Rai Way S.p.A.

Interim Financial Report at 31 March 2018

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
Tax and VAT code:	05820021003
Corporate website:	www.raiway.it

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

The Company has no secondary offices.

Corporate Bodies and Committees[1]

Board of Directors

Chairman
Raffaele Agrusti

Managing Director
Aldo Mancino

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

Secretary to the Board
Giorgio Cogliati

Board of Statutory Auditors

Chairman
Silvia Muzi

Standing Auditors
Maria Giovanna Basile
Massimo Porfiri

Substitute Auditors
Nicoletta Mazzitelli
Paolo Siniscalco

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 relating to the year 2017 which may be consulted on the Company's website (www.raiway.it).

Rai Way S.p.A. Activities

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

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

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

(ii) Transmission services, for the transmission of radio and television signals via the connecting network (radio links, satellite systems, fiber optic) and in particular the one-way transport of video/audio/data (a) via analogue or digital circuits between fixed sites and

(b) via radiofrequency signals from the satellite within a geographical area of a suitable size, and connected services;

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

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

Main alternative performance measures

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

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

- Net operating profit or EBIT – earnings before interest and taxes: this is calculated as profit before income taxes and before financial income and expenses, without adjustment. EBIT also excludes profits and losses from managing equity investments and securities, as well as gains and losses arising on the sale of equity investments, which are classified in the financial statements as "financial income and expenses".
- Net Invested Capital: this is defined as the sum of property, plant and equipment and Net Working Capital less Provisions.
- Net Financial Position or NFP: the format for the calculation of NFP is the one provided in paragraph 127 of Recommendation CESR/05-054b which implements Regulation (EC) no. 809/2004.

Summary of economic and financial data

The following is a summary of the economic data of the Company at 31 March 2018 compared to the results at 31 March 2017. In addition, figures are also provided for the Company's Net Financial Position and Net Invested Capital at 31 March 2018 compared to equivalent figures at the close of the previous financial year. The differences and percentages shown in the following tables have been calculated using the amounts expressed in euros.

Please note that, following the acquisition of the company Sud Engineering S.r.l. on 1 March 2017, the Company drafted consolidated financial statements at 31 March 2017, therefore comparable with the figures at 31 March 2018, to include the impacts of this acquisition, without prejudice to the fact that the economic effects run as from the acquisition date.

Main Indicators

€ / M *(figures in millions of euro; %)*	3 months 2018	3 months 2017	Delta	% Change
Key income statement figures				
Core revenues	54.0	53.8	0.2	0.4%
Other revenues and income	0.0	0.0	0.0	87.5%
Operating costs	(12.7)	(13.2)	0.5	3.9%
Personnel costs	(11.7)	(12.3)	0.6	1.7%
Adjusted EBITDA	29.7	28.3	1.4	4.9%
EBIT	21.4	20.1	1.3	6.5%
Net profit	14.9	13.8	1.1	8.0%
Key balance sheet figures				
Investments	0.8	1.7	(0.9)	(53.2%)
of which maintenance	0.6	1.2	(0.6)	(49.8%)
Net Invested Capital	165.9	181.2	(15.3)	(8.4%)
Shareholders' Equity	190.7	176.4	14.3	8.1%
Net Financial Position (NFP)	(24.8)	4.8	(29.6)	(611.8%)
Ratios				
Adjusted EBITDA / Core revenues (%)	54.9%	52.6%	2.4%	4.5%
Net Profit / Core revenues (%)	27.5%	25.6%	1.9%	7.6%
Maintenance CAPEX / Core revenues (%)	1.1%	2.3%	(1.1%)	(50.%)
Cash Conversion Rate (%)	97.9%	95.7%	2.2%	2.3%
NFP/Adjusted EBITDA (%)	(83.5%)	17.1%	(100.6%)	(587.9%)

* the comparative figures of Net Invested Capital, Shareholders' Equity and the Net financial position are shown at 31 December 2017.

