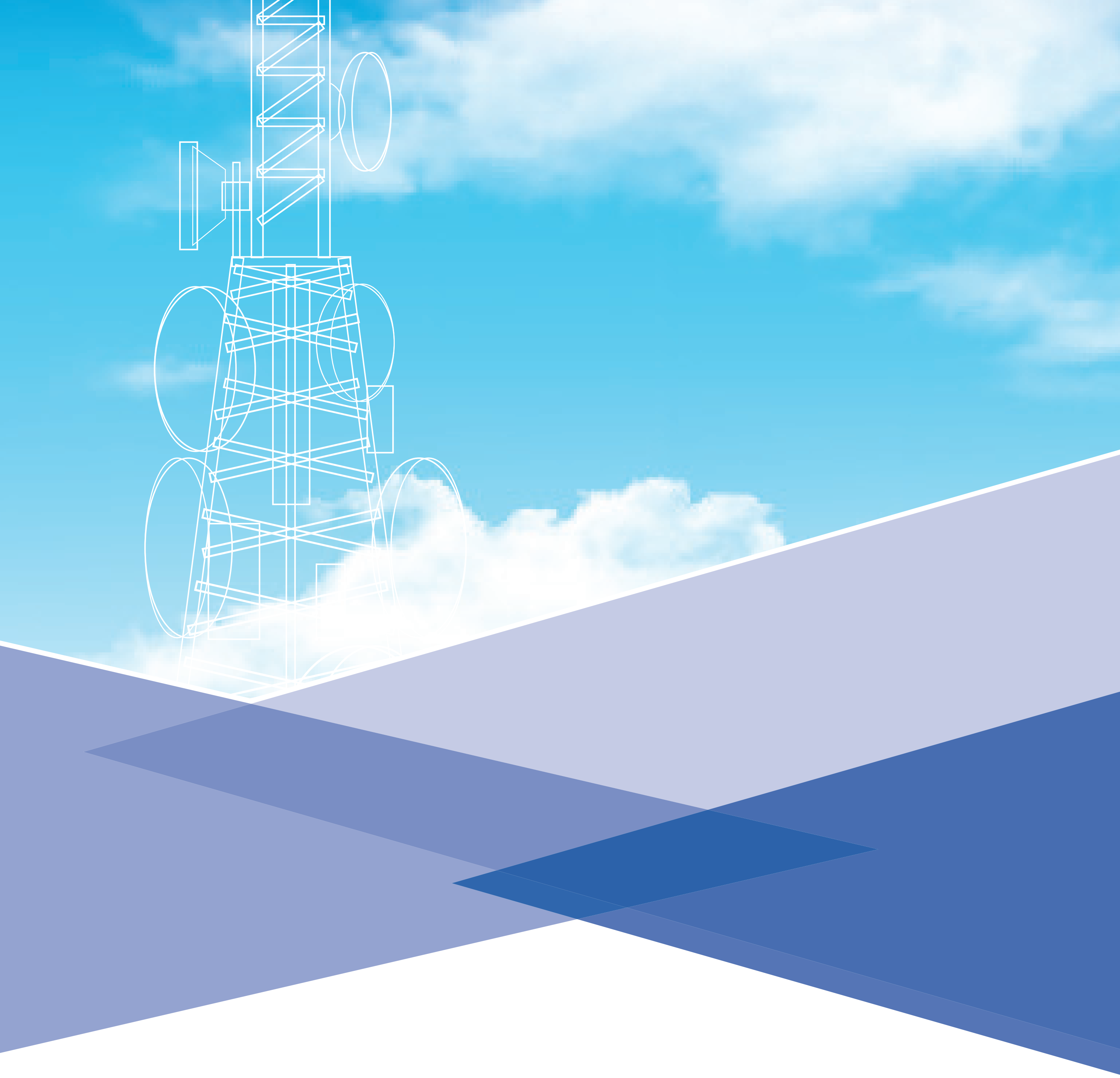

Annual Report 2017

Annual Report 2017

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COMPANY NAME, SHARE CAPITAL AND REGISTERED OFFICE

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

Subject to management and coordination by Rai - Radiotelevisione Italiana S.p.A.

The company does not have secondary offices.

CORPORATE BODIES AND COMMITTEES [1]

Board of Directors

Chairman

Raffaele Agrusti

Managing Director

Aldo Mancino

Directors

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

Secretary to the Board

Giorgio Cogliati

Control and Risks Committee

Paola Tagliavini (Chairperson)
Fabio Colasanti
Umberto Mosetti

Board of Statutory Auditors

Chairman

Maria Giovanna Basile

Standing Auditors

Giovanni Galoppi
Massimo Porfiri

Substitute Auditors

Roberto Munno
Nicoletta Mazzitelli

External Auditors

PricewaterhouseCoopers S.p.A.

Remuneration and Appointments Committee

Anna Gatti (Chairperson)
Joyce Victoria Bigio
Donatella Sciuto

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

Information on the powers assigned within the Board of Directors and the Company's system of corporate governance in general can be found in the Report on Corporate Governance and Ownership Structures relating to the year 2017 which may be consulted on the Company's website (www.raiway.it).

LETTER TO SHAREHOLDERS

Over the course of 2017, Rai Way has continued its activities following the strategic guidelines and objectives of the 2015-2019 Industrial Plan. The results achieved, also financial, are in line with expectations and confirm the effectiveness of our actions.

In March 2017 an important multi-year agreement was finalized for the operation and maintenance of the television and radio transmission network of the Norba Group, a leading local operator in the multimedia communication sector in Southern Italy, with the simultaneous acquisition of 30 transmission sites located in Puglia, Basilicata and Molise. This has allowed Rai Way to consolidate its role as a benchmark network provider for the Italian radio and television system, increasing the number of MUX managed, and to continue with the diversification of the customers portfolio.

The business segment related to third-party customers, which in 2017 grew compared with 2016, saw a significant increase in requests for hospitality and activations by Fixed Wireless Access Providers (FWAP) customers, as well as an increase in activities for both television and radio broadcasters. These positive effects more than offset the impact of the sites rationalization actions launched by mobile network operators.

In support of the commercial activities, important organizational actions were also implemented to better control the processes in terms of sustainability, efficiency and focus on innovation and business development, with the aim of developing a culture increasingly focused on market, customer satisfaction and time-to-market.

With regard to the supply of new services to the main customer Rai, activities were completed for the transmission on the satellite platform of the entire Rai HD bouquet and the range of radio channels on both DTT and satellite platforms was enhanced. At the Taormina G7 in May, Rai Way supported Rai by providing advanced and reliable solutions for the transmission of HD contents through Wi-Fi and IP. Agreements were also finalized for the roll-out of the DAB network on Northern Italy highways and for the renewal of part of the equipments for radio links, in light of the imminent refarming of the frequencies in the 3.6-3.8 GHz band. As a further evidence of Rai Way's key role in the technological development and within the sector, for the first time the text of the public service concession between Rai and the Government – published in March 2017 – explicitly mentions Rai Way, also with reference to the need to "operate at the vanguard of research and in the use of new technologies".

2017 was also an important year on the innovation front. Rai Way entered into collaboration agreements for the development and testing of the technologies that will represent the future of telecommunications: 5G and wireless. In particular, along with TIM, Fastweb, Huawei and other operators, Rai Way will be involved in testing of the 5G network in the cities of Bari and Matera, collaborating in the development of a digital platform that is open to applications in the most innovative aspects of the digital life of the coming years.

All the main performance indicators confirm the upward trend already shown in previous years. Revenue totalled € 216.2 million, supported, even in the absence of the effect due to inflation, by the growth in revenue from third parties and revenue relating to new services for Rai. Thanks to the further improvement in operational efficiency, adjusted EBITDA is also up at € 115.5 million. Net profit reached € 56.3 million, up 35% over 2016, benefiting from the improvement in adjusted EBITDA and the reduction in D&A and provisions. The Net Financial Position confirmed the business's high level of cash generation, reaching a net debt to adjusted EBITDA ratio close to zero, thereby ensuring flexibility to seize potential market opportunities.

As a completion of its economic and financial performance, social, environmental and governance aspects are ever more central for Rai Way. For this reason, along with these financial statements, Rai Way has also published for the first time the Sustainability Report. The document, based on a structured analysis of the needs and expectations of internal and external stakeholders and issued in accordance with international standards, illustrates the economic, social and environmental projects and results in the that contribute to making Rai Way a modern company, strongly focused on innovation and at the same time connected to the communities and territories in which it operates.

The achievements of 2017 and the results obtained with thanks to the management's and personnel's continuous commitment provide the foundations for further development and enable Rai Way to look to the next strategic, technological and market challenges with the awareness of being able to play a key role in the future of the distribution of radio and television signals in Italy, in the interests of all our stakeholders.

On behalf of the Board of Directors

The Chairman

Raffaele Agrusti

PROPOSAL TO THE SHAREHOLDERS' MEETING

Annual Financial Statements for the year ended 31 December 2017; Report on Operations of the Board of Directors; Report of the Board of Statutory Auditors and Report of the Independent Auditors. Relative resolutions.

Dear Shareholders,

The Annual Financial Report as at 31 December 2017, containing the Company's draft Annual Financial Statements, along with the Report on Operations of the Board of Directors and the certificate pursuant to art. 154-bis, paragraph 5, of the Legislative Decree of 24 February 1998, no. 58, will be made available to the public by the methods (including publication on the Company's website, www.raiway.it, section Corporate Governance/Shareholders' Meeting/Meetings/Ordinary Meeting on 23 April 2018) and terms set out by law, as will the Report of the Board of Statutory Auditors and the Report of the Independent Auditors.

Remitting to those documents we invite you to approve the annual financial statements for the year ended 31 December 2017 (which close with a profit for the year of € 56,263,227.97), proposing the following resolution:

"The Shareholders' Meeting of Rai Way S.p.A. having examined the Report on Operations of the Board of Directors;

acknowledging the Report of the Board of Statutory Auditors and the Report of the External Auditors PricewaterhouseCoopers S.p.A.;

having examined the draft annual financial statements for the year ended 31 December 2017 prepared by the Board of Directors, which close with profit for the year of € 56,263,227.97;

resolves

to approve the annual financial statements for the year ended 31 December 2017."

Rome, 21 March 2018

On behalf of the Board of Directors

The Chairman

Raffaele Agrusti

Proposal for allocation of profit for the year and the partial distribution of retained earnings. Relative resolutions.

Dear Shareholders,

Taking into account the net profit for the year of € 56,263,227.97, as stated in the financial statements for the year ended 31 December 2017, and the other items included in those financial statements, we propose to you the following:

I. to allocate € 1,874,466.87 of the 2017 net profit to the legal reserve and distribute the remainder of € 54,388,761.10 to shareholders as a dividend;

II. to allocate a further amount of € 718,438.90 for distribution to shareholders, to be taken from the retained earnings reserve (which would then have a balance of € 26,292.52); as the result of the provisions of article 47 of the Consolidated Income Tax Act and article 1 of the Ministerial Decree of 2 April 2008, this amount shall be considered to be taken entirely from the part of the reserve created with profits earned through the year ended 31 December 2007;

III. consequently, and on the basis of the total amount of € 55,107,200.00 to be distributed to shareholders, to allocate an overall gross dividend of € 0.2026 to each of the ordinary shares in circulation to be paid from 23 May 2018, subject to entitlement to payment, pursuant to article 83-terdecies of the Legislative Decree of 24 February 1998, no. 58, and art. 2.6.6, paragraph 2, of the Regulation on Markets organized and managed by Borsa Italiana S.p.A., on 22 May 2018 (the record date) after detachment of coupon no. 4 on 21 May 2018.

By virtue of the above, we therefore propose that you adopt the following resolution:

"Having examined the explanatory report of the Board of Directors, the Shareholders' Meeting of Rai Way S.p.A.

resolves

1. to allocate € 1,874,466.87 of the 2017 net profit of € 56,263,227.97 to the legal reserve and distribute the remainder of € 54,388,761.10 to shareholders as a dividend;
2. to allocate a further amount of € 718,438.90 for distribution to shareholders, to be taken from the retained earnings reserve;
3. consequently, to allocate an overall gross dividend of € 0.2026 to each of the ordinary shares in circulation to be paid from 23 May 2018, subject to entitlement to payment, pursuant to article 83-terdecies of the Legislative Decree of 24 February 1998, no. 58, and art. 2.6.6, paragraph 2, of the Regulation on Markets organized and managed by Borsa Italiana S.p.A., on 22 May 2018 (the record date) after detachment of coupon no. 4 on 21 May 2018."

Rome, 21 March 2018

On behalf of the Board of Directors

The Chairman

Raffaele Agrusti

RAI WAY'S ACTIVITIES

Rai Way (hereafter the Company) operates in the communications infrastructure sector providing integrated services to its customers. More specifically, Rai Way is the Rai Group company that owns the infrastructure and television and radio signal transmission and broadcasting equipment.

The origins of the Company's activities go back to 6 October 1924 when what was then URI-Unione Radiofonica Italiana, the progenitor of today's Rai, broadcast the opening concert, thereby officially initiating radio transmissions in Italy. Following the formal establishment of the Company in 1999 and the subsequent contribution by Rai (hereafter also the Parent Company or Parent) of its "Transmission and Broadcasting Unit" in 2000, today's Rai Way has acquired a heritage of technological, engineering and management know-how, as well as infrastructure, that has matured over ninety years of activity. The Company now manages the technical infrastructure enabling it to broadcast radio and television programs to the Italian population and provides a vast range of highly complex technical services to its customers, including the Parent Rai.

Rai Way is the owner of the network which is required inter alia for the transmission and broadcasting of audio and video contents in Italy and abroad, not only by Rai for fulfilling its Public Service obligations but also by third party operators. In particular, in carrying out its activities, the Company operates over 2,300 sites equipped with infrastructure and systems for transmitting and broadcasting radio signals throughout the whole of Italy, has 23 operating facilities distributed across the country and avails itself of a highly specialized workforce consisting of more than 600 people. Its technological assets and specialist know-how are the key resources for the Company not only for its present service offering but also for the development of new activities.

The services that the Company provides can be divided into the following four types of activity:

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

(ii) Transmission services, for the transmission of radio and television signals via the connecting network (radio links, satellite systems, fibre optic) and in particular the one-way transport of video/audio/data (a) via analogue or digital circuits between fixed sites and (b) via radiofrequency signals from the satellite within a geographical area of a suitable size, and connected services;

(iii) Tower Rental Services, meaning (a) the hosting of transmission equipment at broadcasting sites of radio, television, mobile telephony and telecommunications signals and (b) services for the management and maintenance of the transmission equipment hosted and (c) complementary and connected services;

The type of customer who comes to Rai Way for the above-mentioned services can be conventionally classified as being in the category of Broadcasters (national and local radio and television broadcasters, including also Rai), Telecommunications Operators (mostly mobile network operators) or Public Administration and Corporate Entities (a catch-all residual category to include national and regional administrative entities of the Republic of Italy and non-physical persons).

MAIN ALTERNATIVE PERFORMANCE MEASURES

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

- Gross operating profit or EBITDA – earnings before interest, taxes, depreciation and amortization: this is calculated as profit before income taxes, depreciation, amortization, write-downs and financial income and expenses. EBITDA also excludes profits and losses from managing equity investments and securities, as well as gains and losses arising on the sale of equity investments, which are classified in the financial statements as "financial income and expenses".

- Adjusted gross operating profit or Adjusted EBITDA – *earnings before interest, taxes, depreciation and amortization:* this is equal to profit before taxes, before depreciation and amortization, write-downs and financial income and charges adjusted for non-current charges/income.
- Net operating profit or EBIT – earnings before interest and taxes: this is calculated as profit before income taxes and before financial income and expenses, without adjustment. EBIT also excludes profits and losses from managing equity investments and securities, as well as gains and losses arising on the sale of equity investments, which are classified in the financial statements as "financial income and expenses".
- Invested Capital: this is defined as the sum of Non-Current Assets and Net Working Capital less Provisions.
- Net Financial Position or NFP: the format for the calculation of NFP is the one provided in paragraph 127 of CESR Recommendation 05-054b which implements Regulation (EC) no. 809/2004.

SUMMARIZED ECONOMIC AND FINANCIAL DATA

The following is a summary of economic data at 31 December 2017 compared to results at 31 December 2016. In addition, figures are also provided for the Company's Net Financial Position and Net Invested Capital at 31 December 2017 compared to equivalent figures at the close of the previous financial year. The changes and percentages shown in the following tables are calculated using values expressed in Euros.

(amounts in millions of euros; %)	2017	2016	Delta	% Change
Main Economic Data				
Core Revenues	216.2	215.2	1.0	0.5%
Other Revenues and income	0.8	0.4	0.4	96.3%
Operating costs	(55.7)	(57.7)	2.1	3.6%
Personnel costs	(45.8)	(46.6)	0.8	1.7%
Adjusted EBITDA	115.5	111.3	4.2	3.8%
EBIT	81.4	65.6	15.8	24.1%
Net Profit	56.3	41.8	14.4	34.6%
Main Financial Data				
Capital Expenditure	16.3	19.5	(3.2)	(16.5%)
of whitch maintenance	12.5	16.2	(3.7)	(22.7%)
Net Invested Capital	181.2	171.0	10.3	6.0%
Shareholders's Equity	176.4	161.5	14.9	9.2%
Net Financial Position (NFP)	4.8	9.4	(4.6)	(48.7%)
of which Cash and Cash Equivalents	(55.9)	(81.3)	25.4	31.3%
Indicators				
Adjusted EBITDA / Core Revenues (%)	53.4%	51.7%	1.7%	3.3%
Net Profit / Core Revenues (%)	26.0%	19.4%	6.6%	33.9%
Capex for Maintenance / Core Revenues (%)	5.8%	7.5%	(1.7%)	(23.0%)
Cash Conversion Rate (%)	89.2%	85.5%	3.7%	4.3%
NFP / Adjusted EBITDA (%)	4.2%	8.5%	(4.3%)	(50.6%)

- Core revenues amounted to € 216.2 million, 0.5% higher than 2016.
- Adjusted EBITDA amounted to € 115.5 million, up € 4.2 million from 2016. The increase is due mainly to the increase of € 1.0 million in core revenues and the reduction of € 2.1 million in operating costs, of which € 0.8 in personnel costs. The Company defines this measure as EBITDA adjusted for non-recurring expenses.

- The ratio between core revenues and adjusted EBITDA was 53.4% compared to 51.7% of 2016.
- Operating profit (EBIT) amounted to € 81.4 million, an increase of € 15.8 million over 2016.
- Net Profit was € 56.3 million, up 34.6% compared to 2016.
- Capex of € 16.3 million relates to the maintenance of network infrastructure and development projects. Investments for extraordinary transactions were not classified under this item.
- Invested capital amounted to € 181.2 million, with a net financial position of € 4.8 million and a shareholders' equity of € 176.4 million.

REPORT ON 2017 OPERATIONS

General indications and the overall performance of the economy

In 2017, worldwide growth was reinforced compared with 2016 and, on the basis of the latest available estimates, was close to 4%, driven by the solid recovery of investments and by favourable economic policies. This improvement was fairly widespread, in both advanced economies and in emerging countries. The ca. 120 economies that represent three quarters of global GDP grew more than in 2016[2].

In the USA, GDP is expected to grow by 2.3% in 2017 compared with the 1.5% recorded in 2016, as a result of a series of factors including the favourable financial conditions and exports, which were supported by the weaker dollar. The tax reform launched in December is expected to provide a further stimulus to the US economy in the short term.

The Eurozone economy, which in 2017 grew by 2.4% compared with 1.8% in 2016, benefited from the global acceleration but, at the same time, was also positively affected by the increase in internal demand, supported by a generally positive sentiment among companies and consumers, government policies and an improving labour market.

With China essentially stable at +6.8% and the sole exception of India, whose growth fell from 7.1% in 2016 to 6.7% in 2017, the GDP of emerging countries grew by 4.7%, 0.3 percentage points higher than in 2016. Russia and Brazil interrupted their recession phases and grew again by 1.8% and 1.1% respectively, helped by the recovery of the prices of raw materials, oil in particular.

Oil prices consolidated the recovery trend already started in the last months of 2016 and increased in 2017 by around 15%, returning to over 60 dollars a barrel. In addition to the mentioned global growth, this increase was also influenced by the agreements between OPEC countries and their allies to limit production

[2] World Economic Outlook Update; January 2018; International Monetary Fund

and by the ongoing geopolitical tensions in the Middle East. Nevertheless, the expected increase in production by non-OPEC countries, the USA in particular, along with the potential negative effect that excessively high prices would have on global growth, should, according to analysts, limit further increases in the short term.

The aforementioned increase in energy prices has contributed to a general, albeit still contained, growth in inflation, especially in advanced economies. In particular in the Eurozone, the moderate recovery of the inflation has also been supported by the continuation of the expansive monetary policy by the ECB, which is committed to extend the amount and duration of its acquisition programme should inflation does not react in line with expectations towards values close to 2%. In the European inflation dynamics the United Kingdom is the only exception, with the prices that grew 3 per cent, supported mainly by the strong depreciation of the Sterling. On the tax front, the FED has increased its interest rates 3 times during the year, 25 basis points each, in line with both the trend already begun in 2016 and market expectations. In Europe, the Bank of England has revised interest rates upward for the first time since 2008 while the ECB has stressed its intention to leave rates at a minimum, even after the quantitative easing phase.

Forecasts for 2018 indicate a continuation of the global growth, with developed countries consolidating rates over 2% and developing countries benefiting from greater exports driven by the acceleration of demand and global investments. The main risks for the global economy include the possible increase in volatility on the financial markets, in connection with a sudden intensification of geopolitical tensions.

