Rai Way

Annual Report 2015

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Company name, share capital and registered office

Company name:	Rai Way S.p.A.
Share capital:	€70,176,000 fully paid
Registered office:	Via Teulada 66, 00195 Rome
Tax and VAT code:	05820021003
Corporate website:	www.raiway.it

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

Corporate bodies and committees

CORPORATE BODIES AND COMMITTEES [1]

Board of Directors

Chairman
Camillo Rossotto

Managing Director
Stefano Ciccotti

Directors
Joyce Victoria Bigio
Fabio Colasanti
Alberto De Nigro
Anna Gatti
Nicola Claudio

Secretary to the Board
Giorgio Cogliati

Control and Risks Committee

Joyce Victoria Bigio (Chairman)
Fabio Colasanti
Alberto De Nigro

Board of Statutory Auditors

Chairman
Maria Giovanna Basile

Standing Auditors
Giovanni Galoppi
Massimo Porfiri

Substitute Auditors
Roberto Munno
Nicoletta Mazzitelli

External Auditors
PricewaterhouseCoopers S.p.A.

Remuneration and Appointments Committee
Anna Gatti (Chairman)
Joyce Victoria Bigio
Fabio Colasanti

1 In office at the effective date of this report.
Information concerning the powers assigned within the Board of Directors and the Company's system of corporate governance may be found in the Report on Corporate Governance and Ownership Structures which may be consulted on the Company's website (www.raiway.it).

Letter to Shareholders

Dear Shareholders,

At the time it took place we welcomed the listing process as a profound strategic and operational discontinuity for the Company.
And today we are able to say that 2015 has been a year of confirmation for Rai Way.
A confirmation of being able to manage change, of knowing how to open up to the market and – even more importantly – of knowing how to work within it, affirming the infrastructural, technological and innovation leadership developed within the RAI Group to the outside world.
A complicated challenge, a genetic mutation that has required us to combine our value as civil servants dedicating attention to the customer RAI with our new role as an independent Company, suitable structured and highly focused.
Commercial commitment, organizational readiness and strategic clarity are the ingredients that have enabled us to keep the promises we made to our new shareholders on listing, together with economic and financial results that mirror our strong orientation to growth in an economic situation that is only gradually beginning to recover.
Activity on the commercial front was especially intense.
Our main customer, RAI, has long been undergoing a transformation process that has led to the emergence of new demands and different priorities. I am speaking here of multi-channel distribution, digitalization, content and image quality. Our role, therefore, cannot simply be restricted to ensuring that we discharge our public service obligations. Rai Way must act as the technical driver for innovation, also enhancing the exclusivity on new services contained in the Service Agreement. In 2015 agreements were finalized for providing new services worth over €10 million in terms of capital expenditure. Among these the LTE broadband technology broadcasting service launched as part of the EXPO fair acts as a confirmation of excellence for Rai Way.
The year also saw the start of negotiations with several TV, radio and telecommunications operators and the renewal of the fourth and last long-term hosting agreement with mobile telephone operators; fundamental steps for the stability and future growth of our work with third party customers.

From an operating standpoint, several initiatives were introduced that are designed to improve the productivity of our resources: from energy to spaces, from equipment to personnel.
On the management front the organizational changes continue in line with our competitive positioning and approach to the enhancement of human capital. Industrial relations were strengthened, with these being directed towards the development of a participation model, and change management initiatives were introduced together with those involving development and training.
In addition, Rai Way's new Business Plan was approved and presented in September containing details of scenarios, guidelines and objectives through 2019. A Plan which apart from its numerical aspects following the listing represents a strong signal of long-term strategic vision and commitment towards the financial markets.
In 2015 Rai Way posted revenues of € 212.3 million, a rise of 2.4% over the previous year on a pro-forma basis[2]. In addition to the effect of the step-up in the fixed fee provided by the New Service Agreement, revenues also include the first contribution arriving from the innovative services for RAI and the consolidation of activities for third party customers despite the fact that the benefit from the inflation-indexing adjustment, typical of our agreements, is still negligible.
Adjusted EBITDA of € 109.4 million, which rose by 4.1% over pro-forma 2014, and profit for the year of € 38.9 million, representing an increase of 16.0% on a pro-forma basis, benefited from operating leverage and the effect of steps taken to improve efficiency.
Capital expenditure on the one hand highlights the effort being made to rationalize maintenance capital, at the same time preserving the quality of the infrastructure and the level of service provided, and on the other the contribution of development activities, which represent the driver of future growth.
The net financial position, with a fall to 0.38 in the ratio with adjusted EBITDA, confirms the high level of cash generation and reinforces the flexibility available for remunerating shareholders and taking advantage of future market opportunities.
We set out by saying that 2015 was the year of confirmation. A confirmation that is looking two different ways: the promises we made in the past and our commitment for the future of Rai Way.

On behalf of the Board of Directors
The Chairman
Camillo Rossotto

2 Further information on the pro-forma figures can be found in the section "Summarized economic and financial data".

Annual financial statements for the year ended 31 December 2015; Report on Operations of the Board of Directors; Report of the Board of Statutory Auditors and Report of the Independent Auditors. Relative resolutions.

Shareholders,

The Annual Financial Report at 31 December 2015 containing the Company's draft annual financial statements for the year ended 31 December 2015 together with the Report on Operations of the Board of Directors and the attestation pursuant to article 154-bis, paragraph 5 of Legislative Decree no. 58 of 24 February 1998 will be made available to the public by the means (including publication on the company's website www.raiway.it under the section Corporate Governance/ Ordinary Shareholders' Meeting of 28 April 2016) and within the time periods laid down by law. The same holds for the Report of the Board of Directors and the Report of the Independent Auditors.

