Rai Way S.p.A.

Half-yearly Financial Report at 30 June 2019

CONTENTS

Company name, share capital and registered office

Company name:	Rai Way S.p.A.
Fully paid-up share capital:	€70,176,000
Registered office:	Via Teulada, 66 – 00195 Rome
Tax and VAT code:	05820021003
Company 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

Chairperson
Mario Orfeo

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

Chairperson
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
Donatella Sciuto

Remuneration and Appointments Committee
Anna Gatti (Chairperson)
Joyce Victoria Bigio
Umberto Mosetti

[1] In office at the date of this 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 2018, published on the Company website (www.raiway.it).

Rai Way S.p.A. Activities

Rai Way (hereafter the Company) is a leading provider of integrated networks infrastructures and services for broadcasters, telecommunication operators, public companies and public administrations; the Company uses its own assets and its own competences to guarantee the public radio and television service and the transport and broadcast of television and radio content to its customers, in Italy and abroad, using its excellent wealth of technological, engineering and management know-how, in addition to its infrastructures.

Since 2014 Rai Way has been listed on the Electronic Stock Market (MTA) of Borsa Italiana following the Global Offering promoted by the shareholder RAI, which allowed the Company to confirm its already initiated opening to the market, reinforcing its image as an independent enterprise.

In particular, in carrying out its activities, Rai Way operates in over 2,300 sites equipped with infrastructure and systems for transmitting and broadcasting television and radio signals throughout the whole of Italy, has 22 operating facilities and avails itself of a highly specialized workforce.

The services offered by the Company include:

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

(ii) Transmission services, for the transmission of television and radio signals via the connecting network (radio links, satellite systems, fibre optic) and in particular the provision of Contribution Services, meaning one-directional transport services;

(iii) Tower Rental services, meaning hosting of third party transmission and broadcasting equipment at Company's sites including, were required, maintenance services as well as other complementary activities;

(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 such as, for example, planning and consultancy services.

The services mentioned are offered by Rai Way to different categories of customers: Broadcasters (a category that also includes local and national radio and television network operators and players, which includes Rai), telecommunication operators (mainly MNOs, or Mobile Network Operators), public administrations and private companies.

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 from 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 to exclude 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 from 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 Fixed Assets and Net Working Capital less Provisions.
- Net Financial Position or NFP: the format for the calculation of NFP is the one provided in paragraph 127 of CESR Recommendation 05-054b, which implements Regulation (EC) no. 809/2004.

Summarized economic and financial data

The following is a summary of the economic data of Rai Way at 30 June 2019 compared to the results at 30 June 2018.

To facilitate the comparison with the results from the same period of the previous year, it was considered appropriate to provide the economic data at 30 June 2018 on a pro-forma basis, as if IFRS 16 had been applied as of 1 January 2018, as this is more representative for the analysis of the Company's economic performance. Analysis carried out by the Company has led to the inclusion, in the context of the application of the standard, of the following types of contract:

- Rental of properties and land;
- Car rental.

In particular, the recognition of the effects of applying IFRS 16 on the pro-forma income statement at 30 June 2018 caused, inter alia, a €4.6 million increase in Adjusted EBITDA, a €0.2 million increase in EBIT and a €0.2 million decrease in Pre-tax profit and Net profit.

In addition, figures are also provided for the Company's Net Financial Position and Net Invested Capital at 30 June 2019 compared to equivalent figures at the close of the previous financial year, highlighting in the relative comments the relevant effects arising from the application of IFRS 16 on the balance sheet.

The changes and percentages shown in the following tables are calculated using values expressed in Euros.

(figures in millions of euro; %)	6 months 2019	6 months 2018 PF	Delta	% Change
Key income statement figures				
Core revenues	110.4	109.0	1.4	1.3%
Other revenues and income	0.1	0.0	0.0	81.1%
Other operating costs	(21.8)	(22.2)	0.5	2.1%
Personnel costs	(23.1)	(23.0)	(0.1)	(0.6%)
Adjusted EBITDA	65.6	63.8	1.8	2.8%
EBIT	46.2	43.0	3.2	7.5%
Net Profit	32.6	30.8	1.8	5.9%
Key balance sheet figures				
Capital expenditure	7.4	7.3	0.1	1.1%
of which maintenance	3.3	5.5	(2.2)	(40.0%)
Net Invested Capital (*)	199.8	213.3	(13.5)	(6.3%)
Shareholders' Equity (*)	153.2	180.8	(27.6)	(15.3%)
Net Financial Position (NFP) (*)	46.5	32.4	14.1	43.5%

Indicators				
Adjusted EBITDA / Core revenues (%)	59.4%	58.6%	0.9%	1.5%
Net Profit/Core revenues (%)	29.5%	28.2%	1.3%	4.5%
Maintenance Capex / Core revenues (%)	3.0%	5.1%	(2.1%)	(40.7%)
Cash Conversion Rate (%)	94.9%	91.3%	3.6%	4.0%
NFP / Adjusted EBITDA (%)	70.9%	50.8%	20.1%	39.6%

* the comparative figures of Net Invested Capital, Shareholders' Equity and the Net financial position are expressed pro forma at 31 December 2018.

- Core revenues amounted to €110.4 million, representing an increase of 1.3% over the pro-forma values at 30 June 2018.
- Adjusted EBITDA amounted to €65.6 million, up €1.8 million compared to the pro-forma value at 30 June 2018. The increase is due mainly to the increase of €1.4 million in core revenues and the reduction in other operating costs of €0.5 million. The Company defines this measure as EBITDA adjusted for non-recurring expenses.
- The ratio between adjusted EBITDA and core revenues was 59.4% compared to 58.6% at 30 June 2018 pro-forma.
- Operating profit (EBIT) amounted to €46.2 million, an increase of €3.2 million over 30 June 2018 pro-forma.
- Net profit was €32.6 million, up 5.9% compared to 30 June 2018 pro-forma.
- Capital expenditure of €7.4 million relates to development projects and the maintenance of network infrastructure.

- Net Invested Capital amounted to €199.8 million, with a Net Financial Position of €46.5 million and a shareholders' equity of €153.2 million.

