach.

The effects on the consolidated statement of financial position as at 1 January 2019 of applying the accounting standard can be found in the following table:

(€/million)	31 December 2018	IFRS 16	1 January 2019
Property, plant and equipment	1,073.1	(4.7)	1,068.4
Real estate investments	4.4	-	4.4
Lease rights of use	-	81.6	81.6
Intangible assets	919.5	-	919.5
Equity investments	6.7	-	6.7
Non-current financial assets	3.1	-	3.1
Deferred tax assets	-	-	-
Other non-current assets	50.2	-	50.2
Total non-current assets	2,057.0	76.9	2,133.9
Inventory	2.3	-	2.3
Trade receivables	373.3	-	373.3
Current financial assets	6.5	-	6.5
Current income tax assets	19.0	-	19.0
Other current receivables and assets	121.9	(0.5)	121.4
Cash and cash equivalents	92.2	-	92.2
Total current assets	615.2	(0.5)	614.7
Total assets	2,672.2	76.4	2,748.6
Share capital	242.5	-	242.5
Reserves	197.2	-	197.2
Retained earnings (losses)	(50.3)	-	(50.3)
Total Group Shareholders' equity	389.4	-	389.4
Third-party capital and reserves	42.5	-	42.5
Retained earnings (losses)	21.1	-	21.1
Total Shareholders' Equity attributable to minority interests	63.6	-	63.6
Total shareholders' equity	453.0	-	453.0
Non-current financial liabilities	369.2	-	369.2
Non-current lease liabilities	-	52.9	52.9
Employee benefits	434.9	-	434.9
Provisions for non-current risks and charges	181.5	-	181.5
Deferred tax liabilities	23.5	-	23.5
Other non-current payables and liabilities	1.6	-	1.6
Total non-current liabilities	1,010.7	52.9	1,063.6
Trade payables	706.0	-	706.0
Provisions for current risks and charges	0.3	-	0.3
Current financial liabilities	16.0	(5.7)	10.3
Current lease liabilities	-	29.2	29.2
Current income tax liabilities	31.0	-	31.0
Other current payables and liabilities	455.2	-	455.2
Total current liabilities	1,208.5	23.5	1,232.0
Total liabilities	2,219.2	76.4	2,295.6
Total shareholders' equity and liabilities	2,672.2	76.4	2,748.6

7

Recently
issued
accounting
standards

Accounting principles approved by the European Union but still not mandatorily applicable

- Regulation no. 2019/2075 issued by the European Commission on 29 November 2019 endorsed the document "*Amendments to references in the conceptual framework in International Financial Reporting Standards*" was approved. The amendments aim to update the existing references to previous frameworks in different accounting standards and interpretations, replacing them with references to the revised conceptual framework.
These amendments are effective starting from the years beginning on or after 1 January 2020.
- Regulation no. 2019/2104, issued by the European Commission on 29 November 2019, endorsed the document "*Definition of Material (Amendments to IAS 1 and IAS 8)*". The document clarifies the definition of "material" in order to make it easier for companies to make judgments on materiality and to improve the relevance of the information in the notes to the financial statements.
These amendments are effective starting from the years beginning on or after 1 January 2020.

The Group assessed that above changes 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.
- On 22 October 2018, the IASB issued the document "*Amendments to IFRS 3 Business Combinations*". The document's 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 26 September 2019, the IASB issued the document "*Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform*". The objective of the amendments is to avoid the interruption of hedging relationships due to the uncertainties linked to the transition of IBOR rates following the reform process introduced by the European Financial Benchmark Regulation, in particular due to the inability to meet the specific accounting requirements for hedging transactions in the periods prior to the transition.
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 consolidated financial statements.

8

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.

9

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 2019	Year ended 31 December 2018
Current assets		
Options on currencies	0.1	0.3
Forward purchases of currency	0.1	0.3
	0.2	0.6
Non-current liabilities		
Interest rate swaps	-	5.1
	-	5.1

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".

As regards exchange rate derivatives, 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 provisions 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
Financial Statements as at 31.12.2018	0.2	0.1	(5.1)	(4.8)
Changes in fair value (**)	0.1	0.0	(13.3)	(13.2)
Deferred hedging costs recognised in OCI (time value)	0.0	0.0	0.0	0.0
Reclassification to the value of the acquired right (not in OCI)	(0.3)	(0.2)	0.0	(0.5)
Reclassification from OCI to financial income and expense	0.0	0.0	2.9	2.9
Deferred taxes	0.0	0.1	0.0	0.1
Financial Statements as at 31.12.2019	0.0	0.0	(15.5)	(15.5)

(*) Includes the time value recognised as at 31.12.2019 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.

On 4 December 2019, the Parent Company issued a new 5-year fixed-rate bond of €300 million. At the same time, the four Interest Rate Swap Forward Start contracts for a notional amount of €350 million entered into in April 2017 and effective May 2020 were closed, as the condition for which they had been entered into, i.e., the new fixed rate bond issue, was met.

As at 31 December 2019, 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.

Sensitivity analysis

The sensitivity analysis conducted on the uncovered financial positions, made up of only the short-term financial positions, and only for 2018 also on Rai Interest Rate Swap Forward Start contracts, is provided in the table below.

(€/million)	Interest rate change	Change in economic result before tax effect	Change to cash flow hedge reserve
Year ended 31 December 2019	+50 b.p.	1.0	-
	-50 b.p.	(0.9)	-
Year ended 31 December 2018	+50 b.p.	0.5	7.7
	-50 b.p.	(0.5)	(9.0)

Exchange rate risk

The Group's exchange risk mainly consists of exposure in USD originating from the purchase of film and TV rights by Rai Cinema SpA (hereinafter "Rai Cinema"). During 2019, these commitments generated payments for about USD 123 million (USD 150 million in 2018). Further exposure currencies, with split disbursements and of a modest amount all in all, are to the Swiss Franc and British Sterling totalling about €6 million.

As at 31 December 2019 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 current 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 2019		Year ended 31 December 2018	
	USD	Other foreign currencies	USD	Other foreign currencies
Trade receivables	3.1	1.4	4.4	1.0
Trade payables (*)	(14.7)	(1.7)	(8.0)	(2.0)
Cash on hand	6.2	0.1	4.1	-
Other non-current assets	-	0.1	-	0.1
Other current receivables and assets	-	-	0.1	-
Non-current lease liabilities	-	(0.5)	-	-
Current lease liabilities	-	(0.3)	-	-
Other current payables and liabilities	-	(0.1)	-	(0.1)

(*) Amount hedged by derivatives and foreign currency deposits for a nominal value of USD 8.0 million as at 31 December 2019 and USD 1.9 million as at 31 December 2018.

Here below is a table summing up the financial effects of hedging instruments in place as at 31 December 2019, for invoices, assessments or binding commitments of Rai Cinema:

(€/million)	Year ended 31 December 2019		Year ended 31 December 2018	
	Options on currencies	Forward purchases of currencies	Options on currencies	Forward purchases of currencies
Book value	0.1	0.1	0.3	0.3
Notional amount in USD	4.7	4.0	8.5	12.7
Maturity of transactions	Mar. 20-Dec. 20	Apr. 20-Dec. 20	Mar. 19-Dec. 19	Apr. 19-Dec. 19
Change in fair value of the hedging instruments (*)	0.1	0.0	0.2	0.2
Change in value of the hedged item	(0.1)	0.0	(0.2)	(0.2)
Average weighted exchange rate for the year	1.15	1.16	1.19	1.21

(*) Intrinsic value for options on currencies and the spot component for forward purchases.

Sensitivity analysis

As 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 2019 and as at 31 December 2018 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 reserve
31 December 2019	1.1234	-10%	1.0111	-0.4	0.7
		+10%	1.2357	0.4	-0.5
31 December 2018	1.1450	-10%	1.0305	0.2	1.8
		+10%	1.2595	-0.2	-1.3

9.2 Credit risk

The theoretical exposure to the 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 functions of the single companies in charge of debt collection start with polite re-minders 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 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 provisions 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. To this end, 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 the cash flows due

contractually and cash flows the Group expects to receive discounted at the effective interest rate of the financial asset.

The analysis of receivables by due date (before provisions for write-downs) is provided below:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Invoices to be issued	199.7	159.6
Falling due	164.1	135.7
Expired from 0 to 90 days	73.7	71.1
Expired from 91 to 180 days	7.3	7.3
Expired over 180 days	45.9	46.1
Invoices issued	291.0	260.2
Total trade receivables	490.7	419.8

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 2019 and 2018.

9.3 Liquidity risk

Rai manages the Group's financial resources (with the sole exception of the subsidiary Rai Way which has its own resources) on the basis of a centralised treasury agreement 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 Group's financial structure consists of a bond issue with maturity date in December 2024 for €300 million taken out in December 2019 (please refer to Note 16.1 "Non-current financial liabilities and current portions of non-current financial liabilities") and a European Investment Bank (hereinafter "EIB") loan against the project to implement terrestrial digital technology for €15 million, both granted to Rai; in May 2020, on the other hand, the bond loan of €350 million issued by the Parent Company in 2015 matures.

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 €420 million and revolving line with a pool of banks totalling €320 million maturing in December 2023.

The new revolving line, not used as at 31 December 2019, requires that the following Consolidated Financial Statements parametric/ equity ratio be met:

- net financial debt (adjusted for receivables from the State for licence fees, financial items relating to Rai Way and liabilities resulting from application of IFRS 16 for operating leases)/Net equity ≤ 2 .

This ratio was fully met as at the reporting date, posted at 1.21.

Rai Way has its own revolving line of €25 million not used as at 31 December 2019, maturing in September in 2020. The financial covenants provided for in the contract were largely met with at the reporting date.

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 2019 and 31 December 2018. 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 2019				Year ended 31 December 2018			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Trade payables and other liabilities:								
Trade payables	691.2	-	-	691.2	706.0	-	-	706.0
Other payables and liabilities	396.8	0.4	0.1	397.3	455.2	1.3	0.2	456.7
Medium/long-term financial liabilities:								
Medium/long-term loans	10.4	5.3	-	15.7	10.6	15.8	-	26.4
Bonds	359.4	316.5	-	675.9	5.3	355.2	-	360.5
Short-term financial liabilities:								
Payables for financial leases	-	-	-	-	5.7	-	-	5.7
Due to associates	-	-	-	-	0.1	-	-	0.1
Derivative instruments:								
Interest rate derivatives - non-discounted cash flows	-	-	-	-	-	5.6	-	5.6

With regard to lease liabilities, a breakdown of the carrying amount by maturity is provided in Note 16.2 "Lease liabilities".

