Rai Way S.p.A.

Interim Financial Report at 30 September 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, 195 Rome
Tax and VAT code:	05820021003
Corporate website:	www.raiway.it

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

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

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.

Control and Risks Committee

Paola Tagliavini (Chairperson)
Fabio Colasanti
Umberto Mosetti

Remuneration and Appointments Committee

Anna Gatti (Chairperson)
Joyce Victoria Bigio
Donatella Sciuto

[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 which may be consulted on the Company's website (www.raiway.it).

Rai Way S.p.A. Activities

The Company Rai Way S.p.A (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.

Following the formal establishment of Rai Way 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, thanks to which it broadcasts television and radio programs to the Italian public, offering a vast range of highly complex technical services to its customers, including the Parent Company, Rai.

In carrying out its activities, the Company operates over 2,300 sites, has 23 operating facilities distributed across the country and a highly specialized workforce comprising around 600 resources. 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 to the 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, fiber optic) and in particular the one-way transport (a) between fixed sites of video/audio/data via analogue or digital circuits and (b) of the radiofrequency signal 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;

(iv) Network Services, which consist of a vast range of heterogeneous services which the Company is able to provide in relation to electronic and telecommunications networks in general (for example planning, construction, installation, maintenance and management activities as well as consultancy, monitoring and radio protection services).

The type of customer that comes to Rai Way for the above-mentioned services can generally be classified as belonging to the following categories: national and local broadcasters (radio and television broadcasters, including Rai), telecommunications operators (mostly mobile network operators) and public administration and corporate (a category that includes the public administration and companies).

Main alternative performance measures

The Company assesses performance on the basis of certain measures not considered by IFRS. As required by CESR Recommendation 05-178b the components of these measures are set out in the following paragraphs.

- 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”.
- 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”.
- Net Invested Capital: this is the sum of property, plant and equipment and Net Working Capital excluding Provisions.
- Net Financial Position: the format used for the calculation is that provided in paragraph 127 of Recommendation CESR/05-054b implementing Commission Regulation (EC) No. 809/2004.

Summary economic and financial data

The following is a summary of the Company's economic data at 30 September 2017 compared to the results at 30 September 2016. In addition, figures are also provided for the Company's Net Financial Position and Net Invested Capital at 30 September 2017 compared to equivalent figures at the end of the previous financial year. The differences and percentages shown in the following tables have been calculated using the amounts expressed in euros.

On 1 March 2017, the Company acquired Sud Engineering S.r.l. (also referred to as "Sud Engineering" below) which operates in the maintenance and installation of radio and television systems sector; the figures at 30 September 2017 therefore include the impacts of this acquisition and subsequent merger, with further details provided in the paragraphs below and the Notes.

Main Indicators

€/M (figures in millions of euro; %)	9 months 2017	2016	Delta	% Change
Key income statement figures				
Core revenues	162,1	161,3	0,8	0,5%
Other revenues and income	0,8	0,1	0,7	715,9%
Operating costs	(40,3)	(41,1)	0,8	2,0%
Adjusted EBITDA	89,0	86,4	2,5	2,9%
EBIT	63,6	50,7	12,8	25,3%
Net profit	44,0	32,6	11,5	35,3%
Key balance sheet figures (*)				
Investments	7,1	8,3	(1,2)	(14,4%)
of which maintenance	5,1	6,0	(0,9)	(15,1%)
Net Invested Capital	180,0	171,0	9,0	5,3%
Shareholders' Equity	164,0	161,5	2,5	1,5%
Net Financial Position (NFP)	16,0	9,4	6,5	69,0%
Ratios				
Adjusted EBITDA / Core revenues (%)	54,9%	53,6%	1,3%	2,5%
Net profit / Core revenues (%)	27,2%	20,2%	7,0%	34,7%
Maintenance CAPEX / Core revenues (%)	3,1%	3,7%	(0,57%)	(15,5%)
Cash conversion rate (%)	94,3%	93,1%	1,2%	1,3%
NFP / Adjusted EBITDA (%)	17,9%	28,3%	(10,4%)	(36,7%)

(*) The comparative figures of Invested Capital, Shareholders' Equity and the Net financial position are shown at December 31, 2016

- Core revenues amount to €162.1 million, up 0.5% compared to 30 September 2016 due to higher revenues from new services for Rai and revenues from third parties.
- Adjusted EBITDA, at €89.0 million, is €2.5 million above the first nine months of 2016, mainly due to higher core revenues and other revenues and income, as well as to lower operating costs. The Company defines this measure as EBITDA adjusted for non-recurring expenses.
- Adjusted EBITDA to Core revenues ratio, at 54.9%, improved from the 53.6% recorded at 30 September 2016.
- EBIT amounts to €63.6 million, with an increase of €12.8 million compared to the same period of last year, reflecting the higher EBITDA and the lower amortization/depreciation and non-recurring expenses.