- Core revenues amount to €54.0 million, up 0.4% compared to 31 March 2017 due to higher revenues from Rai.
- Adjusted EBITDA, at €29.7 million, is €1.4 million above the value at 31 March 2017, mainly due to lower other operating costs and personnel costs. The Company defines this measure as EBITDA adjusted for non-recurring expenses.
- Operating profitability (Adjusted EBITDA to Core revenues ratio) at 54.9% is higher than the 52.6% recorded at 31 March 2017.
- EBIT amounts to €21.4 million, with an increase of €1.3 million compared to the same period of last year despite the increase in non-recurring expenses.
- Net Profit is €14.9 million, up 8.0% over 31 March 2017.

- Operating investments amount to €0.8 million. Net Invested capital amounts to €165.9 million, with a Net Financial Position of -€24.8 million and a shareholders' equity of €190.7 million.

Income statement

€ / M	3 months	3 months		
(figures in millions of euro; %)	**2018**	**2017**	**Delta**	**% Change**
Revenues from RAI	45.7	45.1	0.5	1.2%
Revenues from third parties	8.4	8.7	(0.3)	(3.9%)
Core revenues	**54.0**	**53.8**	**0.2**	**0.4%**
Other revenues and income	0.0	0.0	0.0	87.5%
Personnel costs	(11.7)	(12.3)	0.6	5.3%
Other operating costs	(12.7)	(13.2)	0.5	3.9%
Adjusted EBITDA	**29.7**	**28.3**	**1.4**	**4.9%**
EBITDA margin	*54.9%*	*52.6%*	*2.4%*	*4.5%*
Adjustments	(0.3)	-	(0.3)	N.M.
EBITDA	**29.4**	**28.3**	**1.1**	**4.0%**
Amortization/depreciation	(8.1)	(8.2)	0.0	0.4%
Bad debt provision	0.1	(0.0)	0.1	702.5%
Provisions	-	-	-	N.M.
EBIT	**21.4**	**20.1**	**1.3**	**6.5%**
Net financial expenses	(0.4)	(0.5)	0.1	20.8%
PRE-TAX PROFIT	**21.1**	**19.7**	**1.4**	**7.2%**
Taxation	(6.2)	(5.9)	(0.3)	(5.2%)
NET PROFIT	**14.9**	**13.8**	**1.1**	**8.0%**
NET PROFIT MARGIN	*27.5%*	*25.6%*	*1.9%*	*7.6%*

Revenues amount to €54.0 million, €0.2 million higher (+0.4%) compared to the same period of 2017.

Revenues from RAI amount to €45.7 million, up 1.2% over the previous year; the increase is due in part to the effects of the contractual mechanism of adjusting tariffs to inflation and in part 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 €8.4 million, €0.3 million lower (-3.9%) compared to the same period of last year.

Personnel costs at €11.7 million are down by €0.6 million compared to 31 March 2017. The reduction is due to both the effects of the voluntary retirement incentive scheme launched by the Company and to the lack of non-recurring costs that impacted on 2017.

Other Operating costs – which include consumables and goods, services and other costs – amount to €12.7 million, down €0.5 million over the same period of last year, mainly due to lower rental costs, particularly the optimisation of the company car fleet, efficiency initiatives on intercompany costs and a reduction in other costs items.

Adjusted EBITDA amounts to €29.7 million, up €1.4 million compared to 31 March 2017, with an operating profitability at 54.9%.

Operating profit of €21.4 million improves by €1.3 million over 2017.

Net profit amounts to €14.9 million, with an increase of €1.1 million over 2017.

Operating investments for €0.8 million were made in the first three months of 2018 (€1.7 million in the same period of 2017), of which €0.2 million for development initiatives and €0.6 million for the maintenance of the network infrastructure.

