Rai Way S.p.A.

Interim Financial Report at 31 March 2019

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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 signals 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 economic data of Rai Way at 31 March 2019 compared to the results at 31 March 2018.
To facilitate the comparison with the results from the same period of the previous year, it was considered appropriate to provide changes with respect to the economic data as at 31 March 2018 on a pro-forma basis, simulating the application of the aforementioned accounting principle from 1 January 2018, as it is considered more representative for the analysis of the Company's 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 representation in the accounts of the effects of applying IFRS 16 on the pro-forma income statement at 31 March 2018 caused, inter alia, a €2.4 million increase in Adjusted EBITDA, a €0.2 million increase in EBIT and a €0.1 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 31 March 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; %)	3 months 2019	3 months 2018 PF	Delta	% Change
Key income statement figures				
Core revenues	55.0	54.0	1.0	1.8%
Other revenues and income	0.1	0.0	0.0	249.3%
Other operating costs	(10.3)	(10.4)	0.1	0.8%
Personnel costs	(11.9)	(11.7)	(0.3)	(2.4%)
Adjusted EBITDA	32.9	32.0	0.8	2.6%
EBIT	22.5	21.6	0.9	4.1%
Net Profit	15.7	14.8	0.8	5.7%

(figures in millions of euro; %)	3 months 2019	3 months 2018	Delta	% Change
Key balance sheet figures				
Capital expenditure	2.6	0.8	1.8	223.0%
of which maintenance	0.9	0.6	0.3	48.1%
Net Invested Capital	207.4	164.3	43.1	26.3%
Shareholders' Equity	196.5	180.8	15.7	8.7%
Net Financial Position (NFP)	10.9	(16.6)	27.4	165.7%
Indicators				
Adjusted EBITDA/Core Revenue (%)	59.7%	59.3%	0.4%	0.8%
Net Profit/Core Revenue (%)	28.5%	27.5%	1.1%	3.8%
Maintenance Capex/Core Revenue (%)	1.6%	1.1%	1%	45.4%
Cash Conversion Rate (%)	97.3%	97.5%	(0.2%)	(0.2%)
NFP/Adjusted EBITDA (%)	33.2%	(51.7%)	84.8%	164.0%

- Core revenues amounted to €55.0 million, representing an increase of 1.8% over 31 March 2018.
- Adjusted EBITDA amounted to €32.9 million, up €0.8 million compared to the pro-forma value at 31 March 2018. The increase is due mainly to higher core revenues for €1.0 million in, partially offset by €0.3 million in higher personnel costs. The Company defines this measure as EBITDA adjusted for non-recurring expenses.
- The ratio between core revenues and adjusted EBITDA was 59.7% compared to 59.3% at 31 March 2018 pro-forma.
- Operating profit (EBIT) amounted to €22.5 million, an increase of €0.9 million over 31 March 2018 pro-forma.

- Net profit was €15.7 million, up 5.7% compared to 31 March 2018 pro-forma.
- Capex of €2.6 million relates to the maintenance of network infrastructure and development projects.
- Net Invested Capital amounted to €207.4 million, with a Net Financial Position of €10.9 million and a shareholders' equity of €196.5 million.

A summary of the Company's income statement for the period ended 31 March 2019 and the period ended 31 March 2018 pro-forma is set out in the following table:

Income statement

	3 months	**3 months**		
(figures in millions of euro; %)	**2019**	**2018 PF**	**Delta**	**% Change**
Revenues from RAI	46.7	45.7	1.0	2.3%
Revenues from third parties	8.3	8.4	(0.1)	(0.8%)
Core revenues	**55.0**	**54.0**	**1.0**	**1.8%**
Other revenues and income	0.1	0.0	0.0	249.3%
Personnel costs	(11.9)	(11.7)	(0.3)	(2.4%)
Other operating costs	(10.3)	(10.4)	0.1	0.8%
Adjusted EBITDA	**32.9**	**32.0**	**0.8**	**2.6%**
EBITDA margin	*59.7%*	*59.3%*	*0.4%*	*0.8%*
Adjustments	-	(0.3)	0.3	100.0%
EBITDA	**32.9**	**31.8**	**1.1**	**3.4%**
Amortization/depreciation	(10.4)	(10.3)	(0.1)	(0.8%)
Bad debt provision	0.0	0.1	(0.1)	(94.2%)
Provisions	-	-	-	N.M.
EBIT	**22.5**	**21.6**	**0.9**	**4.1%**
Net financial expenses	(0.4)	(0.6)	0.2	36.1%
Pre-tax profit	**22.1**	**21.0**	**1.1**	**5.2%**
Taxation	(6.4)	(6.2)	(0.2)	(4.%)
Net Profit	**15.7**	**14.8**	**0.8**	**5.7%**
NET PROFIT MARGIN	*28.5%*	*27.5%*	*1.1%*	*3.8%*