Remitting to those documents we invite you to approve the annual financial statements for the year ended 31 December 2015 (which close with a profit for the year of € 38.942.336,11), proposing the following resolution:

"The Shareholders' Meeting of Rai Way S.p.A.

having examined the Report on Operations of the Board of Directors;

acknowledging the Report of the Board of Statutory Auditors and the Report of the External Auditors PricewaterhouseCoopers S.p.A.;

having examined the draft annual financial statements for the year ended 31 December 2015 prepared by the Board of Directors, which close with profit for the year of € 38.942.336,11;

resolves

to approve the annual financial statements for the year ended 31 December 2015."

Rome, 21 March 2016

On behalf of the Board of Directors
The Chairman
Camillo Rossotto

Proposal for allocation of profit for the year and the partial distribution of retained earnings. Relative resolutions.

Shareholders,

Taking into account the net profit for the year of € 38,942,336.11, as stated in the financial statements for the year ended 31 December 2015, and the other items included in those financial statements, we propose to you the following:

to allocate € 1,947,117.00 of the 2015 net profit to the legal reserve and distribute the remainder of € 36,995,219.11 to shareholders as a dividend;
to allocate a further amount of € 1,955,180.89 for distribution to shareholders, to be taken from the retained earnings reserve (which would then be left with a remaining balance of € 2,986,709.16); as the result of the provisions of article 47 of the Consolidated Income Tax Act and article 1 of the Ministerial Decree of 2 April 2008, this amount shall be considered to be taken entirely from the part of the reserve created with profits earned through the year ended 31 December 2007;
as a consequence, and on the basis of the total amount of € 38,950,400.00 to be distributed to shareholders, to pay a total gross dividend of € 0.1432 to each of the outstanding ordinary shares to be put into payment from 25 May 2016, with entitlement to payment, pursuant to article 83-terdecies of Legislative Decree no. 58/1998 and article 2.6.6, paragraph 2 of the Rules of the Markets organized and managed by Borsa Italiana S.p.A., on 24 May 2016 (the record date) and after detaching coupon no. 2 on 23 May 2016 (the ex-dividend date).

By virtue of the above, we therefore propose that you adopt the following resolution:

" Having examined the illustrative report of the Board of Directors, the Shareholders' Meeting of Rai Way S.p.A.

resolves

1. to allocate € 1,947,117.00 of the 2015 net profit to the legal reserve and distribute the remainder of € 36,995,219.11 to shareholders as a dividend;
2. to allocate a further amount of € 1,955,180.89 for distribution to shareholders, to be taken from the retained earnings reserve;
3 as a consequence, to pay a total gross dividend of € 0.1432 to each of the outstanding ordinary shares to be put into payment from 25 May 2016, with

entitlement to payment, pursuant to article 83-terdecies of Legislative Decree no. 58/1998 and article 2.6.6, paragraph 2 of the Rules of the Markets organized and managed by Borsa Italiana S.p.A., on 24 May 2016 (the record date) and after detaching coupon no. 2 on 23 May 2016 (the ex-dividend date)."

Rome, 21 March 2016

On behalf of the Board of Directors
The Chairman
Camillo Rossotto

Rai Way's Activities

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

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

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

The services that the Company provides can be divided into the following four types of activity:

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

(ii) Transmission services for the transmission of radio and television signals via the connecting network (radio links, satellite systems, fibre optic) and in particular the one-way transport (a) between fixed sites of video/audio/data via analog or digital circuits and (b) of the radiofrequency signal from the satellite within a geographical area of a suitable size, and connected services;

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

(iv) Network Services, which consist of a vast range of heterogeneous services which the Company is able to provide in relation to electronic and telecommunications networks in general (by way of mere example planning, construction, installation, maintenance and management activities as well as consultancy, monitoring and radio protection services).

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

Summarized economic and financial data

The following section provides summarized information on Rai Way's results of operations, financial position and key ratios for the year ended 31 December 2015 and a comparison with the pro-forma figures for the year ended 31 December 2014. The Company's net financial position and invested capital at 31 December 2015 are also provided together with comparative figures for the end of the previous year.

For a better understanding of the figures it should initially be noted that on 31 July 2014, with effect from 1 July 2014, the Parent Company Rai and Rai Way signed new active and passive service agreements that had significant accounting effects, making it difficult to compare the income statement for the year ended 31 December 2014 with that for the year ended 31 December 2015.

The new active service agreement for the transmission and broadcasting services rendered by Rai Way to Rai differs from the previous agreement as the result of a number of conditions which from an accounting standpoint, meaning that of IAS 17, require the agreement to be classified as an operating lease and no longer as a finance lease (as under the previous agreement). As a consequence, without altering the legal ownership of the network which was and continues to be retained by the Company, significant changes were made to the way in which the contractual relationship is accounted for in the statement of financial position and the income statement.

For this reason the income statement for the year ended 31 December 2014 is provided on a pro-forma basis, presenting the figures for that year as if the agreement had been effective from 1 January 2014 as these are more representative for analyzing the Company's economic performance.

The following section provides summarized information on Rai Way's results of operations, financial position and cash flows.

Key income statement data, balance sheet data and ratios are provided in the following to enable a more detailed analysis to be performed of profitability and capital solidity.

