Rai Way S.p.A.

Interim Financial Report at 30 September 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[2] (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 21 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.

[2] Rai Way has opted for the simplified system set forth in Arts. 70, paragraph 8, and 71, paragraph 1-bis, of Consob Regulation no. 11971 of 14 May 1999 as amended (Consob Issuer Regulations), and therefore does not need to meet the informational document publication obligations set forth for significant merger, spin-off, capital increase by means of the contribution of assets in kind, acquisition and disposal transactions.

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, provisions, 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 September 2019 compared to the results at 30 September 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 September 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 September 2018 caused, inter alia, a €7.1 million increase in Adjusted EBITDA, a €0.5 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 September 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.

Main Indicators

(figures in millions of euro; %)	9 months 2019	9 months 2018 PF	Delta	% Change
Key income statement figures				
Core revenues	165.7	163.3	2.5	1.5%
Other revenues and income	0.1	0.1	0.0	50.6%
Other operating costs	(32.5)	(32.7)	0.2	0.7%
Personnel costs	(32.7)	(32.9)	0.1	0.4%
Adjusted EBITDA	100.6	97.7	2.9	2.9%
EBIT	70.4	66.3	4.1	6.2%
Net Profit	49.7	47.0	2.6	5.6%

(figures in millions of euro; %)	2019	2018 PF	Delta	% Change
Key balance sheet figures				
Capital expenditure	12.7	12.3	0.4	3.5%
of which maintenance	6.9	8.7	(1.8)	(20.9%)
Net Invested Capital (*)	205.0	213.3	(8.2)	(3.9%)
Shareholders' Equity (*)	170.3	180.8	(10.5)	(5.8%)
Net Financial Position (NFP) (*)	34.7	32.4	2.3	7.1%

Indicators				
Adjusted EBITDA / Core revenues (%)	60.7%	59.8%	0.8%	1.4%
Net Profit/Core revenues (%)	30.0%	28.8%	1.2%	4.0%
Maintenance Capex / Core revenues (%)	4.1%	5.3%	(1.2%)	(22.1%)
Cash Conversion Rate (%)	93.2%	91.1%	2.1%	2.3%
NFP / Adjusted EBITDA (%)	34.5%	33.2%	1.3%	4.0%

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

- Core revenues amounted to €165.7 million, representing an increase of 1.5% over 30 September 2018 pro-forma value.
- Adjusted EBITDA amounted to €100.6 million, up €2.9 million compared to the pro-forma value at 30 September 2018. The increase is due mainly to the increase of €2.5 million in core revenues and the reduction in other operating costs of €0.2 million. The Company defines this measure as EBITDA adjusted for non-recurring expenses.
- The ratio between adjusted EBITDA and core revenues was 60.7% compared to 59.8% pro-forma at 30 September 2018.

- Operating profit (EBIT) amounted to €70.4 million, an increase of €4.1 million over 30 September 2018 pro-forma figure.
- Net profit was €49.7 million, up 5.6% compared to 30 September 2018 pro-forma.
- Capital expenditure of €12.7 million relates to the maintenance of network infrastructure and development projects.
- Net Invested Capital amounted to €205 million, with a Net Financial Position of €34.7 million and a shareholders' equity of €170.3 million.

