Annual Report 2020

www.vianova.it

Welcome Italia spa
Via di Montramito 431/a - 55054 Massarosa (LU) Italy
Share capital Euro 11,000,000.00 fully paid up - VAT Number and Tax Code 01059440469
Company Register no. 01059440469 - R.E.A. Lucca no. 115789

tel 0584.42441 - fax 0584.4244201
info@vianova.it - www.vianova.it

Since March 2021 Vianova spa has become the new Company name, replacing the former Welcome Italia spa, in line with the International vision of the Group

Contents

Shareholders and Corporate Bodies

Shareholders	%
Quinta spa	82.9358
Tamburi Investment Partners spa	12.0380
Centurion Global Found Sicav	5.0000
Partners	0.0262

Board of Directors	Role
Stefano Luisotti	Chairman and Chief Executive Officer
Claudio Berretti	Director
Giovanni Luisotti	Director
Marco Bolognini	Director
Marco D'Ascoli	Director
Massimo Di Puccio	Director
Nicola Gallico	Director

Board of Statutory Auditors	Role
Andrea Mariani	Chairman
Simone Sartini	Statutory Auditor
Sergio Maffei	Statutory Auditor
Nunzio Stroscio	Alternate Auditor
Riccardo Cima	Alternate Auditor

Supervisory Board - Legislative Decree 231/01	Role
Michele Giordano	Chairman
Andrea Marraccini	Member
Laura Giunti	Member

Independent Auditors	Task
KPMG spa	External Audit
DNV	Quality Management System (ISO 9001:2008)
DNV	Information Security Management System (ISO 27001:2013)

Directors' Report on Operations

Dear Shareholders,
The Welcome Italia Group opted to present the Directors' Report on Operations of the Parent Company and the Consolidated Directors' Report on Operations in a single document.
The Consolidated Financial Statements for the year ended 31 December 2020 show revenue and other operating income of Euro 61,755,601, an increase of 7.2% compared to the previous year. The income statement closed with a net profit of Euro 7,229,174, an increase of 21.9% on the previous year.
2020 was the Company's twelfth consecutive year of growth.

Consolidated Income Statement (euro/000)	2019	%	2020	%	Δ%
Total revenue and other operating income	**57,602**	**100**	**61,756**	**100**	**+7.2**
EBITDA	14,709	25.5	16,683	27.0	+13.4
EBIT	7,984	13.9	9,612	15.6	+20.4
EBT	8,009	13.9	9,671	15.7	+20.8
Group net result	5,869	10.2	7,155	11.6	+21.9
Net result of minority interests	62	0.1	74	0.1	+19.6
Net result	**5,932**	**10.3**	**7,229**	**11.7**	**+21.9**

92.82% of revenue and other operating income were attributable to the Parent Company.

Consolidated Statement of Financial Position (Euro/000)	2019	%	2020	%	Δ%
Total Assets	**56,666**	**100**	**62,178**	**100**	**+9.7**
Non-current assets	28,597	50.5	30,209	48.6	+5.6
Current assets	28,069	49.5	31,969	51.4	+13.9
Total Shareholders' Equity and liabilities	**56,666**	**100**	**62,178**	**100**	**+9.7**
Consolidated Shareholders' Equity	29,025	51.2	33,917	54.5	+16.9
Non-current liabilities	3,323	5.9	2,918	4.7	-12.2
Current liabilities	24,319	42.9	25,344	40.8	+4.2

Consolidated Cash Flow Statement (Euro/000)	2019	2020	Δ%
Cash flow from operations	14,308	14,180	-0.9
Cash flow from investments	-9,751	-8,555	-12.3
Cash flow from financial management	-2,497	-2,773	+11.1
Total cash flow	**2,061**	**2,852**	**+38.4**
Cash and cash equivalents	**12,815**	**15,668**	**+22.3**

Net financial position (Euro/000)	2019	2020	Δ%
Cash and cash equivalents	12,815	15,668	+22.3
Current financial payables	-1,276	-1,140	-10.6
Net current financial debt	**11,540**	**14,528**	**+25.9**
Non-current financial receivables	5	15	+171.9
Non-current financial payables	-1,540	-1,427	-7.3
Net financial position	**10,006**	**13,116**	**+31.1**

Below is a breakdown of Revenue and other operating income by type.

Revenue and other operating income (euro/000)	**2019**	**2020**	**Changes**	**Δ%**
Revenue from fees	45,185	48,145	2,960	+6.6
Revenue from pay-per-use services	6,863	9,091	2,228	+32.5
Revenue from activations	1,769	1,801	31	+1.8
Revenue from software developments	887	777	-110	-12.4
Revenue from interconnection	298	572	274	+91.8
Income from access and pay-per-use charges adjustments	344	311	-33	-9.5
Public grants	781	273	-508	-65.0
Gains on disposal of non-current assets	74	65	-9	-11.9
Revenue from assistance and interventions	72	60	-12	-16.2
Revenue from sales	88	22	-66	-75.4
Release of surplus funds	1	0	-1	-100.0
Revenue adjustments	-7	-1	6	-80.5
Other revenue and income	1,248	641	-607	-48.6
Total	**57,602**	**61,756**	**4,154**	**+7.2**

- Revenue growth mainly depends on the increase in the Customer base.
- The Group's business is not subject to seasonality events.
- The Other revenue and income item includes recognitions arising from transactions.

Group structure

Welcome Italia spa (Parent Company)

Welcome Italia is a convergent landline and mobile network operator fully dedicated to businesses, distinguishing itself from competitors for the quality of its services and the care to Customers.

Since 2007, the Company has been marketing a single integrated service offering, called *Vianova*, businesses oriented and inspired by an insourcing policy.
Services are in-house developed, integrating the more traditional services (Voice and Data access) with those involving Collaboration (Mail, Hosting, Meeting, Conference, Desk, 800, Fax, Centrex, Drive, Cloud, WiFi Call, VIP Call®, Busy Call® and SIM Manager).

Vianova services are provided by the Company or by one of the Group companies.
Each company on the Group is a Welcome Italia supplier and creates at least one product that may become one of the Vianova services offered by the Company.
However, the producing company can directly sell the same product or service , in order to preserve the founders’ freedom and entrepreneurial spirit and the development potential in Italy and abroad.

The Company's growth is essentially organic but the external development policy continues.

Host spa

Host is a B2B provider of domain hosting services with a proprietary platform available to customers in SaaS mode.
The offer includes Shared Hosting services, Colocation services (through a proprietary Data Center), Cloud Hosting services, Dedicated Servers and services dedicated to Resellers and Web Agencies needing to manage hundreds of domains. The Company has implemented the Vianova Hosting service.

Welcome Italia holds 51.0% of the share capital of Host spa.

Below is a summary of the main economic and financial data including adjustments made in compliance with International accounting standards.

Income Statement (Euro/000)	**2019**	**%**	**2020**	**%**	**Δ%**
Total revenue and other operating income	**2,220**	**100**	**2,145**	**100**	-3.4
▪ of which core revenue	2,013	90.7	1,959	91.3	-2.7
▪ of which other operating income	207	9.3	186	8.7	-10.1
EBITDA	256	11.5	436	20.3	+70.5
EBIT	-52	-2.3	127	5.9	-346.5
EBT	-58	-2.6	120	5.6	-309.0
Net result	**-63**	**-2.9**	**112**	**5.2**	-277.3

Statement of Financial Position (Euro/000)	**2019**	**%**	**2020**	**%**	**Δ%**
Total Assets	**2,582**	**100**	**2,723**	**100**	**+5.5**
Non-current assets	2,001	77.5	1,896	69.6	-5.2
Current assets	581	22.5	827	30.4	+42.3
Total Shareholders' Equity and liabilities	**2,582**	**100**	**2,723**	**100**	**+5.5**
Shareholders' Equity	626	24.2	742	27.2	+18.6
Non-current liabilities	711	27.5	681	25.0	-4.2
Current liabilities	1,246	48.2	1,300	47.7	+4.4

Cash Flow Statement (Euro/000)	**2019**	**2020**	**Δ%**
Cash flow from operations	64	351	+450.3
Cash flow from investments	-155	-188	+21.3
Cash flow from financial management	-87	21	+124.1
Total cash flow	**-179**	**158**	**+188.4**
Cash and cash equivalents	**192**	**350**	**+82.1**

Net financial position (Euro/000)	**2019**	**2020**	**Δ%**
Cash and cash equivalents	192	350	+82.1
Current financial payables	-203	-197	-3.1
Net current financial debt	**-10**	**154**	**-1,589.0**
Non-current financial receivables	0	0	0
Non-current financial payables	-466	-481	+3.1
Net financial position	**-476**	**-327**	**-31.4**

As at 31 December 2020, the Company's workforce consisted of 16 Employees.

Vola spa

Vola is a provider of SMS and Email Marketing services for Italian companies through a proprietary platform available to customers in SaaS (Software as a Service) mode.
The Company also offers outsourced software development services and has implemented Vianova Cloud and SMS services.
In 2020, it initiated the implementation of a proprietary platform for the delivery of Cybersecurity services that will be released in 2021.
Welcome Italia holds 67.0% of the share capital of Vola spa.

Below is a summary of the main economic and financial data including adjustments made in compliance with International accounting standards.

Income Statement (Euro/000)	**2019**	**%**	**2020**	**%**	**Δ%**
Total revenue and other operating income	**2,038**	**100**	**2,048**	**100**	**+0.5**
▪ of which core revenue	1,970	96.7	1,997	97.5	+1.4
▪ of which other operating income	68	3.3	51	2.5	-24.6
EBITDA	344	16.9	83	4.1	-75.7
EBIT	279	13.7	24	1.2	-91.4
EBT	275	13.5	22	1.1	-92.1
Net result	**203**	**10.0**	**23**	**1.1**	**-88.7**

Statement of Financial Position (Euro/000)	**2019**	**%**	**2020**	**%**	**Δ%**
Total Assets	**2,168**	**100**	**2,692**	**100**	**+24.2**
Non-current assets	703	32.4	866	32.2	+23.2
Current assets	1,465	67.6	1,826	67.8	+24.7
Total Shareholders' Equity and liabilities	**2,168**	**100**	**2,692**	**100**	**+24.2**
Shareholders' Equity	1,049	48.4	1,079	40.1	+2.8
Non-current liabilities	386	17.8	722	26.8	+87.0
Current liabilities	733	33.8	891	33.1	+21.7

Cash Flow Statement (Euro/000)	**2019**	**2020**	**Δ%**
Cash flow from operations	82	34	-59.1
Cash flow from investments	-17	-219	+1,223.8
Cash flow from financial management	-59	339	-678.7
Total cash flow	**7**	154	+2,134.4
Cash and cash equivalents	**1,011**	**1,165**	**+15.3**

Net financial position (euro/000)	**2019**	**2020**	**Δ%**
Cash and cash equivalents	1,011	1,165	+15.3
Current financial payables	-61	-62	+0.1
Net current financial debt	**950**	**1,104**	**+16.2**
Non-current financial receivables	0	0	0
Non-current financial payables	-61	-400	+558.4
Net financial position	**889**	**704**	**-20.8**

As at 31 December 2020, the Company's workforce consisted of 18 Employees.

Qboxmail srl

Qboxmail is a B2B provider of Electronic Mail services through a proprietary platform available to Customers in SaaS mode.
The service allows the Customer to activate an unlimited number of users autonomously, also through APIs (Application Programming Interface),.
Welcome Italia holds 51.0% of the share capital of Qboxmail srl.

Below is a summary of the main economic and financial data including adjustments made in compliance with international accounting standards.

Income Statement (Euro/000)	2019	%	2020	%	Δ%
Total revenue and other operating income	**528**	**100**	**510**	**100**	**-3.4**
▪ of which core revenue	384	72.7	471	92.3	+22.7
▪ of which other operating income	144	27.3	39	7.7	-72.9
EBITDA	160	30.4	152	29.8	-5.3
EBIT	75	14.3	44	8.7	-41.3
EBT	74	14.0	42	8.2	-43.3
Net result	**67**	**12.7**	**31**	**6.0**	**-54.6**

Statement of Financial Position (Euro/000)	2019	%	2020	%	Δ%
Total Assets	**696**	**100**	**835**	**100**	**+20.0**
Non-current assets	398	57.2	397	47.5	-0.3
Current assets	298	42.8	438	52.5	+47.1
Total Shareholders' Equity and liabilities	**696**	**100**	**835**	**100**	**+20.0**
Shareholders' Equity	548	78.8	578	69.3	+5.5
Non-current liabilities	81	11.7	155	18.6	+91.0
Current liabilities	67	9.6	102	12.2	+52.8

Cash Flow Statement (Euro/000)	2019	2020	Δ%
Cash flow from operations	136	221	+62.5
Cash flow from investments	-234	-106	-54.6
Cash flow from financial management	55	84	+52.3
Total cash flow	**-43**	**199**	**-564.5**
Cash and cash equivalents	**222**	**421**	**+89.4**

Net financial position (euro/000)	2019	2020	Δ%
Cash and cash equivalents	222	421	+89.4
Current financial payables	-6	-27	+335.1
Net current financial debt	**216**	**394**	**+82.3**
Non-current financial receivables	0	0	0
Non-current financial payables	-56	-119	+112.3
Net financial position	**160**	**275**	**+71.8**

As at 31 December 2020, the Company's workforce consisted of 5 Employees.

NetResults srl

NetResults operates in the ICT sector and designs and deploys convergent telecommunication networks for Enterprises, Service Providers, TLC Operators and Public Administrations and it is particularly specialised in the design, development, implementation and testing of network components and devices. The company contributed to create Centrex (Cloud PBX service) and Desk (Desktop Sharing service) platforms.

Welcome Italia holds 40.0% of the share capital of NetResults srl which is therefore not included in the scope of consolidation.
Below is a summary of their main economic and financial data, presented in compliance with national accounting standards.

Income Statement (Euro/000)	2019	%	2020	%	Δ%
Total revenue and operating income	**1,910**	**100**	**1,820**	**100**	**-4.7**
▪ of which core revenue	1,699	89.0	1,685	92.6	-0.8
▪ of which other income	211	11.0	135	7.4	-36.0
EBITDA	286	15.0	159	8.7	-44.5
EBIT	191	10.0	41	2.3	-78.5
EBT	189	9.9	38	2.1	-79.9
Net result	**157**	8.2	**17**	0.9	**-89.1**

Statement of Financial Position (Euro/000)	2019	%	2020	%	Δ%
Total Assets	**1,674**	**100**	**2,859**	**100**	**+70.7**
Non-current assets	85	5.1	65	2.3	-23.8
Current assets	1,589	94.9	2,794	97.7	+75.8
Total Shareholders' Equity and liabilities	**1,674**	**100**	**2,859**	**100**	**+70.7**
Shareholders' Equity	911	54.4	928	32.5	+1.8
Non-current liabilities	87	5.2	1,215	42.5	+1,295.9
Current liabilities	676	40.4	716	25.0	+5.9

Cash Flow Statement (Euro/000)	2019	2020	Δ%
Cash flow from operations	-129	355	-375.5
Cash flow from investments	-47	-22	-54.2
Cash flow from financial management	-73	1,023	-1,502.9
Total cash flow	**-249**	**1,357**	**-644.1**
Cash and cash equivalents	**206**	**1,563**	**+658.1**

Net financial position (Euro/000)	2019	2020	Δ%
Cash and cash equivalents	206	1,563	+658.1
Current financial payables	-96	-70	-96.8
Net current financial debt	**110**	**1,493**	**+1,257.3**
Non-current financial receivables	0	0	0.0
Non-current financial payables	0	-1,123	+100.0
Net financial position	**110**	**370**	**+236.5**

As at 31 December 2020, the Company's workforce consisted of 23 Employees.

Group staff

Further details regarding staff can be found in the following table.

Staff	2019	%	2020	%	Δ%
no. of persons as at 31 December	**235**	**100**	**241**	**100**	**+2.6**
Full Time Equivalent (FTE) as at 31 December (qty)	229.7	97.7	234.7	97.4	+2.2
Average FTE (qty)	220.4	93.8	233.8	97.0	+6.1
Non-employee collaborators (qty)	10	4.3	10	4.1	+0.0
Average age (years)	39.8		40.5		+1.8
Average length of service (years)	8.0		8.6		+6.7
Women (qty)	66	28.1	65	27.0	-1.5
Graduates (qty)	115	48.9	122	50.6	+6.1
Revenue per FTE (Euro)	261,343		264,150		+1.1
Cost per FTE (Euro)	53,551		51,995		-2.9
EBITDA per FTE (Euro)	66,736		71,360		+6.9

- The table refers to figures of companies belonging to the *Welcome Italia spa Group.* The table does not include figures of the associate *NetResults srl.*

Risk management

The main risks to which the Group is exposed in the management of its business activities are summarised below.

Strategic risks

Risks related to macroeconomic factors

The Group's economic and financial situation is subject to the influence of multiple macroeconomic factors such as economic growth, political stability, consumer confidence, changes in interest rates and exchange rates in the markets in which it operates.

Risks associated with competitive dynamics

The telecommunications market is characterised by competition, which over the years has led to constant pressure on prices and margins as well as a redistribution of market shares in all geographical areas and in all supply segments.
The sector in which the Group operates is characterised by potential technological changes, high competition and obsolescence of products and services.

Operational risks

The operational risks of the Group's business relate to possible inadequacies in internal processes, external factors, fraud, employee error, failure to properly document transactions, loss of critical or commercially sensitive data and failures in systems or network platforms.

Financial risks

Group companies may be exposed to risks of a financial nature such as those arising from fluctuations in interest rates and exchange rates, credit risk and liquidity risk.

Credit risk

The continuation of the general economic downturn and the consequent increase in payment difficulties on the part of Customers could worsen the current credit situation.

Liquidity risk

Liquidity risk is the potential difficulty for Group companies to meet obligations associated with financial liabilities.

Market risk
The Group is exposed to financial market risks mainly due to changes in interest rates.

Risks associated with business continuity
The Group's success depends on its ability to provide continuous and uninterrupted services through the availability of processes and related supporting assets, the resilience of the network infrastructure and the business continuity and disaster recovery policies of the Information Systems. In particular, network infrastructures and Information Systems are susceptible to internal and external threats: power outages, floods, storms, human errors, system failures, hardware and software failures, software bugs, cyber-attacks, earthquakes, facility failures, strikes, fraud, vandalism, terrorism, etc. Any of these events could generate an interruption in the provision of services and result in a potential direct and indirect impact on the company's business, such as, for example: a reduction in revenue or an increase in the costs for any restoration, a reduction in the level of Customer satisfaction, an increase in churn, costs related to penalties and fines, a negative impact on image and reputation.

Risks associated with the development of network infrastructures
In order to maintain and develop the Customer portfolio in each of the markets in which the Group operates, it is necessary to maintain, update and improve the existing networks. A reliable and high quality network is necessary to maintain the Customer base and minimise interruptions while protecting the company's revenue.

Risks of internal/external fraud
Welcome Italia is currently the only company in the Group to have adopted the fraud prevention organisational model (Legislative Decree 231/01). However, the implementation of such a model cannot ensure total risk mitigation. Dishonest activities and illegal acts perpetrated by people inside and outside the organisation could have a negative impact on the companies' operating results, financial structure and image.

Risks associated with disputes and litigation
The Group may be called upon to engage in disputes and litigation with tax authorities, regulators, competition authorities, other TLC operators and other entities. The possible impacts of such proceedings are generally uncertain. These issues could even, individually or together, in the event of an unfavourable solution for the Companies, have a significant negative effect on the operating results, financial position and cash flows.
Any situations of dispute or litigation with the Authorities are described in the Notes to the financial statements.

Regulatory and non-compliance risks

Regulatory risks
The risk deriving from the regulatory activities of the sector carried out by the Supervisory authorities is significant, affecting competition and the ways in which it can take place, technological aspects, profitability and financial dynamics.
In particular, the main elements that introduce uncertainty are:

- lack of predictability in the timing of commencement and subsequent decisions of new proceedings;
- any decisions with retroactive effect (e.g. price revisions relating to previous years following rulings by the administrative courts);
- any decisions that could affect the technological choices made or to be made, with potential impact on the period of return of infrastructure investments.

The continually evolving regulatory and legislative framework of the telecommunications industry also exposes the Companies to risks of non-compliance.

In order to address and overcome these critical issues, the Companies pay ongoing attention to the development of the reference framework and employ significant resources to carry out the adjustments expressly requested by the Authorities or dictated by technological developments.

Risks of non-compliance

The Group may be exposed to risks of non-compliance, deriving from non-compliance or violation of internal regulations (so-called self-regulation, such as, for example, the Articles of Association) and external regulations (laws and regulations), with consequent judicial or administrative sanctions, financial losses or reputational damage.
The objective of the Group companies is to ensure compliance of processes, and therefore of the procedures and information systems that regulate them, and of the company's performance with the relevant regulations. The risk is associated with any time delays needed to bring processes into compliance with regulatory developments or if a lack of compliance is detected.
Group Companies continued their GDPR compliance activities.

The market in which the Group operates

According to the investigations carried out by Agcom - which has implemented a periodic monitoring of the economic impact of the pandemic on the regulated sectors since last spring - in the first nine months of 2020 the drop in revenue in the reference markets of the National Regulatory Authority was less marked than the country's overall macroeconomic environment. While Italy's gross domestic product fell by 8.4% in the first three quarters of last year, overall revenue from the area represented by electronic communications, radio and television, publishing, Internet and postal services is estimated to have fallen by 5.4%.
In particular, in the telecommunications sector, the fall in revenue, which on average amounted to 5.3%, was relatively more relevant for the mobile network (-6.2%) than for the landline network (-4.5%). Although the summer months and the related holiday period have led to a decrease in consumption compared to the first months of the year, the more intense domestic use of video content streaming, home-working and distance learning have produced, on an annual basis, a strong growth in traffic, which increased daily by 49.5% in the landline network and 56.1% in the mobile network. With regard to unit consumption, in 2020 traffic per broadband line in the landline network has been estimated equal to 6.15 GB per day, with a growth of 45.5% compared to 2019: in the mobile network, daily data traffic per Human SIM (i.e. excluding M2M) can be estimated at around 0.26 GB per day, with a year-on-year increase of 62.6%.

A detailed analysis of the data published by Agcom in its "Communication Markets Monitoring System" report, referring to 30 September 2020, reveals the following main considerations (relating to the Parent Company).

Landline network - total direct accesses

(Telecom Italia physical accesses, Full ULL, SLU, Vula, DSL Naked, WLR, Bitstream NGA, Fibre and FWA)

- On annual basis, the total number of lines (19.43 million) shows an overall decrease of 391 thousand accesses (-2%) with the following percentage composition: copper 39.1 (-10.4%), FWA, fibre over radio hybrid network 7.4% (+0.9%), FTTC, fibre over copper hybrid network 45.3% (+7%) and FTTH 8.1% (+2.25%).
- An overall year-on-year decrease of 780 thousand accesses.
- Total direct access market shares: Telecom Italia 45.1% (-2.6%), Vodafone 15.8% (+0.8%), Wind Tre 14% (+0.5%), Fastweb 13.8% (+0.4), Linkem 3.4% (+0.3%), Eolo 2.6 (+0.5), others 5.2% (+0.2%).

Mobile, overall SIMs

- On an annual basis, the total number of SIMs (104.1 million) decreased by 0.2 million (-0.2%), due to the decrease in human SIMs (a total of 77.8 million, a change of 3 million, equal to -3.7%), which was only partly offset by the progressive diffusion of M2M (machine to machine) SIMs, which increased by 2.8 million (a total of 26.3 million, +11.9%).
- Total SIM market shares: Vodafone 29.1% (+0.4), TIM 29% (-1%), Wind Tre 26.1% (-2.1%), Iliad 6.6% (+2.2%), Poste Mobile 4.2% (=), other MVNOs 5.1% (+0.5%).
- Human SIM market shares: Wind Tre 28.2% (-2.5), TIM 26.5% (-0.8%), Vodafone 24.1% (-0.9%), Iliad 8.8% (+3.2%), Poste Mobile 5.5% (+0.3%), other MVNOs 6.8% (+0.8%).

Mobile, Human SIMs by customer type

- On an annual basis, residential users, who account for 87.6% of lines (68.1 million SIMs), fell by 3 million (-4.3%).
- Business users, who account for 12.4% of lines (9.6 million SIMs), remained essentially stable compared to September 2019 (+0.2%).
- Residential user market shares: Wind Tre 29.1% (-2.7%), TIM 25.0% (-1.1%), Vodafone 22.5% (-1.2%), Iliad 10% (+3.7%), Poste Mobile 5.9% (+0.3%), other MVNOs 7.4% (+1.0%).
- Business user market shares: TIM 37.3% (+0.5%), Vodafone 35.7% (+0.6%), Wind Tre 21.8% (-1.1%), Poste Mobile 2.7% (+0.1%), other MVNOs 2.6% (-0.1%).

Mobile, Human SIMs by contract type

- In September 2020, 86.4% of the customer base (67.2 million SIMs) used prepaid SIMs, down 2.5 million (-3.7%).
- Subscription SIM cards, which account for 13.6% of lines (10.5 million SIMs), fell by 0.4 million units in one year (-3.8%).
- Prepaid SIM segment market shares: Wind Tre 27.0% (-3.3%), TIM 25.3% (-1.2%), Vodafone 23.6% (-0.4%), Iliad 10.2% (+3.7%), Poste Mobile 6.4% (+0.3%), other MVNOs 7.5% (+1.0%).
- Subscription SIM segment market shares: Wind Tre 36.2% (+2.5%), TIM 34.3% (-1.7%) Vodafone 27.0% (-3.9%), other MVNOs 2.5% (-0.3%).

Mobile, data traffic

- In September 2020, SIMs with data traffic accounted for 73.1% of total Human SIMs.
- In September 2020, the number of SIM cards with Internet access increased by 1.4 million units (+2.7%).
- Overall data traffic was up 52.4% compared to the same period in 2019.
- In one year, monthly unit traffic (9.23 Giga/month) grew more than 48%.

Mobile, number portability

- In September 2019, the cumulative number of mobile number portability operations exceeded 155 million (12.2 million in the calendar year).
- With reference to the last twelve months, the percentage distribution of outgoing ("donating") and incoming ("receiving") lines is as follows: negative for Wind Tre (26.6% and 13.4%), Vodafone (21.2% and 19.4%) and TIM (21.2% and 18.2%), while positive for Iliad (10.1% and 22.9%) and the other MVNO operators (20.9% and 26.1%).

Regulation of the sector

Group companies operate in a market characterised by a regulatory and legislative framework that is constantly evolving, taking into account technological changes, market dynamics and the economic environment in general, which, over the past year, has been affected by the Covid-19 emergency.
In 2020, work continued on implementing the objectives set in the European and national Digital Agenda, aimed at creating next generation action networks (NGAN); the new European Electronic Communications Code, which is still being transposed in Italy, also fits into this context.
Technical Specification no. 770 relating to technical solutions for interconnection in packet switching technology for telephone services between mobile networks was adopted by the Ministry of Economic Development (*Ministero dello Sviluppo Economico* - MISE) and ratified by the Authority. This will enable IP interconnections between mobile networks, with the possibility of providing a higher quality mobile voice service.
In 2020, Welcome Italia obtained specific authorisation from the Authority to apply a surcharge in relation to mobile phone services provided in other European Union countries (Roaming-Like-At-Home).
With regard to the market for wholesale local access services at a fixed location (Market No. 3a) and the market for wholesale central access services at a fixed location for consumer products (Market No. 3b), the European Commission has adopted a Recommendation that considers these markets to be no longer subject to ex-ante regulation. In addition, TIM has presented a new network separation project pursuant to Article 50-ter of the Electronic Communications Code, which is the subject of a preliminary investigation by the Italian Antitrust Authority and will also need to be assessed in light of the regulatory impact on the definition of the two sub-national geographical markets, namely a) the Municipality of Milan and b) the rest of Italy, as defined in Resolution 348/19/CONS.
Lastly, dispute negotiations were opened within the Authority against TIM regarding the assurance penalties relating to the years 2018, 2019 and 2020; at the invitation of the Authority, Welcome Italia and TIM embarked on a pathway to settle the issue amicably and define the methods for the use of the ticket closure causes falling under Force Majeure and Third Party Causes.

The Authority's actions have therefore been aimed at continuing or launching initiatives in what are now the traditional areas of attention and intervention:

- Public consultations initiated or administrative proceedings opened by the Sector Authority aimed at acquiring opinions, information and documentation on Telecom Italia's Reference Offers, the quality of broadband services and number migration or portability procedures, the TIM network separation project, revision of the National Numbering Plan, SIM Swap, Premium SMS Blocking and IP interconnection between mobile networks.
- Analysis of the markets in accordance with the provisions of Community and national legislation.
- Regulation of new generation networks and new scenarios for competition in relation to services and networks

Among the most relevant measures are:

Parliament

- Decree Law no. 18 of 17 March 2020 on "Measures to strengthen the National Health Service and provide economic support for families, workers, and businesses related to the COVID-19 emergency".

Ministry of Economic Development (MISE)

- Approval of Technical Specification no. 770 "Technical solutions for interconnection in packet switching technology for telephone services between mobile networks".

European Commission

- Delegated Regulation (EU) on maximum mobile voice termination rate: supplementing Directive (EU) 2018/1972 of the European Parliament and of the Council by establishing a single Union-wide maximum mobile voice termination rate and a single Union-wide maximum landline voice termination rate.
- Recommendation on relevant product and service markets within the electronic communications sector susceptible to ex ante regulation in accordance with Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Communications Code.

National Regulatory Authority (*Autorità per le Garanzie nelle Comunicazioni* - AGCOM)

- Circular of 20 March 2020: Implementation of Art. 82 of the "*Cura Italia*" Decree and initial urgent measures on broadband and ultra-broadband services to facilitate and enable "agile work".
- Communication of 25 March 2020: Launch of the permanent consultation and debate committee with operators pursuant to the AGCOM Circular of 20 March 2020 - implementation of Article 82 of the "*Cura Italia*" Decree and initial urgent measures on broadband and ultra-broadband services to facilitate and enable "agile work".
- Resolution no. 34/20/CONS: Amendments to Resolution 348/18/CONS on "Measures for the correct application of Article 3(1), (2), (3) of Regulation (EU) no. 2015/2120 laying down measures concerning open Internet access, with specific reference to the freedom of choice of terminal equipment".
- Resolution no. 71/20/CIR: Initiation of the procedure and public consultation concerning the approval of Telecom Italia's reference offers related to call origination and termination services in the landline public telephone network for the years 2019 and 2020.
- Resolution no. 131/20/CONS: Guidelines on the application of Article 82, paragraph 6, of Decree Law no. 18 of 17 March 2020 (the "*Cura Italia*" Decree).
- Resolution no. 154/20/CONS: Adoption of measures on broadband and ultra-broadband services in implementation of Art. 82, paragraph 6, of the "*Cura Italia*" Decree.
- Resolution no. 259/20/CIR: Initiation of the procedure aimed at defining the regulatory provisions regarding IP interconnection and interoperability for the provision of VoIP services on mobile networks.
- Resolution no. 284/20/CIR: Approval of Telecom Italia's reference offers related to ULL/SLU wholesale landline network access services, Colocation, WLR, NGAN Infrastructure, End to End, Backhaul for the years 2019 and 2020.
- Resolution no. 285/20/CIR: Approval of Telecom Italia's reference offers related to VULA services for the years 2019 and 2020.
- Resolution no. 286/20/CIR: Approval of Telecom Italia's reference offers in relation to wholesale access services to the Bitstream copper and Bitstream NGA landline network for the years 2019 and 2020.
- Resolution no. 306/20/CIR: Relaunch of experimentation with the service of supplying corporate messaging using aliases in SMS/MMS in order to identify the sender (CLI) as an alternative to telephone numbering.
- Resolution no. 319/20/CONS: Initiation of the procedure for the assessment of the economic dimensions of the Integrated Communications System (ICS) for the year 2019.
- Resolution no. 329/20/CIR: Approval, for the years 2019 and 2020, of Telecom Italia's reference offer for call origination and termination services in the landline public telephone network.
- Resolution no. 330/20/CIR: Initiation of a procedure and a public consultation concerning changes and additions to the National Numbering Plan as per Resolution no. 8/15/CIR as amended in relation to the use of the 455 codes for the provision of fundraising services for third sector Entities.