10

Management of capital risk

The Group capital management objectives are inspired by preservation of the ability to continue guaranteeing optimum capital strength, including 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 a profit 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 the total of comprehensive liabilities of the Shareholders' Equity is seen in the following table:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Shareholders' equity	411.7	453.0
Total liabilities and shareholders' equity	2,913.8	2,672.2
Ratio	14.1%	17.0%

The net consolidated financial position of the Group for the periods under review is shown in Note 22.2 "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 Government. 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 no. 14.3 "Current financial assets" and 17.2 "Current financial liabilities".

(€/million)	Year ended 31 December 2019			Year ended 31 December 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivatives on exchange rates	-	0.2	-	-	0.6	-
Derivatives on interest rates	-	-	-	-	(5.1)	-

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:

(€/million)	Year ended 31 December 2019					Notes (***)
	Assets and liabilities at amortised cost	Financial assets and liabilities at fair value with balancing entry in the income statement	Financial assets and liabilities measured at fair value with balancing entry in other comprehensive income	Total financial assets and liabilities		
Assets						
Trade receivables (*)	447.5	-	-	447.5	13.8	14.2
Current financial assets	5.5	0.1	0.1	5.7		14.3
Cash and cash equivalents	194.6	-	-	194.6		14.6
Non-current financial assets	3.3	-	-	3.3		13.6
Equity investments in other companies (**)	-	0.9	-	0.9		13.5
Total financial assets	650.9	1.0	0.1	652.0		
Liabilities						
Trade payables	(691.2)	-	-	(691.2)		17.1
Current financial liabilities	(359.8)	-	-	(359.8)		17.2
Current lease liabilities	(27.3)	-	-	(27.3)		16.2
Non-current financial liabilities	(304.2)	-	-	(304.2)		16.1
Non-current lease liabilities	(50.3)	-	-	(50.3)		16.2
Total financial liabilities	(1,432.8)	-	-	(1,432.8)		

12

Reconciliation
between the classes
of financial
assets and
liabilities

(*) 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.

(€/million)

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 (***)
Assets					
Trade receivables (*)	377.4	-	-	377.4	13.8 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	13.6
Equity investments in other companies (**)	-	0.9	-	0.9	13.5
Total financial assets	478.6	1.1	0.4	480.1	
Liabilities					
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
Total financial liabilities	(1,086.1)	-	(5.1)	(1,091.2)	

(*) 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.

13.1 Property, plant and equipment

Property, plant and equipment, which amounted to €1,075.3 million (€1,073.1 million as at 31 December 2018), are broken down as follows:

(€/million)	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Work in progress and payments on account	Total
Cost	383.4	602.1	2,168.1	100.4	125.3	70.9	3,450.2
Accumulated amortisation	-	(276.0)	(1,908.9)	(90.8)	(101.4)	-	(2,377.1)
Balance as at 31.12.2018	383.4	326.1	259.2	9.6	23.9	70.9	1,073.1
First-time adoption of IFRS 16 (1)	-	(4.7)	-	-	-	-	(4.7)
Change in the year							
Increases and capitalisation	-	7.1	38.7	2.2	5.2	54.6	107.8
Disposals (2)	-	-	(0.2)	-	(0.2)	-	(0.4)
Reclassifications (3)	-	4.7	35.1	1.8	2.2	(43.9)	(0.1)
Amortisation	-	(13.5)	(77.6)	(3.0)	(6.3)	-	(100.4)
Balance as at 31.12.2019	383.4	319.7	255.2	10.6	24.8	81.6	1,075.3

broken down as follows:

Cost	383.4	604.2	2,212.0	102.7	122.9	81.6	3,506.8
Accumulated amortisation	-	(284.5)	(1,956.8)	(92.1)	(98.1)	-	(2,431.5)

Detail:

(1) reclassification of costs of dismantling and restoring sites under lease rights of use of which:

Cost	-	(9.2)	-	-	-	-	(9.2)
Accumulated amortisation	-	4.5	-	-	-	-	4.5
	-	(4.7)	-	-	-	-	(4.7)

(2) of which:

Cost	-	(0.5)	(29.7)	(1.7)	(9.9)	-	(41.8)
Accumulated amortisation	-	0.5	29.5	1.7	9.7	-	41.4
	-	-	(0.2)	-	(0.2)	-	(0.4)

(3) Reclassifications broken down as follows. The residual amount is reclassified to the intangible assets - software:

Cost	-	4.7	34.9	1.8	2.3	(43.9)	(0.2)
Accumulated amortisation	-	-	0.2	-	(0.1)	-	0.1
	-	4.7	35.1	1.8	2.2	(43.9)	(0.1)

Following the application of IFRS 16, costs for decommissioning and restoring sites were reclassified from property, plant and equipment to lease rights of use for an amount of €4.7 million as at 1 January 2019.

Investments for the year, which amounted to €107.8 million (€103.8 million in 2018), 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 equipment is specified in Note 19.2 "Commitments."

13

Non-current
assets

13.2 Real estate investments

Real estate investments amount to €2.9 million (€4.4 million as at 31 December 2018) 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 2019 (€1.7 million as at 31 December 2018). Real estate investments break down as follows:

(€/million)	Buildings
Cost	13.6
Accumulated depreciation	(9.2)
Balance as at 31.12.2018	4.4
Change in the year	
Transfers (1)	(1.3)
Amortisation	(0.2)
Balance as at 31.12.2019	2.9
<i>broken down as follows:</i>	
<i>Historical cost</i>	7.2
<i>Accumulated amortisation</i>	(4.3)
Detail:	
(1) of which:	
Cost	(6.4)
Accumulated amortisation	5.1
	(1.3)

During 2019, no investments took place; disposals refer to the transfer by the subsidiary Rai Pubblicità of the property in Naples in November, which generated a gain of €3.4 million.

Based on the latest estimates, the market value as at 31 December 2019 of the buildings entered under real estate investments ranges between €27.5 million and €33.3 million.

13.3 Lease rights of use

In accordance with IFRS 16, the newly introduced lease rights of use totalled €72.0 million, as follows:

(€/million)	Land and buildings	Other assets	Total
Balance as at 31.12.2018	-	-	-
First-time adoption of IFRS 16 (1)	74.9	6.7	81.6
Change in the year			
Increases	12.8	2.8	15.6
Terminations (2)	(0.2)	-	(0.2)
Amortisation	(21.4)	(3.6)	(25.0)
Balance as at 31.12.2019	66.1	5.9	72.0
<i>broken down as follows:</i>			
Cost (3)	86.8	9.1	95.9
Accumulated depreciation (3)	(20.7)	(3.2)	(23.9)
Detail:			
(1) of which reclassification to property, plant and equipment - buildings of the costs of dismantling and restoring broken down as follows:			
Cost	9.2	-	9.2
Accumulated amortisation	(4.5)	-	(4.5)
	4.7	-	4.7
(2) of which:			
Cost	(0.2)	-	(0.2)
Accumulated amortisation	-	-	-
	(0.2)	-	(0.2)
(3) amounts net of totally amortised assets, amounting to:			
Cost	(5.2)	(0.4)	(5.6)
Accumulated amortisation	5.2	0.4	5.6
	-	-	-

Investments during the period, amounting to €15.6 million, refer to property rental contracts or contracts for the rental of transport vehicles that entered into effect during the period.

The value of costs for short-term leases and leases of low-value assets is reported in Note 18.3 "Costs for the purchase of consumables, costs for services and other costs".

No income was recorded from the subleasing of assets that led to the recognition of a right of use.

13.4 Intangible assets

Intangible assets, which amounted to €920.2 million (€919.5 million as at 31 December 2018), are broken down as follows:

(€/million)	Programmes	Software	Trademarks	Goodwill	Other intangible assets	Work in progress and payments on account	Total
Cost	1,415.2	29.0	0.1	5.0	3.5	297.3	1,750.1
Provisions for write-downs	(68.7)	-	-	-	-	(30.7)	(99.4)
Accumulated amortisation	(717.0)	(13.6)	(0.1)	-	(0.5)	-	(731.2)
Balance as at 31.12.2018	629.5	15.4	-	5.0	3.0	266.6	919.5
Change in the year							
Increases and capitalisation	286.5	5.6	-	-	-	168.5	460.6
Disposals (1)	-	-	-	-	-	(2.0)	(2.0)
Reclassifications (2)	132.2	6.6	-	-	-	(138.7)	0.1
Write-downs	(47.2)	-	-	-	-	(6.4)	(53.6)
Amortisation (3)	(394.4)	(9.7)	-	-	(0.3)	-	(404.4)
Balance as at 31.12.2019	606.6	17.9	-	5.0	2.7	288.0	920.2
<i>broken down as follows (4):</i>							
Cost	1,436.1	34.2	-	5.0	3.5	321.9	1,800.7
Provisions for write-downs	(74.4)	-	-	-	(0.2)	(33.9)	(108.5)
Accumulated amortisation	(755.1)	(16.3)	-	-	(0.6)	-	(772.0)
Detail:							
(1) of which:							
Cost	-	-	-	-	-	(2.0)	(2.0)
Accumulated amortisation	-	-	-	-	-	-	-
	-	-	-	-	-	(2.0)	(2.0)
(2) Reclassifications broken down as follows. The residual amount is reclassified to property, plant and equipment:							
Cost	132.4	6.7	-	-	0.2	(139.1)	0.2
Provisions for write-downs	(0.2)	-	-	-	(0.2)	0.4	-
Accumulated amortisation	-	(0.1)	-	-	-	-	(0.1)
	132.2	6.6	-	-	-	(138.7)	0.1
(3) net of use of the provisions for write-downs for:							
Provisions for write-downs	41.7	-	-	-	-	-	41.7
Accumulated amortisation	(41.7)	-	-	-	-	-	(41.7)
	-	-	-	-	-	-	-
(4) amounts net of assets amortised in full at year end and, for work in progress, net of assets eliminated, amounting to:							
Cost	(398.0)	(7.1)	(0.1)	-	(0.2)	(2.8)	(408.2)
Provisions for write-downs	-	-	-	-	-	2.8	2.8
Accumulated amortisation	398.0	7.1	0.1	-	0.2	-	405.4
	-	-	-	-	-	-	-

Investments, which amounted to €460.6 million (€447.4 million as at 31 December 2018) mainly refer to Dramas for €314.2 million and films for €110.4 million.

The amount of work in progress and payments on account refers to programmes for €275.9 million, software for €11.4 million and other rights for €0.7 million.

The write-downs recognised during the year amounted to €53.6 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".

