Rai Way Group

Interim financial report at 31 March 2017

CONTENTS

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
Company website:	www.raiway.it
Vat number:	05820021003

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

Corporate Bodies and Committees[1]

Board of Directors

Chairman
Raffaele Agrusti

Chief Executive Officer
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 (Chair)
Fabio Colasanti
Umberto Mosetti

Remuneration and Appointments Committee

Anna Gatti (Chair)
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).

The Rai Way Group's Activities

The Rai Way Group consists of Rai Way and Sud Engineering which was acquired on 1 March 2017.

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

The origins of the Group'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 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, 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, fiber optic) and in particular the one-way transport of video/audio/data (a) via analog 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 in our sites of transmission equipment related to 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 (by way of mere example planning, construction, installation, maintenance and management activities as well as consultancy, monitoring and radio emissions protection services).

The type of customer that comes to Group 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 Group assesses performance on the basis of certain indicators not envisaged by IFRSs. Set out below is a description of the components of the indicators as stated in Recommendation CESR/05 – 178b.

- Gross operating profit or EBITDA – *earnings before interest, taxes, depreciation and amortization*. EBITDA also excludes income and expense from investment and security management as well as any gains or losses on the disposal of investments, classified in the financial statement formats as "financial income and expenses".

- Net operating profit or EBIT – *earnings before interest and taxes before adjustments*. EBIT also excludes income and expense from investment and security management as well as any gains or losses on the disposal of investments, classified in the financial statement formats as "financial income and expenses".
- 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 of economic, equity and financial data

The following section provides a summary of Group results of operations, financial position and cash flows for the three months ended 31 March 2017, with comparatives for the three months ended 31 March 2016. In addition, figures are also provided for the Company's net financial position and invested capital at 31 March 2017 with comparatives at 31 December 2016.

On 1 March 2017 the Company acquired Sud Engineering S.r.l. which carries out the maintenance and installation of television and radio systems and accordingly the consolidated figures at 31 March 2017 include the effects of this acquisition. It should be accordingly noted that the comparative figures at 31 March 2016 in the tables below refer solely to the Parent Company.

(In Euro million; %)	3 months 2017	2016	Delta	Change %
Key income statement data				
Core revenues	53.8	52.7	1.2	2.2%
Other revenues and income	0.0	0.0	(0.0)	(28.9%)
Operating costs	(13.2)	(13.2)	(0.0)	(0.3%)
Adjusted EBITDA	28.3	27.4	0.9	3.3%
EBIT	20.1	16.8	3.3	20.0%
Profit for the year	13.8	10.7	3.1	29.0%
Key balance sheet data				
Capital expenditure	1.7	2.1	(0.4)	(18.2%)
of which maintenance capex	1.2	1.7	(0.5)	(27.3%)
Invested capital	180.9	171.0	9.9	5.8%
Net equity	175.3	161.5	13.8	8.5%
Net financial position	5.6	9.4	(3.9)	(41.1%)
of which cash	(72.1)	(81.3)	9.2	11.3%
Key ratios				
Adjusted EBITDA/Core revenues (%)	52.6%	52.0%	0.5%	1.0%
Profit for the year/Core revenues (%)	25.6%	20.3%	5.4%	26.8%
Maintenance capex/Core revenues (%)	2.3%	3.2%	(0.9%)	28.8%
Cash conversion rate (%)	95.7%	93.9%	1.8%	1.9%
Net financial position/Adjusted EBITDA (%)	19.6%	34.5%	(18.3%)	53.2%

- Core revenues amounted to €53.8 million, up by 2.2% over 31 March 2016 due to the increase arising from the new services provided for Rai and development revenues from third parties.
- Adjusted EBITDA reached €28.3 million, up by €0.9 million over 31 March 2016, mainly due to the effect of the increase in core revenues. The Company defines this measure as EBITDA adjusted for non-recurring expenses.
- The ratio between adjusted EBITDA and core revenues was 52.6%, exceeding the figure of 52.0% at 31 March 2016.
- Operating profit (EBIT) amounted to €20.1 million, an increase of €3.3 million over the figure posted at 31 March 2016, benefiting from a decrease of €2.5 million in amortization and depreciation.

- Profit for the period was €13.8 million, up by 29.0% over 31 March 2016.
- Capital expenditure of €1.7 million was incurred. Invested capital amounted to €180.9 million, with a net financial position of €5.6 million and shareholders' equity of €175.3 million.