Balance sheet

€ / M	3 months	December		
(figures in millions of euro; %)	2018	2017	Delta	% Change
Fixed assets	193.0	200.3	(7.3)	(3.7%)
Net working capital	3.1	11.2	(8.2)	(72.8%)
Provisions for risks and charges	(30.1)	(30.3)	0.2	0.6%
NET INVESTED CAPITAL	**165.9**	**181.2**	**(15.3)**	**(8.4%)**
Shareholders' Equity	190.7	176.4	14.3	8.1%
Net Financial Position	(24.8)	4.8	(29.6)	(611.8%)
TOTAL FUNDING	**165.9**	**181.2**	**(15.3)**	**(8.4%)**

Net Invested Capital at 31 March 2018 is €15.3 million below 31 December 2017 due to the lower Net Working Capital, which has been impacted by trade receivables and the reduction in non-current assets. Net Financial Position amounts to -€24.8 million, an improvement from 31 December 2017 due to the change in Net Working Capital and investments trend.

Human Resources and Organization

Rai Way had a workforce of 591 people at 31 March 2018 employed on a permanent basis: 21 executives, 141 middle managers, 398 technicians or office staff and 31 workers. There were also 15 other workers with fixed-term employment contracts.

The average number of employees in the first three months of 2018 falls to 598 from 603 in the same period of 2017.

Relationships with Rai Group Companies

Relationships mostly of a commercial nature are maintained with the Parent Company Rai - Radiotelevisione Italiana 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 main events of the year were as follows:

- on 16 February 2018 the Company reported that it had submitted, with F2i Fondi Italiani per le Infrastrutture SGR S.p.A. ("F2i"), a joint bid, binding subject to certain conditions, within the process of the potential sale of Persidera S.p.A. ("Persidera") launched by the latter's shareholders. The bid, subsequently lapsed, indicated the structure of the transaction with the acquisition by F2i of ownership of the rights to use the frequencies currently issued to Persidera for its own DTT multiplexes, the acquisition by Rai Way of the network infrastructure, and the simultaneous signature of a multi-year agreement for the provision of broadcasting services.
- on 21 March 2018, the Board of Directors approved the draft financial statements for 2017 which closed with a profit of €56.3 and a proposal to distribute a dividend of €0.2026 per share.

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 2017 Financial Statements and Management Report - Report on Operations section (paragraph on Risk factors relating to the Company), published on the Company website.

Events subsequent to 31 March 2018

On 23 April 2018, the Shareholders Meeting of Rai Way, among other things:

- approved the financial statements of the Company for 2017 and the distribution of a dividend as proposed by the Board of Directors;
- appointed the Board of Statutory Auditors for the years 2018-2020, its chairman, and determined the remuneration of the relative members;

- approved the proposal of the Board of Directors relating to the purchase and disposal of treasury shares, after revoking the authorisation decided upon at the meeting of 28 April 2017.
- expressed a favourable vote with respect to the First Section of the Report on Remuneration prepared by the Board of Directors pursuant to Art. 123-ter, paragraph 6 of Italian Legislative Decree no. 58/1998.

Business outlook

Results for the first quarter of 2018 are in line with management expectations. The economic-financial objectives specified in the 2017 financial statements are therefore confirmed:

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

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 2017 Financial Statements and Management Report - Report on Operations section, “Coordination and control activity” paragraph published on the Company’s website.

Rome, 9 May 2018

On behalf of the Board of Directors
The Chairman
Raffaele Agrusti

Interim Financial Report at 31 March 2018

Financial statements

INCOME STATEMENT RAI WAY SpA (*)

(Amounts in Euro)	Note *(**)*	3 months at 31/03/2018	3 months at 31/03/2017
Revenues	5	54,042,286	53,829,656
Other revenues and income	6	18,511	9,872
Consumables costs	7	(274,197)	(269,869)
Services costs	7	(11,910,954)	(12,144,662)
Personnel costs	7	(11,665,566)	(12,314,910)
Other costs	7	(784,210)	(820,506)
Amortization, depreciation and write-downs	8	(8,001,554)	(8,178,859)
Provisions		-	-
Operating profit		**21,424,316**	**20,110,722**
Financial income	9	14,336	11,451
Financial expenses	9	(376,238)	(468,235)
Total financial income and expenses		**(361,902)**	**(456,784)**
Profit before income taxes		**21,062,414**	**19,653,938**
Income tax expense	10	(6,174,857)	(5,870,740)
Profit for the period		**14,887,557**	**13,783,198**