KEY INCOME STATEMENT DATA

(In euro milion; %)	2015	2014 PF	Var. %
		12 months	
Core revenues	212.3	207.4	2.4%
Adjusted EBITDA [1]	109.4	105.1	4.1%
EBITDA [2]	107.8	104.6	3.1%
Operating profit (EBIT)	61.9	54.2	14.2%
Profit before taxation	58.9	52.1	13.1%
Profit for the year	38.9	33.6	16.0%
KEY BALANCE SHEET DATA			
Capital expenditure 3	30.1	21.0	43.3%
Maintenance capex	18.1	21.0	-14.0%
Invested capital [4]	200.9	219.3	-8.4%
Net equity	159.3	153.8	3.6%
Net financial position - Rai Way [5]	41.6	65.5	-36.5%
KEY RATIOS			
Adjusted EBITDA / Core revenues	51.5%	50.7%	
EBITDA / Core revenues	50.8%	50.4%	
EBIT / Core revenues	29.1%	26.1%	
Net income / Core revenues	18,3%	16,2%	
Earnings per share [6]	0.143	0.123	
Net financial position / adjusted EBITDA	0.38x	0.62x	
Cash Conversion [7]	83.5%	80.0%	

[1] The Company defines Adjusted EBITDA as EBITDA before non recurring items.
[2] The Company defines EBITDA as net profit for the year adjusted for the following items: (i) Income taxes, (ii) Financial expenses, (iii) Financial income, (iv) Charges to risk provisions, (v) Amortization and depreciation and (vi) Write-downs for bad and doubtful debts
[3] Capital expenditure consists of investments in property, plant and equipment and intangible assets and finance lease funding which represents the investments made in the network until 30 June 2014
[4] Invested capital consists of net equity and the Rai Way net financial position.
[5] The Rai Way net financial position does not include the current financial assets relating to the finance lease with RAI.
[6] A figure of 272 million shares was used to calculate the indicators for both 2015 and 2014
[7] Cash conversion defined as (adjusted EBITDA - maintenance capex) on EBITDA adjusted

- Core revenues amounted to € 212.3 million, representing an increase of 2.4% over the pro-forma figure at 31 December 2014.
- Adjusted EBITDA came to € 109.4 million, € 4.3 million higher than the pro-forma figure at 31 December 2014 mainly due to the effect of increased revenues from RAI and lower operating costs. The Company defines this indicator as EBIDTA adjusted for non-recurring expenses.
- The ratio between adjusted EBITDA and core revenues was 51.5% compared to the pro-forma figure of 50.7% at 31 December 2014.
- Operating profit (EBIT) amounted to € 61.9 million, € 7.7 million higher than the pro-forma figure at 31 December 2014.
- Profit for the year was € 38.9 million, an increase of 16.0% over pro-forma 31 December 2014.
- Capital expenditure of € 30.1 million related to the maintenance of network infrastructure and development projects.
- Invested capital amounted to € 200.9 million, with a net financial position of € 41.6 million and shareholders' equity of € 159.3 million.

Report on 2015 operations

General indications and the overall performance of the economy

The performance of the global economy in 2015 proved weak. Despite contributing 70% to global growth of 3%, the emerging countries slowed down for the fifth consecutive year, while the recovery in economic activity in the advanced countries was still modest[3].

The United States (whose GDP rose by 2.4% in 2015) benefited mostly from a recovery in domestic consumption, the labor market and the real estate market and from an expansionary monetary policy, albeit displaying a gradual slowdown in the second half of the year that was led by weakness in exports (reduced demand from the emerging countries and the strengthening of the dollar) and domestic investments.

Expansion in the eurozone continued at a moderate rate. The recovery in consumption and, even if to a lesser extent, investments (supported by the decrease in raw materials prices and an expansionary monetary policy respectively) was partially offset by the weak foreign demand.

While growing at a rate essentially in line with expectations (with GDP rising by 6.9% in 2015), the Chinese economy rebalanced its spending from investments (with a negative effect on its demand from abroad) to consumption.

Oil prices progressively fell, mainly due to expectations of production exceeding demand, causing a marked reduction in the demand arriving from exporting countries and a reduction in extraction investment.

Expansionary monetary policies continued, with the ECB keeping the cost of money at the historical minimum of 0.05% and priority being given to tackling the risk of deflation by way of increased support of credit flow to the real economy. In the United States, the Fed increased interest rates by a quarter of a point in December 2015 for the first time in seven years.

The performance of inflation remained well below the targets of the advanced economies, penalized by trends in raw materials prices (first and foremost oil) and by weak international demand.

For 2016 prospects remain exposed to risks principally connected with a further deterioration in the growth of the emerging countries, the rebalancing of the Chinese economy and the extent and timing of interest rates in the United States.

The overall macroeconomic balance for Italy in 2015 was slightly positive (with an

3 World Economic Outlook Update; 19 January 2016; International Monetary Fund.

estimated rise of 0.8%[4] in GDP for the year). The thrust of domestic demand for consumption, supported by an improvement in labor market conditions and disposable income, offset the weakening of exports caused by the fall in demand arriving from non-European countries.
Inflation remained around the zero mark for the whole of 2015 (with an average of +0.1%). The considerable fall in energy prices had its effect on weak price changes, but this was also accompanied by a continuation of margins of under-capacity in industry that are contributing to keeping basic price changes at minimum levels.
There was an improvement in labor market conditions. The unemployment rate in Italy fell to 11.4% in December 2015 compared to 12.9% at the end of 2014[5].
The performance of loans granted by the banking system in 2015 was positive, above all for lending to households and the public administration. Figures for business loans are still negative but rose during the last few months of the year.
Although the gradual improvement in economic activity is having favorable repercussions on credit quality, the banking system's non-performing loans continue to act as a brake on the economy.
Forecasts say that the recovery should continue in 2016. The slump in oil prices and the present phase of low inflation will continue to push domestic consumption, partially offsetting the low production rates of businesses and the slowdown in exports.

The Company's reference market

Rai Way is a leading operator in the Italian radio and television transmission infrastructure market. The main television transmission platforms in the television broadcasting market are as follows:
DTT (Digital Terrestrial Television, free and pay television),
DTH (satellite),
IPTV (internet),
cable TV.