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

Income statement

	9 months	9 months		
(figures in millions of euro; %)	**2019**	**2018 PF**	**Delta**	**% Change**
Revenues from RAI Group	140.5	138.4	2.1	1.5%
Revenues from third parties	25.2	24.8	0.4	1.6%
Core revenues	**165.7**	**163.3**	**2.5**	**1.5%**
Other revenues and income	0.1	0.1	0.0	50.6%
Personnel costs	(32.7)	(32.9)	0.1	0.4%
Other operating costs	(32.5)	(32.7)	0.2	0.7%
Adjusted EBITDA	**100.6**	**97.7**	**2.9**	**2.9%**
EBITDA margin	*60.7%*	*59.8%*	*0.8%*	*1.4%*
Adjustments	(0.1)	(0.4)	0.3	76.5%
EBITDA	**100.5**	**97.3**	**3.2**	**3.3%**
Amortization/depreciation	(31.6)	(31.1)	(0.5)	(1.7%)
Bad debt provision	(0.1)	0.1	(0.2)	N.M.
Provisions	1.6	-	1.6	N.M.
EBIT	**70.4**	**66.3**	**4.1**	**6.2%**
Net financial expenses	(1.0)	(1.7)	0.7	40.4%
Pre-tax profit	**69.4**	**64.6**	**4.8**	**7.5%**
Taxation	(19.7)	(17.5)	(2.2)	(12.4%)
Net Profit	**49.7**	**47.0**	**2.6**	**5.6%**
NET PROFIT MARGIN	*30.0%*	*28.8%*	*1.2%*	*4.0%*

Rai Way had revenues of €165.7 million, an increase of €2.5 million compared to the previous period (+1.5%).

The activities carried out for the RAI Group generated revenues of €140.5 million, an increase of 1.5% compared to the same period of the previous year. The increase of €2.1 million was mainly due to indexation to the inflation rate and the amount of new services requested by Rai for additional services ("evolutionary services"), which show growth of €0.2 million, despite the presence of a one-off impact of €1 million in September 2018.

With regard to commercial relationships with other customers, revenues from third parties were €25.2 million, a €0.4 million increase with respect to the previous period (+1.6%). The increase is mainly due to the positive trend of revenues relating to Fixed Wireless Access Provider (FWAP), Broadcasters and Corporate customers and to transmission services.

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 €32.7 million, down by €0.1 from the same period of the previous year (€32.9 million). This reduction is due to the trend of capitalized costs in relation to investment initiatives, which offset the higher costs due to the increase in the average number of personnel of the Company, which rose from an average of 599 in the first nine months of 2018 to an average of 613 in the corresponding period of 2019.

Other operating costs – which include consumables, services and other costs excluding non-recurring items – amount to €32.5 million, down with respect to the previous period by €0.2 million. The increase in maintenance and utility costs was offset by lower costs for consulting and local taxes.

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

Adjusted EBITDA amounted to €100.6 million, an increase of €2.9 million over the figure for 30 September 2018 pro-forma, representing a margin of 60.7%.

Reconciliation of EBITDA vs. Adjusted EBITDA

(figures in millions of euro; %)	9 months 2019	9 months 2018 PF	Delta	% Change
Adjusted EBITDA	**100.6**	**97.7**	**2.9**	**2.9%**
Non-recurring costs	(0.1)	(0.4)	0.3	76.5%
EBITDA	**100.5**	**97.3**	**3.2**	**3.3%**

EBITDA amounted to €100.5 million, an increase of €3.2 million over the figure of €97.3 million for 30 September 2018 pro-forma. This increase was also caused by the €0.3 million decline in non-recurring costs.

EBIT amounted to €70.4 million, showing an improvement of €4.1 million compared to the same period of the previous year, also benefitting from the release of some provisions for €1.5 million. The item amortization/depreciation includes the impact of the application of IFRS 16, valued at €7.1 million at 30 September 2019.

With regard to financial management, a balance of €1 million is recorded with an improvement of €0.7 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. The item includes the impact of the application of IFRS 16, valued at €0.5 million at 30 September 2019.

Net profit amounted to €49.7 million, with an increase of €2.6 million over the same period in 2018.

Capital expenditure

Capital expenditure amounted to €12.7 million in the first nine months of 2019 (€12.3 million in the same period of 2018), of which €6.9 million relating to the maintenance of the Company's network infrastructure (€8.7 million in the same period of 2018) and €5.8 million relating to the development of new initiatives.

Capital expenditure

(figures in millions of euro; %)	9 months 2019	9 months 2018	Delta	% Change
Maintenance Investments	**6.9**	**8.7**	**(1.8)**	**(20.9%)**
Development Investments	**5.8**	**3.6**	**2.2**	**62.8%**
Total capital expenditure	**12.7**	**12.3**	**0.4**	**3.5%**
Lease investments (IFRS 16)	**0.3**	**-**	**0.3**	**N.M.**

The most significant maintenance expenditure concerned the radio service, in order to ensure high service standards.