Rai Way had revenues of €55.0 million, an increase of €1.0 million compared to the previous period (+1.8%).

The activities carried out for the RAI Group generated revenues of €46.7 million, an increase of 2.3% compared to the same period of the previous year. The increase of €1.0 million was due to new services requested by the customer for additional services ("evolutionary services"), which show growth of €0.4 million, and current services due to indexing to the inflation rate, which rose by €0.6 million. With regard to commercial relationships with other customers, revenues from third parties were €8.3 million, a decrease of €0.1 million compared with the previous period (-0.8%). This reduction was caused by Tower Rental services, primarily due to the economic effects on Rai Way of the optimization actions carried out by the main MNO customers on their networks, mitigated by the positive trend of revenues relating to Fixed Wireless Access Provider (FWAP), Broadcaster and Corporate customers.

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

Operating costs

Personnel costs – net of non-recurring costs for redundancy incentives classified under adjustments – shows a balance of €11.9 million, up by €0.3 from the same period of the previous year (€11.7 million). This value is determined mainly by changes in the average number of personnel of the Company, which rose by 18 in the period in question, from 598 in the first three months of 2018 to an average of 616 in the corresponding period of 2019.

Other operating costs – which include consumables, services and other costs excluding non-recurring items – amount to €10.3 million, in line with the previous period. The increase in maintenance costs of €0.2 million 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 €32.9 million, an increase of €0.8 million over the figure at 31 March 2018 pro-forma, representing a margin of 59.7%.

Reconciliation of EBITDA vs. Adjusted EBITDA

(figures in millions of euro; %)	3 months 2019	3 months 2018 PF	Delta	% Change
Adjusted EBITDA	**32.9**	**32.0**	**0.8**	**2.6%**
Non-current costs	-	(0.3)	0.3	100.0%
EBITDA	**32.9**	**31.8**	**1.1**	**3.4%**

EBITDA amounted to €32.9 million, an increase of €1.1 million over the figure of €31.8 million at 31 March 2018 pro-forma. This increase was caused by the €0.3 million decline in non-recurring costs.

EBIT amounted to €22.5 million, showing an improvement of €0.9 million compared to the same period of the previous year. The item amortization/depreciation includes the impact of the application of IFRS 16, valued at €2.2 million at 31 March 2019.

With regard to financial management, a balance of €0.4 million is recorded with an improvement of €0.2 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 €0.2 million at 31 March 2019. Net profit amounted to €15.7 million, showing an increase of €0.8 million over 2018.

Investments

Capital expenditure amounting to €2.6 million was made in the first quarter of 2019 (€0.8 million in the same period of 2018), of which €0.9 million relating to the maintenance of the Company's network infrastructure (€0.6 million in the same period of 2018) and €1.7 million to the development of new initiatives.

(figures in millions of euro; %)	3 months 2019	3 months 2018	Delta	% Change
Maintenance Investments	**0.9**	**0.6**	**0.3**	**48.1%**
Development Investments	**1.7**	**0.2**	**1.5**	**741.0%**
Total Investments	**2.6**	**0.8**	**1.8**	**223.0%**

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.

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 along motorway sites.

Statement of financial position

(figures in millions of euro; %)	3 months 2019	December 2018	Delta	% Change
Fixed assets	235.7	194.2	41.5	21.4%
Net working capital	0.4	(1.2)	1.6	130.8%
Provisions for risks and charges	(28.7)	(28.7)	0.1	0.2%
NET INVESTED CAPITAL	**207.4**	**164.3**	**43.1**	**26.3%**
Shareholders' Equity	196.5	180.8	15.7	8.7%
Net Financial Position	10.9	(16.6)	27.4	165.7%
TOTAL FUNDING	**207.4**	**164.3**	**43.1**	**26.3%**

At 31 March 2019, Net Invested Capital came to €207.4 million, marking an increase of €43.1 million compared to 31 December 2018, primarily as a result of the increase in property, plant and equipment due to the application of IFRS 16, which had an impact of roughly €49 million. The Company had a negative Net Financial Position of €10.9 million, marking a change of €27 million from 31 December 2018, as a result of the recognition of financial

liabilities deriving from the application of IFRS 16 for roughly €49 million, which offset the positive generation of cash by operating activities, totalling around €22 million.