- Net Profit is € 44.0 million, up 35.3% over 30 September 2016.
- Operating investments amount to €7.1 million. Net Invested capital amounts to €180.0 million, with a Net Financial Position of €16.0 million and a shareholders' equity of €164.0 million.

Income Statement

€/M	9 months	9 months		
(figures in millions of euro; %)	**2017**	**2016**	**Delta**	**% Change**
Revenues from RAI	135,8	135,5	0,3	0,2%
Revenues from third parties	26,3	25,8	0,5	1,8%
Total core revenues	**162,1**	**161,3**	**0,8**	**0,5%**
Other revenues and income	0,8	0,1	0,7	715,9%
Personnel costs	(33,6)	(33,9)	0,3	0,8%
Operating costs	(40,3)	(41,1)	0,8	2,0%
Adjusted EBITDA	**89,0**	**86,4**	**2,5**	**2,9%**
EBITDA margin	*54,9%*	*53,6%*	*1,3%*	*2,5%*
Adjustments	(0,5)	(3,5)	3,0	86,2%
EBITDA	**88,5**	**83,0**	**5,5**	**6,7%**
Amortization/Depreciation	(24,9)	(32,1)	7,1	22,3%
Bad debt provision	(0,0)	0,0	(0,0)	(656,5%)
Provisions	0,0	(0,2)	0,2	111,4%
EBIT	**63,6**	**50,7**	**12,8**	**25,3%**
Net financial expenses	(1,3)	(1,6)	0,4	22,3%
PRE-TAX PROFIT	**62,3**	**49,1**	**13,2**	**26,9%**
Taxation	(18,3)	(16,6)	(1,7)	(10,4%)
NET PROFIT	**44,0**	**32,6**	**11,5**	**35,3%**
NET PROFIT margin	*27,2%*	*20,2%*	*7,0%*	*34,7%*

Revenues amount to €162.1 million, €0.8 million higher (+0.5%) compared to the same period of 2016.

Revenues from RAI amount to €135.8 million, up 0.2% over the previous year; the increase is due to the new services requested by the customer for additional activities (referred to as "new services"). With regard to commercial relationships with other customers, revenues from third parties are €26.3 million, €0.5 million higher (+1.8%) compared to the same period of last year. Revenues from third parties include the positive impact of the service contract with Telenorba and other revenues from third parties acquired following the acquisition of Sud Engineering, whose financial effects started 1 March 2017.

Other revenues and income increased by €0.7 million compared to 30 September 2016 mainly due to compensations for damages received from insurance companies.

Total personnel costs amount to €33.6 million, substantially in line with the first nine months of last year; capitalized costs, at €1.4 million, are €0.1 million lower compared to the same period of 2016.

Operating costs – which include consumables and goods, services and other costs – amount to €40.3 million, down €0.8 million over the same period of last year, mainly due to lower rental costs, particularly occasional circuits, and to lower costs for services included in the intercompany service agreement.

Adjusted EBITDA amounts to €89.0 million, up €2.5 million compared to 30 September 2016, with an operating profitability at 54.9%.

EBIT amounts to €63.6 million, with an increase of €12.8 million compared to 2016 due in part to lower depreciation and amortization for €7.1 million and non-recurring expenses for €3.0 million.

Net profit amounts to €44.0 million, improved by €11.5 million over the same period of 2016. This result includes the impact of the reduction in the IRES (corporate income tax) rate which took effect on 1 January 2017 (from 27.5% to 24.0%).

Operating investments for €7.1 million were made in the first nine months of 2017 (€8.3 million in the same period of 2016), of which €2.0 million for development initiatives and €5.1 million for maintenance of the network infrastructure.

Balance Sheet

€/M *(figures in millions of euro; %)*	9 months 2017	2016	Delta	% Change
Fixed assets	199,9	207,9	(8,0)	(3,8%)
Net working capital	12,6	(4,4)	17,0	387,9%
Provisions for risks and charges	(32,5)	(32,5)	(0,0)	(0,0%)
NET INVESTED CAPITAL	**180,0**	**171,0**	**9,0**	**5,3%**
Shareholders' Equity	164,0	161,5	2,5	1,5%
Net Financial Position	16,0	9,4	6,5	69,0%
TOTAL FUNDING	**180,0**	**171,0**	**9,0**	**5,3%**

Net Invested Capital at 30 September 2017 is €180.0 million, €9.0 million above 31 December 2016 mainly due to the higher Net Working Capital, which has been impacted by trade receivables. Net Financial Position amounts to €16.0 million, The increase from 31 December 2016 is due to the distribution of dividends and the change in Net Working Capital.

Human Resources and Organization

Rai Way workforce at 30 September 2017 is 586 units employed on a permanent basis: 25 executives, 132 middle managers, 398 technicians and office workers (including 9 apprentices and 9 from the acquisition of Sud Engineering) and 31 manual workers. Additional 8 units are also employed with fixed-term contracts.

The average number of employees in the first nine months falls to 610 from 636 in 2016.

Relationships with Rai Group Companies

Relationships with the Parent Company Rai - Radiotelevisione Italiana are mainly commercial and financial, with the latter related to an intercompany current account used for residual payments. Relationships with other companies within 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.