In 2017 Italy's GDP rose by 1.4% over the previous year; correcting this for the effects of the calendar, with 2017 having two fewer working days than 2016, this increase rises to 1.5%.

Both national demand, stimulated in particular by investments in capital goods and by foreign trade, with a marked increase in exports compared with imports, have contributed to the growth. These positive factors have more than compensated for the negative effect of the variation in stocks.

In 2017 inflation recorded an average value of +1.3% compared with -0.1% in the previous year, confirming the signs of recovery recorded in late 2016. December, however, closed with a 1% increase in prices compared with the same period of 2016, still a low figure that was influenced by the downward pressures deriving from the slowdown of prices of fresh food, which compensated for the acceleration of the prices of processed food and services.

The labour market overall showed progress in terms of the number of people working, mainly thanks to fixed-term contracts, hours worked per person and wages, up by 0.8% from the previous year. The unemployment rate in Italy was around 11% in November 2017, down from around 12% in 2016[3].

Italian companies continued to grow in their own activities, confirming the increasing consumer and business confidence indices in all of the main sectors.

The dynamics of credit granted by the banking system also showed improvements in 2017. The expansion of loans to the private sector continued while demand for banking credit from companies, supported by the recovery of investments, was still held back by the wide availability of internal resources and by the greater recourse to issues of corporate bonds. The quality of credit continued to improve and the impact of non-performing loans was further reduced. The balance-sheet ratios of the national banking system were thus significantly reinforced.

The projections for the Italian economy indicate a consolidation of growth in 2018 on values in line with 2017, benefiting from the support of expansive economic policies, even if to a lesser extent than in the past, and of internal demand, supported by the improvement in forecasts for families' disposable income and by a reduction in companies' unused capacity.

[3] Economic Bulletin 1 / 2018; Bank of Italy

The Company's reference market

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

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

Compared to the other countries of Western Europe, Italy is characterized by having a widespread diffusion of the DTT platform, far more than the others. In the other countries, the reduced extent of the use of the DTT platform is due to a broader and more competitive presence of satellite platforms (e.g. in the United Kingdom and Germany), cable (e.g. Germany) and IPTV (France). The solid positioning of DTT in the Italian broadcasting scenario is further supported by the absence of cable TV (at a European level operators capable of providing television services via cable usually represent the strongest competitors on the market, as regards both television and broadband) and the still undeveloped penetration of IPTV, whose poor diffusion is among other things due to the limited presence of fast broadband networks capable of supporting the relative services.

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

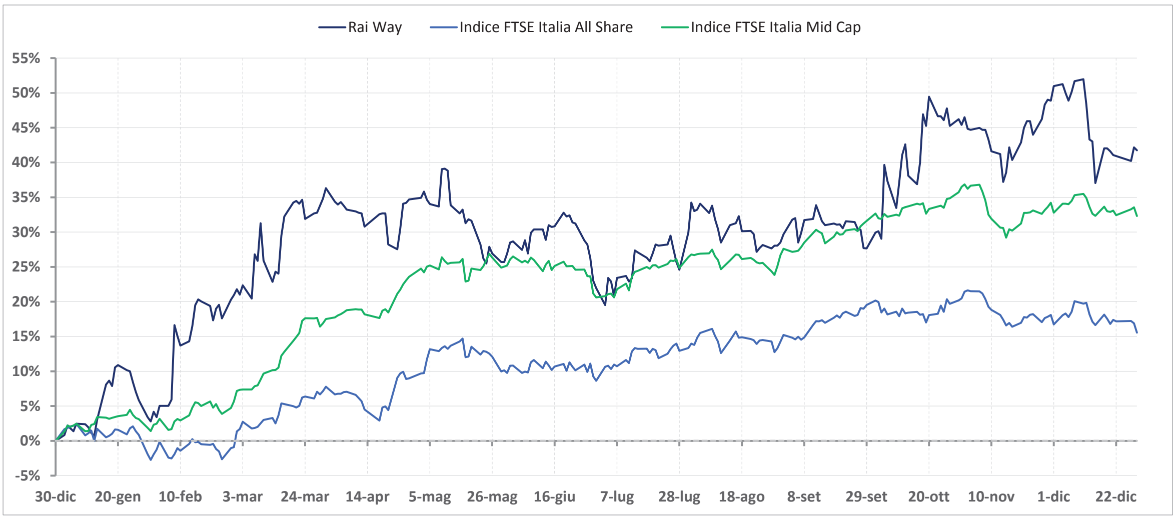
As a consequence of the features of its network, Rai Way is able to provide its customers with tower rental services. In this respect Rai Way operates in the telecommunications towers sector, which has two independent operators (INWIT and Cellnex), and the portfolios owned by the MNOs (Mobile Network Operators) and by EI Towers.

Rai Way on the financial markets[4]

The financial year was significantly positive in many of the biggest global markets, benefiting from the general improvement in the economy and in the investors' confidence, from the signs of a very gradual and progressive change in monetary policies in a context of moderate inflation and from expectations of low volatility on business fundamentals.

The Italian stock market (FTSE Italia All-Share) grew by 15.5% in 2017, with the most significant increases occurring in the automotive sector. The spread between 10-year Italian BTPs and German Bunds was 159 bps as at 31 December 2017, in line with the figure at the end of 2016 of 161 bps.

Rai Way's shares, which have been listed on the Borsa Italiana Electronic Stock Market since 19 November 2014 following completion of the Global Offering, performed very positively in 2017, with an increase of 41.8% (46.1% adjusted for distribution of the dividend), markedly overperforming the +15.5% of the FTSE Italia All-Share and the +32.3% of the FTSE Italia Mid Cap index. This trend was supported by the overall positive context mentioned above, also at a sector level. Rai Way ended 2017 with a market capitalization of € 1,380.4 billion.



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

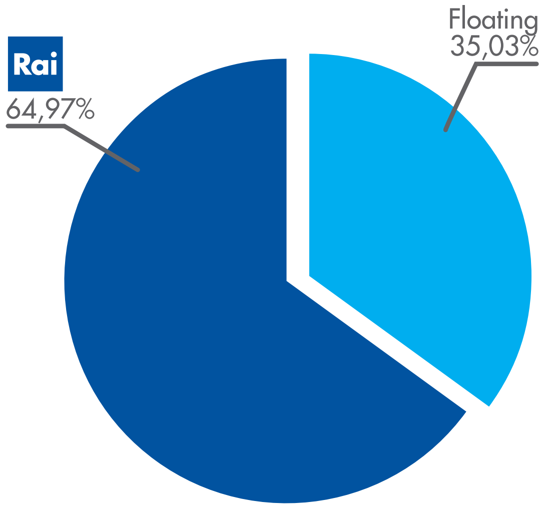
The following table sets out key market figures:

Key market figures

General data	ISIN	IT0005054967
	Number of shares	272,000,000
	Floating capital	35.03%
Price (Eur; %)	Price on placement (19/11/2014)	2.95
	Price at 31/12/2016	3.58
	Price at 31/12/2017	5.075
	Performance as at 31/12/2017 vs. placement	+72.03%
	Performance as at 31/12/2017 31/12/2016	+41.76%
	2017 Price maximum (closing)	5.44
	2017 Price minimum (closing)	3.606
Volume ('000)	2017 average volume	163.581
	2017 maximum volume	2,065.180
	2017 minimum volume	17.080
Market capitalization (Mln Eur)	Capitalization on placement (19/11/2014)	802.4
	Capitalization at 31/12/2016	973.8
	Capitalization at 31/12/2017	1,380.4

Shareholding structure

During 2017 the percentage of Rai Way's share capital held respectively by Rai-Radiotelevisione italiana Spa and by the market remained stable.



Trading perfomance

In 2017 Rai Way's commercial initiatives have been focused on the continuing support for the main customer Rai and on the analysis and scouting of new potential markets, with a view to extending services and diversifing the offer.

Within the new services for Rai, set out in the service contract signed by Rai and Rai Way in 204 in addition to the fixed consideration for broadcast and transmission services, several initiatives can be reported. The most significant activities carried out in 2017 concerned transmission services for Ski Championship events in St Moritz, the G7 Summit in Taormina, the World Aquatics Championships in Budapest and the Track & field World Championships in London, for which Rai Way provided cutting-edge technological solutions, providing, where necessary, specialist onsite technical support to ensure the highest level of service reliability. Over the course of the year, the process for tidying up the frequencies for MUX 1 resulting from the allocation by “beauty contest” of the frequencies to local broadcasters was kicked off. In particular, Rai Way completed the change of transmission frequency of the television channels and radio stations of the MUX (Rai1 - Rai 2 - Rai 3 - RaiNews24 - Radio 1, Radio 2 - Radio 3) in Campania. In addition, activities were launched to release the upper part of the 3.6-3.8 GHz band in order to move the links operating in channels 4, 5, 6 and 7 of that frequency band, in accordance with the decision by the European union on the policy regarding the spectrum and harmonization of the aforementioned band.

In the context of the process of improving the quality and enlargning the RAI offer, the extension of the DAB+ terrestrial digital radio broadcast service, starting from the main highways, the updating of the MPEG 4 SD 4:2:2 and MPEG 2/4 HD 4:2:2 video standards of the satellite broadcast service and the activation of new transponders for the occasional satellite contribution. Finally, an access point to the Rai Way network was activated on an experimental basis, as part of the evolution of the network of injection points.

With regard to the third-party customers market, the Tower Rental segment, the biggest contributor to revenues, continued to experience pressure triggered by optimization actions implemented by MNOs, also as a result of the recent merger between Wind and H3G. With a view to reducing risk, it was therefore considered appropriate to proceed with activities to identify potential customers/partners interested in a collaboration with Rai Way on new businesses, with the aim of identifying markets with a higher potential and more receptive to the value proposition made by Rai Way.

With regard to the main MNOs, Rai Way has continued over the course of 2017 with a commercial approach aimed at obtaining stabilization of turnover, which is at risk from aggressive cost-reduction actions implemented in recent years by customers, including through the promotion of incentivizing tariffs for the development of new stations in relation to commitment not to abandon further stations for a certain number of years. Again over the course of 2017, contact was instigated with Iliad, the new operator entering the Italian mobile phone market for the preparation of a framework agreement for hospitality on our infrastructures. In relation to broadcast TV and radio customers, Rai Way has undertaken numerous initiatives aimed at developing new services relating to pure hospitality of equipment and antennae, promoting a commercial proposal aimed at the supply of an end-to-end service typical of network operators. The agreements currently being finalized with some of the main local radio and TV operators are within this context. With a view to exploring new markets with high potential, technical/commercial scouting for new opportunities has been carried out, in particular the supply of FWA connectivity services in digital divide areas and the supply of broadband services for the transmission of data on private networks offered to business customers. To this end joint initiatives with certain vendors have been launched with a view to the creation of partnerships and business relationships have been entered into with certain potential customers who have shown a considerable interest in the initiatives proposed.

Calling upon ten years of know-how in the management of networks and broadcast services, a fundamental role is played by innovative initiatives launched over the course of the year aimed at identifying business areas that could increase the value of Rai Way's assets in the medium term and guarantee the necessary support for growth (see paragraph “Research and development”).

Significant events

The main events of the year were as follows:

- on 19 January 2017, Mr Nicola Claudio, lawyer, a non-executive director not classified as an independent director, handed in his resignation as a Director of the Company;
- and on 31 January 2017, the Board of Directors co-opted Mr. Valerio Zingarelli, engineer, onto the Board as a non-executive and non-independent director pursuant to article 2386, paragraph 1 of the Italian Civil Code to replace him;
- on 1 March 2017, the Company finalized a multi-year agreement for the use and maintenance of the Norba Group’s radio and television broadcasting network. The Norba Group is Italy’s number one local operator in terms of audience and has been a leader in the multi-media communication sector in the South of Italy for the past 40 years. On finalizing the agreement Rai Way acquired from Telenorba, the entire capital of Sud Engineering Srl with

30 transmission sites that are situated in Puglia, Basilicata and Molise to be used for the planned purpose of hosting the workstations;

- on 9 March 2017, the Board of Directors approved the draft financial statements for 2016 and a proposal to distribute a dividend of € 0.1537 per share for a total of € 41.8 million.
- on 28 April 2017 the Shareholders' Meeting of Rai Way, amongst other things:
  - approved the financial statements of the Company for 2016 and the distribution of a dividend as proposed by the Board of Directors;
  - decided to renew the Board of Directors for the years 2017-2019, or until approval of the 2019 financial statements, confirming Mr Raffaele Agrusti as Chairman;
  - approved the proposal of the Board of Directors relating to the purchase and disposal of treasury shares, at the same time, revoking the authorisation decided upon at the meeting of 28 April 2016.

Thus, on 28 April, the Board of Directors of Rai Way, inter alia:

  - appointed Aldo Mancino as the Chief Executive Officer;
  - renewed the Risk Control Committee and the Remuneration and Appointment Committee, both solely comprising independent Directors.

- on 28 April 2017, the Council of Ministers approved the award of the exclusive licence to provide the public radio, television and multi-media service to the whole country to the Parent Company RAI - Radiotelevisione Italiana S.p.A., for ten years starting from 30 April 2017.
- on 14 June 2017, the Board of Directors decided to approve the merger between Rai Way S.p.A. and the wholly owned subsidiary, Sud Engineering S.r.l.; after stipulation of the corresponding deed, the merger took effect on 22 June 2017, with accounting and tax effects back-dated to 1 March 2017.

- on 1 October 2017, Mr Stefano Ciccotti, engineer, formerly Chief Executive Officer of the Company, ended his working relationship with the Company to take on a managerial role with the parent company Rai - Radiotelevisione italiana S.p.A. (the transfer of the corresponding employment contract took place at no cost to the Company and with the interested party waiving any right and/or claim howsoever related to or deriving from the activities carried out on behalf of Rai Way).
- On 13 December 2017 Rai Way S.p.A. confirmed that it had submitted a non-binding declaration of interest in the process concerning the potential sale of Persidera S.p.A. launched by the corresponding shareholders, specifying that in the declaration of interest it was furthermore stated that Rai Way was considering structures consistent with the current regulatory context, not being in a position to become a holder of the rights of use for the frequencies currently allotted to Persidera for its own multiplexes.
- At its meeting on 22 December 2017 the Council of Ministers made a final decision on the draft national service Contract between the Ministry of Economic Development (MISE) and Rai for the period 2018 – 2022, after the expression, on 19 December 2017, of the opinion required from the parliamentary Commission for general guidance and monitoring for radio and television services. For more details please refer to paragraph "Events after 31 December 2017 (note 36)".
- On 29 December 2017 the Official Journal published the law of 27 December 2017, no. 205 (Law on Financial Statements 2018, State budget for the financial year 2018 and three-year budget for 2018-2020), which took effect on 1 January 2018 and which defines – inter alia – the timeframes and methods for (i) assignation of rights of use of frequencies in the 694-790 MHz band and the 3.6-3.8 GHz and 26.5-27.5 GHz spectrum bands to wireless broadband electronic communication operators, (ii) the release of all frequencies assigned nationally and locally for the digital terrestrial television service and allocated to the III VHF and 470-694 MHz band, (iii) the conversion of the rights of use of the frequencies of which the national network operators are holders into rights of use of transmission capacity in

national multiplexes newly constructed in DVB-T2 technology and (iv) the allocation to Rai of frequencies in the III VHF band for the construction of a multiplex containing regional information by the public service concessionaire and for the transmission of programmes locally, using the transmission capacity for transporting audiovisual media service providers locally.

Safety and the environment

As confirmation of the emphasis placed on safety at work and environmental issues, it is noted that the Company also obtained ISO 14001:2004 and OHSAS 18001:2007 certifications for 2017.

The ISO 14001:2004 certification attests to compliance of the Company's environmental management system with the requirements of that standard, with specific respect to the environmental effect of electromagnetic radiation and the proper disposal of waste water as well as to the prudent management of hazardous substances and waste. The OHSAS 18001:2007 certifications attest compliance of the Company's occupational health and safety management systems with the requirements of that standard, with specific respect to the "Planning and management of networks and systems for transmitting and broadcasting radio and television signals in Italy and abroad".

Results for the year

The Company earned net profit of € 56.3 million in 2017 representing an increase over the corresponding figure of € 14.4 million in 2016 (+34.6%).

A summary of the Company's income statement for the years ended 31 December 2017 and 31 December 2016 is set out in the following table:

Income statement

(amounts in millions of euros; %)	2017	2016	Delta	% Change
Revenues from RAI	181.0	180.5	0.6	0.3%
Revenues from third parties	35.2	34.7	0.4	1.2%
Core Revenues	**216.2**	**215.2**	**1.0**	**0.5%**
Other revenues and income	0.8	0.4	0.4	96.3%
Personnel costs	(45.8)	(46.6)	0.8	1.7%
Other operating costs	(55.7)	(57.7)	2.1	3.6%
Adjusted EBITDA	**115.5**	**111.3**	**4.2**	**3.8%**
EBITDA Margin	*53.4%*	*51.7%*	*1.7%*	*3.3%*
Adjustments	(1.7)	(6.8)	5.0	74.3%
EBITDA	**113.8**	**104.5**	**9.3**	**8.9%**
Amortization and depreciation	(33.6)	(38.3)	4.8	12.5%
Write-downs of loans	(0.9)	0.1	(1.0)	(1643.4%)
Provisions	2.1	(0.6)	2.7	429.0%
Operating Profit/Loss	**81.4**	**65.6**	**15.8**	**24.1%**
Net Financial Charges	(1.6)	(2.1)	0.5	24.0%
Profit before taxes	**79.7**	**63.5**	**16.3**	**25.7%**
Taxes	(23.5)	(21.6)	(1.8)	(8.5%)
Net Profit	**56.3**	**41.8**	**14.4**	**34.6%**
NET PROFIT Margin	*26.0%*	*19.4%*	*6.6%*	*33.9%*

Rai Way had revenues of € 216.2 million, an increase of € 1.0 million compared to the previous period (+0.5%).

The activities carried out for the Rai Group generated revenues of € 181.0 million, an increase of 0.3% compared to the same period of the previous year; the increase is due partly to new services requested by the customer for additional services (so-called "new services" and partly to the growth in current service through adjustment of tariffs in line with inflation. With regard to commercial relationships with other customers, revenues from third parties were € 35.2 million, an increase of € 0.4 million compared with the previous period (+1.2%). The increase is attributable mainly to the positive impact of the acquisition of Sud Engineering, the economic effects of which have been felt since 1 March 2017.

The item Other revenues and income shows an increase of € 0.4 million compared with the same period of the previous year resulting mainly from the item "Compensation for damages", which includes compensation for the activities necessary for restoring the radio and television signal of a business site.

Operating costs

(amounts in millions of euros; %)	2017	2016	Delta	% Change
Personnel costs	(45.8)	(46.6)	0.8	1.7%
Purchase costs	(1.3)	(1.3)	0.0	0.2%
Service costs	(50.5)	(52.7)	2.2	4.2%
Other costs	(3.8)	(3.6)	(0.2)	(4.7%)
Operating costs	**(101.5)**	**(104.4)**	**2.9**	**2.8%**

The item in the income statement Personnel costs – net of non-recurring costs for redundancy incentives classified under adjustments – shows a balance of € 45.8 million, down by € 0.8 from 2016 (€ 46.6 million). This value is determined mainly by changes in the average number of personnel, which fell by 24 in the period in question, from 630 in 2016 to 606 in the corresponding period of 2017.

Other operating costs – which include consumables, services and other costs excluding non-recurring items – amount to € 55.7 million, down by € 2.1 million from the previous period. This improvement is the result mainly of the reduction in costs for services provided by RAI, actions to increase efficiency, less hiring of transmission resources used for sporting events (in 2016 the Olympics, Paralympics and European football Championships took place) and the increased efficiency of the company-car fleet. There is also a reduction in maintenance costs for the management of transmission systems and building infrastructure.

Other operating costs do not include the non-recurring costs for extraordinary operations that are not included in the calculation of Adjusted EBITDA. "Other costs" decreased by € 0.1 million.

Adjusted EBITDA amounted to € 115.5 million, an increase of € 4.2 million over the figure for 31 December 2016, representing a margin of 53.4%.

Reconciliation of EBITDA vs. Adjusted EBITDA

(amounts in millions of euros; %)	2017	2016	Delta	% Change
Adjusted EBITDA	**115.5**	**111.3**	**4.2**	**3.8%**
Non-recurring costs	(1.7)	(6.8)	5.0	74.3%
EBITDA	**113.8**	**104.5**	**9.3**	**8.9%**

EBITDA amounted to € 113.8 million, an increase of € 9.3 million over the figure of € 104.5 million for 31 December 2016. The increase resulted from the lower non-recurring costs relating to the redundancy incentive initiative that in 2016 cost a total of € 6.6 million. Over the course of 2017, costs relating to initiatives for extraordinary operations, amounting to € 0.4 million, were classified under non-recurring costs.

Operating profit of € 81.4 million represents an improvement of € 15.8 million over 2016, due also to a € 4.8 million reduction in amortization and depreciation and to a € 2.7 million reduction provisions. The item provisions includes € 4.0 million absorption of funds due mainly to the positive result of disputes relating to rent for occupying public land.

With regard to financial management, a balance of € 1.6 million is recorded with an improvement of € 0.5 million from the previous period as a result of less interest payable to banks and less interest for employee benefits.

Net profit amounted to € 56.3 million, representing an increase of € 14.4 million over 2016.