Human Resources and Organization

Rai Way had a workforce of 607 people at 31 March 2019 employed on a permanent basis: 21 senior managers, 153 middle managers, 419 technicians and office staff and 14 workers. Including the 14 people employed on a fixed-term basis, the total headcount was 621 employees.

The average number of employees in the first three months of 2019 rises to 616 from 598 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, 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.

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.

Events subsequent to 31 March 2019

- 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, will take over for the departing Raffaele Agrusti.

Business outlook

The Company envisages the following for 2019:

- a further organic growth in Adjusted EBITDA;
- Maintenance capex on core revenues ratio substantially in line with 2018 figure.

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, 14 May 2019

On behalf of the Board of Directors
The Chairman

Interim Financial Report at 31 March 2019

Financial statements

INCOME STATEMENT OF RAI WAY SpA (*)

(Amounts in Euro)	Notes (**)	3 months at 31/03/2019	31/03/2018
Revenues	5	55,020,428	54,042,286
Other revenues and income	6	64,664	18,511
Purchase of consumables	7	(277,990)	(274,197)
Cost of services	7	(9,484,847)	(11,910,954)
Personnel costs	7	(11,944,113)	(11,665,566)
Other costs	7	(514,984)	(784,210)
Impairment of financial assets	7	7,089	121,646
Amortization, depreciation and other write-downs	8	(10,408,795)	(8,123,200)
Provisions		-	-
Operating profit		**22,461,452**	**21,424,316**
Financial income	9	(5,100)	14,336
Financial expenses	9	(374,011)	(376,238)
Total financial income and expenses		**(379,111)**	**(361,902)**
Profit before income taxes		**22,082,341**	**21,062,414**
Income taxes	10	(6,397,556)	(6,174,857)
Profit for the period		**15,684,785**	**14,887,557**

Statement of Comprehensive Income of Rai Way SpA (*)

(Amounts in Euro)	Notes (**)	3 months at 31/03/2019	31/03/2018
Profit for the period		**15,684,785**	**14,887,557**
Items that will be recognised in the income statement			
Profit/(loss) on cash flow hedge instruments		-	18,284
Tax effect		-	(5,210)
Items that won't be recognised in the income statement			
Actuarial gains/(losses) on employee benefits		-	-
Tax effect		-	-
Total comprehensive income for the period		**15,684,785**	**14,900,631**

(*) 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.

STATEMENT OF FINANCIAL POSITION OF RAI WAY(*)

(Amounts in Euro)	Notes *(**)*	3 months at 31/03/2019	12 months at 31/12/2018
Non-current assets	11		
Property, plant and equipment		175,740,336	180,938,014
Lease rights of use		47,052,502	-
Intangible assets		12,554,515	12,895,551
Non-current financial assets		1,658	1,659
Deferred tax assets		3,423,898	3,321,454
Other non-current assets		1,318,251	1,318,238
Total non-current assets		**240,091,160**	**198,474,916**
Current assets	12		
Inventory		885,677	885,928
Trade receivables		86,129,255	71,467,219
Other current receivables and assets		5,351,618	5,833,934
Current financial assets		113,824	54,729
Cash and cash equivalents		37,201,532	17,193,515
Current tax receivables		62,196	62,196
Total current assets		**129,744,102**	**95,497,521**
Total assets		**369,835,262**	**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		75,216,575	59,531,790
Total shareholders' equity		**196,506,745**	**180,821,960**
Non-current liabilities	14		
Non-current financial liabilities		428,229	428,229
Non-current lease liabilities		38,766,210	-
Employee benefits		15,087,878	15,092,129
Provisions for risks and charges		17,005,470	16,958,323
Other non-current payables and liabilities		311,633	311,633
Total non-current liabilites		**71,599,420**	**32,790,314**
Current liabilities	15		
Trade payables		45,510,784	45,585,065
Other current payables and liabilities		45,572,222	33,939,063
Current financial liabilities		227,801	257,038
Current lease liabilities		8,774,293	
Current tax payables		1,643,997	578,997
Total current liabilities		**101,729,097**	**80,360,163**
Total liabilities and shareholders' equity		**369,835,262**	**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.