Statement of Comprehensive Income Rai Way SpA (*)

(Amounts in Euro)	Note	3 months at 31/03/2018	3 months at 31/03/2017
Profit for the period		**14,887,557**	**13,783,198**
Items to be reclassified to income statement			
Profit/(loss) on cash flow hedges		18,284	32,877
Tax effect		(5,210)	(9,369)
Items not reclassified to income statement			
Actuarial gains/(losses) on employee benefits		-	-
Tax effect		-	-
Total comprehensive income for the period		**14,900,631**	**13,806,706**

(*) 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 (**)	3 months at 31/03/2018	3 months at 31/03/2017
Non-current assets			
Tangible assets	11	181,589,398	188,686,465
Intangible assets	11	10,976,367	11,188,738
Non-current financial assets	11	33,074	53,846
Deferred tax assets	11	2,415,389	2,164,488
Other non-current assets	11	352,055	355,671
Total non-current assets		**195,366,283**	**202,449,208**
Current assets			
Inventory	12	889,257	892,161
Trade receivables	12	72,908,665	71,955,278
Other current receivables and assets	12	6,732,524	5,358,860
Current financial assets	12	345,481	146,453
Cash and cash equivalents	12	70,141,661	55,895,135
Current tax receivables (***)	12	7,656	7,656
Total current assets		**151,025,244**	**134,255,543**
Total assets		**346,391,527**	**336,704,751**
Shareholders' equity	13		
Share capital		70,176,000	70,176,000
Legal reserve		12,160,733	12,160,733
Other reserves		37,058,484	37,045,410
Retained earnings		71,325,357	57,007,959
Total shareholders' equity		**190,720,574**	**176,390,102**
Non-current liabilities			
Non-current financial liabilities	14	15,603,332	30,606,438
Employee benefits	14	16,497,883	16,443,209
Provisions for risks and charges	14	15,997,553	15,984,523
Total non-current liabilites		**48,098,768**	**63,034,170**
Current liabilities			
Trade payables	15	34,690,177	37,690,502
Other current payables and liabilities	15	41,374,750	28,900,689
Current financial liabilities	15	30,087,501	30,279,531
Current tax payables (***)	15	1,419,757	409,757
Total current liabilities		**107,572,185**	**97,280,479**
Total liabilities and shareholders' equity		**346,391,527**	**336,704,751**

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

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

(Amounts in Euro)	Share capital	Legal reserve	Other reserves	Retained earnings	Total
At 1 January 2017	**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
Cash flow hedge reserve			23,508		23,508
At 31 March 2017	**70,176,000**	**10,070,018**	**37,048,114**	**58,047,061**	**175,341,193**
Comprehensive income for the period				42,480,030	42,480,030
Actuarial gains and losses				377,983	377,983
Cash flow hedge reserve (**)			(2,704)		(2,704)
Allocation of profit to reserves		2,090,715		(2,090,715)	-
Dividend distribution				(41,806,400)	(41,806,400)
At 31 December 2017	**70,176,000**	**12,160,733**	**37,045,410**	**57,007,959**	**176,390,102**
Comprehensive income for the period				14,887,557	14,887,557
Retailed earnings and losses before adoption of IFRS				(570,159)	(570,159)
Cash flow hedge reserve (**)			13,074		13,074
At 31 March 2018	**70,176,000**	**12,160,733**	**37,058,484**	**71,325,357**	**190,720,574**