A summary of the Company's income statement for the period ended 30 June 2019 and the period ended 30 June 2018 pro-forma is set out in the following table:

Income statement

	6 months	6 months		
(figures in millions of euro; %)	**2019**	**2018 PF**	**Delta**	**% Change**
Revenues from RAI Group	93.6	92.4	1.1	1.2%
Revenues from third parties	16.8	16.5	0.3	1.8%
Core revenues	**110.4**	**109.0**	**1.4**	**1.3%**
Other revenues and income	0.1	0.0	0.0	81.1%
Personnel costs	(23.1)	(23.0)	(0.1)	(0.6%)
Other operating costs	(21.8)	(22.2)	0.5	2.1%
Adjusted EBITDA	**65.6**	**63.8**	**1.8**	**2.8%**
EBITDA margin	*59.4%*	*58.6%*	*0.9%*	*1.5%*
Adjustments	-	(0.3)	0.3	100.0%
EBITDA	**65.6**	**63.6**	**2.0**	**3.2%**
Amortization/depreciation	(20.8)	(20.7)	(0.2)	(0.7%)
Bad debt provision	(0.1)	0.1	(0.2)	N.M.
Provisions	1.5	-	1.5	N.M.
EBIT	**46.2**	**43.0**	**3.2**	**7.5%**
Net financial expenses	(0.6)	(1.2)	0.5	45.2%
Pre-tax profit	**45.6**	**41.9**	**3.8**	**9.0%**
Taxation	(13.0)	(11.1)	(1.9)	(17.5%)
Net Profit	**32.6**	**30.8**	**1.8**	**5.9%**
NET PROFIT MARGIN	*29.5%*	*28.2%*	*1.3%*	*4.5%*

Rai Way had revenues of €110.4 million, an increase of € 1.4 million compared to the previous period (+1.3%).

The activities carried out for the RAI Group generated revenues of €93.6 million, a 1.2% increase compared to the same period of the previous year. The increase of €1.1 million was mainly due to indexing to the inflation rate. The amount for the new services requested by Rai for "evolutionary services" was down by €0.2 million, due to the presence of a significant one-off impact in June 2018 (€0.8 million), largely mitigated by the increase of recurring activities (€0.6 million).

With regard to commercial relationships with other customers, revenues from third parties were €16.8 million, a €0.3 million increase with respect to the previous period (+1.8%). The increase is due to the positive trend of revenues relating to Fixed Wireless Access Provider (FWAP), Broadcasters and Corporate customers and to transmission services, partly mitigated by the economic effects on Rai Way of the optimization actions carried out by the main MNO customers on their networks.

Other revenues and income had a balance of €0.1 million, up slightly over the same period of the previous year.

Operating costs

The item in the income statement Personnel costs – net of non-recurring costs for redundancy incentives classified under adjustments – shows a balance of €23.1 million, up by €0.1 from the same period of the previous year (€23.0 million).

Other operating costs – which include consumables, services and other costs excluding non-recurring items – amount to €21.8 million, down with respect to the previous period by €0.5 million. The increase in maintenance costs was offset by lower costs for consulting and local taxes.

Other operating costs do not include the non-recurring costs that are not included in the calculation of Adjusted EBITDA.

Adjusted EBITDA amounted to €65.6 million, an increase of €1.8 million over the figure for 30 June 2018 pro-forma, representing a margin of 59.4%.

Reconciliation of EBITDA vs. Adjusted EBITDA

(figures in millions of euro; %)	6 months 2019	6 months 2018 PF	Delta	% Change
Adjusted EBITDA	**65.6**	**63.8**	**1.8**	**2.8%**
Non-recurring costs	-	(0.3)	0.3	100.0%
EBITDA	**65.6**	**63.6**	**2.0**	**3.2%**

EBITDA amounted to €65.6 million, an increase of €2 million over the figure of €63.6 million for 30 June 2018 pro-forma. This increase was caused by the €0.3 million decline in non-recurring costs.

EBIT amounted to €46.2 million, showing an improvement of €3.2 million compared to 30 June 2018 pro-forma. The increase is due mainly to the release of provisions for €1.5 million, originated by the favourable outcome of some disputes concerning COSAP (canone occupazione suolo pubblico, or rent for occupation of public land). The item amortization/depreciation includes the impact of the application of IFRS 16, valued at €4.5 million at 30 June 2019.

With regard to financial management, a balance of €0.6 million is recorded with an improvement of €0.5 million from the previous period as a result of less interest payable to banks deriving from the early full repayment of a loan in the second half of 2018. Note that the item includes the impact deriving from the application of IFRS 16 equal to €0.3 million at 30 June 2019.

Net profit amounted to €32.6 million, with an increase of €1.8 million over the same period in 2018.

Capital expenditure

Capital expenditure amounting to €7.4 million was made in the first half of 2019 (€7.3 million in the same period of 2018), of which €4.1 million relating to the development of new initiatives and €3.3 million relating to the maintenance of the Company's network infrastructure (€5.5 million in the same period of 2018).

(figures in millions of euro; %)	2019	2018	Delta	% Change
Development Investments	**4.1**	**1.8**	**2.3**	**130.6%**
Maintenance Investments	**3.3**	**5.5**	**(2.2)**	**(40.0%)**
Total Investments (*)	**7.4**	**7.3**	**0.1**	**1.1%**

(*) The total of the investiments does not include the lease rights of use pursuant to IFRS 16 for €0.3 million against contracts renewed in the reference period.

Development investments regarded initiatives already started in 2018, particularly with regard to the transmission network and the extension of the DAB+ service, which calls for creating new posts to provide coverage along the "T" motorways (Turin – Trieste, Milan – Naples - Salerno).

The most significant maintenance expenditure concerned the radio service and was intended to improve its reliability and availability, with a view to ensuring the highest service standards.

Statement of financial position

	6 months	December		
(figures in millions of euro; %)	2019	2018PF	Delta	% Change
Fixed assets	231.0	243.2	(12.2)	(5.0%)
Net working capital	(4.0)	(1.2)	(2.8)	(235.5%)
Provisions for risks and charges	(27.3)	(28.7)	1.5	5.1%
NET INVESTED CAPITAL	**199.7**	**213.3**	**(13.5)**	**(6.3%)**
Shareholders' Equity	153.2	180.8	(27.6)	(15.3%)
Net Financial Position	46.5	32.4	14.1	43.5%
TOTAL FUNDING	**199.8**	**213.3**	**(13.5)**	**(6.3%)**

Net Invested Capital at 30 June 2019 was equal to €199.8 million, down on a pro-forma basis with respect to 31 December 2018 by €13.5 million, mainly for the decrease in property, plant and equipment. The Net Financial Position was equal to €46.5 million with a €14.1 million change with respect to 31 December 2018 due to €59.7 million dividend distribution.

Human Resources and Organization

Rai Way had a workforce of 601 people at 30 June 2019 employed on a permanent basis: 21 senior managers, 146 middle managers, 421 technicians and office staff and 13 workers. Including the 15 people employed on a fixed-term basis, the total headcount was 616 employees.

The average number of employees went from 600 in the first six months of 2018 to 612 in the same period of 2019.