13.5 Equity investments

Equity investments valued by the equity method and other investments, respectively for €5.8 million (€5.8 million as at 31 December 2018) and €0.9 million (€0.9 million as at 31 December 2018), break down as follows:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Joint ventures	4.8	4.5
Associates	1.0	1.3
Total equity investments measured using the equity method	5.8	5.8
Equity investments in other companies	0.9	0.9
Total equity investments	6.7	6.7

Here below are the movements of investments measured using the equity method:

(€/million)	Year ended 31 December 2018			Change in the year			Year ended 31 December 2019		
	Cost	Adjustment to Shareholders' Equity	Financial statement value	Acquisitions/ Transfers	Profit/(loss)	Decrease due to dividends	Cost	Adjustment to Shareholders' Equity	Financial statement value
Joint ventures:									
San Marino RTV SpA	0.3	1.8	2.1	-	(0.2)	-	0.3	1.6	1.9
Tivù Srl	0.5	1.9	2.4	-	0.8	(0.3)	0.5	2.4	2.9
Associates:									
Audiradio Srl in liquidation in liquidation	1.4	(1.4)	-	-	-	-	1.4	(1.4)	-(a)
Auditel Srl	-	0.7	0.7	-	0.2	-	-	0.9	0.9
Euronews SA	0.9	(0.3)	0.6	-	(0.5)	-	0.9	(0.8)	0.1
Player Editori Radio Srl	-	-	-	-	-	-	-	-	-
Tavolo Editori Radio Srl	-	-	-	-	-	-	-	-	-
Total equity investments in joint ventures and associates	3.1	2.7	5.8	-	0.3	(0.3)	3.1	2.7	5.8

(a) Valuation relating to the Financial Statements as at 31 December 2018, 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 negative result achieved by the company in 2019, the investment was written down, for an amount of €0.2 million, to adjust it to the value of €1.9 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 2019, distribution of a dividend of €0.7 million was resolved for 2018. The amount concerning Rai, equal to €0.3 million, was recorded to reduce the recognition value of the equity investment. Following the profit attained by the company in 2019 which amounted to €1.6 million, the equity investment was revalued for the portion concerning Rai, which came to €0.8 million. The equity investment was recognised for the value of €2.9 million, which corresponds to Rai's portion of the company's shareholders' equity.

Equity investments in associates 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 the date of 31 December 2018, which showed negative shareholders' equity that was not significant in millions of €. The portion of the equity deficit was allocated to a special provisions for charges.
- **Auditel Srl** (33% Rai): the share capital amounts to €0.3 million and consists of 300,000 shares of the nominal value of €1.00 each. The equity investment was recognised for the value of €0.9 million, corresponding to the percentage concerning Rai on the shareholders' equity of the company posted in the Financial Statements as at 31 December 2019. Following the profit attained by the company in 2018 and in 2019 totalling €0.5 million, the equity investment was revalued for the portion concerning Rai, which came to €0.2 million.
- **Euronews - Société Anonyme** (2.52% Rai): the share capital, €32.9 million, consists of 2,190,678 shares of the nominal value of €15.00 each. Following the capital increase reserved for MGN and NBC, approved by the General Meeting of Euronews on 3 October 2019, RAI's investment share in Euronews rose from 3.08% to 2.52%. The investment was written down as at 31 December 2019 for the amount of €0.5 million to adjust it to the percentage concerning Rai on the shareholders' equity value of the company corresponding to €0.1 million.
- **Player Editori Radio Srl** (13.9% Rai): the company was incorporated on 23 July 2019, with a share capital of €10 thousand, divided between national and local radio producers (70% and 30%, respectively). Rai's shareholding is 13.9% of the share capital. The company's main objective is the creation and technological development of a unified IT platform for the aggregation of radio content using an IP Protocol for subsequent provisions to shareholders and third parties. Following the profit attained by the company in 2019, for a non-significant value in millions of Euro, a revaluation for the portion concerning Rai was recognised. The equity investment was recognised for a non-significant value in millions of Euro, which corresponds to Rai's portion of the company's shareholders' equity as at 31 December 2019.
- **Tavolo Editori Radio Srl** (13.9% Rai): the share capital, €0.1 million, is divided between national publishers (70%), – of which Rai 13.9% – and local ones (30%). On 23 July 2019, the three-yearly reorganisation of Ter's shareholding structure was carried out, as required by the company's by-laws. The reorganisation involved an update of the shares of the national broadcasters who are already shareholders of Ter and the entry in the capital of ACRC and CN Media. As part of this transaction, Rai sold 1.9% of its equity investment, reducing it from 15.8% to 13.9%. The Rai share of the company's shareholders' equity as at 31 December 2019 has an insignificant value in millions of €.

Here below are the movements of the other investments:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Almaviva SpA	0.3	0.3
Istituto dell'Enciclopedia Italiana Treccani SpA	0.7	0.7
Others (1)	0.1	0.1
Gross value	1.1	1.1
Provisions for the write-down of equity investments in other companies	(0.2)	(0.2)
Total equity investments in other companies	0.9	0.9

(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.
- **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 incurred by the company. 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 SpA (hereinafter "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.

13.6 Non-current financial assets

Non-current financial assets, which amounted to €3.3 million (€3.1 million as at 31 December 2018), break down as follows:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Financial receivables from personnel	0.1	0.1
Securities	2.3	2.4
Other non-current financial assets	0.9	0.6
Total non-current financial assets	3.3	3.1

Non-current financial assets are shown net of the provisions for write-downs of €0.2 million (unchanged compared to 31 December 2018) entirely referring to the financial receivables from personnel.

The item securities equal to €2.3 million (€2.4 million at 31 December 2018), 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 2019				Year ended 31 December 2018			
	<1 year	1-5 years	>5 years	Total	<1 year	1-5 years	>5 years	Total
Financial receivables from personnel	0.1	0.1	-	0.2	0.1	0.1	-	0.2
Securities	-	2.3	-	2.3	-	2.4	-	2.4
Receivables from joint ventures and associates	0.2	-	-	0.2	-	-	-	-
Derivative instruments	0.2	-	-	0.2	0.6	-	-	0.6
Blocked bank deposits	4.7	-	-	4.7	5.5	-	-	5.5
Other financial assets	0.5	0.9	-	1.4	0.3	0.6	-	0.9
Total current and non-current financial assets	5.7	3.3	-	9.0	6.5	3.1	-	9.6

The short-term portion of the financial assets, which amounted to €5.7 million, is included in the current components described in Note 14.3 "Current financial assets".

Information on risks hedged and on hedging policies is disclosed in Note 9.1 "Market risk".

13.7 Deferred tax assets

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Deferred tax assets eligible for offset	134.6	134.2
Deferred tax liabilities eligible for offset	(155.6)	(157.7)
Net deferred tax liabilities	(21.0)	(23.5)

As at 31 December 2018, at 31 December 2019 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 16.5 "Deferred tax liabilities" for the relevant analyses.

Income taxes are reported in Note 18.10 "Income tax".

13.8 Other non-current assets

Other non-current assets, which amounted to €16.7 million (€50.2 million as at 31 December 2018), break down as follows:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Advances for sports events	6.3	41.5
Advances for trade initiatives	16.2	20.8
Non-current portion of trade receivables	5.8	4.1
Receivables from personnel	0.7	0.5
Amounts committed to cautionary deposit with third parties	2.2	2.2
Other non-current receivables	1.6	1.7
– Provisions for write-down of other non-current assets	(16.1)	(20.6)
Total other non-current assets	16.7	50.2

Advances for sports events mainly refer to sums paid for the acquisition of rights to future sports' events.

Other non-current receivables refer to €0.9 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 current income tax credits as explained in Note 14.4. "Current income tax assets".

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 provisions for write-down of other non-current assets, which amounted to €16.1 million (€20.6 million as at 31 December 2018), is broken down below:

(€/million)	Year ended 31 December 2018	Provisions	Drawdowns	Absorptions	Year ended 31 December 2019
Provisions for write-down of advances for trade initiatives	(14.5)	(0.6)	4.6	0.7	(9.8)
Provisions for write-down of advances for sports events	(6.1)	-	-	-	(6.1)
Provisions for write-down of other non-current assets	-	(0.2)	-	-	(0.2)
Total provisions for write-down of other non-current assets	(20.6)	(0.8)	4.6	0.7	(16.1)

14

Current assets

14.1 Inventory

Inventory, net of its provisions for write-downs, amounted to €1.5 million (€2.3 million as at 31 December 2018), and is broken down as follows:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Technical materials	12.8	12.9
– Provisions for write-down of technical materials	(12.1)	(12.1)
Contract work in progress	0.2	0.2
Finished products and goods	0.6	1.3
Total inventory	1.5	2.3

The final inventory of technical materials, €0.7 million net of the bad debt provisions (€0.8 million as at 31 December 2018), 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.

Contract work in progress, €0.2 million (unvaried compared to 31 December 2018), 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, €0.6 million (€1.3 million as at 31 December 2018), mainly concern inventories related to magazines and books and home video distribution.

14.2 Trade receivables

Trade receivables, which amounted to €441.7 million (€373.3 million as at 31 December 2018), are broken down as follows:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Trade:		
State and other public bodies for agreement services	62.9	59.4
Status of performance of service contract obligations - Law 145/2018	38.5	-
Other receivables	389.1	360.2
– Provisions for write-downs of trade receivables	(49.0)	(46.5)
Joint ventures and associates:	0.2	0.2
Total trade receivables	441.7	373.3

Receivables from joint ventures and associates refer to:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
San Marino RTV SpA	0.1	0.1
Tivù Srl	0.1	0.1
Receivables from joint ventures and associates	0.2	0.2

The breakdown of trade receivables by geographical area shows a national prevalence.

The nominal value of receivables from the State and other public bodies for agreement services, €62.9 million (€59.4 million as at 31 December 2018), refers to:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Prime Minister's Office:		
Grants related to income to be paid to San Marino RTV	2.9	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
Revenue Office:		
Management of ordinary TV licence fees	12.0	8.0
Regions and Provinces:		
Autonomous Province of Bolzano: broadcast of radio and TV programmes in German and Ladin in the autonomous province of Bolzano	19.2	19.2
Autonomous Region of Valle d'Aosta: management of equipment for the TV reception of programmes from the French cultural area	8.6	8.9
Total receivables from the State and other public bodies for agreement services	62.9	59.4

Receivables from related parties are specified in Note 19.4 "Transactions with Related Parties".

Trade receivables are shown net of the provisions for write-downs of €49.0 million (€46.5 million as at 31 December 2018), with movements itemised below:

(€/million)	Year ended 31 December 2018	Provisions	Drawdowns	Absorptions	Year ended 31 December 2019
Provisions for write-downs of trade receivables	(46.5)	(3.8)	0.8	0.5	(49.0)

Receivables in foreign currency amount to €4.5 million (€5.4 million as at 31 December 2018) as indicated in Note 9.1 "Market risk".