	3 months			
(In Euro million; %)	**2017**	**2016**	**Delta**	**Change %**
Revenues from Rai	45.1	44.3	0.8	1.9%
Revenues from third parties	8.7	8.4	0.3	4.0%
Total Revenues	**53.8**	**52.7**	**1.2**	**2.2%**
Other revenues and income	0.0	0.0	(0.0)	(28.9%)
Personnel costs	(12.3)	(12.1)	(0.2)	(1.8%)
Operating costs	(13.2)	(13.2)	(0.0)	(0.3%)
Adjusted EBITDA	**28.3**	**27.4**	**0.9**	**3.3%**
EBITDA margin	*52.6%*	*52.0%*	*0.5%*	*1.1%*
Adjustments	-	-	-	N.M.
EBITDA	**28.3**	**27.4**	**0.9**	**3.3%**
Amortization and depreciation	(8.2)	(10.6)	2.5	23.2%
Write-downs	(0.0)	0.0	(0.0)	(656.5%)
Provisions	-	-	-	N.M.
EBIT	**20.1**	**16.8**	**3.3**	**20.0%**
Financial management	(0.5)	(0.6)	0.1	21.1%
Profit before income taxes	**19.7**	**16.2**	**3.5**	**21.4%**
Income tax	(5.9)	(5.5)	(0.4)	(6.7%)
Profit for the year	**13.8**	**10.7**	**3.1**	**29.0%**
Profit for the year margin	*25.6%*	*20.3%*	*5.3%*	*26.2%*

The Rai Way Group's revenues totaled €53.8 million, an increase of €1.2 million over the previous period (+2.2%).

The activities carried out for the Rai Group generated revenues of €45.1 million, representing an increase of 1.9% over the same period of the previous year due to requests made by the customer for additional services ("new services"). As regards transactions with other customers, revenues from third parties reached €8.7 million, an increase of €0.3 million over the same period of the previous year (4.0%). Third party revenues include the positive effect of the service supply agreement with Telenorba from which income has been earned from 1 March 2017.

There were no significant changes in the absolute amount of other revenues and income compared to the same period of the previous year.

Personnel costs amounted to €12.3 million, essentially in line with those incurred for the first quarter of 2016. Capitalized costs totaled €0.5 million, again in line with the corresponding figure for the previous year.

Operating costs, which include consumables and goods, costs for services and other costs, amounted to €13.2 million, with no significant changes over the corresponding period in 2016.

Adjusted EBITDA reached €28.3 million, an improvement of €0.9 million with respect to 31 March 2016, with a margin of 52.6%.

Operating income, amounting to €20.1 million, reflects an improvement of €3.3 million over 2016, resulting among other things from a decrease of €2.5 million in amortization and depreciation.

Net profit, in the amount of €13.8 million, increased by €3.1 million over the same period in 2016. This result also reflects the effect of the reduction in the IRES corporate income tax rate from 27.5% to 24.0%, effective from 1 January 2017.

Capital expenditure of €1.7 million was made in operating assets in the first three months of 2017 (€2.1 million in the same period in 2016), of which €0.5 million for development initiatives and €1.2 million for the maintenance of network infrastructure.

(In Euro million; %)	3 months 2017	2016	Delta	Change %
Fixed assets	211.1	207.9	3.3	1.6%
Net working capital	4.2	0.6	3.7	640.7%
Net provisions	(34.5)	(37.5)	3.0	8.0%
Invested capital	**180.9**	**171.0**	**9.9**	**5.8%**
Net equity	175.3	161.5	13.8	8.5%
Net financial position	5.6	9.4	(3.9)	(41.1%)
Total funding	**180.9**	**171.0**	**9.9**	**5.8%**

Invested capital at 31 March 2017 rose by €9.9 million over 31 December 2016, mainly due to an increase in fixed assets and net working capital and a decrease in provisions. The net financial position reached €5.6 million, down compared to 31 December 2016 due to the positive cash flow generated from operations during the first three months of the year.

Human resources and organization

Rai Way Group had a workforce of 612 people at 31 March 2017 employed on a permanent basis: 23 executives, 149 middle managers, 409 technicians and office workers (including 12 apprentices) and 31 manual workers. An additional 9 workers with fixed-term employment contracts should then be added to this total.

The average number of employees rose from 639 in the first three months of 2016 to 603 in the corresponding period in 2017.