- Resolution no. 333/20/CONS: Identification and analysis of the market for high quality wholesale access at a fixed location (Market no. 4 of the European Commission Recommendation 2014/710/EU).
- Resolution no. 334/20/CIR: Initiation of a procedure and public consultation on the integration of mobile number portability procedures, as per Resolution no. 147/11/CIR, and on related measures aimed at increasing security in cases of SIM replacement (SIM Swap).
- Resolution no. 335/20/CIR: Regulatory provisions regarding IP interconnection and interoperability for the provision of VoIP services over mobile networks.
- Resolution no. 337/20/CONS: Authorisation for Welcome Italia spa to apply a roaming surcharge pursuant to Article 6 quater(2) of Regulation (EU) no. 2012/531.
- Resolution no. 345/20/CIR: Initiation of the procedure and public consultation concerning the approval, for the years 2019 and 2020, of Telecom Italia's reference offers relating to dedicated capacity transmission services (terminating circuits, interconnection flows, delivery kits and internal station connections).
- Resolution no. 384/20/CONS: Approval of TIM's initiative to extend the use of broadband services to enable "agile working" and distance learning.
- Resolution no. 401/20/CONS: Launch of public consultation on provisions relating to blocking and enabling the purchase of premium services and obtaining proof of consent.
- Resolution no. 472/20/CONS: Implementation of Resolution no. 384/20/CONS on "Approval of TIM's initiative to extend the use of broadband services to enable "agile working" and distance learning".
- Resolution no. 637/20/CONS: Initiation of the preliminary procedure for the coordinated analysis of the markets for landline network access services pursuant to Article 50-ter of the Code and the public consultation regarding the project for the voluntary legal separation of TIM's landline access network.
- Resolution no. 670/20/CONS: Amendments to the application regulation on procedures for settling disputes between users and electronic communications operators via the ConciliaWeb platform.

Research and Development

The Group companies continued their research and development activities and focused their efforts in particular on innovative projects relating to the implementation and optimisation of telecommunications networks and systems and on analysis, studies, design, review and testing for the development of new functions in the field of telecommunications services and software, with expenses allocated to the development of Group services.
During the year, the Group Companies supported activities for which they intend to make use of the Research and Development and Training 4.0 tax credit provided for by current legislation (Article 1, paragraph 35, of Law no. 190 of 23 December 2014, as amended).
Only Qboxmail srl has taken advantage of the option to capitalise development costs incurred in accordance with IAS 38.
Research and development activities are a key determinant of the Group's success and will therefore continue in the 2021 financial year.

Significant events during the 2020 financial year

Since January 2020, the national and international scenario has been characterised by the spread of Covid-19 (Coronavirus) and the consequent restrictive measures for its containment, implemented by the public authorities of the concerned Countries.
Services provided by the Group support landline and mobile TLC, corporate ICT structures, both for infrastructure upgrades and for maintenance and development of services managed for supporting smart working (e.g. ERP, videoconferencing, collaboration systems). The emergency clearly confirmed the value and strategic nature of these services, so the resulting events not only had a very limited impact on the Group's business, but for some services there was a demand increase.

None of the Group's economic and financial ratios were significantly affected, either directly or indirectly, with the exception of sales marketing operations, which suffered a significant slowdown during the general lockdown period.
The financial and capital structure also allowed to face the most delicate phases of the Covid-19 emergency with confidence.

With regard to the internal management of the Covid-19 emergency, Group companies adopted a precautionary approach aimed at maintaining the safety of workers and ensuring business continuity. The indications established by the Government and the competent Authorities have always been monitored and followed, informing employees in a timely manner and resorting on a large scale to recommending work from home, while at the same time physically protecting at headquarters staff unable to work in smart working mode. Since April, personal protective equipment (PPE) has been distributed to all staff at the offices.
Group companies have also adjusted their safety measures to comply with the provisions of the "Shared protocol for regulating measures to combat and contain the spread of the Covid-19 virus in the workplace" in relation to office capacity, temperature measurement, work shifts and sanitation of common areas.

The other most significant events for the year just ended are described below.

- January: Launch of a new sales channel focused on Agencies ("Promoter") activity.
- January: Certification of the patent application in Italy entitled "Method for establishing a telephone conversation between two users who are simultaneously calling each other" (Busy Call).
- January: Finalisation of the definitive contract for the sale of the land in the Massarosa municipality where the new Headquarters will be built.
- February: Adoption of the Organisational Model pursuant to Legislative Decree 231/2001 and appointment of the Supervisory Board. Publication of the Model on corporate website in order to inform all company employees and stakeholders. Introduction of a whistleblowing system to ensure that any violations of the Organisational Model and Operating Procedures can be reported to the Supervisory Board, none of which have occurred to date. Employees Training completed during the year.
- March: In conjunction with the National general lockdown, a free increase from 30 to 100 GB is granted to all Vianova Mobile service profiles. The initiative was initially due to expire on 30 April but was subsequently extended to 31 August. An upgrade plan for landline network connections was also adopted to ensure the necessary support for remote work.
- March: following the Health emergency, frozen of the credit recovery policy, initially for the red zones and then for the entire Customer base, until June. In June, special postponement forms and economic bonuses is provided and granted to the categories of Customers who suffered most from the epidemic.
- March: For the second consecutive year, win of the 2020 Champions award. Welcome Italia has been confirmed among the Italian companies with the highest growth rates between 2012 and 2018. The research was carried out by the Italy Post study centre.
- March: Audit carried out to maintain certification according to ISO 9001 - Quality Management System.
- March: Completion of the construction of a high-capacity fibre network (dark fibre) that extends for 2,500 kilometres and covers the data and voice traffic of over 70% of Customers in order to meet growing bandwidth demand.
- April: Certification of the patent application in Italy entitled "Method and equipment for the management of a call transfer service manager / assistant on mobile telephone communication networks" (Vip Call).
- April: The company Vola spa acquired 67% of the company Winitalia srl, specialised in Cybersecurity, starting integrating Winitalia's proprietary platform with its own Cybersecurity platform "Cerbeyra".

- July: Signing of an agreement with TIM for the development of VoLTE services.
- July: Publication of the new area on the Company website available to Partners, Promoters and Agents.
- July: The new Vianova by Welcome Italia brand, characterised by three dots and an initial "V" line, represents our tribute to Samuel Morse who in 1837 filed the telegraph patent, thus laying the foundations of modern telecommunications.
- August: Publication of the new corporate website (https://www.vianova.it) which takes the name of the service offering. The site has been completely revised and replanned to be suitable for e-commerce experiences.
- August: Release of a new Collaboration service (video conference), provided exclusively by Data Centers in Italy. The new "Vianova Meeting" service (https://meeting.vianova.it) allows to organise and to participate safely in professional video meetings with group chat and screen sharing and it is dedicated to Vianova landline Customers.
- September: Update of the Vianova Mobile offer, once the policy linked to the Covid-19 emergency expired, guaranteeing all Customers an increase in their data package, from 30 to 50 GB on the Agile profile and from 5 to 10 on the Data profile.
- October: Launch of Digital Campaigns and adoption of the new CRM MKTG & Sales Hubspot (web marketing automation).
- October: Release of the "online configurator", a tool to facilitate the commercial proposition.
- October: Audit carried out to maintain certification according to ISO 9001 - Information Security Management System.
- October: Introduction for all Vianova Fisso Customers of the "Traffico Flat" option, an alternative to pay-as-you-go traffic that allows for unlimited calls to national landline and mobile numbers for a fixed monthly fee for each voice channel subscribed to.
- October: The Company Vola spa released the new website cerbeyra.com, dedicated to the Cybersecurity services platform.
- December: Agreement signed for the introduction of the e-sim service.
- December: Agreement signed to modify the contractual term and the main economic conditions of the Full MVNO contract.
- December: Preparation of an ad hoc report for all employees ("Talking pay slip"), complete with tables and charts that provide an innovative representation of the pay situation alongside the traditional pay slip.
- December: New update of the Vianova Mobile offer with an increase in the data package from 50 to 100 GB and profiling of the Vianova Meeting video conference service with unlimited users.

Economic, equity and financial performance of Welcome Italia spa

Income Statement (Euro/000)	2019	%	2020	%	Δ%
Operating revenue	**53,060**	**100**	**57,319**	**100**	**+8.0**
▪ of which organic revenue	51,055	96.2	56,330	98.3	+10.3
▪ of which other income	2,055	3.8	990	1.7	-50.7
Variable costs	-21,892	41.3	-23,484	41.0	-7.3
Contribution margin	**31,168**	**58.7**	**33,835**	**59.0**	**+8.6**
Fixed costs	-17,219	32.5	-17,824	31.1	-3.5
Gross operating margin (EBITDA)	**13,949**	**26.3**	**16,012**	**27.9**	**+14.8**
Amortisation/depreciation	-6,193	11.7	-6,533	11.4	-5.5
Provisions	-75	0.1	-62	0.1	+17.1
Operating income (EBIT)	**7,681**	**14.5**	**9,417**	**16.4**	**+22.6**
Financial income	29	0.1	24	0.0	-16.8
Financial charges	-32	0.1	-19	0.0	+40.9
Other income and expenses	185	0.3	157	0.3	-15.1
Profit before tax (EBT)	**7,862**	**14.8**	**9,579**	**16.7**	**+21.8**
Income taxes	-1,993	3.8	-2,424	4.2	-21.6
Result for the year (E)	**5,869**	**11.1**	**7,155**	**12.5**	**+21.9**

Statement of Financial Position (Euro/000)	2019	%	2020	%	Δ%
Total Assets	**52,610**	**100**	**57,427**	**100**	**9.2**
Non-current assets	26,851	51	28,504	49.6	6.2
Current assets	25,759	49	28,923	50.4	12.3
Total Shareholders' Equity and liabilities	**52,610**	**100**	**57,427**	**100**	**9.2**
Shareholders' Equity	28,159	53.5	32,972	57.4	17.1
Non-current liabilities	2,144	4.1	1,360	2.4	-36.6
Current liabilities	22,307	42.4	23,096	40.2	3.5

Cash Flow Statement (Euro/000)	2019	2020	Δ%
Cash flow from operations	13,864	13,516	-2.6
Cash flow from investments	-9,263	-7,980	+13.9
Cash flow from financial management	-2,325	-3,195	-37.4
Total cash flow	**2,276**	**2,341**	**+2.9**
Cash and cash equivalents	**11,390**	**13,731**	**+20.6**

Net financial position (Euro/000)	2019	2020	Δ%
Cash and cash equivalents	11,390	13,731	20.6
Current financial payables	-1,005	-855	-14.9
Net current financial debt	**10,385**	**12,877**	**24.0**
Non-current financial receivables	3	12	300.0
Non-current financial payables	-956	-427	-55.3
Net financial position	**9,431**	**12,461**	**32.1**

Note: as a result of methodological refinements, the classification between fixed costs, variable costs and provisions has been revised, therefore several values shown in the previous tables for the 2019 financial year, are not comparable with those present in the Directors' Report on Operations of the previous financial statements.

Other indicators of Welcome Italia

Revenue

Growth is organic and mainly depends on the increase in the Customer base.

Revenue by product (Euro/000)	**2019**	**%**	**2020**	**%**	**Δ%**
Vianova fisso	49,744	93.7	52,907	92.3	6.4
▪ of which fees	44,873	84.6	47,715	83.2	6.3
▪ of which pay-per-use	4,871	9.2	5,192	9.1	6.6
Vianova mobile	1,312	2.5	3,424	6.0	161.0
Other revenue	2,005	3.8	989	1.7	-50.7
Total	**53,061**	**100**	**57,319**	**100**	**8.0**

- The Other revenue item includes amounts paid to the Company by other operators as repricing on previous years for Euro 272 thousand, other contingent assets for Euro 377 thousand, as well as revenue for penalties, contributions, recovery of expenses, capital gains and other income.

Revenue is growing in all *Nielsen areas*.

Revenue by geographical area (Euro/000)	**2019**	**%**	**2020**	**%**	**Δ%**
Area 1	18,461	34.8	20,509	35.8	11.1
Area 2	13,355	25.2	14,760	25.8	10.5
Area 3	15,641	29.5	17,227	30.1	10.1
Area 4	3,598	6.8	3,834	6.7	6.6
Other non-georeferenced revenue	2,005	3.8	989	1.7	-50.7
Total	**53,060**	**100**	**57,319**	**100**	**8.0**

- Area 1: Piedmont, Aosta Valley, Liguria, Lombardy
- Area 2: Trentino Alto Adige, Veneto, Friuli Venezia Giulia, Emilia Romagna
- Area 3: Tuscany, Umbria, Marche, Lazio, Sardinia
- Area 4: Abruzzo, Molise, Apulia, Campania, Basilicata, Calabria, Sicily

The percentage weight of revenue generated by the largest Customers (Class A) is increasing.

Revenue by class of Customer (Euro/000)	**2019**	**%**	**2020**	**%**	**Δ%**
Class A - up to 10% of Customers	26,900	50.7	30,072	52.5	+11.8
Class B - 10% to 30% of Customers	12,353	23.3	13,390	23.4	+8.4
Class C - 30% to 100% of Customers	11,802	22.2	12,867	22.4	+9.0
Other not classifiable revenue	2,005	3.8	989	1.7	-50.7
Total	**53,060**	**100**	**57,319**	**100**	**+8.0**

The development of the Customer base was mainly driven by "word of mouth" based on the excellent references generated by existing Customers.

Customers

The number of Vianova Customers active during the year increased, as did the number of locations served.

Customers (qty)	**2019**	**2020**	**Δ%**
Customers as at 31 December	11,819	13,010	+10.1
Average number of Customers per year	11,172	12,468	+11.6
Sites as at 31 December	18,664	20,771	+11.3
Average annual sites	17,599	19,764	+12.3
Sites per Customer with landline as at 31 December	1.60	1.64	+2.1

The number of Customers subscribing to the landline-mobile convergent offer is growing, as is the number of Customers subscribing to the Company's mobile-only commercial offer.

Active Customers as at 31 December (qty)	**2019**	**%**	**2020**	**%**	**Δ%**
Landline and mobile	2,096	17.7	3,375	25.9	+61.0
Landline only	9,261	78.4	8,807	67.7	-4.9
Mobile only	462	3.9	828	6.4	+79.2
Total	**11,819**	**100**	**13,010**	**100**	**+10.1**

Average number of Customers per year(qty)	**2019**	**%**	**2020**	**%**	**Δ%**
Landline and mobile	1,393	12.5	2,801	22.5	+101.0
Landline only	9,591	85.8	8,992	72.1	-6.2
Mobile only	188	1.7	676	5.4	+259.4
Total	**11,172**	**100**	**12,468**	**100**	**+11.6**

- The average active Customers refer to the number of individual corporate names of Customers to whom at least one invoice was issued during the year.

The value of the ARPU per corporate name of Customers subscribing to the Agile mobile commercial offer increased, while that of the landline service remained substantially unchanged.

Annual ARPU (Euro)	**2019**	**2020**	**Δ%**
Landline	4,528	4,486	-0.9
Mobile	835	985	+18.0
Overall	**4,570**	**4,518**	**-1.1**

- The ARPU value per corporate name is calculated using the following formula: Revenue from services/Monthly average of active corporate names.

Thanks to the loyalty of its Customers, the Company is able to constantly improve its efficiency, optimise production costs and increase productivity. A part of the value retained is returned to Customers in the form of new services or price reductions.

Vianova Customer Loyalty Rate (%)	**2019**	**2020**	**YoY**
Customer Loyalty Rate	94.6	95.6	+1.00
Customer Churn Rate	5.4	4.4	-1.00
Total	**100**	**100**	
Customer Retention Rate	92.0	93.1	+1.10

- The *Customer Loyalty Rate* measures the rate of loyalty, calculated for all Customers (excluding Customers who have ceased trading, those who have gone bankrupt and those who are insolvent), compared with the previous year, while the *Customer Churn Rate* measures the rate of abandonment (migration to a competitor) of all Customers compared with the previous year.
- The *Customer Retention Rate*, on the other hand, measures the retention rate, calculated for all Customers (including Customers who are insolvent, subject to bankruptcy proceedings or who have ceased trading) compared with the previous year.

As a result of methodological refinements, the classification criteria between landline-only Customers, mobile-only Customers and landline and mobile Customers were revised during the year, therefore some of the figures for 2019 provided in the previous tables are not comparable with those shown in the Directors' Report on Operations of the 2019 financial statements.

Lines and traffic

The number of Broadband access lines (xDSL and fibre) active during the year increased, as did the number of active voice channels for Vianova's direct access services.

Access and voice channels (qty)	**2019**	**2020**	**Δ%**
Broadband accesses	22,796	24,718	+8.4
Voice channels	61,705	67,188	+8.9

This result confirms the trend already noted in previous years, whereby the number of minutes of telephone traffic grew less than proportionally to the increase in the number of voice channels. The main reason for this is probably due to the phenomenon of landline-mobile substitution and the consequent evolution, still in progress, of the consumption habits of telephone users who tend to complement traditional landline voice services with alternative communication tools (social networks, instant messaging, video conferences, etc.).

Total telephone traffic (minutes)	**2019**	**%**	**2020**	**%**	**Δ%**
From landline network	373,130,580	91.6	377,780,034	80.2	+1.2
From mobile network	34,219,012	8.4	93,297,072	19.8	+172.6
Total	**407,349,592**	**100**	**471,077,106**	**100**	**+15.6**

Telephone traffic from landline network (minutes)	**2019**	**%**	**2020**	**%**	**Δ%**
National	88,981,342	23.8	72,995,387	19.3	-18.0
Mobile	46,375,193	12.4	58,066,203	15.4	+25.2
International	2,896,284	0.8	2,201,011	0.6	-24.0
Vianova freephone and non-geographic numbers (NNG)	14,090,954	3.8	12,377,073	3.3	-12.2
Reverse	220,786,807	59.2	232,140,360	61.4	+5.1
Total	**373,130,580**	**100**	**377,780,034**	**100**	**+1.2**

- *Reverse* is the incoming telephone traffic received by direct access Customers (Vianova Customers).
- NNG is traffic to numbers whose pricing is independent of the geographic location of the calling customer.

Telephone traffic from mobile network (minutes)	**2019**	**%**	**2020**	**%**	**Δ%**
Mobile	13,409,137	39.2	38,605,464	41.4	+187.9
Vianova	3,912,873	11.4	9,998,790	10.7	+155.5
Landline	2,491,056	7.3	6,446,144	6.9	+158.8
Roaming and International	553,802	1.6	584,109	0.6	+5.5
Reverse	13,852,144	40.5	37,662,565	40.4	+171.9
Total	**34,219,012**	**100**	**93,297,072**	**100**	**+172.6**

Sales network

Welcome Italia's network of Partner companies is made up of system integrators operating in the Information & Communication Technology sector, capable of guaranteeing a local presence at a national level.
The Partners implement innovative solutions and services, compatible and integrated with Vianova services, capable of responding to a wide range of business needs.
On behalf of Welcome Italia, they carry out with their own technical units Delivery and Assurance activities at Customer sites and promote the sale of Vianova services with qualified personnel certified by Welcome Italia.
As summarised in the corporate Vision as "*a network of ethical and independent companies specialised in telecommunications and information technology*", the business project was supported by two sales channels up to 2017: the network of Partners and the network of Agents coordinated directly by the Company (consisting of commercial agents operating also on the Partners' Customer portfolio on behalf of the Partners themselves).

Sales network as at 31 December (qty)	2019	2020	Δ%
Active Partners	95	102	+7.4

The sales results for recurring service fees have been the element most affected by the emergency and exceptional situation caused by the Covid-19 epidemic. Marketing activities were effectively interrupted during the domestic lockdown period and they could only resume at full capacity in the second half of the year. Nevertheless, the volume of new contracts exceeded by a wide margin the volume of contracts terminated as a result of normal turnover and following the cessation of business by Customers.

Annual fees collected (Euro/000)	2019	2020	Δ%
Total	**8,178**	**7,281**	**-11.0**

- The annual value of the fees is obtained by multiplying the value of the new monthly fees subscribed by 12.
- The above figures include Colocation service fees: to ensure comparability, an adjustment has been made to the figure for the 2019 year, which is set out in the Directors' Report on Operations of the 2019 financial statements.

Commissions value rose due to the increase in revenue volume, while acquisition premiums were virtually unchanged.

Premiums and commissions (Euro/000)	2019	%	2020	%	Δ%
One-off acquisition premiums	1,789	3.4	1,777	3.1	-0.7
Recurring commissions	5,537	10.4	5,996	10.5	8.3
Total	**7,326**	**13.8**	**7,773**	**13.6**	**6.1**

- The percentages relating to acquisition premiums and commissions refer to Operating revenue.
- Commissions, paid monthly, are calculated on the *contribution margin* relating to each individual invoiced location. Therefore, their incidence on revenue increases or decreases as the contribution margin increases or decreases.

Call 145, we answer you in three rings!

Compared to previous years, communication strategies have been revised and the first digital marketing campaigns have been launched on different and complementary channels, which will support the Company's growth process by increasing *brand awareness* and expanding the Customer base.

Communication	2019	2020	Δ%
no. of print and web releases	27	26	-3.7
no. of web users	328,177	346,283	+5.5
no. of pages visited on the website	4,195,978	4,635,085	+10.5

An Operator who answers their Customers *in three rings* (95.5% of calls) is not just an advertising slogan, but implies a real business philosophy.

Customer Service 145	2019	%	2020	%	Δ%
no. of calls received (inbound)	240,701	100	267,014	100	+10.9
no. of calls answered in three rings	229,517	95.4	255,047	95.5	+11.1
Average response time (seconds)	5.8		5.8		+0.7
Average response time (rings)	1.2		1.2		+0.7
no. of calls made (outbound)	100,338		94,112		-6.2
no. of operators as at 31 December	52		51		-1.9
average number of operators in the year	49.8		50.4		+1.2
average number of daily calls per operator	27.2		28.4		+4.6

Responding every day with punctuality and professionalism to its Customers is a real organisational challenge that runs through the entire company, putting the whole *staff* and all business *processes* to the test on a daily basis.

Main pillars of the Customer-focused corporate structure are:
1. steady network maintenance and update, with quality and continuity of services aim, based on regular measurement and monitoring of performance;
2. continuous improvement and enrichment of the services portfolio, usually at the same price for customers;
3. ongoing business process engineering, with the aim of balancing and distributing the workload according to the specific skills of the individual person.

Investments and loans

As already mentioned, the classes of uses and sources were in balance and the cash flows produced by ordinary operations adequately financed the investments.

Investments (Euro/000)	**2019**	**%**	**2020**	**%**	**Δ%**
TLC infrastructure	2,320	24.8	4,279	52.1	+84.4
TLC equipment	2,059	22.0	1,598	19.4	-22.4
Land and buildings	847	9.0	851	10.4	+0.5
Intangible assets in progress	101	1.1	562	6.8	+456.4
Software and licenses	742	7.9	405	4.9	-45.4
Tangible fixed assets in progress	2,978	31.8	320	3.9	-89.3
Other assets	148	1.6	162	2.0	+9.5
Equipment and plants	21	0.2	44	0.5	+109.5
Other intangible assets	158	1.7	0	0.0	-100.0
Total	**9,374**	**100.0**	**8,221**	**100.0**	**-12.3**

The main investments made during the year include, among others:

- the completion of a dark fibre high capacity network to meet the growing Customers demand for bandwidth over the next few years, with a significant improvement in performance and services provided. The fibre ring was completed in the first quarter of 2020 and extends from Milan to Rome, covering the collection of data and voice traffic for more than 70% of Customers, and is designed and structured to be flexible and integrable in anticipation of further developments in traffic and the location of the Customer base. The total investment that amounted to more than Euro 5 million, IRU mode, also allows for cost optimisation, through the replacement of part of the fees paid to other operators with depreciation and consequent effects in terms of cost distribution and intermediate margins;
- the usual purchases of equipment necessary for the provision of services installed at Customers' premises;
- the constant upgrade of the landline-mobile infrastructure with the purchase of hardware and software solutions aimed at providing convergence services to a growing number of Customers;
- the completion of the purchase of land for the construction by the Parent Company of new premises in the municipality of Massarosa.

The availability of cash and cash equivalents allowed to manage ordinary short-term activities, while structured capital needs were covered by medium-term financing transactions already completed in previous years. During the year, the Company has therefore only duly complied with the repayment schedules of existing loans.

Loans (Euro/000)	**2019**	**2020**	**Δ%**
Loans obtained	840	173	-79.4
Loans repaid	1,874	853	-54.5
Loans to be repaid	1,962	1,282	-34.7

- The Company has been able, also in 2020, to meet its financial requirements exclusively through self-financing.
- The value of the loans obtained is not attributable to bank loans, but to the recognition of financial liabilities arising from the recognition of assets in accordance with IFRS 16.

Receivables from Customers

The year was distinguished by the Covid-19 emergency. Group companies have done everything possible within their sphere of competence to remain close to their Customers, pursuing the dual aim of safeguarding their credit claims and preserving the relationship with the Customer.
Initiatives have been put in place in terms of ad hoc payment extensions and reduced pricing of the services offered, aimed at supporting the categories of Customers who suffered more than others as a result of the initial generalised lockdown and then the difficulties in resuming operations.
Debt recovery actions were carried out carefully, with continuous and careful monitoring of positions.
Despite the relevant and unexpected emergency, it was possible to contain the losses incurred within reasonable limits, also taking into account the increase in turnover. The fact that the losses recorded are in line with the previous year must be considered an undoubtedly successful event, also considering that most of them are attributable to the increase in the number of bankruptcies or admissions to insolvency procedures.

Receivables and collections (Euro/000)	2019	%	2020	%	Δ%
Total revenue (including VAT)	**64,715**	**100**	**69,760**	**100**	**+7.8**
Receivables from Customers	**6,822**	**10.5**	**7,483**	**10.7**	**+9.7**
▪ expiring	6,158	9.5	6,801	9.7	+10.4
▪ expired	484	0.7	488	0.7	+0.9
▪ with a pending injunction	180	0.3	194	0.3	+7.8

- The percentages for *Receivables from Customers* refer to the item *Total revenue (including VAT)*.
- For the "formal" representation of Receivables, please refer to the Notes to the financial statements.

Days Sales Outstanding (days)	2019	2020	Δ%
Days Sales Outstanding	38.5	39.2	+1.8

- Days Sales Outstanding = Receivables from Customers/(Total revenue including VAT/365).

Allowance for doubtful accounts (Euro/000)	2019	%	2020	%	Δ%
Opening balance	350	0.5	450	0.6	+28.6
Losses on receivables	207	0.3	205	0.3	-0.7
Provisions	307	0.5	355	0.5	+15.8
Closing balance	450	0.7	600	0.9	+33.3

- The percentages shown in the table refer to *Total revenue (including VAT)*.
- The provision was increased taking into account the stock of receivables at the end of the year, the trend in collections and the development of revenue expected for 2021.

Sustainability

Sustainability is one of the values of Welcome Italia and it guides our business choices. For us, sustainability means creating value, developing people and communities and protecting the environment.
We aim to create value for our Customers, our employees and the entire community around us. We aim to be an increasingly reliable and transparent partner for all stakeholders, creating a dynamic and inclusive working environment that puts our people and their needs at the centre of our focus.
"*Be helpful*", two simple words guiding our behaviour, highlighting the central role of work in the world in which we live: with work, every entity and every individual contributes to the development of the society they live in, and it is work that allows each individual to develop their potential and realise their aspirations.
In Welcome Italia we are proud of our work, because guaranteeing "the best telecommunication services" for our Customers allows us to be helpful "by doing to others what we would like them to do to us".
The Company has adopted a Code of Conduct which aims to frame the Group's responsibilities towards its stakeholders. These rules broadly cover all work contexts and have been characterised as follows: work (equal opportunities, harassment and abuse, diversity and inclusion, drugs and alcohol, work

environment), corporate assets (intellectual property rights, brand, corporate equipment); privacy, confidentiality, accounting integrity, conflicts of interest, safety and environment.
The Code is part of the general context of the adoption of the Organisational Model pursuant to Legislative Decree 231/2001 and the appointment of the Supervisory Board. The model has been published on the website in order to make it known to all company employees and stakeholders. The company has also introduced a whistleblowing system to ensure that any violations of the Organisational Model and Operating Procedures can be reported to the Supervisory Board, which to date has not received any reports.
Our Code of Conduct should help us put "Be helpful" into practice by aiming to achieve the highest ethical and quality standards in our dealings with Colleagues, Partners, Customers, Suppliers, Shareholders and the Communities in which we operate.

This year we have renewed our commitment as a green company, working wherever possible to limit the use of resources such as water and energy, and to reduce harmful emissions for which we are responsible.

Environment and Community

The Company has made special efforts to:

- Contribute to the "*plastic free*" initiative by providing all employees with reusable water bottles and installing high quality water dispensers (using reverse osmosis technology) at all sites. The initiative eliminates the consumption of more than 60,000 plastic bottles per year.
- Reduce the environmental impact resulting from the use and disposal of electronic equipment by promoting the constant reuse of working electronic equipment (routers, gateways, etc.) through a refurbishing process. Over 10,200 pieces of equipment were serviced during the year.
- Promote separate waste collection.
- Comply with all environmental legislation and standards.
- Support the activities of bodies and associations linked to its territory with donations. In the year distinguished by the health emergency, the employees and the Company donated medical equipment for use in intensive care treatment at two important local hospitals.

Customers

Offering "the best telecommunication services for your business" is the essence of Welcome Italia and we aim to put this into practice every day for our Customers.
We don't consider it a mere slogan, but a real promise and at the same time a challenge that we are committed to overcoming, day after day, at your side.
In order to keep our promise, we have created telecommunications infrastructures to connect your premises located anywhere in Italy and, together with our Partner companies, we have set up a national network of specialists in Information & Communication Technology to be ever closer to your technical assistance needs (our vision "*A network of ethical and independent companies specialised in Information & Communication Technology*").
"*Supporting business growth by simplifying telecommunications*" is a mission we carry out with proficiency and passion and, thanks to the trust placed in us by thousands of businesses every day, we are now one of the leading Operators in the sector.
Our activity is inspired by three simple Values: Respect, Service, Excellence.
These values make up several of the main peculiarities and distinctive traits of our Company:

- We answer 95.5% of calls in three rings, without using auto responders.
- We are constantly improving our offer, which is enriched every year with new services included in the price, and we apply any improvements in economic and supply conditions, which become available, to all existing and new customers.
- We anticipate problems, over 70% of trouble tickets are intercepted and reported before the customer is aware of them.
- Within 15 minutes from the opening of a trouble ticket one of our engineers will analyse the problem and initiate the resolution process.

Customers recognise the added value of our offer: the loyalty rate reached 95.6% (churn rate 4.4%), up from 94.6% in 2019.

Welfare

Welcome Italia works constantly to offer its staff the best working conditions.
The philosophy behind our daily commitment is that we take care not only of our customers but also of our employees. The Company carefully promote welfare initiatives for its employees and for this reason it has obtained two important external awards, which testify to its commitment together with the low turnover it has always achieved:
In April 2020, the Company was recognised as an Italian Bestworkplace, ranking 22nd in the Great Place to Work classification, which is based on the opinions of employees. This year, 60 companies out of 153 participating in the corporate climate analysis were awarded the Best Workplaces™ in Italy, and the opinions of 57,975 employees were heard.
In September 2020: for the second year the Company also won the Welfare Champions award, a prize assigned by the SME Welfare Index, promoted by Generali Italia. The report analysed the level of welfare in 46,500 small and medium-sized Italian enterprises in twelve areas, including, for example, work-life balance, support for the education of children and family members, and support for vulnerable groups. The Company was recognised with a special mention from the Covid-19 Resilience Steering Committee. The closing event was held in Rome, Palazzo Chigi, in the presence of Prime Minister Giuseppe Conte.