STATEMENT OF 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				14,887,557	14,887,557
Actuarial gains and losses (**)					-
Retained earnings/losses from first-time adoption of IFRS				(570,159)	(570,159)
Cash flow hedge reserve (***)			13,074		13,074
Allocation of profit to reserves					-
Distribution of dividends					-
At 31 March 2018	**70,176,000**	**12,160,733**	**37,058,484**	**71,325,357**	**190,720,574**
Comprehensive income for the period				44,858,006	44,858,006
Actuarial gains and losses (**)				330,094	330,094
Retained earnings/losses from first-time adoption of IFRS				-	-
Cash flow hedge reserve (***)			20,486		20,486
Allocation of profit to reserves		1,874,467		(1,874,467)	-
Distribution of dividends				(55,107,200)	(55,107,200)
At 31 December 2018	**70,176,000**	**14,035,200**	**37,078,970**	**59,531,790**	**180,821,960**
Comprehensive income for the period				15,684,785	15,684,785
Actuarial gains and losses (**)					-
Retained earnings/losses from first-time adoption of IFRS					-
Cash flow hedge reserve (***)			-		-
Allocation of profit to reserves					-
Distribution of dividends					-
At 31 March 2019	**70,176,000**	**14,035,200**	**37,078,970**	**75,216,575**	**196,506,745**

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

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

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

CASH FLOW STATEMENT OF RAI WAY (*)

(Amounts in Euro)	**31/03/2019**	**31/03/2018**
Profit before income taxes	**22,082,341**	**21,062,414**
Adjustments for:		
Amortization, depreciation and write-downs	10,401,706	8,001,554
Provisions and (releases of) personnel and other funds	600,345	551,904
Net financial (income)/expenses (**)	326,524	310,312
Retained (earnings) losses - Effect of first-time adoption of IFRS	-	(761,128)
Cash flow from operating activities before changes in net working capital	**33,410,916**	**29,165,056**
Change in inventory	251	2,904
Change in trade receivables	(14,654,947)	(831,741)
Change in trade payables	(74,281)	(3,000,325)
Change in other assets	482,316	(1,373,664)
Change in other liabilities	6,198,159	7,244,061
Use of provisions for risks	(5,440)	(38,560)
Payment of employee benefits	(597,139)	(491,006)
Change in current tax receivables and payables	-	-
Taxes paid	-	-
Net cash flow from operating activities	**24,759,835**	**30,676,725**
Investments in property, plant and equipment	(2,585,232)	(764,316)
Disposals of property, plant and equipment	80	29,215
Investments in intangible assets	(43,654)	(49,590)
Disposals of intangible assets	-	(29,071)
Change in non-current financial assets	1	20,772
Change in other non-current assets	(13)	3,616
Net cash flow from investing activities	**(2,628,818)**	**(789,374)**
(Decrease)/increase in medium/long-term loans	-	(15,000,000)
(Decrease)/increase in current financial liabilities	(288,026)	(207,893)
(Decrease)/increase in financial liabilities IFRS 16	(1,753,274)	-
Change in current financial assets	(59,095)	(199,028)
Net interest expense for the period	(22,605)	(233,904)
Dividends distributed	-	-
Net cash flow generated by financing activities	**(2,123,000)**	**(15,640,825)**
Change in cash and cash equivalents	**20,008,017**	**14,246,526**
Cash and cash equivalents at beginning of period	17,193,515	55,895,135
Cash and cash equivalents at the end of period	**37,201,532**	**70,141,661**

(*) 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 Interim Financial Report at 31 March 2019

Introduction (note 1)

The interim financial report at 31 March 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 31 March 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 31 March 2019 was approved on 14 May 2019 by the Board of Directors, which authorized its publication.

The structure and content of the accounting statements in the interim financial report and the related compulsory schedules conform to those prepared for the annual financial statements. Where applicable, the same criteria and standards applied to the financial statements at 31 December 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, had significant 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 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 easy to be determined – 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 fees recognized under costs for services 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, investing activities and financing activities.