Capital expenditure

Capital expenditure amounting to € 16.3 million was made in 2017 (€ 19.5 million in 2016), of which € 12.5 million relating to the maintenance of the Company's network infrastructure (€ 16.2 million in 2016) and € 3.8 million to the development of new initiatives.

Capital expenditure

(amounts in millions of euros; %)	2017	2016	Delta	% Change
Maintenance capex	**12.5**	**16.2**	**(3.7)**	**(22.7%)**
Developmnent capex	**3.8**	**3.3**	**0.5**	**13.6%**
Total	**16.3**	**19.5**	**(3.2)**	**(16.5%)**

The most significant maintenance expenditure incurred in relation to the television service, designed to ensure higher service standards, concerned the radio link network and, as far as maintenance expenditure on the radio network is concerned, renovation of transmission equipment and MF radiant equipment as a means of improving the reliability and availability of the current service. Expenditure was also carried out for enhancement and technological adaptation of the IP control network to satisfy all connectivity requirements between apparatus, systems and users.

Development expenditure concerned the reconfiguration of four satellite transponders in relation to the broadcast service and the contribution network, done with the most modern technologies adapted to the IP ecosystem.

Statement of financial position

(amounts in millions of euros; %)	2017	2016	Delta	% Change
Fixed assets	200.3	207.9	(7.6)	(3.6%)
Net Working Capital	11.2	(4.4)	15.6	356.1%
Provisions	(30.3)	(32.5)	2.2	6.9%
NET INVESTED CAPITAL	**181.2**	**171.0**	**10.3**	**6.0%**
Shareholders' Equity	176.4	161.5	14.9	9.2%
Net Financial Position	4.8	9.4	(4.6)	(48.7%)
TOTAL COVERAGE	**181.2**	**171.0**	**10.3**	**6.0%**

Net Invested Capital as at 31 December 2017 shows an increase from 31 December 2016 of € 10.3 million due mainly to an increase in net working capital and a reduction in funds resulting from the release of provisions for risks and charges and the reduction in severance pay deriving from the early departure of employees who participated in the redundancy incentive initiative. The Company had a Net Financial Position of € 4.8 million, down from 31 December 2016, as a result of the generation of cash by operating activities; see paragraph "Current and non-current financial assets and liabilities" (note 18). Please note that the balance of the item "Net working capital" in the previous year contained the items Provision for deferred taxes and Credits for prepaid taxes for a total amount of € 2.2 million in 2017 and € 5.0 million that were reclassified under the item "Funds".

Human Resources and Organization

Rai Way had a workforce of 593 people at 31 December 2017 employed on a permanent basis: 23 executives, 141 middle managers, 398 technicians or office staff and 31 workers. There were also 8 other workers with fixed-term employment contracts.

The following table sets out information regarding the composition, age and education of personnel to provide further details of the Company's workforce.

	Directors			Managers			Employees and Technicians			Workers		
Years	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Men (average annual value)	15	17	18	117	113	118	379	371	336	34	33	31
Women (average annual value)	4	5	6	16	20	23	76	74	75	0	0	0
Average age	51	51	51	54	52	52	46	46	43	55	56	56
Seniority	16	15	16	28	26	25	18	18	13	29	30	29
Degree (%)	95	95	96	41	39	41	16	19	21	0	0	0
Diploma (%)	5	5	4	59	61	59	81	78	77	68	71	74
School certificate (%)	0	0	0	0	0	0	2	3	2	32	29	26

2017 saw considerable attention on the part of the Company on the development of the human capital component, resulting in innovation in terms of organizational turnaround and HR policies and processes structured at increasingly more consistent levels with a competitive corporate dimension

There were the following lines of action in particular:

- the organizational implementation and monitoring of processes relating to sustainability, efficiency and focusing on strategies of innovation and business development;
- the upgrading of skills to support the change management process;
- the culture of continuing staff development, including through a suitable reward policy to improve the results, conduct and values expressed by staff;
- the rationalization of processional and organizational models and generational turnover;
- the development of the company's social dimension and the organizational implementation of the enterprise risk management structure;
- the implementation of the quality policy in accordance with ISO 9001:2015.

With a view to the re-engineering of the organizational model on the basis of the strategic directions of the focus on efficiency and focus on business defined in the Industrial Plan, the organizational structure has been broken down to the second and third levels and connections have been defined with highly qualified and functional profiles for enhancement of the organizational model on specialist areas of competence and responsibility relevant to a listed company.

A strategic managerial training plan has been established on the basis of evidence from the diagnosis of the corporate organizational culture and job requirements for critical positions, with identification of highly personalized coaching and training programmes: from the one-size-fits-all model to the learning experience model profiled on key values and soft skills opening personnel up to outside experiences and networking.

With a view to both efficiency and enhancement, the involvement of Trade Unions at a national level has been central to Rai Way. In particular, over the course of 2017, Industrial Relations have seen the Company continue its process of implementing the corporate labour organizational model based on enhancing the value of internal resources, flexibility and simplification of labour locally (see activities of the Multiskill Technician). At the same time, the process of enhancing technical training and the recognition of consistent reward and motivation mechanisms has continued. The Company has, in addition, further developed exchanges and comparisons at a local level with the Unitary Trade Union Representations, with the aim of ensure constructive dialogue aimed at a better understanding of specific local features and their respective requirements.

Rai Way has focused its attention on the social dimension, integrating processes already activated with the university network with the aim of targeted internships as part of the curriculum with university/work alternation. In 2017, Rai Way also held a series of corporate events, internally and externally, dedicated in broad terms to the theme of innovation, for the benefit of the business community and the world of schools.

Moreover, the Company also activated for 2017 a Rai Way staff voluntary retirement scheme, basing it on age and contribution/insurance seniority as compatible with the Company's operational assessments.

Rai Way obtained the Top Employers Italy certification as Employer of Choice for 2017, consolidating a process of focusing on and innovatively developing HR policies and processes for managing and using the talent at its disposal, as an enabling factor for the development of the competitive dimension.

Finally, in 2017 Rai Way extended its ISO 9001:2015 certification from design alone to also include ordinary maintenance, consolidating this in the Quality Management System. The aim of "continuous improvement" has helped to increase the efficiency of consolidated company processes.

Disclosures on the main risks and uncertainties to which the Company is subject

The pursuit of the corporate mission and the Company's operating results, financial position and cash flows are affected by various potential risk factors and uncertainties. The main sources of risk and uncertainty are discussed in summary form below.

Risk factors related to the Company

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

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

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

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

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

Risks related to the New Service Agreement

Given the importance of the New Service Agreement to the Company's revenues, its financial position, results of operations and cash flows could suffer negative effects if such agreement is terminated – even in part – in advance, if the levels of the contractual services are not complied with or if there are significant increases in production costs (also as the result of measures taken by the competent authorities) that are not absorbed by a corresponding increase in the fee payable by Rai.

Risks related to the expiry and renewal of the Rai concession

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

The concession was renewed in accordance with article 9 of law 26 October 2016, no. 198 (so-called Publishing Law) that, amending article 49 of Legislative Decree no. 177 of 31 July 2005 containing the Consolidated Act on audiovisual and radio media services, established a new procedures for granting public radio, television and multimedia concessions. If the concessionary agreement between the Italian government and Rai is terminated or not renewed on expiry, or if a renewal is stipulated under terms and conditions that differ from those currently existing, there could be material negative effects on the Company's operating results, financial position and cash flows. There is a connection between the contractual relationship between the Italian government and Rai and the contractual relationship between Rai and the Company. As a result, the former has an effect on the latter. Pursuant to the Rai – Rai Way Service Agreement, the expiry and/or failure to renew the concession is an institutional modifying event which entitles Rai to withdraw from such by giving twelve months' notice.

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

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

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

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

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

The Company is not and has never been the owner of frequencies, which are normally assigned to its customers known as broadcasters – a category that includes national and local radio and television operators of which also Rai forms part. The loss of ownership of frequencies on the part of broadcasting customers, in whole or in part, and the modification of the frequencies assigned to broadcaster, including as a result of the planned process of reassigning the rights of use of the frequencies in the 694-790 MHz band, could lead to a loss of customers for the Company or the redefinition of the scope of services provided to customers, with negative effects on the Company's revenues and financial situation. In addition, any changes to the assigned frequencies could also cause an increase in the costs that the Company would be required to incur and the investments it would need to make.

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

Risk related to the contractual and administrative structure of the Sites

Given the importance of its network infrastructures to Rai Way for its business, negative events affecting such could have negative effects on the Company's results of operations, financial position and cash flows.

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

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

Risks related to Rai's management and coordination activities

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

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

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

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

The taking of certain corporate decisions by the Company or the acquisition of certain significant shareholdings for the purpose of controlling the Company by parties outside the European Union could be limited by the special State powers (so-called golden powers) established by Legislative Decree no. 21 of 15 March 2012, converted with amendments into the Law of 11 May 2012, no. 56, which regulates the special State powers relating, inter alia, to strategic assets in the communications sector, as identified by art. 3 of Decree of the President of the Republic no. 85 of 25 March 2014.

Risks related to the Company's inability to implement its strategy or results of the implementation of strategic initiatives and/or investments not in line with expectations

The inability of the Company to successfully implement any of its growth strategies could lead to negative effects on its business and on its results of operations, financial position and cash flows.

The Company’s ability to increase its revenues and improve its profitability also depends on its success in achieving its strategy, which at the balance sheet date was based, inter alia, on the following factors:

- • pursuit of performing further initiatives for Rai;
- • strengthening of its market position as the leading operator in Italy for tower rental services, broadcasting services, transmission services and contribution services, including with non-organic growth operations;
- • enhancement and extension of its range of consultancy services and network management services, in particular regarding migration to digital;
- • improvement of its operating efficiency and margins.

Furthermore, owing to the dynamic context in which the Company operates and the uncertainty surrounding exogenous scenarios, initiatives of a strategic nature and/or investments could have results not in line with expectations, with a negative impact on the Company's financial situation.

Risks related to key personnel

If the relationship between Rai Way and its key personnel ends, this could have negative effects on the Company’s business and its results of operations, financial position and cash flows.

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

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

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

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

Risks related to related party transactions

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

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

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

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

Should the courts find against the Company in the principal court proceedings to which it is party and should the Company incur losses that are significantly higher than the amounts provided in its financial statements, this could lead to negative effects on its business and its financial position, results of operations and cash flows. Without prejudice to these statements, the Company believes that the provisions recognized in its financial statements at the balance sheet date are adequate.

<u>Risks related to the takeover of the Company</u>

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

<u>Risk factors related to the industry in which the Company operates</u>

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

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

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

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

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

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

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

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

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

Risks related to technological change

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

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

Risks related to increased competition

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

Risks related to environmental protection and electromagnetic radiation

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

The Company places particular emphasis on complying with environmental protection regulations and undertakes to be constantly updated in this respect, as moreover attested by its 2008 ISO14001:2004 and 2011 OHSAS 18001:2007 certifications.

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

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

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

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

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

Risks arising from stoppages and strikes

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

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

Risks related to global economic conditions

A possible decline by customers in the demand for the services carried out by Rai Way arising from the persistence of the global economic and financial crisis could have negative effects on the Company's results of operations, financial position and cash flows.

Financial risks

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

- currency risk: currency risk was not significant in 2017 as the Company's operations are concentrated in the European Union;
- interest rate risk: interest rate risk arose mainly in 2017 from the medium-term loan agreement entered with a syndicate of banks and divided into the following two credit facilities:
  - More specifically: term, with maximum amounts of € 90 million, completely granted;
  - More specifically: revolving, with maximum amounts of € 50 million, not used.

  To limit the fluctuation of interest expense affecting the Company's results and the risk of a potential increase in interest rates, in accordance with its financial policy the Company has entered an interest rate swap agreement with two banks to hedge the variable interest rate on this loan for up until 30 September 2019 and for a total notional amount of 50% of the loan, equally allocated between the two banks;
- liquidity risk: this is connected with the Company's ability to meet the commitments arising mainly from its financial liabilities. In order to be able to satisfy these commitments the Company has taken out the two credit facilities discussed at the previous point. More specifically, the aim of the revolving facility is to be used for supporting working capital and general cash requirements. In addition, the Company is able to satisfy its commitments through the cash generated from operations.

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

Credit risk

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

Data security policy and the "Security Policy Document"

Following the introduction of article 45 of Legislative Decree no. 5 of 9 February 2012 and the resulting abolition of the obligation for entities to update their "Security Policy Document", the Company is no longer required to carry out that process and accordingly made no changes as of 31 December 2017.

As however there had been no significant changes in the Company's activities at that date the document updated as of 31 December 2011 may be considered suitable for the purposes of personal data protection as per article 34 of Legislative Decree no. 196/2003 and Annex B of such.

In any case, the Company has implemented an adequate internal organization and carefully checks for compliance with the data protection regulations within the corporate environment on a constant basis, by appointing personal data protection officers pursuant to articles 4, 29 and 30 of Legislative Decree no. 196/2003 and by issuing disclosures relating to the precautionary and security measures to be adopted pursuant to articles 33, 34 and 35 of the above-mentioned legislation.

For further implementation and verification of security requirements, the Company has implemented a monitoring and reporting system that should be applied every six months by each data protection officer, also in order to outline the security measures adopted.

At present, therefore, the internal regulations in force provide for the necessary security measures, including those for the digital authentication and the authorization to retrieve data, specifying the scope of data processing for data processors and any persons responsible for the management and maintenance of electronic instruments and providing for adequate measures for the protection of data, particularly sensitive data, in the presence of any possible illegal treatment or unauthorized access, with copies held in safe custody, including measures to restore systems.

However, the Company has an ongoing project of adapting its system for managing obligations relating to the protection of personal data in order to ensure the compliance of its organizational structure, policies and consequent implementation procedures, as established by EU Regulation 679/2016, which will take effect on 25 May 2018.

Research and development

Rai Way's research, development and innovation activities are multidisciplinary and aimed at identifying, checking and implementing ideal solutions for monitoring and improving the broadcast and transmission network, by collecting data and analysing factors that influence the quality of the service provided to customers and end users. To carry out these activities, Rai Way makes use of collaboration with Rai's Research and Technological Innovation Centre (CRIT).

In order to make the approach to innovation more structured, widespread and effective, an ad hoc department dedicated to innovation and research was recently established to prepare the Company for change, to acquire technological skills and new ideas, and to develop new services and new business capacities.

Within the framework of the innovation and research activities, Rai Way pursues the objective of developing new services, processes, organizational models and business models to ensure that the Company has a competitive advantage and is appropriately positioned with regard to the challenges linked to so-called disruptive technologies.

The most significant initiatives of 2017 were as follows:

- Among the most significant ongoing initiatives in the area of technological innovation, Rai Way has participated in the tender issued by the Ministry for Economic Development (MiSE) for research into 5G technology in the 3.7-

3.8 GHz band in five Italian cities: TIM, Fastweb and Huawei were jointly awarded the MiSE tender, in partnership with Rai Way and 51 other partners of excellence, for the lot relating to the Bari and Matera areas, for research into new 5G technology. Rai Way's role involves participating in the use-case project for developing the network and multiplexes: in particular Rai Way will be responsible for those regarding media (distribution and contribution of news and events) and, in collaboration with the other partners, projects in the area of the internet of things. The 5G network constructed in Bari and Matera will enable a transmission capacity 10 times greater than with 4G and the research will put another 70 use cases in the field, leading to a radical and lasting transformation of the territories involved. An important aim of the initiative is to make a concrete contribution to the development of demand for innovative digital services, in line with national and EU guidelines.

- CDN: In this area Rai Way monitors technological evolution to identify potential opportunities relating to solutions for distribution through a CDN of IP content with a high QoE (Quality of Experience), making use of the know-how that it has acquired in the management of networks and broadcast services.
- Drones: Rai Way has started to acquire skills in this area, interacting with players on the national and international market, with the aim of using this technology/solutions in areas close to its own core business.
- Advanced systems for measuring electromagnetic fields and systems to complement the GNSS for the synchronization of DVB-T networks (in collaboration with Rai's Research Centre in Turin).

Relationships with Companies of the Rai Group

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

Relationships with related parties

The details of relationships between the Company and related parties, identified on the basis of the criteria defined by IAS 24 "Related party disclosures", for the years ended 31 December 2017 and 2016, have been given in the paragraph "Related party transactions" (note 37).

Treasury shares

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

Events subsequent to 31 December 2017

On 16 February 2018 the Company reported that it had submitted, with F2i Fondi Italiani per le Infrastrutture SGR S.p.A. ("F2i"), a joint bid, binding subject to certain conditions, within the process of the potential sale of Persidera S.p.A. ("Persidera") launched by the latter's shareholders. The bid, subsequently lapsed, indicated the structure of the transaction with the acquisition by F2i of ownership of the rights to use the frequencies currently issued to Persidera for its own DTT multiplexes, the acquisition by Rai Way of the network infrastructure, and the simultaneous signature of a multi-year agreement for the provision of broadcasting services.

Business outlook

The Company envisages the following for 2018:

- Adjusted EBITDA to continue its organic growth;
- Maintenance expenditure to amount to around 9% of core revenues; an average level of 8.5% of core revenues in the future is also confirmed.

Coordination and control

The Company is subject to the management and coordination of Rai pursuant to articles 2497 and following of the Italian civil code.

The key data of the Parent Company stated below in the summary form as required by article 2497-bis of the Italian civil code have been taken from the financial statements for the year ended 31 December 2016. It should be noted that the Parent Rai also prepares consolidated financial statements.

For a suitable and complete understanding of the financial position of Rai-Radiotelevisione Italiana S.p.A. at 31 December 2016 as well the result of the Company for the year then ended reference should be made to the financial statements which together with the auditors' report are available in the form and by the means prescribed by law.

RAI SpA - Financial Statements at 1/12/2016
Summary table of essential data

Statement of financial position at 31 December 2016

(in thousand of euros)	**Year ended 31 December 2016**
Tangible assets	872,115
Intangible assets	443,993
Investments	921,502
Non-current financial assets	61
Other non-current assets	11,427
Total non-current assets	**2,249,098**
Total current assets	**921,965**
Total assets	**3,171,063**
Share capital	242,518
Reserves	582,406
Profit (loss) carried forward	(25,455)
Total shareholders' equity	**799,469**
Non-current financial liabilities	381,946
Employee benefits	526,710
Provisions for non-current risks and charges	188,110
Deferred tax liabilities	35,816
Other payables and non-current liabilities	3,624
Total non-current liabilities	**1,136,206**
Total current liabilities	**1,235,388**
Total liabilities	**2,371,594**
Total shareholders' equity and liabilities	**3,171,063**

Statement of comprehensive income

(in thousands of euros)	**Year ended at 31 December 2016**
Total revenues	2,627,731
Total costs	(2,721,847)
Operating profit/loss	**(94,116)**
Financial income	87,447
Financial charges	(17,233)
Profit/loss from investments valued using the shareholders' equity method	(657)
Profit/loss before taxes	**(24,559)**
Income taxes	28,825
Profit (loss) for the year	**4,266**
Components of the Statement of comprehensive income	(16,582)
Overall profit/loss for the year	**(12,316)**

Following the admission to trading and listing of the Company's shares, Rai continues to exercise control pursuant to article 93 of the Consolidated Finance Act and exercise management and coordination activities with respect to Rai

Way. In the Company's opinion though, although it is subject to the management and coordination of Rai, it works in conditions of operational autonomy, generating revenues from its customers and using its own skills, technologies, human resources and funds. On 4 September 2014, the boards of directors of Rai and Rai Way, to the extent of their competence, approved the Management and Coordination Regulation of the Parent Company with respect to Rai Way in a manner completely different from that of the other companies of the Rai Group subject to management and coordination by Rai.

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

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

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

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

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

Set out below are details of the relationships between Rai and Rai Way after the date on which trading began in the Company's shares and the resulting application of the regulation:

- <u>Strategic planning</u> (budget and business plan). The Board of Directors of Rai Way is independently responsible for drawing up and approving the Company's long-term strategic plans, business plans and financial plans, as well as its annual budgets, and Rai's coordination consists mainly of providing Rai Way with guidelines for the sole purpose of compliance with the Parent's financial covenants – where relevant – and requirements deriving from the concession of the Public Service granted to Rai.
- <u>General management guidelines.</u> Rai's duties include the drafting, through its organization, of general operational guidelines in order to unify the procedures of Rai and Rai Way, maximizing possible synergies and reducing the costs incurred. These objectives can be pursued by centralizing certain services, arranging for common procurement of supplies and adopting the Rai Group's documents and procedures.
- <u>Extraordinary operations.</u> Rai will have no power of veto over Rai Way's extraordinary operations. In accordance with regulations in force at the time regarding the acquisition, management and use of privileged information (price sensitive information) and market abuse, Rai Way will be required to provide prior information to Rai regarding certain specific operational activities and transactions, determined and drawn up independently by Rai Way, which assume particular significance and importance, having regard in particular to the strategic lines, projects and planning of the Rai Group's operations. The Parent Company's Board of Directors will be able to formulate comments and observations whenever it believes that the approval or execution by Rai Way of the significant operation is inconsistent with the strategic lines, initiatives and projects drawn up by Rai, or else is liable to jeopardize uniform management of the Group. It is understood that Rai Way shall be entitled to assess such comments and observations without any requirement to comply with them.
- <u>Communication of information.</u> Without prejudice to the preceding, the Company will continue to report to the Parent Company, on a periodic basis, all the information that may be necessary or useful for performing management and coordination in accordance with the regulation,

including the information required by Rai to prepare its consolidated financial statements pursuant to article 43 of the Legislative Decree of 9 April 1991, no. 127, the management report pursuant to article 2428, paragraph 1, of the Italian Civil Code, as well as the periodic information pursuant to article 2381, paragraph 5, of the Italian civil code. Without prejudice to the above, Rai Way is responsible and bound to comply on an autonomous basis with all the requirements to provide continuous and periodic disclosures to the public and CONSOB.