Significant events

The main events of the period are as follows:

- 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 for reasons connected with his professional activity;
- on 31 January 2017, the Board of Directors co-opted Mr. Valerio Zingarelli onto the Board as a non-executive and non-independent director pursuant to article 2386, paragraph 1 of the Italian civil code to replace Mr. Nicola Claudio who resigned on 19 January 2017;
- 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 S.r.l. 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 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 authorization decided upon at the meeting of 28 April 2016.

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

- appointed Aldo Mancino as Chief Executive Officer;

- renewed the Control and Risks Committee and the Remuneration and Appointments Committee, both solely comprising independent Directors.

- on 28 April 2017, the Council of Ministers approved the awarding of the exclusive license 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., which operates in the maintenance and installation of radio and television systems sector.
- on 20 June 2017, the merger between Rai Way and the wholly owned subsidiary, Sud Engineering S.r.l., was agreed; the merger took effect on 22 June 2017 (date the above-mentioned document was registered on the Rome Company Register), with accounting and tax effects back-dated to 1 March 2017.

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.
A detailed analysis of risks was presented in the Rai Way Management Report in the Financial Statement as at 31 December 2016 (paragraph on Risk factors relating to the Company), published on the Company website.

Subsequent events to 30 September 2017

Effective 1 October 2017, Mr. Stefano Ciccotti, formerly Chief Executive Officer of the Company, resigned from his position with the Company to assume an executive role with the Parent Company Rai - Radiotelevisione italiana S.p.A. Note that the relevant employment contract was transferred without any charges for the Company and with a waiver by Mr. Ciccotti of any rights and/or claims connected or arising from the activities performed for Rai Way.

Business outlook

Following the results of the first nine months, the Company:

- confirms its expectation for 2017 of an Adjusted EBITDA that continues in the growth trajectory of recent years;
- revises expectations for maintenance investments for 2017, which are now expected slightly below the long-term targets previously communicated.

Coordination and control

Rai Way is subject to management and coordination by Rai within the meaning of article 2497 of the Italian civil code. Further details of this may be found in the Rai Way Management Report in the Financial Statement as at 31 December 2016, "Coordination and control activity" paragraph published on the Company's website.

Rome, 7 November 2017

On behalf of the Board of Directors

The Chairman

Raffaele Agrusti

Financial statements

(Amounts in Euro)	Note (**)	9 months at 30/09/2017	9 months at 30/09/2016
Revenues	5	162.075.674	161.322.935
Other revenues and income	6	777.443	95.291
Consumables costs	7	(792.649)	(873.958)
Services costs	7	(37.064.031)	(37.680.341)
Personnel costs	7	(33.848.365)	(37.233.455)
Other costs	7	(2.654.235)	(2.672.146)
Amortization, depreciation and write-downs	8	(24.938.020)	(32.051.569)
Provisions	9	20.263	(177.554)
Operating profit		**63.576.080**	**50.729.203**
Financial income	10	80.038	27.159
Financial expenses	10	(1.342.852)	(1.652.209)
Total financial income and expenses		**(1.262.814)**	**(1.625.050)**
Profit before income taxes		**62.313.266**	**49.104.153**
Income tax expense	11	(18.270.032)	(16.550.832)
Profit for the period		**44.043.234**	**32.553.321**

Statement of Comprehensive Income Rai Way SpA (*)

(Amounts in Euro)	Note	9 months at 30/09/2017	9 months at 30/09/2016
Profit for the period		**44.043.234**	**32.553.321**
Items to be reclassified to income statement			
Profit/(loss) on cash flow hedges		36.429	(83.053)
Tax effect		(10.384)	23.668
Items not reclassified to income statement			
Actuarial gains/(losses) on employee benefits	15	304.780	(1.237.209)
Tax effect		(73.147)	296.930
Total comprehensive income for the period		**44.300.912**	**31.553.657**

(*) Schedule prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the European Union ("IFRS").
(**) Notes refer only to the items for which comments are provided in these Notes.

BALANCE SHEET RAI WAY(*)