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. Dealings 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 period are reported below:

- on 14 March 2019, the Board of Directors approved the 2018 draft financial statements, which closed with a profit of €59.7 million, and a proposal to distribute a dividend of €0.2196 per share.
- On 25 March 2019, Raffaele Agrusti tendered his resignation for personal reasons as Director, and thus as Chairman of the Board of Directors, such resignation to take effect at the end of the next shareholders' meeting.
- On 18 April 2019, the Shareholders Meeting of Rai Way, among other things:

  - approved the financial statements of the Company for 2018 and the distribution of a dividend as proposed by the Board of Directors;
  - approved the proposal submitted by the Board of Directors for a new authorization for the repurchase and disposal of treasury shares, after withdrawing the authorisation granted on 28 April 2018, and voted in favour of approving Section One

of the Remuneration Report prepared by the Board of Directors pursuant to Article 123-ter, paragraph 6, of Italian Legislative Decree 58/1998;

- integrated the Board of Directors with the appointment, with term until the expiration of the current Board (i.e., until the Shareholders Meeting called to approve the Financial Statements at 31 December 2019), of Mario Orfeo, non-independent Director who, also appointed as Chairman of the Board of Directors, will take over for the departing Raffaele Agrusti.

Disclosures on the main risks and uncertainties faced by the Company

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 risk analysis is presented in the Rai Way 2018 Financial Report and Financial Statements (section "Risk factors related to the Company"), published on the Company website.

Significant events after 30 June 2019

There are no significant events to report.

Business outlook

The Company envisages the following for 2019:

- a further organic growth in Adjusted EBITDA;
- maintenance investments in relation to core revenues basically in line with 2018 values.

Management and coordination

Rai Way is subject to management and coordination by RAI within the meaning of Article 2497 of the Italian Civil Code. Further details of this may be found in the Rai Way 2018 Financial Report and Financial Statements, under the section "Coordination and Control" in the Directors' Report, published on the Company website.

Rome, 29 July 2019

On behalf of the Board of Directors
The Chairman
Mario Orfeo

Financial statements

INCOME STATEMENT RAI WAY SPA (*)

(Amounts in Euro)	Note (**)	6 months at 30/06/2019	30/06/2018
Revenues	5	110,404,825	108,975,684
Other revenues and income	6	75,934	41,920
Purchase of consumables	7	(620,117)	(621,784)
Cost of services	7	(20,037,532)	(24,802,687)
Personnel costs	7	(23,093,309)	(22,952,900)
Other costs	7	(1,102,048)	(1,702,056)
Write-downs of financial assets	7	(73,873)	106,646
Amortization, depreciation and other write-downs	8	(20,829,233)	(16,263,796)
Provisions	8	1,524,220	-
Operating profit		**46,248,867**	**42,781,027**
Financial income	9	2,968	(750)
Financial expenses	9	(637,262)	(693,523)
Total financial income and expenses		**(634,294)**	**(694,273)**
Profit before income taxes		**45,614,573**	**42,086,754**
Income taxes	10	(13,020,658)	(11,146,725)
Profit for the period		**32,593,915**	**30,940,029**

STATEMENT OF COMPREHENSIVE INCOME RAI WAY SPA (*)

(Amounts in Euro)	Note (**)	6 months at 30/06/2019	30/06/2018
Profit for the period		**32,593,915**	**30,940,029**
Items that will be recognised in the income statement			
Profit/(loss) on cash flow hedges		-	16,297
Tax effect		-	(4,638)
Items that won't be recognised in the income statement			
Actuarial gains/(losses) on employee benefits		(613,966)	154,223
Tax effect		147,352	(37,014)
Total comprehensive income for the period		**32,127,301**	**31,068,897**

(*) 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 (**)	6 months at 30/06/2019	6 months at 31/12/2018
Non-current assets	11		
Property, plant and equipment		172,183,514	180,938,014
Lease rights of use		44,870,630	-
Intangible assets		12,694,169	12,895,551
Non-current financial assets		1,659	1,659
Deferred tax assets		3,152,397	3,321,454
Other non-current assets		1,255,855	1,318,238
Total non-current assets		**234,158,224**	**198,474,916**
Current assets	12		
Inventory		885,678	885,928
Trade receivables		79,264,589	71,467,219
Other current receivables and assets		5,991,654	5,833,934
Current financial assets		150,548	54,729
Cash and cash equivalents		2,306,406	17,193,515
Current tax receivables		62,196	62,196
Total current assets		**88,661,071**	**95,497,521**
Total assets		**322,819,295**	**293,972,437**
Shareholders' equity	13		
Share capital		70,176,000	70,176,000
Legal reserve		14,035,200	14,035,200
Other reserves		37,078,970	37,078,970
Retained earnings		31,927,891	59,531,790
Total shareholders' equity		**153,218,061**	**180,821,960**
Non-current liabilities	14		
Non-current financial liabilities		345,200	428,229
Non-current lease liabilities		34,726,914	-
Employee benefits		14,862,147	15,092,129
Provisions for risks and charges		15,543,187	16,958,323
Other non-current payables and liabilities		-	311,633
Deferred tax liabilities			
Total non-current liabilities		**65,477,448**	**32,790,314**
Current liabilities	15		
Trade payables		42,393,088	45,585,065
Other current payables and liabilities		44,787,202	33,939,063
Current financial liabilities		234,300	257,038
Current lease liabilities		13,695,790	-
Current tax payables		3,013,406	578,997
Total current liabilities		**104,123,786**	**80,360,163**
Total liabilities and shareholders' equity		**322,819,295**	**293,972,437**

(*) 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.

CHANGES IN NET EQUITY RAI WAY (*)

(Amounts in Euro)	Share capital	Legal reserve	Other reserves	Retained earnings	Total
At 1 January 2018	**70,176,000**	**12,160,733**	**37,045,410**	**57,007,959**	**176,390,102**
Comprehensive income for the period				30,940,029	30,940,029
Actuarial gains and losses (**)				117,209	117,209
Retained earnings/losses from first-time adoption of IFRS				(570,159)	(570,159)
Cash flow hedge reserve (***)			11,659		11,659
Allocation of profit to reserves		1,874,467		(1,874,467)	-
Distribution of dividends				(55,107,200)	(55,107,200)
At 30 June 2018	**70,176,000**	**14,035,200**	**37,057,069**	**30,513,371**	**151,781,640**
Comprehensive income for the period				28,805,534	28,805,534
Actuarial gains and losses (**)				212,885	212,885
Retained earnings/losses from first-time adoption of IFRS				-	-
Cash flow hedge reserve (***)			21,901		21,901
Allocation of profit to reserves				-	-
Distribution of dividends				-	-
At 31 December 2018	**70,176,000**	**14,035,200**	**37,078,970**	**59,531,790**	**180,821,960**
Comprehensive income for the period				32,593,915	32,593,915
Actuarial gains and losses (**)				(466,614)	(466,614)
Cash flow hedge reserve (***)			-		-
Distribution of dividends				(59,731,200)	(59,731,200)
At 30 June 2019	**70,176,000**	**14,035,200**	**37,078,970**	**31,927,891**	**153,218,061**

(*) 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 change is shown net of related tax effects.

(***) The change is shown net of related tax effects; in 2018 the change has set this Reserve to zero.