4 PA GDP and debt; ISTAT; 1 March 2016
5 Economic Bulletin 1 / 2016; Bank of Italy

Compared to the other countries of Western Europe, Italy is characterized by having a widespread diffusion of the DTT platform, far more than the others. In the other countries, the reduced extent of the use of the DTT platform is due to a broader and more competitive presence of satellite platforms (e.g. in the United Kingdom and Germany), cable (e.g. Germany) and IPTV (France). The solid positioning of DTT in the Italian broadcasting scenario is further supported by the absence of cable TV (at a European level operators capable of providing television services via cable usually represent the strongest competitors on the market, as regards both television and broadband) and the still undeveloped penetration of IPTV, whose poor diffusion is among other things due to the limited presence of fast broadband networks capable of supporting the relative services.
Regarding the Italian radio market, programs are transmitted in both analog and digital format (DAB - Digital Audio Broadcasting) and no expiry dates have been set for a switch-off of the analog signal, in line with many other European countries.
As a consequence of the features of its network, Rai Way is able to provide its customers with tower rental services. In this respect Rai Way operates in the telecommunications towers sector which has two independent operators (INWIT and Cellnex) and the captive portfolios owned by Vodafone and 3 Italia.

Rai Way on the financial markets

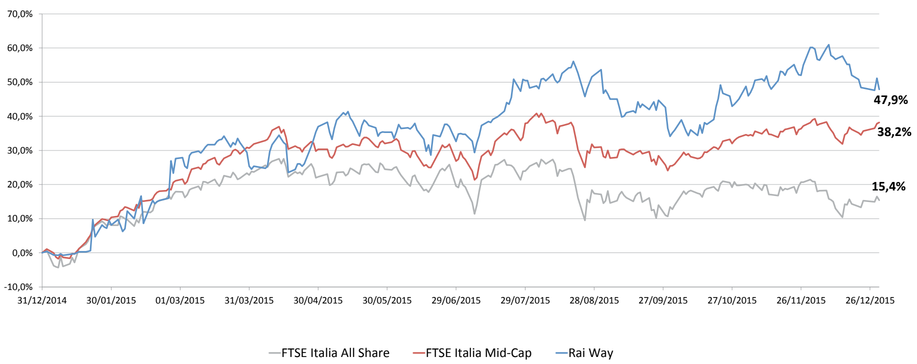
The Italian share market (FTSE Italia All-share) rose by 15.4% in 2015. The positive trend in the first half of the year (and in particular during the first few months with a peak increase of 27.5% posted on 13 April 2015) led by the gradual recovery in economic activity and employment was followed by a second half characterized by a high level of volatility due to factors such as negotiations over the Greek debt, the slowdown in the emerging countries and the fall in share prices in China, lower than expected growth in the eurozone and the slump in oil prices. Factors which were only partially offset by the expansionary monetary policies implemented by the ECB.
There was general growth at an industry level, with the sole exceptions of Raw Materials and Oil and Natural Gas. Health, Construction and Materials and Commerce were among the best performers.
The spread between the yields of BTPs and Bunds ended the year at 96 basis points, representing a fall from the figure of 134 basis points at the end of 2014.

The following table sets out key market figures:

Key market figures

General data	ISIN	IT0005054967
	Number of shares	272,000,000
	Floating capital	34.93%
Price (Eur; %)	Price on placement (19/11/2014)	2.95
	Price at 31/12/2014	3.19
	Price at 31/12/2015	4.718
	Performance at 31/12/2015 vs. placement	+59.9%
	Performance at 31/12/2015 vs. 31/12/2014	+47.9%
	2015 maximum price (closing)	5.135
	2015 minimum price (closing)	3.166
Volume ('000)	2015 average volume	404.7
	2015 maximum volume	17,098.8
	2015 minimum volume	34.6
Market capitalization (Mln Eur)	Capitalization on placement (19/11/2014)	802.4
	Capitalization at 31/12/2014	867.7
	Capitalization at 31/12/2015	1,283.3

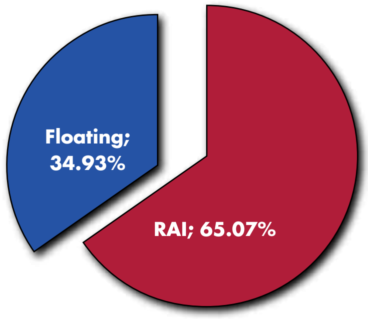
Rai Way's shares, which have been listed on the Borsa Italiana Electronic Stock Market since 19 November 2014 following completion of the Global Offering, performed positively in 2015, with a price rise of 47.9% compared to an increase of 15.4% in the FTSE Italia All Share index and 38.2% in the FTSE Italia Mid-cap index. Rai Way's market capitalization was € 1,283.3 million at the end of 2015.



Shareholding structure

The percentage of Rai Way's share capital held by Rai Radiotelevisione italiana S.p.A. and the market remained unchanged during 2015.

In terms of floating capital, there is a significant interest of 5.184% of the Company's share capital on the basis of the most recent communication made pursuant to article 120 of Legislative Decree no. 58/59 and announced on 8 June 2015.



Trading performance

The most important initiatives taken in 2015, in accordance with the service agreement, concerned the negotiation and supply of the first additional services for RAI, the renewal of the hosting and service supply contract with the fourth and last radiomobile operator and the launch of the testing phase for LTE B2B broadband services.

The service agreement between RAI and Rai Way additionally provides for and governs the possibility for the parties to negotiate the provision of further services should Rai have any additional requirements in the future, meaning services designed to develop new electronic communications and telecommunications networks or new transmission technologies and standards.