(*) 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)	3 months at 31/03/2018	3 months at 31/03/2017
Profit before income taxes	**21.062.414**	**19.653.938**
Adjustments for:		
Amortization, depreciation and write-downs	8.001.554	8.178.859
Provisions and (releases of) personnel and other funds	551.904	911.250
Net financial (income)/expenses (**)	310.312	407.396
Retained earnings/(losses) - Effect of first time adoption of IFRS	(761.128)	-
Cash flow from operating activities before changes in net working capital	**29.165.056**	**29.151.444**
Change in inventory	2.904	3.680
Change in trade receivables	(831.741)	(14.412.454)
Change in trade payables	(3.000.325)	(7.591.557)
Change in other assets (***)	(1.373.664)	(1.745.054)
Change in other liabilities (***)	7.244.061	8.745.517
Release of provision for risks	(38.560)	(49.491)
Payment of employee benefits	(491.006)	(538.864)
Change in current tax receivables and payables (***)	-	(861.927)
Net cash flow from operating activities	**30.676.725**	**12.701.294**
Investments in tangible assets	(764.316)	(1.730.869)
Sales of tangible assets	29.215	-
Investments in intangible assets	(49.590)	(9.758)
Disposals of intangible assets	(29.071)	-
Change in non-current financial assets	20.772	15.450
Business combination	-	(7.154.000)
Change in other non-current assets	3.616	(53)
Interest received	14.336	11.566
Net cash flow from investing activities	**(775.038)**	**(8.867.664)**
(Decrease)/increase in medium/long-term loans	(15.000.000)	(15.000.000)
(Decrease)/increase in current financial liabilities	(207.893)	1.873.950
Change in current financial assets	(199.028)	(15.269)
Interest expense for the period	(248.240)	(274.731)
Dividends distributed	-	-
Net cash flow generated by financing activities	**(15.655.161)**	**(13.416.050)**
Change in cash and cash equivalents	**14.246.526**	**(9.582.421)**
Cash and cash equivalents at beginning of period	55.895.135	81.309.420
Cash and cash equivalents of acquired companies	-	389.462
Cash and cash equivalents at the end of period	**70.141.661**	**72.116.461**

(*) 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.
(***) The items "Change in other assets and other liabilities" include all tax receivables and payables, with the exception of current ones, which are included in the item "Change in current tax receivables and payables".

Notes to the Interim Financial Report at 31 March 2018

Introduction (note 1)

The interim financial report at 31 March 2018, 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 31 March 2018 has been prepared in accordance with IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB).

This report was approved on 9 May 2018 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 2017 – 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 2018 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 2017.

This interim financial report presents a comparison with data from the last financial statements of Rai Way at 31 December 2017 with regard to the balance sheet, and with data from the last interim financial report of Rai Way at 31 March 2017 with regard to the income statement.

Please note that, following the acquisition of the company Sud Engineering S.r.l. on 1 March 2017, the Company drafted consolidated financial statements at 31 March 2017, therefore comparable with the figures at 31 March 2018, to include the impacts of this acquisition, without prejudice to the fact that the economic effects run as from the acquisition date.

The preparation of the interim financial report at 31 March 2018 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 31 March 2018. 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.

Changes and interpretations of current standards, effective as of 1 January 2018 (note 2)

With regard to application of current accounting standards and recently issued ones, please refer to the Rai Way 2017 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 2017 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)

	3 months	
(in thousands di Euro)	**2018**	**2017**
Revenues from RAI Group (*)	45,690	45,150
Revenues from third parites	8,353	8,680
- Fees for equipment hosting and devices	*7,695*	*7,920*
- Other	*658*	*760*
Total revenues from sales and services	**54,043**	**53,830**

(*) Rev enues are shown net of marginal costs of € 5,658 thousand (€ 5,879 thousand at 31/03/2017)

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

At 31 March 2018, revenues increased by €213 thousand compared to the same period of 2017, increasing from €53,830 thousand at 31 March 2017 to €54,043 thousand at 31 March 2018.

"Revenues from RAI Group" amount to €45,690 thousand, equal to 85% of total Revenues at 31 March 2018, an increase of €540 thousand compared to the same period of 2017. This increase derived mainly from the positive effect of inflation and 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 down by €327 thousand compared to the same period of the previous year, primarily attributable to the decrease in tower rental services.