CASH FLOW STATEMENT RAI WAY (*)

(Amounts in Euro)	**30/06/2019**	**30/06/2018**
Profit before income taxes	**45,614,573**	**42,086,754**
Adjustments for:		
Amortization, depreciation and write-downs	20,903,106	16,157,150
Provisions and (releases of) personnel and other funds	(55,069)	1,536,084
Net financial (income)/expenses (**)	529,120	591,094
Other non-monetary items	-	(761,128)
Cash flow from operating activities before changes in net working capital	**66,991,730**	**59,609,954**
Change in inventory	250	4,772
Change in trade receivables	(7,871,243)	(2,268,683)
Change in trade payables	(3,191,977)	(2,924,612)
Change of other assets	(157,720)	(643,138)
Change of other liabilities	17,229	4,428,139
Use of provisions for risks	(277,865)	(707,571)
Payment of employee benefits	(2,017,778)	(2,044,446)
Change in current tax receivables and payables	249,437	-
Taxes paid	-	-
Net cash flow from operating activities	**53,742,063**	**55,454,415**
Investments in property, plant and equipment	(6,815,688)	(6,854,032)
Disposals of property, plant and equipment	80	9,120
Investments in intangible assets	(567,998)	(450,922)
Disposals of intangible assets	-	-
Change in non-current financial assets	-	36,394
Change in other non-current assets	62,383	(972,231)
Interest received		(750)
Net cash flow from investing activities	**(7,321,223)**	**(8,232,421)**
(Decrease)/increase in medium/long-term loans	(83,029)	(15,078,749)
(Decrease)/increase in current financial liabilities	(355,010)	(67,628)
Repayment of lease payables	(937,671)	
Change in current financial assets	(95,819)	(155,319)
Net interest expense for the period	(105,220)	(268,235)
Dividends distributed	(59,731,200)	(55,107,200)
Net cash flow generated by financing activities	**(61,307,949)**	**(70,677,131)**
Change in cash and cash equivalents	**(14,887,109)**	**(23,455,137)**
Cash and cash equivalents at beginning of period	17,193,515	55,895,135
Cash and cash equivalents at the end of period	**2,306,406**	**32,439,998**

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

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

Notes to the Half-yearly Financial Report at 30 June 2019

Introduction and effects deriving from the first application of IFRS 16 (Note 1)

The half-yearly financial report at 30 June 2019, consisting of a Statement of Financial Position, 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 Article 154-ter of Italian Legislative Decree 58/1998 and subsequent amendments, as well as with the Issuer Regulations issued by Consob.

The Half-yearly Financial Report at 30 June 2019 has been prepared in accordance with IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB).

The Half-yearly Financial Report at 30 June 2019 was approved on 29 July 2019 by the Board of Directors, which authorized its publication.

The structure and content of the accounting schedules in the Half-yearly Financial Report and the related compulsory schemes conform to those prepared for the annual financial statements. Where applicable, the same criteria and standards applied to the financial statements at 31 December 2018 – except for those specifically applicable to interim reports - were used to prepare this half-yearly financial report.

The new standards that took effect on 1 January 2019, in particular IFRS 16, have produced effects on some items of this Half-yearly Financial Report, as described in the following sections and anticipated in the Rai Way Financial Report and Financial Statements at 31 December 2018.

In particular, IFRS 16 requires that all lease contracts, defined as contracts that assign the right of use of an asset, identified or identifiable, for a determinate period of time in exchange of a compensation, are recognized in the financial statements of the lessee through recognition in the statement of financial position of a liability, represented by the present value of future payments – calculated using the implicit lease interest rate or the marginal financing rate of the lessee if the implicit lease interest rate is not readily available – with at the same time recognition in the income statement of the corresponding "rights of use on leases". Therefore, the lessee will recognize in the income statement the amortization of the right of use and interest accrued on the liability, in place of the operating lease fees recognized under service costs in accordance with the provisions of IAS 17 applicable until the 2018 financial year. In the cash flow statement, the payment of fees to repay the above-mentioned liability will be recognised under cash flows from financing activities; therefore, with reference to lease contracts classified as operating leases in accordance with IAS 17, the application of IFRS 16 will involve a change in the net cash flow from operating activities and the net cash flow from financing activities.

Therefore, IFRS 16 overcomes the previous distinction between operating and financial leases from the lessee's point of view. However, from the point of view of the lessors, the differentiation between operating and financial leases is retained, as well as their recognition in accordance with IAS 17.

Analysis carried out by the Company has highlighted the inclusion, in the context of the application of the standard, of the following types of contract:

- rental of properties;
- car rental.

With the first-time application of IFRS 16, the Company has chosen:

- to apply a simplified retrospective method with recognition, for leases previously classified as operating leases, of the lease debt and the corresponding value of the right of use measured on residual contractual payments at the date of transition actualised on the basis of the marginal financial rate applicable to the Company on 1 January 2019, that is, the interest rate the Company would have paid to put in place a financing operation with a similar cash profile and the same lease contract collateral guarantees in question (Incremental Borrowing Rate);
- to make use of the option granted by the standard to continue to recognise payments for short-term leases (of duration of less than 12 months) and for leases where the underlying asset is of modest value as cost;
- to make use of the option of not re-examining each outstanding contract at 1 January 2019, applying IFRS 16 only to the contracts previously identified as leases (pursuant to former IAS 17 and IFRIC 4);

- assess the recoverability of assets for right of use at 1 January 2019 on the basis of the valuation, carried out at the time of the drafting of the financial statements at 31 December 2018, with regard to the burden of lease contracts in compliance with the provisions of IAS 37;
- not to include at the transition stage leases with a residual duration of less than 12 months at 1 January 2019 under short-term leases.

To recognise the effects deriving from the application of the new standard, the statement of financial position was modified with the introduction of the following items:

- "rights of use on leases", recognised as non-current assets;
- "lease payables" recognised as current and non-current liabilities in relation to the due dates of the liabilities (respectively within and more than 12 months).

The main impacts on the Company's financial statement can therefore be summarised as follows:

- statement of financial position: increased non-current assets for the recognition of "rights of use on leases" and "lease payables" for an amount at 1 January 2019 equal to approximately €49 million;
- income statement: different nature, quantification, qualification and classification of costs (amortisation of the "rights of use on leases" under "Amortisation and other write-downs" and "lease interest payments" under "Financial expenses" compared to the previous classification of rental costs under "Services costs") with a positive impact on gross operating income. Furthermore, the combination of straight-line amortisation of the "rights of use on leases" and the method of effective interest rate applicable to lease liabilities involves greater costs recognised in the income statement in the first few years of the lease contract and decreasing costs in the last few years compared to IAS 17.