Relationships with companies of the Rai Group

Relationships mostly of a commercial nature are maintained with the Parent Company Rai - Radiotelevisione Italiana S.p.A., while those of a financial nature regard an intercompany current account used for residual payments. 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.

Significant events

The following significant events occurred:

- on 19 January 2017, Mr. Nicola Claudio, a non-executive director not qualifying as an independent director, handed in his resignation as 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 of the Company 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 communications sector in the South of Italy for the past 40 years. On finalizing the agreement the Company acquired from Telenorba 100% of the capital of Sud Engineering S.r.l. with its 30 transmission sites situated in Puglia, Basilicata and Molise which it is planned to use for hosting workstations;
- on 1 March 2017, Law no. 19 of 2017 became effective. Among other things this legislation extends the public service concession granted to Rai for a further three months, with expiry on 30 April 2017;
- on 9 March 2017, the Board of Directors approved the draft annual financial statements and the proposal to pay a dividend of €0.1537 per share, equal to a total of €41.8 million.

Disclosures regarding the main risks and uncertainties to which the Group is subject

The pursuit of the corporate mission and the Group's financial position, results from operations and cash flows are affected by various risk factors and uncertainties.

A detailed risk analysis is provided in the section of the Report on 2016 operations included in the 2017 Rai Way's Annual Report (in the paragraph Risk factors related to the Company) published on the Company's website.

Subsequent events

On 28 April 2017 the Shareholders' Meeting of Rai Way among other things:

- approved the Company's 2016 financial statements and the payment of a dividend as proposed by the Board of Directors;
- resolved the renewal of the Board of Directors for the years 2017-2019, namely until the approval the 2019 financial statements, confirming Mr. Raffaele Agrusti as chairman;
- approved the proposal of the Board of Directors regarding the purchase and disposal of treasury shares, at the same time revoking the authorization resolved at the meeting of 28 April 2016.

The Board of Directors of Rai Way has among other things:

- nominated Mr. Aldo Mancino as Managing Director;
- reappointed the Control and Risks Committee and the Remuneration and Appointments Committee, both as always consisting exclusively of independent directors.

On 28 April 2017 the Italian Council of Ministers approved the granting of an exclusive concession to the Parent Company RAI – Radiotelevisione Italiana S.p.A., to provide the radio, television and multi-media public service throughout the country for a ten-year period beginning on 30 April 2017.

Business outlook

The results of the first quarter of 2017 are in line with management's expectations. The economic and financial objectives set out in the 2016 financial statements are therefore confirmed:

- Adjusted EBITDA will continue the growth trajectory followed over the past few years;
- maintenance investments will remain in line with long-term targets.

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 "Coordination and control activity" section of the Report on 2016 operations included in the 2016 Annual Report published on the Company's website.

Rome, 11 May 2017

On behalf of the Board of Directors

The Chairman

Raffaele Agrusti

Interim financial statements at 31 March 2017

INCOME STATEMENT (*)

(In Euro)	3 months 2017	3 months 2016
Revenues	53,829,656	52,666,673
Other revenues and income	9,872	13,877
Purchase of consumables	(269,869)	(262,027)
Service costs	(12,144,662)	(11,997,971)
Personnel costs	(12,314,910)	(12,101,468)
Other costs	(820,506)	(928,884)
Amortization, depreciation and write-downs	(8,178,859)	(10,624,891)
Provisions	-	-
Operating profit	**20,110,722**	**16,765,309**
Financial income	11,451	12,007
Financial expenses	(468,235)	(590,776)
Total financial income and expenses	**(456,784)**	**(578,769)**
Profit before income taxes	**19,653,938**	**16,186,540**
Income tax	(5,870,740)	(5,500,424)
Profit for the period	**13,783,198**	**10,686,116**

STATEMENT OF COMPREHENSIVE INCOME (*)

	2017	2016
Profit of the period	**13,783,198**	**10,686,116**
Items that will be reclassified to the income statement		
Gain (loss) on hedging instruments (cash flow hedge)	32,877	-
Tax effect	(9,369)	-
Items that will not be reclassified to the income statement		
Actuarial gains (losses) on employee benefits		
Tax effect		
Total comprehensive income of the period	**13,806,706**	**10,686,116**

(*) Statement prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Board and adopted by the European Union ("IFRS"). Figures as at 31 March 2017 are consolidated as a result of the acquisition of Sud Engineering S.r.l.