- Personnel and remuneration policies. Rai Way has exclusive responsibility for every decision regarding the appointment and hiring of the Company's personnel and executives, the management of employment relationships and the establishment of remuneration policies, including setting the career paths and implementing the appraisal and incentive systems for executives, in respect of which Rai has no power of veto. The Parent Company may adopt specific procedures, which will also be autonomously implemented by Rai Way, directed solely towards compliance with transparency and non-discriminatory criteria which must be a distinct feature, among other things, of the procedures for appointing and hiring the personnel.
- Treasury relationships. Rai Way no longer has a centralized treasury relationship with Rai and has its own autonomous treasury. The Company has the competence and responsibility for drawing up and approving its financial policy, including risk management and liquidity management policies.

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

Markets. The Company's Board of Directors has a majority of members who are independent directors.

Report on corporate governance and ownership structures

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

Declaration of a non-financial nature

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

It is published on the website www.raiway.it.

Rome, 21 March 2018

On behalf of the Board of Directors

The Chairman

Raffaele Agrusti

FINANCIAL STATEMENTS

INCOME STATEMENT AT 31 DECEMBER 2017 (*)

Rai Way S.p.A.

(Amounts in euros)	Notes	12 months at 31/12/2017	12 months at 31/12/2016
Revenues	6	216,195,849	215,216,216
Other revenues and income	7	795,806	405,346
Costs for purchasing consumables	8	(1,341,110)	(1,343,792)
Service costs	9	(50,946,605)	(52,918,796)
Personnel costs	10	(47,138,671)	(53,228,359)
Other costs	11	(3,802,454)	(3,632,978)
Amortization, depreciation and write-downs	12	(34,499,228)	(38,288,522)
Provisions	13	2,097,605	(637,555)
Operating profit		**81,361,192**	**65,571,560**
Financial income	14	75,106	40,115
Financial charges	14	(1,686,765)	(2,159,533)
Total financial income and charges		**(1,611,659)**	**(2,119,418)**
Profit before taxes		**79,749,533**	**63,452,142**
Income taxes	15	(23,486,305)	(21,637,843)
Profit for the period		**56,263,228**	**41,814,299**

STATEMENT OF COMPREHENSIVE INCOME AT 31 DECEMBER 2017

Rai Way S.p.A.

(Amonts in euros)	Notes	12 months at 31/12/2017	12 months at 31/12/2016
Profit for the period		**56,263,228**	**41,814,299**
Items that will be recognised in the Income Statement			
Profit/(Loss) on cash flow hedge instruments	18	29,100	(76,030)
Tax effect		(8,296)	21,666
Items that will not be recognised in the Income Statement			
Actuarial Profit/(Loss) for employee benefits	28	497,347	(706,771)
Tax effect		(119,363)	169,625
Total profit for the period		**56,662,016**	**41,222,789**

(*) Table drafted in accordance with the International Financial Reporting Standards, issued by the International Accounting Standards Board and adopted by the European Union ("IFRS").

RAI WAY S.P.A. - STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017(*)

(Amounts in euros)	Note	12 months at 31/12/2017	12 months at 31/12/2016
Non-current assets			
Tangible assets	16	188,686,465	205,181,198
Intangible assets	17	11,188,738	2,215,035
Non-current financial assets	18	53,846	111,183
Deferred tax assets	19	2,164,488	4,950,607
Other non-current assets	20	355,671	355,688
Total non-current assets		**202,449,208**	**212,813,711**
Current assets			
Inv etory	21	892,161	919,954
Trade receiv ables	22	71,955,278	66,999,351
Other current receiv ables and assets	23	5,358,860	4,671,511
Current financial assets	18	146,453	225,032
Cash and cash equiv alents	25	55,895,135	81,309,420
Current tax receiv ables (**)	24	7,656	-
Total current assets		**134,255,543**	**154,125,268**
Total assets		**336,704,751**	**366,938,979**
Shareholders' equity	26		
Share capital		70,176,000	70,176,000
Legal reserv e		12,160,733	10,070,018
Other reserv es		37,045,410	37,024,606
Profits carried forward		57,007,959	44,263,862
Total shareholders' equity		**176,390,102**	**161,534,486**
Non-current liabilities			
Non-current financial liabilities	18	30,606,438	60,697,873
Employee benefits	28	16,443,209	18,699,318
Prov isions for risks and charges	29	15,984,523	18,762,295
Total non-current liabilities		**63,034,170**	**98,159,486**
Current liabilities			
Trade payables	30	37,690,502	41,172,459
Other current payables and liabilities	31	28,900,689	35,168,652
Current financial liabilities	18	30,279,531	30,276,988
Current tax payables (**)	32	409,757	626,908
Total current liabilities		**97,280,479**	**107,245,007**
Total liabilities and shareholders' equity		**336,704,751**	**366,938,979**

(*) Table drafted in accordance with the International Financial Reporting Standards, issued by the International Accounting Standards Board and adopted by the European Union
(**) Tax receiv ables and payables other than those for current taxes hav e been reclassified under "other current receivables/assets and payables/liabilities"

STATEMENT OF CHANGES IN EQUITY (*)

Rai Way S.p.A.

(amounts in euros)	**Share capital**	**Legal reserve**	**Other reserves**	**Profits carried forward**	**Total**
At 1 January 2015	**70,176,000**	**6,890,612**	**37,078,970**	**39,644,818**	**153,790,398**
Profit for the period				38,942,336	38,942,336
Profit and loss from actuarial assessment				94,162	94,162
Allocation of profit to reserves		1,232,289		(1,232,289)	-
Distribution of dividends				(33,564,800)	(33,564,800)
At 31 December 2015	**70,176,000**	**8,122,901**	**37,078,970**	**43,884,226**	**159,262,096**
Profit for the period				41,814,299	41,814,299
Profit and loss from actuarial assessment				(537,146)	(537,146)
Cash flow hedge reserve			(54,364)		(54,364)
Allocation of profit to reserves		1,947,117		(1,947,117)	-
Distribution of dividends				(38,950,400)	(38,950,400)
At 31 December 2016	**70,176,000**	**10,070,018**	**37,024,606**	**44,263,862**	**161,534,486**
Profit for the period				56,263,228	56,263,228
Profit and loss from actuarial assessment (**)				377,984	377,984
Cash flow hedge reserve(**)			20,804		20,804
Allocation of profit to reserves		2,090,715		(2,090,715)	-
Distribution of dividends				(41,806,400)	(41,806,400)
At 31 December 2017	**70,176,000**	**12,160,733**	**37,045,410**	**57,007,959**	**176,390,102**

(*) Table drafted in accordance with the International Financial Reporting Standards, issued by the International Accounting Standards Board and adopted by the European Union ("IFRS").

(**) Items are shown net of the corresponding tax effects.

CASH FLOW STATEMENT (*)
Rai Way SpA

(Amounts in euros)	**12 months at 31/12/2017**	**12 months at 31/12/2016**
Profit before taxes	**79,749,533**	**63,452,142**
Adjustements for:		
Amortization, depreciation and write-downs	34,499,228	38,288,522
Provisions and (releases) to funds relating to personnel and other fun(	293,241	3,402,544
Net financial (income) and charges (**)	1,409,898	1,926,792
Cash flows generated by operating activities before variations in net working capital	**115,951,900**	**107,070,000**
Change in inventory	27,793	81,198
Change in trade receivables	(5,747,544)	3,394,596
Change in trade payables	(5,029,969)	3,993,570
Change in other assets (***)	(656,663)	109,153
Change in other liabiltiies (***)	(5,411,458)	2,327,669
Use of provisions for risks	(1,319,040)	(876,395)
Payment of employee benefits	(3,985,509)	(4,733,381)
Change in current tax receivables and payables (***)	(50,765)	-
Taxes paid	(23,130,432)	(19,148,303)
Net cash flow generated by operating activities	**70,648,313**	**92,218,106**
Investments in tangible assets	(14,853,503)	(18,678,351)
Releases of tangible assets	134,284	74,208
Investments in intangible assets	(1,418,935)	(813,537)
Releases of intangible assets	36,583	-
Change in non-current financial assets	58,313	62,667
Business combination	(7,407,098)	-
Change in other non-current assets	17	(16,538)
Interest collected	75,106	40,115
Net cash flow generated by investment activities	**(23,375,233)**	**(19,331,437)**
Decrease/increase in medium-/long-term loans	(30,154,277)	(30,150,142)
Decrease/increase in current financial liabilities	(263,415)	(315,575)
Change in current financial assets	78,579	73,540
Relevant interest paid	(938,697)	(1,175,478)
Dividends distributed	(41,799,017)	(38,950,400)
Net cash flow generated by financial activities	**(73,076,827)**	**(70,518,055)**
Change in cash and cash equivalents	**(25,803,747)**	**2,368,614**
Cash and cash equivalents at the start of the year	81,309,420	78,940,807
Cash and cash equivalents of acquired companies	389,462	-
Cash and cash equivalents at the end of the year	**55,895,135**	**81,309,420**

(*) Table drafted in accordance with the International Financial Reporting Standards, issued by the International Accounting Standards Board and adopted by the European Union ("IFRS").

(**) Please note that the item Net financial Income and (Charges) excludes financial charges relating to the Provision for decommissioning and repairs as these are not considered to be of a financial nature.

(***) Tax receivables and payables other than those for current taxes have been reclassified under current receivables/assets and payables/liabilities.

NOTES TO THE FINANCIAL STATEMENTS

Introduction (note 1)

Rai Way S.p.A. (hereinafter "Rai Way" or the "Company") prepares, in relation to the provisions of Legislative Decree no. 38 of 28 February 2005, these financial statements for the year ended 31 December 2017 and compared with the figures at 31 December 2016 (hereinafter the "Financial Statements") in accordance with International Financial Reporting Standards (hereinafter "IFRS" or "international accounting standards"), issued by the International Accounting Standards Board (hereinafter "IASB") and adopted by the European Commission according to the procedure set out in art. 6 of (EC) Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002. IFRS also includes all international accounting standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") previously called the Standard Interpretations Committee (SIC). For drafting these Financial Statements the Company has provided complete information, applying IFRS consistently, furthermore making the necessary reclassifications in order to improve the presentation of the Financial Statements. These reclassifications have also been made to the comparison figures to ensure that the figures are fully comparable.

Furthermore, on 1 March 2017, the Company acquired the company Sud Engineering S.r.l., which operates in the radio and television system maintenance and installation sector, with the subsequent merger on 20 June 2017, with the legal effects starting from 22 June 2017 and accounting and tax effects dated back to 1 March 2017. The figures at 31 December 2017 therefore include the impacts of the above-mentioned merger; please refer to the sections below for more details of the items affected (Revenues, Tangible and intangible assets). The aim of the merger was to simplify the current corporate structure where Sud Engineering S.r.l. was the only subsidiary of Rai Way S.p.A., so Rai Way S.p.A. could carry out Sud Engineering's activities on a direct basis, thereby improving the economic, management and financial effectiveness. Since the Company held the entire share capital of Sud Engineering S.r.l., it did not assign - in accordance with article 2504-ter of the Civil Code - its shares to replace the shares of Sud Engineering, which were therefore cancelled after the merger without a share swap or payment of the balance in cash. The merger did not change the shareholding structure of the Company or exclude its shares from being listed. With respect to the tax aspects, the merger operation is fiscally neutral and therefore did not generate fiscally significant capital losses or capital gains. The assets and liabilities of Sud Engineering were included in the financial statements of the Company on a fiscal continuity basis in accordance with article 172, paragraphs 1 and 2 of the Consolidated Income Tax Act.

General Information (note 2)

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

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

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

- the design, installation, construction, maintenance, implementation, development and management of telecommunications networks and software, as well as the preparation and operation of a commercial, distribution and assistance network; these operations are aimed at the provision of services for the transmission, distribution and broadcasting of audio and visual signals and programs in favour of Rai, which is the concessionaire of Italian public radio and television broadcasting services, and of its subsidiaries, as well as of third parties, and of telecommunications services of any kind;
- the provision of wireless infrastructures and related services to wireless operators (including telephone operators, local loop wireless operators,

TETRA, UMTS and other existing or future mobile technology operators), including the leasing of sites/aerials and co-lease services, built-to-suit services, network programming and design, site research and acquisition, site design and construction, site installation and commissioning, network optimization, infrastructure maintenance, network operation and maintenance and related microwave or fibre transmission services;

- research, consulting and training activities for people both inside and outside the Company, in the areas described in the two paragraphs above.
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Summary of Accounting Principles (note 3)

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

Basis of Preparation

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

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

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

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

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

Translation of transactions in a currency other than the functional currency

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

Accounting policies

Set out in the following is a brief description of the most significant accounting policies used in preparing the Financial Statements.

Property, plant and equipment

Property, plant and equipment is measured at purchase cost including all the directly attributable accessory costs required to make the asset ready for use. If the Company has the obligation to dismantle and remove assets and restore the sites at which it has operated to their original condition, the carrying amount of items of property, plant and equipment also includes the estimated costs, discounted as necessary, that it will incur on decommissioning the facilities, with a counter-entry being made to a specific provision. Any borrowing costs directly attributable to the acquisition, construction of production of property, plant and equipment are capitalized and depreciated over the useful life of the asset to which they refer.

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

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

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

Asset category	Useful life (years)
Buildings	10 – 17
Plant and machinery	4 – 12
Production and commercial equipment	5 – 7
Other assets	4 – 8

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

Intangible assets

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

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

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

Impairment of tangible and intangible assets

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

If the presence of such indicators is identified an estimate is made of the recoverable amount of the assets, with any impairment loss compared to book value being recognized in profit or loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, with the latter being the present value of the future cash flows expected to be derived from the asset. In calculating value in use the expected future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money over the period of the investment and the risks specific to the asset. If an asset does not generate cash flows that are largely independent, the recoverable amount is determined for the cash-generating unit (CGU) to which that asset belongs, meaning the smallest identifiable group of assets that generates independent cash flows.

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

Cash and cash equivalents

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

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

Inventory

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

Work in progress, typically relating to the adaptation of the transmission and broadcasting network to the requirements of Rai under the "Agreement for the provision of transmission and broadcasting services" (hereafter the "2000-2014 Service Agreement") entered with Rai on 5 June 2000 and valid, in the version subsequently supplemented and amended on several occasions, until 30 June 2014 and renegotiated on 31 July 2014 with effect from 1 July 2014 (reference should be made to the paragraph Related Party Transactions - note 37 for this matter), are measured on the basis of the costs incurred in relation to the progress of the works, determined using the method of the cost incurred (cost-to-cost).

Trade receivables and other financial assets

Trade receivables and other financial assets are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. Trade receivables and other financial assets are classified as current assets, other than those having a contractual settlement date of more than twelve months after the balance sheet date which are classified as non-current assets.

Impairment losses are recognized when there is objective evidence that the Company will not be able to recover the receivable due from the counterparty on the basis of the contractual terms.

The impairment loss is measured as being the difference between an asset's carrying amount and the present value of the estimated future cash flows and it is recognized in the income statement under the item "Amortization, depreciation and write-downs". If in subsequent periods the reasons that led to the previous recognition of an impairment loss no long hold, the loss is reversed up to the amount that would have been determined on the basis of amortized cost.

Finance and operating leases

IAS 17 "Leases" defines a finance lease as a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee, regardless of whether title is transferred to the lessee at the end of the lease term. A lease is therefore classified as a finance lease when it transfers substantially all the risks and rewards typically associated with ownership of an asset from the lessor to the lessee.

More specifically, under IAS 17 a lease that has certain specific features must be classified as a finance lease and accounted for as if it were a loan granted by the lessor even though title to the leased asset remains with the lessor. The classification of a lease as a finance lease or as an operating lease therefore depends on the substance, rather than the form, of the lease.

In further detail, in accordance with IAS 17, the lessor in a finance lease recognizes:

- in the statement of financial position a financial receivable equal to the present value of the minimum lease payments due to the lessor, determined by applying a constant periodic rate of interest, rather than the assets of which he is the formal owner;
- in the statement of comprehensive income the interest accruing on the financial receivable over time.

Leases where the lessor keeps substantially all the risks and rewards incidental to ownership are classified as operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

When classifying a lease of land and buildings, the land and buildings are considered as separate elements to determine whether each has been acquired under a finance lease or as an operating lease.

Financial liabilities

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

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

Derivatives

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

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

Derivatives are classified as financial assets or financial liabilities depending on whether their fair value is positive or negative, and are further classified as "held for trading" and measured at fair value through profit or loss, except for those designated as effective hedges. Derivatives are designated as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the hedge is expected to be highly effective; the effectiveness of a hedge is verified on a regular basis. When derivatives hedge the exposure to variabilities in the cash flows of the hedged item (cash flow hedges) such as in the case of hedging the variability in cash flows arising from assets/liabilities due to fluctuations in foreign exchange rates, the changes in the fair value of derivatives considered effective are initially recognized in other comprehensive income in equity and subsequently reclassified to profit or loss in line with the economic effects arising from the hedged transaction. Changes in the fair value of derivatives that do not qualify as hedges are recognized directly in profit or loss.

Employee benefits

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

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

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

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

Provisions for risks and charges

Provisions for risks and charges are recognized for losses and charges of a specific nature whose existence is certain or probable but for which the amount and/or date of occurrence cannot be determined. Provisions are only recognized when the Company has a present obligation, legal or constructive, arising from past events, for the future outflow of economic benefits and it is probable that that outflow will be required to settle the obligation. The amount recognized as a provision is the best estimate of the expense required to settle the obligation.

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

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

Trade payables and other liabilities

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

Recognition of revenues and income

Revenues are recognized at the fair value of the consideration received or receivable for the sale of goods and services in the normal course of the Company's operations. Revenues are recognized net of returns, discounts, rebates and bonuses and directly related taxes.

Revenues from sales and services are recognized when the significant risks and rewards typical of ownership have been effectively transferred or when services have been rendered.

Revenues arising from the partial rendering of services are recognized on the basis of the consideration accrued at the balance sheet date on condition that the stage of completion can be measured reliably and that there are no uncertainties as to the amount and existence of the revenue and the relative costs. If this is not the case revenues are only recognized to the extent that the expenses recognized are recoverable.

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

Recognition of costs

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

Government grants

Government grants are recognized in the financial statements when there is reasonable assurance that the Company will comply with all the conditions attaching to the receipt of the grants and that the grants will be received. Grants are recognized as income over the period necessary to match them with the related costs.

The accounting treatment of the benefits deriving from a loan obtained from public bodies at a subsidized interest rate is similar to that used for government grants. The benefit is calculated as the difference between the initial fair value of the loan, including the costs incurred to obtain the loan, and the amount actually received. This difference is initially recognized as a liability in the balance sheet and is subsequently released to the income statement over the term of the loan.

Taxation

Current taxes are determined on the basis of an estimate of taxable profit made in compliance with the fiscal legislation applicable to the Company.

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

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

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

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

- subsidiaries that transfer a taxable profit to Rai also transfer the amounts required to settle the additional tax liability due as the result of their participation in the domestic consolidation;

- subsidiaries that transfer a taxable loss to Rai are compensated to the extent of the respective tax saving achieved by Rai when this saving is realized or could have been realized by the subsidiary transferring the loss.

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

Earnings per share

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

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

Recently issued accounting standards

Accounting standards adopted by the European Union but not yet applicable

- IFRS 15 “Revenue from Contracts with Customers” (IFRS 15) was adopted by the European Commission on 22 September 2016 by way of Regulation no. 2016/1905; this standard specifies the principles for recognizing revenue earned from contracts with customers. More specifically, the standard requires revenue to be recognized on the basis of the following five steps:

1. identify the contract with a customer;

2. identify the separate performance obligations in the contract (meaning the contractual commitment to transfer goods and/or services to the customer);
3. determine the transaction price;
4. allocate the transaction price to the separate performance obligations identified on the basis of the standalone sales price for each good or service;
5. recognize the revenue when each performance obligation is satisfied.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018.

The amendments to IFRS 15 were also adopted by the European Commission on 31 October 2017 by way of Regulation no. 2017/1987.

These amendments concern:

- the identification of the contractual obligations;
- distinguishing between a principal and an agent;
- when to recognize revenue resulting from the granting of a license.

IFRS 15 and amendments thereto are effective for annual periods beginning on or after 1 January 2018. The early application of both is permitted.

The Company has decide not to take up the option of applying IFRS 15 and amendments thereto early and has evaluated that their application will have an insignificant effect on shareholders' equity at 1 January 2018 net of the corresponding tax effect, deriving from the different moment of recording revenues, mainly resulting from the recognition of the variable component of payments for sales and services carried out (in particular, the variability of payments is a result of the application of discount policies commensurate with the volumes of the transactions carried out).

- IFRS 9 “Financial Instruments” (hereinafter IFRS 9) was adopted by the European Commission on 22 November 2016 by way of Regulation no. 2016/2067. In particular, the new standard reduces the number of categories of financial assets included in IAS 39 and: (i) defines the way in which financial assets should be classified and measured; (ii) introduces a new impairment model for financial instruments; (iii)determines the way in which hedge accounting should be applied; (iv) specifies the accounting treatment for changes in credit rating when measuring liabilities at fair value.

  IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Early application is permitted.