The impacts of the application of the new accounting standard on the financial position at 1 January 2019 are summarised in the table below:

RAI WAY BALANCE SHEET

Effects of the application of IFRS 16 on the opening statement of financial position at 1/1/2019

(figures in millions of euro)	31/12/2018	IFRS 16	01/01/2019
Non-current assets			
Property, plant and equipment	180.9		180.9
Lease rights of use	-	49.0	49.0
Intangible assets	12.9		12.9
Non-current financial assets	-		-
Deferred tax assets	3.3		3.3
Other non-current assets	1.3		1.3
Total non-current assets	**198.4**	**49.0**	**247.4**
Current assets			
Inventories	0.9		0.9
Trade receivables	71.5		71.5
Other current receivables and assets	5.8		5.8
Current financial assets	0.1		0.1
Cash and cash equivalents	17.2		17.2
Current tax receivables	0.1		0.1
Total current assets	**95.6**	**-**	**95.6**
Total assets	**294.0**	**49.0**	**343.0**
Shareholders' Equity			
Share capital	70.2		70.2
Legal reserve	14.0		14.0
Other reserves	37.1		37.1
Retained earnings	59.5		59.5
Total shareholders' equity	**180.8**	**-**	**180.8**
Non-current liabilities			
Non-current financial liabilities	0.4		0.4
Non-current lease liabilities	-	39.4	39.4
Employee benefits	15.1		15.1
Provisions for risks and charges	17.0		17.0
Other non-current payables and liabilities	0.3		0.3
Deferred tax liabilities	-		-
Total non-current liabilities	**32.8**	**39.4**	**72.2**
Current liabilities			
Trade payables	45.6		45.6
Other current payables and liabilities	33.9		33.9
Current financial liabilities	0.3		0.3
Current lease liabilities	-	9.6	9.6
Current tax payables	0.6		0.6
Total current liabilities	**80.4**	**9.6**	**90.0**
Total liabilities and shareholders' equity	**294.0**	**49.0**	**343.0**

(*) Drafted under the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board and adopted by the European Union

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 IAS 34, the notes are presented in summary form and do not include all of the disclosures required in the annual financial statements; they refer exclusively to components which, due to their amount, composition, or transactions, are essential for the purposes of understanding the Company's operating results, financial position, and cash flows. Therefore, this Half-yearly Financial Report must be read together with the financial statements at 31 December 2018.

This Half-yearly Financial Report presents comparative figures from the latest financial statements of Rai Way at 31 December 2018 with regard to the balance sheet, and from the latest Half-yearly Financial Report of Rai Way at 30 June 2018 with regard to the income statement.

The preparation of the Half-yearly Financial Report at 30 June 2019 required the use of estimates by the directors. The main areas in which significant evaluations and assumptions were conducted, and those with significant effects on the periodic situations presented, are reported below in the Notes at 30 June 2019. Some of the evaluation processes, especially the most complex ones, such as the impairment testing 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.

Amendments and interpretations of current standards, effective as of 1 January 2019 (note 2)

With regard to application of current accounting standards and recently issued ones, please refer to the Rai Way 2018 Financial Report and Financial Statements – Notes to the Financial Statements "Summary of Accounting Principles" – published on the Company website.

In relation to new accounting standards endorsed but not yet applicable, and those not yet endorsed by the European Union, see the information reported in the specific section of the Notes to the Financial Report and Financial Statements at 31 December 2018.

In addition to those standards, in the first half of 2019, the following accounting standards were endorsed:

- "Long Term Interests in Associates and Joint Ventures. (Amendments to IAS 28)" was ratified with Regulation n. 2019/237, issued by the European Commission on 8 February 2019. The amendments aim at clarifying that the provisions concerning impairments found in IFRS 9 "Financial instruments" apply to long-term interests in associates and joint ventures. The amendments are effective for annual periods beginning on or after 1 January 2019.
- "Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)" was ratified with Regulation n. 2019/402, issued by the European Commission on 13 March 2019. The amendments specify that when an entity recalculates its own net liabilities (assets) for defined benefit plans that are amended, reduced or regulated, it must use updated actuarial assumptions to determine the current cost of service and the net interests for the remaining part of the annual reference period. The amendments are effective for annual periods beginning on or after 1 January 2019.
- The "IFRS Annual Improvements Cycle 2015-2017" was adopted by means of Regulation no. 2019/412 issued by the European Commission on 14 March 2019. The amendments contained in this document are as follows:

- IFRS 3 "Business Combinations": an entity will remeasure the stake previously held in a joint arrangement when it obtains control of the business.
- IFRS 11 "Joint Arrangements": an entity will not remeasure the stake previously held in a joint arrangement when it obtains joint control of the business.
- IAS 12 "Income taxes": an entity must recognise the tax effects of the dividends for income tax purposes at the time when it recognises the liability related to the dividend to be paid. The entity must recognise these tax effects in the profit (loss) for the year, in the other components of comprehensive income or in shareholders' equity, depending on where the entity has originally recognised these transactions or past events.
- IAS 23: to the extent that an entity borrows funds generally and uses the funds to obtain an asset that justifies a capitalisation, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenses incurred for that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that

are outstanding during the period. The amendments are effective for annual periods beginning on or after 1 January 2019.

These amendments have had no impact on the financial statements.

Segment information (note 3)

Segment information is provided in the 2018 Financial Report and Financial Statements, to which the reader is referred, specifically in the Report on Operations (under the section "The Company's reference market"), published on the Company website.

Seasonality of the business (note 4)

There are no significant seasonal factors that affect the Company's performance.

Notes on the main changes in the Income Statement

Revenues (note 5)

	6 months	
(in thousands of Euro)	**2019**	**2018**
Revenues from RAI Group (*)	93,574	92,450
Revenues from third parties	16,831	16,526
- Fees for equipment hosting and devices	*15,156*	*15,334*
- Other	*1,675*	*1,192*
Total revenues from sales and services	**110,405**	**108,976**

(*) Revenues are shown net of marginal costs equal to €12,324 thousand (€11,241 thousand at 30/06/2018)

"Revenues" includes revenues accruing in the year from the provision of services that are part of the Company's normal business operations.

At 30 June 2019, Revenues increased by €1,429 thousand compared to the same period of 2018, increasing from €108,976 thousand at 30 June 2018 to €110,405 thousand at 30 June 2019.

"Revenues from the RAI Group" amounted to €93,574 thousand, equal to 85% of total revenues at 30 June 2019, an increase of €1,124 thousand compared to the same period of

2018. This increase mainly derives from the positive effect of inflation. There was a significant one-off impact in June 2018 (€0.8 million) of additional services required by the Parent company (evolutionary services) largely mitigated by the increase of recurring activities for new services provided to Rai.
"Revenues from third parties" mainly includes revenues from (i) tower rental services, (ii) broadcasting services, (iii) transmission services, and (iv) network services, which the Company provided to third parties other than RAI. These revenues were up by €305 thousand with respect to the same period of last year.