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 31 March 2018 with regard to the income statement.

The preparation of the interim financial report at 31 March 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 31 March 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 – Note "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 in the Financial Report and Financial Statements at 31 December 2018.

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 principal changes in the Income Statement

Revenues (note 5)

	3 months	
(in thousands di Euro)	**2019**	**2018**
Revenues from RAI Group (*)	46,732	45,690
Revenues from third parties	8,288	8,353
- Fees for equipment hosting and devices	*7,464*	*7,695*
- Other	*824*	*658*
Total revenues from sales and services	**55,020**	**54,043**

(*) Revenues are shown net of marginal costs of €6,640 thousand (€5,658 thousand at 31/03/2018)

“Revenues” includes revenues accruing in the year from the provision of services that are part of the Company’s normal business operations.
At 31 March 2019, revenues increased by €977 thousand compared to the same period of 2018, increasing from €54,043 thousand at 31 March 2018 to €55,020 thousand at 31 March 2019.
“Revenues from the RAI Group” amounted to €46,732 thousand, equal to 85% of total revenues at 31 March 2019, an increase of €1,042 thousand compared to the same period of 2018. This increase derived mainly from the new services requested by the customer for additional services (known as “evolutionary services”) and the positive effect of inflation.
“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 down by €65 thousand year-on-year, primarily due to lower tower rental services.

Other revenues and income (note 6)

“Other revenues and income” amounted to €65 thousand in the first three months of 2019, an increase of €46 thousand compared to 31 March 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, from €274 thousand at 31 March 2018 to €278 thousand at 31 March 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 €9,485 thousand at 31 March 2019, showing a drop of €2,426 thousand compared to 31 March 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" in the income statement amount to €11,944 thousand, an increase of €278 thousand compared to 31 March 2018 (€11,666 thousand), essentially due to the rise in average Company headcount from 598 at 31 March 2018 to 616 on average at 31 March 2019.

Capitalized personnel costs amount to €580 thousand at 31 March 2019 (€319 thousand at 31 March 2018).

"Other costs" fell by €269 thousand, from €784 thousand at 31 March 2018 to €515 thousand at 31 March 2019. The drop was driven by lower costs for IMU taxes and lower indirect taxes.

"Write-downs of financial assets" posted a negative balance (positive income component) of €7 thousand at 31 March 2019, driven by the reversal of bad debt provisions. At 31 March 2018, this item had a negative balance of €122 thousand.

Amortization, depreciation and other write-downs (note 8)

"Amortization, Depreciation, and other Write-downs" amount to €10,409 thousand at 31 March 2019 (€8,123 thousand at 31 March 2018). As of 1 January 2019, due to the adoption of IFRS 16, this item includes the value of amortization on rights of use for leases, totalling €2,241 thousand. The change compared to the previous period, of €2,286 thousand, was thus caused primarily by the application of the new approach for accounting for lease payments.

Financial income and expenses (note 9)

"Financial income" posted a negative balance (negative income component) of €5 thousand, showing a drop of €19 thousand compared to 31 March 2018 due to fluctuations in exchange rates.

"Financial expenses" posted a balance of €374 thousand, in line with the same period of last year (€376 thousand at 31 March 2018), mainly driven by financial expense on lease agreements of €203 thousand, calculated following the application of IFRS 16. Therefore, net of this item, financial expense declined significantly due to the full repayment of the term loan in 2018.

Income tax (note 10)

The item breaks down as follows.

	3 months	
(in thousands of Euro)	**2019**	**2018**
Current taxes	6,500	6,240
Deferred taxes	(102)	(65)
Taxes related to previous years	-	-
Total	**6,398**	**6,175**

"Income tax" amounted to €6,398 thousand, showing an increase on the previous period of €223 thousand, mainly driven by higher earnings before income tax. 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 €175,740 thousand at 31 March 2019, a decrease of €5,198 thousand compared to 31 December 2018, mainly due to depreciation for the period, which was partially offset by capital expenditure made during the first three months of the year (€2,585 thousand).

Rights of use on leases, accounted for starting from 2019, due to the adoption of IFRS 16, amounted to €47,053 thousand.

Intangible assets amounted to €12,554 thousand, down by €341 thousand on 31 December 2018. The drop was mainly driven by amortization for the period, which was partially offset by capital expenditure (of €44 thousand).