14.3 Current financial assets

Current financial assets, which amounted to €5.7 million (€6.5 million as at 31 December 2018), decreased by €0.8 million. The breakdown of the item and the comparison with the previous year are shown below:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Joint ventures and associates:	0.2	-
From employees	0.1	0.1
Derivative instruments	0.2	0.6
Blocked bank deposits	4.7	5.5
Other current financial assets	0.5	0.3
Total current financial assets	5.7	6.5

Receivables from joint ventures and associates as at 31 December 2019 refer to San Marino RTV.

Blocked bank deposits, which came to €4.7 million (€5.5 million as at 31 December 2018) 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 2019	Year ended 31 December 2018
Currency hedging derivatives	0.2	0.6
Total derivative financial instruments – current portion	0.2	0.6
Total derivative financial instruments – non-current portion	-	-
Total derivative financial instruments	0.2	0.6

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 €0.2 million as at 31 December 2019 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 2020.

No transactions qualifying on a preliminary basis as hedging changed status in 2019.

Information on risks hedged and on hedging policies is disclosed in Note 9.1 “Market risk”.

14.4 Current income tax assets

Current income tax assets, which amounted to €18.4 million (€19.0 million as at 31 December 2018), break down as follows:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
IRES refund requested	16.9	16.9
Withheld taxes	1.7	0.7
Total IRES	18.6	17.6
IRAP	0.4	2.0
Advance for substitute tax on goodwill	0.1	0.1
Provisions for write-downs of current income tax assets	(0.7)	(0.7)
Total current income tax assets	18.4	19.0

Current income tax assets are shown net of the provisions for write-downs of €0.7 million (unchanged from 31 December 2018) related to withheld taxes on income risking recoverability.

The IRAP receivable, €0.4 million (€2.0 million as at 31 December 2018) refers to the IRAP advances paid to tax authorities in previous periods.

The advance on the substitute tax for goodwill refers to the recognition of the 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 into Rai Way in 2017. The non-current portion equal to €0.9 million was recognised under other non-current assets as explained in Note 13.8.

The taxes are commented on in Note 18.10 “Income taxes.”

14.5 Other current receivables and assets

Other current receivables and assets, which totalled €154.8 million (€121.9 million as at 31 December 2018) break down as follows:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Advances for sports events	63.4	27.2
Advances to suppliers, collaborators and agents	25.6	25.3
Receivables from social security and welfare institutions	3.0	2.8
Other tax receivables	2.3	3.6
Receivables from personnel	9.4	9.8
Receivables from entities, companies, bodies and others	18.7	16.3
Receivables for subsidies and grants from the State, EU and other public entities	0.4	0.5
Other receivables	35.4	40.5
– Provisions for write-downs of other current receivables and assets	(3.4)	(4.1)
Total other current receivables and assets	154.8	121.9

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 2019	Year ended 31 December 2018
VAT refund requested	1.8	2.2
Other tax refunds requested	0.2	0.2
Other	0.3	1.2
Total other tax receivables	2.3	3.6

The provisions for write-down of other current receivables and assets, which amounted to €3.4 million (€4.1 million as at 31 December 2018), is broken down below:

(€/million)	Year ended 31 December 2018	Provisions	Drawdowns	Absorptions	Year ended 31 December 2019
Provisions for write-downs of other current receivables and assets	(4.1)	(0.2)	0.8	0.1	(3.4)

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 €194.6 million (€92.2 million as at 31 December 2018), are broken down into the following items:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Bank and postal deposits	194.3	91.9
Cash and equivalents	0.3	0.3
Total cash and cash equivalents	194.6	92.2

Bank and postal deposits amounted to €194.3 million (€91.9 million as at 31 December 2018) 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. The increase compared to the previous year is due to the issue of the new Parent Company bond.

Cash and equivalents amounted to €0.3 million (unvaried as at 31 December 2018) and include the liquidity represented by cash in the company's coffers as at 31 December 2019.

The Company's liquid assets are shown in the following table by currency as at 31 December 2019 and as at 31 December 2018:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Cash on hand in Euro	188.3	88.0
Cash on hand in USD	6.2	4.1
Cash on hand in other currencies	0.1	0.1
Total cash and cash equivalents	194.6	92.2

15

Shareholders'
equity

Reported below is the breakdown of shareholders' equity, attributable to the Group and minority interests:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Share capital	242.5	242.5
Legal reserve	12.0	12.0
IFRS first-time adoption reserve	(83.2)	(58.7)
Translation difference reserve	0.5	0.6
Cash flow hedge reserve	(15.5)	(4.8)
Other reserves	251.6	248.1
Total other reserves	153.4	185.2
Actuarial reserves for employee benefits	(35.4)	(26.0)
Retained earnings (losses)	(3.3)	(3.3)
Profit (Loss) for the year	(22.1)	(21.0)
Total retained earnings (losses carried forward)	(60.8)	(50.3)
Total Group shareholders' equity	347.1	389.4
Third-party capital and reserves	42.6	42.5
Retained earnings (losses) attributable to minority interests carried forward	22.0	21.1
Total shareholders' equity attributable to minority interests	64.6	63.6
Total shareholders' equity	411.7	453.0

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 2019, 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) which holds 241,447,000 shares, equal to 99.5583% of the share capital; and
- Società Italiana Autori Editori (S.I.A.E.) which holds 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 €153.4 million (€185.2 million as at 31 December 2018) and losses carried forward, for €60.8 million (€50.3 million as at 31 December 2018) are broken down as shown below.

16.1 Non-current financial liabilities and current portions of non-current financial liabilities

Non-current financial liabilities, including current portions, total €664.0 million (€379.4 million as at 31 December 2018). The figure breaks down as follows:

(€/million)	Year ended 31 December 2019			Year ended 31 December 2018		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Bonds	298.9	349.6	648.5	348.7	-	348.7
M/L-term payables to banks	5.2	10.1	15.3	15.2	10.1	25.3
Derivative instruments	-	-	-	5.1	-	5.1
M/L-term payables to other lenders	0.1	0.1	0.2	0.2	0.1	0.3
Total non-current financial liabilities and current portions of non-current financial liabilities	304.2	359.8	664.0	369.2	10.2	379.4

Non-current financial liabilities, including the current portions, increased by €284.6 million compared to 31 December 2018 mainly for the bond issue by Rai in December 2019 for a nominal amount of €300 million (see also Note 9.3 "Liquidity risk"), offset by the repayment of two instalments of the EIB loan for €10 million and the closure of the Interest Rate Swap Forward Start, recorded in the 2018 financial statements for €5.1 million.

The main medium/long term bank loans due as at 31 December 2019 included:

- new Rai bond issue with a notional amount of €300 million maturing in December 2024;
- amortising loan, maturing in 2021, from the EIB for a residual €15 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 €0.5 million.

16

Non-current
liabilities

The current portion of the bonds, on the other hand, consists of the amount maturing in May 2020 of the loan issued in 2015, with a nominal value of €350 million.

The new *senior unsecured bond* issued by Rai in December 2019 and listed on Euronext Dublin, is fully subscribed to by national and international institutional investors, has a nominal rate of 1.375%, maturity in December 2024 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 provisions, 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;
- 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 22 October 2019, Moody’s published a rating action confirming the Long-Term Issuer Baa3 of Rai (Investment Grade) and changing the outlook from stable to negative.

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 by operating lease liabilities), net of receivables from the state for television licence fees/shareholders’ equity ≤ 1.3 ;
- Net financial debt (adjusted by operating lease liabilities), net of receivables from the State for television licence fees/EBITDA ≤ 1.0 ;

These ratios, modified with respect to the previous year in agreement with the EIB in order to cancel the effects of the application of IFRS 16 on net financial debt, were met at the reporting date, at 1.14 and 0.76, respectively.

Derivative instruments recognised at fair value, are broken down below in the liability component, including the current and non-current portions:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Currency hedging derivatives	-	-
Total derivative financial instruments – current portion	-	-
Rate hedging derivatives	-	5.1
Total derivative financial instruments – non-current portion	-	5.1
Total derivative financial instruments	-	5.1

The liability for interest rate hedging derivatives, (at 31 December 2018 equal to €5.1 million) referring to the four Interest Rate Swap Forward Start contracts entered into in 2017 on a notional amount of €350 million to hedge the risk of interest rate increases on the new bond issue, was closed in December 2019, since the condition for which they had been taken had been fulfilled, namely the new bond loan. The closing of these derivatives, which guaranteed a 5-year mid-swap rate of approximately 0.89% (against a rate of -0.238% at the time the loan was issued), generated a financial outlay of €18.4 million, broken down as follows:

- €2.6 million to the consolidated income statement for the portion relating to the lower issue realised compared to the one expected and covered in 2017 (€300 million instead of €350 million);
- €0.3 million to the consolidated income statement as a portion of the year’s closing mark to market;
- €15.5 million suspended in the cash flow hedge reserve, to be distributed over the remaining life of the newly issued bond issue.

Information on risks hedged and on hedging policies is disclosed in Note 9.1 “Market risk”.

The final due date of financial liabilities held (current and non-current) is shown in the table below:

(€/million)	Year ended 31 December 2019			
	< 1 year	1 - 5 years	> 5 years	Total
Bonds	349.6	298.9	-	648.5
M/L-term payables to banks	10.1	5.2	-	15.3
M/L-term payables to other lenders	0.1	0.1	-	0.2
Total current and non-current financial liabilities	359.8	304.2	-	664.0

(€/million)	Year ended 31 December 2018			
	< 1 year	1 - 5 years	> 5 years	Total
Bonds	-	348.7	-	348.7
M/L-term payables to banks	10.1	15.2	-	25.3
M/L-term payables 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
Other financial liabilities	5.7	-	-	5.7
Total current and non-current financial liabilities	16.0	369.2	-	385.2

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 2015, maturing in May 2020: fair value corresponding to the market price of 101.4356, including interest ratio;
- bond issued by the Company in December 2019 and maturing in December 2024: fair value corresponding to the market price of 100.3372, 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.

(€/million)	Year ended 31 December 2019		Year ended 31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Rai - €350 million bond - maturity 28.05.2020	349.6	355.0	348.7	352.1
Rai - €300 million bond - maturity 04.12.2024	298.9	301.0	-	-
EIB loan to Rai	15.0	15.3	25.0	25.4

16.2 Lease liabilities

Total lease liabilities, including current portions, total €77.6 million. The figure breaks down as follows:

(€/million)	Year ended 31 December 2019		
	Non-current portion	Current portion	Total
Liabilities for operating lease contracts	50.3	21.6	71.9
Liabilities for finance lease contracts	-	5.7	5.7
Total lease liabilities	50.3	27.3	77.6

The value of current lease liabilities is represented solely by the current portion of non-current lease liabilities, as short-term asset leases are recognised in the income statement under the item costs for the purchase of consumables, costs for services and other costs.