STATEMENT OF FINANCIAL POSITION (*)

(In Euro)	31 March 2017	31 December 2016
Non-current assets		
Property, plant and equipment	200,506,331	205,181,198
Intangible assets	10,159,377	2,215,035
Equity investments	-	-
Non-current financial assets	95,733	111,183
Deferred tax assets	3,952,612	4,950,607
Other non-current assets	355,741	355,688
Total non-current assets	**215,069,794**	**212,813,711**
Current assets		
Inventory	916,274	919,954
Trade receivables	81,485,033	66,999,351
ther current receivables and assets	6,130,274	4,353,558
Current financial assets	240,301	225,032
Cash and cash equivalents	72,116,461	81,309,420
Tax receivables	357,476	317,953
Total current assets	**161,245,819**	**154,125,268**
Total assets	**376,315,613**	**366,938,979**
Shareholders' equity		
Share capital	70,176,000	70,176,000
Leval reserve	10,070,018	10,070,018
Other reserves	37,048,114	37,024,606
Retained earnings	58,047,061	44,263,862
Total shareholders' equity	**175,341,193**	**161,534,486**
Non-current liabilities		
Non-current financial liabilities	45,696,231	60,697,873
Employee benefits	19,020,983	18,699,318
Provisions for risks and charges	19,398,240	18,762,295
Other non-current payables and liabilities	-	-
Deferred tax liabilities	-	
Total non-current liabilities	**84,115,454**	**98,159,486**
Current liabilities		
Trade payables	34,957,511	41,172,459
Other current payables and liabilities	47,377,088	33,622,037
Current financial liabilities	32,216,883	30,276,988
Tax payables	2,307,484	2,173,523
Total current liabilities	**116,858,966**	**107,245,007**
Total liabilities and shareholders' equity	**376,315,613**	**366,938,979**

(*) Statement prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Board and adopted by the European Union ("IFRS"). Figures as at 31 March 2017 are consolidated as a result of the acquisition of Sud Engineering S.r.l.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (*)

(In Euro)	Share capital	Legal reserve	Other reserves	Retained earnings	Total
1 January 2016	**70,176,000**	**8,122,901**	**37,078,970**	**43,884,226**	**159,262,097**
Comprehensive income for the period				10,686,116	10,686,116
Reserve cash flow hedge			(60,883)		(60,883)
31 March 2016	**70,176,000**	**8,122,901**	**37,018,087**	**54,570,342**	**169,887,330**
Comprehensive income for the period				31,128,183	31,128,183
Gains and losses from actuarial valutation				(537,146)	(537,146)
Reserve cash flow hedge			6,519		6,519
Allocation of profit to reserves		1,947,117		(1,947,117)	-
Dividend distribution				(38,950,400)	(38,950,400)
Use reserves					-
31 December 2016	**70,176,000**	**10,070,018**	**37,024,606**	**44,263,862**	**161,534,486**
Comprehensive income for the period				13,783,198	13,783,198
Reserve cash flow hedge			23,508		23,508
31 March 2017	**70,176,000**	**10,070,018**	**37,048,114**	**58,047,061**	**175,341,193**

(*) Statement prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Board and adopted by the European Union ("IFRS"). Figures as at 31 March 2017 are consolidated as a result of the acquisition of Sud Engineering S.r.l.

CASH FLOW STATEMENT (*)