Notable among the services of greatest importance in terms of technological innovation and product innovation was the setting up of coverage for the EXPO 2015 display area with LTE wireless broadband technology for the production requirements of the customer, which thanks to this service was also able to shoot HD footage in mobility; at the 2015 world swimming championships in Kazan and the 2015 world athletics championships in Beijing, Rai Way also set up all the HD connection services for the televised contribution, using optic fiber networks and specialized in loco technical support, thereby ensuring the utmost level of reliability.

Rai Way continued to promote a commercial line with radiomobile operators with the aim of encouraging the development of new generation networks and consolidating the Company's relationship with individual operators. In particular, this line contemplates the application of incentive tariff criteria in favor of the development of

the infrastructure and telecommunications networks at the sites available to Rai Way, including for the commitment made by operators not to dispose of a number of specific stations identified in the agreement (something that enables the Company to guarantee a portion of its turnover for the same period). In particular, following this commercial approach, in the latter part of 2015 Rai Way renewed the outstanding agreement with the fourth and last radiomobile operator, after having renewed its agreements with the other three in previous years. Despite the steps taken by mobile operators to contain their costs, aimed at optimizing existing resources, customer interest in Rai Way's sites has remained essentially constant, in particular regarding the construction of hub positions for connectivity with other systems.

As far as broadcasting customers are concerned, a number of new television and radio stations were activated in 2015; in addition, worthy of mention is the fact that a number of initiatives were taken enabling the Company to complete the recovery of past receivables.

As regards the introduction of wireless broadband services enabled by the strengthening of the capacity of its network, Rai Way initiated a series of procedures to test the technologies and check the existence of market potential.

Significant events

The main events requiring highlighting are as follows:

OPAS EI Towers

On 24 February 2015, by way of a communication, EI Towers S.p.A. (hereafter the Offeror) announced that its Board of Directors had unanimously resolved to proceed with a voluntary public purchase and exchange offer on the 272,000,000 ordinary shares of Rai Way S.p.A. representing the whole of the Company's share capital.

The aim of this offer – made pursuant to and in accordance with article 102 and article 106, paragraph 4 of Legislative Decree no. 58 of 24 February 1998 as amended and the relative implementation provisions – was to withdraw the shares of Rai Way S.p.A. from listing on the italian stock exchange (MTA) or purchase an interest representing at least 66.67% of Rai Way's share capital.

Further information on the terms and conditions of the offer may be found in the abovementioned communication.

Following the notification from EI Towers S.p.A. on 10 April 2015 of the resolution

to amend the tender threshold of the condition precedent to 40% of the share capital of Rai Way, on 13 April 2015 Consob notified the Offeror that amending the features of the offer is equivalent to proposing a different transaction and accordingly signifies that it is no longer possible to continue with its preliminary process for approving the Offering Document, which must therefore be considered concluded.
The amendment of the tender threshold was unanimously resolved by EI Towers following Consob's notification on 1 April 2015 that the intention expressed by the Italian Ministry of the Economy and Finance and by RAI Radiotelevisione italiana S.p.A. ("RAI") to retain an interest of 51% in the share capital of Rai Way made the "condition" of reaching the minimum threshold of 66.67%, to which the Offeror subordinated the success of the offer, impossible to achieve, constituting an impediment to upholding the application for approval of the Offering Document.
On 16 April 2015, the Board of Directors of RAI confirmed that the majority shareholder of Rai Way would not tender any share to EI Towers' offer, also following the change of the acceptance threshold.
On 22 April 2015, after analyzing RAI's press release, the Board of Directors of EI Towers S.p.A. acknowledged that the conditions do not exist for continuing with the offer.
As announced on its corporate website on 17 April 2015, EI Towers withdrew the communication of the transaction sent on 24 February 2015 and, as a consequence, the Italian Competition Authority ceased its preliminary review process.

Approval of the 2014 financial statements and dividend distribution

On 28 April 2015 the Shareholders' Meeting of Rai Way approved the Company's annual financial statements and approved the distribution of a dividend of € 0.1234 per share, equal to a total of € 33.6 million.

Approval of 2015-2019 Industrial Plan

On 28 September 2015 the Board of Directors of Rai Way S.p.A. unanimously approved the Industrial Plan for the period 2015-2019.
Rai Way's 2015-2019 Industrial Plan is based on a detailed analysis of the expected trends in the industry in which it operates and its competitive positioning, and represents a development of its strategic guidelines that is fully consistent with the enhancement achieved through the listing process, successfully completed on 19 November 2014.

Over the period of the Industrial Plan, Rai Way is aiming to achieve the following objectives:

- Consolidation of the Company's leadership in the TV & Radio Broadcasting market through a more marked commercial focus which, leveraging on existing infrastructure and skills, expands the Company's activities with leading national and regional operators and strengthens its competitive positioning;
- Broadening of the offer to RAI by providing new services, the consideration of which is not included in the fees of the current contract;
- Diversification of the offer for third-party customers in both the TV & Radio Broadcasting market and the telecommunications market, mainly through the introduction of wireless broadband services enabled by the upgrade of Rai Way's network capacity;
- An increase in operating efficiency, by optimizing costs, adopting organizational improvements and reducing maintenance capex, above all in the active infrastructure component.

The Industrial Plan – prepared on the assumption of a CPI[6] of 0.20% in 2015, 1.00% in 2016 and 1.25% from 2017 and beyond (with the effect on the following year's revenues) – sets the following economic and financial objectives for 2019:

Euro Million	Target 2019
Revenues	230
Adjusted EBITDA	123
Adjusted EBITDA margin	53.4%
Net income	57
Normalized FCFE	75

Voluntary retirement incentive scheme

In agreement with the trade unions, in December 2015 the Company initiated a voluntary retirement incentive plan, determining the people involved, the requirements, the amount of the incentives that will be paid and the operational means by which employees can join the plan. The plan will start in 2016 and will be completed by the end of the year.