Below some of the main Company initiatives and policies:

- Employees are all hired on a permanent basis.
- All choices are geared towards combining work with the life needs of employees. For this reason, we don't have time cards to punch and we also promote smart working (regardless of the Covid-19 emergency) to reduce the impact on the environment in general.
- The utmost attention is paid to the quality of workstations, all of which are equipped with ergonomic chairs, raised desks, two or more monitors and footboards.
- Employees enjoy special benefits, such as: a voice and data line at home, company SIM card, health insurance, the "km12" initiative (mileage allowance for home/work journeys), an economic incentive for car sharing among employees to reduce the impact on the environment.
- Ad hoc training activities are promoted in addition to the professional training provided by the Company; each employee can choose an individual counselling course with accredited specialists or individual training and master courses at institutes or universities of their choice, financed by the Company.
- The Company allows all employees with more than seven years' seniority to take a one-year sabbatical, in accordance with procedures and timeframes to be agreed with company management, with the guarantee of reintegration into the company, within twelve months, at the previous contractual conditions.
- The Company regularly organises *training courses* dedicated to the deepening of Vianova services. The courses are held by internal instructors and are attended by Partners' staff and, on a rotating basis, Company staff.

Further details and considerations regarding staff can be found in the following table.

Staff	**2019**	**%**	**2020**	**%**	**Δ%**
no. of persons as at 31 December	185	100	197	100	+6.5
Full Time Equivalent (FTE) as at 31 December (qty)	181.6	98.1	193.3	98.1	+6.5
Average FTE (qty)	174.8	94.5	188.7	95.8	+7.9
Non-employee collaborators (qty)	5	2.7	5	2.5	+0.0
Average age (years)	40.1		40.9		+2.0
Average length of service (years)	8.7		9.1		+4.6
Women (qty)	52	28.1	55	27.9	+5.8
Graduates (qty)	89	48.1	103	52.3	+15.7
Revenue per FTE (Euro)	303,482		303,840		+0.1
Cost per FTE (Euro)	56,782		55,457		-2.3
EBITDA per FTE (Euro)	79,783		84,875		+6.4

Individual training (hours)	**2019**	**%**	**2020**	**%**	**Δ%**
Retreats	1,840	12.0	2,882	18.9	+56.6
Technical and commercial training courses	9,688	62.9	8,605	56.4	-11.2
Courses or masters at institutes and universities	3,739	24.3	3,572	23.4	-4.5
Individual counselling courses	126	0.8	209	1.4	+65.9
Total	**15,393**	**100**	**15,268**	**100**	**-0.8**
% training hours / Total hours worked	5.1		4.8		

- The *training and counselling hours* refer to the sum of the hours administered to each participant.
- Hours worked total 304,733 in 2019 and 325,049 in 2020.

- The Company continues to adopt work programmes based on reward systems linked to the performance of daily activities with quantitative and qualitative objectives (e.g. answering in three rings).
- These systems provide for elements of remuneration, paid partly at an individual level and partly for the benefit of the relevant work groups, correlated to key performance indicators (KPIs).
- In 2020, the productivity bonus envisaged for staff was equal to the value of two monthly payments: the first to be paid upon achievement of the objectives of the Function or Department to which they belong, the second determined on the basis of the evaluation of each employee made by the Manager responsible for the function.
- The Company complies with the obligations provided for by law on the inclusion of people with disabilities in the workplace and pays the utmost attention to the maintenance of comfortable environments capable of protecting the health and safety of staff.
- The Company applies the National Collective Labour Agreement (CCNL) for Telecommunications. At the date of approval of the financial statements there are no trade union representatives and all employees are on permanent contracts.
- Ensuring "*the best telecommunications services for your business*" is definitely a team effort.

Significant events subsequent to the end of the financial year and business outlook

The first few months of the year were in line with the plan and no significant events were reported, with the exception of the continuing epidemiological emergency caused by Covid-19.
The experience gained in the past year and the belief that the restrictions related the epidemic will gradually diminish, lead us to believe that there should be no significant negative impact on the Group's activities, either financial or operational.
As a result, we believe that there are no events that will affect growth opportunities and even less the business continuity, so we believe that 2021 promises to be another year of growth.
The year will be characterised significant innovations in many areas, such as the "Single Network" development scenario, the evolution of the Italian regulatory framework for network development and digitalisation, the adoption and consolidation of the Ultra Broadband Plan, the progress of 5G with significant evolutions from experimentation to the launch of commercial services, but as always we are convinced that the new challenges will represent new opportunities, growth and development for the Group.
The emergency is clearly demonstrating the value and strategic importance of ICT networks and services, and it has further confirmed that the Group operates in a crucial sector for the global economy, and it has the means to successfully overcome technological, economic and financial challenges that it will be called upon to face.
In this context, initiatives aimed at renewing the commercial and marketing strategy will continue in order to seize existing important opportunities on the market, as well as investment activities in infrastructure development. Various activities are also planned to improve, strengthen and optimise internal business processes in order to support the growth, including structural growth, that the Group is experiencing. In continuity with previous years, further investments are planned with the aim of making new tools available to Customers to make better use of the services offered, thus improving the Customer experience.

Medium and long-term strategic objectives therefore remain unchanged in terms of technological and commercial development: the Group will continue to pursue a policy of growth and development based on the quality of the services provided to Customers and on differentiating its business model from the one of its competitors, with the renewed intention of continuing to stand out in terms of innovation, service quality, integration, simplicity and transparency.

For the Board of Directors

The Chairman
Stefano Luisotti

Welcome Italia spa
Consolidated Financial Statements
as at 31 December 2020

Consolidated Statement of Financial Position

Statement of Financial Position (euro/000)	Notes	2019	%	2020	%	Δ%
Total Assets (a+b)		**56,666**	**100**	**62,178**	**100**	**+9.7**
Total non-current assets (a)		**28,597**	**50.5**	**30,209**	**48.6**	**+5.6**
Owned property, plant and equipment	1	25,679	45.3	27,150	43.7	+5.7
Goodwill	2	79	0.1	79	0.1	0.0
Intangible assets with a finite useful life	3	1,820	3.2	1,837	3.0	+0.9
Equity investments in associates valued using the Equity Method	4	388	0.7	632	1.0	+62.7
Sundry receivables and other non-current assets	5	5	0.0	15	0.0	+171.9
Deferred tax assets	6	624	1.1	497	0.8	-20.3
Total current assets (b)		**28,069**	**49.5**	**31,969**	**51.4**	**+13.9**
Inventories	7	0	0.0	0	0.0	0.0
Trade receivables	8	8,635	15.2	9,366	15.1	+8.5
Other current assets	9	6,077	10.7	6,463	10.4	+6.3
Current tax assets	10	541	1.0	471	0.8	-12.9
Cash and cash equivalents	11	12,815	22.6	15,668	25.2	+22.3
Total Shareholders' Equity and liabilities (c+f)		**56,666**	**100**	**62,178**	**100**	**+9.7**
Total Consolidated Shareholders' Equity (c=d+e)	12	**29,025**	**51.2**	**33,917**	**54.5**	**+16.9**
Total Group Shareholders' Equity (d)		**28,159**	**49.7**	**32,972**	**53.0**	**+17.1**
Share capital		11,000	19.4	11,000	17.7	0.0
Reserves		11,290	19.9	14,817	23.8	+31.2
Net result		5,869	10.4	7,155	11.5	+21.9
Total Shareholders' Equity attributable to minority interests (e)		**866**	**1.5**	**945**	**1.5**	**+9.1**
Total Liabilities (f=g+h)		**27,641**	**48.8**	**28,261**	**45.5**	**+2.2**
Total non-current liabilities (g)		**3,323**	**5.9**	**2,918**	**4.7**	**-12.2**
Non-current financial liabilities	13	1,540	2.7	1,427	2.3	-7.3
Employee benefits	14	674	1.2	638	1.0	-5.3
Provisions	15	763	1.3	649	1.0	-14.9
Deferred tax liabilities	16	346	0.6	203	0.3	-41.3
Total current liabilities (h)		**24,319**	**42.9**	**25,344**	**40.8**	**+4.2**
Current financial liabilities	17	1,276	2.3	1,140	1.8	-10.6
Trade payables	18	10,008	17.7	9,881	15.9	-1.3
Other current liabilities	19	12,472	22.0	13,269	21.3	+6.4
Current tax liabilities	20	563	1.0	1,054	1.7	+87.3

Consolidated Income Statement

Consolidated income statement (euro/000)	Notes	2019	%	2020	%	Δ%
Revenue and operating income	21	**57,602**	**100**	**61,756**	**100**	**+7.2**
Purchase of services	22	-30,471	52.9	-32,347	52.4	+6.2
Staff costs	23	-10,776	18.7	-11,003	17.8	+2.1
Purchase of materials	24	-992	1.7	-964	1.6	-2.9
Other operating costs	25	-652	1.1	-759	1.2	+16.5
Change in inventories	25	-1	0.0	0	0.0	-100.0
Operating income before amortisation/depreciation and write-downs		**14,709**	**25.5**	**16,683**	**27.0**	**+13.4**
Amortisation/depreciation and write-downs	26	-6,725	11.7	-7,071	11.5	+5.1
Operating income		**7,984**	**13.9**	**9,612**	**15.6**	**+20.4**
Net income/(expense) from equity investments	27	47	0.1	69	0.1	+46.4
Financial income	28	29	0.1	27	0.0	-8.8
Financial charges	29	-52	0.1	-36	0.1	-29.5
Profit before tax		**8,009**	**13.9**	**9,671**	**15.7**	**+20.8**
Income taxes	30	-2,077	3.6	-2,442	4.0	+17.6
▪ Group net result		5,869	10.2	7,155	11.6	+21.9
▪ Net result of minority interests		62	0.1	74	0.1	+19.6
Net result for the year		**5,932**	**10.3**	**7,229**	**11.7**	**+21.9**

Consolidated statement of comprehensive income (euro/000)	Notes	2019	%	2020	%	Δ%
Net result for the year		**5,932**	**10.3**	**7,229**	**11.7**	**+21.9**
Other items that will not be subsequently reclassified to profit/(loss) for the period						
▪ Profit/(loss) from revaluation of defined benefit plans		-31	0.1	14	0.0	-143.6
▪ Taxes on other components of the income statement		9	0.0	-4	0.0	-142.7
Overall result for the period		**5,909**	**10.3**	**7,239**	**11.7**	**+22.5**

Consolidated Cash Flow Statement

Consolidated cash flow statement (euro/000)	**Notes**	**2019**	**2020**
Net result		**5,932**	**7,229**
Amortisation/depreciation	26	6,725	7,071
Value adjustments to financial assets	27	-47	-69
Trade receivables - Decrease (increase)	8	-818	-731
Other current assets - Decrease (increase)	9	-155	-385
Current tax assets - Decrease (increase)	10	297	70
Deferred tax assets - Decrease (increase)	6	140	127
Trade payables - Increase (decrease)	18	1,206	-127
Provisions for risks - Increase (decrease)	15	77	-114
Other current liabilities - Increase (decrease)	19-20	1,067	1,288
Provisions for employee benefits - Increase (decrease)	14	70	-36
Provision for deferred taxes - Increase (decrease)	16	-185	-143
Cash flow from operations		**14,308**	**14,180**
Intangible fixed assets - (Acquisition) / Disposal	2	-1,086	-1,006
Tangible fixed assets - (Acquisition) / Disposal	1	-8,663	-7,366
Financial fixed assets - (Acquisition) / Disposal		0	-174
Other non-current assets - (Acquisition) / Disposal	5	-1	-9
Cash flow from investments		**-9,751**	**-8,555**
Financial liabilities - Increase (decrease)	13-17	-1,125	-434
Dividends paid		-1,350	-2,348
Other changes in Shareholders' Equity		-22	10
Cash flow from financial management		**-2,497**	**-2,773**
Total cash flow		**2,061**	**2,852**
Opening cash and cash equivalents		10,754	12,815
Closing cash and cash equivalents	11	12,815	15,668
Change in cash and cash equivalents		**2,061**	**2,852**

Consolidated Statement of Changes in Shareholders' Equity

Consolidated statement of changes in Shareholders' Equity (euro/000)	Notes	Share capital	Reserves	Statement of Comprehensive Income Reserve	Profit/(loss) for the year	Total Group Shareholders' Equity	Shareholders' Equity attributable to minority interests	Consolid. Shareholders' Equity
Balance as at 1 January 2020	12	**11,000**	**11,314**	**-24**	**5,869**	**28,159**	**866**	**29,025**
Profit/(loss) for the year		0	0	0	7,155	7,155	74	7,229
Revaluations of defined benefit plans for employees		0	0	6	0	6	4	10
Dividend distribution		0	0	0	-2,348	-2,348	0	-2,348
Capital increase		0	0	0	0	0	0	0
Allocation of previous year's result		0	3,521	0	-3,521	0	0	0
Balance as at 31 December 2020	12	**11,000**	**14,835**	**-18**	**7,155**	**32,972**	**944**	**33,916**

Notes to the Consolidated Financial Statements

Structure and Activities of the Group Companies

Welcome Italia spa (hereinafter the "Company" or the "Parent Company") is a public limited company under Italian law with registered office in Massarosa (LU), Via di Montramito 431/a.
The Parent Company is a landline ICT operator, and from 2018 also a mobile network operator, which directs its voice and data services exclusively to businesses.
Since 2007, the Company has been marketing a single integrated service offering, called Vianova, oriented towards the needs of businesses and inspired by an insourcing policy. In other words, the services are "built" in-house, integrating more traditional services, such as Voice and Data access, with the Collaboration services implemented by the Group, such as Mail, Hosting, Meeting, Conference Call, 800 Line, Fax, IP Centrex, Communicator, Drive, Cloud, Proxy and Analysis.

Approval of the Consolidated Financial Statements for the year ended 31 December 2020

The Consolidated Financial Statements for the year ended 31 December 2020 were approved by the Board of Directors on 1 March 2021, are audited by KPMG spa and will be presented at the Annual Shareholders' Meeting.

Declaration of compliance with IAS/IFRS and general criteria for the preparation of the Consolidated Financial Statements

The Consolidated Financial Statements for the year ended 31 December 2020 have been prepared in accordance with international accounting standards (International Accounting Standards - IAS or International Financial Reporting Standards - IFRS) and related interpretations (SIC/IFRIC) endorsed by the European Union on that date, hereinafter referred to as IFRS-EU, as well as with the measures issued in implementation of Article 9 of Legislative Decree 38/2005, which also regulates the ability to apply the aforementioned standards on an optional basis.

Consolidated Financial Statement Tables

The Consolidated Financial Statements have been prepared on a going concern basis and, in addition to these notes, comprise the following tables:

- Consolidated statement of financial position: the presentation of the statement of financial position takes place through the separate disclosure of current and non-current assets and current and non-current liabilities with a description in the notes for each item of assets and liabilities of the amounts that are expected to be settled or recovered within or beyond 12 months from the reporting date.
- Consolidated income statement: the classification of costs in the income statement is based on their nature, highlighting the intermediate results relating to gross operating profit, net operating profit and profit before tax. The table also includes income and expenses recognised directly in Shareholders' Equity for transactions other than those carried out with shareholders.
- Consolidated cash flow statement: the cash flow statement presents the cash flows from operating, investing and financing activities. Cash flows from operations are reported using the indirect method, whereby net result for the year is adjusted for the effects of non-monetary transactions, any deferrals or accruals of past or future operating cash receipts or payments, and revenue items associated with cash flows from investing or financing activities.
- Statement of changes in consolidated Shareholders' Equity: in addition to the statement of comprehensive income, this statement also includes transactions with shareholders and details of each individual component. Where applicable, the table also includes the effects, for each item of Shareholders' Equity, deriving from changes in accounting principles.

The Consolidated Financial Statements are prepared in euro, the Company's working currency. Amounts are expressed in thousands of euro, except where specifically indicated. Rounding is carried out at the level of each individual account and then totalled. It should also be noted that any differences in tables are due to the rounding of amounts expressed in thousands of euro.

Scope of consolidation

Below is a list of the companies included in the scope of consolidation of the Consolidated Financial Statements at the respective dates.

Consolidated companies as at 31 December 2020 (euro/000)	Country	Share capital	% shareholding	Direct / Indirect shareholding
Vola spa	Italy	500	67.0%	Direct
Host spa	Italy	300	51.0%	Direct
Qboxmail srl	Italy	52	51.0%	Direct

Vola spa, under control since 2006, operates in the IT sector and, in particular, in Internet and mobile services mainly through the supply and sale of integration and development services for Internet and mobile technologies, SMS and email messaging services (including e-commerce), software development, supply of IT services (including outsourcing) for companies, hosting services, Internet domain registration, and other services strictly related to IT.
Host spa, under control since 2016, operates in the ICT sector and is an Internet Service Provider (ISP) and Application Service Provider (ASP) with over 40,000 active domains managed through its brands Joomlahost and DNSHosting at its proprietary data center located in Turin.
Qboxmail srl, under control since 2016, operates in the ICT sector in the management of email infrastructure for ISPs.

Use of estimates and valuations

The preparation of the financial statements and related notes requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date.
Estimates and assumptions are based on elements known at the date of preparation of the financial statements, on management's experience and on other elements that may be considered relevant. Actual results may differ from these estimates.
Estimates are used to test for impairment, to defer assets and liabilities arising from contracts with Customers, to measure assets, amortisation/depreciation, to assess the recoverability of deferred tax assets, to recognise provisions for credit risks, as well as to make actuarial valuations of employee benefits and to measure contingent liabilities.
Estimates and assumptions are reviewed periodically and the effects of any changes are reflected in the income statement.
The following is a summary of the critical valuation processes and key assumptions used in the process of applying the IFRS and which may have a significant effect on the values recognised in the financial statements or for which there is a risk that significant differences in value may emerge with respect to the carrying amount of the assets and liabilities in the financial year subsequent to that of the financial statements.

Goodwill

The Welcome Italia Group verifies goodwill on an annual basis in order to ascertain the existence of any impairment losses to be recognised in the income statement. In particular, this test involves determining the recoverable amount of the cash generating units to which goodwill is allocated. This value was determined on the basis of their value in use. The allocation of goodwill to cash generating units and the determination of their value involves making estimates that depend on factors that may change over time, with potentially significant effects on the valuations carried out by the Directors.
All existing goodwill as at 31 December 2020 was tested for impairment.

Recoverable amount of non-current assets

Non-current assets include property, plant, equipment and other assets, investments accounted for using the Equity Method, other investments and other non-current assets. The Group periodically reviews the carrying amount of non-current assets held and used and of assets to be disposed of, when facts and circumstances require such a review. The analysis of the recoverability of the carrying amount of non-current assets is generally carried out using estimates of the expected cash flows from the use or sale of the asset and appropriate discount rates to calculate the present value. When the carrying amount of a non-current asset is impaired, the Group records a write-down equal to the excess between the carrying amount of the asset and its recoverable amount through use or sale of the same, determined with reference to the cash flows contained in the most recent business plans.
The estimates and assumptions used in this analysis reflect the state of knowledge of the Company's management in relation to business developments and take into account forecasts believed to be reasonable about future market and industry developments. It cannot be ruled out that different developments in the markets and sectors in which the Group operates could lead to values that differ from the original estimates and, where necessary, to adjustments in the carrying amount of certain non-current assets.

Amortisation/depreciation

Amortisation/depreciation of fixed assets is a significant cost for the Group. The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the related assets. The useful economic life of the Group's fixed assets is determined by the Directors at the time the asset is acquired; it is based on historical experience for similar fixed assets, market conditions and anticipations regarding future events that could have an impact on the useful life, including changes in technology. Therefore, the actual economic life may differ from the estimated useful life. The Group periodically assesses technological and industry changes in order to update the remaining useful life. This periodic update could result in a change in the amortisation/depreciation period and therefore also in the amortisation/depreciation charge for future years.

Contracts with Customers

The Group recognises, in the income statement, revenue components deriving from contracts with Customers and cost components for the acquisition and execution of contracts. These components are recognised in the income statement on the basis of the estimated average life of the contracts with Customers, which is determined by the Directors on the basis of historical experience. Therefore, the actual economic life may differ from the estimated useful life. The Group periodically reviews its estimate of the average contractual life. This periodic update could lead to a change in the period of recognition of revenue and costs and therefore also of the share of future years.

Recoverability of deferred tax assets

The Group recognises deferred tax assets up to the amount for which recovery is considered probable. Where necessary, the Group recognises adjustment items in order to reduce the value of deferred tax assets to the value for which recovery is considered probable. In assessing the recoverability of deferred tax assets, account is taken of budget results and forecasts for subsequent years consistent with those used for the purpose of impairment testing and described in the paragraph above on the recoverable amount of non-current assets.

Allowance for doubtful accounts

The allowance for doubtful accounts reflects management's estimate of losses related to the customer loan portfolio. The estimate of the allowance for doubtful accounts is based on management's expected losses, determined based on past experience with similar receivables, current and historical past due amounts, losses and collections, careful monitoring of credit quality and projections about general and sector economic conditions.

Defined benefit plans

Group companies provide employees with a defined benefit plan (employee severance indemnity).
With reference to employee benefit plans, net financial costs and charges are measured using an actuarial method that requires the use of estimates and assumptions to determine the net value of the obligation. The actuarial method considers parameters of a financial nature such as, for example, the discount rate, rates of growth of salaries and the probability of occurrence of potential future events through the use of parameters of a demographic nature such as, for example, rates relating to mortality and resignation or retirement of employees. In particular, the discount rates taken as reference are rates or rate curves of corporate bonds with high creditworthiness in their respective markets. A change in any of these parameters could affect the amount of the liability.

Contingent liabilities

The Group recognises a provision for ongoing disputes and legal cases when it considers it probable that a financial outlay will be made and when the amount of the resulting charges can be reasonably estimated. If the amount of the financial outlay cannot be reliably estimated or the probability of such an outlay becomes possible, no provision is recognised and the fact is reported in the Notes to the financial statements.
In the normal course of business, Group companies monitor the status of pending litigation and consult with their legal and tax advisors. It is therefore possible that the value of provisions for legal proceedings and disputes of Group companies may vary as a result of future developments in the proceedings in progress.

Consolidation criteria

The Consolidated Financial Statements are prepared on the basis of the financial statements of the Group companies approved by the Shareholders' Meetings or, in their absence, on the basis of the draft financial statements approved by the administrative bodies, as at 31 December 2020.
The closing date of the financial statements of Group companies is 31 December 2020. The financial statements are appropriately adjusted/reclassified in order to make them consistent with the rules for preparing the financial statements of the Parent Company.
Control is presumed to exist when the Company has the power to direct the Company's significant activities and is exposed to variability in results.
The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control is assumed until the date on which such control ceases to exist.
Companies over which "significant influence" is exercised have been valued with the "Equity Method".

Consolidation using the full consolidation method

In brief, consolidation with the full consolidation method involves taking the assets and liabilities, costs and revenue of the consolidated companies, regardless of the size of the stake held, and attributing to third-party shareholders, under a special item of Shareholders' Equity called "Minority interests in capital and reserves", their share of the profits and reserves.

The main techniques used in consolidation are outlined below:

- Elimination of equity investments in companies included in the consolidation and of the corresponding fractions of their Shareholders' Equity, attributing to the individual elements of the assets and liabilities the current value as at the date of acquisition of control; any residual difference, if positive, shall be recognised, if the conditions exist, under the asset item "Goodwill"; if negative, it shall be recognised in the income statement.
- The higher/lower price paid with respect to the corresponding fraction of Shareholders' Equity, resulting from the acquisition of additional shares in subsidiaries, is recorded as a deduction/increase of the Shareholders' Equity.

- Elimination of receivables and payables between companies included in the consolidation, as well as income and expenses relating to transactions between the same companies. Profits and losses arising from transactions between these companies and relating to values included in the statement of financial position and income statement have also been eliminated, if significant; any intragroup losses are not eliminated if they represent an indicator of impairment of the underlying asset.
- Reversal of dividends received from consolidated companies.

Valuation of equity investments using the Equity Method

The equity investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the investee's profits and losses realised after the acquisition date. Any goodwill included in the value of the investment is subject to an impairment test. The investor's share of the investee's results for the year is recognised in the income statement of the investee; however, to the extent that the Group is not liable for them, the excess of losses over the carrying amount of the investment in the financial statements is not recognised. Dividends received from an investee reduce the carrying amount of the investment.

Foreign currency transactions

The Company and the Group do not carry out transactions in foreign currencies and the Group does not hold investments in foreign companies.

Relevant accounting standards

Property, plant and equipment

Recognition and measurement

Tangible fixed assets are recognised and measured using the "cost" method, in accordance with IAS 16. Using this criterion, tangible fixed assets are recognised in the financial statements at purchase or production cost, including directly attributable ancillary costs and, subsequently, adjusted to take into account depreciation, any permanent impairment in value and the relative reversals.
If a tangible fixed asset is composed of several components with different useful lives, these components are accounted for separately (if they are significant).
Land is not depreciated, even if purchased together with a building.
The gain or loss generated by the disposal of property, plant, machinery, equipment and other assets is determined as the difference between the net disposal proceeds and the net residual value of the asset, and is recognised in the income statement in the period in which the disposal takes place.

Subsequent costs

Costs incurred subsequent to the purchase of the assets and the cost of replacing certain parts of the assets recorded in this category are added to the carrying amount of the item to which they refer and capitalised only if they increase the future economic benefits inherent in the asset itself. All other costs are recognised in the income statement when incurred.
When the cost of replacing parts of assets is capitalised, the net carrying amount of the replaced parts is recognised in the income statement. Extraordinary maintenance costs that increase the useful life of tangible fixed assets are capitalised and depreciated over the remaining useful life of the asset. Ordinary maintenance costs are recognised in the income statement in the year in which they are incurred.
Assets in the course of construction are recorded at cost under "Fixed assets in progress" until they are available for use; when they are available for use, the cost is classified under the relevant item and depreciated.

Depreciation

The depreciation period begins when the asset is available for use and ends on the earlier of the date on which the asset is classified as held for sale in accordance with IFRS 5 and the date on which the asset is derecognised. Any changes to depreciation schedules are applied prospectively.

The value to be depreciated is represented by the book value reduced by the presumable net disposal value at the end of its useful life, if significant and reasonably determinable.

Depreciation is calculated on the basis of economic-technical rates determined in relation to the estimated useful life of the individual assets, established in accordance with the company's plans for their use, which also consider physical and technological deterioration, taking into account their estimated realisable value net of scrapping costs. When the tangible asset is made up of several significant components with different useful lives, each component is depreciated separately. When events occur that indicate a possible loss due to reduction in value of tangible fixed assets, or when there is a significant reduction in the market value of the same, significant technological changes or significant obsolescence, the net carrying amount, independently of the depreciation already recorded, is subject to verification based on the estimate of the current value of the estimated future cash flows and adjusted if necessary. Subsequently, if these conditions are no longer met, the impairment loss is reversed up to the carrying amount that would have been determined (net of depreciation) if the asset impairment loss had never been recognised.

Depreciation is calculated with pro-rata temporis criteria on a straight-line basis over the estimated useful life of the asset, by applying the following rates:

Depreciation rates (%)	**2019**	**2020**
Plant and equipment, TLC infrastructure, ULL and PoP sites	18	18
Industrial and commercial equipment	12	12
Furnishings	12	12
Fittings	12	12
Equipment on loan for use at Customers' premises	20	20
Electrical and electronic equipment, including electronic telephone systems	20	20
Vehicles	25	25
Buildings	3	3
Fibre (core network)	6.67	6.67
Customer Fibre (access network)	33.33	33.33

Useful lives and residual values are verified at the reporting date and have not been changed from the previous year.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. This requires, at the date of acquisition of control, recognition at fair value of the identifiable assets (including previously unrecognised intangible assets) and identifiable liabilities (including contingent liabilities and excluding future restructuring) of the acquired company.

Goodwill arising from a business combination is initially measured at cost represented by the excess of the fair value of the consideration transferred with respect to the Group's share of the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill arising from a business combination is allocated, at the acquisition date, to the individual cash-generating units of the Group or to groups of cash-generating units that are expected to benefit from the synergies of the combination, regardless of whether other Group assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the smallest level within the Group at which goodwill is monitored for internal management purposes;
- shall be no larger than the identified operating segments.

After initial recognition, goodwill is not amortised and is decreased by any impairment losses, determined in the manner described in the section "Impairment losses on non-financial assets".

Intangible assets with a finite useful life

Initial recognition and measurement
Intangible assets acquired separately are initially capitalised at cost, while those acquired through business combinations are capitalised at fair value at the date of acquisition. After initial recognition, intangible assets are recognised at cost less accumulated amortisation and any impairment losses.

Subsequent costs
Costs incurred after purchase are capitalised only when they increase the expected future economic benefits attributable to the asset to which they refer. All other subsequent costs are charged to the income statement when incurred.

Amortisation and impairments
Intangible assets are amortised over their useful lives and tested for impairment whenever there are indications of possible impairment losses. The period and method of amortisation applied to them shall be reviewed at the end of each financial year or more frequently if necessary. Any changes to amortisation schedules are applied prospectively.
Gains or losses arising from the derecognition of an intangible asset are measured by the difference between the net disposal proceeds and the carrying amount of the intangible asset, and are recognised in the income statement in the period of derecognition.
Amortisation is calculated with pro-rata temporis criteria on a straight-line basis over the estimated useful life of the intangible asset, by applying the following rates:

Amortisation rates (%)	2019	2020
Development costs	33	33
Industrial patent rights and use of intellectual property	5	5
Software expenses	33	33
Concessions, licenses, trademarks and similar rights	20	20
Other fixed assets (costs related to technical operations)	20	20

Derecognition
Intangible assets with a finite useful life are derecognised either when they are disposed of or when no future economic benefit is expected from their use or disposal. The relative gain or loss, recognised in the income statement, is determined as the difference between the net consideration deriving from the disposal, if any, and the net carrying amount of the asset derecognised.

Equity investments accounted for using the Equity Method
Equity investments accounted for using the Equity Method are represented by associates.
Associates are entities over whose financial and operating policies the Group exercises significant influence.
Associates are accounted for using the Equity Method and initially recognised at cost. The cost of the investment includes transaction costs. The Consolidated Financial Statements include the Group's share of the profits or losses of investee companies recognised using the Equity Method up to the date on which such significant influence is exercised.

Assets measured at amortised cost
If there is objective evidence that a loan recognised at amortised cost has suffered an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses not yet incurred), discounted using the financial asset's initial effective interest rate (i.e. the effective interest rate calculated at the date of initial recognition or the current effective interest rate in the case of variable rate loans). The carrying

amount of the asset is reduced through the use of a provision and the amount of the loss is recognised in the income statement.
The Group assesses, first of all, the existence of objective indications of impairment at an individual level, for financial assets that are individually significant, and then, at an individual or collective level for financial assets that are not. In the absence of objective indications of impairment for an individually assessed financial asset, whether significant or not, that asset is included in a group of financial assets with similar credit risk characteristics and that group is tested for impairment on a collective basis. Assets assessed individually and for which an impairment loss is recognised or continues to be recognised will not be included in a collective assessment.
If, in a subsequent period, the value of the impairment loss decreases and that reduction can be objectively traced to an event occurring after the impairment loss was recognised, the previously reduced value may be reversed. Any subsequent reversals of impairment losses are recognised in the income statement, to the extent that the carrying amount of the asset does not exceed the amortised cost at the date of the reversal.
With reference to trade receivables, a provision for impairment losses is made when there is an objective indication (such as, for example, the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to recover all the amounts due according to the original terms of the invoice. The carrying amount of the receivable is reduced by the use of a specific provision. Receivables subject to impairment losses are reversed when they prove to be unrecoverable.
When, given the terms of payment granted, a financial transaction is involved, receivables are measured at amortised cost by discounting the nominal value to be received, recording the discount as financial income.