Other revenues and income (note 6)

"Other revenues and income" amounted to €76 thousand in the first six months of 2019, an increase of €35 thousand compared to 30 June 2018, due mainly to higher Income from insurance reimbursements for damages.

Costs (note 7)

The item "Costs of consumables and goods" is basically in line with the values from the previous year, going from €622 thousand at 30 June 2018 to €620 thousand at 30 June 2019. These costs mainly include costs for the purchase of technical materials for the warehouse, and fuels for generators and heating.
"Services costs" amounted to €20,038 thousand at 30 June 2019, showing a drop of €4,765 thousand compared to 30 June 2018, mainly driven by the effects of the application of the new accounting standard IFRS 16 as of 1 January 2019 relating to the items leasing and rental costs and intercompany service agreement costs, as described in the Introduction (note 1).
"Personnel costs" amount to €23,093 thousand, an increase of €140 thousand compared to the €22,953 thousand recorded at 30 June 2018. The average workforce of the Company went from 600 at 30 June 2018 to 612 at 30 June 2019. Capitalized personnel costs were equal to €1,604 thousand at 30 June 2019 (€1,281 thousand at 30 June 2018).
"Other costs" fell by €600 thousand from €1,702 thousand at 30 June 2018 to €1,102 thousand at 30 June 2019, mainly for lower IMU costs and TARI refunds for previous years.

The item “Write-downs of financial assets” was equal to €74 thousand at 30 June 2019. At 30 June 2018 this item had a negative balance (positive income component) equal to €107 thousand, deriving from the effects of the partial reversal of bad debt provisions.

Amortization/depreciation, Other write-downs and Provisions (note 8)

“Amortization, depreciation and other write-downs” amounted to €20,829 thousand at 30 June 2019 (€16,264 thousand at 30 June 2018). As of 1 January 2019, due to the adoption of IFRS 16, this item includes the value of amortization on rights of use on leases, totalling €4,490 thousand. The change compared to the previous period, of €4,565 thousand, was thus caused primarily by the application of the new approach for accounting for lease payments.

The item “Provisions” had a negative balance (positive income component) equal to €1,524 thousand at 30 June 2019. This amount mainly refers to the release of provisions originated by the favourable outcome of some disputes concerning COSAP (canone occupazione suolo pubblico, or rent for occupation of public land). At 30 June 2018, the value of this item was zero.

Financial income and expenses (note 9)

Financial income was equal to €3 thousand at 30 June 2019, while in the same period of the previous year the balance was negative for €1 thousand.

Financial expenses were equal to €637 thousand, down by €57 thousand with respect to the same period of the previous year (€694 thousand at 30 June 2018). The balance at 30 June 2019 includes financial expenses on lease agreements equal to €274 thousand, recognised as a result of the application of IFRS 16. Therefore, net of this item, financial expenses declined significantly due to the full repayment of the term loan in 2018.

Income tax (note 10)

The item breaks down as follows:

	6 months	
(in thousands of Euro)	**2019**	**2018**
Current taxes	12,680	12,230
Deferred taxes	316	(943)
Substitute taxes	62	-
Taxes related to previous years	(37)	(140)
Total	**13,021**	**11,147**

"Current taxes" amounted to €12,680 thousand, showing an increase on the previous period of €450 thousand, mainly driven by higher earnings before income tax.

Deferred taxes posted a positive balance of €316 thousand with an increase of €1,259 thousand compared to 30 June 2018. The lower figure was mainly driven by i) the elimination of residual taxable temporary differences in 2018 arising from mismatches between the carrying amount and taxable amount of the customer portfolio, generated by the merger surplus from the merger by acquisition of Sud Engineering, for which the Company elected to exercise the substitute tax option to settle the relative tax liability; ii) the release of provisions for risks and charges originated by the favourable outcome of some disputes concerning COSAP (canone occupazione suolo pubblico, or rent for occupation of public land).

To calculate current taxes, the new cost components (amortization of the right of use and the resulting financial expense) generated by the adoption of IFRS 16 were considered fully deductible.

Notes on principal changes in the Balance Sheet

Non-current assets (note 11)

Property, plant and equipment amounted to €172,184 thousand at 30 June 2019, a decrease of €8,754 thousand compared to 31 December 2018, mainly due to depreciation for the period, which was partially offset by capital expenditure made during the first six months of the year (€6,815 thousand).

Rights of use on leases, accounted for starting from 2019, due to the adoption of IFRS 16, amounted to €44,871 thousand.

Intangible assets amounted to €12,694 thousand, down by €201 thousand on 31 December 2018. The drop was mainly driven by amortization for the period, which was partially offset by capital expenditure (€568 thousand).

There was a deferred tax asset balance of €3,152 thousand at 30 June 2019, with a decrease of €169 thousand compared to 31 December 2018 due to lower receivables from the tax authorities for prepaid taxes.

“Other non-current assets” amount to €1,256 thousand at 30 June 2019, down by €62 thousand with respect to the previous year (€1,318 thousand). The amount refers for €341 thousand to security deposits and for €914 thousand to the recognition of substitute tax paid on the merger surplus resulting from the merger by acquisition of the company Sud Engineering, which became effective as of 22 June 2017. In this regard, the Company opted for the ordinary regime provided by Article 176, paragraph 2-ter of the Consolidated Income Tax Law, for which the substitute tax was recognized as a prepayment of current taxes.

Current assets (note 12)

Inventory amounted to €886 thousand, in line with the values at 31 December 2018.

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

Trade receivables amounted to €79,265 thousand and break down as follows:

	At 30 June	At 31 December
(in thousands of Euro)	**2019**	**2018**
Receivables from RAI	67,855	66,491
Receivable from clients and other Group companies	13,795	7,289
Bad debt provision	(2,385)	(2,313)
Total trade receivables	**79,265**	**71,467**

The increase of €7,798 thousand during the period was mainly driven by growth in receivables due to the Company from third party customers.

“Other current receivables and assets” totalled €5,992 thousand at 30 June 2019, up by €158 thousand compared to 31 December 2018.

"Current financial assets" amounted to €151 thousand at 30 June 2019, an increase of €96 thousand on the previous year, mainly due to higher financial receivables from the Parent Company.
The item "Cash and cash equivalents" was equal at 30 June 2019 to €2,306 thousand, down by €14,887 thousand with respect to 31 December 2018 (€17,194 thousand), mainly for the payment of dividends to shareholders, offset by the cash flows generated by operations.
Current income tax receivables, equal to €62 thousand at 30 June 2019, did not change compared to the previous year. The value refers to the recognition of substitute tax paid on the merger surplus, as reported above in the section on "Other non-current assets".

Shareholders' equity (note 13)

At 30 June 2019, the Company's shareholders' equity amounted to €153,218 thousand, a decrease of €27,604 thousand. The lower figure with respect to 31 December 2018 was due to the payment of dividends relating to the previous year, which was partially offset by profit realised in the first half of 2019.