The total value of cash outflows from leases in the period was €20.5 million, plus interest of €0.7 million.

Interest expense accrued on lease liabilities is detailed in Note 18.8 "Financial income and ex- penses," to which reference should be made.

Finance lease liabilities, amounting to €5.7 million, relate to the exercise of option rights by Rai in 2018 for the purchase of the building used as the regional headquarters.

The due dates lease liabilities (current and non-current) are shown below.

(€/million)	Year ended 31 December 2019			Total
	< 1 year	1 - 5 years	>5 years	
Liabilities for operating lease contracts	21.6	41.1	9.2	71.9
Liabilities for finance lease contracts	5.7	-	-	5.7
Total lease liabilities	27.3	41.1	9.2	77.6

16.3 Employee benefits

Employee benefits totalled €422.0 million (€434.9 million as at 31 December 2018). The figure breaks down as follows:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Provisions for employee severance pay	218.2	225.0
Provisions for supplementary pension benefits	120.3	125.4
Provisions in lieu of the former fixed indemnity for journalists	68.7	68.7
Health insurance fund for senior managers (FASDIR)	13.8	14.7
Seniority bonuses	0.6	0.5
Other	0.4	0.6
Total employee benefits	422.0	434.9

The provisions 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 provisions 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, former employees 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 provisions 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 provisions 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 Group 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 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, multiplied by the average residual life of the retired senior managers at the valuation date, which as at 31 December 2019 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 2019					Year ended 31 December 2018				
	Employee severance pay	Supplementary pension	Fasdir	Provisions in lieu of former fixed indemnity for journalists	Other benefits	Employee severance pay	Supplementary pension	Fasdir	Provisions in lieu of former fixed indemnity for journalists	Other benefits
Present value of the liability at the start of the year	225.0	125.4	14.7	68.7	1.1	258.8	137.2	14.7	69.5	2.9
Current cost of defined contribution plans	-	-	-	-	0.1	-	-	-	0.2	0.1
Current cost of defined contribution plans	44.6	-	-	-	-	44.1	-	1.0	-	-
Interest expense	2.2	1.2	0.2	0.4	-	2.9	0.8	0.2	0.5	-
Revaluations:										
- Actuarial gains/losses resulting from changes in demographic assumptions	(2.5)	-	-	-	-	-	-	-	-	-
- Actuarial gains/losses resulting from changes in financial assumptions	9.5	5.0	-	2.7	-	(2.4)	(0.5)	-	-	-
- Effect of past experience	(4.4)	(0.5)	-	(0.2)	-	0.5	(1.0)	-	0.4	-
Cost of past benefits and Gains/Losses on settlement	-	-	-	(1.4)	-	-	-	-	(1.5)	(1.5)
Benefits paid	(11.5)	(10.8)	(1.1)	(1.5)	(0.2)	(11.5)	(11.1)	(1.2)	(0.4)	(0.4)
Transfers to external funds for defined contribution plans	(44.5)	-	-	-	-	(44.2)	-	-	-	-
Other movements	(0.2)	-	-	-	-	(23.2)	-	-	-	-
Present value of the liability at the end of the year	218.2	120.3	13.8	68.7	1.0	225.0	125.4	14.7	68.7	1.1

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 2019					Year ended 31 December 2018				
	Employee severance pay	Supplementary pension	Fasdir	Provisions in lieu of former fixed indemnity for journalists	Other benefits	Employee severance pay	Supplementary pension	Fasdir	Provisions in lieu of former fixed indemnity for journalists	Other benefits
Current cost of defined contribution plans	-	-	-	-	(0.1)	-	-	-	(0.2)	(0.1)
Current cost of defined contribution plans	(44.6)	-	-	-	-	(44.1)	-	(1.0)	-	-
Cost of past benefits and gains/losses on settlement	-	-	-	1.4	-	-	-	-	1.5	1.5
Interest expense	(2.2)	(1.2)	(0.2)	(0.4)	-	(2.9)	(0.8)	(0.2)	(0.5)	-
Total	(46.8)	(1.2)	(0.2)	1.0	(0.1)	(47.0)	(0.8)	(1.2)	0.8	1.4

Costs for defined benefit plans recognised in other comprehensive income break down as follows:

(€/million)	Year ended 31 December 2019					Year ended 31 December 2018				
	Employee severance pay	Supplementary pension	Fasdir	Provisions in lieu of former fixed indemnity for journalists	Other benefits	Employee severance pay	Supplementary pension	Fasdir	Provisions in lieu of former fixed indemnity for journalists	Other benefits
Revaluations:										
- Actuarial gains/losses resulting from changes in demographic assumptions	2.5	-	-	-	-	-	-	-	-	-
- Actuarial gains/losses resulting from changes in financial assumptions	(9.5)	(5.0)	-	(2.7)	-	2.4	0.5	-	-	-
- Effect of past experience	4.4	0.5	-	0.2	-	(0.5)	1.0	-	(0.4)	-
Total	(2.6)	(4.5)	-	(2.5)	-	1.9	1.5	-	(0.4)	-

The main actuarial assumptions adopted are reported below:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Financial assumptions		
Average discount rates (1)	from 0.50% to 0.84%	from 0.85% to 1.53%
Inflation rate	1.20%	1.50%
Expected rate of growth in remuneration/benefits (2)	from 0.96% to 2.70%	from 1.21% to 3%
Demographic assumptions		
Maximum retirement age	As per law	As per law
Mortality tables:		
- Provisions for employee severance pay	SI 2016 revised	SI 2016 revised
- Provisions for supplementary pension benefits	AS62	AS62
- Provisions in lieu of the former fixed indemnity for journalists	SI 2016 revised	-
Disability tables:		
- Provisions for employee severance pay	INPS tables by age and gender	INPS tables by age and gender
- Provisions for supplementary pension benefits	-	-
- Provisions in lieu of the former fixed indemnity for journalists	-	-
Average annual employee leaving rate	from 3.80% to 8.10%	from 3.10% to 7.80%
Annual probability of advance requests	1.50%	1.50%

(1) Measured as the weighted average of Eur Composite AA 2019 interest rate curve for 31 December 2019 and Eur Composite AA 2018 for 31 December 2018.

(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 2019 and as at 31 December 2018 are shown below:

(€/million)	Sensitivity	Year ended 31 December 2019				Year ended 31 December 2018			
		Employee severance pay	Supplementary pension	Fasdir	Provisions in lieu of former fixed indemnity for journalists	Employee severance pay	Supplementary pension	Fasdir	Provisions in lieu of former fixed indemnity for journalists
Discount rate	+0.50%	211.9	115.4	-	67.6	217.7	120.3	-	67.2
	-0.50%	224.9	125.7	-	69.9	232.9	130.9	-	72.6

The timing of liabilities for defined benefit plans for employees is shown below:

(€/million)	Provisions in lieu of former fixed indemnity for journalists	Employee severance pay	Supplementary pension
Expected payments as at 31.12.2020	5.7	58.1	10.3
Expected payments as at 31.12.2021	3.5	19.9	9.8
Expected payments as at 31.12.2022	5.4	7.2	9.3
Expected payments as at 31.12.2023	5.3	6.7	8.8
Expected payments as at 31.12.2024	6.3	7.2	8.3
Expected payments as of 1.01.2025 and following years	45.2	129.7	51.5

16.4 Provisions for non-current risks and charges

Provisions for non-current risks and charges totalled €197.2 million (€181.5 as at 31 December 2018). The figure breaks down as follows:

(€/million)	Year ended 31 December 2018	Provisions	Drawdowns	Absorptions	Conversion differences	Year ended 31 December 2019
Provisions for legal disputes	69.6	5.6	(9.4)	(4.2)	0.2	61.8
Provisions for building renovation and refurbishment	28.0	0.8	(0.8)	-	-	28.0
Provisions for dismantling and restoration costs	14.5	0.2	-	-	-	14.7
Provisions for accrued compensation costs	16.1	31.7	(15.6)	(0.2)	-	32.0
Provisions for social security disputes	3.0	-	-	-	-	3.0
Provisions for tax disputes	4.5	-	(4.5)	-	-	-
ISC and ICM provisions Agents	2.3	0.3	(0.1)	(0.1)	-	2.4
Provisions for disputes over leases	1.0	0.3	-	-	-	1.3
Provisions for default interest payment risks	0.6	-	-	-	-	0.6
Provisions for licence fee refunds	0.3	-	(0.2)	-	-	0.1
Other provisions	41.6	14.2	(0.9)	(1.6)	-	53.3
Total provisions for risks and charges	181.5	53.1	(31.5)	(6.1)	0.2	197.2

Provisions for legal disputes, totalling €61.8 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 €31.3 million, and €30.5 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 €14.7 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 €32.0 million, include 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.

ISC (Supplementary Customer Indemnities) and ICM (Meritocratic Customer Indemnities) provisions for agents, for €2.4 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.

16.5 Deferred tax liabilities

Deferred tax liabilities totalled €21.0 million and are stated net of €134.6 million of deferred tax assets eligible for offsetting. The net balance as at 31 December 2018 showed a deferred tax liability of €23.5 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 2018	Changes			Year ended 31 December 2019
		Income statement	Other comprehensive income	Balance sheet	
Statutory/tax differences on property, plant and equipment	(155.7)	2.3	-	-	(153.4)
Currency and interest-rate derivatives	(0.1)	-	0.1	-	-
Other equity investments	(1.7)	-	-	-	(1.7)
Deferred taxes on consolidation adjustments	-	(0.2)	-	-	(0.2)
Other	(0.2)	(0.1)	-	-	(0.3)
Deferred tax liabilities	(157.7)	2.0	0.1	-	(155.6)
Negative taxable income	128.4	30.3	-	(31.5)	127.2
Write-downs of programmes	0.1	0.4	-	-	0.5
Statutory/tax difference on programmes	0.3	0.2	-	-	0.5
Employee benefits	0.5	(0.1)	0.1	-	0.5
Estimate of provisions recovered	3.1	1.2	-	-	4.3
Deferred tax assets on consolidation adjustments	1.4	(0.1)	-	-	1.3
Other	0.4	(0.1)	-	-	0.3
Deferred tax assets eligible for offset	134.2	31.8	0.1	(31.5)	134.6
Net deferred tax liabilities	(23.5)	33.8	0.2	(31.5)	(21.0)

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 recalculation of defined-benefit plans and cash flow hedging instruments recognised under hedge accounting rules.