IFRS 9 (Financial Instruments)

The Group adopts the expected credit loss model in accordance with IFRS 9, and classifies its financial assets on the basis of the business model chosen by the entity to manage them and on the basis of the characteristics of the contractual cash flows of the financial assets themselves.
As regards the management of trade receivables, Management has defined its business models on the basis of the specific nature of the receivable, the type of counterparty and the collection period; this has been done in order to optimise the management of working capital by continually monitoring the collection performance of customers, setting credit collection policies and managing receivable disposal programmes.
The Business Model adopted by the company for trade receivable management is "Held to Collect". The company holds the financial assets and trade receivables in order to collect them, not so much to benefit from their sale. The measurement is at amortised cost.
Impairment on trade receivables and contract assets is carried out using the simplified approach allowed by the standard. This approach involves estimating the expected loss over the life of the receivable at initial recognition and in subsequent valuations. For each customer segment, the estimate is made mainly by determining the average expected uncollectible amount, based on historical-statistical indicators, adjusted if necessary using prospective elements. For certain categories of receivables with specific risk elements, specific assessments are carried out on individual credit positions.

IFRS 16 (Leases)

Pursuant to IFRS 16, at the start date of the leasing contract, the lessee must recognise an asset representing the right to use of the leased asset for the duration of the contract (so-called right-of-use or *RoU*) and a liability for future payments to which the lessee is committed by signing the contract (so-called lease liability).
The financial charges accrued on the lease liability and the amortisation of the right to use the asset are recorded separately in the income statement.
The contracts falling within the scope of application of the standard for the Group concern the rental of office and warehouse premises, TLC infrastructures and vehicles.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand and short-term sight deposits, in accordance with IAS 7. For the purposes of the cash flow statement, cash and cash equivalents are represented by cash as defined above net of bank overdrafts.

Share capital and other Shareholders' Equity items

Costs relating to the issue of new shares or options are classified in Shareholders' Equity, net of the related tax benefit, as a deduction from the proceeds from the issue of such instruments.
As envisaged by IAS 32, if equity instruments are repurchased, these instruments (own shares) are deducted directly from Shareholders' Equity under the item "Other reserves". No gain or loss is recognised in the income statement on the purchase, sale or cancellation of own shares.
The consideration paid or received, including any costs incurred directly attributable to the capital transaction, net of any related tax benefit, is recognised directly as a movement in Shareholders' Equity.
Any dividends paid to shareholders are recognised as liabilities in the period in which they are declared.

Financial liabilities

Financial liabilities are initially recognised at the fair value of the consideration received net of transaction costs that are directly attributable to the loan itself. After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. Depreciation at the effective interest rate is included among financial charges in the income statement.

Employee benefits

Post-employment benefits may be offered to employees through defined contribution and/or defined benefit plans. These benefits are based on employees' remuneration and years of service.
Defined contribution plans are post-employment benefit plans under which the Company and sometimes its employees make predetermined contributions to a separate entity (a fund) and the Company does not have, and will not have, a legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to meet its obligations to employees.
Defined benefit plans are post-employment benefit plans, other than defined contribution plans. Defined benefit plans may be unfunded or wholly or partly funded by contributions paid by the enterprise, and sometimes by its employees, to a company or fund that is legally separate from the enterprise paying them to employees.
The amount accrued is projected into the future to estimate the amount to be paid at the time of termination of the employment relationship and subsequently discounted to take into account the time elapsed before the actual payment.
Adjustments to liabilities relating to employee benefits are determined on the basis of actuarial assumptions, based on demographic and financial assumptions, and are recognised on an accruals basis in line with the work performed to obtain the benefit. The amount of the rights matured during the year by employees and the share of interest on the amounts accrued at the beginning of the period and on the corresponding movements referring to the same period are recognised in the income statement under "Staff costs", while the figurative financial charge deriving from the actuarial calculation is recognised in the statement of comprehensive income under the "Profit/(loss) from revaluation of defined benefit plans" item.
The actuarial valuation is entrusted to an actuary external to the Company.
Following the changes made to the rules for the Employee Severance Indemnity (*Trattamento di Fine Rapporto* - "T.F.R.") by Law no. 296 of 27 December 2006 and subsequent Decrees and Regulations ("Pension Reform") issued in the early months of 2007:

- the T.F.R. accrued at 31 December 2006 is considered a defined benefit plan according to IAS 19. Guaranteed employee benefits, in the form of T.F.R., paid out on termination of employment, are recognised during the period when the right to such benefits accrues;

- the T.F.R. accrued after 1 January 2007 is considered a defined contribution plan and therefore the contributions accrued in the period have been entirely recorded as a cost and, for the portion not yet paid to the funds, shown as a liability in the "Other current liabilities" item.

Provisions for future risks and charges

Provisions for risks and charges are recognised to cover charges for obligations of Group companies, whether legal or implicit (contractual or otherwise), arising from a past event. Provisions for risks and charges are recognised if it is probable that a utilisation of resources will be required to settle the obligation and if a reliable estimate of the obligation can be made.
Provisions are recognised at the best estimate of the amount that the enterprise would reasonably pay to extinguish the obligation or to transfer it to third parties at the end of the period.
Provisions are periodically updated to reflect changes in cost estimates, the time needed to complete the project and the discount rate; revisions of provisions are booked to the same income statement item that had previously included the provisions or, when the liability relates to tangible assets, as an offsetting entry to the asset to which it refers.
The provision includes the allocation of future costs for ongoing litigation.

Trade payables

Payables are recorded at nominal value net of discounts, returns or billing adjustments, representing the fair value of the obligation. When, given the payment terms agreed, a financial transaction is involved, the payables, valued using the amortised cost method, are discounted to their nominal value to be paid, recording the discount as a financial charge.

Impairment losses on non-financial assets

The Group assesses whether there are any indicators of impairment of tangible and intangible assets. If there is any indication of this, the Company proceeds to estimate the recoverable amount of the asset (impairment test).
The accounting standard does not require the formal preparation of an estimate of recoverable amount except when there are indicators of impairment losses. The exception to this principle are assets not available for use and goodwill acquired in business combinations, which must be subjected to impairment testing at least once a year and whenever there are indicators of impairment losses. The Company has set the reporting date as the time to perform the impairment test for all those assets where annual analysis is required.

Recognition of Revenue from Contracts with Customers

In accordance with IFRS 15, revenue recognition is carried out by applying a five-step model as outlined below:

- Identification of the contract with the customer**:** Vianova's bundled service offering meets the requirements of the standard:
  a) the parties to the contract have approved the contract in writing and have undertaken to fulfil their respective obligations;
  b) the entity can identify the rights of each party as regards the goods or services to be transferred;
  c) the entity can identify the terms of payment for the goods or services to be transferred;
  d) the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows are expected to change as a result of the contract);
  e) it is probable that the entity will receive the consideration to which it is entitled in exchange for the goods or services to be transferred to the customer.

- Identification of the performance obligations provided for by the contract: the bundle offer (packages of Vianova goods and services), consisting of a fixed fee and a monthly variable fee, and the activation fee (up-front fee) are part of a single performance obligation that the Company has towards its customers.

  Contracts with customers fall into the category of performance obligations over time: the customer simultaneously receives and uses the benefits arising from the entity's performance as the entity performs it.

  Revenue recognition is therefore based on the amount that the Company is entitled to invoice, in accordance with the paragraphs of IFRS 120/121 and B-15/16 ("as invoiced practical expedient").
- Determination of transaction consideration: in determining the transaction price, the entity shall consider the terms of the contract and its usual business practices. The transaction price is the amount of the consideration that the entity expects to be entitled to in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (e.g. sales taxes). The consideration promised in the contract with the customer includes fixed amounts and variable amounts linked to actual consumption carried out. These are not variable payments linked to incentives, performance bonuses, penalties or other similar elements that depend on the occurrence or non-occurrence of a future event.
- Allocation of the consideration to individual performance obligations; the objective of allocating the transaction price is to assign each separate performance obligation (or each separate good or service) to an amount that reflects the amount of consideration to which the entity expects to be entitled in return for transferring the promised goods or services to the customer. The bundle offer of Vianova service packages is a single performance obligation and the practical expedient of "as-invoiced" is applied.
- Recognition of revenue at the time of (or during) the satisfaction of the individual performance obligation: revenue is recognised during the satisfaction of the identified performance obligation and on an accruals basis.

  For the purpose of revenue recognition, the Company does not separate the performance obligations included in the contract as separate representation would not change the presentation in the financial statements. Revenue from activation fees (up-front fees) does not represent an important incentive for customers in relation to potential "renewal/non-renewal" and therefore does not transfer a "material right" to the customer. This fee does not represent a separate performance obligation, but is allocated over the average duration of the contract. The portion pertaining to the year is recognised under revenue in the income statement, while the remaining portion is recorded under Other Current Liabilities. The implicit financial component does not appear to be significant and has therefore not been considered.

Recognition of costs IFRS 15

IFRS 15 governs two types of cost: "Costs to obtain the contract" and "Costs to fulfil the contract".
The entity shall recognise as an asset the incremental costs of obtaining the customer contract if it expects to recover them. The incremental costs of obtaining the contract are costs that the entity incurs to obtain the contract with the customer that it would not have incurred had it not obtained the contract (for example, a sales commission).

An entity shall recognise as an asset costs incurred in the performance of the contract only if the costs meet all of the following conditions:

- the costs are directly related to the contract or an anticipated contract, which the entity may identify specifically (this may be, for example, costs incurred for services to be provided as part of the renewal of the existing contract or for the design of an asset to be transferred under a specific contract not yet approved);
- the costs provide the entity with new or additional resources to be used to meet (or continue to meet) its obligations to do things in the future;
- costs are expected to be recovered.

The costs incurred by the Company in obtaining and fulfilling the contract relate to the payment of premiums to agents/commercial partners for procuring customers and the costs incurred in installing equipment and networks at new customers. Both are accounted for on the basis of the average duration of the contract. The portion pertaining to the year is recorded in the Income Statement, while the remaining portion is deferred under Other Current Assets.

Recognition of costs

Costs and other operating expenses are recognised in the income statement when they are incurred on an accrual basis and correlated to revenue, when they do not produce future economic benefits or when they do not qualify for recognition as assets.

Staff costs

Staff costs are represented by wages and salaries, social security charges, charges relating to defined benefit plans, mainly represented by the provision for severance indemnity, staff and directors' benefits, and other staff costs (medical examinations, travel, canteen).

Current taxes

Income taxes are determined on the basis of a realistic forecast of the tax charges to be paid in consideration of the accrual basis of accounting and in application of current tax regulations. The tax rates and regulations used to calculate the amount are those in force, or substantially in force, at the reporting date. Current taxes relating to items recognised outside the income statement are recognised directly in the statement of comprehensive income, and therefore in Shareholders' Equity, consistently with the recognition of the item to which they relate.

Deferred taxes

Deferred taxes are calculated using the so-called "liability method" on temporary differences at the reporting date between the tax bases of assets and liabilities and the values reported in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred taxes arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, does not affect neither the profit for the year calculated for financial reporting purposes nor the profit or loss calculated for tax purposes.
Deferred tax assets are recognised for all deductible temporary differences and for tax losses carried forward, to the extent that it is probable that there will be adequate future taxable profits to utilise the deductible temporary differences and tax losses carried forward. The value of deferred tax assets to be recognised is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available in the future to recover the asset. Unrecognised deferred tax assets are reviewed periodically at the reporting date and are recognised to the extent that it has become probable that taxable profit will be sufficient to allow these deferred taxes to be recovered.
Deferred taxes are measured at the tax rates that are expected to apply to the period when such assets are realised or such liabilities are settled, considering the rates in force and those already enacted or substantively enacted at the reporting date.
Deferred tax assets and liabilities are offset if they relate to taxes of the same tax authority and there is a legal right to offset current tax assets and liabilities.

Own shares

There are no own shares.

Events occurring after the end of the financial year

- Events occurring after the end of the financial year that modify conditions already existing at the reporting date and that require changes in the value of assets and liabilities, in accordance with the relevant accounting standard, are recognised in the financial statements, in accordance with the accrual basis of accounting, to reflect the effect that such events have on the financial position and results of operations at the end of the financial year.
- Events occurring after the end of the financial year that modify situations existing at the reporting date, but that do not require a change in the values of the financial statements, in accordance with the reference accounting standard, as they pertain to the following financial year, are not recorded in the financial statements but are illustrated in the notes when necessary for a more complete understanding of the company's situation.
- The time limit within which the event must occur for it to be taken into account is the date of preparation of the draft financial statements by the Directors, except in cases where events occur between that date and the date scheduled for approval of the financial statements by the Shareholders' Meeting that make it necessary to amend the draft financial statements.

Notes to the individual items in the financial statements

Note no. 1 - Owned property, plant and equipment

A breakdown of "Property, plant, equipment and other assets" by category as at 31 December 2020 and 31 December 2019 is provided below:

	31 December 2019			31 December 2020		
Property, plant, equipment and other assets (euro/000)	**Historical Cost**	**Acc. Depreciation**	**Net Carrying Amount**	**Historical Cost**	**Acc. Depreciation**	**Net Carrying Amount**
Land and buildings	8,942	-2,266	6,676	10,364	-2,638	7,726
TLC infrastructure	17,105	-11,863	5,242	23,588	-13,815	9,774
Equipment and plants	6,723	-3,379	3,344	6,789	-4,062	2,727
TLC equipment	20,470	-15,071	5,399	21,548	-16,752	4,796
Other assets	6,731	-4,790	1,942	7,100	-5,457	1,643
Tangible fixed assets in progress	3,078	0	3,078	485	0	485
Total	**63,048**	**-37,368**	**25,679**	**69,874**	**-42,724**	**27,150**

The item Land and buildings includes the land located in Via Giannessi (PI) on which there is an office of the Consolidating Company Welcome Italia, and the land destined to host its new office to be built in Massarosa. The aforementioned land plots, recognised at Euro 780 thousand and Euro 1,422 thousand respectively, are not subject to depreciation.

Changes in "Property, plant, equipment and other assets" for the period from 1 January 2020 to 31 December 2020 are shown below:

Changes (euro/000)	**Land and buildings**	**TLC infrastructure**	**Equipment and plants**	**TLC equipment**	**Other assets**	**Tangible fixed assets in progress**	**Total**
Balance as at 1 January 2020	**6,676**	**5,242**	**3,344**	**5,399**	**1,941**	**3,078**	**25,679**
Increases	851	4,279	46	1,598	441	355	7,570
Decreases	0	-12	0	-57	-10	0	-79
Reclassifications	571	2,355	22	0	0	-2,948	0
Depreciation	-372	-2,091	-685	-2,144	-729	0	-6,021
Write-downs	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0
Balance as at 31 December 2020	**7,726**	**9,774**	**2,727**	**4,796**	**1,643**	**485**	**27,150**

Acquisitions during the year are mainly due to the investments made by the Consolidating Company Welcome Italia; for further details, please refer to the Investments and loans section in the Directors' Report on Operations.

Assets under finance and operating lease

In compliance with the provisions of IFRS 16, the Rights of Use deriving from property lease agreements, long-term car rental agreements and the operating lease agreement entered into during the year for the server solution, have been valued and recognised in the assets, respectively in the categories Buildings, Other assets and TLC infrastructure.

	31 December 2019			31 December 2020		
Assets for rights of use (€/000)	**Historical Cost**	**Acc. Depreciation**	**Net Carrying Amount**	**Historical Cost**	**Acc. Depreciation**	**Net Carrying Amount**
Land and buildings	907	-186	721	907	-371	**536**
Other assets	45	-21	24	231	-57	**174**
Total	**952**	**-207**	**745**	**1,138**	**-428**	**710**

For evidence of the accounting treatment as a contra-entry to the Assets described, reference should be made to the subsequent sections of the Notes to the financial statements on "Medium/long-term financial liabilities" and "Current financial liabilities".

Note no. 2 - Goodwill

A breakdown of "Goodwill" as at 31 December 2020 and 31 December 2019 is provided below:

Goodwill (euro/000)	2019	2020	Changes	Δ%
Qboxmail goodwill	79	79	0	0.0
Total	**79**	**79**	**0**	**0.0**

- The value of goodwill recognised in the financial statements arises from the acquisition of the subsidiary Qboxmail in the 2016 financial year.
- Based on the provisions of the reference standards, in the absence of indicators of potential impairment losses, it was not considered necessary to determine the recoverable amount of tangible and intangible fixed assets as at 31 December 2020.

Note no. 3 - Intangible assets with a finite useful life

The table below shows the balance and changes in "Intangible assets with a finite useful life" divided by category for the period from 1 January 2020 to 31 December 2020:

Intangible assets with a finite useful life (euro/000)	Software and licenses	Other intangible assets	Intangible assets in progress	Total
Balance as at 1 January 2020	**626**	**1,036**	**158**	**1,820**
Increases	405	39	562	1,006
Decreases	0	0	0	0
Reclassifications	92	43	-135	0
Amortisation	-539	-451	0	-990
Write-downs	0	0	0	0
Other changes	0	0	0	0
Balance as at 31 December 2020	**584**	**667**	**585**	**1,836**

The item Other intangible assets includes the one-off amount paid by the Parent Company Welcome Italia to another operator in order to be able to provide mobile phone services (Euro 300 thousand), as well as the development costs capitalised by the subsidiary Qboxmail, relating to the creation of a new email platform (Euro 201 thousand).

Based on the provisions of the reference standards, in the absence of indicators of potential impairment losses, it was not considered necessary to determine the recoverable amount of tangible and intangible fixed assets as at 31 December 2020.

Note no. 4 - Equity investments in associates

Details of the position as at 31 December 2020 and 31 December 2019 is provided below:

Equity investments in associates valued using the Equity Method (euro/000)	2019	2020	Changes	Δ%
NetResults srl	388	458	69	+17.8
Winitalia srl	0	174	174	100
Total	**388**	**632**	**243**	**+62.7**

The equity investment in NetResults was acquired in 2015 for the value of Euro 344,417.
In 2015, at the time of the first valuation, a negative difference between the purchase cost and the fraction of Shareholders' Equity held equal to Euro 172,912 had been recognised, which it had been decided to amortise over 5 years (the amortisation was then suspended at the time of transition to international accounting standards on 1 January 2017).
The investment was valued using the Equity Method, taking as a reference the value of Shareholders' Equity as at 31 December 2020 updated by IFRS adjustments. During the year, the subsidiary Vola spa acquired 67% of the share capital of Winitalia srl.

Note no. 5 - Sundry receivables and other non-current assets

The item Sundry receivables and other non-current assets includes guarantee deposits issued against various supply contracts such as electricity, water and gas.

Note no. 6 - Deferred tax assets

The "Deferred tax assets" item is made up as follows:

Deferred tax assets (euro/000)	**2019**	**2020**	**Changes**	**Δ%**
IFRS entry conversion	428	261	-167	-39.0
Receivables	108	144	36	+33.3
Provisions for risks	72	72	0	0.0
Intangible assets	8	6	-2	-25.0
Warehouse	8	8	0	0.0
Other	0	6	6	100
Total	**624**	**497**	**-127**	**-20.4**

The IFRS entry conversion item represents deferred taxes recognised on accounting items transitioned to IFRS from 1 January 2017.

Below are the changes in the item "Deferred tax assets" with reference to the year 2020:

Deferred tax assets - changes (euro/000)	**Balance as at 1 January 2020**	**Provisions / releases to the income statement**	**Provisions / releases to the statement of comprehensive income**	**Balance as at 31 December 2020**
IFRS entry conversion	428	-167	0	261
Receivables	108	36	0	144
Provisions for risks	72	0	0	72
Intangible assets	8	-2	0	6
Warehouse	8	0	0	8
Other	0	6	0	6
Total	**624**	**-127**	**0**	**497**

Note no. 7 - Inventories

This item only represents assets relating to the sale, installation and maintenance of telephone systems.

Inventories (euro/000)	**2019**	**2020**	**Changes**	**Δ%**
Inventories of raw, ancillary and consumable materials	27	27	0	0.0
Inventory write-down provision	-27	-27	0	0.0
Total	**0**	**0**	**0**	**0.0**

Inventories refer to end-of-sale activities of the Parent Company prior to the introduction of Vianova services. The amount in stock has decreased and it was considered appropriate to align the value of the write-down provision to their carrying amount: the presumed realisable value was reduced to zero due to the fact that they are now completely obsolete from a technical and economic point of view.

Note no. 8 - Trade receivables

A breakdown of "Trade receivables" is provided below:

Trade receivables (euro/000)	2019	2020	Changes	Δ%
Trade receivables for invoices issued	7,200	8,015	815	+11.3
Invoices to be issued for service up-front activation fees	2,030	2,005	-25	-1.3
Credit notes to be issued	-95	-23	73	-76.1
Gross trade receivables	**9,134**	**9,997**	**862**	**+9.4**
Allowance for doubtful accounts	-499	-631	-132	+26.5
Total	**8,636**	**9,366**	**730**	**+8.5**

- The invoicing, credit granting and collection policies used by Group companies have remained substantially unchanged from previous years.
- There are no receivables from foreign Customers.
- The Invoices to be issued item is largely represented by the valuation of receivables claimed by the Parent Company from its Customers for the contractually envisaged up-front activation fee. The standard policy adopted by the company provides for the billing of this contribution in monthly instalments up to a maximum of 36, according to the choice made by the Customer. This entry was recognised on the application of international accounting standards (IFRS 15 Revenue Recognition). In fact, the up-front activation fee is recorded in the income statement on an accrual basis and deferred on the basis of the average contractual duration envisaged and estimated at 72 months. Consequently, the receivable from Customers for the amounts due in the form of an up-front activation fee not yet invoiced at the closing date of the financial statements under review was recognised.

For considerations relating to the dynamics that characterised the year, reference should be made to the "Receivables from Customers" section in the Directors' Report on Operations.

Losses on receivables (euro/000)	2019	2020	Changes	Δ%
Balance	207	240	33	+15.9

The value of losses on receivables was fully covered by the allowance for doubtful accounts allocated at the end of the previous year: considering the slowdown in the general economic environment and the development of revenue expected in 2021, it was decided to replenish the allowance to a greater extent than in the year ended.
The carrying amount of trade receivables is considered to approximate their *fair value*.

Allowance for doubtful accounts (euro/000)	2019	2020	Changes	Δ%
Opening balance	369	499	130	+35.2
Increase due to provision for the year	337	372	35	+10.4
Decrease due to use during the year	-207	-240	-33	+15.9
Closing balance	**499**	**631**	**132**	**+26.5**

Note no. 9 - Other current assets

A breakdown of "Other current assets" is provided below:

Other current assets (euro/000)	2019	2020	Changes	Δ%
Costs to obtain the contract	2,629	2,579	-51	-1.9
Costs to fulfil the contract	1,888	1,902	14	+0.7
Prepaid expenses	1,302	1,669	367	+28.2
Sundry receivables	258	313	55	+21.3
Total	**6,077**	**6,463**	**386**	**+6.3**

- The application of the IFRS accounting standards required the Parent Company to allocate to the income statement the so-called "Costs to obtain the contract" and "Costs to fulfil the contract" over a period of time equivalent to the average duration of the contracts, which was estimated and forecast at 72 months. The costs incurred by the Company for bonuses paid to agents and partners to obtain contracts, and the costs incurred for the activation of the services provided have consequently been removed from the income statement and attributed to the same only for the part pertaining to the period.
- Prepaid expenses consist of fees and costs of various kinds charged in advance to the Company in respect of existing commercial relationships.

Note no. 10 - Current tax assets
A breakdown of "Current tax assets" is provided below:

Current tax assets (euro/000)	2019	2020	Changes	Δ%
IRES credit	76	89	13	+16.6
IRAP credit	8	16	8	+95.5
VAT credit	151	0	-151	-100.0
Research and Development and Training 4.0 tax credit	169	344	176	+104.1
Other tax receivables	137	22	-115	-83.6
Total	**541**	**471**	**-70**	**-12.9**

Note no. 11 - Cash and cash equivalents
A breakdown of "Cash and cash equivalents" is provided below:

Cash and cash equivalents (euro/000)	2019	2020	Changes	Δ%
Bank accounts	12,812	15,667	2,855	+22.3
Petty cash	3	1	-2	-74.6
Total	**12,815**	**15,668**	**2,853**	**+22.3**

The amount recorded in the financial statements is aligned with the fair value at the date of preparation of the financial statements. The credit risk is limited since the counterparties are major banking institutions.
For further details on the dynamics affecting cash and cash equivalents, see the Cash Flow Statement.

Note no. 12 - Shareholders' Equity
For the changes in the Shareholders' Equity entries, reference should be made to the "Statement of changes in Shareholders' Equity".
Since the Shareholders' Equity of the consolidating company Welcome Italia and the consolidated Shareholders' Equity are aligned, no reconciliation statement was deemed necessary.

Note no. 13 - Non-current financial liabilities
A breakdown of "Non-current financial liabilities" is provided below:

Non-current financial liabilities (euro/000)	2019	2020	Changes	Δ%
Mortgages and loans	989	944	-44	-4.5
Other financial liabilities (IFRS 16)	551	483	-68	-12.3
Total	**1,540**	**1,427**	**-112**	**-7.3**

- Group companies have not taken advantage of current account overdrafts or subject to collection advances. During the year, new loans for a total of Euro 700 thousand were taken out, while at the same time the instalments on existing loans were paid regularly.
- The new loans were contracted as part of the initiatives promoted by the authorities in favour of SMEs and in the exceptional guarantee measures through the SME Central Fund.
- All previous loans granted were issued without the underwriting of guarantees provided either by the Companies or by third parties. There are also no Financial Covenants.

Note no. 14 - Employee benefits

Changes in "Employee benefits" for the period from 1 January 2020 to 31 December 2020 are shown below:

Employee benefits (euro/000)	2019	2020	Changes	Δ%
Balance as at 1 January 2020	**604**	**674**	**70**	**+11.6**
Service Cost	83	89	6	+7.2
Interest Cost	8	5	-3	-37.5
Balance of provisions movements	-60	-116	-56	+93.3
Actuarial (gains)/losses	39	-14	-53	-135.9
Balance as at 31 December 2020	**674**	**638**	**-36**	**-5.3**

Details of the economic and demographic assumptions used for the purposes of the actuarial valuations, prepared by external consultants, are provided below:

Employee benefits	2019	2020
Discount rate	0.77%	0.34%
Inflation rate	1.20%	0.80%
Annual rate of increase in employee severance indemnity	2.40%	2.10%

Note no. 15 - Provisions for future risks and charges

Changes in "Provisions for future risks and charges" for the period from 1 January 2020 to 31 December 2020 are shown below:

Provisions for future risks and charges (euro/000)	Balance as at 1 January 2020	Provisions to the income statement	Releases to the income statement	Balance as at 31 December 2020
Supplementary Agents Indemnity Fund (FISC - *Fondo indennità suppletiva di clientele*)	21	2	0	23
Provision for termination indemnity (TFM)	322	72	-187	207
Provision for assessment risks	120	0	0	120
Provision for litigation risks	300	0	0	300
Total	**762**	**74**	**-187**	**649**
▪ *of which current portion*	*0*	*0*	*0*	*0*
▪ *of which non-current portion*	*762*	*74*	*-187*	*649*

- The change measured by the Supplementary Agents Indemnity Fund is the result of the valuation of the liability prepared in accordance with IAS 37.
- The provision for TFM includes accruals made during the year.

Note no. 16 - Deferred tax liabilities

This item is broken down as follows:

Deferred tax liabilities (euro/000)	2019	2020	Changes	Δ%
IFRS entry conversion	346	203	-143	-41.3

The IFRS entry conversion item represents deferred taxes recognised on accounting items transitioned to IFRS from 1 January 2017.

Changes during the year were as follows:

Deferred tax liabilities - changes (euro/000)	Balance as at 1 January 2020	Provisions / releases to the income statement	Provisions / releases to the statement of comprehensive income	Balance as at 31 December 2020
IFRS entry conversion	346	-143	0	203

Note no. 17 - Current financial liabilities

A breakdown of "Current financial liabilities" is provided below:

Current financial liabilities (euro/000)	2019	2020	Changes	Δ%
Mortgages and loans - current portion	1,061	864	-197	-18.6
Other financial liabilities (IFRS 16)	199	250	51	+25.6
Other financial payables to banks	16	26	10	+63.2
Total	**1,276**	**1,140**	**-136**	**-10.6**

Note no. 18 - Trade payables

A breakdown of "Trade payables" is provided below:

Trade payables (euro/000)	2019	2020	Changes	Δ%
Payables to suppliers	7,448	6,806	-642	-8.6
Invoices to be received	3,100	3,171	71	+2.3
Credit notes to be received	-540	-97	443	-82.0
Total	**10,008**	**9,880**	**-128**	**-1.3**

- Credit notes to be received include amounts due to the companies as a result of erroneous invoices, duly contested, issued by service providers.
- During the year under review, there were no significant changes to the purchasing and payment policies agreed with suppliers. There are no payables to suppliers and other foreign entities expressed in currencies other than the euro.
- There are no payables with a duration of more than 5 years or positions of significant debt concentration.

Note no. 19 - Other current liabilities

A breakdown of "Other current liabilities" is provided below:

Other current liabilities (euro/000)	2019	2020	Changes	Δ%
Accrued expenses and deferred income	4,696	5,261	565	+12.0
Current deferred revenue (up-front activation fee)	4,246	4,278	31	+0.7
Payables to employees	1,862	1,978	116	+6.2
Payables to social security institutions	904	940	36	+3.9
Tax payables	547	571	24	+4.4
Sundry payables	217	242	25	+11.3
Total	**12,472**	**13,269**	**797**	**+6.4**

- With regard to the "Current deferred revenue" item, it should be noted that, as already illustrated in the previous section of the Notes to the financial statements dedicated to Trade receivables and in particular to the recognition of IFRS revenue, the application of IFRS 15 on Revenue Recognition requires the Parent Company to allocate to the income statement the revenue component represented by up-front activation fees on the basis of the average expected contractual duration, estimated at 72 months. This is regardless of the billing method of the entry in question, which is carried out by the Company in monthly instalments up to a maximum of 36, according to the choice made by the Customer itself. Therefore, the volume of revenue accruing in future years was calculated by comparing the date of activation of the contracts and the cited average duration of the same, regardless of the invoicing methods.
- Deferred income is accounted for as a result of monthly advance billing of fees pertaining to January of the following year.
- Accrued expenses are accounted for as accrued interest expense on bank loans.

Payables to employees are made up as follows:

Payables to employees (euro/000)	2019	2020	Changes	Δ%
Payables to employees holiday pay	999	1,011	12	+1.2
Payables to employees	863	967	104	+12.1
Total	**1,862**	**1,978**	**116**	**+6.2**

All amounts, with the exception of payables related to the amount of holiday pay accrued by employees, were regularly settled at their natural due date in the new year.

Tax payables are made up as follows:

Tax payables (euro/000)	2019	2020	Changes	Δ%
Tax authorities employees and collaborators IRPEF	490	524	34	+6.9
Tax authorities withholding tax on various payments on account	57	44	-13	-22.8
Sundry tax payables	0	3	3	100
Total	**547**	**571**	**24**	**+4.4**

All the amounts relating to IRPEF and various withholding taxes were regularly paid at their natural due date in the first months of the new financial year.

Payables to social security institutions are made up as follows:

Payables to social security institutions (euro/000)	2019	2020	Changes	Δ%
Tax authorities employees and collaborators INPS	539	576	37	+6.9
Tax authorities employees holiday pay INPS	286	281	-5	-1.7
Tax authorities enasarco account	6	4	-2	-33.3
Payables to INAIL	3	0	-3	-100.0
Payables to other entities	70	79	9	+12.9
Total	**904**	**940**	**36**	**+4.0**

All amounts, with the exception of payables related to the amount of holiday pay accrued by employees, were regularly settled at their natural due date in the first months of the new financial year.