(In Euro)	3 months 2017	3 months 2016
Profit before income taxes	**19,653,938**	**16,186,540**
Adjustments for:		
Amortization, depreciation and write-downs	8,178,859	10,624,891
Allocations to (releases from) provisions for personnel and other provisions	911,250	575,408
Net financial income (**)	407,396	530,508
Other non-cash items	-	
Cash flows from operating activities before changes in net working capital	**29,151,444**	**27,917,417**
Change in inventory	3,680	6,297
Change in trade receivables	(14,412,454)	(11,166,323)
Change in trade payables	(7,591,557)	(2,669,842)
Change in other assets	(1,745,054)	(1,279,404)
Change in other liabilities	8,745,517	11,008,254
Use of provision for risks	(49,491)	(127,927)
Payment of benefits to employees	(538,864)	(599,251)
Change in tax receivables and payables	(861,927)	(1,800,428)
Taxes paid	-	-
Net cash from (used in) operating activities	**12,701,294**	**21,288,793**
Investments in property, plant and equipment	(1,730,869)	(2,050,258)
Disposals of property, plant and equipment	-	(78,242)
Investments in intangible assets	(9,758)	-
Disposals of intangible assets	-	-
Change in non-current financial assets	15,450	15,459
Change in equity investments	-	-
Change in other non-current assets	(53)	(1,304)
Interest income	11,566	12,007
Business combination	(7,154,000)	-
Net cash from (used in) investing activities	**(8,867,664)**	**(2,102,339)**
(Decrease) increase in medium/long-term loans	(15,000,000)	(14,953,409)
(Decrease) increase in current financial liabilities	1,873,950	(96,505)
Change in current financial assets	(15,269)	(298,212)
Interest paid	(274,731)	(455,807)
Dividends distributed	-	-
Net cash from (used in) financing activities	**(13,416,050)**	**(15,803,932)**
Change in cash and cash equivalents	**(9,582,421)**	**3,382,522**
Cash and cash equivalents at the beginning of the period	81,309,420	78,940,807
Cash and cash equivalents at the beginning of the period of companies entered into the scope of consolidation	389,462	-
Cash and cash equivalents at the end of the period	**72,116,461**	**82,323,329**

(*) Statement prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Board and adopted by the European Union ("IFRS"). Figures as at 31 March 2017 are consolidated as a result of the acquisition of Sud Engineering S.r.l.

(**) Financial expenses related to the provision for decommissioning and restoration are excluded from Net financial income as they are not considered to be financial in nature.

Notes to the interim financial statements at 31 March 2017

Introduction

The interim financial statements at 31 March 2017 consisting of the statement of financial position, the income statement, the statement of comprehensive income, the cash flow statement and the statement of changes in equity and the relative notes have been prepared pursuant to article 154-ter of Legislative Decree no. 58/1998 as subsequently amended, as well as the Issuers' Regulations promulgated by Consob.

The interim financial statements at 31 March 2017 have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (IASB).

The interim financial report at 31 March 2017 was approved on 11 May 2017 by the Board of Directors which authorized its publication.

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

The explanatory notes have been prepared in accordance with the minimum contents required by IAS 34 *Interim Financial Reporting*, taking into account the provisions provided by Consob in its Communication no. 6064293 of 28 July 2006. In accordance with IAS 34 the notes are presented in summary form and do not include all the disclosures required for the annual financial statements; they refer exclusively to those components which due to amount, composition or transaction are essential for understanding the Company's financial position, results and cash flows. This interim financial report should therefore be read in conjunction with the financial statements at 31 December 2016.

This interim financial report presents comparative figures taken from the financial statements of Rai Way at 31 December 2016 with regard to the balance sheet and from the interim financial report of Rai Way at 31 March 2016 with regard to the income statement.

The preparation of the interim financial report at 31 March 2017 required the directors to make estimates: the main areas for which assessments and assumptions of particular importance were made together with those having significant effects on the periodical situations presented are reported below in the notes to the financial statements at 31 March 2017. These valuation processes, and in particular those of a more complex nature such as the measurement of losses arising from the impairment of non-current assets, are generally only carried out on a complete basis when preparing the annual financial statements, except in cases where there are indications that require an immediate estimate to be made of any possible adjustments.

On 1 March 2017 the Company acquired Sud Engineering S.r.l. which carries out the maintenance and installation of television and radio systems and accordingly the consolidated figures at 31 March 2017 include the effects of this acquisition. It should be noted that the comparative figures at 31 March 2016 in the tables below only refer to the Parent Company.

Amendments and interpretations of existing standards effective from 1 January 2017

Reference should be made to the section "Summary of Accounting Principles" in the notes to the financial statements in the 2016 Rai Way's Annual Report published on the Company's website.

Segment information

Segment information is provided in the report on operations included in the 2016 Annual Report (in the paragraph discussing the Company's reference market) published on the Company's website, and reference should be made to this.

Seasonality of the business

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

Comments on the main changes in the consolidated income statement

Revenues

(In Euro thousand)	3 months 2017	3 months 2016
Revenues from the Rai Group	45,150	44,312
Revenues from third parties	8,680	8,355
Total revenues	**53,830**	**52,667**

"Revenues" consist of revenues generated during the period for the provision of services which are part of the Company's ordinary operations.

At 31 March 2017 revenues increased by €1,163 thousand compared to the corresponding period in 2016, from €52,667 thousand at 31 March 2016 to €53,830 thousand at 31 March 2017.