Deferred tax assets on tax losses carried forward totalled €127.2 million: 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 consolidated income statement.

16.6 Other non-current payables and liabilities

Other non-current payables and liabilities are all stated in Euros. Totalling €0.5 million (€1.6 million as at 31 December 2018), 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 €1,088.0 million (€1,161.2 million as at 31 December 2018). The figure breaks down as follows:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Trade payables to suppliers	686.8	700.4
Trade payables to joint ventures and associates	4.4	5.6
Total trade payables	691.2	706.0
Payables to personnel	186.6	241.4
Payables to social security institutions	80.8	79.3
Other tax payables	40.0	38.4
Other payables for assessments	5.1	4.5
Advances:		
- Ordinary licence fees	66.1	73.7
- Other advances	4.0	3.8
Deferrals:		
- Advertising	2.8	2.6
- Licence fees	0.7	0.9
- Grants for the switch-over to digital terrestrial	0.6	0.8
- Other deferrals	1.0	1.0
Accruals	3.5	3.1
Other payables	5.6	5.7
Total other current payables and liabilities	396.8	455.2
Total trade payables and other current payables and liabilities	1,088.0	1,161.2

Trade payables to joint ventures and associates refer to:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Auditel Srl	1.0	2.0
San Marino RTV SpA	3.0	3.2
Tivù Srl	0.4	0.4
Total trade payables to joint ventures and associates	4.4	5.6

Payables to personnel totalled €186.6 million (€241.4 million as at 31 December 2018). The figure breaks down as follows:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Untaken paid annual leave	67.6	69.8
Untaken time in lieu	52.9	52.1
Wage and salary assessment	52.7	72.5
Redundancy incentives	11.4	45.4
Other	2.0	1.6
Total payables to personnel	186.6	241.4

Payables to social security institutions totalled €80.8 million (€79.3 million as at 31 December 2018). The figure breaks down as follows:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Payables to supplementary pension funds for personnel	25.6	24.6
Payables to INPGI	13.8	14.0
Payables to INPS	28.6	27.9
Payables to CASAGIT	1.5	1.4
Contributions on assessed wages and salaries	10.4	10.4
Other payables	0.9	1.0
Total payables to social security institutions	80.8	79.3

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 2019	Year ended 31 December 2018
Group VAT	3.1	2.1
Suspended VAT	1.0	1.0
Withheld tax on wages and salaries for employees and contractors, substitution tax and other withholdings	35.9	35.3
Total other tax payables	40.0	38.4

Deferrals for grants for the switch-over to digital terrestrial included €0.6 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 €359.8 million (€16.0 million as at 31 December 2018). The breakdown is shown in the table below:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Obligations (current portion)	349.6	-
M/L-term payables to banks (current portion)	10.1	10.1
M/L-term payables due to other lenders (current portion)	0.1	0.1
Payables to joint ventures and associates	-	0.1
Payables for financial leases	-	5.7
Total current financial liabilities	359.8	16.0

The current portion of non-current financial liabilities is reported in the table above and explained in Note 16.1 "Non-current financial liabilities and current portions of non-current financial liabilities".

Payables to joint ventures and associates as at 31 December 2018 refer to San Marino RTV.

Payables for financial leases, amounting to €5.7 million in 2018, were reclassified to the newly introduced item current lease liabilities as illustrated in Note 16.2 "Lease liabilities", to which reference should be made.

17.3 Current income tax liabilities

Current income tax liabilities, which amounted to €31.5 million (€31.0 million as at 31 December 2018), break down as follows:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
IRES	30.7	30.2
IRAP	0.4	0.4
Tax and other assessments	0.4	0.4
Total current income tax liabilities	31.5	31.0

As concerns amounts payable to the Inland Revenue for IRES, totalling €30.7 million (€30.2 million as at 31 December 2018), 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 tax".

18.1 Revenue from sales and services

The main items are analysed below:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
TV licence fees	1,798.8	1,758.0
Advertising	623.7	631.1
Other revenue	217.8	177.8
Total revenue from sales and services	2,640.3	2,566.9

The breakdown of revenue by geographical area shows that most revenue is from the domestic market.

TV licence fees

Licence fees, amounting to €1,798.8 million (€1,758.0 million in 2018), break down as follows:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Licence fees for the period – household licences	1,633.8	1,634.1
Licence fees for the period – special licences	85.1	79.6
Licence fees collected by enforcement order	68.5	30.4
Licence fees for prior years – household licences	11.4	13.9
Total TV licence fees	1,798.8	1,758.0

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 (article 1, paragraph 293). This established a reduction of 5%, 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.

Law no. 145 of 30 December 2018 confirmed, when fully operational, the amount of €90 due for the Rai licence fee for private use and stabilised the allocation to Rai of 50% of the extra revenue.

In relation to the amounts reported above:

- TV licence fees collected by enforcement order refer to licence fees due in 2015 and previously, levied under an enforcement order addressed to households with overdue payments; these include the adjustment for higher amounts collected by the State through roles in the years between 2004 and 2015 of €41.3 million;
- previous year licences – households are related to 2018 licence fees that became known in financial year 2019 in so far as they were paid to the State during the year.

18

Consolidated
income
statement

The separate annual accounts, designed to ensure proportionality between the costs incurred by Rai for the performance of the Public Service activities entrusted to it and the resources from licence fees and certified by an auditor chosen on the basis of a public procedure supervised by the Regulatory Authority, show a lack of public funding for the period 2005-2018 amounting to approximately €2.5 billion.

Advertising

Revenue from advertising amounted to €623.7 million (€631.1 million in 2018). The figure breaks down as follows:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Television advertising on general-interest channels:		
– <i>air time</i>	347.1	367.1
– <i>promotions, sponsorships and special initiatives</i>	154.9	142.1
– <i>product placement and branded content</i>	8.3	7.3
Television advertising on specialist channels	62.1	70.3
Radio advertising	30.4	30.3
Cinema advertising	6.1	4.7
Web advertising	16.1	11.3
Other advertising	1.2	0.7
Share due to third parties	(3.2)	(2.1)
Contingencies	0.7	(0.6)
Total advertising	623.7	631.1

Other revenue

Other revenue from sales and services amounted to €217.8 million (€177.8 million in 2018). The figure breaks down as follows:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Special services under convention	43.9	43.9
Fulfillment of service contract obligations and digital programming development - Law 145/2018	38.5	-
Sale of music rights and editions	61.8	67.5
Film and home video distribution	26.8	27.9
Distribution and sale of channels	13.0	19.2
Sale of patents and trademarks	13.7	0.5
Fees for hosting plant and equipment	29.9	30.6
Sundry services, mainly for institutional purposes	9.5	11.1
Signal diffusion services, rental of circuits, radio links and connections	2.9	2.6
Interactive telephone	0.1	0.3
Production services	0.6	0.5
Revenue from sales	1.8	0.8
Other	2.5	2.3
Share due to third parties	(29.8)	(31.8)
Contingencies	2.6	2.4
Total other revenue	217.8	177.8

18.2 Other revenue and income

Other revenue and income amounted to €15.2 million (€11.1 million in 2018). The figure breaks down as follows:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Grants related to income	5.9	4.5
Income from real estate investments and rentals	1.9	1.9
Compensation for damages	0.6	0.5
Gains on disposals	4.3	-
NCI grants related to income	(1.5)	-
Contingencies	0.5	0.8
Other	3.5	3.4
Total other revenue and income	15.2	11.1

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 €1,004.9 million (€986.8 million in 2018). The figure breaks down as follows:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Costs for the purchase of consumables	13.4	12.8
Costs for services	939.1	920.9
Other costs	52.4	53.1
Total costs for the purchase of consumables, services and other costs	1,004.9	986.8

Costs for the purchase of consumables, equal to €13.4 million (€12.8 million in 2018), refer to purchases of various production materials for €4.2 million (€3.9 million in 2018), technical inventories for €0.4 million (€0.6 million in 2018) and other materials for €8.0 million (€8.3 million in 2018).

The breakdown of costs for services is shown in the table below. The item totalled €939.1 million (€920.9 million in 2018), net of discounts and rebates obtained. They include, inter alia, emoluments, remuneration for the performance of duties and expense refunds paid by the Parent Company to Directors, totalling €1.0 million, and to Statutory Auditors, totalling €0.2 million. It should also be noted that four members of the Board of Directors of the Parent Company have concurrently undertaken similar duties in other subsidiaries, receiving a non-significant compensation in millions of Euro.

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Contractors	138.4	132.7
Services for programme acquisition and production	208.9	209.5
Daily allowances, travel expenses and accessory costs for personnel	38.7	38.0
Maintenance, repairs, transport and similar	44.2	43.2
IT system documentation and assistance services	55.8	53.2
Other outsourced services (telephony, supply services, cleaning, postal, insurance, etc.)	153.7	145.7
Rent payable and leases	53.9	84.6
Recording rights	161.4	134.9
Rights of use	108.6	105.4
Contingencies	(15.8)	(12.7)
Cost recoveries and expense refunds	(13.7)	(13.6)
Total costs for services	939.1	920.9

Pursuant to article 2427, no. 16 bis of the Italian Civil Code, fees for the year ended 31 December 2019 for services provided by the external auditors totalled €0.5 million and break down as follows:

- for annual auditing of accounts: €0.3 million;
- for other auditing services: €0.1 million;
- for other non-audit services: €0.1 million.

Other costs, equal to €52.4 million (€53.1 million in 2018), break down as follows:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Administrative fees and rights for use of frequencies	10.9	10.9
Fee to control authorities	5.5	5.8
TASI/ IMU tax	9.8	10.4
Other indirect taxes and other duties	9.9	10.2
Prizes and winnings	6.6	6.0
Newspapers, magazines, books and publications	1.9	1.8
Membership fees	3.9	3.9
Losses on disposals	0.3	0.2
Other	3.3	3.8
Contingencies	0.3	0.1
Total other costs	52.4	53.1

18.4 HR expenses

HR expenses, amounting to €1,036.0 million (€1,006.2 million in 2018), break down as follows:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Wages, salaries and social security costs	972.0	947.0
Employee severance pay	44.6	44.1
Pensions and similar obligations	13.8	14.1
Other	10.9	15.2
HR expenses	1,041.3	1,020.4
Costs for redundancy incentives	14.1	7.5
Recovery of expenses	(1.3)	(1.3)
Capitalised HR expenses	(18.1)	(16.3)
Other HR expenses	(5.3)	(10.1)
Contingencies and releases of provisions	-	(4.1)
Total HR expenses	1,036.0	1,006.2

The item includes €44.6 million of charges for defined contribution plans and €1.3 million of income from defined benefit plans, net of past benefits, as reported in Note 16.3 "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 January 2019–31 December 2023 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 2019			Year ended 31 December 2018		
	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	332	332	0	336	336
Officers/middle managers	0	1,451	1,451	1	1,380	1,381
Journalists	83	1,780	1,863	213	1,645	1,858
Office staff	191	7,825	8,016	456	7,692	8,148
Workers	10	897	907	41	913	954
Orchestra musicians and choristers	5	108	113	3	118	121
General Practitioners	0	7	7	0	7	7
Total	289	12,400	12,689	714	12,091	12,805

(1) of which trainees/apprentices

370

100

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 fixed-term employees.