Sundry payables are made up as follows:

Sundry payables (euro/000)	2019	2020	Changes	Δ%
Advances from customers	89	146	57	+64.0
Payables to directors	76	76	0	0.0
Other payables	52	20	-32	-61.5
Total	**217**	**242**	**25**	**+11.5**

Note no. 20 - Current tax liabilities

A breakdown of "Current tax liabilities" is provided below:

Current tax liabilities (euro/000)	2019	2020	Changes	Δ%
IRES payable	481	328	-152	-31.7
IRAP payable	70	90	20	+28.8
VAT payable	8	632	624	+8,309
Other tax payables	4	3	-1	-25.0
Total	**562**	**1,053**	**491**	**+87.3**

For evidence of the balance of income taxes for the year as at 31 December, reference should be made to the section on "Current tax assets" and to the subsequent section of the Notes to the financial statements on income taxes.

Note no. 21 - Revenue and other operating income

A breakdown of "Revenue" is provided below:

Revenue and other operating income (euro/000)	**2019**	**2020**	**Changes**	**Δ%**
Revenue from fees	45,185	48,145	2,960	+6.6
Revenue from pay-per-use services	6,863	9,091	2,228	+32.5
Revenue from activations	1,769	1,801	31	+1.8
Revenue from software development	887	777	-110	-12.4
Revenue from interconnection	298	572	274	+91.8
Income from adjustment of access and pay-per-use charges	344	311	-33	-9.5
Public grants	781	273	-508	-65.0
Gains on disposal of non-current assets	74	65	-9	-11.9
Revenue for assistance and interventions	72	60	-12	-16.2
Revenue from sales	88	22	-66	-75.4
Release of surplus funds	1	0	-1	-100.0
Revenue from rentals	0	0	0	0.0
Revenue adjustments	-7	-1	6	-80.5
Other revenue and income	1,248	641	-607	-48.6
Total	**57,602**	**61,756**	**4,154**	**+7.2**

Under "Other revenue and income", Group companies have recognised tax credits for Research and Development and Training 4.0 in the financial statements pursuant to Article 1, paragraph 35 of Law no. 190 of 23 December 2014.
With regard to the information concerning the grants provided by public administrations (pursuant to Article 1, paragraphs 125-129, of Law no. 124/2017) in favour of Group Companies, please refer to the information provided in the financial statements of the individual Companies.

Note no. 22 - Purchase of services

These are closely related to core business activities and revenue performance.

Costs for services (euro/000)	**2019**	**2020**	**Changes**	**Δ%**
Purchase of services - fees and activations	10,140	11,445	1,305	+12.9
Commercial costs	7,360	7,980	620	+8.4
Interconnection costs	3,611	3,290	-321	-8.9
Purchase of services - pay-per-use	1,820	1,944	124	+6.8
Costs for technical interventions	1,594	1,709	115	+7.2
Industrial overheads	1,368	1,493	125	+9.1
Costs for collaborations, directors	1,242	1,356	114	+9.1
Network maintenance costs	780	978	198	+25.4
Consultancy costs	671	559	-113	-16.8
Advertising and promotional costs	851	570	-281	-33.0
Operator licence contributions	486	489	3	+0.6
Maintenance costs	269	321	52	+19.3
Bank charges	145	171	25	+17.5
Travelling expenses	134	42	-92	-68.5
Total	**30,471**	**32,347**	**1,875**	**+6.2**

Note no. 23 - Staff costs

Staff costs are broken down as follows:

Staff costs (euro/000)	2019	2020	Changes	Δ%
Wages and salaries	7,625	7,853	227	+3.0
Social security charges	2,240	2,272	32	+1.4
Employee severance indemnity and pension funds	430	476	45	+10.5
Other staff costs	480	403	-77	-16.0
Total	**10,776**	**11,003**	**227**	**+2.1**

For further information relating to staff, reference should be made to the Directors' Report on Operations.

Note no. 24 - Purchase of materials

A breakdown of "Purchase of materials" is provided below:

Purchase of materials (euro/000)	2019	2020	Changes	Δ%
Purchase of goods for resale	799	844	45	+5.7
Purchase of consumables	194	119	-74	-38.3
Total other operating costs	**992**	**964**	**-29**	**-2.9**

The "Purchase of goods for resale" item is primarily comprised of costs incurred by the subsidiary Vola spa for the purchase of SMS messages.

Note no. 25 - Other operating costs and change in inventories

A breakdown of "Other operating costs" and "Change in inventories" is provided below:

Other operating costs and change in inventories (euro/000)	2019	2020	Changes	Δ%
Provision for doubtful accounts	339	373	34	+9.9
Other operating expenses	246	324	79	+32.0
Duties, taxes and registration fees	67	62	-5	-7.1
Total other operating costs	**652**	**759**	**107**	**+16.5**
Change in inventories	1	0	-1	-100.0
Total	**653**	**759**	**106**	**+16.2**

The actual losses on receivables incurred in 2020 amounting to Euro 240 thousand were fully covered by the use of the allowance for doubtful accounts allocated at the end of the previous year. There are therefore no amounts charged to the income statement for the year.

Note no. 26 - Amortisation/depreciation and write-downs

For details and considerations on the amounts booked under this item, reference should be made to the relevant sections of the Notes to the financial statements.

Amortisation/depreciation and write-downs (euro/000)	2019	2020	Changes	Δ%
Depreciation of property, plant, equipment and other assets	5,656	6,018	362	+6.4
Amortisation of intangible assets with a finite useful life	994	991	-4	-0.4
Write-downs/(revaluations) of tangible and intangible fixed assets	75	62	-13	-17.1
Total	**6,726**	**7,071**	**345**	**+5.1**

The write-downs recognised in the financial statements at 31 December 2020 result from adjustments to the value of non-current assets that were disposed of during the year.

Note no. 27 - Income and expense from equity investments

For further details, see the Non-current assets section of the Statement of Financial Position.

Net income and expense from equity investments (euro/000)	2019	2020	Changes	Δ%
Revaluation of equity investments	47	69	22	+46.8
Total	**47**	**69**	**22**	**+46.8**

Note no. 28 - Financial income

Interest income is the result of investments of the company's liquidity in money market instruments, which are liquid, have a short maturity and are not correlated to any risk component.

Financial income (euro/000)	2019	2020	Changes	Δ%
Interest income on bank current accounts	23	25	2	+8.5
Foreign exchange gains	6	2	-5	-70.9
Total	**29**	**27**	**-3**	**-8.8**

Note no. 29 - Financial charges

The trend in interest expense is related to the performance of commitments under financing operations, as detailed in the section of the Notes to the financial statements dedicated to financial liabilities.

Financial charges (euro/000)	2019	2020	Changes	Δ%
Interest expense and charges on loans	32	21	-11	-33.7
Other financial charges	20	15	-5	-25.8
Total	**52**	**36**	**-15**	**-29.9**

Note no. 30 - Income taxes for the year

A breakdown of "Income taxes for the year" is provided below:

Income taxes for the year (euro/000)	2019	2020	Changes	Δ%
IRES	1,667	1,936	269	+16.1
IRAP	446	526	80	+18.0
Deferred tax assets and liabilities	-36	-19	17	-47.0
Total	**2,077**	**2,443**	**366**	**+17.6**

For changes in deferred tax assets and deferred tax liabilities, and the consequent effects, reference should be made to the sections of the Notes to the financial statements on "Deferred tax assets" and "Deferred tax liabilities" respectively.

Commitments and guarantees

Commitments and guarantees (euro/000)	2019	2020	Changes	Δ%
Guarantees provided	2,583	2,542	-41	-1.59

The item includes commitments undertaken by the Parent Company through banks that have provided sureties to network operators against contractual obligations to be fulfilled by the Company (Euro 2,510,000) and to other entities against contractual obligations undertaken for the supply of voice and data services.

Contingent liabilities

On the basis of the information available to date, the directors believe that, at the date of approval of these financial statements, the provisions set aside are sufficient to ensure a fair representation of the financial information.

Transactions with related parties

Transactions with related parties are carried out in compliance with the provisions of the laws in force, are part of the normal management of the business and are settled at market prices. The definition of a related party is based on the International Accounting Standards adopted by the European Union (IAS 24). The Group's relations with the holding company Quinta and its subsidiary mainly relate to the reciprocal provision of services.

The following table summarises the Company's creditor and debtor relationships with related parties as at 31 December 2020 and 31 December 2019:

	Trade receivables		Trade payables	
Related parties	**2019**	**2020**	**2019**	**2020**
Quinta spa	0	7	1	0
Imagicle spa	3	3	0	0
NetResults srl	1	1	50	146
Winitalia srl	0	0	2	8
Shareholders	20	23	162	259
Total	**24**	**34**	**215**	**413**
Total item	8,635	9,366	10,008	9,881
Impact on item	0.28	0.36	2.15	4.18

In contrast, the additional table summarises the Company's economic transactions with related parties as at 31 December 2020 and 31 December 2019:

	Revenue and Other income		Costs for services	
Related parties	**2019**	**2020**	**2019**	**2020**
Quinta spa	0	0	82	77
Imagicle spa	30	30	0	0
NetResults srl	13	14	280	207
Winitalia srl	3	3	8	14
Directors	7	3	0	0
Shareholders	100	104	1,400	1,373
Total	**153**	**154**	**1,770**	**1,671**
Total item	57,602	61,756	30,471	32,347
Impact on item	0.27	0.25	5.81	5.17

In compliance with the requirements of IAS 24 and the new procedure on related parties, in addition to the directors of the Parent Company, executives with strategic responsibilities must also be identified as related parties. It should be noted that, in the current year, there are no other executives with strategic responsibilities in the Group companies apart from the Chief Executive Officer.

Remuneration of Directors and the Board of Statutory Auditors

The table below provides the total gross remuneration payable to the Directors and members of the Board of Statutory Auditors:

Remuneration of corporate bodies (euro/000)	2019	2020	Changes	Δ%
Directors	1,037	1,171	134	+12.9
Board of Statutory Auditors	49	49	0	0.0
Total	**1,086**	**1,220**	**134**	**+12.3**

Remuneration payable to the Independent Auditors

The total gross remuneration contractually agreed upon with the Independent Auditors is provided below:

Remuneration of Independent Auditors (euro/000)	2019	2020	Changes	Δ%
Audit of financial statements	72	50	-22	-30.6
Other advice	59	30	-29	-49.2
Total	**131**	**80**	**-51**	**-38.9**

Significant events during the 2020 financial year

Reference should be made to the information provided in the relevant section of the Directors' Report on Operations.

Business outlook

Reference should be made to the information provided in the relevant section of the Directors' Report on Operations.

Hierarchical levels of fair value measurement (disclosures pursuant to IFRS 7)

Various accounting standards and certain disclosure obligations require the determination of the fair value of financial and non-financial assets and liabilities. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in a regular transaction between market participants at the measurement date. In order to increase the comparability of data and fair value measurements, the standard establishes a hierarchy identified at three different levels that reflects the significance of the inputs used in determining fair value. The identified levels are distinguished into:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the enterprise has access to at the measurement date. The price quoted in an active and liquid market is the most reliable evidence for measuring fair value, and if the market for the asset/liability is not unique it is necessary to identify the most advantageous market for the instrument;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable, directly or indirectly, for the assets or liabilities being measured. If the asset or liability has a specified duration, a Level 2 input must be observable for the entire duration of the asset or liability. Examples of instruments falling within the second level of the hierarchy include: assets or liabilities in inactive markets or interest rates and yield curves observable at commonly quoted intervals;
- Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should only be used if Level 1 and Level 2 inputs are not available. Despite this, the purpose remains the same, i.e. to determine a closing price at the measurement date, thereby reflecting the assumptions that market participants would use in pricing the asset or liability, including assumptions related to risk.

The following table provides a breakdown of the Group's financial assets and liabilities by category as at 31 December 2020 and 31 December 2019:

Financial assets measured at fair value (euro/000)	2019	2020	Changes	Δ%
Cash and cash equivalents	12,815	15,668	2,853	+22.3
Trade receivables	8,635	9,366	731	+8.5
Financial assets	388	632	243	+62.7
Other assets	6,077	6,463	385	+6.3
Total	**27,917**	**32,129**	**4,212**	**+15.1**

Financial liabilities measured at fair value (euro/000)	2019	2020	Changes	Δ%
Financial liabilities	2,815	2,567	-248	-8.8
Trade payables	8,409	10,008	1,599	+19.0
Other liabilities	12,472	13,269	797	+6.4
Other financial liabilities	0	0	0	0.0
Total	**23,696**	**25,844**	**2,148**	**+9.1**

Financial risk management

Reference should be made to the information provided in the relevant section of the Directors' Report on Operations.

Independent Auditors' Report on the Consolidated Financial Statements

KPMG

KPMG S.p.A.
Revisione e organizzazione contabile
Viale Niccolò Machiavelli, 29
50125 FIRENZE FI
Telefono +39 055 213391
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

Relazione della società di revisione indipendente ai sensi dell'art. 14 del D.Lgs. 27 gennaio 2010, n. 39

Agli Azionisti di
Welcome Italia S.p.A.

Relazione sulla revisione contabile del bilancio consolidato

Giudizio

Abbiamo svolto la revisione contabile del bilancio consolidato del Gruppo Welcome Italia (nel seguito anche il "Gruppo"), costituito dai prospetti della situazione patrimoniale-finanziaria consolidata al 31 dicembre 2020, del conto economico consolidato, del conto economico consolidato complessivo, delle variazioni di patrimonio netto consolidato e del rendiconto finanziario consolidato per l'esercizio chiuso a tale data e dalle note al bilancio che includono anche la sintesi dei più significativi principi contabili applicati.

A nostro giudizio, il bilancio consolidato fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria del Gruppo Welcome al 31 dicembre 2020, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nel paragrafo "*Responsabilità della società di revisione per la revisione contabile del bilancio consolidato*" della presente relazione. Siamo indipendenti rispetto al Gruppo Welcome Italia in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti e appropriati su cui basare il nostro giudizio.

Responsabilità degli Amministratori e del Collegio Sindacale del Gruppo Welcome Italia per il bilancio consolidato

Gli Amministratori sono responsabili per la redazione del bilancio consolidato che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli Amministratori sono responsabili per la valutazione della capacità del Gruppo di continuare a operare come un'entità in funzionamento e, nella redazione del bilancio consolidato, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli Amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio consolidato a meno che abbiano valutato che sussistono le condizioni per la liquidazione della capogruppo Welcome Italia S.p.A. o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il Collegio Sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria del Gruppo.

Responsabilità della società di revisione per la revisione contabile del bilancio consolidato

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio consolidato nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche degli utilizzatori prese sulla base del bilancio consolidato.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

— abbiamo identificato e valutato i rischi di errori significativi nel bilancio consolidato, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti e appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti o eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;

— abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno del Gruppo;

— abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli Amministratori, inclusa la relativa informativa;

— siamo giunti a una conclusione sull'appropriatezza dell'utilizzo da parte degli Amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di un'incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità del Gruppo di continuare a operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che il Gruppo cessi di operare come un'entità in funzionamento;

— abbiamo valutato la presentazione, la struttura e il contenuto del bilancio consolidato nel suo complesso, inclusa l'informativa, e se il bilancio consolidato rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione;

— abbiamo acquisito elementi probativi sufficienti e appropriati sulle informazioni finanziarie delle imprese o delle differenti attività economiche svolte all'interno del Gruppo per esprimere un giudizio sul bilancio consolidato. Siamo responsabili della direzione, della supervisione e dello svolgimento dell'incarico di revisione contabile del Gruppo. Siamo gli unici responsabili del giudizio di revisione sul bilancio consolidato.

Abbiamo comunicato ai responsabili delle attività di *governance*, identificati a un livello appropriato come richiesto dagli ISA Italia, tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Relazione su altre disposizioni di legge e regolamentari

Giudizio ai sensi dell'art. 14, comma 2, lettera e), del D.Lgs. 39/10

Gli Amministratori di Welcome Italia S.p.A. sono responsabili per la predisposizione della relazione sulla gestione del Gruppo Welcome al 31 dicembre 2020, incluse la sua coerenza con il relativo bilancio consolidato e la sua conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione con il bilancio consolidato del Gruppo Welcome Italia al 31 dicembre 2020 e sulla conformità della stessa alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione è coerente con il bilancio consolidato del Gruppo Welcome Italia al 31 dicembre 2020 ed è redatta in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'art. 14, comma 2, lettera e), del D.Lgs. 39/10, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

Firenze, 15 marzo 2021

KPMG S.p.A.

Giuseppe Pancrazi
Socio

Welcome Italia spa
Separate Financial Statements
as at 31 December 2020

Statement of Financial Position

Statement of Financial Position (euro/000)	Notes	**2019**	**%**	**2020**	**%**	**Δ%**
Total Assets (a+b)		**52,610**	**100**	**57,427**	**100**	**+9.2**
Total non-current assets (a)		**26,851**	**51.0**	**28,504**	**49.6**	**+6.2**
Owned property, plant and equipment	1	22,960	43.6	24,506	42.7	+6.7
Intangible assets with a finite useful life	2	1,554	3.0	1,618	2.8	+4.1
Equity investments in subsidiaries valued using the Equity Method	3	1,367	2.6	1,462	2.5	+6.9
Equity investments in associates valued using the Equity Method	3	388	0.7	458	0.8	+17.8
Sundry receivables and other non-current assets	4	3	0.0	12	0.0	+361.6
Deferred tax assets	5	579	1.1	448	0.8	-22.6
Total current assets (b)		**25,759**	**49.0**	**28,923**	**50.4**	**+12.3**
Inventories	6	0	0.0	0	0.0	0.0
Trade receivables	7	8,326	15.8	8,837	15.4	+6.1
Other current assets	8	5,817	11.1	6,179	10.8	+6.2
Current tax assets	9	226	0.4	176	0.3	-22.2
Cash and cash equivalents	10	11,390	21.6	13,731	23.9	+20.6
Total Shareholders' Equity and liabilities (c+d)		**52,610**	**100**	**57,427**	**100**	**+9.2**
Total Shareholders' Equity (c)	11	**28,159**	**53.5**	**32,972**	**57.4**	**+17.1**
Share capital		11,000	20.9	11,000	19.2	0.0
Reserves		11,290	21.5	14,817	25.8	+31.2
Net result		5,869	11.2	7,155	12.5	+21.9
Total Liabilities (d=e+f)		**24,451**	**46.5**	**24,456**	**42.6**	**+0.0**
Total non-current liabilities (e)		**2,144**	**4.1**	**1,360**	**2.4**	-36.6
Non-current financial liabilities	12	956	1.8	427	0.7	-55.4
Employee benefits	13	231	0.4	230	0.4	-0.6
Provisions for future risks and charges	14	610	1.2	499	0.9	-18.2
Deferred tax liabilities	15	346	0.7	203	0.4	-41.3
Total current liabilities (f)		**22,307**	**42.4**	**23,096**	**40.2**	**+3.5**
Current financial liabilities	16	1,005	1.9	855	1.5	-15.0
Trade payables	17	9,469	18.0	9,247	16.1	-2.3
Other current liabilities	18	11,284	21.4	11,984	20.9	+6.2
Current tax liabilities	19	549	1.0	1,010	1.8	+84.0

Income Statement

Income Statement (euro/000)	Notes	2019	%	2020	%	Δ%
Revenue and operating income	20	**53,060**	**100**	**57,319**	**100**	**+8.0**
Purchase of services	21	-29,301	55.2	-31,030	54.1	+5.9
Staff costs	22	-8,949	16.9	-9,448	16.5	+5.6
Other operating costs	23	-569	1.1	-698	1.2	+22.6
Purchase of materials	24	-291	0.5	-132	0.2	-54.7
Change in inventories	23	-1	0.0	0	0.0	-100.0
Operating income before amortisation/depreciation and write-downs		**13,949**	**26.3**	**16,012**	**27.9**	**+14.8**
Amortisation/depreciation and write-downs	25	-6,268	11.8	-6,595	11.5	+5.2
Operating income		**7,681**	**14.5**	**9,417**	**16.4**	**+22.6**
Net income/(expense) from equity investments	26	185	0.3	157	0.3	-15.1
Financial income	27	29	0.1	24	0.0	-16.8
Financial charges	28	-32	0.1	-19	0.0	-40.9
Profit before tax		**7,862**	**14.8**	**9,579**	**16.7**	**+21.8**
Income taxes	29	-1,993	3.8	-2,424	4.2	+21.6
Net result for the year		**5,869**	**11.1**	**7,155**	**12.5**	**+21.9**

Statement of Comprehensive Income (euro/000)	Notes	2019	%	2020	%	Δ%
Net result for the year		**5,869**	**11.1**	**7,155**	**12.5**	**+21.9**
Other statement of comprehensive income items that will not be subsequently reclassified to profit/(loss) for the period:						
▪ Equity investments accounted for using the Equity Method		-8	0.0	6	0.0	-178.9
▪ Profit/(loss) from revaluation of defined benefit plans		-12	0.0	-1	0.0	-91.4
▪ Taxes on other components of the income statement		3	0.0	0	0.0	-91.4
Total Statement of Comprehensive Income		**5,853**	**11.0**	**7,160**	**12.5**	**+22.3**

Cash Flow Statement

Cash Flow Statement (euro/000)	Notes	2019	2020
Net result		**5,869**	7,155
Amortisation/depreciation	1-2	6,193	6,533
Value adjustments to financial assets	3	-177	-164
Trade receivables - Decrease (increase)	7	-1,006	-511
Other current assets - Decrease (increase)	8	-155	-362
Current tax assets - Decrease (increase)	9	395	50
Deferred tax assets - Decrease (increase)	5	142	131
Trade payables - Increase (decrease)	17	1,415	-222
Provisions for risks - Increase (decrease)	14	61	-111
Other current liabilities - Increase (decrease)	18	1,148	1,161
Provisions for employee benefits - Increase (decrease)	13	21	-1
Provision for deferred taxes - Increase (decrease)	15	-185	-143
Dividends received		151	0
Cash flow from operations		**13,871**	**13,516**
Intangible fixed assets - (Acquisition) / Disposal	2	-1,000	-967
Tangible fixed assets - (Acquisition) / Disposal	1	-8,268	-7,003
Financial fixed assets - (Acquisition) / Disposal		0	0
Other non-current assets - (Acquisition) / Disposal	4	-1	-9
Cash flow from investments	1-2	**-9,270**	**-7,980**
Financial liabilities - Increase (decrease)	12-16	-1,034	-853
Dividends paid	11	-1,275	-2,348
Other changes in Shareholders' Equity	11	-17	6
Cash flow from financial management		**-2,326**	**-3,195**
Total cash flow		**2,276**	**2,341**
Opening cash and cash equivalents		9,114	11,390
Closing cash and cash equivalents	10	11,390	13,731
Change in cash and cash equivalents		**2,276**	**2,342**

Statement of Changes in Shareholders' Equity

Statement of Changes in Shareholders' Equity (euro/000)	Notes	**Share capital**	**Reserves**	**Statement of Comprehensive Income Reserve**	**Profit/(loss) for the year**	**Total Shareholders' Equity**
Balance as at 1 January 2020		**11,000**	**11,314**	**-24**	**5,869**	**28,159**
Revaluations of defined benefit plans for employees		0	0	-1	0	-1
Revaluation of equity investments, other Statement of Comprehensive Income items		0	0	6	0	6
Profit/(loss) for the year		0	0	0	7,155	7,155
Dividend distribution		0	0	0	-2,348	-2,348
Capital Increase		0	0	0	0	0
Allocation of previous year's result		0	3,522	0	-3,522	0
Balance as at 31 December 2020		**11,000**	**14,835**	**-19**	**7,155**	**32,972**

Notes to the Separate Financial Statements

Structure and Activities of the Company

Welcome Italia is controlled by the company Quinta, which holds 82.9302% of the share capital and which therefore, pursuant to Article 2497 et seq. of the Italian Civil Code, exercises management and coordination activities.
Attached to these Notes to the financial statements is corporate information and the latest approved financial statements of the holding company for the year ended 31 December 2019.
Welcome Italia spa (hereinafter the "Company") is a public limited company under Italian law with registered office in Massarosa (LU), Via di Montramito 431/a.
Welcome Italia is a landline ICT operator, and from 2018 also a mobile network operator, which directs its voice and data services exclusively to businesses.
Since 2007, the Company has been marketing a single integrated service offering, called Vianova, oriented towards the needs of businesses and inspired by an insourcing policy. In other words, the services are "built" in-house, integrating more traditional services, such as Voice and Data access, with the Collaboration services implemented by the Group, such as Mail, Hosting, Meeting, Conference Call, 800 Line, Fax, IP Centrex, Communicator, Drive, Cloud, Proxy and Analysis.

Approval of the financial statements for the year ended 31 December 2020

The financial statements for the year ended 31 December 2020 were approved by the Board of Directors on 1 March 2021, are audited by KPMG spa and will be presented at the Annual Shareholders' Meeting.

Declaration of compliance with IAS/IFRS and general criteria for the preparation of the Separate Financial Statements

The financial statements for the year ended 31 December 2020 have been prepared in accordance with international accounting standards (International Accounting Standards - IAS or International Financial Reporting Standards - IFRS) and related interpretations (SIC/IFRIC) endorsed by the European Union on that date, hereinafter referred to as IFRS-EU, as well as with the measures issued in implementation of Article 9 of Legislative Decree 38/2005, which also regulates the ability to apply the aforementioned standards on an optional basis.

Financial Statement Tables

The financial statements have been prepared on a going concern basis and, in addition to these notes, comprise the following tables:

- Statement of financial position: the presentation of the statement of financial position takes place through the separate disclosure of current and non-current assets and current and non-current liabilities with a description in the notes for each item of assets and liabilities of the amounts that are expected to be settled or recovered within or beyond 12 months from the reporting date.
- Statement of Comprehensive Income: the classification of costs in the income statement is based on their nature, highlighting the intermediate results relating to gross operating profit, net operating profit and profit before tax. The table also includes income and expenses recognised directly in Shareholders' Equity for transactions other than those carried out with shareholders.
- Cash flow statement: the cash flow statement presents the cash flows from operating, investing and financing activities. Cash flows from operations are reported using the indirect method, whereby net result for the year is adjusted for the effects of non-monetary transactions, any deferrals or accruals of past or future operating cash receipts or payments, and revenue items associated with cash flows from investing or financing activities.

- Statement of changes in Shareholders' Equity: in addition to the statement of comprehensive income, this statement also includes transactions with shareholders and details of each individual component. Where applicable, the table also includes the effects, for each item of Shareholders' Equity, deriving from changes in accounting principles.

The financial statements are prepared in euro, the Company's working currency. Amounts are expressed in thousands of euro, except where specifically indicated. Rounding is carried out at the level of each individual account and then totalled. It should also be noted that any differences in tables are due to the rounding of amounts expressed in thousands of euro.

Use of estimates and valuations

The preparation of the financial statements and related notes requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date.
Estimates and assumptions are based on elements known at the date of preparation of the financial statements, on management's experience and on other elements that may be considered relevant. Actual results may differ from these estimates.
Estimates are used to test for impairment, to defer assets and liabilities arising from contracts with Customers, to measure assets, amortisation/depreciation, to assess the recoverability of deferred tax assets, to recognise provisions for credit risks, as well as to make actuarial valuations of employee benefits and to measure contingent liabilities.
Estimates and assumptions are reviewed periodically and the effects of any changes are reflected in the income statement.
The following is a summary of the critical valuation processes and key assumptions used in the process of applying the IFRS and which may have a significant effect on the values recognised in the financial statements or for which there is a risk that significant differences in value may emerge with respect to the carrying amount of the assets and liabilities in the financial year subsequent to that of the financial statements.

Recoverable amount of non-current assets

Non-current assets include property, plant, equipment and other assets, investments accounted for using the Equity Method, other investments and other non-current assets. The Company periodically reviews the carrying amount of non-current assets held and used and of assets to be disposed of, when facts and circumstances require such a review. The analysis of the recoverability of the carrying amount of non-current assets is generally carried out using estimates of the expected cash flows from the use or sale of the asset and appropriate discount rates to calculate the present value. When the carrying amount of a non-current asset is impaired, the Company records a write-down equal to the excess between the carrying amount of the asset and its recoverable amount through use or sale of the same, determined with reference to the cash flows contained in the most recent business plans.
The estimates and assumptions used in this analysis reflect the state of knowledge of the Company's management in relation to business developments and take into account forecasts believed to be reasonable about future market and industry developments. It cannot be ruled out that different developments in the markets and sectors in which the Company operates could lead to values that differ from the original estimates and, where necessary, to adjustments in the carrying amount of certain non-current assets.

Amortisation/depreciation

Amortisation/depreciation of fixed assets is a significant cost for the Company. The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the related assets. The useful economic life of the Company's fixed assets is determined by the Directors at the time the asset is acquired; it is based on historical experience for similar fixed assets, market conditions and anticipations regarding future events that could have an impact on the useful life, including changes in technology. Therefore, the actual economic life may differ from the estimated useful life. The Company periodically assesses technological and industry changes in order to update the remaining useful life. This periodic update could result in a change in the amortisation/depreciation period and therefore also in the amortisation/depreciation charge for future years.

Contracts with Customers

The Company recognises in the income statement the revenue components arising from contracts with Customers and the cost components relating to the acquisition of contracts and the costs of fulfilling the contracts. These components are recognised in the income statement on the basis of the estimated average life of the contracts with Customers, which is determined by the Directors on the basis of historical experience. Therefore, the actual economic life may differ from the estimated useful life. The Company periodically reviews its estimate of the average contractual life. This periodic update could lead to a change in the period of recognition of revenue and costs and therefore also of the share of future years.
The estimated average contractual life is in line with previous years and estimated at 72 months.

Recoverability of deferred tax assets

The Company recognises deferred tax assets up to the amount for which recovery is considered probable. Where necessary, the Company recognises adjustment items in order to reduce the value of deferred tax assets to the value for which recovery is considered probable. In assessing the recoverability of deferred tax assets, account is taken of budget results and forecasts for subsequent years described in the paragraph above on the recoverable amount of non-current assets.

Allowance for doubtful accounts

The allowance for doubtful accounts reflects management's estimate of losses related to the customer loan portfolio. The estimate of the allowance for doubtful accounts is based on management's expected losses, determined based on past experience with similar receivables, current and historical past due amounts, losses and collections, careful monitoring of credit quality and projections about general and sector economic conditions.

Defined benefit plans

The Company provide employees with a defined benefit plan (employee severance indemnity).
With reference to employee benefit plans, net financial costs and charges are measured using an actuarial method that requires the use of estimates and assumptions to determine the net value of the obligation. The actuarial method considers parameters of a financial nature such as, for example, the discount rate, rates of growth of salaries and the probability of occurrence of potential future events through the use of parameters of a demographic nature such as, for example, rates relating to mortality and resignation or retirement of employees. In particular, the discount rates taken as reference are rates or rate curves of corporate bonds with high creditworthiness in their respective markets. A change in any of these parameters could affect the amount of the liability.

Contingent liabilities

The Company recognises a provision for ongoing disputes and legal cases when it considers it probable that a financial outlay will be made and when the amount of the resulting charges can be reasonably estimated. If the amount of the financial outlay cannot be reliably estimated or the probability of such an outlay becomes possible, no provision is recognised and the fact is reported in the Notes to the financial statements.
In the normal course of business, the Company monitors the status of pending litigation and consults with their legal and tax advisors. It is therefore possible that the value of provisions for legal proceedings and disputes of the Company may vary as a result of future developments in the proceedings in progress.

Treatment of foreign currency transactions

The Company does not carry out transactions in foreign currencies and does not hold equity investments in foreign companies.

Relevant accounting standards

Property, plant and equipment

Recognition and measurement

Tangible fixed assets are recognised and measured using the "cost" method, in accordance with IAS 16. Using this criterion, tangible fixed assets are recognised in the financial statements at purchase or production cost, including directly attributable ancillary costs and, subsequently, adjusted to take into account depreciation, any permanent impairment in value and the relative reversals.
If a tangible fixed asset is composed of several components with different useful lives, these components are accounted for separately (if they are significant).
Land is not depreciated, even if purchased together with a building.
The gain or loss generated by the disposal of property, plant, machinery, equipment and other assets is determined as the difference between the net disposal proceeds and the net residual value of the asset, and is recognised in the income statement in the period in which the disposal takes place.