  The Company has decided not to take up the option of applying IFRS 9 early and considers that the standard will have an insignificant effect on shareholders’ equity at 1 January 2018 net of the corresponding tax effect, mainly deriving from the valuation of the provision for bad and doubtful debts on the basis of expected losses.

- The amendments to IFRS 4 “Joint application of IFRS 9 Financial instruments and IFRS 4 Insurance contracts” (hereinafter “amendments to IFRS 4”) were adopted by way of Regulation no. 2017/1988 issued by the European Commission on 3 November 2017, The amendments to IFRS 4 respond to critical matters that have emerged from the introduction of IFRS 9 while waiting for the standard that will replace the current IFRS 4. These amendments are effective for annual periods beginning on or after 1 January 2018.

  The Company has evaluated that the standard will have no impact on its financial statements as the case that it regulates is not applicable to the Company's situation.

- IFRS 16 “Leasing” was adopted by the European Commission on 31 October 2017 by way of Regulation no. 2017/1986. The standard establishes a new model for accounting for leases, eliminating, from the lessee's perspective, the distinction between operating leases and finance leases.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Its early adoption, jointly with IFRS 15, is permitted.

At present the Company is analysing the standard, assessing the effects on its financial statements of adopting it, which derive mainly from lease and hospitality contracts for offices and production sites, as well as the hire of the company-car fleet.

- The "IFRS Annual Improvements Cycle 2014-2016", containing amendments, essentially of a technical nature and concerning the wording, to certain international accounting standards, was adopted by means of Regulation no. 2018/182 issued by the European Commission on 7 February 2018.

  The amendments included in the IFRS Annual Improvements Cycle 2014-2016 are as follows:

  \- IFRS 1: the short-term exemptions set out in paragraphs E3-E7 are removed, because the reasons for them no longer apply. The amendment is effective from annual period beginning on or after 1 January 2018;

  – IFRS 12: the scope of the standard is clarified by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5. The amendment is effective for annual periods beginning on or after 1 January 2017;

  – IAS 28: clarification is provided that the election to measure at fair value with a counterparty in the income statement an investment in an associate or a joint venture that is held by an entity that is a venture capital organization is available for each investment in an associate or a joint venture upon initial recognition. The amendment is effective for annual periods beginning on or after 1 January 2018.

The Company has evaluated that the aforementioned amendments will have no impact on its financial statements as the case that they regulate is not applicable to the Company's situation.

- IFRS 2 "Share-based Payment" was adopted by the European Commission on 26 February 2018 by way of Regulation no. 2018/289. The amendments are intended to clarify how companies should apply the standard in certain specific cases. The amendments discussed in this document are effective for annual periods beginning on or after 1 January 2018.

  The Company has evaluated that the standard will have no impact on its financial statements as the case that it regulates is not applicable to the Company's situation.

Accounting standards not yet adopted by the European Union

- On 20 June 2016 the IASB issued amendments to IFRS 2: "Classification and Measurement of Share-based Payment Transactions". The amendments clarify the requirements for and means of recognizing share-based payments. The amendments discussed in this document are effective for annual periods beginning on or after 1 January 2018.
- On 8 December 2016 the IASB issued IFRIC 22 "Foreign Currency Transactions and Advance Consideration". The interpretation covers foreign currency transactions when an entity measures a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before it recognizes the related asset, expense or income. The interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts. IFRIC 22 is effective for annual periods beginning on or after 1 January 2018.
- On 8 December 2016 the IASB issued amendments to IAS 40: "Transfers of Investment Property". The amendments clarify the way in which changes in classification to and from investment property should be made. The

amendments discussed in this document are effective for annual periods beginning on or after 1 January 2018.

- On 18 May 2017, the IASB issued IFRS 17 "Insurance Contracts". On the basis of the new standard, the entity must: (i) identify insurance contracts; (ii) separate incorporated derivative contracts, distinct investment components and distinct performance obligations from insurance contracts; (iii) divide contracts into groups for the purpose of recording and measuring them; (iv) record the profits deriving from a group of insurance contracts during the period of the insurance cover and when it is released from risk. If a group of contracts is or becomes loss-making, the entity must immediately record the loss; (v) separately present insurance revenues, costs for insurance services and income or expenditure in the insurance sector; and (vi) provide information to allow persons using the financial statements to assess the impact that the contracts regulated by IFRS 17 have on the entity's financial position, financial performance and financial flows.

  IFRS 17 is effective for annual periods beginning on or after 1 January 2021.

- On 7 June 2017 the IASB issued IFRIC 23 "Uncertainty over Income Tax Treatments". IFRIC 23 specifies how to show the effects of uncertainty in accounting for income tax if it is not clear how a particular transaction or circumstance is treated for tax purposes.

  IFRIC 23 is effective for annual periods beginning on or after 1 January 2019.

- On 12 October the IASB issued amendments to IFRS 9 "Prepayment Features with Negative Compensation". These amendments allow the entity to value at amortized cost certain financial activities paid for in advance with so-called negative compensation.

  The amendments discussed in this document are effective for annual periods beginning on or after 1 January 2019.

- On 12 October 2017, the IASB issued amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures". The amendments clarify that a company applies IFRS 9 to long-term interests in associates or joint ventures forming part of the net investment in the associate or joint venture.

  The amendments discussed in this document are effective for annual periods beginning on or after 1 January 2019.

- On 12 December 2017 the IASB issued the document "Annual Improvements to IFRS Standards 2015-2017 Cycle". The amendments contained in this document are as follows:

  – IFRS 3: the company will remeasure the stake previously held in a joint transaction when it obtains control of the business.

  – IFRS 11: the company will not remeasure the stake previously held in a joint transaction when it obtains joint control of the activity.

  – IAS 12: likewise, a company takes account of all consequences of income tax deriving from dividend payments.

  – IAS 23: a company treats as part of general loans any loan originally signed to develop an activity when the activity is ready for the intended use or for sale.

  The amendments discussed in this document are effective for annual periods beginning on or after 1 January 2019.

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

Segment Information

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

Transactions between Rai and Rai Way

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

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

On 31 July 2014 Rai and Rai Way executed the New Service Agreement, effective 1 July 2014, replacing the 2000-2014 Service Agreement, under which Rai engages the Company on an exclusive basis to provide a set of services that enable Rai to carry out the following: (i) regular transmission and broadcasting in Italy and abroad through the MUX that were assigned to it on the basis of applicable regulation; and (ii) regularly fulfil public service obligations the regular discharge of its Public Service obligations.

Reference should be made to the paragraph on "Related Party Transactions" for further details about relations between Rai and Rai Way.

Financial risk management (note 4)

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

The main risks identified by the Company are as follows:

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

Market risk

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

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

- Interest rate risk. The policy requires that interest rate risk, which derives from possible fluctuations in the interest rates applicable to the long-term loans granted to the Company (for significant amounts), be managed through the use of the hedging instruments available on the market such as IRSs, options, etc., with pre-set minimum cover percentages. Applying an increase of 50 bps to the financial balances at 31 December that are exposed to interest rate risk, a pre-tax economic effect on financial expense of approximately € 0.1 million is obtained for the part not hedged by IRS. Finally, on 31 December 2017 the Euribor market rates applied to live contracts minus spreads are zero, and therefore a further reduction in rates would not have any effect on financial costs.

- Exchange rate risk. The Company's operations in currencies other than the Euro are extremely limited and accordingly its exposure to exchange rate risk does not lead to significant effects on its financial position, results from operations or cash flows. The Company nevertheless monitors its exposure in currency to be ready to take the initiatives deemed necessary by its policy to manage any significant risk positions (over € 2.5 million) which may emerge from a changed exposure to exchange rate risk. In these cases the policy requires a gradual hedging approach to be taken by means similar to those envisaged for interest rate risk described above.
- Risks connected with the investment of liquidity. For risks connected with the investment of liquidity, in the case of temporary excesses of cash the Company's policy requires the use of low-risk market-based financial instruments with counterparties having a high rating or with the Parent. Over the course of 2017 demand deposits with the Parent were exclusively used in the first part of the year.

Credit risk

The Company's main customer is its Parent Rai, which generated revenues of € 181,034 thousand (approximately 83.7% of total revenues) and € 180,470 thousand (approximately 83.9% of total revenues) in the years ended 31 December 2017 and 2016 respectively. The Company's other customers are mainly telephone operators, broadcasting companies, entities of the public administration and other corporate customers with which the Company enters multi-year service agreements. The Company is therefore exposed to the risk of concentration of revenues and credit deriving from the possibility that its trade counterparties will be unable to fulfil their obligations, either for business and financial reasons such as business instability, the inability to collect the necessary capital for the performance of their activity or those related to the general trend towards the reduction in operating costs, or else for technical-commercial reasons or legal reasons connected with the performance of the services by the Company such as complaints relating to the services provided or the customers' inclusion in bankruptcy proceedings that make it more difficult or impossible to recover the receivables.

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

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

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

The following table provides an ageing of trade receivables at 31 December 2017 and 2016, with figures stated net of the provision for bad and doubtful debts.

	At 31 December	
(in thousand of euros)	**2017**	**2016**
Becoming due	58,680	62,622
Due for 0-30 days	6	-
Due for 31-60 days	43	152
Due for 61-90 days	157	2
Due for more than 90 days	13,069	4,223
Total	**71,955**	**66,999**

All trade receivables are due within 12 months.

Liquidity risk

Liquidity risk is the inability for the Company to obtain the funding it requires to meet its operational requirements for investments, working capital and debt servicing. Rai Way believes that cash flows from operating activities and its outstanding loans (see the section on "Current and non-current financial assets and liabilities") are amply sufficient to meet its needs. At 31 December 2017, € 60 million of the loan for a total of € 120 million, granted in 2015, has been repaid, with therefore an equivalent residual amount; on the same date the Revolving Facility, also granted in 2015 for the amount of € 50 million, has not been used and the financial parameters established for the two facilities (covenants) have been fully respected.

The following tables set out the expected cash flows for future years arising from the Company's outstanding financial liabilities at 31 December 2017 and 2016.

At 31 December 2017 *(in thousands of euros)*	**Within 12 months**	**1 to 5 years**	**Beyond 5 years**
Current and non-current financial liabilities	30,729	30,840	
Trade payables	37,691	0	-
Other payables and liabilitie	30,280	0	-

At 31 December 2016 *(in thousands of euros)*	**Within 12 months**	**1 to 5 years**	**Beyond 5 years**
Current and non-current financial liabilities	31,049	61,482	89
Trade payables	41,172	-	-
Other payables and liabilitie	33,622	-	-

Capital risk

The Company's capital management objectives aim at safeguarding its ability to continue to ensure optimal capital soundness. In particular, the ratio between the Company's financial debt and equity was 0.35 and 0.56 at 31 December 2017 and 2016 respectively, an improvement mainly due to a decrease in financial liabilities. The fair value of trade receivables and other financial assets, trade payables, financial liabilities (measured at amortized cost) and other payables recognized as "current" in the statement of financial position does not significantly differ from the carrying amounts of these items at 31 December 2016, as they mainly relate to assets arising from commercial transactions for which settlement is expected in the short term.

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

Measurement of financial instruments at fair value

Financial instruments carried at fair value in the statement of financial position consist of financial hedging derivatives that are measured by means of a financial model that uses generally accepted market formulae as well as the following inputs provided by Reuters: Euribor and IRS rate curves and the volatilities and credit spreads of the various banking counterparties and of the securities issued by the Italian state. The fair value of derivative instruments represents the net position of asset and liability values. Further information on asset and liability derivatives can be found in the section "Current and non-current financial assets and liabilities".

All outstanding instruments at 31 December 2016 are measured using so-called Level 2 methodology, using observable market inputs (for example for derivatives: market rate curves, volatility provided by Reuters, credit spreads calculated on the basis of credit default swaps, etc.).

Estimates and Assumptions (note 5)

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

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

Contingent liabilities

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

Revenues (note 6)

This item can be broken down as follows:

(in thousands of euros)	Year ended 31 December 2017	2016
Revenues from Rai Group (*)	181,034	180,470
Revenues from third parties (*)	35,162	34,746
- Fees for hospitality, systems and equipment	*32,352*	*32,388*
- Other	*2,810*	*2,358*
Total revenues from sales and services	**216,196**	**215,216**

(*) Revenues are shown net of costs in the margin of € 23,385 thousand (€ 22,633 thousand at 31/12/2016)

"Revenues" includes revenues generated in the year by performance of services included in the company's normal operations.

At 31 December 2017 Revenues rose by € 980 thousand from € 215,216 thousand in 2016 to € 216,196 thousand in 2017.

"Revenues from the Rai Group" amounted to € 181,034 thousand or 83.7% of total Revenues for the year ended 31 December 2017 (€ 180,470 thousand or 83.9% of total Revenues for the year ended 31 December 2016) and are up by € 564 thousand compared with the same period of 2016. This increase derived mainly from advanced services requested by the customer.

"Revenues from third parties" mainly includes revenues generated from the services of (i) tower rental, (ii) broadcasting, (iii) transmission, and (iv) network services, that the Company provided to third parties other than Rai. The Revenues in question recorded an increase from the previous year of € 416 thousand (1.2%) mainly due to the positive impact of the acquisition of Sud Engineering, as mentioned previously, the economic effects of which have been felt since 1 March 2017.

Other revenues and income (note 7)

This item can be broken down as follows:

(in thousands of euros)	Year ended 31 December 2017	2016
Contributions for operating expenses	19	35
Compensation for damages	727	304
Other income	50	66
Total other revenues and income	**796**	**405**

The item in the income statement "Other revenues and income" shows an increase of € 391 thousand (+96%), rising from € 405 thousand in the previous year to € 796 thousand in 2017, resulting mainly from the item "Compensation for damages", which includes compensation for the activities necessary for restoring the radio and television signal of a business site.

Purchase of consumables and goods (note 8)

This item can be broken down as follows:

(in thousands of euros)	Year ended 31 December 2017	2016
Purchase of fuel	703	651
Purchase of combustibles	218	146
Purchase of miscellaneous utensils	392	466
Change in inventory	28	81
Total consumables and goods	**1,341**	**1,344**

The item in the income statement "Consumables and good" equivalent to € 1,341 thousand is in line with the values recorded at 31 December 2016. This item mainly consists of the costs incurred for consumables (fuel and combustible for electricity generating groups and heating).

Cost of services (note 9)

This item can be broken down as follows:

	Year ended 31 December	
(in thousands of euros)	**2017**	**2016**
Independent work provided		
Compensation payable to Directors and Statutory Auditors	685	598
Other	1,055	970
Other services	2,912	2,877
Daily allowances, service travel and accessory personnel costs	1,858	2,132
Services provided under intercompany service contract	10,889	11,808
Maintenance and repairs	5,171	5,695
Transport and similar	212	217
Utilities	13,251	12,949
Leasing and rentals	14,914	15,673
Total cost of services	**50,947**	**52,919**

"Cost of services" fell by € 1,972 thousand (-3.7%) from € 52,919 thousand at 31 December 2016 to € 50,947 thousand at 31 December 2017. Set out below are the main changes in the above cost items and a description of the principal factors that led to these:

- "Other services" amounting to € 2,912 thousand rose slightly by € 35 thousand over the 2016 figure. In 2017 this item included among others fees relating to the year for the legal audit of the annual accounts and other consultancy services amounting to € 166 thousand.
- "Travel expenses, business trips and accessory personnel costs" of € 1,858 thousand were down by € 274 thousand from the 2016 figures owing to a reduction in travel costs.
- "Intercompany service agreement" costs arise from the services provided by the Parent; there was a decrease of € 919 thousand between 2016 and 2017 mainly as the result of insourcing certain administrative activities previously performed as part of the service agreement and lower lease ICT service costs;
- "Maintenance and repairs" includes network infrastructure maintenance costs; it has a balance of € 5,171 thousand, down by € 524 thousand from the previous year owing mainly to the lower support costs for the management of transmission systems and less maintenance to building infrastructure;

- “Utilities” amounted to € 13,251 thousand in on 31 December 2017 and principally include the costs incurred for electricity, telephone expenses and various utilities. The increase from 2016 of € 302 thousand is due mainly to increased electricity costs linked to the upward trend in prices compared with the previous period;
- “Leasing and rentals” consist mainly of the cost of renting buildings, hiring plant and equipment and hiring transmission circuits. The decrease recorded in 2017 of € 760 is attributable mainly to the lower costs for hiring vehicles and transmission systems used for the Olympics and Paralympics in 2016;

Information pursuant to art. 149-duodecies of the Consob Issuers' Regulation

(in thousands of euros)

Type of task		**Remuneration for the year 2017**
External auditing	PricewaterhouseCoopers S.p.A.	49
Interim Financial Statements	PricewaterhouseCoopers S.p.A.	21
Other services	PricewaterhouseCoopers S.p.A.	58
Other services	PricewaterhouseCoopers Advisory S.p.A.	38
Total service costs		**166**

Personnel costs (note10)

This item can be broken down as follows:

	Year ended 31 December	
(in thousands of euros)	**2017**	**2016**
Wages and salaries	34,432	35,686
Social security charges	9,805	9,815
Severance pay	2,050	2,110
Pensions and similar	850	904
Redundancy incentive	1,041	6,589
Other costs	1,534	136
Capitalized personnel costs	(2,573)	(2,012)
Total personnel costs	**47,139**	**53,228**

"Personnel costs" total € 47,139 thousand in 2017, down by € 6,089 thousand mainly as a result of non-recurring costs for the voluntary retirement incentive scheme launched by the Company back in 2016.

In addition, without considering the impact of this plan, personnel costs fell by € 541 thousand (-1.2%) from 2016 (€ 46,639 thousand), mainly as a result of the reduction in the Company's average workforce by 24 in the period in question, from 630 in 2016 to 606 in the corresponding period of 2017.

Further details of the economic effects arising from the accounting treatment for employee benefits may be found in note 28 "Employee benefits".

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

	Average number of employees for the year ended		Exact number of employees for the year ended	
(in units)	**31 December 2017**	**31 December 2016**	**31 December 2017**	**31 December 2016**
Executives	24	22	23	22
Middle managers	141	133	141	153
Office staff	409	442	406	416
Workers	32	33	31	31
Total	**606**	**630**	**601**	**622**

Other costs (note 11)

This item can be broken down as follows:

	Year ended 31 December	
(in thousands of euros)	**2017**	**2016**
Contribution to supervisory authoritie	313	242
ICI/IMU/TASI	1,405	1,369
Taxes on production and consumptic	1,152	1,057
Other indirect taxes and other taxes	381	453
Others	551	512
Total Other costs	**3,802**	**3,633**

The item in the income statement "Other costs" is up by € 169 thousand (+4.7%), rising from € 3,633 thousand at 31 December 2016 to € 3,802 thousand at 31

December 2017 mainly as a result of higher taxes on production and consumption, partly compensated by lower indirect and other taxes.

Amortization, depreciation and write-downs (note 12)

"Amortization", included in the item "Amortization, Depreciation, and Write-downs", was € 33,565 thousand at 31 December 2017 (€ 38,349 thousand at 31 December 2016). The change of € 4,784 thousand was due mainly to completion of the amortization process for certain assets. Moreover, the item contains the amortization quota of € 186 thousand relating to the intangible assets recorded in the PPA (purchase price allocation) phase relating to the acquisition of Sud Engineering on 1 March 2017.

The item "Write-downs" has a balance at 31 December 2017 of € 934 thousand compared with a negative balance of € 61 thousand at 31 December 2016, thus recording an increase of € 994 thousand, mainly due to disputed receivables.

Provisions (note 13)

The item "Provisions" rose from a negative balance of € 638 thousand at 31 December 2016 to a positive balance of € 2,098 thousand in 2017. For the corresponding comments please refer to the item "Provision for risks and charges", note 29.

Financial income and expenses (note 14)

This item can be broken down as follows:

	Year ended 31 December	
(in thousands of euros)	**2017**	**2016**
Foreign exchange gains	38	18
Interest receivable from the parent company	13	14
Other interest receivable	24	8
Total Financial income	**75**	**40**
Interest on obligation for emloyee benefits	(178)	(290)
Foreign exchange losses	(11)	(39)
Interest on loans	(941)	(1,302)
Interest payable - on interest rate hedge transactions	(56)	(44)
Interest for adjustment of decommissioning and repairs fund	(202)	(193)
Other fees and expenses	(299)	(291)
Total Financial charges	**(1,687)**	**(2,159)**
Total Net financial income	**(1,612)**	**(2,119)**

"Financial income" of € 75 thousand is up by € 35 thousand from 31 December 2016, owing essentially to the increase in the items "Currency translation gains" and "Other interest receivable".

There is a "Financial charges" balance of € 1,687 thousand, down € 472 thousand compared to the same period of the previous year (€ 2,159 at 31 December 2016), mainly due to a reduction in "Interest on loans" for the reduction in the capital share relating to the loan taken out on 15 October 2014 with Mediobanca, BNP Paribas, Intesa Sanpaolo and UBI Banca.

Income tax (note 15)

This item can be broken down as follows:

	Year ended 31 December	
(in thousands of euros)	**2017**	**2016**
Current taxes	21,800	21,870
Deferred taxes	1,733	(286)
Taxes relating to previous years	(47)	54
Total	**23,486**	**21,638**

"Current taxes" amounted to € 23,486 thousand in 2017 representing an increase of € 1,848 thousand over 2016, due to a higher pre-tax result, partly offset by the reduction in the IRES rate from 27.5% to 24% effective from 2017. This item consists of:

- IRES (corporate income tax) of € 18,020 thousand;
- IRAP (regional production tax) of € 3,780 thousand.