18.5 Impairment of financial assets

This item recognises impairment losses (including recoveries) of financial assets, which include all assets of a contractual origin that give right to receiving cash flows (including trade receivables).

The item, equal to €3.3 million (€2.7 million in 2018), refers to the effect net of uses and provisions to the provisions 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 €583.8 million (€573.8 million in 2018). The figure breaks down as follows:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Amortisation		
Property, plant and equipment:		
Buildings	13.5	17.2
Plant and machinery	77.6	73.6
Industrial and commercial equipment	3.0	3.0
Other assets	6.3	6.3
Total depreciation of property, plant and equipment	100.4	100.1
Amortisation of real estate investments	0.2	0.3
Lease rights of use:		
Buildings	21.4	-
Other assets	3.6	-
Total amortisation and depreciation of lease rights of use	25.0	-
Intangible assets:		
Programmes	394.4	404.0
Software	9.7	9.4
Other intangible assets	0.3	0.3
Total amortisation of intangible assets	404.4	413.7
Total amortisation and depreciation	530.0	514.1
Other write-downs:		
Programmes under amortisation	47.2	55.4
Programmes in progress	5.8	2.5
Other intangible assets	0.6	0.3
Other non-current receivables and assets	0.1	0.8
Current income tax receivables	-	0.7
Other current receivables and assets	0.1	-
Total other write-downs	53.8	59.7
Total depreciation, amortisation and other write-downs	583.8	573.8

Compared to the previous financial year, Rai Way has revised the useful life of the DVB-T digital technology TV broadcasting equipment, reducing it to 30 June 2022; the effects in terms of greater depreciation of property, plant and equipment were offset by lower depreciation resulting from the simultaneous extension of the useful life of industrial buildings and light construction from 16.7 to 30 years and of radio broadcasting equipment from 8 to 12 years.

With regard to lease rights of use, recognised as from 1 January 2019, reference should be made to Note 6 "Effects of the first-time adoption of IFRS 16".

18.7 Provisions

The item, which recognises the provisions for risks and charges and any issues not classifiable in specific items of the income statements, shows net provisions of €6.0 million (€0.7 million in 2018) caused by provisions for €11.2 million (€7.1 million in 2018), offset by issues for €5.2 million (€6.4 million in 2018), which mostly relate to sundry disputes.

18.8 Financial income and expenses

Net financial expenses totalled €16.6 million (€14.2 million in 2018). The figure breaks down as follows:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Financial income:		
Dividends	-	0.1
Interest income from banks	0.1	0.1
Gains from currency valuation	0.5	0.8
Foreign exchange gains realised	(0.2)	(0.3)
Income from currency derivatives	0.7	0.4
Default interest on trade receivables	-	0.1
Other	0.6	0.2
Total financial income	1.7	1.4
Financial expense:		
Interest expense on bonds	(6.7)	(6.1)
Interest expense due to banks	(0.6)	(1.2)
Expenses on rate hedging derivatives	(2.6)	(0.1)
Expenses on exchange hedging derivatives	(0.1)	(0.1)
Foreign exchange losses	(0.5)	(0.9)
Foreign exchange losses realised	0.1	(0.4)
Interest on employee benefit liabilities	(4.0)	(4.4)
Interest on leases	(1.1)	-
Other	(2.3)	(2.4)
Total financial expense	(18.3)	(15.6)
Total net financial income (expense)	(16.6)	(14.2)

18.9 Earnings from equity investments recognised at equity

Earnings from equity investments recognised at equity amounted to a positive €0.3 million (€0.1 million in 2018). The figure breaks down as follows:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Auditel Srl	0.2	-
Euronews SA	(0.5)	(0.6)
San Marino RTV SpA	(0.2)	-
Tivù Srl	0.8	0.7
Total earnings from equity investments recognised at equity	0.3	0.1

The breakdown of the change in equity investments recognised under the equity method is reported in Note 13.5 "Equity investments".

18.10 Income tax

Income tax amounted to €5.2 million (positive €6.3 million in 2018). The figure breaks down as follows:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
IRES	(32.6)	(32.1)
IRAP	(6.9)	(6.7)
Total current taxes	(39.5)	(38.8)
Deferred tax liabilities	2.0	3.0
Deferred tax assets	31.8	41.8
Total deferred taxes	33.8	44.8
Direct taxes of previous years and other taxes	0.5	0.3
Total income taxes	(5.2)	6.3

The difference between the theoretical tax rate and the effective tax rate is shown below:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
Profit (loss) before tax	5.2	(6.3)
IRES tax rate	24.0%	24.0%
Theoretical tax gain (expense)	(1.2)	1.5
Direct taxes of previous years and other taxes	0.5	0.3
Tax differences	2.4	11.2
IRAP	(6.9)	(6.7)
Total income taxes	(5.2)	6.3

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, which amounted to €37.6 million (€58.3 million as at 31 December 2018), are broken down as follows:

(€/million)	Year ended 31 December 2019				Year ended 31 December 2018			
	Surety guarantees	Other personal guarantees	Collateral	Total	Surety guarantees	Other personal guarantees	Collateral	Total
Joint ventures and associates	2.6	-	-	2.6	2.6	-	-	2.6
Other	32.8	-	2.2	35.0	53.5	-	2.2	55.7
Total	35.4	-	2.2	37.6	56.1	-	2.2	58.3

Guarantees provided included the recognition of an obligation to pay guaranteeing the early repayment of €31.6 million of surplus VAT (€52.0 million as at 31 December 2018) by subsidiaries, undertaken with the Inland Revenue.

19

Other
information

The Group has also recognised €487.2 million of guarantees provided by third parties (€485.7 million as at 31 December 2018) on commercial and financial obligations. Those guarantees mainly consist of:

- 1) 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;
- 2) 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 the 2020 Olympic Games 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 2019	Year ended 31 December 2018
Future commitments on:		
Sports broadcasting rights	254.4	313.6
Investments in audiovisual works	282.1	246.4
Rights and services for the production of programmes	42.7	45.1
Technical investments	47.0	35.9
Total commitments	626.2	641.0

19.3 Contingent liabilities

Group companies, mainly Rai, are parties in civil, administrative, labour law and social security lawsuits connected with their 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 documentation 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.

In relation to labour law and social security matters, the Group companies are parties in several 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;

Note 16.4 “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 2019 and 31 December 2018.

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;
- Group key management personnel ("Senior Management");
- other associates and joint ventures with which the Group has an interest as indicated in Note 13.5 "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 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 managers 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 2019 and as at 31 December 2018 and the income effects of transactions between the Group and related parties conducted in the years ended 31 December 2019 and 31 December 2018 and obviously excluding those between Group companies, consolidated on a line-by-line basis:

(€/million)	Senior Management	Other related parties	Total
Current financial assets			
As at 31 December 2019	-	0.2	0.2
As at 31 December 2018	-	-	-
Current trade receivables			
As at 31 December 2019	-	0.2	0.2
As at 31 December 2018	-	0.2	0.2
Other current receivables and assets			
As at 31 December 2019	-	-	-
As at 31 December 2018	0.1	-	0.1
Employee benefits			
As at 31 December 2019	(4.5)	(13.8)	(18.3)
As at 31 December 2018	(4.8)	(14.7)	(19.5)
Trade payables			
As at 31 December 2019	-	(4.4)	(4.4)
As at 31 December 2018	-	(5.6)	(5.6)
Other current payables and liabilities			
As at 31 December 2019	(9.9)	(16.6)	(26.5)
As at 31 December 2018	(7.5)	(15.8)	(23.3)
Current financial liabilities			
As at 31 December 2019	-	-	-
As at 31 December 2018	-	(0.1)	(0.1)
Revenue from sales and services			
As at 31 December 2019	-	0.7	0.7
As at 31 December 2018	-	0.7	0.7
Other revenue and income			
As at 31 December 2019	-	-	-
As at 31 December 2018	-	0.1	0.1
Costs for services			
As at 31 December 2019	(1.3)	(11.5)	(12.8)
As at 31 December 2018	(0.9)	(10.7)	(11.6)
HR expenses			
As at 31 December 2019	(22.4)	(12.0)	(34.4)
As at 31 December 2018	(21.9)	(13.5)	(35.4)

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 provisions 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 provisions 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 provisions 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 provisions 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 Group VAT offsetting procedure as per 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.

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 2019. 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:

Auditel

Auditel Srl provides television audience share measurement and data publication services, including also digital devices.

Player Editori Radio

An agreement is in place providing for the granting of a license to Rai to use a unified platform, developed and made available by Player Editori Radio, which allows aggregating radio content using an IP protocol for subsequent provisions to shareholders and third parties.

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.

Tavolo Editori Radio

Tavolo Editori Radio Srl provides radio audience share measurement and data publication services.

Tivù

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;
- Tivù provides an EPG service for the digital terrestrial and satellite platforms and an encryption service.

Covid-19

After the financial year ended, the Covid-19 virus, which originated in China, spread worldwide, with the consequent definition of the epidemic as a "pandemic situation" by the World Health Organization. In the current scenario, where the spread of the virus has not yet stopped, there is an increased risk that the global outlook for future growth will be adversely affected - even significantly - with a direct impact on the overall macroeconomic framework and financial markets.

Italy is one of the most affected countries. This has led to significant pressure on the country's health system and the consequent adoption by the Government of a series of measures that have introduced restrictive and unprecedented measures to the activities of the Public Administration, the economy in general and the daily lives of Italian citizens, as well as substantial economic interventions in support of families, workers and businesses.

**20****Subsequent
events**

Given that the spread of the pandemic, which occurred after the end of the financial year, has not led to the elimination of the going concern assumption in the preparation of these financial statements nor, in accordance with IAS 10, the adjustment to the accounts is currently complex to make a reasonable estimate of the medium-term impacts, in light of the uncertainties present. However, the Group tackled immediately and with extreme determination this difficult juncture, constantly monitoring the evolution of the virus in order to proactively manage its effects.