(Amounts in Euro)	Note (**)	9 months at 30/09/2017	12 months at 31/12/2016
Non-current assets			
Tangible assets	12	189.113.562	205.181.198
Intangible assets	12	10.345.381	2.215.035
Non-current financial assets	12	64.318	111.183
Deferred tax assets	12	2.584.889	4.950.607
Other non-current assets	12	355.628	355.688
Total non-current assets		**202.463.778**	**212.813.711**
Current assets			
Inventory	13	901.936	919.954
Trade receivables	13	79.477.405	66.999.351
Other current receivables and assets	13	6.352.364	4.353.558
Current financial assets	13	142.542	225.032
Cash and cash equivalents	13	44.642.271	81.309.420
Tax receivables	13	345.067	317.953
Total current assets		**131.861.585**	**154.125.268**
Total assets		**334.325.363**	**366.938.979**
Shareholders' equity	14		
Share capital		70.176.000	70.176.000
Legal reserve		12.160.733	10.070.018
Other reserves		37.050.651	37.024.606
Retained earnings		44.641.615	44.263.862
Total shareholders' equity		**164.028.999**	**161.534.486**
Non-current liabilities			
Non-current financial liabilities	15	30.662.702	60.697.873
Employee benefits	15	17.281.031	18.699.318
Provisions for risks and charges	15	17.819.345	18.762.295
Total non-current liabilites		**65.763.078**	**98.159.486**
Current liabilities			
Trade payables	16	39.914.013	41.172.459
Other current payables and liabilities	16	32.263.062	33.622.037
Current financial liabilities	16	30.080.714	30.276.988
Tax payables	16	2.275.497	2.173.523
Total current liabilities		**104.533.286**	**107.245.007**
Total liabilities and shareholders' equity		**334.325.363**	**366.938.979**

(*) Schedule prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the European

(**) Notes refer only to the items for which comments are provided in these Notes.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY RAI WAY (*)

(Amounts in Euro)	Share capital	Legal reserve	Other reserves	Retained earnings	Total
At 1 January 2016	**70.176.000**	**8.122.901**	**37.078.970**	**43.884.226**	**159.262.097**
Comprehensive income for the period				32.553.321	32.553.321
Gains and losses from actuarial valuation (**)				(940.279)	(940.279)
Cash flow hedge reserve (**)			(59.385)		(59.385)
Allocation of profit to reserves		1.947.117		(1.947.117)	-
Dividend distribution				(38.950.400)	(38.950.400)
At 30 September 2016	**70.176.000**	**10.070.018**	**37.019.585**	**34.599.751**	**151.865.354**
Comprehensive income for the period				9.260.978	9.260.978
Actuarial gains and losses				403.133	403.133
Cash flow hedge reserve			5.021		5.021
At 31 December 2016	**70.176.000**	**10.070.018**	**37.024.606**	**44.263.862**	**161.534.486**
Comprehensive income for the period				44.043.234	44.043.234
Gains and losses from actuarial valuation (**)				231.634	231.634
Cash flow hedge reserve			26.045		26.045
Allocation of profit to reserves		2.090.715		(2.090.715)	-
Dividend distribution				(41.806.400)	(41.806.400)
At 30 September 2017	**70.176.000**	**12.160.733**	**37.050.651**	**44.641.615**	**164.028.999**

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

(**) The items are shown net of the related tax effects.

CASH FLOW STATEMENT RAI WAY (*)

(Amounts in Euro)	**9 months at 30/09/2017**	**9 months at 30/09/2016**
Profit before income taxes	**62.313.266**	**49.104.153**
Adjustments for:		
Amortization, depreciation and write-downs	24.938.020	32.051.569
Provisions and (releases of) personnel and other funds	1.026.926	1.885.163
Net financial (income)/expenses (**)	1.111.678	1.480.581
Cash flow from operating activities before changes in net working capital	**89.389.892**	**84.521.466**
Change in inventory	18.018	77.759
Change in trade receivables	(12.355.920)	(9.261.389)
Change in trade payables	(2.806.458)	971.719
Change in other assets	(1.968.120)	(756.628)
Change in other liabilities	3.487.530	(3.355.657)
Release of provision for risks	(752.357)	(597.717)
Payment of employee benefits	(2.757.620)	(3.135.515)
Change in tax receivables and payables	(914.738)	14.701.414
Taxes paid	(21.116.791)	(17.493.448)
Net cash flow from operating activities	**50.223.435**	**65.672.002**
Investments in tangible assets	(6.807.066)	(7.981.097)
Sales of tangible assets	83.719	57.989
Investments in intangible assets	(314.508)	(338.498)
Disposals of intangible assets	-	-
Change in non-current financial assets	47.841	46.874
Business combination	(7.407.098)	-
Change in other non-current assets	60	(16.494)
Interest received	71.557	27.159
Net cash flow from investing activities	**(14.325.494)**	**(8.204.067)**
(Decrease)/increase in medium/long-term loans	(30.076.610)	(30.074.566)
(Decrease)/increase in current financial liabilities	(229.930)	(315.575)
Change in current financial assets	82.490	(82.192)
Interest expense for the period	(931.484)	(1.067.997)
Dividends distributed	(41.799.017)	(38.950.400)
Net cash flow generated by financing activities	**(72.954.551)**	**(70.490.730)**
Change in cash and cash equivalents	**(37.056.611)**	**(13.022.794)**
Cash and cash equivalents at beginning of period	81.309.420	78.940.807
Cash and cash equivalents of acquired companies	389.462	
Cash and cash equivalents at the end of period	**44.642.271**	**65.918.014**

(*) Schedule prepared in accordance with the International Financial Reporting Standards issued by he International Accounting Standards Board and adopted by the European Union ("IFRS").

(**) Note that financial expenses for the provision for site decommissioning and restoration were excluded from net financial income and (expenses), as they are not considered to be financial in nature.