6 Consumer Price Index

More specifically, the plan provides for voluntary retirement starting from 2016 of staff who reach pensionable age or the contributions entitlement by 31 December 2019, also compatible with the Company's operational assessments.

Safety and the environment

As confirmation of the emphasis placed on safety at work and environmental issues, it is noted that the Company obtained ISO 14001:2004 (certificate no. IT.15.0259.EMS, latest issue date 30.10.2015 expiry date 05.07.2017) and OHSAS 18001:2007 (certificate no. IT.15.0260.OHS, latest issue date 30.10.2015 expiry date 05.07.2017) certification again in 2015.

The ISO 14001:2004 certification attests to compliance of the Company's environmental management system with the requirements of that standard, with specific respect to the environmental effect of electromagnetic radiation and the proper disposal of waste water as well as to the prudent management of hazardous substances and waste. The OHSAS 18001:2007 certifications attest compliance of the Company's occupational health and safety management systems with the requirements of that standard, with specific respect to the "Planning and management of networks and systems for transmitting and broadcasting radio and television signals in Italy and abroad".

Results for the year

The figures for 2015 used in this section are compared with the pro-forma 2014 figures prepared in order to represent the main effects on the Company's financial statements of the following:

(i) the service agreement between Rai Way, the owner of the network and the lessor pursuant to the agreement, and Rai, the lessee of the Network, which is effective since 1 July 2014. More specifically, from an accounting standpoint the lease arrangement implicit in that agreement qualifies as an operating lease, unlike that of the previous agreement which qualified as a finance lease; in the pro-forma income statement, therefore, taking into account the differences between the way operating and finance leases are accounted for the pro-forma accounting entries have led to the recognition of the revenues from that agreement, the recognition of depreciation for property, plant and equipment and the elimination of the financial income arising from the finance lease implicit in the previous contract;

(ii) the passive service agreement with Rai, whose effect among other things has led to changes in the cost for a number of services provided by Rai to the Company, such as Administration and Treasury Services, the service provided by the Research and Technological Innovation Service Center, General Services, Personnel Administration Services and the ICT Service;

(iii) the addition to the "Lease and related supply services agreement", as the result of which the annual lease fee for the properties owned by Rai and used by Rai Way has been reduced.

The information contained in the 2014 pro-forma income statement is a simulation, provided solely for illustrative purposes which in the specific circumstances regards a theoretical situation, and accordingly does not represent the Company's actual financial situation or results.

The year 2015 closed with a profit of € 38.9 million, an increase of € 5.4 million (+16.0%) over that of the previous year.

The following table provides a summary of the Company's income statement for the year ended 31 December 2015 and pro-forma income statement for the year ended 31 December 2014:

Income statement (in euro millions)

(in euro millions)	2015	2014 PF	Delta
Revenues from Rai	177.4	172.3	5.1
Revenues from third parties	34.9	35.1	(0.2)
TOTAL REVENUES	**212.3**	**207.4**	**4.9**
Other revenues and income	0.5	3.9	(3.4)
Personnel costs	(46.1)	(45.4)	(0.7)
Operating costs	(57.3)	(60.8)	3.5
Adjusted EBITDA	**109.4**	**105.1**	**4.3**
EBITDA margin	51.5%	50.7%	0.9%
Adjustments	(1.6)	(0.5)	(1.1)
EBITDA	**107.8**	**104.6**	**3.2**
Amortization, depreciation and write downs	(45.4)	(50.1)	4.7
Allocations	(0.6)	(0.4)	(0.2)
OPERATING RESULT	**61.9**	**54.2**	**7.7**
Financial management	(2.9)	(2.0)	(0.9)
PROFIT BEFORE INCOME TAXES	**58.9**	**52.1**	**6.8**
Income tax	(20.0)	(18.6)	(1.4)
PROFIT FOR THE YEAR	**38.9**	**33.6**	**5.4**

Rai Way's pro-forma revenues totaled € 212.3 million, an increase of € 4.9 million (+2.4%) over the previous year.

The activities carried out for the Rai Group gave rise to revenues of € 177.4 million, an increase of € 5.1 million over those of the previous year (+3.0%). The rise in revenues from RAI is due for € 4.0 million to the increase in the fee for the turnkey service and for € 1.2 million to the requests made by the customer for additional services ("new services" not to be found in 2014). Revenues of € 34.9 million were earned from commercial relationships with other customers, a decrease of € 0.2 million over the previous year (-0.7%).

Other revenues and income decreased by € 3.4 million (-86.2%) to € 0.5 million, mainly due to the release of provisions accrued in previous years. These amounted to € 0.1 million representing a decrease of € 2.8 million over 2014 (€ 2.9 million).

Operating costs before non-recurring items amounted to € 103.4 million representing a decrease of € 2.8 million, or 2.6%, over the previous year.

Operating costs (in euro millions)

	Esercizio chiuso al 31 dicembre		
	2015	2014PF	Delta
Purchase of consumables	1.5	1.7	(0.2)
Cost of services	52.1	55.7	(3.7)
Other costs	3.7	3.3	0.3
Personnel costs	46.1	45.4	0.7
Total	**103.4**	**106.2**	**(2.8)**

There was a decrease of € 0.2 million in the "Purchase of consumables" mainly due to a decrease in tooling costs and costs for the purchase of fuel, arising principally from a reduction in unit fuel costs.