The measures taken by the government authorities to contain the virus have inevitably hit the advertising communications sector very hard. Therefore, a period characterised by a sharp contraction in revenue for the entire market is expected, and at present it is not possible to estimate how long it will last. In addition, the postponement of major sporting events, such as the European Football Championship and the Olympic Games, as well as of many other major competitions, will negatively impact advertising investment in 2020 for operators who, like Rai, had purchased the relevant rights.

On the other hand, in 2020, the Group will benefit from not having incurred the costs associated with the purchase and production of the aforementioned sporting events.

Also revenue from film distribution will record a sharp drop, both compared to the final balance of the previous year and to the initial forecasts for the current period, as a result of the generalised and complete lockdown of cinemas; this measure is also likely to impact the profitability of exploitation after distribution in cinemas, as the box office performance is the main reference for determining consideration.

In terms of ratings, TV, as a result of the lockdown, has benefited from an increase in audience; Radio too, no longer burdened by Drive Time peaks, has recorded an increase in the average listening time and other devices, such as smartphones and PCs, as well as smart speakers and Radiovision, are being used for streaming. According to Audiweb, the Internet is also benefiting from increased traffic at the moment. Despite the difficult juncture, Digital Rai, unlike the other media, is recording a slight growth in turnover compared to the previous year, although it still lower than expected.

Rai Way Business Plan

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

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	
	2019	2018	2019	2018
Rai financial statements	(35.0)	(33.8)	713.0	767.6
Elimination of the value of equity investments against respective shareholders' equity and of dividends distributed against profits for the year	35.2	33.1	(300.5)	(314.0)
Adjustment of deferred taxes on the Rai Way equity investment revaluation	-	-	5.0	5.0
Other consolidation adjustments	(0.2)	0.7	(5.8)	(5.6)
Consolidated Financial Statements	-	-	411.7	453.0
<i>of which non-controlling interests</i>	<i>22.1</i>	<i>21.0</i>	<i>64.6</i>	<i>63.6</i>

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 2019 compared to the situation as at 31 December 2018.

(Values as at 31 December 2019)	Registered office	No. shares/units held	Nominal value (in Euros)	Share capital (€/000)	Equity interest held %
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) Values in USD.

(2) Values in USD/000.

(3) ordinary shares with no stated par value.

The market value of Rai Way shares as at 31 December 2019 was €6.13.

22.2 Net consolidated financial position

Net financial position, as measured in accordance with the recommendations of paragraph 127 of the ESMA no. ESMA/2013/319, implementing Regulation (EC) No 809/2004, is reported in the table below:

(€/million)	Year ended 31 December 2019	Year ended 31 December 2018
A. Cash	0.3	0.3
B. Other cash equivalents	194.3	91.9
C. Securities held for trading	-	-
D. Liquidity (A + B + C)	194.6	92.2
E. Current financial receivables	5.7	6.5
F. Current bank debt	-	-
G. Current portion of long-term loans ^[*]	(359.8)	(10.2)
H. Other current financial debt	(27.3)	(5.8)
I. Current financial debt (F+G+H)	(387.1)	(16.0)
J. Net current financial position (D+E+I)	(186.8)	82.7
K. Non-current bank debt	(5.2)	(15.2)
L. Bonds issued	(298.9)	(348.7)
M. Other non-current financial debt	(50.4)	(5.3)
N. Non-current financial debt (K+L+M)	(354.5)	(369.2)
O. Net consolidated financial position (J+N)	(541.3)	(286.5)
Of which operating lease liabilities	(71.9)	-
Net financial position excluding operating lease liabilities	(469.4)	(286.5)

(*) of which €349.6 million relating to the bond issued by the Parent Company in May 2015 with a nominal amount of €350.0 million, maturing in May 2020.

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Appendix

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, considering the novelties introduced by article 35 of Decree Law no. 34/2019 (so-called “Growth Decree”), please note the following.

Grants received (art. 1, paragraph 125)

The following table shows sums collected during 2019 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.

Granting entity	Grant collected in 2019	Amount (€/’000)
Ministry of Cultural Heritage and Activities and Tourism	Grant under article 27, Law 220/2016 - “Cartoons on the bay” Project	26

Contributions made (art. 1, paragraph 126)

The following table includes sums paid in 2019 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.

Beneficiary entity	Grant paid in 2019	Amount (€/’000)
Associazione nazionale fra lavoratori mutilati e invalidi del lavoro (Italian National Association of Workers Mutilated and Disabled in the Workplace)	Grant to the victims of workplace accidents, widows and orphans of victims	50
Associazione centro italiano studi superiori formazione e aggiornamento giornalismo radiotelevisivo (Italian centre for higher education for radio and TV journalism)	Borse di studio master scrittura seriale di fiction (Scholarships in the master’s course in drama screenwriting)	32
Association “Associazione amici di Roberto Morrione”	Roberto Morrione Award	10
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 Salini, 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 in preparing the Consolidated Financial Statements as at 31 December 2019 during the 2019 financial year.

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 as at 31 December 2019 of the RAI Group:
 - a) have been prepared in accordance with International Financial Reporting Standards endorsed by the European Union pursuant to EC Regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002;
 - a) correspond to the entries in the books and accounting records;
 - a) are suitable to provide a true and fair representation of the equity, economic and financial position of the issuer and 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 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, 25 May 2020

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' Meeting of RAI Radiotelevisione italiana SpA

Dear Shareholders,

the consolidated financial statements as at 31 December 2019 of the RAI Group — made available to you - consists of the required consolidated accounting schedules and related notes; they have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Commission and supplemented by the International Accounting Standards (IAS) and is accompanied by the Directors' Report as well as the declaration of the Chief Executive Officer and the Financial Reporting Officer on the consolidated financial statements of the RAI Group and a statement relating to the Group's consolidation area and equity investments, which is part and parcel of the Consolidated Financial Statements.

A comparative schedule of the financial statements of RAI S.p.A. and the consolidated financial statements of the RAI Group as at 31 December 2019 in relation to the result for the year and shareholders' equity with the corresponding figures in the financial statements as at 31 December 2019 is provided.

In the Directors' Report, submitted for review by the independent auditors PRICEWATERHOUSECOOPERS S.p.A., the Directors illustrated the overall performance of the Group's economic, equity and financial position, together with that of the Parent Company, also providing details on individual aspects of the activities of the consolidated companies and the outlook of operations.

The monitoring activity was carried out in compliance with the rules of conduct of the Board of Statutory Auditors issued by Italy's Association of Chartered Accountants, the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili.

In accordance with these rules, the Board of Statutory Auditors made reference to the laws governing the preparation of consolidated financial statements.

The Board ascertained:

- a) the correctness of the procedures followed in identifying the scope of consolidation and the adoption of consolidation principles for subsidiaries in accordance with IFRS;
- b) compliance with the provisions of the law concerning the formation, layout of the financial statements and the Directors' Report;
- c) the adequacy of the organisation in place at the Parent Company, with regard to the information input into the consolidation procedures;
- d) the compliance with the principles of consolidation concerning the elimination of reciprocal income and expenses, as well as receivables and payables, of the consolidated companies;
- e) the consistency of the Group's Directors' Report with the data and results of the consolidated financial statements in order to provide comprehensive disclosure on the Group's economic and financial performance and the risks to which it is exposed, as well as on significant events occurring after the reporting date that had no impact on the 2019 financial statements.

The scope of consolidation was considered, the principles of consolidation were examined and the appropriateness of the valuation criteria applied was verified.

The documentation examined and the information gathered did not reveal any deviations from the provisions of the law governing the preparation of consolidated financial statements.

In the opinion of the Board of Statutory Auditors, the consolidated financial statements as a whole give a fair view of the Group's financial position and economic result for the year ended 31/12/2019.

On 8 June 2020, the Independent Auditors issued the report pursuant to Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation (EU) no. 537/2014, which shows that the consolidated financial statements as at 31 December 2019 comply with IFRS and have been prepared clearly and represent truthfully and correctly the financial position, the economic result and the cash flows of the RAI Group for the year ended 31 December 2019

Rome, 8 June 2020

The Board of Statutory Auditors

Carmine di Nuzzo	Chairman
Maria Teresa Mazzitelli	Standing Auditor
Giovanni Ciuffarella	Standing Auditor

Independent Auditor's 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 2019, 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 2019, 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

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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 13.4 “Intangible assets” of the consolidated financial statements as at 31 December 2019

The item “Intangible assets” of the consolidated financial statements of the RAI Group as at 31 December 2019 includes programmes totalling Euro 882.5 million (of which Euro 275.9 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 2019, 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.



management.

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.

Report on Compliance with other Laws and Regulations

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 2019, 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 2019 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 2019 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, 8 June 2020

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.





Shareholders' resolutions

Resolution of the Shareholders' Meeting

In its meeting of 26 June 2020, the Shareholders' Meeting of Rai resolved:

- to approve the Separate Financial Statements as at 31 December 2019 which show a loss of Euro 35,028,088.44 (thirty-five million twenty-eight hundred and eighty-eight dot forty-four);
- to cover the loss of the year of Euro 35,028,088.44 (thirty-five million twenty-eight hundred and eighty-eight dot forty-four) using the same amount of the IFRS first time adoption reserve - distributable;
- to acknowledge the Consolidated Financial Statements for the year 2019, which show a break-even result.



Corporate Directory

Rai General Management

Viale Mazzini, 14
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www.rai.it

Rai Centres

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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 Verdi, 16
10124 Turin

Research
Via Cavalli, 6
10138 Turin

Production centre
Via Marconi, 9
80125 Naples

Subsidiaries

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60121 Ancona

Tuscany
Ettore Bernabei, 1
50136 Florence

Veneto
Palazzo Labia
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Cannaregio, 275
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Molise
Contrada Colle delle Api
86100 Campobasso

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39100 Bolzano

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70121 Bari

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38122 Trento

Friuli-Venezia Giulia
Via Fabio Severo, 7
34133 Trieste

Sardinia
Via Barone Rossi, 27
09125 Cagliari

Umbria
Via Luigi Masi, 2
06121 Perugia



Rai - Radiotelevisione Italiana SpA

Registered Office
Viale Giuseppe Mazzini, 14
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Share Capital
Euro 242,518,100.00 fully paid in

Company Register Office of Rome
RM 964690

Tax code and VAT number
06382641006

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The Rai logo consists of the word "Rai" in a bold, white, sans-serif font, centered within a solid blue square. The letter "i" has a distinct dot above it.

rai.it