Notes to the Interim Financial Report at 30 September 2017

Introduction (note 1)

The interim financial report at 30 September 2017, consisting of a Balance Sheet, an Income Statement, a Statement of Comprehensive Income, a Cash Flow Statement, a Statement of Changes in Shareholders' Equity, and these Notes, has been prepared in accordance with Art. 154 ter of Italian Legislative Decree 58/1998 and subsequent amendments, as well as with the Issuer Regulations emanated by Consob.

The interim financial report at 30 September 2017 has been prepared in accordance with IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB).

This report was approved on 7 November 2017 by the Board of Directors, which authorized its publication.

The structure and content of the accounting statements in the interim financial report and the related compulsory schedules conform to those prepared for the annual financial statements. Where applicable, the same criteria and standards applied to the financial statements at 31 December 2016 – except for those specifically applicable to interim reports - were used to prepare this interim financial report. The new standards that took effect on 1 January 2017 had no significant effect on this interim financial report.

The notes were drawn up in accordance with the minimum contents required by IAS 34 – Interim Financial Reporting, and with the instructions issued by Consob in Communication no. 6064293 of 28 July 2006. In accordance with lo IAS 34, the notes are presented in summary form and do not include all of the information required in the annual financial statements; they refer exclusively to components which, due to amount, composition, or transactions, are essential for purposes of understanding the Company's operating results, financial position, and cash flows. Therefore, this interim financial report must be read together with the financial statements at 31 December 2016.

This interim financial report presents a comparison with data from the last financial statements of Rai Way at 31 December 2016 with regard to the balance sheet, and with data from the last interim financial report of Rai Way at 30 September 2016 with regard to the income statement.

The preparation of interim financial report at 30 September 2017 required the use of estimates by the directors: the main areas in which significant evaluations and assumptions were conducted, and those with significant effects on the periodic situations presented, are reported below in the notes at 30 September 2017. Some of the evaluation processes, especially the most complex ones, such as the determination of impairment of non-current assets, are generally conducted in a complete manner only when preparing the annual financial statements except when there are indicators that demand an immediate estimate of updates.

On 1 March 2017, the Company acquired 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 30 September 2017 therefore include the impacts of the above-mentioned merger; please refer to the sections below for more details.

The aim of the merger was to simplify the current corporate structure, with Sud Engineering S.r.l. as 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 Italian 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 is fiscally neutral and 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.

Changes and interpretations of current standards, effective as of 1 January 2017 (note 2)

With regard to application of current accounting standards and recently issued ones, please refer to the Rai Way 2016 Financial Statements and Management Report – Notes to the financial statements, "Summary of accounting standards" paragraph published on the Company's website.

Segment information (note 3)

The sector information, to which the reader is referred, was set out in the 2016 Financial Statements and Management Report - Report on Operations section (reference market paragraph) published on the Company's website.

Seasonality of the business (note 4)

There are no significant seasonality factors that affect the Company's results.

Notes on principal changes to the Income Statement

Revenues (note 5)

(in thousands di Euro)	**2017**	**2016**
Revenues from RAI Group (*)	135.777	135.478
Revenues from third parites	26.299	25.845
- Fees for equipment hosting and devices	*24.168*	*24.229*
- Other	*2.131*	*1.616*
Total revenues from sales and services	**162.076**	**161.323**

(*) Revenues are shown net of marginal costs of € 18,590 thousand (€ 17,066 thousand at 30/09/2016)

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

At 30 September 2017, revenues increased by €753 thousand compared to the same period of 2016, increasing from €161,323 thousand at 30 September 2016 to €162,076 thousand at 30 September 2017.

"Revenues from RAI Group" amount to €135,777 thousand, equal to 84% of total revenues at 30 September 2017, an increase of €299 thousand compared to the same period of 2016. This increase derived mainly from the new services requested by the customer for additional services (known as "new services").

"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 Group provided to third parties other than Rai. These revenues were up by €454 thousand compared to the same period of the previous year, and primarily attributable to the positive impact of the acquisition of Sud Engineering, with the financial effects starting from 1 March 2017.

Other revenues and income (note 6)

"Other revenues and income" amounted to €777 thousand in the first nine months of 2017, an increase of €682 thousand compared to 30 September 2016, due mainly to higher income from insurance reimbursements for damages.

Costs (note 7)

"Costs of consumables and goods" decreased by €81 thousand, from €874 thousand at 30 September 2016 to €793 thousand at 30 September 2017. These costs mainly include costs for the purchase of technical materials for the warehouse, and fuels for generators and heating. In particular, the decrease in costs is principally attributable to the contraction in costs for utility materials and stored materials.

"Costs for services" amount to €37,064 thousand at 30 September 2017, with a decrease of €616 thousand compared to 30 September 2016, mainly due to the reduction in leasing and rental costs and the services covered under the intercompany service agreement, partially offset by higher costs for utilities, maintenance, and repairs.