For 2017 deferred taxes (assets and liabilities) have a positive balance of € 1,733 thousand (minus € 286 at 31 December 2016) resulting mainly from the net effect of utilizations/absorptions and provisions of non-tax-deductible items.

Deferred taxes consist of:

- movements on deferred tax assets of € 1,783 thousand;
- movements on deferred tax liabilities of € 50 thousand.

The following table provides a reconciliation between the theoretical tax charge and the effective tax charge for the years ended 31 December 2017 and 2016.

	Year ended 31 December			
(in thousands of euros)	**2017**		**2016**	
Profit before taxes	**79,750**		**63,452**	
Theoretical taxes	19,140	24.0%	17,449	27.5%
Taxes relating to previous years	(47)		54	
Permanent differences	613		750	
IRAP	3,780		3,385	
Total	**23,486**	**29.4%**	**21,638**	**34.1%**

Property, plant and equipment (note 16)

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

(in thousands of euro)	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Tangible assets under construction and payments on account	Total tangible assets
Book values at 1 January 2017							
Cost at 1 January 2017	11,655	96,481	708,762	27,058	982	12,152	857,090
Accumulated depreciation at 1 January 2017	-	(69,378)	(558,524)	(22,358)	(867)	-	(651,127)
Provision for depreciation at 1 January 2017	-	(22)	(760)	-	-	-	(782)
Net book value at 1 January 2017	**11,655**	**27,081**	**149,478**	**4,700**	**115**	**12,152**	**205,181**
2017 movements							
Investments	**255**	**2,238**	**6,470**	**418**	**299**	**7,081**	**16,761**
Sud Engineering accumulated depreciation	**-**	**(10)**	**(5)**	**(215)**	**(54)**	**-**	**(284)**
Depreciation for the year	**-**	**(5,184)**	**(26,695)**	**(1,358)**	**(80)**	**-**	**(33,317)**
Provision for depreciation							
on existing assets	-	9	472	-	-	-	481
on assets disposed of	-		7	-	-	-	7
	-	**9**	**479**	**-**	**-**	**-**	**488**
Disposals							
Cost	-	(30)	(5,700)	(152)	-	(1)	(5,883)
Accumulated depreciation	-	27	5,596	117	-	-	5,740
Net book value	**-**	**(3)**	**(104)**	**(35)**	**-**	**(1)**	**(143)**
Reclassifications	**-**	**384**	**7,408**	**1,055**	**914**	**(9,761)**	**-**
Book values at 31 December 2017							
Cost at 31 December 2017	11,910	99,073	716,940	28,379	2,195	9,471	867,968
Accumulated depreciation at 31 December 2017	-	(74,545)	(579,628)	(23,814)	(1,001)	-	(678,988)
December 2017	-	(13)	(281)	-	-	-	(294)
Net book value at 31 December 2017	**11,910**	**24,515**	**137,031**	**4,565**	**1,194**	**9,471**	**188,686**

"Tangible assets" have a balance of € 188,686 thousand at 31 December 2017, a decrease of € 16,495 thousand compared to the previous year mainly due to depreciation in the period partially offset by the investments made during the year (€ 16,761 thousand) and the acquisition of assets following the merger with Sud Engineering, with the net amount equal to € 1,326 thousand.

The item “Buildings” includes the present value of the estimated costs that the Company expects to incur in the future to restore the areas, acquired under an operating lease, to their original state prior to the construction of the infrastructure built thereon.

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

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

Intangible assets (note 17)

The intangible assets amount to € 11,188 thousand, up by € 8,973 thousand compared to 31 December 2016, mainly due to the intangible assets identified under “Goodwill” – recorded with the consent of the Board of Statutory Auditors – and “Customer portfolio - business combination transactions” as allocation of the deficit generated as part of the merger with the company Sud Engineering effective from 22 June 2017.

Even in the absence of internal and external indicators showing losses in value in relation to the item “Goodwill”, a sensitivity analysis was performed that nevertheless confirmed the recoverability of the value recorded in the financial statements, in line with IAS 36. The aforementioned analysis was performed using a WACC equal to 6% applied on future cash flows determined mainly as a result of the rationalization of the costs deriving from the merger incorporating Sud Engineering into Rai Way; for the evaluation, further sensitivity analyses were performed in relation to the financial parameters also adopted in determining the value in use, with the updating rate oscillating within a range of +/- 10% from the baseline figure used (6%), which however confirmed the recovered of the value recorded in the financial statements.

The following table sets out movements for the year:

(in thousands of euros)	Software	Goodwill	Other	Intangible assets in progress and payments on account	Total intangible assets
Book values at 1 January 2017					
Cost at 1 January 2017 (*)	1,343	-	-	1,163	2,506
Accumulated amortization at 1 January 2017	(291)	-	-	-	(291)
Net book value at 1 January 2017	**1,052**	-	-	**1,163**	**2,215**
2017 Movements					
Investments	**644**	**4,970**	**3,350**	**776**	**9,740**
Amortization for the year	**(543)**	-	**(186)**	-	**(729)**
Sud Engineering accumulated amortization	**(1)**	-	-	-	**(1)**
Provision for amortization	-	-	-	-	**-**
Disposals					
Cost	(63)	-	-	-	(63)
Accumulated amortization	26	-	-	-	26
Net book value	**(37)**	-	-	**-**	**(37)**
Reclassifications	**1,010**	-	-	**(1,010)**	**-**
Book values at 31 December 2017					
Cost at 31 December 2017 (**)	2,934	4,970	3,350	929	12,183
Accumulated amortization at 31 December 2017	(809)		(186)	-	(995)
Provision for amortization at 31 December 2017	-	-	-	-	-
Net book value at 31 December 2017	**2,125**	**4,970**	**3,164**	**929**	**11,188**

(*) Value net of assets totally amortized equal to € 10,223 thousand.

(**) Total value of € 565 thousand relating to software totally amortized over the course of 2017.

Current and non-current financial assets and liabilities (note18)

The following table sets out details of "Current financial assets" and "Non-current financial assets" at 31 December 2016 and 2015:

(in thousands of euros)	At 31 December 2017	At 31 December 2016
Receivables from the parent company	76	117
Other financial receivables	70	108
Total current financial assets	**146**	**225**
Prepayments and accrued income	54	111
Total non-current financial assets	**54**	**111**

"Receivables from the Parent Company" of € 76 thousand (€ 117 thousand at 31 December 2016) represent the balance due from the Parent Company on the intercompany current account for managing certain residual payments.

"Other Financial Receivables" of € 70 thousand (€ 108 thousand at 31 December 2016) refers to prepaid expenses relating to bank fees for loans.

Non-current financial assets consists of prepayments and accrued income of € 54 thousand, being a decrease of € 57 thousand over the previous year end.

The following table sets out details of "Current financial liabilities" and "Non-current financial liabilities" at 31 December 2017 and 2016:

At 31 December 2016 (in thousands od euros)	Within 12 months	1 to 5 years	Beyond 5 years	Total
Payables to banks	30,201	60,300	50	90,551
Payables to other lenders	76	309	39	424
Total	**30,277**	**60,609**	**89**	**90,975**

At 31 December 2016	Within 12 months	1 to 5 years	Beyond 5 years	Total
Payables to banks	30,196	30,335	-	60,531
Payables to other lenders	77	271	-	348
Other financial payables	7	-	-	7
Total	**30,280**	**30,606**	**-**	**60,886**

"Payable to banks" includes the outstanding balance on a loan granted under an agreement with Mediobanca, BNP Paribas S.A., Intesa Sanpaolo S.p.A. and UBI Banca Società Cooperativa per Azioni. The movement of the balance of € 30,020 thousand of the item "Payables to banks" compared with 31 December 2016 is the result mainly of the capital shares reimbursed over the course of 2017. Under this agreement a medium-term loan was granted to the Company divided into two credit facilities, both to be used though cash draw-downs and both having a maturity of 30 September 2019.

- More specifically: a term credit facility of up to € 120 million (of which € 120 million has been drawn down) with interest payable at 6-month Euribor + 100 basis points; and
- More specifically: a revolving credit facility of up to € 50 million with interest payable at Euribor + 120 basis points.

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

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

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

The carrying amount of the loan at 31 December 2017 stated in the above table approximates its fair value.

"Payable to banks" also includes the balance outstanding at 31 December 2017 of the ordinary loan granted by Mediocredito Centrale in connection with the investments financed by Law no. 488/92 – 31st call for tender which is repayable in six-monthly instalments and bears interest at an annual floating rate determined as the sum of the six-month Euribor rate plus an annual spread of 0.70%, and the liability for hedging derivatives on interest rates relating to an interest rate swap agreement, which had a fair value of € 47 thousand at 31 December 2017. The method by which the fair value of derivatives was determined is discussed in the paragraph "Financial risk management – measurement of financial instruments at fair value". The following table sets out the fair value of current and non-current derivatives that are liabilities:

(in thousands of euros)	At 31 December 2017	At 31 December 2016
Interest rate contracts	-	-
Total financial derivatives - Current amount	**-**	**-**
Interest rate contracts	47	76
Total financial derivatives - Non-current amount	**47**	**76**
Total financialderivatives	**47**	**76**

Cash flow hedges regard interest rate hedges carried out by using interest rate swaps to hedge 50% of the value of the term loan. The negative fair value of derivatives hedging interest rates, amounting to € 47 thousand (€ 76 at 31 December 2016), is recognized in non-current liabilities and suspended in the cash flow hedge reserve in equity.

"Payable to other lenders" consists mainly of the balance outstanding at 31 December 2017 of the subsidized loan granted by Cassa Depositi e Prestiti S.p.A. which is repayable in six-monthly instalments and bears interest at a subsidized rate of 0.50%.

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

	(in thousands of euros)	At 31 December 2017	At 31 December 2016
A.	Cash	7	-
B.	Cheques and bank and postal deposits	55,888	81,309
C.	Securities held for trading	-	-
D.	**Liquid assets (A) + (B) + (C)**	**55,895**	**81,309**
E.	**Current financial receivables**	**146**	**225**
F.	Current bank payables	(30,196)	(30,201)
G.	Current part of non-current debt		-
H.	Other current financial payables	(84)	(76)
I.	**Current financial debt (F) + (G) + (H)**	**(30,280)**	**(30,277)**
J.	**Net current financial debt (I) - (E) - (D)**	**25,761**	**51,257**
K.	Non-current bank payables	(30,335)	(60,350)
L.	Bonds issued	-	-
M.	Other non-current payables	(271)	(348)
N.	**Non-current financial debt (K) + (L) + (M)**	**(30,606)**	**(60,698)**
O.	**ESMA net financial debt/Net financial position**	**(4,845)**	**(9,441)**

Deferred tax assets and liabilities (note 19)

The following table sets out changes in deferred tax assets and liabilities:

(in thousands of euros)	At 31 December 2017	At 31 December 2016
Balance at start of period	**4,951**	**4,473**
Effect on income statement	(1,733)	286
Effect on statement of comprehensive income	(128)	192
Effect of Sud Engineering merger	(926)	-
Balance at end of period	**2,164**	**4,951**
Of which:		
- prepaid tax receivables	3,121	5,003
- deferred tax provision	(957)	(52)

Changes in deferred tax assets may be analyzed as follows:

(in thousands of euros)	Provisions for risks and charges	Employee benefits	Other items	Total
Balance at 31 December 2016	**3,911**	**759**	**333**	**5,003**
Effect on income statement	(1,704)	(45)	(34)	(1,783)
Effect on statement of comprehensive income		(120)	(8)	(128)
Effect of Sud Engineering merger			29	29
Balance at 31 December 2017	**2,207**	**594**	**320**	**3,121**

The tax-effect at 31 December 2017 and 2016 have been reallocated into "Provisions for risks and charges" while in the past was included into "Employee benefits".

Changes in deferred tax liabilities may be analyzed as follows:

	Employee benefits	Other items
(in thousands of euros)		
Balance at 31 December 2016	**-**	**(52)**
Effect on income statement	-	50
Financial effect of Sud Engineering merger (*)	-	(955)
Balance at 31 December 2017	**-**	**(957)**

(*) This concerns deferred taxes allocated to the value of the "Business combination customer portfolio" on the occasion of the merger by incorporation of the company Sud Engineering

Other non-current assets (note 20)

"Other non-current assets" of € 356 thousand (€ 356 thousand at 31 December 2016) regard guarantee deposits mainly arising from agreements for leased assets and equipment hosting.

Inventory (note 21)

This item may be analyzed as follows:

	At 31 December	At 31 December
(in thousands of euros)	**2017**	**2016**
Work in progress to order	226	226
Raw and secondary materials and consumables	666	694
Total inventory	**892**	**920**

"Raw materials and consumables" relate to supplies and spare parts for the maintenance and use of technical business assets.

Trade receivables (note 22)

This item can be broken down as follows:

(in thousands of euros)	At 31 December 2017	At 31 December 2016
Receivables from Rai	58,558	61,790
Receivables from customers	15,794	6,685
Provision for debt and doubtful debts	(2,397)	(1,476)
Total trade receivables	**71,955**	**66,999**

"Receivables from Rai" consist of the balances due to the Company from RAI under the Service Agreement. Further details may be found in the notes on "Revenues" and "Related party transactions".

"Receivables from customers" arise mainly from service revenues relating to (i) tower rental, (ii) broadcasting, (iii) transmission and (iv) network services which the Company renders to third party customers other than Rai; the item shows an increase of € 9,109 thousand due mainly to the temporary increase in receivables from two customers not collected at 31 December 2017.

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

(in thousands of euros)	
Balance at 31 December 2016	**(1,476)**
Utilizations	17
Provisions	(934)
Releases	-
Other movements	(4)
Balance at 31 December 2017	**(2,397)**

The provision for bad and doubtful debts taken on as a result of the merger with Sud Engineering is allocated to "Other movements".

Other current receivables and assets (note 23)

This item can be broken down as follows:

(in thousands of euros)	At 31 December 2017	At 31 December 2016
Receivables from the Parent for the tax consolidation	2,456	2,456
Receivables from the Parent for Group's VAT	82	-
Other tax receivables	340	318
Accrued income and prepaid expenses	1,759	1,393
Other receivables	722	505
Total Other current receivables and assets	**5,359**	**4,672**

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

As discussed in the section "Related party transactions", the Company avails itself of the Group VAT offsetting procedure permitted by the Ministerial Decree of 13 December 1979 on the regulations for implementing the provisions of article 73, last paragraph, of Decree of the President of the Republic no. 633 of 26 October 1972, recognizing the following transactions with the Parent Company showing a balance of € 82 thousand under the item "Receivable from the Parent for the Group's VAT". The item in question had a negative balance in 2016 and is therefore shown in "Other current receivables and assets".

The Company also has other receivables relating to VAT rebates not part of the above-mentioned offsetting procedure shown in the item "Other tax receivables" equal to € 340 thousand (€ 318 thousand at 31 December 2016).

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

"Other receivables" principally relate to amounts due from personnel for travel advances and receivables from social security organizations.

Current tax receivables (note 24)

This item can be broken down as follows:

	At 31 December	At 31 December
(in thousands of euros)	**2017**	**2016**
IRES for acquisition of Sud Engineering	8	-
Total Current tax receivables	**8**	**-**

This item was reclassified in 2016 under "Tax receivables".

Cash and cash equivalents (note 25)

The balance on this item amounted to € 55,895 thousand (€ 81,309 thousand at 31 December 2016). The decrease of € 25,414 thousand over the year is mainly due to the payment of dividends, in part offset by the flows generated by operating activities.

Shareholders' equity (note 26)

Share capital

At 31 December 2017, Rai Way had a share capital of € 70,176 thousand consisting of 272,000,000 ordinary shares without nominal value.

Other reserves

"Other reserves" may be analysed as follows:

(in thousands of euros)	At 31 December 2017	At 31 December 2016	Notes
Taxable extraordinary reserves	11,291	11,291	1,2,3
Reserves for accelerated amortization/depreciation	9,360	9,360	1,2,3
Reserve for realignment of statutory/fiscal values of cor	8,938	8,938	1,2,3,4
Reserve before adoption of IFRS	7,490	7,490	2
Cash Flow Hedge Reserve - Taxes	(34)	(54)	-
Total other reserves	**37,045**	**37,025**	

Key

1 for capital increase

2 to hedge losses

3 for distribution to shareholders

4 if used other than to hedge losses, the amount must be subject to IRES and IRAP

Earnings per share (note 27)

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

(in thousands of euros, unless otherwise indicated)	At 31 December 2017	At 31 December 2016
Profit for the year	56,263	41,814
Average number of ordinary shares	272,000,000	272,000,000
Earnings per share (base and diluted) in euros	**0.21**	**0.15**

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

Proposal for allocation of profit

The profit for the year of € 56,263,227.97 will be allocated in accordance with the resolution, set out below, that will be adopted by the Shareholders' Meeting of 23 April 2018:

"Having examined the explanatory report of the Board of Directors, the Shareholders' Meeting of Rai Way S.p.A.

resolves

1. to allocate € 1,874,466.87 of the 2017 net profit of € 56,263,227.97 to the legal reserve and distribute the remainder of € 54,388,761.10 to shareholders as a dividend;

2. to allocate a further amount of € 718,438.90 for distribution to shareholders, to be taken from the retained earnings reserve;

consequently, to allocate an overall gross dividend of € 0.2026 to each of the ordinary shares in circulation to be paid from 23 May 2018, subject to entitlement to payment, pursuant to article 83-terdecies of the Legislative Decree of 24 February 1998, no. 58, and art. 2.6.6, paragraph 2, of the Regulation on Markets organized and managed by Borsa Italiana S.p.A., on 22 May 2018 (the record date) after detachment of coupon no. 4 on 21 May 2018."

Employee benefits (note 28)

This item may be analysed as follows:

(in thousands of euros)	**Year ended 31 December 2017**	**Year ended 31 December 2016**
Balance at start of year	18,699	20,319
Provisions	2,049	2,117
Interest on obligation	178	289
Utilization	(2,893)	(1,865)
Transfer other funds/Other movements	(1,093)	(2,868)
Actuarial (Profit) / Loss	(497)	707
Balance at end of year	**16,443**	**18,699**

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

(in thousands of euros)	**At 31 December 2017**	**At 31 December 2016**
Severance pay	15,633	17,820
Other provisions	810	879
Total employee benefits	**16,443**	**18,699**

The decrease of € 2,256 thousand mainly relates to utilizations for leavers subscribing to the voluntary retirement incentive scheme set up by the Company, partly offset by the effects of the acquisition of Sud Engineering.

A further reduction is forecast in 2018, as a result mainly of the additional voluntary departures relating to the voluntary retirement incentive scheme set up by the Company.

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

	At 31 December	
(%; Years)	**2017**	**2016**
Discount rate	1.11%	1.00%
Rate of inflation	1.50%	1.50%
Average Annual Percentage of personnel leaving	7.80%	4.83%
Annual probability of request for advance	1.50%	1.00%
Duration (in years)	8.5	9.74

In using these assumptions the value was also calculated of the employee severance pay liability obtained from variations of +/- 50 bps in the discount rate used for the valuation, giving a result of € 15,170 thousand and € 16,130 thousand respectively.

"Other provisions" refer to the supplementary seniority indemnity provision and the Company's supplementary pension fund; the value of the liability obtained from variations of +/- 50 bps in the discount rate used for the valuation was also calculated in these cases, giving a result of € 634 thousand and € 705 thousand respectively.

Provisions for risks and charges (note 29)

Changes in this item may be analysed as follows:

(in thousands of euros)	Balance at 1 January 2017	Provisions	Interest payable for discounting	Utilizations	Releases	Other movem ents	Balance at 31 Decembe r 2017
Admnistrative civil litigation	6,999	182	-	(650)	(3,973)	-	2,558
Fees due	915		-		(256)	-	659
Other provisions for risks and charges	1,024	1,798	-	(373)		-	2,449
Provision for decommissioning and repairs	9,824	202	-		(4)	297	10,319
Total Provisions for Risks and Charges	**18,762**	**2,182**	**-**	**(1,023)**	**(4,233)**	**297**	**15,985**

“Provisions for risks and charges” consist of accruals for costs and losses of a specific nature whose existence is certain but whose amount cannot be precisely determined, or whose existence is probable and whose amount can be reliably estimated. These provisions mainly regard the costs arising from civil and administrative judicial proceedings, from the provision recognized for the costs of dismantling and restoring transmission sites that are owned by other parties, and from previous costs relating to the renewal of title deeds for production sites. Moreover, around € 4.2 million has been released mainly as a result of the positive outcome of civil proceedings relating to rent for occupying public land.

Disbursements relating to this item, with the exception of the amounts accrued provision of which use will be made over the course of 2018, cannot be estimated with any certainty as they mainly depend on the timescale for judicial proceedings and strategic and/or legislative decisions on the composition and nature of the network for broadcasting radio and television signals which are currently not predictable.

Trade payables (note 30)

This item can be broken down as follows:

(in thousands of euros)	At 31 December 2017	At 31 December 2016
Payables to suppliers	33,428	35,920
Payables to the parent company	4,262	5,252
Payables to other companies of the Rai Group	-	-
Total Trade Payables	**37,690**	**41,172**

For more information about relations with the Parent Company Rai please refer to the paragraph "Related Party Transactions".

The item "Payables to the Parent Company" refers to trade payables to Rai and has a balance at 31 December 2017 of € 4,262 thousand, down by € 990 thousand from 31 December 2016. The item "Payables to suppliers" amounts to € 33,428 thousand at 31 December 2017, down by € 2,492 thousand from 31 December 2016, mainly owing to the decrease in costs and capital expenditure recorded in 2017.