"Cost of services" decreased by € 3.7 million over pro-forma 2014 due mainly to the following changes:

- Utilities, decreasing by € 2.1 million, mostly due to the new electricity supply agreement effective from the beginning of 2015 which guarantees a lower unit cost than in the past;
- Maintenance and repairs, decreasing by € 1.2 million, relating to work carried out on passive infrastructure and on active equipment;
- Passive service agreement with Rai, decreasing by € 0.4 million as the result of lower ICT service costs;
- Other services, decreasing by € 0.5 million, principally due to an optimization of information service costs and labor costs;
- Lease and rentals, increasing by € 0.6 million, mostly as the result of a new optic fiber rental agreement for the renewal of the main contribution network.

"Cost of services" does not include the non-recurring costs incurred following the launch of the public purchase and exchange offer launched by EI Towers or for extraordinary operations which are not included in the calculation of adjusted EBITDA.

"Other costs" increased by € 0.3 million mainly as the result of losses incurred on the disposal of certain residual fixed assets.

"Personnel costs" amounted in total to € 46.1 million in 2015, representing an increase of € 0.7 million over 2014 (€ 45.4 million). This item decreased in the amount capitalized for the activities performed for the design and installation of infrastructure (€ 1.8 million in 2014). The increase in costs over 2014 is mainly due to the strengthening of the workforce as the result of the Company's listing and the development of rewarding systems geared towards talent management and reten-

tion objectives, only partially offset by the decrease in costs for contractual increases and overtime, transfer costs (which are partially recognized in personnel costs and partially in cost of services) and an increase in capitalized personnel costs.
The Company's average workforce rose by 12 in the year, from 626 in 2014 to 638 in 2015.
"Personnel costs" do not include non-recurring costs of € 1.4 million for restructuring that are excluded from the calculation of adjusted EBITDA.
The main intermediate profit margins in the pro-forma income statement may be summarized as follows:

- EBITDA amounting to € 107.8 million, higher than the previous year by € 3.2 million (+3.1%);
- adjusted EBITDA totaling € 109.4 million, higher than the previous year by € 4.3 million (+4.1%). The Company defines adjusted EBITDA as EBITDA excluding non-recurring expenses (mainly restructuring costs related to personnel).

The following table provides a reconciliation between EBITDA and adjusted EBITDA for the years ended 31 December 2015 and 31 December 2014.

Reconciliation between EBITDA and adjusted EBITDA (in euro millions)

	Year ended 31 December		
	2015	**2014PF**	**Delta**
EBITDA	**107.8**	**104.6**	**3.2**
One-offs	1.6	0.5	1.1
Adjusted EBITDA	**109.4**	**105.1**	**4.3**

- Operating profit, amounting to € 61.9 million, an increase of € 7.7 million over the previous year (+14.2%).
- Profit before income taxes, amounting to € 58.9 million, an increase of € 6.8 million (+13.1%) over the previous year.
- Profit for the year, amounting to € 38.9 million, an increase of € 5.4 million (+16.0%) over the previous year.

The increase of € 7.7 million in operating profit was affected by a decrease of € 4.7 million in amortization, depreciation and write-downs.
Financial operations closed with a negative balance of € 2.9 million being € 0.9 million higher than the previous year. This was mainly due to an increase in non-monetary financial expense arising from the recognition of the interest applied to the provision for site decommissioning and restoration (of € 0.9 million) generat-

ed by the decrease in the discount rate over 2014, consistent with trends in long-term market rates.

Capital expenditure

Capital expenditure totaling € 30.1 million was made in 2015 (€ 21.0 million for the year ended 31 December 2014), of which € 18.1 million relating to the network infrastructure owned by the Company (€ 21.0 million in 2014) and € 12.1 million to the development of new initiatives.

Capital expenditure (in euro millions)

Copex	2015	2014	Delta
Maintenance	18.1	21.0	(2.9)
Development	12.1	-	12.1
Total	**30.1**	**21.0**	**9.1**

The most significant investments made regarding the television service, designed to ensure higher service standards, concerned the radio bridge network, the renewal and adaptation of DTT radiant systems for broadcasting and the installation of equipment for monitoring the functional status of transmitters.
As far as the maintenance investments relating to the radio service are concerned, worthy of note are initiatives taken on both the analog network and the digital network (DAB), which led to the renovation of transmission equipment and MF radiant equipment as a means of improving the reliability and availability of the current service.
Development investments mainly concerned the new contribution service for Rai, realized using the Company's own cutting edge technologies regarding the IP ecosystem, codification, commutation and transport using leased capacity in optic fiber.

Statement of financial position

(In Euro million)	31/12/15	31/12/14	Delta
Net fixed assets	226.8	244.3	(17.5)
Net working capital	12.7	15.3	(2.5)
Net funds	(38.7)	(40.3)	1.6
Invested capital	200.9	219.3	(18.4)
Net financial position	41.6	65.5	(23.9)
Net equity	159.3	153.8	5.5
Total	200.9	219.3	(18.4)

Human resources and organization

Rai Way had a workforce of 623 people at 31 December 2015: 22 executives, 134 middle managers, 433 technicians and office workers (including 12 apprentices) and 34 manual workers. To these people should be added an additional 16 workers with fixed-term employment contracts.

The following table sets out information regarding the composition, age and education of personnel to provide further details of the Company's workforce.

	Executives			Middle managers			Technicians and office workers			Manual workers		
Year	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Men (average for the year)	12	12	15	110	107	117	393	382	379	39	35	34
Women (average for the year)	1	2	4	13	13	16	77	77	76	0	0	0
Average age	53	52	51	53	53	54	45	46	46	55	55	55
Working seniority	20	20	16	27	27	28	18	18	18	29	29	29
University graduates (%)	93	93	95	43	43	41	16	16	16	0	0	0
High school diploma (%)	7	7	5	57	57	59	79	81	81	66	68	68
Middle school diploma (%)	0	0	0	0	0	0	5	2	2	34	34	32

In 2015, from the standpoint of organizational culture, the Company initiated a change management process with the aim of integrating its past cultural and organizational overtone centered on the "institutional" dimension as a public service operator with the need to focus is competitive positioning with respect to the market. This process has been pursued by means of an integrated approach based on four lines of action:

1. Talent management and rewarding systems

Alignment with best practice in adopting talent management and rewarding systems designed to enhance the value of internal resources, geared towards the development of leadership and innovation.