Development investments were related to initiatives already started in 2018 and, in particular, to the adjustment of the radio-link network to release frequencies in the 3.6 - 3.8 GHz band and the extension of the DAB+ service to cover the main sections of the motorway network.

Please note that due to the application of IFRS 16, lease investments totalling €0.3 million were recorded.

Balance sheet

(figures in millions of euro; %)	9 months 2019	December 2018PF	Delta	% Change
Fixed assets	225.6	243.2	(17.6)	(7.2%)
Net working capital	7.4	(1.2)	8.6	719.7%
Provisions for risks and charges	(27.9)	(28.7)	0.8	2.9%
NET INVESTED CAPITAL	**205.0**	**213.3**	**(8.2)**	**(3.9%)**
Shareholders' Equity	170.3	180.8	(10.5)	(5.8%)
Net Financial Position	34.7	32.4	2.3	7.1%
TOTAL FUNDING	**205.0**	**213.3**	**(8.2)**	**(3.9%)**

Net Invested Capital at 30 September 2019 was equal to €205 million, down on a pro-forma basis with respect to 31 December 2018 by €8.2 million, mainly for the decrease in property, plant and equipment. The Net Financial Position was equal to €34.7 million with a €2.3 million change with respect to 31 December 2018 due to the €59.7 million dividend distribution.

Human Resources and Organization

Rai Way had a workforce of 603 people at 30 September 2019 employed on a permanent basis: 21 senior managers, 152 middle managers, 417 technicians and office staff and 13 workers. Including the 14 people employed on a fixed-term basis, the total headcount was 617 employees.

The average number of employees in the first nine months of 2019 rises to 613 from 599 in the same period of 2018.

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 authorization 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, took 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 - Report on Operations (section "Risk factors related to the Company"), published on the Company website.

Significant events after 30 September 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 "Management and coordination" in the Report on Operations, published on the Company website.

Rome, 14 November 2019

On behalf of the Board of Directors
The Chairman
Mario Orfeo

Interim Financial Report at 30 September 2019

Financial statements

INCOME STATEMENT RAI WAY SPA (*)

(Amounts in Euro)	Note (**)	9 months at 30/09/2019	9 months at 30/09/2018
Revenues	5	165,723,392	163,261,542
Other revenues and income	6	84,904	56,373
Purchase of consumables	7	(808,163)	(569,519)
Cost of services	7	(30,084,957)	(37,321,826)
Personnel costs	7	(32,734,630)	(32,879,021)
Other costs	7	(1,710,004)	(2,362,890)
Write-downs of financial assets	7	(73,873)	92,832
Amortization, depreciation and other write-downs	8	(31,574,720)	(24,445,467)
Provisions	8	1,596,146	-
Operating profit		**70,418,095**	**65,832,024**
Financial income	9	400	7,966
Financial expenses	9	(1,025,820)	(1,035,559)
Total financial income and expenses		**(1,025,420)**	**(1,027,593)**
Profit before income taxes		**69,392,675**	**64,804,431**
Income tax	10	(19,713,311)	(17,608,918)
Profit for the period		**49,679,364**	**47,195,513**

STATEMENT OF COMPREHENSIVE INCOME RAI WAY SPA (*)

(Amounts in Euro)	Note (**)	9 months at 30/09/2019	9 months at 30/09/2018
Profit for the period		**49,679,364**	**47,195,513**
Items that will be recognised in the income statement			
Profit/(loss) on cash flow hedges		-	46,930
Tax effect		-	(13,370)
Items that won't be recognised in the income statement			
Actuarial gains/(losses) on employee benefits		(613,965)	154,223
Tax effect		147,352	(37,014)
Total comprehensive income for the period		**49,212,751**	**47,346,282**