"Personnel costs" in the income statement amount to €33,848 thousand, a decrease of €3,385 thousand compared to 30 September 2016 (€37,233 thousand), due mainly to costs related to the redundancy packages of the previous year.

Capitalized personnel costs amount to €1,357 thousand at 30 September 2017 (€1,452 thousand at 30 September 2016).

"Other costs" in the income statement show a slight increase of €18 thousand, from €2,672 thousand at 30 September 2016 to € 2,654 thousand at 30 September 2017.

Amortization, depreciation and write-downs (note 8)

"Amortization, Depreciation, and Write-downs" amount to €24,938 thousand at 30 September 2017 (€32,052 thousand at 30 September 2016). The change of €7,114 thousand is mainly due to the fact that certain assets reached the end of their depreciable useful lives and that the useful life of transmission network systems and radio links for the DVB-T television service was extended from 7 to 10 years. Note that this item includes the amortization charge for the period of €130 thousand in relation to intangible assets as part of the PPA (purchase price allocation) process for the acquisition of Sud Engineering on 1 March 2017.

Provisions (note 9)

"Provisions" changed from negative €178 thousand at 30 September 2016 to positive €20 thousand; please refer to note 15 on "Provisions for risks and charges for further information.

Financial income and expenses (note 10)

"Financial income" amounts to €80 thousand, an increase of €53 thousand over 30 September 2016, essentially due to the increase in the item "Foreign exchange gains".
"Financial expenses" has a balance of €1,343 thousand, down €309 thousand compared to the same period of the previous year (€1,652 at 30 September 2016), mainly due to a decrease in "Interest on loans" for the reduction in interest rates on the loan taken out on 15 October 2014 with Mediobanca, BNP Paribas, Intesa Sanpaolo and UBI Banca.

Income tax (note 11)

This item can be broken down as follows:

	9 months	
(in thousands of Euro)	**2017**	**2016**
Current taxes	16,960	15,790
Deferred taxes	1,357	707
Taxes related to previous years	(47)	54
Total	**18,270**	**16,551**

The IRES (corporate income tax) rate fell from 27.5% to 24.0% from 1 January 2017.

Notes on principal changes to the Balance Sheet

Non-current assets (note 12)

Tangible assets amount to €189,114 thousand at 30 September 2017, a decrease of €16,068 thousand compared to 31 December 2016, mainly due to depreciation in the period partially offset by the investments made during the year (€7,104 thousand), and acquisition of assets following the acquisition of Sud Engineering.

Intangible assets amount to €10,345 thousand, up by €8,130 thousand compared to 31 December 2016, mainly due to the intangible assets identified under "Goodwill" and "Customer portfolio - business combination transactions" as allocation of the deficit generated in the merger with the company Sud Engineering as set out in notarial document dated 22 June 2017.

There was a deferred tax asset balance of €2,585 thousand at 30 September 2017, with a decrease of €2,366 thousand compared to 31 December 2016 due to the tax effects generated by the "Customer portfolio - business combination transactions" noted above and use of the provisions recognized in previous years.

Current assets (note 13)

Inventories amount to €902 thousand, down by €18 thousand compared to 31 December 2016.

Inventories include contract work in progress and stocks and spare parts for the maintenance and use of technical business assets.

Trade receivables, amounting to €79,477 thousand, are broken down as follows:

(in thousands of Euro)	**30/09/2017**	**31/12/2016**
Receivables from RAI	59.611	61.790
Trade receivables	21.352	6.685
Bad debt provision	(1.486)	(1.476)
Total trade receivables	**79.477**	**66.999**

The increase for the period of €12,478 thousand is primarily attributable to trade receivables with third parties not yet collected that accrued during the period.

At 30 September 2017, "Other current receivables and assets" amount to €6,352 thousand, an increase of €1,999 thousand compared to 31 December 2016 due mainly to higher prepaid expenses relating to higher costs deferred to reflect accrual.

Tax receivables amount to €345 thousand, an increase of €27 thousand over the balance at 31 December 2016, mainly due to VAT and IRES from the merger of Sud Engineering.

At 30 September 2017, "Current financial assets" amount to €143 thousand, a decrease of €82 thousand from the prior year principally related to the decrease in financial receivables with the Parent Company.

"Cash and cash and cash equivalents" amount to €44,642 thousand at 30 September 2017.

The decrease of €36,667 thousand for the period is mainly due to payment of dividends, partly offset by the flows generated by operating activities.

An escrow account was also opened with Banca Intesa San Paolo S.p.A. for €42,974 thousand, to act as a guarantee for all the creditors of the Company and Sud Engineering S.r.l. as part of the merger process. The balance was released on 6 October.

Shareholders' equity (note 14)

At 30 September 2017, the Company's shareholders' equity amounted to €164,029 thousand, an increase of €2,495 thousand due mainly to result for the period offset by the payment of dividends.

Non-current liabilities (note 15)

At 30 September 2017, "Non-current financial liabilities" amount to €30,663 thousand, a decrease of €30,035 thousand compared to 31 December 2016 (€60,698 thousand) substantially due instalments paid on the term facility on 31 March and 29 September 2017.