There was a deferred tax asset balance of €3,424 thousand at 31 March 2019, with an increase of €102 thousand compared to 31 December 2018 due to the increase in receivables from the tax authorities for prepaid taxes.

"Other non-current assets" amount to €1,318 thousand at 31 March 2019, in line with the previous year. The amount relates 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 March 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 €86,129 thousand and break down as follows.

(in thousands of Euro)	**At 31 March 2019**	**At 31 December 2018**
Receivables from Rai	66,341	66,491
Trade receivables	22,093	7,289
Bad debt provision	(2,305)	(2,313)
Total trade receivables	**86,129**	**71,467**

The increase of €14,662 thousand during the period was driven by growth in receivables due to the Company from third party customers.

"Other current receivables and assets" totalled €5,352 thousand at 31 March 2019, down by €482 thousand compared to 31 December 2018, mainly due to lower prepaid expenses relating to lease payments following the adoption of the new IFRS 16.

At 31 March 2019, "Current financial assets" amount to €114 thousand, an increase of €59 thousand from the prior year principally related to the increase in financial receivables with the Parent Company.
At 31 March 2019, "Cash and cash equivalents" amount to €37,202 thousand, an increase of €20,008 thousand compared to 31 December 2018 (€17,194 thousand) due to the generation of cash in the first quarter.
Current income tax receivables, equal to €62 thousand at 31 March 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 31 March 2019, the Company's shareholders' equity amounted to €196,507 thousand, an increase of €15,685 thousand due to the profit for the period.

Non-current liabilities (note 14)

At 31 March 2019, "Non-current financial liabilities" amount to €428 thousand, in line with the values at 31 December 2018.
"Non-current lease payables", totalling €38,766 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.
"Employee benefits" amount to €15,088 thousand, a decrease of €4 thousand compared to 31 December 2018.
"Provisions for risks and charges" totalled €17,005 thousand, up by €47 thousand compared to 31 December 2018 (€16,958 thousand), mainly due to higher provisions for 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.

"Other non-current payables and liabilities" totalled €312 thousand and included the non-current portion of substitute tax to be paid on the merger surplus, as reported in the section on "Non-current assets". There were no changes in this item compared to the previous year.

Current liabilities (note 15)

Trade payables amounted to €45,511 thousand and break down as follows.

(in thousands of Euro)	At 31 March 2019	At 31 December 2018
Trade payables	40,961	42,738
Payables to Parent Company	4,550	2,847
Total trade payables	**45,511**	**45,585**

At 31 March 2019, "Other current payables and liabilities" amount to €45,572 thousand, an increase of €11,633 thousand compared to the end of 2018. The increase was essentially due to higher deferred income and higher payables to RAI for Group tax and VAT consolidation.

At 31 March 2019, "Current financial liabilities" amount to €228 thousand, a decrease of €29 thousand compared to 31 December 2018.

"Current lease payables", totalling €8,774 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.

At 31 March 2019, "Current tax payables" amount to €1,644 thousand, an increase of €1,065 thousand compared to 31 December 2018 as a result of the amount due to the tax authorities for IRAP accruing in the current quarter.

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 31 March 2019	At 31 March 2018
Profit for the year	15,685	14,888
Average number of ordinary shares	272,000,000	272,000,000
Earnings per share (basic and diluted) in Euro	**0.06**	**0.05**

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 main 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 31 March 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 31 March 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 31 March 2019	At 31 December 2018
A.	Cash	10	9
B.	Bank and post office cheques and deposits	37,191	17,185
C.	Securities held for trading		
D.	**Cash and cash equivalents (A) + (B) + (C)**	**37,201**	**17,194**
E.	**Current financial receivables**	**114**	**55**
F.	Current payables to banks	(143)	(90)
G.	Current portion of non-current debt	-	-
H.	Other current financial payables	(85)	(167)
I.	Current lease liabilities	(8,774)	-
J.	**Current financial debt (F) + (G) + (H) + (I)**	**(9,002)**	**(257)**
K.	**Net current financial debt (J) - (E) - (D)**	**28,313**	**16,992**
L.	Non-current payables to banks	(234)	(234)
M.	Non-current lease liabilities	(38,766)	-
N.	Other non-current payables	(194)	(195)
O.	**Non-current financial debt (L) + (M) + (N)**	**(39,194)**	**(429)**
P.	**ESMA Net financial debt/Net financial position**	**(10,881)**	**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)**	**36,659**	**16,563**

Commitments and guarantees (note 18)

Commitments referring only to technical investments amount to €7.3 million at 31 March 2019 (€11.9 million at 31 December 2018).