"Revenues from the Rai Group" amounted to €45,150 thousand, or 84.0% of total revenues at 31 March 2017, representing an increase of €838 thousand over the same period in 2016. This increase is mainly due to requests made by the customer for additional services ("new services").

"Revenues from third parties" consist mainly of revenues arising from (i) tower rentals, (ii) broadcasting, (iii) transmission and (iv) network services, which the Group provides to third party customers other than Rai. These revenues increased by €325 thousand over the same period of the previous year and include the positive effect arising from the service agreement entered into with Telenorba whose effect on results started from 1 March 2017.

Other revenues and income

"Other revenues and income" amounted to €10 thousand in the first three months of 2017, representing a decrease of €4 thousand over 31 March 2016 due mainly to the reduction in capital grants obtained under Law no. 488/92.

Costs

"Purchase of consumables" increased slightly by €8 thousand from €262 thousand at 31 March 2016 to €270 thousand at 31 March 2017. These costs principally arise from the

purchase of technical materials for the warehouse, fuel and combustibles for generators and heating. More specifically, the increase in these costs mostly arose from fuel and combustibles.
"Service costs" amounted to €12,145 thousand at 31 March 2017, representing an increase of €147 thousand over 31 March 2016.
"Personnel costs" totaled €12,315 thousand, an increase of €213 thousand over 31 March 2016 (€12,101 thousand); capitalized personnel costs amounted to €536 thousand at 31 March 2017 (€527 thousand at 31 March 2016).
"Other costs" decreased by €109 thousand from €929 thousand at 31 March 2016 to €820 thousand at 31 March 2017.

Amortization, depreciation and write-downs

"Amortization, depreciation and write-downs", amounted to €8,179 thousand at 31 March 2017 (€10,625 thousand at 31 March 2016). The decrease of €2,446 thousand is mainly due to the fact that certain assets have reached the end of their depreciation useful lives and that the useful life of transmission network systems and the radio links for the DVB-T television service has been extended from 7 to 10 years. This item also contains the amortization charge for the period for the intangible assets recognized on allocating the purchase price of Sud Engineering on acquisition on 1 March 2017.

Financial income and expenses

"Financial income" of €11 thousand is essentially in line with the figure recognized at 31 March 2016 (€12 thousand).
"Financial expenses" amounted to €468 thousand, representing a decrease of €123 thousand over the corresponding period of the previous year (€591 thousand), mainly due to the item "Interest on loans" as the result of a decrease in the interest rate on the loan included in the agreement entered into on 15 October 2014 with Mediobanca, BNP Paribas, Intesa Sanpaolo and UBI Banca and the item "Interest on the employee benefit liability".

Income Tax

This item may be analyzed as follows:

	3 months	
(In Euro thousand)	**2017**	**2016**
Current taxes	5,818	5,195
Deferred taxes	53	305
Taxes pertaining to previous years	-	-
Total	**5,871**	**5,500**

The IRES corporate income tax rate was reduced from 27.5% to 24.0% on 1 January 2017.

Comments on the main changes in the consolidated statement of financial position

Non-current assets

Property, plant and equipment amounted to €200,506 thousand at 31 March 2017, representing a decrease of €4,675 thousand over 31 December 2016, due mainly to the effect of the depreciation charge for the period, partially offset by the investments made and the purchase of assets by the subsidiary.

Intangible assets totaled €10,159 thousand at 31 March 2017, an increase of €7,944 thousand over 31 December 2016, mostly due to the intangible assets identified as part of the purchase price allocation carried out on acquiring the interest in the subsidiary on 1 March 2017.

Deferred tax assets amounted to €3,953 thousand at 31 March 2017, representing a decrease of €998 thousand due mainly to the tax effects arising on the above-mentioned purchase price allocation.

Current Assets

Inventory amounted to €916 thousand, with a slight reduction of €4 thousand compared to the balance at 31 December 2016.

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

Trade receivables, amounting to €81,485 thousand, may be analyzed as follows:

(In Euro thousand)	31 March 2017	31 December 2016
Receivables from Rai	63,113	61,790
Receivables from customers	19,857	6,685
Provision for bad and doubtful debts	(1,485)	(1,476)
Total trade receivables	**81,485**	**66,999**

The increase of €14,486 thousand during the period is principally due to receivables overdue by less than 30 days and not yet collected.

"Other current receivables and assets" amounted to €6,130 thousand at 31 March 2017, representing an increase of €1,777 thousand over 31 December 2016, due mainly to an increase in prepayments.