Other revenues and income (note 6)

The income statement item "Other revenues and income" amounted to €19 thousand in the first three months of 2018, a slight increase of €9 thousand compared to 31 March 2017, therefore in line with the values recorded in the previous year.

Costs (note 7)

The amount of "Costs of consumables and goods" is basically in line with the values from the previous year, from €270 thousand at 31 March 2017 to €274 thousand at 31 March 2018. These costs mainly include costs for the purchase of technical materials for the warehouse, and fuels for generators and heating.

"Costs for services" amount to €11,911 thousand at 31 March 2018, with a decrease of €234 thousand compared to 31 March 2017, mainly due to the reduction in leasing and rental costs and the positive effects deriving from the efficiency boosting actions launched on services covered under the intercompany service agreement.

"Personnel costs" in the income statement amount to €11,666 thousand, a decrease of €649 thousand compared to 31 March 2017 (€12,315 thousand), due in part to the reduction in Company headcount as a result of previous redundancy packages and in part to the reduction in other extraordinary cost components.

Capitalized personnel costs amount to €319 thousand at 31 March 2018 (€536 thousand at 31 March 2017).

"Other costs" in the income statement show a slight decrease of €36 thousand, from €820 thousand at 31 March 2017 to €784 thousand at 31 March 2018.

Amortization, depreciation and write-downs (note 8)

"Amortization, Depreciation, and Write-downs" amount to €8,002 thousand at 31 March 2018 (€8,179 thousand at 31 March 2017). The change of €177 thousand was due mainly to completion of the amortization process for certain assets.

Financial income and expenses (note 9)

"Financial income" amounts to €14 thousand, a slight increase of €3 thousand over 31 March 2017, and therefore essentially in line with the previous year.

There is a "Financial charges" balance of €376 thousand, down €92 thousand compared to the same period of the previous year (€468 thousand at 31 March 2017), mainly due to a reduction in "Interest on loans" for the reduction in the capital share relating to the loan taken out on 15 October 2014 with Mediobanca, BNP Paribas, Intesa Sanpaolo and UBI Banca.

Income tax (note 10)

This item can be broken down as follows:

	3 months	
(in thousands of Euro)	**2018**	**2017**
Current taxes	6,240	5,818
Deferred taxes	(65)	53
Taxes related to previous years	-	-
Total	**6,175**	**5,871**

Notes on principal changes to the Balance Sheet

Non-current assets (note 11)

Tangible assets amount to €181,589 thousand at 31 March 2018, a decrease of €7,097 thousand compared to 31 December 2017, mainly due to depreciation in the period partially offset by the investments made during the first quarter (€764 thousand).

Intangible assets amount to €10,976 thousand, a slight decrease of €212 thousand compared to 31 December 2017 due primarily to amortisation for the period.

There was a deferred tax asset balance of €2,415 thousand at 31 March 2018, with an increase of €251 thousand compared to 31 December 2017 due to the increase in receivables from the tax authorities for prepaid taxes.

Current assets (note 12)

Inventory amounts to €889 thousand, in line with the values at 31 December 2017.

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

Trade receivables, amounting to €72,909 thousand, are broken down as follows:

(in thousands of Euro)	**3/31/2018**	**12/31/2017**
Receivables from RAI	61,884	58,558
Trade receivables	13,391	15,794
Bad debt provision	(2,366)	(2,397)
Total trade receivables	**72,909**	**71,955**

The increase of €954 thousand during the period was due to the growth in receivables due to the Company from Rai as a result of the Service Agreement, partially offset by lower receivables due from third party customers.

At 31 March 2018, "Other current receivables and assets" amount to €6,733 thousand, an increase of €1,374 thousand compared to 31 December 2017 due mainly to higher prepaid expenses relating to costs deferred to reflect accrual.