"Employee benefits" amount to €17,281 thousand, a decrease of €1,418 thousand compared to 31 December 2016, mainly due to outlays for the redundancy package offered to staff, partially offset by the effects of acquiring Sud Engineering.

The "Provisions for risks and charges" amount to €17,819 thousand, with a €943 thousand decrease compared to 31 December 2016 (€18,762 thousand) mainly due to the decrease in the civil and administrative dispute provision and the amounts accrued provision, only partly offset by the increase in the other miscellaneous provisions and the system dismantling provision mainly due to the impacts of the acquisition of Sud Engineering.

Current liabilities (note 16)

Trade payables, which amount to €39,914 thousand, can be broken down as follows:

(in thousands of Euro)	30/09/2017	31/12/2016
Trade payables	31,576	35,920
Payables to Parent Company	8,338	5,252
Total trade payables	**39,914**	**41,172**

At 30 September 2017, "Other current payables and liabilities" amount to €32,263 thousand, a decrease of €1,359 thousand compared to the end of 2016. The decrease is attributable to lower payables to RAI for Group tax and VAT consolidation and to personnel, offset by an increase in deferred income.
At 30 September 2017, "Current financial liabilities" amount to €30,081 thousand, a decrease of €196 thousand compared to 31 December 2016, principally as a result of the use of accrued expenses for interest on the term facility.
Tax payables amount to €2,275 thousand, in line with the amounts recorded at 31 December 2016.

Earnings per share (note 17)

The following table shows the determination of basic and diluted earnings per share in the reference period.

	9 months	
(in Euro)	2017	2016
Profit for the year	44,043,234	32,553,321
Average number of ordinary shares	272,000,000	272,000,000
Earnings per share (basic and diluted)	**0.16**	**0.12**

Diluted earnings per share is the same as basic earnings per share because there were no dilutive elements at the reference date of this Report.

Net Financial Position (note 18)

The Group's net financial position, calculated in conformity to the requirements of paragraph 127 of the recommendations contained in document no. 81 of 2011, issued by the ESMA, implementing EC Regulation 809/2004, is presented below.

The main component of Rai Way's net financial position is the loan agreement stipulated by Rai Way on 15 October 2014 with Mediobanca, BNP Paribas S.A., Intesa Sanpaolo S.p.A. and UBI Banca Società Cooperativa per Azioni. The balance on this loan amounted to €60 million (nominal value, term facility) at 30 September 2017, of which €30 million has been reclassified in current liabilities and €30 million in non-current liabilities.

The loan agreement also includes a revolving credit facility of €50 million that had not been utilized as of 30 September 2017.

Interest is charged at the aggregate of the Euribor rate for the period of reference and a spread (100 bps for the term facility, 120 bps for the revolving facility).

	(in thousands of Euro)	At 30 Sep 2017	At 31 Dec 2016
A.	Cash	6	-
B.	Bank and postal checks and deposits	44,636	81,309
C.	Securities held for trading	-	-
D.	**Liquidity (A) + (B) + (C)**	**44,642**	**81,309**
E.	**Current financial receivables**	**143**	**225**
F.	Current bank debt	(29,998)	(30,201)
G.	Current portion of non-current debt	-	-
H.	Other current financial payables	(83)	(76)
I.	**Current financial indebtedness (F) + (G) + (H)**	**(30,081)**	**(30,277)**
J.	**Net current financial indebtedness (I) - (E) - (D)**	**14,704**	**51,257**
K.	Non-current bank debt	(30,353)	(60,350)
L.	Bonds issued	-	-
M.	Other non-current payables	(310)	(348)
N.	**Non-current financial indebtedness (K) + (L) + (M)**	**(30,663)**	**(60,698)**
O.	**ESMA net financial indebtedness/Net financial position**	**(15,959)**	**(9,441)**

Commitments and guarantees (note 19)

Commitments, referring only to technical investments, amount to €10.1 million at 30 September 2017 (€13.3 million at 31 December 2016).

At 30 September 2017, guarantees amount to €66,080 thousand (€66,749 thousand at 31 December 2016) and refer mainly to personal guarantees received on third-party obligations and to third-party guarantees provided for the Company's obligations on bonds and debts.

Transactions deriving from abnormal and/or unusual operations (note 20)

Pursuant to Consob Communication no. DEM 6064293 of 28 July 2006, during the first nine months of 2017, the Company was not party to any abnormal and/or unusual operations as defined in that communication.

Other information (note 21)

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 use causes with the radio and/or television signals 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 law firms assisting the Company.

Rai Way is also party to a number of law suits brought by employees and former employees in relation to alleged faulty application of the current regulations governing employee agreements. As noted above, with respect to these types of disputes, the Company uses both its own internal legal department in addition to leading law firms who specialize in labor law for litigation. The amounts recognized in the financial statements to provide against the risk of losing 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 the Company, considering the current state of progress of the dispute.