Subsequent costs

Costs incurred subsequent to the purchase of the assets and the cost of replacing certain parts of the assets recorded in this category are added to the carrying amount of the item to which they refer and capitalised only if they increase the future economic benefits inherent in the asset itself. All other costs are recognised in the income statement when incurred.
When the cost of replacing parts of assets is capitalised, the net carrying amount of the replaced parts is recognised in the income statement. Extraordinary maintenance costs that increase the useful life of tangible fixed assets are capitalised and depreciated over the remaining useful life of the asset. Ordinary maintenance costs are recognised in the income statement in the year in which they are incurred.
Assets in the course of construction are recorded at cost under "Fixed assets in progress" until they are available for use; when they are available for use, the cost is classified under the relevant item and depreciated.

Depreciation and impairments

The depreciation period begins when the asset is available for use and ends on the earlier of the date on which the asset is classified as held for sale in accordance with IFRS 5 and the date on which the asset is derecognised. Any changes to depreciation schedules are applied prospectively.
The value to be depreciated is represented by the book value reduced by the presumable net disposal value at the end of its useful life, if significant and reasonably determinable.
Depreciation is calculated on the basis of economic-technical rates determined in relation to the estimated useful life of the individual assets, established in accordance with the company's plans for their use, which also consider physical and technological deterioration, taking into account their estimated realisable value net of scrapping costs. When the tangible asset is made up of several significant components with different useful lives, each component is depreciated separately. When events occur that indicate a possible loss due to reduction in value of tangible fixed assets, or when there is a significant reduction in the market value of the same, significant technological changes or significant obsolescence, the net carrying amount, independently of the depreciation already recorded, is subject to verification based on the estimate of the current value of the estimated future cash flows and adjusted if necessary. Subsequently, if these conditions are no longer met, the impairment loss is reversed up to the carrying amount that would have been determined (net of depreciation) if the asset impairment loss had never been recognised.
Depreciation is calculated with pro-rata temporis criteria on a straight-line basis over the estimated useful life of the asset, by applying the following rates:

Depreciation rates (%)	2019	2020
Plant and equipment, TLC infrastructure, ULL and PoP sites	18	18
Industrial and commercial equipment	12	12
Furnishings	12	12
Fittings	12	12
Equipment on loan for use at Customers' premises	20	20
Electrical and electronic equipment, including electronic telephone systems	20	20
Vehicles	25	25
Buildings	3	3
Fibre (core network)	6.67	6.67
Customer Fibre (access network)	33.33	33.33

Useful lives and residual values are verified at the reporting date and have not been changed from the previous year.

Intangible assets with a finite useful life

Initial recognition and measurement

Intangible assets acquired separately are initially capitalised at cost, while those acquired through business combinations are capitalised at fair value at the date of acquisition. After initial recognition, intangible assets are recognised at cost less accumulated amortisation and any impairment losses.

Subsequent costs

Costs incurred after purchase are capitalised only when they increase the expected future economic benefits attributable to the asset to which they refer. All other subsequent costs are charged to the income statement when incurred.

Amortisation and impairments

Intangible assets are amortised over their useful lives and tested for impairment whenever there are indications of possible impairment losses. The period and method of amortisation applied to them shall be reviewed at the end of each financial year or more frequently if necessary. Any changes to amortisation schedules are applied prospectively.
Gains or losses arising from the derecognition of an intangible asset are measured by the difference between the net disposal proceeds and the carrying amount of the intangible asset, and are recognised in the income statement in the period of derecognition.
Amortisation is calculated with pro-rata temporis criteria on a straight-line basis over the estimated useful life of the intangible asset, by applying the following rates:

Amortisation rates (%)	2019	2020
Development costs	33	33
Start-up and expansion expenses	20	20
Industrial patent rights and use of intellectual property	5	5
Software expenses	33	33
Goodwill	20	20
Concessions, licenses, trademarks and similar rights	20	20
Other fixed assets (costs related to technical operations)	20	20

Derecognition

Intangible assets with a finite useful life are derecognised either when they are disposed of or when no future economic benefit is expected from their use or disposal. The relative gain or loss, recognised in the income statement, is determined as the difference between the net consideration deriving from the disposal, if any, and the net carrying amount of the asset derecognised.

Equity investments accounted for using the Equity Method

Equity investments in subsidiaries and associates are valued using the Equity Method and periodically subjected to an impairment test to verify that there are no impairment losses. This test is carried out at least once a year, or whenever there is evidence of a probable impairment loss of the equity investments. The valuation method used is carried out by determining, if available, the value in use of the expected cash flows from the investee company. If it becomes necessary to carry out a write-down, this will be charged to the income statement in the year in which it is recorded. When the reasons for the impairment no longer exist, the carrying amount of the investment is increased to the original cost. This reversal is recognised in the income statement.

Pursuant to the Equity Method, the equity investment is recognised in the statement of financial position at cost increased by changes subsequent to acquisition. The related goodwill is included in the carrying amount of the equity investment and is not subject to amortisation. The income statement reflects the Company's share of the subsidiary's and associate's results for the year. In the event that a company recognises adjustments directly to Shareholders' Equity, the Company recognises its share of these adjustments and reports them, where applicable, in the statement of changes in Shareholders' Equity. Profits and losses arising from transactions between Welcome Italia and the investee company are eliminated.

Assets measured at amortised cost

If there is objective evidence that a loan or a receivable recognised at amortised cost has suffered an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses not yet incurred), discounted using the financial asset's initial effective interest rate (i.e. the effective interest rate calculated at the date of initial recognition or the current effective interest rate in the case of variable rate loans). The carrying amount of the asset is reduced through the use of a provision and the amount of the loss is recognised in the income statement.

The Company assesses, first of all, the existence of objective indications of impairment at an individual level, for financial assets that are individually significant, and then, at an individual or collective level for financial assets that are not. In the absence of objective indications of impairment for an individually assessed financial asset, whether significant or not, that asset is included in a group of financial assets with similar credit risk characteristics and that group is tested for impairment on a collective basis. Assets assessed individually and for which an impairment loss is recognised or continues to be recognised will not be included in a collective assessment.

If, in a subsequent period, the value of the impairment loss decreases and that reduction can be objectively traced to an event occurring after the impairment loss was recognised, the previously reduced value may be reversed. Any subsequent reversals of impairment losses are recognised in the income statement, to the extent that the carrying amount of the asset does not exceed the amortised cost at the date of the reversal.

With reference to trade receivables, a provision for impairment losses is made when there is an objective indication (such as, for example, the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to recover all the amounts due according to the original terms of the invoice. The carrying amount of the receivable is reduced by the use of a specific provision. Receivables subject to impairment losses are reversed when they prove to be unrecoverable.

When, given the terms of payment granted, a financial transaction is involved, receivables are measured at amortised cost by discounting the nominal value to be received, recording the discount as financial income.

IFRS 9 (Financial Instruments)

The Company adopts the expected credit loss model in accordance with IFRS 9, and classifies its financial assets on the basis of the business model chosen by the entity to manage them and on the basis of the characteristics of the contractual cash flows of the financial assets themselves.
As regards the management of trade receivables, Management has defined its business models on the basis of the specific nature of the receivable, the type of counterparty and the collection period; this has been done in order to optimise the management of working capital by continually monitoring the collection performance of customers, setting credit collection policies and managing receivable disposal programmes.
The Business Model adopted by the company for trade receivable management is "Held to Collect". The company holds the financial assets and trade receivables in order to collect them, not so much to benefit from their sale. The measurement is at amortised cost.
Impairment on trade receivables and contract assets is carried out using the simplified approach allowed by the standard. This approach involves estimating the expected loss over the life of the receivable at initial recognition and in subsequent valuations. For each customer segment, the estimate is made mainly by determining the average expected uncollectible amount, based on historical-statistical indicators, adjusted if necessary using prospective elements. For certain categories of receivables with specific risk elements, specific assessments are carried out on individual credit positions.

IFRS 16 (Leases)

Pursuant to IFRS 16, at the start date of the leasing contract, the lessee must recognise an asset representing the right to use of the leased asset for the duration of the contract (so-called right-of-use or *RoU*) and a liability for future payments to which the lessee is committed by signing the contract (so-called lease liability).
The financial charges accrued on the lease liability and the amortisation of the right to use the asset are recorded separately in the income statement.
The contracts falling within the scope of application of the standard for the Group concern the rental of office and warehouse premises, TLC infrastructures and vehicles.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand and short-term sight deposits, in accordance with IAS 7. For the purposes of the cash flow statement, cash and cash equivalents are represented by cash as defined above net of bank overdrafts.

Share capital and other Shareholders' Equity items

Costs relating to the issue of new shares or options are classified in Shareholders' Equity, net of the related tax benefit, as a deduction from the proceeds from the issue of such instruments.
As envisaged by IAS 32, if equity instruments are repurchased, these instruments (own shares) are deducted directly from Shareholders' Equity under the item "Other reserves". No gain or loss is recognised in the income statement on the purchase, sale or cancellation of own shares.
The consideration paid or received, including any costs incurred directly attributable to the capital transaction, net of any related tax benefit, is recognised directly as a movement in Shareholders' Equity.
Any dividends paid to shareholders are recognised as liabilities in the period in which they are declared.

Financial liabilities

Financial liabilities are initially recognised at the fair value of the consideration received net of transaction costs that are directly attributable to the loan itself. After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. Depreciation at the effective interest rate is included among financial charges in the income statement.

Employee benefits

Post-employment benefits may be offered to employees through defined contribution and/or defined benefit plans. These benefits are based on employees' remuneration and years of service.
Defined contribution plans are post-employment benefit plans under which the Company and sometimes its employees make predetermined contributions to a separate entity (a fund) and the Company does not have, and will not have, a legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to meet its obligations to employees.
Defined benefit plans are post-employment benefit plans, other than defined contribution plans. Defined benefit plans may be unfunded or wholly or partly funded by contributions paid by the enterprise, and sometimes by its employees, to a company or fund that is legally separate from the enterprise paying them to employees.
The amount accrued is projected into the future to estimate the amount to be paid at the time of termination of the employment relationship and subsequently discounted to take into account the time elapsed before the actual payment.
Adjustments to liabilities relating to employee benefits are determined on the basis of actuarial assumptions, based on demographic and financial assumptions, and are recognised on an accruals basis in line with the work performed to obtain the benefit. The amount of the rights matured during the year by employees and the share of interest on the amounts accrued at the beginning of the period and on the corresponding movements referring to the same period are recognised in the income statement under "Staff costs", while the figurative financial charge deriving from the actuarial calculation is recognised in the statement of comprehensive income under the "Profit/(loss) from revaluation of defined benefit plans" item.
The actuarial valuation is entrusted to an actuary external to the Company.
Following the changes made to the rules for the Employee Severance Indemnity (*Trattamento di Fine Rapporto* - "T.F.R.") by Law no. 296 of 27 December 2006 and subsequent Decrees and Regulations ("Pension Reform") issued in the early months of 2007:

- the T.F.R. accrued at 31 December 2006 is considered a defined benefit plan according to IAS 19. Guaranteed employee benefits, in the form of T.F.R., paid out on termination of employment, are recognised during the period when the right to such benefits accrues;
- the T.F.R. accrued after 1 January 2007 is considered a defined contribution plan and therefore the contributions accrued in the period have been entirely recorded as a cost and, for the portion not yet paid to the funds, shown as a liability in the "Other current liabilities" item.

Provisions for future risks and charges

Provisions for risks and charges are recognised to cover charges for obligations of the Company, whether legal or implicit (contractual or otherwise), arising from a past event. Provisions for risks and charges are recognised if it is probable that a utilisation of resources will be required to settle the obligation and if a reliable estimate of the obligation can be made.
Provisions are recognised at the best estimate of the amount that the enterprise would reasonably pay to extinguish the obligation or to transfer it to third parties at the end of the period.
Provisions are periodically updated to reflect changes in cost estimates, the time needed to complete the project and the discount rate; revisions of provisions are booked to the same income statement item that had previously included the provisions or, when the liability relates to tangible assets, as an offsetting entry to the asset to which it refers.
The provision includes the allocation of future costs for ongoing litigation.

Trade payables

Payables are recorded at nominal value net of discounts, returns or billing adjustments, representing the fair value of the obligation. When, given the payment terms agreed, a financial transaction is involved, the payables, valued using the amortised cost method, are discounted to their nominal value to be paid, recording the discount as a financial charge.

Impairment losses on non-financial assets

The Company assesses whether there are any indicators of impairment of tangible and intangible assets. If there is any indication of this, the Company proceeds to estimate the recoverable amount of the asset (impairment test).

The accounting standard does not require the formal preparation of an estimate of recoverable amount except when there are indicators of impairment losses. The exception to this principle are assets not available for use and goodwill acquired in business combinations, which must be subjected to impairment testing at least once a year and whenever there are indicators of impairment losses. The Company has set the reporting date as the time to perform the impairment test for all those assets where annual analysis is required.

Recognition of Revenue from Contracts with Customers

In accordance with IFRS 15, revenue recognition is carried out by applying a five-step model as outlined below:

- Identification of the contract with the customer: Vianova's bundled service offering meets the requirements of the standard:

  a) the parties to the contract have approved the contract in writing and have undertaken to fulfil their respective obligations;

  b) the entity can identify the rights of each party as regards the goods or services to be transferred;

  c) the entity can identify the terms of payment for the goods or services to be transferred;

  d) the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows are expected to change as a result of the contract);

  e) it is probable that the entity will receive the consideration to which it is entitled in exchange for the goods or services to be transferred to the customer.

- Identification of the performance obligations provided for by the contract: the Company identified the bundle offer (packages of Vianova goods and services), consisting of a fixed fee and a monthly variable fee in addition to the up-front fee, as a single performance obligation towards its customers.

  Contracts with customers fall into the category of performance obligations over time: the customer simultaneously receives and uses the benefits arising from the entity's performance as the entity performs it.

  Revenue recognition is therefore based on the amount that the Company is entitled to invoice, in accordance with the paragraphs of IFRS 120/121 and B-15/16 ("as invoiced practical expedient").

- Determination of transaction consideration: in determining the transaction price, the entity shall consider the terms of the contract and its usual business practices. The transaction price is the amount of the consideration that the entity expects to be entitled to in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (e.g. sales taxes). The consideration promised in the contract with the customer includes fixed amounts and variable amounts linked to actual consumption carried out. The latter are not linked to incentives, performance bonuses, penalties or other similar elements that depend on the occurrence or non-occurrence of a future event.

- Allocation of the consideration to individual performance obligations; the objective of allocating the transaction price is to assign each separate performance obligation (or each separate good or service) to an amount that reflects the amount of consideration to which the entity expects to be entitled in return for transferring the promised goods or services to the customer. The bundle offer of Vianova service packages is a single performance obligation and the practical expedient of "as-invoiced" as described above is applied.

- Recognition of revenue at the time of (or during) the satisfaction of the individual performance obligation: revenue is recognised during the satisfaction of the identified performance obligation and on an accruals basis.

  For the purpose of revenue recognition, the Company does not separate the performance obligations included in the contract as separate representation would not change the presentation in the financial statements. Revenue from activation fees (up-front fees) does not represent an important incentive for customers in relation to potential "renewal/non-renewal" and therefore does not transfer a "material right" to the customer. This fee does not represent a separate performance obligation, but is allocated over the average duration of the contract. The portion pertaining to the year is recognised under revenue, while the remaining portion is recorded under Other Current Liabilities. The implicit financial component does not appear to be significant and has therefore not been considered.

Recognition of costs IFRS 15

IFRS 15 governs two types of cost: "Costs to obtain the contract" and "Costs to fulfil the contract".

The entity shall recognise as an asset the incremental costs of obtaining the customer contract if it expects to recover them. The incremental costs of obtaining the contract are costs that the entity incurs to obtain the contract with the customer that it would not have incurred had it not obtained the contract (for example, a sales commission).

An entity shall recognise as an asset costs incurred in the performance of the contract only if the costs meet all of the following conditions:

- the costs are directly related to the contract or an anticipated contract, which the entity may identify specifically (this may be, for example, costs incurred for services to be provided as part of the renewal of the existing contract or for the design of an asset to be transferred under a specific contract not yet approved);
- the costs provide the entity with new or additional resources to be used to meet (or continue to meet) its obligations to do things in the future;
- costs are expected to be recovered.

The costs incurred by the Company in obtaining and fulfilling the contract relate to the payment of premiums to agents/commercial partners for procuring customers and the costs incurred in installing equipment and networks at new customers. Both are accounted for on the basis of the average duration of the contract. The portion pertaining to the year is recorded in the Income Statement, while the remaining portion is deferred under Other Current Assets.

Recognition of costs

Costs and other operating expenses are recognised in the income statement when they are incurred on an accrual basis and correlated to revenue, when they do not produce future economic benefits or when they do not qualify for recognition as assets.

Staff costs

Staff costs are represented by wages and salaries, social security charges, charges relating to defined benefit plans, mainly represented by the provision for severance indemnity, staff and directors' benefits, and other staff costs (medical examinations, travel, canteen).

Current taxes

Income taxes are determined on the basis of a realistic forecast of the tax charges to be paid in consideration of the accrual basis of accounting and in application of current tax regulations. The tax rates and regulations used to calculate the amount are those in force, or substantially in force, at the reporting date. Current taxes relating to items recognised outside the income statement are recognised directly in the statement of comprehensive income, and therefore in Shareholders' Equity, consistently with the recognition of the item to which they relate.

Deferred taxes

Deferred taxes are calculated using the so-called "liability method" on temporary differences at the reporting date between the tax bases of assets and liabilities and the values reported in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred taxes arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, does not affect neither the profit for the year calculated for financial reporting purposes nor the profit or loss calculated for tax purposes. Deferred tax assets are recognised for all deductible temporary differences and for tax losses carried forward, to the extent that it is probable that there will be adequate future taxable profits to utilise the deductible temporary differences and tax losses carried forward. The value of deferred tax assets to be recognised is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available in the future to recover the asset. Unrecognised deferred tax assets are reviewed periodically at the reporting date and are recognised to the extent that it has become probable that taxable profit will be sufficient to allow these deferred taxes to be recovered.
Deferred taxes are measured at the tax rates that are expected to apply to the period when such assets are realised or such liabilities are settled, considering the rates in force and those already enacted or substantively enacted at the reporting date.
Deferred tax assets and liabilities are offset if they relate to taxes of the same tax authority and there is a legal right to offset current tax assets and liabilities.

Own shares

There are no own shares.

Commitments, guarantees, contingent liabilities not disclosed in the statement of financial position

- These include guarantees, commitments and third-party assets held by the Company and the Company's assets held by third parties. Events that have already been recorded in the statement of financial position, the income statement and/or the Notes to the financial statements, such as the Company's assets held by third parties, are not presented.
- Guarantees are recorded at a value equal to that of the guarantee provided or, if not determined, at the best estimate of the risk assumed in light of the existing situation. Commitments are recorded at their nominal value, while any non-quantifiable commitments are commented on in the Notes to the financial statements. Third-party assets held by the Company are recorded at nominal value, current market value or value deduced from existing documentation, depending on the type of asset.

Events occurring after the end of the financial year

- Events occurring after the end of the financial year that modify conditions already existing at the reporting date and that require changes in the value of assets and liabilities, in accordance with the relevant accounting standard, are recognised in the financial statements, in accordance with the accrual basis of accounting, to reflect the effect that such events have on the financial position and results of operations at the end of the financial year.
- Events occurring after the end of the financial year that modify situations existing at the reporting date, but that do not require a change in the values of the financial statements, in accordance with the reference accounting standard, as they pertain to the following financial year, are not recorded in the financial statements but are illustrated in the notes when necessary for a more complete understanding of the company's situation.
- The time limit within which the event must occur for it to be taken into account is the date of preparation of the draft financial statements by the Directors, except in cases where events occur between that date and the date scheduled for approval of the financial statements by the Shareholders' Meeting that make it necessary to amend the draft financial statements.

Notes to the individual items in the financial statements

Note no. 1 - Owned property, plant and equipment

A breakdown of "Property, plant, equipment and other assets" by category as at 31 December 2020 and 31 December 2019 is provided below:

Property, plant, equipment and other assets (euro/000)	31 December 2019 Historical Cost	Acc. Depreciation	Net Carrying Amount	31 December 2020 Historical Cost	Acc. Depreciation	Net Carrying Amount
Land and buildings	6,956	-1,897	5,059	8,378	-2,209	**6,169**
TLC infrastructure	17,105	-11,863	5,242	23,588	-13,815	**9,774**
Equipment and plants	6,092	-3,051	3,041	6,158	-3,685	**2,473**
TLC equipment	20,470	-15,071	5,399	21,548	-16,752	**4,796**
Other assets	4,221	-3,009	1,213	4,314	-3,398	**916**
Tangible fixed assets in progress	3,007	0	3,007	379	0	**379**
Total	**57,850**	**-34,890**	**22,960**	**64,365**	**-39,859**	**24,506**

The main acquisitions made during the year are connected on the one hand to the usual purchases of equipment necessary for the provision of services installed at Customer premises (Euro 1,597 thousand), and on the other hand to investments made for the purchase of land to host the new office to be built in Massarosa (Euro 1,422 thousand) and for the completion of the Dark Fibre network (Euro 5,162 thousand).

Changes in "Property, plant, equipment and other assets" for the period from 1 January to 31 December 2020 are shown below:

Changes (euro/000)	Land and buildings	TLC infrastructure	Equipment and plants	TLC equipment	Other assets	Tangible fixed assets in progress	Total
Balance as at 1 January 2020	**5,059**	**5,242**	**3,041**	**5,399**	**1,213**	**3,007**	**22,960**
Increases	851	4,279	44	1,598	162	320	7,254
Decreases	0	-12	0	-57	-10	0	-79
Reclassifications	571	2,355	22	0	0	-2,948	0
Depreciation	-312	-2,091	-634	-2,144	-449	0	-5,630
Write-downs	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0
Balance as at 31 December 2020	**6,169**	**9,774**	**2,473**	**4,796**	**916**	**379**	**24,506**

Assets under finance and operating lease

In compliance with the provisions of IFRS 16, the Rights of Use deriving from property lease agreements and the operating lease agreement entered into during the year for the server solution, have been valued and recognised in the assets, respectively in the categories Buildings and TLC infrastructure.

Right-of-Use assets (euro/000)	31 December 2019 Historical Cost	Acc. Depreciation	Net Carrying Amount	31 December 2020 Historical Cost	Acc. Depreciation	Net Carrying Amount
Land and buildings	840	-180	**660**	840	-360	**480**
Other assets	0	0	**0**	173	-16	**157**
Total	**840**	**-180**	**660**	**1,013**	**-376**	**637**

For evidence of the accounting treatment as a contra-entry to the Assets described, reference should be made to the subsequent sections of the Notes to the financial statements on "Medium/long-term financial liabilities" and "Current financial liabilities".

Note no. 2 - Intangible assets with a finite useful life
The table below shows the balance and changes in "Intangible assets with a finite useful life" divided by category for the period from 1 January to 31 December 2020:

Intangible assets with a finite useful life (euro/000)	Software and licenses	Other intangible assets	Intangible assets in progress	Total
Balance as at 1 January 2020	**602**	**826**	**125**	**1,553**
Increases	405	0	562	967
Decreases	0	0	0	0
Reclassifications	92	10	-102	0
Amortisation	-520	-382	0	-902
Write-downs	0	0	0	0
Other changes	0	0	0	0
Balance as at 31 December 2020	**579**	**454**	**585**	**1,618**

Based on the provisions of the reference standards, in the absence of indicators of potential impairment losses, it was not considered necessary to determine the recoverable amount of tangible and intangible fixed assets as at 31 December 2020.

Note no. 3 - Equity investments in subsidiaries and associates
The Company holds a controlling interest in the companies Vola spa, Host spa and Qboxmail srl and also holds a minority interest (40%) in the company NetResults srl classified as an associate. The equity investments all represent a lasting and strategic investment.
The choices adopted for the valuation of the equity investments adequately take into account the result recorded for the year 2020 and the expectations of future income.
As described in the section on accounting standards, equity investments in subsidiaries and associates are valued using the Equity Method.

Vola spa
The equity investment, acquired in 2006 for the value of Euro 250,000, is equal to 67% of the shares.
The value recorded was determined as a result of the valuation using the fraction of Shareholders' Equity method, duly adjusted in accordance with IFRS, using the 2020 financial year figures as a reference.
In any case, at 31 December 2020 the directors of Welcome Italia tested the value of the equity investment for impairment.
The impairment test was developed by determining the "value in use" through the "Discounted cash flow" (DCF) method by discounting the operating cash flows of the 2021-2022 plan (approved by the Board of Directors on 25 February 2021) at a discount rate representative of the average cost of capital (WACC), adding the so-called "Perpetuity" rate, representative of the "Terminal value". The same is determined in a prudent manner with respect to the growth forecasts of the reference market as a growth rate G equal to zero is used.
Upon conclusion of the above impairment test, the directors did not identify any impairment losses.

Host spa
The equity investment, acquired in 2016 for the value of Euro 1,100,000, is equal to 51% of the shares.
At the time of the first valuation, a negative difference between the purchase cost and the fraction of Shareholders' Equity held equal to Euro 751,585 had been recognised, an amount which it had been decided to amortise over 5 years (the amortisation was then suspended at the time of transition to international accounting standards on 1 January 2017).
The value recorded was determined as a result of the valuation using the fraction of Shareholders' Equity method, duly adjusted in accordance with IFRS, using the 2020 financial year figures as a reference.
In any case, at 31 December 2020 the directors of Welcome Italia tested the value of the equity investment for impairment.
The impairment test was developed by determining the "value in use" through the "Discounted cash flow" (DCF) method by discounting the operating cash flows of the 2021-2022 plan (discussed by the Board of Directors on 26 February 2021) at a discount rate representative of the average cost of capital

(WACC), adding the so-called "Perpetuity" rate, representative of the "Terminal value". The same is determined in a prudent manner with respect to the growth forecasts of the reference market as a growth rate G equal to zero is used.
Upon conclusion of the above impairment test, the directors did not identify any impairment losses.

Qboxmail srl
The equity investment, acquired in 2016 for the value of Euro 250,820, is equal to 51% of the shares.
At the time of the first valuation, a negative difference between the purchase cost and the fraction of Shareholders' Equity held equal to Euro 70,338 had been recognised, an amount which it had been decided to amortise over 5 years (the amortisation was then suspended at the time of transition to international accounting standards on 1 January 2017).
The investment was valued using the Equity Method, taking as a reference the value of Shareholders' Equity as at 31 December 2020 updated by IFRS adjustments.
The directors have not identified any impairment losses as at 31 December 2020.

NetResults srl
The equity investment was acquired in 2015 for the value of Euro 344,417.
In 2015, at the time of the first valuation, a negative difference between the purchase cost and the fraction of Shareholders' Equity held equal to Euro 172,912 had been recognised, which it had been decided to amortise over 5 years (the amortisation was then suspended at the time of transition to international accounting standards on 1 January 2017).
The investment was valued using the Equity Method, taking as a reference the value of Shareholders' Equity as at 31 December 2020 updated by IFRS adjustments.
The directors have not identified any impairment losses as at 31 December 2020.

The following table provides details of the equity investments held and a summary of the adjustments to the value of financial assets arising from the valuations carried out as described above.

Equity investments in subsidiaries valued using the Equity Method (euro/000)	2019	2020	Changes	Δ%
Vola spa	703	723	20	+2.8
Host spa	319	378	59	+18.6
Qboxmail srl	346	361	15	+4.5
Total	**1,367**	**1,462**	**95**	**+6.9**

Equity investments in associates valued using the Equity Method (euro/000)	2019	2020	Changes	Δ%
NetResults srl	388	458	70	+17.8

Description	Vola spa	Host spa	Qboxmail srl	NetResults srl
Book value 31.12.2019	**703**	**319**	**345**	**388**
Dividends received	0	0	0	0
Revaluations/(write-downs)	0	0	0	0
Profit/(loss) for the period - Income Statement portion	15	57	16	70
Profit/(loss) for the period - statement of comprehensive income portion	5	2	0	0
Book value 31.12.2020	**723**	**378**	**361**	**458**

Note no. 4 - Sundry receivables and other non-current assets
The item Sundry receivables and other non-current assets includes guarantee deposits issued against various supply contracts such as electricity, water and gas.

Note no. 5 - Deferred tax assets

The "Deferred tax assets" item is made up as follows:

Deferred tax assets (euro/000)	2019	2020	Changes	Δ%
FTA - Up-front activation fees	376	211	-165	-43.9
FTA - Employee benefits	7	7	0	+1.0
Receivables	108	144	36	+33.3
Provisions for risks	72	72	0	0.0
Intangible assets	8	6	-2	-25.0
Warehouse	8	8	0	0.0
Total	**579**	**448**	**34**	**+5.9**

The FTA - Up-front activation fees item represents the deferred taxes recognised on accounting items subject to the transition to international accounting standards as of 1 January 2017, related to up-front activation fees received from customers further described in Note no. 7 - Trade receivables and Note no. 8 - Other current assets.

Below are the changes in the item "Deferred tax assets" with reference to the year 2020:

Deferred tax assets - changes (euro/000)	Balance as at 1 January 2020	Provisions / releases to the income statement	Provisions / releases to the statement of comprehensive income	Balance as at 31 December 2020
FTA - Up-front activation fees	376	-165	0	211
FTA - Employee benefits	7	0	0	7
Receivables	108	36	0	144
Provisions for risks	72	0	0	72
Intangible assets	8	-2	0	6
Warehouse	8	0	0	8
Total	**579**	**-131**	**0**	**448**

Note no. 6 - Inventories

This item only represents assets relating to the sale, installation and maintenance of telephone systems.

Inventories (euro/000)	2019	2020	Changes	Δ%
Inventories of raw, ancillary and consumable materials	27	27	0	0.0
Inventory write-down provision	-27	-27	0	0.0
Total	**0**	**0**	**0**	**0.0**

Inventories refer to end-of-sale activities prior to the introduction of Vianova services. The amount in stock is unchanged and it was considered appropriate to align the value of the write-down provision to their carrying amount: the presumed realisable value was reduced to zero due to the fact that they are now completely obsolete from a technical and economic point of view.

Note no. 7 - Trade receivables

A breakdown of "Trade receivables" is provided below:

Trade receivables (euro/000)	2019	2020	Changes	Δ%
Trade receivables for invoices issued	6,776	7,465	689	+10.2
Invoices to be issued for service up-front activation fees	2,022	1,995	-27	-1.3
Credit notes to be issued	-22	-23	-1	+4.5
Gross trade receivables	**8,776**	**9,437**	**661**	**+7.5**
Allowance for doubtful accounts	-450	-600	-150	+33.3
Total	**8,326**	**8,837**	**511**	**+6.1**

- The invoicing, credit granting and collection policies used by the Company have remained substantially unchanged from previous years. The increase in trade receivables is mainly due to the increase in turnover compared to the previous year, as further described in Note no. 20 - Revenue and other operating income.
- There are no receivables from foreign Customers.
- The Invoices to be issued item is largely represented by the valuation of receivables claimed from Customers for the contractually envisaged up-front activation fee. The standard policy adopted by the company provides for the billing of this contribution in monthly instalments up to a maximum of 36, according to the choice made by the Customer. This entry was recognised on the application of international accounting standards, in particular the provisions of IFRS 15 on Revenue

Recognition. In fact, the up-front activation fee is recorded in the income statement on an accrual basis and deferred on the basis of the average contractual duration envisaged and estimated at 72 months. Consequently, the receivable from Customers for the amounts due in the form of an up-front activation fee not yet invoiced at the closing date of the financial statements under review was recognised.