Current tax receivables, equal to €8 thousand at 31 March 2018 and relating to IRS arising from the acquisition of Sud Engineering S.r.l., did not change compared to the previous year.

At 31 March 2018, "Current financial assets" amount to €345 thousand, an increase of €199 thousand from the prior year principally related to the increase in financial receivables with the Parent Company.

"Cash and cash and cash equivalents" amount to €70,142 thousand at 31 March 2018.

The increase of €14,247 thousand for the period is mainly due to cash flows generated by operating activities.

Shareholders' equity (note 13)

At 31 March 2018, the Company's shareholders' equity amounted to €190,721 thousand, an increase of €14,330 thousand due to the result for the period.

Non-current liabilities (note 14)

At 31 March 2018, "Non-current financial liabilities" amount to €15,603 thousand, a decrease of €15,003 thousand compared to 31 December 2017 (€30,606 thousand) substantially due instalments paid on the term facility on 31 March 2018.

"Employee benefits" amount to €16,498 thousand, a slight increase of €55 thousand compared to 31 December 2017.

In any event, a reduction in "Employee benefits" is forecast in 2018, as a result mainly of the additional voluntary departures relating to the voluntary retirement incentive scheme set up by the Company.

The "Provisions for risks and charges" amount to €15,998 thousand, with a slight increase of €13 thousand compared to 31 December 2017 (€15,985 thousand) mainly due to the increase in the system dismantling provision, offset by the reduction in other miscellaneous provisions and provisions for risks on overdue interest.

Disbursements relating to the item "Provision for risks and charges" cannot be estimated with any certainty as they mainly depend on the timescale for judicial proceedings and strategic and/or legislative decisions on the composition and nature of the network for broadcasting radio and television signals which are currently not predictable;

with the exception of the amounts accrued provision of which use will be made over the course of 2018.

Current liabilities (note 15)

Trade payables, which amount to €34,690 thousand, can be broken down as follows:

(in thousands of Euro)	**3/31/2018**	**12/31/2017**
Trade payables	29,293	33,428
Payables to Parent Company	5,397	4,262
Total trade payables	**34,690**	**37,690**

At 31 March 2018, "Other current payables and liabilities" amount to €41,375 thousand, an increase of €12,474 thousand compared to the end of 2017. The increase was essentially due to higher payables to Rai for Group tax and VAT consolidation and higher deferred income referring to revenues not accrued in the period in question.

At 31 March 2018, "Current financial liabilities" amount to €30,088 thousand, a decrease of €192 thousand compared to 31 December 2017, principally as a result of the use of accrued expenses for interest on the term facility.

At 31 March 2018, current tax payables amount to €1,420 thousand, an increase of €1,010 thousand compared to 31 December 2017 as a result of the amount due to the tax authorities for IRAP.

Earnings per share (note 16)

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

	3 months	
(in Euro)	**2018**	**2017**
Profit for the year	14,887,557	13,756,693
Average number of ordinary shares	272,000,000	272,000,000
Earnings per share (basic and diluted)	**0.05**	**0.05**

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 17)

The Company'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 the Company 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 €45 million (nominal value, term facility) at 31 March 2018, of which €30 million has been reclassified in current liabilities and €15 million in non-current liabilities.

The loan agreement also includes a revolving credit facility of €50 million that had not been utilized as of 31 March 2018.

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) with a floor of zero in the case of a negative Euribor.

	(in thousands of Euro)	At 31 March 2018	At 31 December 2017
A.	Cash	7	7
B.	Bank and postal checks and deposits	70,135	55,888
C.	Securities held for trading	-	-
D.	**Liquidity (A) + (B) + (C)**	**70,142**	**55,895**
E.	**Current financial receivables**	**345**	**146**
F.	Current bank debt	(30,003)	(30,196)
G.	Current portion of non-current debt	-	-
H.	Other current financial payables	(84)	(84)
I.	**Current financial indebtedness (F) + (G) + (H)**	**(30,087)**	**(30,280)**
J.	**Net current financial indebtedness (I) - (E) - (D)**	**40,400**	**25,761**
K.	Non-current bank debt	(15,332)	(30,335)
L.	Bonds issued	-	-
M.	Other non-current payables	(272)	(271)
N.	**Non-current financial indebtedness (K) + (L) + (M)**	**(15,604)**	**(30,606)**
O.	**ESMA net financial indebtedness/Net financial position**	**24,796**	**(4,845)**