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

BALANCE SHEET RAI WAY(*)

(Amounts in Euro)	Note *(**)*	9 months at 30/09/2019	12 months at 31/12/2018
Non-current assets	11		
Property, plant and equipment		169,512,824	180,938,014
Lease rights of use		42,305,459	-
Intangible assets		12,496,463	12,895,551
Non-current financial assets		1,659	1,659
Deferred tax assets		2,789,744	3,321,454
Other non-current assets		1,256,362	1,318,238
Total non-current assets		**228,362,511**	**198,474,916**
Current assets	12		
Inventory		885,431	885,928
Trade receivables		80,485,332	71,467,219
Other current receivables and assets		7,327,053	5,833,934
Current financial assets		207,317	54,729
Cash and cash equivalents		13,794,134	17,193,515
Current tax receivables		62,196	62,196
Total current assets		**102,761,463**	**95,497,521**
Total assets		**331,123,974**	**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		49,013,341	59,531,790
Total shareholders' equity		**170,303,511**	**180,821,960**
Non-current liabilities	14		
Non-current financial liabilities		345,101	428,229
Non-current lease liabilities		31,784,151	-
Employee benefits		14,840,674	15,092,129
Provisions for risks and charges		15,855,421	16,958,323
Other non-current payables and liabilities		-	311,633
Total non-current liabilities		**62,825,347**	**32,790,314**
Current liabilities	15		
Trade payables		45,886,617	45,585,065
Other current payables and liabilities		33,642,064	33,939,063
Current financial liabilities		184,258	257,038
Current lease liabilities		16,417,654	-
Current tax payables		1,864,523	578,997
Total current liabilities		**97,995,116**	**80,360,163**
Total liabilities and shareholders' equity		**331,123,974**	**293,972,437**

(*) Schedule prepared in accordance with the International Financial Reporting Standards issued by he 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 SHAREHOLDERS' 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				47,195,513	47,195,513
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 (***)			33,560		33,560
Allocation of profit to reserves		1,874,467		(1,874,467)	-
Distribution of dividends				(55,107,200)	(55,107,200)
At 30 September 2018	**70,176,000**	**14,035,200**	**37,078,970**	**46,768,855**	**168,059,025**
Comprehensive income for the period				12,550,050	12,550,050
Actuarial gains and losses (**)				212,885	212,885
Retained earnings/(losses) from first-time adoption of IFRS				-	-
Cash flow hedge reserve (***)			-		-
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				49,679,364	49,679,364
Actuarial gains and losses (**)				(466,613)	(466,613)
Retained earnings/(losses) from first-time adoption of IFRS					-
Cash flow hedge reserve (***)			-		-
Allocation of profit to reserves					-
Distribution of dividends				(59,731,200)	(59,731,200)
At 30 September 2019	**70,176,000**	**14,035,200**	**37,078,970**	**49,013,341**	**170,303,511**

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

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

(***) The change is shown net of the related tax effects; in 2018 the change eliminated that Reserve

CASH FLOW STATEMENT RAI WAY (*)