Tax receivables relate to balances due for VAT, IRES corporate income tax and IRAP regional production tax amounting to €357 thousand, an increase of €40 thousand over 31 December 2016 due to the consolidation of the subsidiary's figures.

Shareholders' equity

At 31 March 2017 the Group's net equity amounted to €175,341 thousand, representing an increase of €13,807 thousand arising mainly from the profit for the period.

Non-current liabilities

"Non-current liabilities" amounted to €45,696 thousand at 31 March 2017, a decrease of €15,002 thousand over 31 December 2016 (€60,698 thousand), essentially due to the repayment of the instalment of the term credit facility due on 31 March 2017.

"Employee benefits", totaling €19,021 thousand, increased by €322 thousand over 31 December 2016 due mainly to the effect of consolidating the acquired subsidiary; "Provisions for risks and charges", amounting to €19,398 thousand, increased by €636 thousand over 31 December 2016 (€18,762 thousand), principally as the result of accruals for the period and the subsidiary's provision for plant recommissioning.

Current liabilities

Trade payables, amounting to €34,958 thousand, may be analyzed as follows:

(In Euro thousand)	31 March 2017	31 December 2016
Payables to suppliers	26,700	35,920
Payables to the Parent Company	8,258	5,252
Total trade payables	**34,958**	**41,172**

"Other current payables and liabilities" amounted to €47,377 thousand at 31 March 2017, a rise of €13,755 thousand over 31 December 2016 essentially due to an increase in deferred income totaling €8,312 thousand mainly regarding revenues not relating to the period, an increase of €5,744 thousand in the liability to Rai for the tax consolidation and Group VAT and €172 thousand mostly consisting of amounts recognized by the subsidiary for social security liabilities and payables to personnel.

"Current financial liabilities" amounted to €32,217 thousand at 31 March 2017, an increase of €1,940 thousand over 31 December 2016 mainly attributable to the balance due on the consideration paid for the purchase of Sud Engineering.

"Tax payables" of €2,307 thousand increased by €134 thousand over 31 December 2016.

Earnings Per Share

The following table shows the determination of the basic and diluted earnings per share for the reporting period.

	3 months	
	2017	2016
Profit for the period	13,756,693	10,686,116
Average number of shares	272,000,000	272,000,000
Earnings per share (basic and diluted)	**0.05**	**0.04**

Basic and diluted earnings per share are equal as there were no dilutive items at the balance sheet date, and are in line with the corresponding period of the previous year.

Consolidated net financial position

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

The main component of the Group's net financial position is the loan taken out under the agreement entered into 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 €75 million (nominal value, term facility) at 31 March 2017, of which €30 million is classified as current liabilities and €45 million as non-current liabilities.

The loan agreement also includes a revolving credit facility of €50 million that had not been used at 31 March 2017.

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

	(In Euro thousand)	31 March 2017	31 December 2016
A.	Cash	8	-
B.	Cheques and bank and post office deposits	72,109	81,309
C.	Securities held for trading	-	-
D.	**Cash and cash equivalents (A) + (B) + (C)**	**72,117**	**81,309**
E.	**Current financial receivables**	**1,756**	**225**
F.	Current bank debt	(30,001)	(30,201)
G.	Current portion of non-current debt	-	-
H.	Other current financial payables	(3,731)	(76)
I.	**Current debt (F) + (G) + (H)**	**(33,732)**	**(30,277)**
J.	**Net current debt (I) - (E) - (D)**	**40,141**	**51,257**
K.	Non-current bank debt	(45,348)	(60,350)
L.	Bonds issued	-	-
M.	Other non-current payables	(348)	(348)
N.	**Net non-current debt (K) + (L) + (M)**	**(45,696)**	**(60,698)**
O.	**Net debt - ESMA**	**(5,555)**	**(9,441)**

Commitments and guarantees

It should be noted that the existing commitments for capital expenditure at 31 March 2017 (€13.3 million at 31 December 2016) amounted to €3.7 million.
Guarantees amounted to €66,658 thousand at 31 March 2017 (€66,749 thousand at 31 December 2016) and mainly relate to personal guarantees received for third party obligations and third party guarantees pledged for the Company's liabilities for obligations and debts.