Also with reference to the section under review, it should be noted that the financial year was characterised by the Covid-19 emergency. The Company has done everything possible, within its own sphere of competence, to remain close to its Customers: in fact, in the period from March to June it suspended credit recovery activities and at the same time launched a policy aimed at supporting the categories of Customers who suffered most as a result of the generalised lockdown and then due to difficulties in resuming operations. Ad hoc agreed payment extensions have been granted and in some situations reductions have been made in the fees for services provided. The financial and economic support policy adopted has made it possible to safeguard contractual relationships with many Customers. The continuous and careful monitoring of positions, the enormous amount of activity carried out, made it possible, despite the impactful and unexpected emergency, to contain the losses incurred within reasonable limits, also taking into account the increase in turnover. The fact that the losses recorded are in line with the previous year must be considered an undoubtedly successful event, also considering that most of them are attributable to the increase in the number of bankruptcies or admissions to insolvency procedures.

Losses on receivables (euro/000)	**2019**	**2020**	**Changes**	**Δ%**
Balance	207	205	-2	-1.0

The value of losses on receivables was fully covered by the allowance for doubtful accounts allocated at the end of the previous year: considering the continuation of the epidemiological emergency, the consequent slowdown in the general economic environment and the development of revenue expected in 2021, it was nevertheless decided to replenish the allowance to a greater extent than in the year ended. The carrying amount of trade receivables is considered to approximate their fair value.

Allowance for doubtful accounts (euro/000)	**2019**	**2020**	**Changes**	**Δ%**
Opening balance	350	450	100	+28.6
Increase due to provision for the year	307	355	48	+15.6
Decrease due to use during the year	-207	-205	2	-1.0
Closing balance	**450**	**600**	**150**	**+33.3**

Note no. 8 - Other current assets

A breakdown of "Other current assets" is provided below:

Other current assets (euro/000)	**2019**	**2020**	**Changes**	**Δ%**
Costs to obtain the contract	2,629	2,579	-51	-1.9
Costs to fulfil the contract	1,888	1,902	14	+0.7
Prepaid expenses	1,190	1,525	335	+28.1
Sundry receivables	110	174	64	+58.2
Total	**5,817**	**6,179**	**362**	**+6.2**

- The application of the IFRS accounting standards requires to allocate to the income statement the so-called "Costs to obtain the contract" and "Costs to fulfil the contract" over a period of time equivalent to the average duration of the contracts, which was estimated and forecast at 72 months. The costs incurred by the Company for bonuses paid to agents and partners to obtain contracts, and the costs incurred for the activation of the services provided have consequently been removed from the income statement and attributed to the same only for the part pertaining to the period.
- Prepaid expenses consist of fees and costs of various kinds charged in advance to the Company in respect of existing commercial relationships.

Note no. 9 - Current tax assets

A breakdown of "Current tax assets" is provided below:

Current tax assets (euro/000)	2019	2020	Changes	Δ%
Other tax receivables	76	176	100	+131.6
VAT credit	150	0	-150	-100
Total	**226**	**176**	**-50**	**-22.1**

Tax receivables are mainly represented by:

- R&D tax credit for the year 2020 (Euro 42 thousand), usable in equal instalments over three years starting from 2021.
- Tax credit for sanitation and Covid-19 adjustments (Euro 8 thousand) usable in 2021.
- Tax credit for investments in other tangible capital goods, formerly Super Depreciation (Euro 120 thousand) usable in correlation with the depreciation of the assets to which the contribution refers.

Note no. 10 - Cash and cash equivalents

A breakdown of "Cash and cash equivalents" is provided below:

Cash and cash equivalents (euro/000)	2019	2020	Changes	Δ%
Bank accounts	11,387	13,731	2,344	+20.6
Petty cash	3	1	-2	-79.2
Total	**11,390**	**13,731**	**2,342**	**+20.6**

The amount recorded in the financial statements is aligned with the fair value at the date of preparation of the financial statements. The credit risk is limited since the counterparties are major banking institutions.
For further details on the dynamics affecting cash and cash equivalents, see the Cash Flow Statement.

Note no. 11 - Shareholders' Equity

For the changes in the Shareholders' Equity entries, reference should be made to the "Statement of changes in Shareholders' Equity". For the sake of clarity, please note that the profit earned in the previous year, amounting to Euro 5,869,270, as approved by the Ordinary Shareholders' Meeting on 31 March 2020, was allocated as follows:

- Euro 239,166 to the legal reserve, thus constituting a total of Euro 2,200,000, equal to 20% of the share capital;
- Euro 219,873 to the reserve pursuant to Article 2426 of the Italian Civil Code;
- the remaining Euro 5,410,230 to the distributable reserve.

Subsequently, on 29 July 2020, in accordance with the resolution passed by the aforementioned Shareholders' Meeting, the Board of Directors approved the distribution of a dividend for the amount of Euro 2,347,325.00, corresponding to Euro 1.3415 per share, to be allocated to the distributable reserve.
Neither capital nor reserves were used in the previous three years to cover losses.

Note no. 12 - Non-current financial liabilities

A breakdown of "Non-current financial liabilities" is provided below:

Non-current financial liabilities (euro/000)	2019	2020	Changes	Δ%
Mortgages and loans	471	0	-471	-100.0
Other financial liabilities (IFRS 16)	485	427	-58	-12.0
Total	**956**	**427**	**-529**	**-55.3**

- The Company has never taken advantage of current account overdrafts or subject to collection advances and during the year the Company did not take out any new loans, making regular payments on existing loans.
- All loans granted were issued without the underwriting of guarantees provided either by the Companies or by third parties. There are also no Financial Covenants.

Note no. 13 - Employee benefits

Changes in "Employee benefits" for the period from 1 January to 31 December 2020 are shown below:

Employee benefits (euro/000)	2019	2020	Changes	Δ%
Balance as at 1 January	211	231	20	+9.5
Service Cost	0	0	0	0
Interest Cost	3	2	-1	-33.3
Balance of provisions movements	29	-4	-33	-113.8
Actuarial (gains)/losses	-12	1	13	-108.3
Balance as at 31 December	**231**	**230**	**-1**	**-0.4**

Details of the economic and demographic assumptions used for the purposes of the actuarial valuations, prepared by external consultants, are provided below:

Employee benefits	2019	2020
Discount rate	1.57%	0.77%
Inflation rate	1.50%	1.20%
Annual rate of increase in employee severance indemnity	2.63%	2.40%

Note no. 14 - Provisions for future risks and charges

Changes in "Provisions for future risks and charges" for the period from 1 January 2020 to 31 December 2020 are shown below:

Provisions for future risks and charges (euro/000)	Balance as at 1 January 2020	Provisions to the income statement	Releases to the income statement	Balance as at 31 December 2020
Provision for litigation risks	300	0	0	300
Provision for termination indemnity (TFM)	169	57	-169	57
Provision for assessment risks	120	0	0	120
Supplementary Agents Indemnity Fund (FISC - *Fondo indennità suppletiva di clientele*)	21	1	0	22
Total	**610**	**58**	**-169**	**499**
▪ of which current portion	0	0	0	0
▪ of which non-current portion	610	58	-169	499

- In the 2017 financial year, a provision for risks of Euro 300 thousand had been recognised in the financial statements to cover potential charges arising from the appointment of the Regional Solicitor General for Tuscany by INAIL, to take legal action against the Company to obtain the recovery of the legal indemnities paid by the Institute to the insured person who was the subject of a work-related accident that occurred in September 2014 at the Pisa office, during the construction work there. As of the date of preparation of the financial statements, legal action had not yet been taken and therefore the provision was left in place, while noting that the Company has always rejected all charges and that, if it is summoned to appear in court, it is ready to protect its rights, trusting that it will be fully found to be innocent of the alleged offences.
- The provision for TFM includes the allocation made during the year, in accordance with the resolution passed by the Company's Shareholders' Meeting.
- With regard to the Provision for assessment risks, in the 2017 financial year a provision for risks of Euro 60 thousand had been recorded in the financial statements against potential charges arising from the audit conducted by the Customs and Monopolies Agency regarding the activities carried out in relation to the obligations provided for by Law 296/2006 (redirection of sites to comply with the obligation to shut down the same). Faced with the findings recorded by the Agency and the consequent application of the anticipated administrative sanctions, the Company had submitted counter-arguments in relation to this. During the year, the Company was served with an order to pay an administrative fine of Euro 60 thousand, against which it has lodged an appeal.
- Also in the 2017 financial year, a provision for risks of Euro 60 thousand had been recognised in the financial statements to cover potential charges arising from an assessment that had been carried out by the Italian Data Protection (Privacy) Authority in June 2017. As of the closing date of the financial year, no decision has yet been made by the Authority and therefore it is deemed necessary to leave the provision open, although we reiterate that the Company has fulfilled its obligations and therefore no penalty should be applied.
- The change measured by the Supplementary Agents Indemnity Fund is the result of the valuation of the liability prepared in accordance with IAS 37.

Note no. 15 - Deferred tax liabilities

This item is broken down as follows:

Deferred tax liabilities (euro/000)	2019	2020	Changes	Δ%
FTA - Acquisition premiums	268	140	-128	-47.8
FTA - Up-front activation fees	65	52	-13	-20.0
FTA - F.I.S.C.	13	11	-2	-15.4
Total	**346**	**203**	**-143**	**-41.3**

The items listed above represent deferred taxes recognised on accounting items transitioned to IFRS from 1 January 2017.
Changes during the year were as follows:

Deferred tax liabilities - changes (euro/000)	Balance as at 1 January 2020	Provisions / releases to the income statement	Provisions / releases to the statement of comprehensive income	Balance as at 31 December 2020
FTA - Acquisition premiums	268	-128	0	140
FTA - Up-front activation fees	65	-13	0	52
FTA - F.I.S.C.	13	-2	0	11
Total	**346**	**-143**	**0**	**203**

Note no. 16 - Current financial liabilities

A breakdown of "Current financial liabilities" is provided below:

Current financial liabilities (euro/000)	2019	2020	Changes	Δ%
Mortgages and loans (current portion)	*827*	*622*	*-205*	*-24.8*
Other financial liabilities (IFRS 16)	*179*	*233*	*54*	*+30.2*
Total	**1,006**	**855**	**-151**	**-15.0**

Note no. 17 - Trade payables

A breakdown of "Trade payables" is provided below:

Trade payables (euro/000)	2019	2020	Changes	Δ%
Trade payables to third parties	7,202	6,561	-641	-8.9
Invoices to be received	2,807	2,783	-24	-0.9
Credit notes to be received	-540	-97	443	-82.0
Total	**9,469**	**9,247**	**-222**	**-2.3**

During the year under review, there were no significant changes to the purchasing and payment policies agreed with suppliers. There are no payables to suppliers and other foreign entities expressed in currencies other than the euro.
There are no payables with a duration of more than 5 years or positions of significant debt concentration.

Note no. 18 - Other current liabilities

A breakdown of "Other current liabilities" is provided below:

Other current liabilities (euro/000)	2019	2020	Changes	Δ%
Current deferred revenue (up-front activation fee)	4,246	4,278	31	+0.7
Accrued expenses and deferred income	3,884	4,355	471	+12.1
Payables to employees	1,642	1,757	116	+7.0
Payables to social security institutions	856	893	37	+4.3
Tax payables	461	490	29	+6.3
Sundry payables	195	211	16	+8.1
Total	**11,284**	**11,984**	**700**	**+6.2**

- The Current deferred revenue item, in applying IFRS 15 on Revenue Recognition, provides for the attribution to the income statement of the revenue component represented by the up-front activation fees on the basis of the average expected contractual duration, estimated at 72 months. This is regardless of the billing method of the entry in question, which is carried out by the Company in monthly instalments up to a maximum of 36, according to the choice made by the Customer itself. Therefore, the volume of revenue accruing in future years was calculated by comparing the date of activation of the contracts and the cited average duration of the same, regardless of the invoicing methods.
- Deferred income is accounted for as a result of monthly advance billing of fees pertaining to January of the following year. The increase is mainly due to the increase in the number of customers compared to the previous year.

Payables to employees are made up as follows:

Payables to employees (euro/000)	2019	2020	Changes	Δ%
Payables to employees holiday pay	875	896	21	+2.4
Payables to employees	767	861	94	+12.3
Total	**1,642**	**1,757**	**115**	**+7.0**

All amounts, with the exception of payables related to the amount of holiday pay accrued by employees, were regularly settled at their natural due date in the new year.

Tax payables are made up as follows:

Tax payables (euro/000)	2019	2020	Changes	Δ%
Tax authorities employees and collaborators IRPEF	403	446	43	+10.7
Tax authorities withholding tax on various payments on account	58	44	-14	-24.1
Total	**461**	**490**	**29**	**+6.3**

All the amounts relating to IRPEF and various withholding taxes were regularly paid at their natural due date in the first months of the new financial year.

Payables to social security institutions and sundry payables are made up as follows:

Payables to social security institutions (euro/000)	2019	2020	Changes	Δ%
Tax authorities employees and collaborators INPS	512	543	31	+6.1
Tax authorities employees holiday pay INPS	267	267	0	0.0
Payables to other entities	68	79	11	+16.2
Tax authorities enasarco account	6	4	-2	-33.3
Payables to INAIL	3	0	-3	-100.0
Total	**856**	**893**	**37**	**+4.3**

All amounts, with the exception of payables related to the amount of holiday pay accrued by employees, were regularly settled at their natural due date in the first months of the new financial year.

Sundry payables (euro/000)	2019	2020	Changes	Δ%
Payables to directors	61	61	0	0.0
Other payables	134	150	16	+11.9
Total	**195**	**211**	**16**	**+8.2**

Note no. 19 - Current tax liabilities

A breakdown of "Current tax liabilities" is provided below:

Current tax liabilities (euro/000)	2019	2020	Changes	Δ%
VAT payable	0	593	593	100
IRES payable	477	327	-150	-31.4
IRAP payable	70	88	18	+25.7
Other tax payables	2	2	0	0.0
Total	**549**	**1,010**	**461**	**+84.0**

Changes in IRES and IRAP provisions and advances during the year are shown below:

IRES balance (euro/000)	2019	2020	Changes	Δ%
Provision for IRES	1,615	1,930	315	+19.5
Advances paid	-1,138	-1,603	-465	+40.9
Balance - Payable (Receivable)	477	327	-150	-31.4

IRAP balance (euro/000)	2019	2020	Changes	Δ%
Provision for IRAP	418	506	88	+21.1
Advances paid	-348	-418	-70	+20.1
Balance - Payable (Receivable)	70	88	18	+25.7

For evidence of the balance of income taxes for the year as at 31 December, reference should also be made to the subsequent section of the Notes to the financial statements on income taxes.

Note no. 20 - Revenue and other operating income

A breakdown of "Revenue" is provided below:

Revenue and other operating income (euro/000)	2019	2020	Changes	Δ%
Revenue from fees	42,989	45,937	2,948	+6.9
Revenue from pay-per-use services	5,823	7,916	2,093	+35.9
Revenue from activations	1,769	1,801	31	+1.8
Other revenue and income	1,133	576	-557	-49.2
Revenue from interconnection	298	572	274	+91.8
Income from adjustment of access and pay-per-use charges	344	311	-33	-9.5
Gains on disposal of non-current assets	74	65	-9	-11.9
Public grants	477	62	-415	-87.0
Revenue for assistance and interventions	72	60	-12	-16.2
Revenue from sales	88	22	-66	-75.4
Release of surplus funds	1	0	-1	-100.0
Revenue from rentals	0	0	0	0
Revenue adjustments	-7	-1	6	-82.0
Total	**53,060**	**57,319**	**4,259**	**+8.0**

- Revenue and other operating income increased compared to the previous year mainly due to the increase in the number of customers served through the Vianova offering, both for the Vianova Fixed and Vianova Mobile services.
- Public grants include contributions due for a R&D tax credit for 2020 (Euro 42 thousand), tax credit for sanitation and COVID-19 compliance (Euro 8 thousand) and tax credit for investments in other tangible capital goods, formerly Super Depreciation (Euro 12 thousand). With regard to this last component, it should be noted that the total amount of the tax credit due is recognised in relation to the depreciation of the assets to which the grant relates. The amount recorded in this item therefore represents the portion pertaining to the year 2020 only.
- The Other revenue and income item is mainly composed of contingencies arising from the elimination of the 2019 IRAP balance and the 2020 IRAP advance provided for by Decree Law no. 34 of 19 May 2020 (so-called *Decreto Rilancio* (Relaunch Decree)) for a total amount of Euro 237 thousand. The item also includes revenue for contractual penalties (for Euro 149 thousand), recognised following the settlement of disputes with another operator and other contingent assets (for Euro 140 thousand).

In 2020, the company developed innovative pre-competitive activities (trusting that the positive outcome of these activities would generate a competitive strengthening of the company with favourable economic effects), directing its efforts in particular to the following projects: (1) analysis, research, design, review and testing for new product development in the area of telecommunications software; (2) analysis, research, sketches, testing, development and review for product design development - business services. For the development of the aforementioned projects, the company has incurred eligible costs of Euro 703,800.70 for which it intends to access the benefits provided by the tax credit for research, development, technological innovation, design and aesthetic conception activities pursuant to Art. 1, paragraphs 198 - 209 of Law no. 160 of 27 December 2019.

Note no. 21 - Purchase of services

These are closely related to core business activities and revenue performance.

Costs for services (euro/000)	2019	2020	Changes	Δ%
Purchase of services - fees and activations	10,193	11,444	1,251	+12.3
Commercial costs	7,359	7,977	618	+8.4
Interconnection costs	3,611	3,290	-321	-8.9
Purchase of services - pay-per-use	1,666	1,826	161	+9.7
Costs for technical interventions	1,594	1,709	115	+7.2
Industrial overheads	1,112	1,219	107	+9.6
Costs for collaborations, directors	892	951	59	+6.6
Network maintenance costs	780	978	198	+25.4
Advertising and promotional costs	703	372	-331	-47.2
Operator licence contributions	481	485	4	+0.9
Consultancy costs	431	329	-102	-23.6
Maintenance costs	241	291	50	+20.5
Travelling expenses	127	38	-89	-69.8
Bank charges	110	120	10	+9.4
Total	**29,301**	**31,030**	**1,730**	**+5.9**

The increase in the cost of services is due to the increased volume of turnover and activities recorded during the year.

Note no. 22 - Staff costs

Staff costs are broken down as follows:

Staff costs (euro/000)	2019	2020	Changes	Δ%
Wages and salaries	6,291	6,734	443	+7.0
Social security charges	1,885	1,964	78	+4.2
Employee severance indemnity and pension funds	348	386	38	+11.0
Other staff costs	424	363	-61	-14.4
Total	**8,949**	**9,448**	**499**	**+5.6**

Below is information relating to staff, also referring to that better illustrated in the Directors' Report on Operations:

Staff	2019	%	2020	%	Δ%
no. of persons as at 31 December	**185**	**100**	**197**	**100**	+6.5
Full Time Equivalent (FTE) as at 31 December (qty)	181.6	98.1	193.3	98.1	+6.5
Average FTE (qty)	174.8	94.5	188.7	95.8	+7.9
Non-employee collaborators (qty)	5	2.7	5	2.5	0.0
Average age (years)	40.1		40.9		+2.0
Average length of service (years)	8.7		9.1		+4.6
Women (qty)	52	28.1	55	27.9	+5.8
Graduates (qty)	89	48.1	103	52.3	+15.7
Revenue per FTE (euro)	303		303		0.0
Cost per FTE (euro)	57		55		-3.1
EBITDA per FTE (euro)	81		85		+4.3

Note no. 23 - Other operating costs and change in inventories

A breakdown of "Other operating costs" and "Change in inventories" is provided below:

Other operating costs and change in inventories (euro/000)	2019	2020	Changes	Δ%
Provision for doubtful accounts	307	355	48	+15.6
Other operating expenses	225	308	83	+36.9
Duties, taxes and registration fees	37	35	-2	-5.4
Total other operating costs	**569**	**698**	**129**	**+22.7**
Change in inventories	0	0	0	0
Total	**569**	**698**	**129**	**+22.7**

The actual losses on receivables incurred in 2020 amounting to Euro 205 thousand were fully covered by the use of the allowance for doubtful accounts allocated at the end of the previous year. There are therefore no amounts charged to the income statement for the year.

Note no. 24 - Purchase of materials

A breakdown of "Purchase of materials" is provided below:

Purchase of materials (euro/000)	2019	2020	Changes	Δ%
Fuel costs	90	39	-51	-56.7
ICT equipment purchase	117	33	-84	-71.8
Cost of assets expensed during the year	31	24	-7	-22.6
Cost of stationery and materials for internal use	41	16	-25	-61.0
Cost of consumables for external use	3	11	8	+266.7
MVNO cost, consumables	9	9	0	0.0
Printing cost for invoicing	0	0	0	0
Total	**291**	**132**	**-159**	**-54.6**

Note no. 25 - Amortisation/depreciation and write-downs

For details and considerations on the amounts booked under this item, reference should be made to the relevant sections of the Notes to the financial statements.

Amortisation/depreciation and write-downs (euro/000)	2019	2020	Changes	Δ%
Depreciation of property, plant, equipment and other assets	5,282	5,630	348	+6.6
Amortisation of intangible assets with a finite useful life	911	903	-8	-0.9
Write-downs/(revaluations) of tangible and intangible fixed assets	75	62	-13	-17.3
Provisions	0	0	0	0
Total	**6,268**	**6,595**	**327**	**+5.2**

Note no. 26 - Income and expense from equity investments

For further details, see the Non-current assets section of the Statement of Financial Position.

Net income and expense from equity investments (euro/000)	2019	2020	Changes	Δ%
Revaluation of equity investments	218	157	-60	-27.7
Write-down of equity investments	-32	0	32	-100.0
Total	**185**	**157**	**-28**	**-15.1**

Note no. 27 - Financial income

Interest income is the result of investments of the company's liquidity in money market instruments, which are liquid, have a short maturity and are not correlated to any risk component.

Financial income (euro/000)	2019	2020	Changes	Δ%
Interest income on bank current accounts	22	22	0	-1.7
Foreign exchange gains	6	2	-4	-70.5
Total	**29**	**24**	**-5**	**-16.8**

Note no. 28 - Financial charges

The trend in interest expense is related to the performance of commitments under financing operations, as detailed in the section of the Notes to the financial statements dedicated to financial liabilities.

Financial charges (euro/000)	2019	2020	Changes	Δ%
Interest expense and charges on loans	20	9	-11	-53.4
Other financial charges	12	9	-3	-25.0
Total	**32**	**18**	**-14**	**-42.7**

Note no. 29 - Income taxes for the year

A breakdown of "Income taxes for the year" is provided below:

Income taxes for the year (euro/000)	2019	2020	Changes	Δ%
IRES	1,615	1,930	315	+19.5
IRAP	418	506	88	+21.0
Deferred tax assets and liabilities	-40	-12	28	-70.0
Total	**1,993**	**2,423**	**430**	**+21.6**

The following tables allow for the reconciliation of the theoretical tax charge in the financial statements (ordinary rate) with the taxable income, also showing the rate actually applied.

IRES - Reconciliation of result for the year and taxable income (euro/000)	2019	2020
Profit before tax	7,862	7,862
Ordinary rate applicable	24.00%	24.00%
Theoretical tax burden	1,887	1,887
Income after taxes	5,853	7,160
Increases	3,627	3,706
Decreases	2,516	2,523
ACE deduction	231	276
Taxable income	6,732	8,067
Tax corresponding to taxable income	1,616	1,936
Tax credits	6	6
Income taxes for the year	1,609	1,930
Effective rate	20.47%	24.54%

IRAP - Reconciliation of result for the year and taxable income (euro/000)	2019	2020
Positive components of production value	53,079	57,334
Negative components of production value	36,081	38,056
Increases	1,684	1,502
Decreases	1,450	1,211
Gross production value	17,231	19,569
Ordinary rate applicable (%)	4.82%	4.82%
Theoretical tax burden (euro)	831	943
Deductions Art. 11, para. 1, lett. a) of Legislative Decree 446	8,555	9,077
Net production value	8,676	10,492
IRAP for the year	418	506

In the year under review, as in previous years, the IRAP rate was increased by 0.92% as the Company falls within the economic activities identified by the Regional Law of Tuscany for which this increase is compulsory. The rate applied is therefore 4.82%.

For changes in deferred tax assets and deferred tax liabilities, and the consequent effects, reference should be made to the sections of the Notes to the financial statements on "Deferred tax assets" and "Deferred tax liabilities" respectively.

Commitments and guarantees not disclosed in the statement of financial position

Commitments, guarantees, contingent liabilities (euro/000)	2019	2020	Changes	Δ%
Other guarantees provided	2,583	2,542	-41	-1.59

The item includes commitments undertaken by the Company through banks that have provided sureties to network operators against contractual obligations to be fulfilled by the Company (Euro 2,510,000) and to other entities against contractual obligations undertaken for the supply of voice and data services.

Contingent liabilities

On the basis of the information available to date, the directors of the Company believe that, at the date of approval of these financial statements, the provisions set aside are sufficient to ensure a fair representation of the financial information.

Transactions with related parties

Transactions with related parties are carried out in compliance with the provisions of the laws in force, are part of the normal management of the business and are settled at market prices. The definition of a related party is based on the International Accounting Standards adopted by the European Union (IAS 24).

Relations with the holding company Quinta, with its subsidiary Imagicle and with all the other associates relate mainly to the reciprocal provision of services. The following table summarises the Company's creditor and debtor relationships with related parties as at 31 December 2020 and 31 December 2019:

Related parties	Trade receivables		Trade payables	
	2019	2020	2019	2020
Quinta spa	0	7	1	0
Imagicle spa	3	3	0	0
Vola spa	1	3	8	7
Host spa	12	5	9	27
Qboxmail srl	3	3	0	0
NetResults srl	1	1	50	146
Winitalia srl	0	0	2	8
Board of Statutory Auditors	1	1	0	0
Shareholders	20	23	162	259
Total	**41**	**46**	**232**	**447**
Total item	8,326	8,837	9,469	9,247
Impact on item	0.49	0.52	2.45	4.83

In contrast, the additional table summarises the Company's economic transactions with related parties as at 31 December 2020 and 31 December 2019:

Related parties	Revenue and Other income		Costs for services	
	2019	2020	2019	2020
Quinta spa	0	0	82	77
Imagicle spa	30	30	0	0
Vola spa	12	24	28	33
Host spa	51	48	113	133
Qboxmail srl	19	27	2	2
NetResults srl	13	14	280	207
Winitalia srl	3	3	8	14
Directors	7	3	0	0
Board of Statutory Auditors	8	8	0	0
Shareholders	100	104	1,400	1,373
Total	**243**	**261**	**1,913**	**1,839**
Total item	53,060	57,319	29,301	31,030
Impact on item	0.46	0.46	6.53	5.93

In compliance with the requirements of IAS 24 and the new procedure on related parties, in addition to the directors of the Parent Company, executives with strategic responsibilities must also be identified as related parties. In the current year, there are no other executives with strategic responsibilities in the company other than the Chief Executive Officer.

Remuneration of Directors and the Board of Statutory Auditors

In accordance with the law, Article 2427, paragraph 1, no. 16 of the Italian Civil Code, the total gross remuneration payable to the Directors and members of the Board of Statutory Auditors is provided below, noting that the corporate bodies were renewed by resolution of the Shareholders' Meeting for the 2020 - 2022 three-year period.

Remuneration of corporate bodies (euro/000)	2019	2020	Changes	Δ%
Directors	836	895	59	+7.1
Board of Statutory Auditors	23	23	0	0.0
Total	**859**	**918**	**59**	**+6.9**

Remuneration payable to the Independent Auditors

The total remuneration contractually agreed with the Independent Auditors is provided below, noting that the engagement for the statutory audit was for the 2019 - 2021 three-year period.

Remuneration of Independent Auditors (euro/000)	2019	2020	Changes	Δ%
Audit of financial statements	56	33	-23	-41.1
Other advice	57	21	-36	-63.2
Total	**113**	**54**	**-59**	**-52.2**

Significant events during the 2020 financial year

Reference should be made to the information provided in the relevant section of the Directors' Report on Operations.

Business outlook

Reference should be made to the information provided in the relevant section of the Directors' Report on Operations.

Hierarchical levels of fair value measurement (disclosures pursuant to IFRS 7)

Various accounting standards and certain disclosure obligations require the determination of the fair value of financial and non-financial assets and liabilities. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in a regular transaction between market participants at the measurement date. In order to increase the comparability of data and fair value measurements, the standard establishes a hierarchy identified at three different levels that reflects the significance of the inputs used in determining fair value. The identified levels are distinguished into:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the enterprise has access to at the measurement date. The price quoted in an active and liquid market is the most reliable evidence for measuring fair value, and if the market for the asset/liability is not unique it is necessary to identify the most advantageous market for the instrument;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable, directly or indirectly, for the assets or liabilities being measured. If the asset or liability has a specified duration, a Level 2 input must be observable for the entire duration of the asset or liability. Examples of instruments falling within the second level of the hierarchy include: assets or liabilities in inactive markets or interest rates and yield curves observable at commonly quoted intervals;
- Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should only be used if Level 1 and Level 2 inputs are not available. Despite this, the purpose remains the same, i.e. to determine a closing price at the measurement date, thereby reflecting the assumptions that market participants would use in pricing the asset or liability, including assumptions related to risk.

The following table provides a breakdown of the Company's financial assets and liabilities by category as at 31 December 2020 and 31 December 2019:

Financial assets measured at fair value (euro/000)	2019	2020	Changes	Δ%
Cash and cash equivalents	11,390	13,731	2,342	+20.6
Trade receivables	8,326	8,837	511	+6.1
Financial assets	1,756	1,920	164	+9.3
Other assets	5,817	6,179	362	+6.2
Total	**27,288**	**30,667**	**3,378**	**+12.4**

Financial liabilities measured at fair value (euro/000)	2019	2020	Changes	Δ%
Financial liabilities	1,962	1,282	-680	-34.7
Trade payables	9,469	9,247	-222	-2.3
Other liabilities	11,284	11,984	700	+6.2
Total	**22,714**	**22,513**	**-201**	**-0.9**

Financial risk management

Reference should be made to the information provided in the relevant section of the Directors' Report on Operations.

Further information

Information on agreements not reported in the statement of financial position (Article 2427, paragraph 1, from number 18 to number 21 of the Italian Civil Code)

Pursuant to the provisions of the aforementioned article, the following is hereby acknowledged:

- the Company has not issued securities with the characteristics of dividend-right shares, bonds convertible into shares, securities or similar instruments;
- the Company has not issued any other financial instruments;
- the Company has not raised financing from its shareholders;
- there are no assets earmarked for a specific business;
- there are no loans for a specific business.

Information on agreements not reported in the statement of financial position (Article 2427, paragraph 1, number 22-ter of the Italian Civil Code)

There are no such agreements.

Certifications

The Company holds the following certifications, both issued by DNV-GL:

- ISO 9001:2015 Quality Management System valid for the application field: Design and provision of integrated services, voice, data, Internet access, value-added services and related assistance. The Company obtained the renewal of its certification in April 2018 with validity until April 2021.
- ISO/IEC 27001:2013 Information Security Management System valid for the application field: Implementation, provision, maintenance and continuity management of integrated services, voice, data, Internet access and colocation services. The Company obtained the renewal of its certification in November 2019 with validity until November 2022.

Licenses and authorisations

The Company holds the following authorisation titles:

- general authorisation pursuant to Art. 25 of the Electronic Communications Code for the installation of a telecommunications network for the purpose of providing the voice telephony service with coverage area of Italy, issued on 23 May 2019 (formerly an individual licence dated 26 May 1999) expiring on 31 December 2039;
- general authorisation pursuant to Art. 25 of the Electronic Communications Code for the supply of Internet access services;
- general authorisation for the provision of Mobile and Personal Services (MVNO - Mobile Virtual Network Operator) with coverage area of Italy issued on 26 July 2016, expiring on 31 December 2036.

The Company is also registered in the R.O.C. (*Registro degli operatori di Comunicazione* - Register of Communication Operators) held at Agcom under number 8823.