(Amounts in Euro)	**30/09/2019**	**30/09/2018**
Profit before income taxes	**69,392,675**	**64,804,431**
Adjustments for:		
Amortization, depreciation and write-downs	31,648,593	24,352,635
Provisions and (releases of) personnel and other funds	824,827	2,575,825
Net financial (income)/expenses (**)	867,659	872,927
Retained earnings/(losses) - Effect of first time adoption of IFRS	-	(761,128)
Cash flow from operating activities before changes in net working capital	**102,733,754**	**91,844,690**
Change in inventory	497	5,954
Change in trade receivables	(9,091,986)	(12,967,756)
Change in trade payables	301,552	111,529
Change in other assets	(1,493,119)	(968,574)
Change in other liabilities	3,618,288	6,444,366
Use of provisions for risks	(303,480)	(756,665)
Payment of employee benefits	(2,617,997)	(2,576,030)
Change in current tax receivables and payables	249,437	
Taxes paid	(22,225,080)	(19,390,457)
Net cash flow from operating activities	**71,171,866**	**61,747,057**
Investments in property, plant and equipment	(11,951,241)	(11,483,062)
Disposals of property, plant and equipment	10,696	20,040
Investments in intangible assets	(754,981)	(790,373)
Disposals of intangible assets	-	-
Change in non-current financial assets	-	52,187
Change in other non-current assets	61,876	(969,710)
Interest received		
Net cash flow from investing activities	**(12,633,650)**	**(13,170,918)**
(Decrease)/increase in medium/long-term loans	(83,128)	(60,078,748)
(Decrease)/increase in current financial liabilities	(714,488)	17,920,383
Repayments of lease liabilities	(1,158,570)	
Change in current financial assets	(152,588)	38,805
Net interest expense for the period	(97,623)	(528,419)
Dividends distributed	(59,731,200)	(55,107,200)
Net cash flow generated by financing activities	**(61,937,597)**	**(97,755,179)**
Change in cash and cash equivalents	**(3,399,381)**	**(49,179,040)**
Cash and cash equivalents at beginning of period	17,193,515	55,895,135
Cash and cash equivalents at the end of period	**13,794,134**	**6,716,095**

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

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

Notes to the Interim Financial Report at 30 September 2019

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

The Interim Financial Report at 30 September 2019, 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 issued by Consob.

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

This Interim Financial Report at 30 September 2019 was approved on 14 November 2019 by the Board of Directors, which authorized its publication.

The structure and content of the accounting statements in the Interim Financial Report at 30 September 2019 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 2018 – 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 2019, in particular IFRS 16, have produced effects on some items of this Interim 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 for a compensation, be recognized in the financial statements of the lessee through recognition in the balance sheet 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 "lease right of use". 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 payments 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 recognized 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 finance leases from the lessee's point of view. However, from the point of view of the lessors, the differentiation between operating and finance 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 discounted on the basis of the marginal financing 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);
- make use of the option granted by the standard to continue to recognize payments for short-term leases (with a duration of less than 12 months) and for leases where the underlying asset is of modest value;
- 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 right of use assets 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 include at the transition stage leases with a residual duration of less than 12 months at 1 January 2019 under short-term leases.

To recognize the effects deriving from the application of the new standard, the balance sheet was modified with the introduction of the following items:

- "lease rights of use", recognized as non-current assets;
- "lease liabilities" recognized 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 statements can therefore be summarized as follows:

- balance sheet: increased non-current assets for the recognition of "lease rights of use" and "lease liabilities" for an amount at 1 January 2019 equal to approximately €49 million;
- income statement: different nature, quantification, qualification and classification of costs (amortization of the "lease rights of use" under "Amortization, depreciation and other write-downs" and "lease interest expense" under "Financial expenses" compared to the previous classification of rental costs under "Cost of services") with a positive impact on gross operating income. Furthermore, the combination of straight-line amortization of the "lease rights of use" and the effective interest rate method applicable to lease liabilities involves greater costs recognized 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 summarized in the table below:

BALANCE SHEET RAI WAY

Effects of the application of IFRS 16 on the opening Balance sheet at 01/01/2019

(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
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			
Inventory	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
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**

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 Interim Financial Report must be read together with the financial statements at 31 December 2018.

This Interim Financial Report presents a comparison with data from the last financial statements of Rai Way at 31 December 2018 with regard to the balance sheet, and with data from the Interim Financial Report of Rai Way at 30 September 2018 with regard to the income statement.