Other current payables and liabilities (note 31)

This item can be broken down as follows:

	Year ended 31 December	
(in thousands of euros)	**2017**	**2016**
Payables to the parent company for the tax consolida	17,307	18,483
Payables to the parent company for Group's VAT	-	892
Other tax payables	1,863	1,547
Payables to welfare and social security institutions	2,391	2,357
Payables to personnel	6,543	11,096
Other payables	568	671
Accruals and deferred income	229	123
Total Other current payables and liabilities	**28,901**	**35,169**

"Payables to the Parent Company for the tax consolidation" amount to € 17,307 thousand (€ 18,483 thousand at 31 December 2016) and consist of the IRES corporate income tax charge for the current year.

"Payables to personnel" amount to € 6,543 thousand, representing a fall of € 4,553 thousand from 31 December 2016 which is mainly due to the voluntary retirement incentive scheme set up by the Company for which payment took place in 2017.

Further details about transactions with the Parent Rai regarding the IRES and VAT consolidation may be found in the section "Related party transactions", while tax payables not forming part of this procedure are reported in the following table (IRAP and VAT balances with deferred payment).

Current tax payables (note 32)

This item can be broken down as follows:

	At 31 December	At 31 December
(in thousands of euros)	**2017**	**2016**
IRAP direct taxes	423	627
IRAP direct taxes from acquisition of Sud Engineering	(13)	-
Total Current tax payables	**410**	**627**

This item was reclassified in 2016 under "Tax payables".

Commitments and guarantees (note 33)

Commitments referring only to technical investments amount to € 10.3 million at 31 December 2017 (€ 13.3 million at 31 December 2016).

Guarantees including assets with third parties at 31 December 2017 amounted to € 65,803 thousand (€ 66,749 thousand at 31 December 2016) and mainly regard personal guarantees received for the obligations of other parties and guarantees of third parties pledged for the Company's obligations for liabilities and payables.

Other information (note 34)

Contingent liabilities

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

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

Finally, Rai Way is a party to a number of law suits of a civil nature relating to the way in which the fee due for the occupation of public space by the Company's owned installations is calculated.

Although it is arguing its case in the applicable courts, assisted in this by the support of specialized law firms, also taking into account the professional opinions formulated by these firms concerning the expected outcome of the pending disputes, the Company has recognized as provisions for risks and charges in its financial statements the amounts that management considers it probable that it will be required to pay should it lose the cases.

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

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

Compensation payable to Directors and Statutory Auditors (note 35)

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

Compensation payable to Directors and Statutory Auditors (note 35)

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

	Year ended at 31 December	
(in thousands of euros)	**2017**	**2016**
Compensation payable to Directors	603	519
Compensation payable to Statutory Auditors	82	79
Total Directors and Statutory Auditors	**685**	**598**

Events subsequent to 31 December 2017 (note 36)

On 16 February 2018 the Company reported that it had submitted, with F2i Fondi Italiani per le Infrastrutture SGR S.p.A. ("F2i"), a joint bid, binding subject to certain conditions, within the process of the potential sale of Persidera S.p.A. ("Persidera") launched by the latter's shareholders. The bid, subsequently lapsed, indicated the structure of the transaction with the acquisition by F2i of ownership of the rights to use the frequencies currently issued to Persidera for its own DTT multiplexes, the acquisition by Rai Way of the network infrastructure, and the simultaneous signature of a multi-year agreement for the provision of broadcasting services.

Related Party Transactions (note 37)

Details of the transactions the Company carried out with related parties in the years ended 31 December 2017 and 2016 are provided in the following; related parties are identified on the basis of IAS 24 Related Party Disclosures. The Company carries out transactions mainly of a commercial and financial nature with the following related parties:

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

Related party transactions are conducted under normal market conditions.

The following table sets out details of the Company's balances with related parties at 31 December 2017 and 2016:

(in thousands of euros)	Parent company	Senior management	Other related parties	Total
Non-current financial assets				
At 31 December 2017	-	-	-	-
At 31 December 2016	-	-	-	-
Current financial assets				
At 31 December 2017	76	-	-	**76**
At 31 December 2016	117	-	-	**117**
Current trade receivables				
At 31 December 2017	58,558	-	255	**58,813**
At 31 December 2016	61,790	-	205	**61,995**
Other current receivables and assets				
At 31 December 2017	2,538	80	10	**2,628**
At 31 December 2016	2,456		10	**2,466**
Current financial liabilities				
At 31 December 2017	-	-	-	-
At 31 December 2016	-	-	-	-
Trade payables				
At 31 December 2017	4,262	-	-	**4,262**
At 31 December 2016	5,252	-	-	**5,252**
Other current debts and liabilities				
At 31 December 2017	17,311	849	-	**18,160**
At 31 December 2016	19,375	180	-	**19,555**
Emplyee benefits				
At 31 December 2017	-	120	117	**237**
At 31 December 2016	-	264	111	**375**

The following table sets out details of the Company's transactions with related parties in the years ended 31 December 2017 and 2016:

(in thousands of euros)	Parent company	Senior management	Other related parties	Total
Revenues (*)				
Year ended 31 December 2017	203,355	-	1,036	**204,391**
Year ended 31 December 2016	202,676	-	427	**203,103**
Other revenues and income				
Year ended 31 December 2017	27	-	-	**27**
Year ended 31 December 2016	-	-	-	**-**
Costs for purchasing consumables				
Year ended 31 December 2017	1	-	-	**1**
Year ended 31 December 2016	2	-	-	**2**
Service costs				
Year ended 31 December 2017	11,615	60	12	**11,687**
Year ended 31 December 2016	12,584	60	12	**12,656**
Personnel costs				
Year ended 31 December 2017	(3)	3,051	876	**3,924**
Year ended 31 December 2016	(50)	2,821	920	**3,691**
Other costs				
Year ended 31 December 2017	91	-	-	**91**
Year ended 31 December 2016	115	-	-	**115**
Financial income				
Year ended 31 December 2017	13	-	-	**13**
Year ended 31 December 2016	14	-	-	**14**
Financial charges				
Year ended 31 December 2017	-	-	-	**-**
Year ended 31 December 2016	-	-	-	**-**

(*) The amounts are shown gross of costs in the margin to the Parent Company for € 22,678 thousand (€ 22,633 thousand as at 31 December 2016) and to Other related parties for € 707 (€ zero thousand at 31 December 2016)

Parent Company

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

Financial agreements between Rai Way and Rai

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

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

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

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

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

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

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

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

- a nil balance for financial expenses for both 2017 and 2016;
- current financial assets of € 76 thousand at 31 December 2017 and € 117 thousand in 2016.

The 2000-2014 Service Agreement

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

The above-mentioned 2000-2014 Service Agreement was renegotiated on 31 July 2014, with effect from 1 July 2014. As a result of this agreement the Company has recognized revenues and receivables as described in the sections "Revenues" and "Trade receivables" of these notes.

Service agreement with Rai and the rental agreement with related services

"The Rai service agreement" entered into in 2006 mainly relates to the provision of the following services:

- personnel administration;
- general services;

- insurance policies;
- IT systems;
- administration;
- finance;
- research and technological innovation center;
- advice and legal counsel.

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

The "Agreement for leases and for the performance of connected services", relating to the lease of property and/or portions of property, including the flat roofs on which the systems for the transmission and/or broadcasting of radio and television signals stand, owned by Rai Way or third parties hosted by it, was originally executed on 19 April 2001 and had an original term of six years tacitly renewable for further six year periods (the current term expires in 2019).

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

- cost of services of € 11,615 thousand and € 12,584 thousand in 2017 and 2016 respectively;
- trade payables of € 4,262 thousand and € 5,252 thousand at 31 December 2017 and 2016 respectively.

Tax consolidation

On the basis of the Consolidated Income Tax Act (article 117 and following of Presidential Decree no. 917/86) and in accordance with the provisions contained in article 11, paragraph 4 of the ministerial decree of 9 June 2004 on "Provisions for the application of the domestic tax consolidation as per articles 117 to 128 of the Consolidated Income Tax Act", Rai Way applies the group tax regime governed by the "Agreement for the exercise of the option with Rai for the domestic tax consolidation". This agreement, which governs all the mutual obligations and responsibilities between the Parent and the Company, is effective for fiscal years 2016, 2017 and 2018.

As a consequence of the tax consolidation the Company recognized "Other current payables and liabilities" of € 17,307 thousand and € 18,483 thousand at 31 December 2017 and 2016 respectively and "Other current receivables and assets" of € 2,456 thousand at 31 December 2017 as at 31 December 2016.

The Group's VAT regime

The Group avails itself of the Group VAT offsetting procedure permitted by Ministerial Decree of 13 December 1979 on the regulations for implementing the provisions of article 73, last paragraph, of Decree of the President of the Republic no. 633 of 26 October 1972, recording in relation to the Parent Company under "Other current receivables and assets" a balance at 31 December 2017 of € 82 thousand and under "Other current payables and liabilities" a balance at 31 December 2016 of € 892 thousand.

Key management personnel

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

- cost of services of € 60 thousand at 31 December 2017 and 2016;
- personnel costs of € 3,051 thousand and € 2,821 thousand in at 31 December 2017 and 2016 respectively.

Other related parties

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

- Rai Com S.p.A. to which the Company provides transmission services;

- San Marino RTV which provides hosting services and receives transmission services from Rai Way.
- supplementary pension funds for employees and executives.

Rome, 21 March 2018

On behalf of the Board of Directors

The Chairman

Raffaele Agrusti

ATTESTATION ON THE ANNUAL FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS

- The undersigned Aldo Mancino as Chief Executive Officer and Adalberto Pellegrino as Manager in charge of preparing the corporate documents of Rai Way S.p.A. certify the following, taking into account the provisions of article 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998:
  - the adequacy in relation to the characteristics of the business and
  - the effective application of the administrative and accounting procedures for the preparation of the Company's annual financial statements during 2017.

- The assessment of the adequacy of the administrative and accounting procedures for the preparation of the annual financial statements for the year ended 31 December 2017 was performed on the basis of the process defined by Rai Way S.p.A., taking as reference the criteria established in the model "Internal Controls – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

- The undersigned also certify that:
  - the annual financial statements of Rai Way S.p.A. for the year ended 31 December 2017:
    a) have been prepared in accordance with the applicable international accounting standards adopted by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
    b) agree with the balances on the books of account and the accounting entries;
    c) give a true and fair view of the financial position, results of operations and cash flows of the issuer;
  - the report on operations includes a reliable analysis of the performance and results for the year as well as the issuer's position, together with a description of the main risks and uncertainties to which it is exposed.

Rome, 21 March 2018

Aldo Mancino

Chief Executive Officer

Adalberto Pellegrino

Manager in charge of preparing the corporate accounting documents

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010 AND ARTICLE 10 OF REGULATION (EU) N° 537/2014

RAI WAY SPA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

Independent auditor's report

in accordance with article 14 of Legislative Decree N° 39 of 27 January 2010 and article 10 of Regulation (EU) N° 537/2014

To the shareholders
of Rai Way SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rai Way SpA (the Company), which comprise the statement of financial position as of 31 December 2017, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/05.

Basis for Opinion

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

Key Audit Matters

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

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Evaluation of the estimated economic and technical useful life and recoverability of property, plant and equipment *"Accounting policies" paragraph "Impairment of tangible and intangible assets" and Note 16 "Property, plant and equipment" of the financial statements at 31 December 2017* The item "Property, plant and equipment" of the financial statements of Rai Way SpA at 31 December 2017 amounted to Euro 188.7 million representing 56 per cent of total assets at 31 December 2017. Property, plant and equipment, starting from the moment they are ready to be used for the purpose they were constructed, are systematically depreciated on a straight-line basis over their economic and technical useful life, namely within the period of time the Company expects these assets will be used. The estimated economic and technical useful life of property, plant and equipment is revised and, if necessary, updated by the Company's management at least at each balance sheet date, taking into account that the Company's core business is subject to changes, even significant, linked to the technology, regulatory and market environment. Should management analysis highlight any indication of impairment of these assets, their value is compared with the assets' recoverable amount, which is the higher of their fair value and value in use. The economic and technical useful life and the identification of any impairment indication of tangible assets have been identified as key audit matters because of the significance of this financial statement item and due to the complexity marking the estimates made by the Company's management.	As part of our auditing, we performed the following main procedures aimed at verifying the reasonableness of the evaluations made by the Company with reference to property, plant and equipment: i) discussion with the management of Rai Way SpA about the existence of any impairment indicators; ii) comparative analysis and examination, by discussions with the relevant corporate functions, about the most significant differences compared with the values recorded in the previous year and review of the documentary evidence concerning increases and decreases in property, plant and equipment; iii) verification, on a sample basis, of the assets' economic and technical useful life estimated by the Company compared with that used by the other main operators in the sector, and review, on a sample basis, of the accurate and consistent determination of the depreciation charges entered in the income statement; iv) physical stock-count, on a sample basis, of the property, plant and equipment items selected from various sites of the Company in order to verify the agreement of the tangible assets physically identified in those sites and those accounted for, as well as the existence of obsolete assets, if any. Our reviews also included the analysis of the notes to the financial statements in order to ascertain the accuracy and completeness of the disclosures therein.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required

to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Additional Disclosures required by Article 10 of Regulation (EU) N° 537/2014

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

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) n° 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree N° 39/10 and Article 123-bis, paragraph 4, of Legislative Decree N° 58/98

Management of Rai Way SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Rai Way SpA as of 31 December 2017, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) n° 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree n° 58/98, with the financial statements of Rai Way SpA as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Rai Way SpA as of 31 December 2017 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree n° 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Rome, 30 March 2018

PricewaterhouseCoopers SpA

Signed by

Pier Luigi Vitelli
(Partner)

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

REPORT OF THE BOARD OF STATUTORY AUDITORS

(pursuant to Art. 153 of Italian Legislative Decree no. 58 of 24 February 1998)

TO THE SHAREHOLDERS' MEETING

OF RAI WAY S.p.A.

Registered office Via Teulada, 66 – 00195 Rome
Fully paid-up Share capital € 70,176,000
Tax ID and VAT number: 05820021003
REA number: RM-925733

company managed and coordinated by

RAI - Radiotelevisione italiana S.p.A.

Dear Shareholders,

pursuant to Art. 153 of Italian Legislative Decree no. 58/1998 (hereinafter also referred to as "TUF") and to Art. 2429 subsection 2 of the Italian Civil Code, the Board of Statutory Auditors of RAI WAY S.p.A. (hereinafter also referred to as "RAI WAY" or the "Company"), is required to report to the Shareholders' Meeting called to approve the reports on the supervisory activities performed during the year and on any omissions and/or irregularities discovered. The Board of Statutory Auditors is also required to make any necessary proposals regarding the Financial Statements and their approval, as well as other matters for which the Board is responsible.

During the year ending 31 December 2017, the Board of Statutory Auditors carried out its supervisory activities in accordance with the law and pursuant to the Rules of Conduct recommended for the Board of Statutory Auditors by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (Italian National Council of Accountants and Business Advisors); in particular, because the Company issues shares that are listed on Borsa Italiana (Italian Stock Exchange), the Board has performed the activities set out under Italian Legislative Decree no. 58 of 24 February 1958 (hereinafter also referred to as "TUF"), taking into consideration the instructions and recommendations issued by CONSOB relating to corporate controls and the activities of the Board of Statutory Auditors, and of Italian Legislative Decree no. 39 of 27 January 2010.

In accordance with the provisions of the Articles of Association, the Board of Statutory Auditors was appointed by the Shareholders' Meeting of 28 April 2015 and is composed of Maria Giovanna Basile (Chairman), Giovanni Galoppi (statutory auditor), and Massimo Porfiri (statutory auditor); the three-year mandate of the current Board of Statutory Auditors will end with the approval of the Financial Statements for the year ending 31 December 2017; Shareholders are therefore invited to proceed accordingly.

The Company adopted the July 2015 version of the Code of Conduct for listed companies prepared by the Corporate Governance Committee (hereinafter, the "Code of Conduct") as illustrated by the Corporate Governance and Ownership Report for 2017. With reference to this, the Board of Statutory Auditors supervised the Company's concrete implementation of the provisions set out in the Code of Conduct.

The Board of Statutory Auditors confirmed that its members satisfied the criteria for independence established by the Code of Conduct; the members of the Board conformed on the limit on the number of posts held as established by the Regolamento Emittenti Consob (CONSOB Issuers' Regulations). It was also confirmed that the members of the Board of Statutory Auditors, pursuant to Italian Legislative Decree no. 39/2010, overall hold skills pertinent to the sector in which the Company operates.

In 2017, the Company again confirmed conformity with the requirements of independence for directors defined as "independent" by the Code of Conduct and by law; the current Board of Directors was appointed by the Shareholders' Meeting of 28 April 2017 and is composed of nine directors; the composition of the Board is also consistent with the gender representation provisions established by current legislation (Italian Law no. 120 of 12 July 2011). Furthermore, the Board of Statutory Auditors verified that the Board of Directors carried out, with reference to 2017 and in fulfilment of the provisions established by the Code of Conduct, a self-assessment of the size, composition and functioning of the Board itself and of the Committees formed in relation to it, and that an entirely positive assessment resulted from the analysis of said process, both in terms of activity and functioning, and in terms of the size and composition of the Board itself.

Since listing its shares on Borsa Italiana's MTA, the Company has adopted a special Code on Privileged Information that covers the correct management of information flows and the processing of confidential or privileged information. The Board of Directors revised this Code in 2016 to comply with the coming into effect of EU Regulation no. 596/2014, which provides new regulations regarding market abuses, and its relative implementing regulations.

The Company's Financial Statements as at 31 December 2017 are submitted to you for approval. They have been prepared in accordance with the International Accounting Standards (IAS - IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union and conform to the rules issued to implement Art. 9 of Italian Legislative Decree no. 38/2005.

The Directors' Report on Operations summarises the main risks and uncertainties to which the Company is exposed and describes the Company's business outlook. The Company's Financial Statements consist of the statement of financial position, income statement, statement of changes in equity, cash flow statement, and notes. The Financial Statements include the Directors' Report on Operations. In addition, the above-mentioned Corporate Governance and Ownership Report pursuant to Art. 123-bis of the TUF, and the Report on Remuneration pursuant to Art. 123-ter of the TUF, are also provided, as well as the Individual Non-Financial Statement pursuant to Italian Legislative Decree no. 254/2016.

<u>Significant transactions</u>

Significant transactions/events are reported in the Directors' Report on Operations. Specifically:

- on 19 January 2017, Mr. Nicola Claudio, attorney, a non-executive director not classified as an independent director, handed in his resignation as a Director of the Company; on 31 January 2017, the Board of Directors co-opted Mr. Valerio Zingarelli, attorney, onto the board as a non-executive and non-independent director pursuant to article 2386, subsection 1 of the Italian Civil Code

- on 1 March 2017, the Company stipulated a multi-year agreement for the operation and maintenance of the Norba Group's television and radio transmission network. Norba Group transmits to Italy's largest local audience and has been the leader in multimedia communication in Southern Italy for 40 years; simultaneously with the above-mentioned agreement, the Company purchased from Telenorba the entire share capital of Sud Engineering Srl, with 30 transmission sites in the Apulia, Basilicata and Molise regions, in light of expected hosting of transmission sites;
- on 9 March 2017, the Board of Directors approved the draft financial statements for 2016 and a proposal to distribute a gross dividend of € 0.1537 per share for a total of € 41.8 million.
- on 28 April 2017 the Shareholders' Meeting of Rai Way, amongst other things:
  - approved the Financial Statements of the Company for 2016 and the distribution of a dividend as proposed by the Board of Directors;
  - decided to renew the Board of Directors for the years 2017-2019, or until approval of the 2019 Financial Statements, confirming Mr Raffaele Agrusti as Chairman;
  - approved the proposal of the Board of Directors relating to the purchase and disposal of treasury shares, at the same time revoking the authorisation decided upon at the meeting of 28 April 2016.

on 28 April 2017, the Board of Directors of Rai Way, inter alia:

  - appointed Aldo Mancino as the Chief Executive Officer;
  - renewed the Risk Control Committee and the Remuneration and Appointment Committee, both solely comprising independent Directors;

- on 14 June 2017, the Board of Directors decided to approve the merger between Rai Way S.p.A. and the wholly owned subsidiary, Sud

Engineering S.r.l.; following the execution of the relative merger deed, the merger became effective on 22 June 2017, with accounting and fiscal retroactive effects to 1 March 2017;

- on 1 October 2017, Mr Stefano Ciccotti, Chief Executive Officer of the Company, terminated his employment with the Company to take up a managerial position with the parent Company Rai - Radiotelevisione Italian S.p.A. (the transfer of the relative work contract took place with no liabilities for the Company and with Mr Ciccotti relinquishing any right and/or claim in any case connected or deriving from the activity carried out for Ray Way);
- on 13 October 2017 Ray Way confirmed to have submitted a non-binding indication of interest relating to the potential sale of Persidera S.p.A. initiated by their shareholders, specifying that the indication of interest suggested that Ray Way was considering structures consistent with the current regulatory framework, not being in a position to become the holder of the rights of use of frequencies currently allocated to Persidera for its own multiplexes.

With regard to significant events after the 2017 year-end, it is reported that:

- on 16 February 2018 the Company announced that, together with F2i Fondi Italiani per le Infrastrutture SGR S.p.A., it had submitted a joint binding offer, subject to some conditions, for the potential sale of Persidera S.p.A. initiated by its shareholders. The offer, subsequently expired, indicated an operating structure with the acquisition by Ray Way of the network infrastructure with the simultaneous signing of a multi-year agreement for the supply of broadcasting services.