Non-current liabilities (note 14)

At 30 June 2019, "Non-current financial liabilities" amount to €345 thousand, a decrease of €83 thousand compared to 31 December 2018.
"Non-current lease payables", totalling €34,727 thousand, refer to the new method for accounting for lease payments deriving from the introduction of IFRS 16 starting from 1 January 2019. At 31 December 2018, the value of this item therefore was zero.
"Employee benefits" amount to €14,862 thousand, a decrease of €230 thousand compared to 31 December 2018 (€15,092 thousand).
The item "Provisions for risks and charges", equal to €15,543 thousand, was down by €1,415 thousand with respect to 31 December 2018 (€16,958 thousand), mainly due to the reversal of provisions for legal charges.
The timing of drawdowns of provisions for risks and charges cannot be estimated with any certainty as they mainly depend on the timeframes of court proceedings and strategic and/or legislative decisions on the composition and nature of the radio and television broadcasting network, which currently cannot be foreseen.

The item "Other non-current payables and liabilities", which at 31 December 2018 was equal to €312 thousand and included the non-current portion of substitute tax to be paid on the merger surplus, as reported in the section "non-current assets", at 30 June had a zero value as there were no more instalments to be paid with a due date beyond twelve months.

Current liabilities (note 15)

Trade payables amounted to €42,393 thousand and break down as follows:

	At 30 June	At 31 December
(in thousands of Euro)	2019	2018
Trade payables	38,485	42,738
Payables to Parent Company	3,908	2,847
Total trade payables	**42,393**	**45,585**

The item "Other current payables and liabilities" was equal to €44,787 thousand at 30 June 2019, up by €10,848 thousand with respect to the values at the end of 2018. The increase was essentially due to higher payables to RAI for Group tax and VAT consolidation.

At 30 June 2019, "Current financial liabilities" amount to €234 thousand, a decrease of €23 thousand compared to 31 December 2018.

"Current lease payables", totalling €13,696 thousand, refer to the new method for accounting for lease payments deriving from the introduction of IFRS 16 starting from 1 January 2019. At 31 December 2018, this item therefore had no value.

"Current tax payables" were equal to €3,013 thousand at 30 June 2019, up by €2,434 thousand with respect to 31 December 2018 mainly as a result of the amount due to the tax authorities for IRAP accruing in the current six-month period.

Earnings per share (note 16)

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

(in thousands of Euro, unless specified otherwise)	At 30 June 2019	At 30 June 2018
Profit for the year	32,594	30,940
Average number of ordinary shares	272,000,000	272,000,000
Earnings per share	**0.12**	**0.11**

Diluted earnings per share is the same as basic earnings per share because there were no dilutive elements at the reporting date.

Net Financial Position (note 17)

The Company's net financial position, calculated in compliance with the requirements of paragraph 127 of the recommendations contained in ESMA Document No. 81 of 2011, implementing Regulation (EC) No. 809/2004, is presented below.

One of the components of Rai Way's net financial position is the loan agreement entered into 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 loan agreement provides for a €50 million revolving credit facility, which at 30 June 2019 had not been drawn down.

The loan agreement in question provides for general commitments and covenants binding on the Company, and events of default in line with market practice for loans of a similar amount and nature, but does not place limitations or restrictions on the distribution of dividends by the Company, as reported in the Notes to the Rai Way Financial Report and Financial Statements for 2018 (section "Current and non-current financial assets and liabilities"), published on the Company website.

At 30 June 2019, none of the aforementioned general commitments and covenants had been breached.

Interest is charged at the Euribor rate for the period of reference plus a spread (120 bps for the revolving facility), with a floor of zero in the case of a negative Euribor.

The statement below shows the Net Financial Position gross and net of the effects of the application of IFRS 16, to make it comparable with the values at 31 December 2018.

Net Financial Position

	(in thousands of Euro)	At 30 June 2019	At 31 December 2018
A.	Cash	10	9
B.	Bank and post office cheques and deposits	2,296	17,185
C.	Securities held for trading	-	-
D.	**Cash and cash equivalents (A) + (B) + (C)**	**2,306**	**17,194**
E.	**Current financial receivables**	**151**	**55**
F.	Current payables to banks	(150)	(90)
G.	Current portion of non-current debt	-	-
H.	Other current financial payables	(84)	(167)
I.	Current lease payables	(13,696)	-
J.	**Current financial debt (F) + (G) + (H) + (I)**	**(13,930)**	**(257)**
K.	**Net current financial debt (J) - (E) - (D)**	**(11,473)**	**16,992**
L.	Non-current payables to banks	(189)	(234)
M.	Non-current lease liabilities	(34,727)	-
N.	Other non-current payables	(156)	(195)
O.	**Non-current financial debt (L) + (M) + (N)**	**(35,072)**	**(429)**
P.	**ESMA net financial debt/Net financial position**	**(46,545)**	**16,563**
	Excluding the effects of IFRS 16-Lease liabilities:		
Q.	**ESMA net financial debt/net financial position IFRS 16 (P) - (I) - (M)**	**1,878**	**16,563**

Commitments and guarantees (note 18)

Commitments referring only to technical investments amount to €8.2 million at 30 June 2019 (€11.9 million at 31 December 2018).

At 30 June 2019, guarantees amounted to €49,658 thousand (€52,285 thousand at 31 December 2018) and mainly consisted of personal guarantees received on third-party obligations and 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 six months of 2019, 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 use 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 external legal counsels assisting the Company.

Rai Way is also party to a number of lawsuits brought by employees and former employees in relation to alleged misapplication of current labour law governing employment 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 that specialize in labour law 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 lawsuits 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. Note that 5 (out of 7) of these disputes were recently settled by the Court of Cassation in favour of the Company: this has resulted in the release of provisions for risks and charges made in the financial statements in the amounts that, in the opinion of the directors, would likely have to be paid in the case of an adverse judgement.

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, at present not 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 has recognized a site dismantling and restoration provision in the financial statements for this purpose.
If the circumstances discussed above should change in the future, with the likelihood of the Company having to incur costs that exceed the amount recognized in the site dismantling and restoration provision becoming more probable, all necessary measures will be taken to protect the Company's interests and adequately portray the changed situation in the financial statements.

Related party transactions

Details are provided below of transactions between the Company and its related parties, identified on the basis of IAS 24 "Related Party Disclosures", for the period ended 30 June 2019. The company Rai Way carries out transactions mainly of a commercial and financial nature with the following related parties:

- RAI S.p.A.;
- the Group's key management, including the members of the Company's Board of Directors ("Senior Management");
- other subsidiaries of RAI and/or companies in which the Parent Company holds an equity interest ("Other related parties").