Transactions deriving from abnormal and/or unusual operations

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

Other information

Contingent liabilities

Group Companies and in Rai Way in particular are 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 previously noted, as far as this type of litigation is concerned the Company again makes use of support provided by leading law firms during the court proceedings, in this case those specializing in labor law, 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 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, 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 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. Considering that such hosting services are generally formalized through contracts or similar legal instruments (by way of 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 incurrence of these costs, not at present quantifiable with any certainty, in the near future. The Company accordingly believes that it is probable that it may in the future have to incur costs to satisfy the claims it has received, and in this respect has created a site dismantling and restoration provision in the financial statements for this purpose.

If in the future the circumstances discussed above should undergo developments that make it probable that the Company will incur costs that exceed the amount recognized in the site dismantling and restoration provision, all the necessary measures will be taken to protect the Company's interests and recognize the effects of the changed scenario in the financial statements in an adequate manner.

<u>Related party transactions</u>

Details of the transactions carried out by the Group with related parties in the period ended 31 March 2017 are provided in the following; related parties are identified on the basis of IAS 24 *Related Party Disclosures*. The Group carries out transactions mainly of a commercial and financial nature with the following related parties:

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

Related party transactions are conducted under normal market conditions.

The following table sets out details of balances arising from transactions between the Parent Company and related parties at 31 March 2017 and 31 March 2016, excluding those with the subsidiary consolidated on a line-by-line basis:

(In Euro thousand)	Parent Company	Key management personnel	Other related parties	Total
Non-current financial assets				
31 March 2017	-	-	-	-
31 December 2016	-	-	-	-
Current financial assets				
31 March 2017	172	-	-	172
31 December 2016	117	-	-	117
Current trade receivables				
31 March 2017	63,113	-	292	63,405
31 December 2016	61,790	-	205	61,995
Other current receivables and assets				
31 March 2017	2,456	-	7	2,463
31 December 2016	2,456	-	10	2,466
Current financial liabilities				
31 March 2017	-	-	-	-
31 December 2016	-	-	-	-
Trade payables				
31 March 2017	8,258	-		8,258
31 December 2016	5,252	-	-	5,252
Other current payables and liabilities				
31 March 2017	25,119		57	25,176
31 December 2016	19,375	180	-	19,555
Employee benefits				
31 March 2017	-	209	111	320
31 December 2016	-	264	111	375

The following table sets out details of the Company's economic transactions with related parties in the periods ended 31 March 2017 and 31 March 2016, excluding those with the subsidiary consolidated on a line-by-line basis:

(In Euro thousand)	Parent Company	Key management personnel	Other related parties	Total
Revenues (*)				
Year ended 31 March 2016	49,716		46	49,762
Year ended 31 March 2017	50,593	-	259	50,852
Other revenues and income				
Year ended 31 March 2016	-	-	-	-
Year ended 31 March 2017	-	-	-	-
Purchase of consumables				
Year ended 31 March 2016	1			1
Year ended 31 March 2017		-	-	-
Costs of services				
Year ended 31 March 2016	3,223	-	3	3,226
Year ended 31 March 2017	3,052		3	3,055
Personnel costs				
Year ended 31 March 2016	1	501	0	502
Year ended 31 March 2017	(1)	533	305	837
Other costs				
Year ended 31 March 2016	7	239	-	246
Year ended 31 March 2017	6	-	-	6
Financial income				
Year ended 31 March 2016	7	-	-	7
Year ended 31 March 2017	12	-	-	12
Financial expenses				
Year ended 31 March 2016	-	-	-	-
Year ended 31 March 2017	-	-	-	-

(*) Figures are gross of the costs at margin from Parent Company of €5.702 thousand (€5.442 thousand at 31 March 2016).

Parent Company

Relationships with the Parent Company Rai at 31 March 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.

Key management personnel

"Key management personnel" means key executives who have the power and direct and indirect responsibility for planning, managing and controlling the Rai Way Company's activities, and includes among others the directors

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, 11 May 2016

On behalf of the Board of Directors
The Chairman
Raffaele Agrusti

Attestation of the manager responsible for drafting corporate accounting documents

The manager in charge of preparing the corporate accounting documents of Rai Way S.p.A., Adalberto Pellegrino, declares, pursuant to paragraph 2 of article 154-bis of the Consolidated Finance Act, that the accounting information contained in this interim financial report at 31 March 2017 corresponds to the underlying books and records and the accounting entries.

Rome, 11 May 2017

Adalberto Pellegrino
Manager responsible for drafting
corporate accounting documents