The preparation of the Interim Financial Report at 30 September 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 September 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 nine months of 2019, the following accounting standards were endorsed:

- "Long Term Interests in Associates and Joint Ventures. (Amendments to IAS 28)" was ratified with Regulation no. 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 no. 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, curtailed or settled, it must use updated actuarial assumptions to determine the current cost of service and the net interest 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 recognize the tax effects of the dividends for income tax purposes at the time when it recognizes the liability related to the dividend to be paid. The entity must recognize 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 recognized 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 capitalization, the entity shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenses incurred for that asset. The capitalization 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)

	9 months	
(in thousands of Euro)	2019	2018
Revenues from RAI Group (*)	140,496	138,433
Revenues from third parties	25,227	24,829
- Fees for equipment hosting and devices	*22,658*	*22,965*
- Other	*2,569*	*1,864*
Total revenues from sales and services	***165,723***	***163,262***

(*) Revenues are shown net of marginal costs of €18,079 thousand (€16,950 thousand at 30/09/2018)

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

At 30 September 2019, Revenues increased by €2,461 thousand compared to the same period of 2018, increasing from €163,262 thousand at 30 September 2018 to €165,723 thousand at 30 September 2019.

"Revenues from RAI Group" amounted to €140,496 thousand, equal to 85% of total Revenues at 30 September 2019, an increase of €2,063 thousand compared to the same period of 2018. This increase mainly derives from the positive effect of inflation and additional services required by the Parent company (evolutionary services) despite the presence of a significant one-off impact of €976 thousand in 2018.

"Revenues from third parties" 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 €398 thousand with respect to the same period of last year.

Other revenues and income (note 6)

"Other revenues and income" amounted to €85 thousand in the first nine months of 2019, an increase of €29 thousand compared to 30 September 2018.

Costs (note 7)

The item "Purchase of consumables" increased from €570 thousand at 30 September 2018 to €808 thousand at 30 September 2019. These costs mainly include costs for the purchase of technical materials for the warehouse, and fuels for generators and heating.

"Cost of services" amounted to €30,085 thousand at 30 September 2019, showing a drop of €7,237 thousand compared to 30 September 2018 (€37,322 thousand), 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" amounted to €32,735 thousand, a decrease of €144 thousand compared to the €32,879 thousand recorded at 30 September 2018. The average workforce of the Company went from 599 at 30 September 2018 to 613 at 30 September 2019. Capitalized personnel costs were equal to €2,654 thousand at 30 September 2019 (€1,724 thousand at 30 September 2018).

"Other costs" fell by €653 thousand from €2,363 thousand at 30 September 2018 to €1,710 thousand at 30 September 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 September 2019. At 30 September 2018 this item had a negative balance (positive income component) equal to €93 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" amount to €31,575 thousand at 30 September 2019 (€24,445 thousand at 30 September 2018). As of 1 January 2019, due to the adoption of IFRS 16, this item includes the value of amortization on lease rights of use, totalling €7,055 thousand. The change compared to the previous period, of €7,130 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 €1,596 thousand at 30 September 2019. This amount mainly refers to the release of provisions originated by the definitive outcome in favour of the Company of some disputes concerning COSAP (canone occupazione suolo pubblico, or rent for occupation of public land). At 30 September 2018, the value of this item was zero.

Financial income and expenses (note 9)

"Financial income" was equal to €0 thousand at 30 September 2019, while in the same period of the previous year the balance was €8 thousand.

"Financial expenses" were equal to €1,026 thousand, down by €10 thousand with respect to the same period of the previous year (€1,036 thousand at 30 September 2018). The balance at 30 September 2019 includes financial expenses on lease agreements equal to €473 thousand, recognized 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:

	9 months	
(in thousands of Euro)	**2019**	**2018**
Current taxes	19,010	18,460
Deferred taxes	679	(708)
Substitute taxes	62	
Taxes related to previous years	(38)	(143)
Total	**19,713**	**17,609**

"Current taxes" amounted to €19,010 thousand, showing an increase on the previous period of €550 thousand, mainly driven by higher profit before income taxes.

Deferred taxes posted a balance of €679 thousand with an increase of €1,387 thousand compared to 30 September 2018. The higher 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 deficit 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) and iii) the use of the voluntary retirement incentive provision.

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 the main changes in the Balance Sheet

Non-current assets (note 11)

Property, plant and equipment amounted to €169,513 thousand at 30 September 2019, a decrease of €11,425 thousand compared to 31 December 2018, mainly due to depreciation for the period, which was partially offset by capital expenditure made during the first nine months of the year (€11,951 thousand).