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, the Company has recognized the amounts that management considers it probable that it will be required to pay should it lose the cases as provisions for risks and charges in the financial statements, also taking into account the professional opinions formulated by these firms concerning the expected outcome of the pending disputes.

In order to provide additional information on the matters discussed above, the Company Rai Way uses the hosting services of third parties in its standard operations to position its installations on land, buildings or structures of other 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 indicate what costs are involved in the near future, which cannot be currently quantified with any certainty. The Company accordingly believes that it is probable that it may have to bear some costs in the future to meet the claims made, and therefore recognized a site dismantling and restoration provision 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.

<u>Related party transactions</u>

Details of the transactions between the Company and related parties are provided below on the basis of IAS 24 "Related Party Disclosures" for the period ended on 30 September 2017. The Group carries out transactions mainly of a commercial and financial nature with the following related parties:

- Rai;
- 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 carried out on an arm's length basis.
The following table sets out details of the Company's balance sheet items with regard to related parties at 30 September 2017 and 31 December 2016:

Transactions with Related Parties (Balance Sheet)

(in thousands of Euro)	Parent Company	Key mgmt personnel	Other related parties	Total
Non-current financial assets				
At 30 September 2017	-	-	-	-
At 31 December 2016	-	-	-	-
Current financial assets				
At 30 September 2017	71	-	-	71
At 31 December 2016	117	-	-	117
Current trade receivables				
At 30 September 2017	59,611	-	255	59,866
At 31 December 2016	61,790	-	205	61,995
Other current receivables and assets				
At 30 September 2017	2,708	-	1	2,709
At 31 December 2016	2,456	-	10	2,466
Current financial liabilities				
At 30 September 2017	-	-	-	0
At 31 December 2016	-	-	-	-
Trade payables				
At 30 September 2017	8,338	-	-	8,338
At 31 December 2016	5,252	-	-	5,252
Other current payables and liabilities				
At 30 September 2017	13,319	184	133	13,636
At 31 December 2016	19,375	180	-	19,555
Employee benefits				
At 30 September 2017	-	-	111	111
At 31 December 2016	-	264	111	375

The following table sets out details of the Company's income statement items with regard to related parties at 30 September 2017 and 30 September 2016:

Transactions with Related Parties (Income Statement)

(in thousands of Euro)	Parent Company	Key mgmt personnel	Other rel. parties	Total
Revenues (*)				
Year ended at 30 September 2017	153,591	-	777	154,368
Year ended at 30 September 2016	152,307	-	237	152,544
Other revenues and income				
Year ended at 30 September 2017	-	-	-	-
Year ended at 30 September 2016	-	-	-	-
Purchase of consumables				
Year ended at 30 September 2017	1	-	-	1
Year ended at 30 September 2016	-	-	-	-
Cost of services				
Year ended at 30 September 2017	8,914		9	8,923
Year ended at 30 September 2016	9,374	-	9	9,383
Personnel costs				
Year ended at 30 September 2017	(11)	1,779	639	2,407
Year ended at 30 September 2016	(8)	2,421	667	3,080
Other costs				
Year ended at 30 September 2017	16	-	-	16
Year ended at 30 September 2016	24		-	24
Financial income				
Year ended at 30 September 2017	13	-	-	13
Year ended at 30 September 2016	14	-	-	14
Financial expenses				
Year ended at 30 September 2017	-	-	-	-
Year ended at 30 September 2016	-	-	-	-

(*) Amounts are shown including marginal costs of the Parent Company for € 18,060 thousand (€ 17,066 thousand at 30/09/2016) and with other related parties for € 530 thousand (€ 0 at 30/09/2016)

Parent Company

The relations with the Parent Company, Rai, at 30 September 2017, mainly regard the Service Agreement renegotiated on 31 July 2014 which relates to the provision of new integrated network services by the Company, the Rai supply agreement (regarding personnel administration, general services, IT systems, administration and treasury and the research and technological innovation center), the agreement for leases and for the performance of connected services by Rai, the domestic tax consolidation, the VAT legislation consolidation and lastly an agreement for an intercompany current account used to deal with residual payments.

Senior Management

"Senior Management" refers to key executives who have the power and direct and indirect responsibility for planning, managing and controlling the activities of Rai Way, and includes, inter alia, the members of the Board of Directors of the Company.

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 receives transmission services from Rai Way;
- Supplementary Employee and Executive pension funds.

Rome, 7 November 2017

On behalf of the Board of Directors
The Chairman
Raffaele Agrusti

Declaration pursuant to article 154-bis paragraph 5 of Italian Legislative Decree no. 58/1998

The manager responsible for drafting the corporate accounting documents of Rai Way S.p.A., Adalberto Pellegrino, declares, pursuant to article 154-bis, paragraph 2 of the Consolidated Finance Act, that the accounting information contained in this interim financial report at 30 September 2017 corresponds to the supporting documentation, accounting books, and records.

Rome, 7 November 2017

Adalberto Pellegrino
Manager responsible for drafting
corporate accounting documents