An audit was carried out by the Auditing Firm PricewaterhouseCoopers S.p.A. (hereinafter also referred to as “PwC”) whose current nine-year mandate (years 2014 – 2022) was decided by a Shareholders’ resolution on 4 September 2014 upon a reasoned proposal of the Board of Statutory Auditors. With regard to this, a reasoned proposal was submitted for increasing the audit remuneration due to the wider scope of activities required following the introduction of the regulatory audit reform, to which reference should be made.

No particular problems were identified while carrying out the appropriate checks and controls.

Considering the activities performed and in light of the instructions contained in the relevant CONSOB Notices, the Board of Statutory Auditors notes the following:

a. it monitored compliance with the law and the Articles of Association and has nothing to report in this context;
b. it attended all meetings, including not only the Shareholders' Meeting, but the meetings of the Board of Directors, the Control and Risks Committee and the Remuneration and Appointments Committee, and obtained from the Directors the required information on the activity carried out and the business outlook, as well as on the transactions of greatest economic, financial and capital-related importance that have been passed by resolution and implemented during the year; the transactions of greatest economic, financial and capital-related importance that were examined are exhaustively described in the Company's Report on Operations that accompanies the Financial Statements, to which reference should be made. On the basis of the information made available to the Board, the Board can reasonably deem that the transactions implemented by the Company are consistent with the law and the Articles of Association and they are not clearly imprudent, risky, potentially in conflict of interest or contrary to the resolutions passed by the Shareholders' Meeting or such that they would compromise the integrity of the Company's assets;
c. neither the Board of Directors nor the Auditing Firm indicated the existence of atypical or unusual transactions carried out with third parties or related parties, nor have they been reported directly;
d. in the Report on Operations and the Notes to the Financial Statements for 2017, the Board of Directors provided an exhaustive description of the most important transactions performed with related parties, and these were identified on the basis of the international accounting standards and the recommendations issued by CONSOB on this matter; reference should be made to these documents in relation to identifying

the type of transactions in question and the associated economic, capital-related and financial effects, as well as on the procedural methods adopted to ensure that said transactions are performed in compliance with criteria for transparency, as well as procedural and substantive correctness. At its meeting on 4 September 2014, the Company's Board of Directors approved the "Procedure for Transactions with Related Parties", which remained in force for the entire 2017 accounting period and was intended, further to the Company's shares being listed on Borsa Italiana's MTA, precisely to regulate related-party transactions. This procedure was published on the Company's website and the main points are also described in the Corporate Governance and Ownership Report for 2017. The Board monitored the conformity of the aforementioned procedure with current legislation, the provisions of the Italian Civil Code and the implementation rules issued by CONSOB and deems that this constitutes an adequate degree of supervision in terms of the performance of said transactions. The Board confirms that related-party transactions were arranged in accordance with the approval and execution methods set out in the aforementioned procedure.

All the related-party transactions reported in the Company's Notes to the Financial Statements for 2017 were performed in the interests of the Company, they fall within ordinary management activity and are regulated by market conditions in terms of consistency;

e. it acquired the necessary information to monitor, to the extent of its obligations, compliance with the law, the articles of association, the principles of proper administration and the adequacy of the Company's organizational structure, through the collection of documents and information from those responsible of the competent business functions and through periodical exchanges of information with the Auditing Firm. The Board confirms that the current organizational model is both adequate to support the Company's development and consistent with requirements for monitoring;

f. it monitored methods for concrete implementation of the rules of corporate governance provided in the code of conduct (i.e., Code of Conduct) which the Company, in a public disclosure, states that it applies. As mentioned above, pursuant to Art. 123-bis of the TUF, the Company prepared its annual Corporate Governance and Ownership Report for 2017, approved on 21 March 2018, which provides information on (i) the corporate governance practices applied by the Company; (ii) the principal characteristics of existing risk management and internal control systems, including in relation to the financial reporting process; (iii) mechanisms applied in conducting the Shareholders' Meeting, its main powers, the rights of Shareholders, and methods for their exercise; (iv) the composition and operation of administrative and control bodies and of their committees, as well as the other information required by Art. 123-bis of the TUF;
g. it participated in all meetings of the Remuneration and Appointments Committee and of the Board of Directors, and monitored adoption of the Remuneration Policy for Directors and key executives, in line with the provisions of the Code of Conduct of listed companies issued by Borsa Italiana S.p.a., as well as of the Remuneration Report as per art. 123-ter of the TUF;
h. it monitored the financial reporting process, the adequacy of the Company's administrative-accounting system and the reliability of the latter in correctly representing operations, as well as in relation to the principles of proper administration while performing Company activities, ensuring compliance on the part of the Directors to the procedural regulations relating to the drafting, approval and publication of the 2017 Financial Statements. It carried out the relevant checks by obtaining information from the head of the Chief Financial Officer's function at the Company (also taking into account the role held by the Manager responsible for drafting corporate accounting documents), as well as by examining business documents and analysing the results of the work performed by the Auditing Firm.

With reference to the Company's Financial Statements for 2017, the Chief Executive Officer and the Manager responsible for drafting corporate accounting documents confirmed: (i) the adequacy in relation to the Company's characteristics and the effective application of the administrative and accounting procedures for the preparation of the Company's Annual Financial Statements during 2017; (ii) that the contents of said Financial Statements conform with the applicable international accounting standards adopted by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002; (iii) that the Financial Statements concerned are consistent with the records and accounting entries and provide a true and accurate representation of the Company's capital, economic and financial position; (iv) that the Report on Operations includes a reliable analysis of the performance and the operating result, as well as of the Company's situation, together with a description of the main risks and uncertainties to which it is exposed. The aforementioned declaration also confirms that the adequacy of the administrative and accounting procedures for preparing the Company's Financial Statements for 2017 was checked on the basis of the procedure established by the Company, with reference to the criteria set out in the *"Internal Controls – Integrated Framework document issued by the Committee of Sponsoring Organizations of the Treadway Commission"*;

i. the Company confirmed that it prepared the Financial Statements for 2017 in accordance with the IAS – IFRS international accounting standards recognized by the European Union pursuant to Regulation (EC) no. 1606/2002, in force as at the end of 2017. Furthermore, the Company's Financial Statements for 2017 were drafted on a going concern basis and using the conventional historical cost criterion, except for the valuation of financial assets and liabilities for which application of the fair value criterion is mandatory. The Company's Notes to the Financial Statements, provide an analytical description of the accounting standards and valuation criteria adopted. With reference to recently issued accounting standards, the Notes to the Financial Statements refer to (i) the accounting standards endorsed by the European Union that are not yet applicable and (ii) accounting standards not yet endorsed by the European Union;

j. the Board of Statutory Auditors has verified that the Directors' Report on Operations for the 2017 financial year complies with current regulations, as well as being coherent with the resolutions adopted by the Board of Directors and with the events reported in the Financial Statements;

k. it has checked the adequacy, in terms of the method adopted, of the process of sensitivity analysis carried out with the purpose of verifying there are no impairment losses in the assets reported in the Financial Statements, in particular for the goodwill deriving from the allocation of the deficit generated by the merger with Sud Engineering which took place in June 2017;

l. the Board has taken note of the content of the Financial Half-Year Report without needing to make any observations, as well as having ascertained that the report was made public in accordance with the methods set out by the regulations;

m. the Board has noted that the Company has continued to voluntary publish Intermediate Management Reports on 31 March and 30 September, within the timeframe indicated by the previous regulations;

n. in the context of the Internal Control and Auditing Committee (CCIRC), pursuant to art. 19, subsection 1, of Italian Legislative Decree no. 39/2010, as amended by Italian Legislative Decree no. 135/2016, the Board has undertaken the required functions of information, monitoring, control and verification, fulfilling the duties and tasks required by the aforementioned regulations. For such purpose, the Board worked with the Control and Risks Committee to coordinate their respective responsibilities and to avoid overlapping of activities. The Board's participation in the Committee's works facilitates coordination and information exchange between the two bodies;

o. the Board supervised compliance with the provisions set out by Italian Legislative Decree no. 254/2016, examining, among other things, the Individual Non-Financial Statement, also ensuring compliance with the provisions regulating their wording in accordance with the aforementioned decree;

p. the Board of Statutory Auditors examined the Board of Directors' proposal in relation to the allocation and distribution of profit for the year 2017 and of the distribution of the same, net of the portion allocated to the Legal Reserve, and of the partial distribution of an available reserve (retained earnings reserve), and has no observations to report;

q. the Board of Statutory Auditors received adequate information on the activities performed in 2017 by the Supervisory Body pursuant to Italian Legislative Decree no. 231/2001; the examination of said activities did not reveal evidence of events and/or situations that need to be mentioned in this Report. The Corporate Governance and Ownership Report for 2017, approved by the Board of Directors and to which reference is made, includes a description of the principal elements of the Organization, Management and Control Model adopted by the Company; at the date of this Report, an updated edition of the Model is in the final phase of definition, in particular, in relation to the latest offences included in the scope of application of Italian Legislative Decree no. 231/2001 as from 2017 and the most recent changes to the definitive organisation configuration of the Company. It should be mentioned that the Company has made the Head of Internal Auditing the Head of Anti-Corruption; therefore, on 31 January 2017, the Board approved an update of the previously adopted Three-Year Anti-Corruption Plan. It should be noted that this Plan is drawn up in accordance with the purposes indicated in Italian Law no. 190/2012 (known as the Anti-Corruption Law) and the principles of the National Anti-Corruption Plan, with the objective of reducing the risk of crimes of corruption to which the Company is potentially exposed, in coordination with Model 231. The Plan is monitored and updated annually and, in this context, it should be noted that on 31 January 2018, the Board of Directors approved a new update of the Plan;

r. it reported that Rai Way is managed and coordinated by the parent company RAI in accordance with legal obligations and in particular with the observance of the conditions set out under Art. 16 (previously art. 37) of the CONSOB Market Regulations. Reference is made to a specific Regulation regarding the management and coordination role exercised by the parent company RAI in relation to the Company (approved by the Board of Directors at its meeting on 4 September 2014 and effective as of the date on which the Company's shares were listed on Borsa Italiana's MTA market), which is also mentioned in the aforementioned Corporate Governance and Ownership Report;
s. it assessed and supervised the adequacy and effectiveness of the Internal Control and Risk Management System (ICRMS), mainly through meetings with the person in charge of the Company's Internal Audit function, as well as by reference to the documentation received from the Director in charge of the ICRMS and the Manager responsible for drafting accounting documents and those received from the Auditing Firm. Constant participation in the work of the Control and Risks Committee by the Board of Statutory Auditors allowed the Board of Statutory Auditors to coordinate the performance of its own control activities over the ICRMS with the activities of the Committee itself, specifically by receiving information on the results of Audits aimed at checking the adequacy and effectiveness of the internal control system, compliance with the law and with company procedures and processes, as well as the activities to implement improvement plans for same. It received the 2017 Audit Plan, approved by the Board of Directors, as well as periodic updates on the progress of the Plan and on any corrective actions identified. In light of the checks conducted and the absence of any significant issues, and also on the basis on periodic reports by the Control and Risks Committee, it is reasonable to assume that the Internal Control and Risk Management System is adequate and effective overall; for completeness, it should be noted that in the 2017 financial year there was a further focus on the risk management organisational function, reporting to the *Chief Financial Officer*, with

tasks finalised to the implementation, management and maintenance of the Company's integrated Enterprise Risk Management (ERM) model, to the support of the company's structures in identifying and assessing risks and in the definition of possible response actions, monitoring the completeness of the identified risks and intercepting any new risks;

t. as "Committee for internal control and auditing" pursuant to Art. 19 of Italian Legislative Decree no. 39/2010, it monitored: i) the financial reporting process, ii) the effectiveness of the internal control, internal auditing and risk management systems, iii) the regulatory audit of the annual accounts and iv) the independence of the company appointed to carry out the audit, in particular, with regard to the provision of non-auditing services to the Company.

u. it met with representatives from the Auditing Firm, who told the Board about the auditing plan they had prepared, how it had been executed and the results that had emerged; from these meetings, there emerged no events or situations, regarding either the audit or any failings of the internal control system, that need to be noted in this Report;

v. today, PwC, the Auditing Firm, issued its Report pursuant to articles 14 of Italian Legislative Decree no. 39/2010 and 10 of EU Regulation no. 537/2014, stating that:

    1. the Financial Statements as at 31 December 2017 provide a true and accurate representation of the Company's capital and financial position, its financial result and its cash flows for the year ending on that date in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the provisions implementing article 9 of Italian Legislative Decree no. 38/05;
    2. the Report on Operations and some of the specific information contained in the Corporate Governance and Ownership Report, as specified in Art. 123-bis, subsection 4 of Italian Legislative Decree no. 58/1998, are consistent with the Financial Statements as at 31 December 2017 and have been drawn up in accordance with current regulations;

3. the opinion on the Financial Statements expressed in the aforementioned Report is in line with the indications in the Additional Report prepared pursuant to art. 11 of EU Regulation no. 537/2014 and addressed to the Board of Statutory Auditors;

w. the Auditing Firm, PwC, has therefore issued today a Report including the certificate of conformity, pursuant to art. 3 of Italian Legislative Decree no. 254/2016 and art. 5 of CONSOB Regulation no. 20267, in all significant aspects, of the Individual Non-Financial Statement (DNF) pursuant to Italian Legislative Decree no. 254/2016 as required by the aforementioned Decree and the principles and methods indicated by the GRI Standards adopted by the Company; the Auditing Firm declares in this Report that nothing had come to their attention to indicate that the Individual Non-Financial Statement relating to the 2017 financial year has not been drawn up, in all significant aspects, in accordance with the requirements of the aforementioned Decree and the adopted GRI Standards;

x. again today, the Auditing Firm has also communicated to the Board of Statutory Auditors, in its role of internal control and auditing committee, the Additional Report required by art. 11 of EU Regulation no. 537/2014, which highlights the following:
   - the most significant aspects relating to the audit of the 2017 Financial Statements;
   - the audit method, the identification of significant risks and the levels of materiality applied;
   - no shortcomings in the internal control system in relation to the process of financial reporting.

Furthermore, in the aforementioned Report, PwC confirmed, pursuant to art. 6, subsection 2), letter 4) of EU Regulation no. 537/2014, the independence of the same as well as the measures adopted by the same Auditing Firm to limit such risks.

y. there are no observations or requests for information in the previously mentioned Auditing Firm's Reports, nor any declaration pursuant to art. 14, subsection 2, letter e) of Italian Legislative Decree no. 39/2010

z. During the periodical meetings held by the Board of Statutory Auditors with the Auditing Firm, pursuant to art. 150, subsection 3, of Italian Legislative Decree no. 58/1998, no aspects to be highlighted in this Report came to light. Furthermore the Board has not received from the Auditing Firm any information on irregularities identified in the performance of the Financial Statements' regulatory audit.

During the 2017 financial year, on the basis of the report by the Auditing Firm, Rai Way granted PwC and entities belonging to its network tasks for different services relating to the regulatory audit of the accounts.

The remuneration for these services other than for the audit amount to EUR 96,138.00 overall, as confirmed by the Auditing Firm, including:

- EUR 57,960.00 for services from PricewaterhouseCoopers S.p.A. other than the audit;
- EUR 38,178.00 for services from PricewaterhouseCoopers Advisory S.p.A. other than the audit.

The details of remuneration paid and/or relating to the financial year to the Auditing Firm is indicated in the Company's Financial Statements, as required by art. 149-duodecies of the Issuers' Regulations.

The Board of Statutory Auditors, in its role of Internal Control And Audit Committee, has fulfilled its duties as required by art. 19, subsection 1, letter e) of Italian Legislative Decree no. 39/2010 as amended by Italian Legislative Decree no. 135/2016 and art. 5 subsection 4 of EU Regulation 537/2014 relating to prior approval of such tasks, ensuring their compatibility with current legislation and, specifically, with the provisions in art. 17 of Italian Legislative Decree no. 39/2010, as modified by Italian Legislative Decree no. 135/2016, as well as the prohibitions in art. 5 of EU Regulation no. 537/2014 thereto.

Furthermore, the Board has:

a) verified and monitored the auditor independence, pursuant to articles 10, 10 bis, 10 ter, 10 quater and 17 of Italian Legislative Decree no.

39/2010 and art. 6 of EU Regulation no. 537/2014, ensuring compliance with the applicable legislative provisions and that the tasks for services other than the audit assigned to the firm were not such as to give rise to potential risks for the independence of the audit and the safeguards in art. 22-ter of Directive 2006/43/EC;

b) examined the transparency report and the additional report drawn up by the Auditing Firm in accordance with the criteria indicated in EU Regulation no. 537/2014, observing that, on the basis of the information acquired, no critical elements emerged in relation to the independence of the Auditing Firm;

c) received written confirmation that the Auditing Firm did not offer services other than the regulatory audit prohibited pursuant to art. 5, subsection 1, of the EU Regulation no. 537/2014, confirming the independence of the Company in the performance of the regulatory audit.

In performing the supervisory activities described above during 2017, the Board of Statutory Auditors met 14 times, attended 11 meetings of the Board of Directors, and attended the single Shareholders' Meeting; it also took part in 9 meetings of the Control and Risks Committee and 8 meetings of the Remuneration and Appointments Committee.

The Board of Statutory Auditors acknowledges to have received during the 2017 financial year a complaint pursuant to art. 2408 of the Italian Civil Code from a shareholder who reported the unlawfulness of the Chief Executive Officer, Mr Aldo Mancino, also holding the post of Managing Director and of "combining two salaries" (that of Chief Executive Officer and that of Managing Director). The Board of Auditors examined the complaint, acquired information from the competent structures of the Company, carried out the necessary investigations and analyses. On the basis of the investigation carried out, the Board did not consider necessary to proceed with the complaint, considering it to be unfounded, not there being any illegitimate position regarding the role of Chief Executive Officer and the managerial role of Managing Director held by Mr Mancino and the corresponding remunerations.

In 2017 The Board of Statutory Auditors did not receive any other complaints.

In 2017, the Board issued opinions and formulated observations with specific regard to:

- the remuneration of the Person in charge of the Internal Auditing function, as well as the budget assigned to the function itself;
- the Audit Plan;
- the appointment by co-option of director Valerio Zingarelli on 31 January 2017;
- the proposal regarding the purchase and disposal of treasury shares resolved by the Shareholders' Meeting of 28 April 2017;
- the appointment of the Manager responsible for drafting corporate accounting documents on 28 April 2017;
- the allocation of remuneration pursuant to art. 2389, subsection 3, of the Italian Civil Code;
- the tasks of the Auditing Firm, PwC, and/or companies in the network, for services other than the audit, including the relative remunerations.

The Board of Statutory Auditors has examined the Report on Remuneration approved by the Board of Directors on 21 March 2018, on the proposal of the Remuneration and Appointments Committee, and has verified its compliance with the prescriptions of the law and regulations, the clarity and completeness of information relating to the policy of remuneration adopted by the Company.

The Board of Statutory Auditors has also examined proposals that the Board of Directors, in the meeting of 21 March 2018, deliberated to submit to the Shareholders' Meeting and declares to have no observations on this matter.

Finally, the Board of Statutory Auditors has carried out its own verifications on the compliance with the regulations relating to the drafting of Financial Statements as at 31 December 2017, of the Notes and the Report on Operations accompanying them, directly and with the assistance of the officers in charge of the relative functions and through information obtained from the Auditing Firm. In particular, the Board of Statutory Auditors, on the basis of the controls carried out and the information provided by the Company, within the limits of its competence, pursuant to art. 149 of Italian Legislative Decree no. 58/98, acknowledges that the Financial Statements as at 31 December 2017 have been drafted in accordance with the provisions of the law that regulate their preparation and layout and the International Financial Reporting Standards issued by IASB.

The Financial Statements are accompanied by the required declarations of conformity undersigned by the Chief Executive Officer and by the Manager responsible for drafting corporate accounting documents.

Furthermore, the Board of Statutory Auditors has verified that the Company has fulfilled the obligations under the Italian Legislative Decree no. 254/2016 and that, in particular, has prepared the Individual Non-Financial Statement, in accordance with the provisions in the same Decree. This Statement is accompanied by the required certification by the Auditing Firm regarding the conformity of the information supplied with the provisions of the aforementioned Decree with reference to the principles and methods set for their preparation, also pursuant to CONSOB Regulation no. 20267.

In performing the supervisory activities detailed above and on the basis of the information obtained from the Auditing Firm, no omissions and/or irregularities or, in any event, notable issues that would need to be reported to the supervisory authorities or mentioned in this Report were discovered.

Conclusions

The Financial Statements for the period ending 31 December 2017 present a net profit of € 56,263,227.97.

The Report on Operations conforms to law and is consistent with the Board of Directors' resolutions and with the results of the Financial Statements. Furthermore, the Report and the Notes contain adequate information on the year's operations; the section containing the disclosure on related-party transactions was inserted in the Notes in compliance with IFRS.

Based on the supervisory activities performed during the year and the results of the data and information exchanged with the Auditing Firm, the Board of Statutory Auditors confirms that there are no obstacles to approving the Financial Statements as at 31 December 2017 or to approving the draft resolutions formulated by the Board of Directors in relation to, apart from said approval, the allocation of the profit for the year and the partial distribution of the available reserve, which is recorded under "Retained earnings."

As already reported earlier, the mandate to the Board of Statutory Auditors has expired. We thank you for the trust you have shown us and invite you to nominate a Board of Statutory Auditors for the next three-year period.

Rome, 30 March 2018

The Board of Statutory Auditors

Maria Giovanna Basile

Giovanni Galoppi

Massimo Porfiri

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