Lease rights of use, accounted for starting from 2019, due to the adoption of IFRS 16, amounted to €42,305 thousand.

Intangible assets amounted to €12,496 thousand, down by €399 thousand on 31 December 2018. The drop was mainly driven by amortization for the period, which was partially offset by capital expenditure (€755 thousand).

There was a deferred tax asset balance of €2,790 thousand at 30 September 2019, with a decrease of €532 thousand compared to 31 December 2018 mainly due to lower receivables from the tax authorities for prepaid taxes.

"Other non-current assets" amounted to €1,256 thousand at 30 September 2019, down by €62 thousand with respect to the previous year (€1,318 thousand). The amount refers for €342 thousand to security deposits and for €914 thousand to the substitute tax paid on the merger deficit 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 €885 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 €80,486 thousand and break down as follows:

	At 30 September	At 31 December
(in thousands of Euro)	**2019**	**2018**
Receivables from RAI	69,818	66,491
Receivables from customers and other Group companies	13,052	7,289
Bad debt provision	(2,385)	(2,313)
Total trade receivables	**80,485**	**71,467**

The increase in receivables of €9,018 thousand compared to the previous year was mainly driven by growth in receivables due to the Company from third party customers.
"Other current receivables and assets" totalled €7,327 thousand at 30 September 2019, up by €1,493 thousand compared to 31 December 2018.
"Current financial assets" amounted to €207 thousand at 30 September 2019, an increase of €153 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 September 2019 to €13,794 thousand, down by €3,400 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 September 2019, did not change compared to the previous year. The value refers to the recognition of substitute tax paid on the merger deficit, as reported above in the section on "Other non-current assets".

Shareholders' equity (note 13)

At 30 September 2019, the Company's shareholders' equity amounted to €170,304 thousand, a decrease of €10,518 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 realized in the first nine months of 2019.

Non-current liabilities (note 14)

At 30 September 2019, "Non-current financial liabilities" amounted to €345 thousand, a decrease of €83 thousand compared to 31 December 2018.
"Non-current lease liabilities", totalling €31,784 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" amounted to €14,841 thousand, a decrease of €251 thousand compared to 31 December 2018 (€15,092 thousand).
The item "Provisions for risks and charges", equal to €15,855 thousand, was down by €1,103 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 deficit, as reported in the section "Non-current assets", at 30 September 2019 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 €45,887 thousand and break down as follows:

	At 30 September	At 31 December
(in thousands of Euro)	**2019**	**2018**
Trade payables	41,206	42,738
Payables to Parent Company	4,681	2,847
Total trade payables	**45,887**	**45,585**

The item "Other current payables and liabilities" was equal to €33,642 thousand at 30 September 2019, down by €297 thousand with respect to the values at the end of 2018.

At 30 September 2019, "Current financial liabilities" amounted to €184 thousand, a decrease of €73 thousand compared to 31 December 2018.

"Current lease liabilities", totalling €16,418 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 €1,865 thousand at 30 September 2019, up by €1,286 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 year.

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 September 2019	At 30 September 2018
Profit for the year	49,679	47,196
Average number of ordinary shares	272,000,000	272,000,000
Earnings per share (basic and diluted) in Euro	**0.18**	**0.17**