Privacy

The entry into force during 2018 of Regulation (EU) 679/2016, better known as the GDPR, and Legislative Decree 101/2018 which amended Legislative Decree 196/2003 (Code for the Protection of Personal Data or the so-called Privacy Code) has required Welcome Italia to undertake and continue a plan to verify the compliance of procedures and processes with the new regulatory requirements (i.e. accountability, privacy-by-design and privacy-by-default, adequacy of security measures adopted, etc.).
The key principle underlying the new legislation is "Privacy by design", i.e. to ensure data protection from the conception and design of a process or a system, and to adopt behaviours that will prevent possible problems.
With the collaboration of the Data Protection Officer, Welcome Italia has therefore continued to update the internal procedures and documentation adopted, providing new impetus to the evolutionary process of continuous updating and monitoring that embodies today's approach to the processing of personal data. To this end, additional emphasis was placed on the accountability of the owners and senior management of the Company, i.e., on the adoption of proactive behaviours that demonstrate the concrete adoption of measures aimed at ensuring the application of the regulations, by assigning a specific task to the managers of the areas involved.
At the same time, the Company has equipped itself with the infrastructure and skills necessary to monitor cybersecurity.

Allocation of profit for the year

We therefore invite you to approve the financial statements, as presented, resolving to allocate the net profit of Euro 7,154,747.62 as follows:

- Euro 157,368 to the reserve pursuant to Article 2426 of the Italian Civil Code;
- Euro 2,861,775 corresponding to Euro 1.6353 per share as a dividend to shareholders;
- the remaining Euro 4,134,604 to the distributable reserve.

These financial statements, consisting of the "Statement of Financial Position", "Statement of Comprehensive Income", "Cash Flow Statement" and "Statement of Changes in Shareholders' Equity" are consistent with the accounting records and give a true and fair view of the financial position and results of operations for the year.

For the Board of Directors

The Chairman
Stefano Luisotti

Annex no. 1. Holding company Quinta spa

Quinta società per azioni
Via Fondacci, 272 - 55054 Massarosa (LU)
Share capital Euro 650,000.00 fully paid-up
VAT no. and Tax Code 02143690465
Lucca C.C.I.A.A. R.E.A. no. 200735
Lucca C.C.I.A.A. Business Register no. 02143690465

Shareholders	%
Giovanni Luisotti	23.70
Stefano Luisotti	23.70
Emanuela Simonini	14.69
Rossana Vicini	14.69
Own shares	9.00
Nicola Gallico	4.50
Marco Bolognini	4.50
Massimo Di Puccio	4.50
Rossana Vicini	0.72

Administrative body	Role
Giovanni Luisotti	Chairman
Stefano Luisotti	Chief Executive Officer
Marco D'Ascoli	Director

Board of Statutory Auditors	Role
Riccardo Cima	Chairman
Sergio Maffei	Acting Auditor
Andrea Marraccini	Acting Auditor
Nunzio Stroscio	Alternate Auditor
Andrea Filogari	Alternate Auditor

Auditor	Task
KPMG spa	External Audit

Statement of Financial Position (euro/000)	2018	%	2019	%	Δ%
Total Assets (a+b)	**31,153**	**100**	**34,338**	**100**	**+10.2**
Total non-current assets (a)	**30,197**	**96.9**	**33,626**	**97.9**	**+11.4**
Owned property, plant and equipment	562	1.8	546	1.6	-2.7
Equity investments in subsidiaries valued using the Equity Method	29,632	95.1	33,079	96.3	+11.6
Non-current financial assets	3	0.0	0	0.0	-94.7
Sundry receivables and other non-current assets	1	0.0	1	0.0	0.0
Total current assets (b)	**956**	**3.1**	**712**	**2.1**	**-25.5**
Inventories	179	0.6	164	0.5	-8.1
Trade receivables	20	0.1	9	0.0	-57.7
Current tax assets	3	0.0	3	0.0	-12.4
Cash and cash equivalents	753	2.4	535	1.6	-28.9
Total Shareholders' Equity and liabilities (c+d)	**31,153**	**100**	**34,338**	**100**	**+10.2**
Total Shareholders' Equity (c)	**23,935**	**76.8**	**28,787**	**83.8**	**+20.3**

Statement of Financial Position (euro/000)	2018	%	2019	%	Δ%
Share capital	650	2.1	650	1.9	0.0
Reserves	19,217	61.7	21,971	64.0	+14.3
Net result	4,069	13.1	6,166	18.0	+51.5
Total Liabilities (d=e+f)	**7,218**	**23.2**	**5,551**	**16.2**	**-23.1**
Total non-current liabilities (e)	**5,454**	**17.5**	**3,707**	**10.8**	**-32.0**
Non-current financial liabilities	5,454	17.5	3,707	10.8	-32.0
Total current liabilities (f)	**1,764**	**5.7**	**1,844**	**5.4**	**+4.5**
Current financial liabilities	1,727	5.5	1,747	5.1	+1.1
Trade payables	29	0.1	44	0.1	+55.4
Other current liabilities	8	0.0	13	0.0	+60.9
Current tax liabilities	1	0.0	40	0.1	+3,944.8

Income Statement (euro/000)	2018	%	2019	%	Δ%
Revenue and operating income	**106**	**100**	**279**	**100**	**+162.4**
Purchase of services	-139	131.1	-166	59.3	+18.8
Other operating costs	-7	6.9	-8	2.8	+4.0
Change in inventories	0	0.0	-14	5.2	+100.0
Operating income before amortisation/depreciation and write-downs	**-40**	**38.0**	**91**	**32.7**	**-326.2**
Amortisation/depreciation and write-downs	-15	14.3	-15	5.5	-0.0
Operating income	**-56**	**52.3**	**76**	**27.3**	**-237.0**
Net income/(expense) from equity investments	4,264	4,009.0	6,232	2,233.2	+46.2
Financial charges	-137	129.1	-99	35.4	-28.1
Profit before tax	**4,071**	**3,827.6**	**6,210**	**2,225.2**	**+52.5**
Income taxes	-2	1.7	-44	15.7	+2,264.5
Net result for the year	**4,069**	**3,825.9**	**6,166**	**2,209.5**	**+51.5**

Statement of Comprehensive Income (euro/000)	Notes	2018	%	2019	%	Δ%
Net result for the year		**4,069**	**3,825.9**	**6,166**	**2,209.5**	**+51.5**
Other statement of comprehensive income items that will not be subsequently reclassified to profit/(loss) for the period:						
▪ Equity investments accounted for using the Equity Method		-9	8.6	-14	5.0	+53.6
Total Statement of Comprehensive Income		**4,060**	**3,817.3**	**6,152**	**2,204.4**	**+51.5**

Board of Statutory Auditors' Report

RELAZIONE DEL COLLEGIO SINDACALE AL BILANCIO D'ESERCIZIO

CHIUSO AL 31/12/2020

AI SENSI DELL'ART. 2429, COMMA 2 DEL CODICE CIVILE

All'Assemblea degli Azionisti di Welcome Italia s.p.a.

Il Collegio Sindacale, ai sensi dell'art. 2429, comma 2, del codice civile, è chiamato a riferire all'Assemblea dei Soci sui risultati dell'esercizio sociale e sull'attività svolta nell'adempimento dei propri doveri, nonché a fare osservazioni e proposte in ordine al bilancio e alla sua approvazione.

Preliminarmente si evidenzia che l'attività di revisione legale dei conti di Welcome Italia s.p.a. è svolta dalla società di revisione KPMG s.p.a. da Voi incaricata con nomina Assembleare del 10/05/2019 per gli esercizi 2019, 2020, 2021.

Osservazioni in merito al Bilancio d'esercizio

Il Bilancio al 31 dicembre 2020 è stato predisposto dagli Amministratori in conformità ai principi contabili internazionali (International Accounting Standards – IAS o International Financial Reporting Standards – IFRS) e alle relative interpretazioni (SIC/IFRIC) omologati dall'Unione Europea alla suddetta data, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.lgs. 38/2005 che disciplina la possibilità di applicare i suddetti principi in via facoltativa.

Nel bilancio vengono, inoltre, fornite tutte le informazioni ritenute necessarie a dare una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Società e del risultato economico dell'esercizio, anche se non richieste da specifiche disposizioni di legge.

Il progetto di bilancio dell'esercizio chiuso al 31 dicembre 2020 è stato approvato dal Consiglio di Amministrazione e consegnato al Collegio sindacale in tempo utile affinché sia depositato presso la sede della Società corredato dalla presente Relazione.

Nella relazione sulla gestione sono riepilogati i principali rischi e incertezze e si dà conto dell'evoluzione prevedibile della gestione.

***

Collegio Sindacale

Il Collegio Sindacale in carica alla data della presente relazione è stato nominato dall'Assemblea dei Soci del 31 marzo 2020 ed è composto da Andrea Mariani (Presidente), Sergio Maffei (Sindaco effettivo) e Simone Sartini (Sindaco effettivo).

Eventi di particolare rilevanza

Il Collegio Sindacale rappresenta che:

- A partire dal mese di Gennaio 2020 lo scenario nazionale ed internazionale è stato caratterizzato dalla diffusione della Pandemia Covid 19 e dalle conseguenti misure restrittive per il suo contenimento. Tali eventi hanno avuto un impatto molto limitato sul business del Gruppo considerata la tipologia dei servizi erogati e la loro strategicità anche in tale contesto di emergenza.

- Le Società del Gruppo a fronte della Pandemia in corso hanno adottato un approccio cautelativo volto a salvaguardare la sicurezza dei lavoratori ed a garantire la continuità aziendale privilegiando su larga scala l'attività lavorativa in modalità smart working.

- L'Assemblea dei Soci del 31 marzo 2020 ha nominato un nuovo Consiglio di Amministrazione per il triennio 2020-2022 nelle persone dei sig.ri: Claudio Berretti, Giovanni Luisotti, Marco Bolognini, Marco d'Ascoli, Massimo Di Puccio, Nicola Gallico, Stefano Luisotti.

- Nel mese di Gennaio 2020 la Società ha perfezionato un contratto di compravendita di un terreno sito in Massarosa con l'iniziale intento di edificare un nuovo Headquarters.

- Nel mese di Marzo 2020 è stata completata la realizzazione di una rete di trasporto in fibra ad elevata capacità (dark fiber) che si estende da Milano a Roma con un investimento complessivo di oltre 5 milioni di Euro.

- Nel mese di Febbraio la Società ha adottato il Modello di Organizzazione e Gestione ex D.lgs. 231/2001 ed è stato nominato l'Organismo di Vigilanza.

- Nel corso dell'esercizio la società partecipata Vola s.p.a. ha acquisito il 67% della Società Winitalia srl specializzata in Cybersecurity.

Eventi successivi

Come richiamato nella Nota integrativa del bilancio, l'emergenza sanitaria internazionale è ancora in corso.

Al riguardo, il Consiglio di amministrazione ha valutato che tali eventi e circostanze non siano tali da far sorgere dubbi sulla continuità aziendale e sulle possibilità di ulteriore crescita.

Operazioni atipiche o inusuali

Non ci risultano operazioni atipiche o inusuali.

Operazioni infragruppo o con parti correlate

Nel corso dell'esercizio 2020 sono state poste in essere operazioni con parti correlate rientranti nella normale gestione dell'attività d'impresa e regolate a prezzi di mercato.

Nei commenti alle voci di bilancio è specificata, laddove significativa, la tipologia delle operazioni infragruppo realizzate, con indicazione dei relativi importi.

Attività di vigilanza

In merito all'attività di vigilanza prevista dalla legge, in linea con i principi di comportamento del Collegio Sindacale raccomandati dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili, rappresentiamo quanto segue:

- abbiamo vigilato sull'osservanza della legge e dello statuto e sul rispetto dei principi di corretta amministrazione. Sulla base delle informazioni acquisite e disponibili non abbiamo rilevato violazioni di quanto disposto dalla legge e/o dallo statuto adottato dalla Società, né è emerso il compimento di operazioni manifestamente imprudenti, azzardate, in potenziale conflitto di interessi e/o tali da compromettere l'integrità del patrimonio sociale;

- al fine di acquisire conoscenza e di vigilare sull'adeguatezza e sul funzionamento dell'assetto organizzativo della Società, abbiamo richiesto ai responsabili delle funzioni informazioni sulla composizione dell'organico della Società, sulla struttura interna, sull'operatività e sui rapporti interni in essere tra le funzioni aziendali di maggior rilievo, nonché sull'adeguatezza del sistema di controllo interno. A tale riguardo non abbiamo osservazioni particolari da riferire;

- abbiamo acquisito conoscenza e vigilato, per quanto di nostra competenza, sull'adeguatezza e sul funzionamento del sistema amministrativo-contabile e sull'affidabilità di quest'ultimo a rappresentare correttamente i fatti di gestione mediante l'ottenimento di informazioni dai responsabili delle funzioni e dal soggetto incaricato della revisione legale dei conti, nonché mediante l'esame dei documenti aziendali relativi alle procedure impiegate e l'analisi del lavoro svolto dalla Società di Revisione. A tale riguardo non abbiamo osservazioni particolari da riferire;

- abbiamo verificato l'osservanza delle norme di legge inerenti la formazione del bilancio e della relazione sulla gestione tramite verifiche dirette e informazioni assunte dalla Società di Revisione;

- abbiamo partecipato alle riunioni del Consiglio di Amministrazione, nel corso delle quali abbiamo acquisito informazioni sull'andamento della gestione, sulla sua prevedibile evoluzione e sui fatti di maggior rilievo avvenuti nel corso dell'esercizio, dettagliatamente riportati e descritti nella relazione sulla gestione predisposta dagli Amministratori. In base alle informazioni acquisite, non abbiamo osservazioni particolari da riferire;

- abbiamo incontrato la Società di Revisione incaricata della revisione legale dei conti. Gli incontri hanno avuto ad oggetto scambi informativi circa la correttezza delle procedure adottate dalla Società, l'adeguatezza del sistema di controllo interno, nonché l'esito dei controlli effettuati sui processi aziendali. Relativamente all'attività di revisione siamo stati informati circa l'attività svolta da KPMG e, in particolare, l'impianto metodologico, l'approccio di revisione utilizzato per le diverse aree significative di bilancio e la pianificazione del lavoro di revisione; abbiamo, altresì, condiviso con la Società di Revisione le problematiche relative ai rischi aziendali, potendo così apprezzare l'adeguatezza della risposta pianificata dal revisore in termini di approccio di revisione con i profili, strutturali e di rischio, della Società. Nel corso dell'attività di vigilanza svolta e sulla base delle informazioni ottenute dalla Società di Revisione, non sono state rilevate omissioni, fatti censurabili, irregolarità e/o comunque fatti significativi tali da richiederne la segnalazione agli organi di controllo o menzione nella presente relazione;

- abbiamo intrattenuto costanti rapporti con l'amministratore delegato al fine di acquisire conoscenza circa le iniziative intraprese dalla Società per la gestione dell'emergenza coronavirus.

Delle attività in precedenza descritte, svoltesi in forma collegiale, è stato dato atto nei verbali delle riunioni del Collegio Sindacale tenutesi nel corso del 2020.

Struttura organizzativa

Il Collegio Sindacale ha valutato la struttura organizzativa della Società sostanzialmente adeguata alle necessità della stessa e idonea a garantire il rispetto dei principi di corretta amministrazione.

Ulteriori attività del Collegio Sindacale

Il Collegio Sindacale dà atto che la relazione sulla gestione per l'esercizio 2020 risulta conforme alle norme vigenti e coerente con le deliberazioni dell'organo amministrativo e con le risultanze del bilancio. Essa contiene, inoltre, un'adeguata informazione sull'attività dell'esercizio, sulla situazione economica, patrimoniale e finanziaria della Società, sui fatti di rilievo avvenuti dopo la data di chiusura dell'esercizio e sui rischi e le incertezze cui la Società è esposta.

Segnaliamo, inoltre, che il Collegio Sindacale:

- ha sempre assistito alle riunioni del Consiglio di Amministrazione;
- non ha ricevuto denunce *ex* art. 2408 del codice civile;

Il Collegio Sindacale rappresenta, inoltre, che la relazione sulla revisione del bilancio d'esercizio rilasciata da KPMG in data 15 marzo 2021 contiene:

(i) il giudizio di rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria di Welcome Italia s.p.a. al 31 dicembre 2020, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità alle norme di legge;
(ii) il giudizio di coerenza della relazione sulla gestione con il bilancio d'esercizio al 31 dicembre 2020 e di conformità della stessa alle norme di legge.

Con riferimento al Bilancio Consolidato al 31/12/2020 la Società di Revisione KPMG ha rilasciato in data 15 marzo 2021 la relazione ai sensi dell'art. 14 del D.lgs. 39/2010 dalla quale risulta che il Bilancio Consolidato al 31/12/2020 è conforme agli IFRS, è stato redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico e i flussi di cassa del Gruppo Welcome Italia s.p.a. per l'esercizio chiuso a tale data.

La relazione sulla revisione del Bilancio Consolidato contiene inoltre un giudizio di coerenza della relazione sulla gestione del Gruppo con il Bilancio Consolidato al 31/12/2020.

Nel corso dell'attività di vigilanza, come sopra descritta, non sono emersi fatti significativi tali da richiederne la segnalazione agli organi di controllo o menzione nella presente relazione.

Proposta all'Assemblea

Il Collegio Sindacale, tenuto conto di quanto sopra esposto, per quanto di propria competenza non rileva motivi ostativi all'approvazione del bilancio al 31 dicembre 2020 e non ha obiezioni da formulare in merito alla proposta di deliberazione presentata dal Consiglio di Amministrazione sulla destinazione del risultato d'esercizio.

***

Massarosa, 15 Marzo 2021

Il Collegio Sindacale

Andrea Mariani (Presidente)

Sergio Maffei (Sindaco Effettivo

Simone Sartini (Sindaco Effettivo)

Independent Auditors' Report

KPMG

KPMG S.p.A.
Revisione e organizzazione contabile
Viale Niccolò Machiavelli, 29
50125 FIRENZE FI
Telefono +39 055 213391
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

Relazione della società di revisione indipendente ai sensi dell'art. 14 del D.Lgs. 27 gennaio 2010, n. 39

Agli Azionisti di
Welcome Italia S.p.A.

Relazione sulla revisione contabile del bilancio d'esercizio

Giudizio

Abbiamo svolto la revisione contabile del bilancio d'esercizio di Welcome Italia S.p.A. (nel seguito anche la "Società"), costituito dai prospetti della situazione patrimoniale-finanziaria al 31 dicembre 2020, del conto economico e del conto economico complessivo, delle variazioni di patrimonio netto e del rendiconto finanziario per l'esercizio chiuso a tale data e dalle note al bilancio che includono anche la sintesi dei più significativi principi contabili applicati.

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria di Welcome Italia S.p.A. al 31 dicembre 2020, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nel paragrafo "*Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio*" della presente relazione. Siamo indipendenti rispetto a Welcome Italia S.p.A. in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti e appropriati su cui basare il nostro giudizio.

Responsabilità degli Amministratori e del Collegio Sindacale di Welcome Italia S.p.A. per il bilancio d'esercizio

Gli Amministratori sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità agli International

KPMG

Welcome Italia S.p.A.
Relazione della società di revisione
31 dicembre 2020

Financial Reporting Standards adottati dall'Unione Europea e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli Amministratori sono responsabili per la valutazione della capacità della Società di continuare a operare come un'entità in funzionamento e, nella redazione del bilancio d'esercizio, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli Amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio d'esercizio a meno che abbiano valutato che sussistono le condizioni per la liquidazione della Società o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il Collegio Sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria della Società.

Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio d'esercizio nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche degli utilizzatori prese sulla base del bilancio d'esercizio.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio d'esercizio, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti e appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti o eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno della Società;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli Amministratori, inclusa la relativa informativa;

- siamo giunti a una conclusione sull'appropriatezza dell'utilizzo da parte degli Amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di un'incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità della Società di continuare a operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che la Società cessi di operare come un'entità in funzionamento;
- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio d'esercizio nel suo complesso, inclusa l'informativa, e se il bilancio d'esercizio rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione.

Abbiamo comunicato ai responsabili delle attività di *governance*, identificati a un livello appropriato come richiesto dagli ISA Italia, tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Relazione su altre disposizioni di legge e regolamentari

Giudizio ai sensi dell'art. 14, comma 2, lettera e), del D.Lgs. 39/10

Gli Amministratori di Welcome Italia S.p.A. sono responsabili per la predisposizione della relazione sulla gestione di Welcome Italia S.p.A. al 31 dicembre 2020, incluse la sua coerenza con il relativo bilancio d'esercizio e la sua conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione con il bilancio d'esercizio di Welcome Italia S.p.A. al 31 dicembre 2020 e sulla conformità della stessa alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione è coerente con il bilancio d'esercizio di Welcome Italia S.p.A. al 31 dicembre 2020 ed è redatta in conformità alle norme di legge.

Welcome Italia S.p.A.
Relazione della società di revisione
31 dicembre 2020

Con riferimento alla dichiarazione di cui all'art. 14, comma 2, lettera e), del D.Lgs. 39/10, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

Firenze, 15 marzo 2021

KPMG S.p.A.

Giuseppe Pancrazi
Socio

4

Resolutions of the Shareholders' Meeting

On Wednesday 31 March 2021 the Ordinary Shareholders' Meeting of Welcome Italia S.p.A. met in first call and as a continuation of the extraordinary meeting held before the Notary Fabio Monaco in Viareggio, to discuss and resolve on the following Agenda:

1. approval of the financial statements for the year ended 31 December 2020;
2. any other business.

By unanimous designation of those present, the Chairman of the Board of Directors Stefano Luisotti took the chair, who, at the invitation of the Shareholders' Meeting, appointed Marco D'Ascoli to act as Secretary. The Chairman noted that:

- the Shareholders' Meeting was duly convened by means of certified email and registered mail sent on 10 March 2021;
- the Shareholders' Meeting is being held via video conference, as provided for in the notices of call and in compliance with the Articles of Association.

The Chairman then acknowledges the identity and legitimacy of the participants, specifying that each is asked to submit a duly signed attendance sheet to be kept on file; he then acknowledges that the following are connected:

- On their own behalf or by proxy, Shareholders representing 99.97383% of the share capital.
- Directors Claudio Berretti, Giovanni Luisotti, Marco Bolognini, Marco D'Ascoli, Massimo Di Puccio and Nicola Gallico.
- For the Board of Statutory Auditors, Andrea Mariani, Chairman, Simone Sartini and Sergio Maffei, Acting Auditors.

The Chairman therefore declares today's Shareholders' Meeting validly constituted and capable of deliberating on the items on the agenda and before proceeding to discuss them, notes that the Extraordinary Shareholders' Meeting has just resolved to change the name of the Company to Vianova spa.

1. Approval of the financial statements for the year ended 31 December 2020

The Chairman sets out the financial statements for the year ended 31 December 2020, prepared in accordance with international accounting standards (IAS/IFRS), including the Statement of Financial Position, the Income Statement, the Cash Flow Statement, the Statement of Changes in Shareholders' Equity and the Notes to the financial statements. The Directors' Report on Operations and the reports of the Board of Statutory Auditors and the Independent Auditors are also presented, but are not read out loud by unanimous consent of those present.

After discussion, the Shareholders' Meeting unanimously resolves:

1. to approve the Financial Statements as at 31/12/2020 and the related Directors' Report on Operations;
2. to allocate the net profit for the year of Euro 7,154,747 as follows: Euro 157,368 to the reserve pursuant to Article 2426 of the Italian Civil Code; Euro 2,861,775 corresponding to Euro 1.6353 per share as a dividend to shareholders; the remaining Euro 4,135,604 to the distributable reserve.

The Chairman then presents the Consolidated Financial Statements for the year ended 31/12/2020, including the equity, financial and income statements, the Notes to the financial statements, the Directors' Report on Operations and the reports of the Board of Statutory Auditors and the Independent Auditors. The Shareholders' Meeting took note and, since it was not required to approve, asked the Board of Directors to file the consolidated financial statements with the Office of the Register of Companies, together with the separate financial statements, within the statutory deadline.

2. Any other business

At 11:50 a.m., having read and approved these minutes and there being nothing else to resolve, the Chairman declares the Meeting closed.

The Secretary	The Chairman
Marco D'Ascoli	Stefano Luisotti

Acknowledgements

The year 2020 was a special one with new issues and complex challenges.
Despite the difficulties we faced, we continued to offer our Customers the best telecommunication services and to safeguard the health of our colleagues and their families.
All this has been made possible thanks to the daily work, pride, energy and passion of all the People of Welcome Italia.
Thanks!

Staff
Adolfo Burgio, Adriano Bertuccelli, Aldo Daini, Alessandra Pizzolini, Alessandro Benassi, Alessandro Cangelmi, Alessandro Ciuti, Alessandro Gemignani, Alessandro Luporini, Alessandro Mendola, Alessandro Morini, Alessandro Rizzo, Alessandro Rossini, Alessio Barsacchi, Alessio Cortini, Alessio Santoro, Andrea Belluomini, Andrea Bernardini, Andrea D'Alessandro, Andrea Di Mauro, Andrea Donetti, Andrea Galli, Andrea Luchini, Andrea Signorini, Andrea Tarrini, Angela Crestani, Angelo Colucci, Aniello Alma, Anna Giorgetti, Antonio Fubiani, Antonio Pomponio, Antonio Raucci, Antonio Tolu, Barbara Pardini, Barbara Romboni, Barbara Zucchi, Brunella Bolognini, Carlo Barbafiera, Cesare Corne, Chiara Ceragioli, Cristina Luporini, Cristina Pardini, Daniela Iozzia, Daniele Andreoli, Daniele Bevilacqua, Daniele Bonuccelli, Daniele Bucchi, Daniele Petrucci, Daniele Pommella, Dario Maurich, Dario Possenti, Davide Lulli, Debora Lavorini, Diego Sartorio, Domenico Carrano, Elena Baroni, Elena Ferrari, Eleonora Lucchi, Eleonora Scala, Elia Aielli, Emanuela Simonini, Emanuele Bronzini, Emiliano Pecchia, Emmanuele Guida, Enrico Barsanti, Enrico Stinco, Erika Papini, Ernesto Traettino, Fabiana Statua, Fabio Arrigoni, Fabio Falletta, Fabio La Martina, Fabrizio Puccinelli, Federico Benetton, Federico De Luca, Filippo Fanciulli, Flavio Di Vita, Francesca Di Puccio, Francesco Baroni, Francesco Baroni, Francesco Donnarumma, Francesco Volpi, Gabriele Dini, Gabriele Gelli, Gherardo Carra, Giada Raffaelli, Gian Luca Gianni, Gianluca Epifano, Gioia Sabbatini, Giois Guerrera, Giorgio Luchi, Giorgio Paiotti, Giorgio Pede, Giorgio Zamparelli, Giovanni Agozzino, Giovanni Galfano, Giulia Mari, Guglielmo Nannetti, Iacopo Da Prato, Ida Lamanna, Ivan Croce, Jlenia Groccia, Lara Martini, Laura Castagnetta, Laura Giannecchini, Laura Giunti, Laura Nicastro, Laura Orlandi, Letizia Ciampi, Lorenzo Mannucci, Lorenzo Marinsalda, Luca Castellini, Luca Del Carlo, Luca Lulli, Luca Navarrini, Luca Scurci, Lucia Marchi, Luigi Bertoneri, Luigi Innocenti, Manola Degl'Innocenti, Manuela Cinquini, Marco La Rocca, Marco Matassini, Marco Scammacca, Marco Urso, Maria Elena Benedetti, Mariarosaria Fimiani, Massimiliano Brocchini, Massimiliano Puosi, Massimiliano Santini, Massimo Guida, Matteo Bruno, Matteo Buonamici, Matteo Costa, Matteo Distefano, Matteo Doni, Matteo Lottaroli, Matteo Menchini, Mauro Benedetti, Michael Mazzoni, Michele Angeli, Michele Barone, Michele Fioravanti, Michele Gemignani, Michele Lunardi, Milena Lorenzini, Monica Bonuccelli, Mor Ngoundji Fall, Nicholas Diana, Nicola Da Prato, Nicola Di Giusto, Paolo Avezzano, Paolo Balzacchi, Paolo Mazzolini, Paolo Orlandini, Paolo Stevanin, Paolo Zanoni, Pierrenato Rufolo, Riccardo Dini, Riccardo Diodati, Riccardo Lari, Roberto Bettarini, Roberto Pacini, Rossana Vicini, Samuele Sbacco, Sandro Gemignani, Sandro Giuntoni, Sara Provenzano, Sara Samanta Baccheschi, Serena Cortesi, Serena Malito, Serena Martelli, Silvia Agostini, Silvia Botti, Simona Genovali, Simone Caneschi, Simone Galli, Simone Madiai, Simone Pellicciotti, Simone Pierucci, Stefania Pucci, Stefania Rocchi, Stefania Turini, Stefano Domenici, Stefano Lotti, Stefano Signore, Thomas Fiorenzani, Valentina Romeo, Valeria Palmiotto, Vania Vitali, Veronica Dolfi.

Agents
Fabio Armani.

Partners and Promoters

A&G srl, A.M. System srl, A2COM srl, AB Telematica srl, ABA TEL snc di Stevano Loris & C., Almas srl, Alpha Telematica srl, Andromeda Office srl, As.Co.T.T. srl, Atik srl a Socio Unico, Atr Telematica srl, Blutec srl, Centro Computer spa, Centro Ufficio srl, Chesi snc di Ciani Simona & C., Columbus Informatica srl, Comitel srl, Comunica.Live srl, Con.Tel srl, Cre@bit srl unipersonale, Crosa F.lli snc di Crosa Ferdinando & C., Dac Computer Service srl, Dago Elettronica srl, Dealer Informatica srl, Delse srl, Diditel di Durlo Daniele, Duezeronet srl, E3 Elettronica di Eoli Alessandro e Nicola snc, Eritel Telecomunicazioni srl, Eurogroup spa, Explorer srl, Futura srl, Global Automation System srl, Henko srl, I Brain srl, IMTEL srl, Infonet srl, Infosistemi srl, Inservice srl, Ismet srl, Ites Com srl, Kappa Systems srl, Keypass srl, Laross Progetto Salute srl, Martino srl, MCM Solutions & Services srl, Med Computer srl, Medea Informatica srl, Meta Informatica srl, My Voice srl, NAeS Solutions srl, Netphone srl, Next Idea srl, OmnisTLC srl, OP System srl, Open Link srls, Pellegrini Telecomunicazioni srl, Phone Progetti srl, Piemme Telecom srl, Puntosys sas di Claudio Fusà e C., Pusinanti Group srl, Reti srl, Rip Impianti Sud srl, SEC di Zelaschi & C. srl, Sekat srl, Setec srl, Sfera srl, Sintec srl, SiSolution srl, Sistel sas di De Andreis Vladimiro & C., Sistemi di Comunicazione Centro srls, Sitel 2.0 snc, Six Sigma snc di Onesto Giovanni e Marano Luca, Snap System srl, Società Telefonica Lombarda srl, Solidata srl, Solutions Plus srl, Soluzioni per Comunicare srl, Spectre srl, Starnet Distribuzione srl, Sti di Venturi & C. snc, Stiven Sistemi srl, Striker Solutions srl, System Byte srl, Tecno Trade srl, Tecnodata srl, Tecnoteam srl, Telefonia Emiliana srl, Telefonitalia srl, Teleimpianti spa, Telenord di Pozzato Alessio & C sas, TeM srl, Tematel Sistemi srl unipersonale, Tonex Servizi srl, Tontini Franco e Luca & C snc, Tre Ci srl, TTT Impianti di Andrea Bardi, Ultrapromedia srl, Uniontel srl, V.T.S. srl, Vallcom srl, Winitalia srl.

Banks

Banca Monte dei Paschi di Siena spa, Banca Nazionale del Lavoro spa, Banco BPM spa, Intesa Sanpaolo spa, Crédit Agricole Italia spa, Unicredit spa.

www.vianova.it