Commitments and guarantees (note 18)

Commitments referring only to technical investments amount to €3.0 million at 31 March 2018 (€10.3 million at 31 December 2017).

At 31 March 2018, guarantees amount to €58,111 thousand (€65,803 thousand at 31 December 2017) 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 19)

Pursuant to Consob Communication no. DEM 6064293 of 28 July 2006, during the first quarter of 2018, the Company was not party to any abnormal and/or unusual operations as defined in that communication.

Other Information (note 20)

Contingent liabilities

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

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 specialise in labour law for litigation. The amounts recognized in the financial statements to provide against the risk of losing litigation have been calculated by senior 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 lead to the determination of these costs, on the other hand not at present quantifiable, in the near future. 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 recognised 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.

Related party transactions

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 31 March 2018. 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 balances with related parties at 31 March 2018 and 31 December 2017:

Transactions with Related Parties (Balance Sheet)

(in thousands of Euro)	Parent Company	Key mgmt personnel	Other related parties	Total
Non-current financial assets				
At 31 March 2018	-		-	-
At 31 December 2017				-
Current financial assets				
At 31 March 2018	276		-	276
At 31 December 2017	76			76
Current trade receivables				
At 31 March 2018	61,884		255	62,139
At 31 December 2017	58,558		255	58,813
Other current receivables and assets				
At 31 March 2018	2,408		7	2,415
At 31 December 2017	2,538		10	2,548
Current financial liabilities				
At 31 March 2018	-		-	0
At 31 December 2017				-
Trade payables				
At 31 March 2018	5,397		-	5,397
At 31 December 2017	4,262			4,262
Other current payables and liabilities				
At 31 March 2018	23,007	244	22	23,273
At 31 December 2017	17,311	849	-	18,160
Employee benefits				
At 31 March 2018	0		117	117
At 31 December 2017	-	120	117	237

The following table sets out details of the Company's income statement balances with related parties at 31 March 2018 and 31 March 2017:

Transactions with Related Parties (Income Statement)

(in thousands of Euro)	Parent Company	Key mgmt personnel	Other rel. parties	Total
Revenues (*)				
At 31 March 2018	51,089		259	51,348
At 31 March 2017	50,593		259	50,852
Other revenues and income				
At 31 March 2018			-	-
At 31 March 2017				-
Purchase of consumables				
At 31 March 2018	-		-	-
At 31 March 2017				-
Cost of services				
At 31 March 2018	2,783		3	2,786
At 31 March 2017	3,052		3	3,055
Personnel costs				
At 31 March 2018	1	396	144	541
At 31 March 2017	(1)	533	305	837
Other costs				
At 31 March 2018	14		-	14
At 31 March 2017	6			6
Financial income				
At 31 March 2018	-		-	-
At 31 March 2017	12			12
Financial expenses				
At 31 March 2018	-		-	-
At 31 March 2017				-

(*) Amounts are shown including marginal costs of the Parent Company for €5,482 thousand (€5,702 thousand at 31/03/2017) and with other related parties for € 177 thousand (€0 at 31/03/2017)

Parent Company

The relations with the Parent Company, Rai, at 31 March 2018, 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 centre), 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, 9 May 2018

On behalf of the Board of Directors
The Chairman
Raffaele Agrusti

Declaration pursuant to article 154-bis paragraph 5 of 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 31 March 2018 corresponds to the supporting documentation, accounting books, and records.

Rome, 9 May 2018

Adalberto Pellegrino
Manager responsible for drafting the
corporate accounting documents