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 has been extended to 30 September 2020 and provides for a €25 million revolving credit facility, equal to half of the amount of the original agreement, and which at 30 September 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 September 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 September 2019	At 31 December 2018
A.	Cash	10	9
B.	Bank and post office cheques and deposits	13,784	17,185
C.	Securities held for trading	-	-
D.	**Cash and cash equivalents (A) + (B) + (C)**	**13,794**	**17,194**
E.	**Current financial receivables**	**207**	**55**
F.	Current payables to banks	(100)	(90)
G.	Current portion of non-current debt	-	-
H.	Other current financial payables	(84)	(167)
I.	Current lease liabilities	(16,418)	-
J.	**Current financial debt (F) + (G) + (H) + (I)**	**(16,602)**	**(257)**
K.	**Net current financial debt (J) - (E) - (D)**	**(2,601)**	**16,992**
L.	Non-current payables to banks	(189)	(234)
M.	Non-current lease liabilities	(31,784)	-
N.	Other non-current payables	(156)	(195)
O.	**Non-current financial debt (L) + (M) + (N)**	**(32,129)**	**(429)**
P.	**ESMA net financial debt/Net financial position**	**(34,730)**	**16,563**
	Excluding the effects of IFRS 16-Lease liabilities:		
Q.	**ESMA net financial debt/Net financial position net of IFRS 16 (P) - (I) - (M)**	**13,472**	**16,563**

Commitments and guarantees (note 18)

Commitments, referring only to technical investments, amounted to €14.9 million at 30 September 2019 (€11.9 million at 31 December 2018).

At 30 September 2019, guarantees amounted to €52,110 thousand (€52,285 thousand at 31 December 2018) 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 three 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 the 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[3]

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 September 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").

[3] 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.

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 September 2019 and 31 December 2018:

(in thousands of Euro)	Parent Company	Senior Management	Other related parties	Total
Lease rights of use				
At 30 September 2019	23,758		-	23,758
At 31 December 2018				-
Non-current financial assets				
At 30 September 2019	-		-	-
At 31 December 2018				-
Current financial assets				
At 30 September 2019	206		-	206
At 31 December 2018				-
Current trade receivables				
At 30 September 2019	69,818		311	70,129
At 31 December 2018	66,491		303	66,794
Other current receivables and assets				
At 30 September 2019	2,444		-	2,444
At 31 December 2018	2,504		10	2,514
Non-current lease liabilities				
At 30 September 2019	6,502		-	6,502
At 31 December 2018			-	-
Current financial liabilities				
At 30 September 2019	-		-	-
At 31 December 2018	82		-	82
Current lease liabilities				
At 30 September 2019	17,457		-	17,457
At 31 December 2018			-	-
Trade payables				
At 30 September 2019	4,681		-	4,681
At 31 December 2018	2,847		-	2,847
Other current payables and liabilities				
At 30 September 2019	16,161	440	1,000	17,601
At 31 December 2018	20,549	691	1,322	22,562
Employee benefits				
At 30 September 2019	-		113	113
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 September 2019 and 30 September 2018:

(in thousands of Euro)	Parent Company	Senior Management	Other related parties	Total
Revenues (*)				
At 30 September 2019	157,625		951	158,576
At 30 September 2018	154,574		809	155,383
Other revenues and income				
At 30 September 2019	3		-	3
At 30 September 2018				-
Purchase of consumables				
At 30 September 2019	5		-	5
At 30 September 2018				-
Cost of services				
At 30 September 2019	5,409		-	5,409
At 30 September 2018	8,345		9	8,354
Personnel costs				
At 30 September 2019	16		579	595
At 30 September 2018	15		585	600
Other costs				
At 30 September 2019	6	1,747	-	1,753
At 30 September 2018	84	1,726	-	1,810
Financial income				
At 30 September 2019	-		-	-
At 30 September 2018				-
Financial expenses				
At 30 September 2019	200		-	200
At 30 September 2018				-

(*) The amounts include the marginal costs towards the Parent Company for €17,403 thousand (€16,391 thousand at 30/09/2018) and towards Other related parties for €676 thousand (€559 at 30/09/2018)

Parent Company

Dealings with the Parent Company, RAI, at 30 September 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, 14 November 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 manager responsible for drafting the corporate accounting documents of Rai Way S.p.A., Adalberto Pellegrino, declares, pursuant to article 154-bis, paragraph 2 of the Consolidated Finance Act, that the accounting information contained in this interim financial report at 30 September 2019 corresponds to the supporting documentation, accounting books, and records.

Rome, 14 November 2019

Adalberto Pellegrino
Manager responsible for drafting
the corporate accounting documents