Related party transactions are carried out on an arm's length basis.
The following table shows the balance sheet balances related to the transactions between the Company and related parties at 30 June 2019 and 31 December 2018:

(in thousands of Euro)	Parent Company	Senior Management	Other related parties	Total
Lease rights of use				
At 30 June 2019	23,758		-	23,758
At 31 December 2018				-
Non-current financial assets				
At 30 June 2019	-		-	-
At 31 December 2018				-
Current financial assets				
At 30 June 2019	131		-	131
At 31 December 2018				-
Current trade receivables				
At 30 June 2019	67,855		308	68,163
At 31 December 2018	66,491		303	66,794
Other current receivables and assets				
At 30 June 2019	2,392		-	2,392
At 31 December 2018	2,504		10	2,514
Non-current lease payables				
At 30 June 2019	18,190		-	18,190
At 31 December 2018			-	-
Current financial liabilities				
At 30 June 2019	-		-	-
At 31 December 2018	82		-	82
Current lease payables				
At 30 June 2019	5,704		-	5,704
At 31 December 2018			-	-
Trade payables				
At 30 June 2019	3,908		-	3,908
At 31 December 2018	2,847		-	2,847
Other current payables and liabilities				
At 30 June 2019	30,939	568	765	32,272
At 31 December 2018	20,549	691	1,322	22,562
Employee benefits				
At 30 June 2019	-	131	113	244
At 31 December 2018		120	113	233

The following table shows the income statement balances related to the transactions between the Company and related parties at 30 June 2019 and 30 June 2018:

(in thousands of Euro)	Parent Company	Senior Management	Other related parties	Total
Revenues (*)				
At 30 June 2019	105,267		631	105,898
At 30 June 2018	103,173		518	103,691
Other revenues and income				
At 30 June 2019	-		-	-
At 30 June 2018				-
Purchase of consumables				
At 30 June 2019	5		-	5
At 30 June 2018				-
Cost of services				
At 30 June 2019	3,640		-	3,640
At 30 June 2018	5,635		6	5,641
Personnel costs				
At 30 June 2019	13	1,397	418	1,828
At 30 June 2018	11	1,378	156	1,545
Other costs				
At 30 June 2019	4		-	4
At 30 June 2018	49		-	49
Financial income				
At 30 June 2019	-		-	-
At 30 June 2018				-
Financial expenses				
At 30 June 2019	136		-	136
At 30 June 2018				-

(*) The amount sinclude the marginal costs towards the Parent for €11,873 thousand (€10,887 thousand at 30/06/2018) and Other related parties for €451 thousand (€354 thousand at 30/06/2018)

In compliance with the provisions of IAS 24, Par. 25, Rai Way is exempted from the disclosures specified in Par. 18 (according to which the Company must indicate the nature of the related party transaction, besides providing the information on these transactions and the outstanding balances, including commitments, needed by the users of the financial statements to understand the potential effects of these transactions on the separate financial statements) in the case of relations with another entity that is a related party because the same governing entity has the control, the joint control or a significant influence both on the entity that prepares the financial statements and on the other entity.

Parent Company

Dealings with the Parent Company, RAI, at 30 June 2019 mainly consisted of: the Service Agreement renegotiated on 31 July 2014 for the provision of new integrated network services by the Company; the Rai Service Agreement (for personnel administration, general services, IT systems, administration and treasury services and the research and technological innovation centre); a lease agreement and agreement for the provision of connected services by Rai; the domestic tax consolidation arrangement; the VAT consolidation arrangement; and, lastly, an intercompany current account agreement for 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 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, 29 July 2019

On behalf of the Board of Directors

The Chairman
Mario Orfeo

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

The undersigned Aldo Mancino as Chief Executive Officer and Adalberto Pellegrino as Manager in charge of preparing the corporate documents of Rai Way S.p.A. certify the following, taking into account the provisions of article 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the business and
- the effective application of the administrative and accounting procedures for the preparation of the Half-yearly Financial Report at 30 June 2019.

The assessment of the adequacy of the administrative and accounting procedures for the preparation of the Half-yearly Report at 30 June 2019 was performed on the basis of the process defined by Rai Way S.p.A., taking as reference the criteria established in the model "Internal Controls – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also certify that:

- the Half-yearly Financial Report of Rai Way S.p.A. at 30 June 2019:
  a. has been prepared in accordance with the applicable international accounting standards adopted by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and the Council of 19 July 2002;
  b. agrees with the balances on the books of account and the accounting entries;
  c. gives a true and fair view of the financial position, results of operations and cash flows of the issuer.
- the report on operations includes a reliable analysis of the performance and results for the period as well as the issuer's position, together with a description of the main risks and uncertainties to which it is exposed.

Rome, 29 July 2019

Aldo Mancino	**Adalberto Pellegrino**
Chief Executive Officer	Manager in charge of preparing the corporate documents

RELAZIONE DI REVISIONE CONTABILE LIMITATA

RAI WAY SPA

BILANCIO SEMESTRALE ABBREVIATO AL 30 GIUGNO 2019 pwc

RELAZIONE DI REVISIONE CONTABILE LIMITATA SUL BILANCIO SEMESTRALE ABBREVIATO

Agli azionisti di
Rai Way SpA

Introduzione

Abbiamo svolto la revisione contabile limitata dell'allegato bilancio semestrale abbreviato, costituito dal conto economico, dal conto economico complessivo, dalla situazione patrimoniale-finanziaria, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario e dalle relative note illustrative di Rai Way SpA al 30 giugno 2019. Gli amministratori sono responsabili per la redazione del bilancio semestrale abbreviato in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea. E' nostra la responsabilità di esprimere una conclusione sul bilancio semestrale abbreviato sulla base della revisione contabile limitata svolta.

Portata della revisione contabile limitata

Il nostro lavoro è stato svolto secondo i criteri per la revisione contabile limitata raccomandati dalla Consob con delibera n° 10867 del 31 luglio 1997. La revisione contabile limitata del bilancio semestrale abbreviato consiste nell'effettuare colloqui, prevalentemente con il personale della società responsabile degli aspetti finanziari e contabili, analisi di bilancio ed altre procedure di revisione contabile limitata. La portata di una revisione contabile limitata è sostanzialmente inferiore rispetto a quella di una revisione contabile completa svolta in conformità ai principi di revisione internazionali (ISA Italia) e, conseguentemente, non ci consente di avere la sicurezza di essere venuti a conoscenza di tutti i fatti significativi che potrebbero essere identificati con lo svolgimento di una revisione contabile completa. Pertanto, non esprimiamo un giudizio sul bilancio semestrale abbreviato.

Conclusioni

Sulla base della revisione contabile limitata svolta, non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che il bilancio semestrale abbreviato di Rai Way SpA al 30 giugno 2019, non sia stato redatto, in tutti gli aspetti significativi, in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea.

Roma, 31 luglio 2019

PricewaterhouseCoopers SpA

Pier Luigi Vitelli
(Revisore legale)