At 31 March 2019, guarantees amount to €48,234 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 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 law suits 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 law suits of a civil nature relating to the way in which the fee due for the occupation of public space by the Company's owned installations is calculated.

Although it is arguing its case in the applicable courts, assisted in this by the support of specialized law firms, the Company has recognized the amounts that management considers it probable that it will be required to pay should it lose the cases as provisions for risks and charges in the financial statements, also taking into account the professional opinions formulated by these firms concerning the expected outcome of the pending disputes.

In order to provide additional information on the matters discussed above, the Company Rai Way uses the hosting services of third parties in its standard operations to position its installations on land, buildings or structures of other parties. Since these hosting services are generally formalized through contracts or similar legal instruments (for example: transfers of surface rights, concessions of public spaces, etc.), the Company may have to incur costs for the removal of network infrastructures in the event that the contractual relationships with the third party hosts are not renewed or expire. A number of specific disputes are currently in progress on this matter, which could lead to the determination of these costs, 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 31 March 2019. The company Rai Way carries out transactions mainly of a commercial and financial nature with the following related parties:

- RAI;
- 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.

Reported below is the breakdown of balance sheet balances held with related parties at 31 March 2019 and 31 December 2018:

Transactions with Related Parties (Balance Sheet)

(in thousands of Euro)	Parent Company	Senior manageme nt	Other related parties	Other
Lease rights of use				
At 31 March 2019	22,808		-	22,808
At 31 December 2018				-
Non-current financial assets				
At 31 March 2019	-		-	-
At 31 December 2018				-
Current financial assets				
At 31 March 2019	77		-	77
At 31 December 2018				-
Current trade receivables				
At 31 March 2019	66,341		308	66,649
At 31 December 2018	66,491		303	66,794
Other current receivables and assets				
At 31 March 2019	2,372		-	2,372
At 31 December 2018	2,504		10	2,514
Non-current lease liabilities				
At 31 March 2019	19,121		-	19,121
At 31 December 2018			-	-
Current financial liabilities				
At 31 March 2019	-		-	-
At 31 December 2018	82		-	82
Current lease liabilities				
At 31 March 2019	4,706		-	4,706
At 31 December 2018			-	-
Trade payables				
At 31 March 2019	4,550		-	4,550
At 31 December 2018	2,847		-	2,847
Other current payables and liabilities				
At 31 March 2019	25,913	278	301	26,492
At 31 December 2018	20,549	691	1,322	22,562
Employee benefits				
At 31 March 2019	-		113	113
At 31 December 2018		120	113	233

Reported below is the breakdown of income statement balances held with related parties at 31 March 2019 and 31 March 2018:

Transactions with Related Parties (Income Statement)

(in thousands of Euro)	Parent Company	Senior management	Other related parties	Total
Revenues (*)				
At 31 March 2019	53,056		315	53,371
At 31 March 2018	51,089		259	51,348
Other revenues and income				
At 31 March 2019	-		-	-
At 31 March 2018				-
Purchase of consumables				
At 31 March 2019	5		-	5
At 31 March 2018				-
Cost of services				
At 31 March 2019	1,806		-	1,806
At 31 March 2018	2,783		3	2,786
Personnel costs				
At 31 March 2019	3	399	217	619
At 31 March 2018	1	396	144	541
Other costs				
At 31 March 2019	2		-	2
At 31 March 2018	14		-	14
Financial income				
At 31 March 2019	69		-	69
At 31 March 2018				-
Financial expenses				
At 31 March 2019	-		-	-
At 31 March 2018				-

(*) Amounts are shown including marginal costs towards the Parent Company of €6,414 thousand (€5,482 thousand at 31/03/2018) and towards Other related parties for €225 thousand (€177 thousand at 31/03/2018)

Parent Company

Dealings with the Parent Company, RAI, at 31 March 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 May 2019

On behalf of the Board of Directors
The Chairman

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 31 March 2019 corresponds to the supporting documentation, accounting books, and records.

Rome, 14 May 2019

Adalberto Pellegrino
Manager responsible for drafting
the corporate accounting documents