2. Re-engineering of the organizational model

Following the establishment of the organizational structure in 2014 steps were taken in 2015 to achieve overall functional improvements concerning the detailed structuring at the second level with the aim of further emphasizing the Company's specific features of its technical excellence and market-oriented accent.

3. Development of the social dimension of the business

The Company has consolidated the attention it places on the social dimension by way of the network created with the sphere of universities and schools, involving its technical staff in the role of "master of the trade" in the technical institutes and in areas where there is a high rate of school leavers. Agreements were also arranged with universities to develop experience by way of curricular internships/traineeships.

On the subject of diversity management, the Company acted by documenting diversity management perceptions by way of a questionnaire given to 200 of the Company's employees, introducing the criterion of gender balance in managerial development paths and development criteria, and by setting up an equal opportunities committee.

An innovation award was introduced during the year directed at university researchers who have been concentrating on issues relating to broadcasting, transmission and hosting services, innovating with respect to the consolidated technical perimeter. A similar initiative rewarding innovation was also introduced for employees.

4. Efficiency and rationalization of the cost model

In the twin prospect of efficiency and enhancement, the Company concentrated on flexibility and development; steps to improve the labor organization efficiency at a local level were also taken through the positive path of industrial relations and the job description of a "multi-skilled technician" was introduced; skill integration in the use of the technician was also initiated in the central hub in the Network Control area. At the same time new professional appraisal paths were designed by strengthening training (six-monthly training courses for the multi- skilled technician for upgrading skills) and introducing consistent rewarding/motivational mechanisms.

In December 2015 the Company introduced a voluntary retirement incentive plan, determining the people involved, the requirements, the amount of the incentives that will be paid and the operational means by which employees can join the plan.

More specifically, the plan provides for voluntary retirement starting from 2016 of staff (middle managers, office workers, technicians and manual workers) who reach pensionable age or the contributions entitlement by 31 December 2019, also compatible with the Company's operational assessments.

As regards the corporate training line, the courses given in 2015 on specific areas of interest to Rai Way amounted in total to 11,232 hours.

More specifically, in terms of managerial training the creative development and presentation of the following were involved (for a total of 1,218 hours):

- a coaching project involving the whole area of middle management concerned with the 2015 assessment process, directed – through follow-up meetings – towards strengthening behavioral skills that are considered to be key for the Company and the creation of development/implementation plans regarding the performance management system;
- training courses for executives with a view to strengthening and spreading the Group's business culture and aspects distinctive of its vision (leadership, innovation, team-working, effective management and development of co-workers);
- an event dedicated to senior and middle management for the spreading/sharing of the values and objectives that characterize the positioning of Rai Way in the broadcasting and telecommunications market, with a didactic focus on the Business Plan and on the development initiatives for the Group's organizational culture, work ethic, leadership and innovation, change management and creation and nurturing of teamwork.

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

The pursuit of the corporate mission and the Company's operating results, financial position and cash flows are affected by various potential risk factors and uncertainties. The main sources of risk and uncertainty are discussed in summary form below.

Risk factors related to the Company

Risks related to the concentration of revenues in a small number of customers

As a result of the concentration of the Company's clientele, any problem arising in trading relationships with the Company's main customers could have an adverse effect on its financial position, operating results and cash flows.

The Company's largest customers are Rai and the four major MNOs in Italy with whom it enters framework agreements for tower rental services, generally having a six-year term.

Despite the fact that renewals have already been formally agreed with the counterparties, together with an undertaking not to dispose sites for a three-year period, there is no certainty as to either the continuation of said relationships or the renewal of agreements at the natural expiry date. In addition, even if these arrangements are renewed, there is no certainty that the Company will be able to obtain contractual terms and conditions that are at least equivalent to those contained in the current agreements.

In addition to the above, as a consequence of the concentration of its revenues the Company is also exposed to the credit risk deriving from the possibility that its trade counterparties will be unable to fulfil their obligations.

The interruption to relationships with its main customers, the inability to renew existing agreements on expiry or the non-performance by one of its trade counterparties could have a negative effect on the Company's business and its results of operations, financial position and cash flows.

Risks related to the New Service Agreement

Given the importance of the New Service Agreement to the Company's revenues, its financial position, results of operations and cash flows could suffer negative effects if such agreement is terminated in advance, if the levels of the contractual services are not complied with or if there are significant increases in production costs (also as the result of measures taken by the competent authorities) that are not absorbed by a corresponding increase in the fee payable by Rai.

Risks related to the possibility that the Rai concession may not be renewed

Pursuant to articles 45 and 49 of Legislative Decree no. 177 of 31 July 2005 as amended, Rai has been mandated by concession to provide the general Public Service for radio and television broadcasting until 6 May 2016. The agreement stipulated between Rai and the Ministry of Economic Development (formerly the Ministry of Communications) on 15 March 1994 was approved by way of the Presidential Decree of 28 March 1994.

If the concessionary agreement between the Italian government and Rai is terminated or not renewed there could be material negative effects on the Company's

operating results, financial position and cash flows. There is in fact a connection between the contractual relationship between the Italian government and Rai and the contractual relationship between Rai and the Company. As a result, the termination or non-renewal of the former has effects on the latter. Pursuant to the New Service Contract the failure to renew the concession is an institutional modifying event which entitles Rai to withdraw from such by giving twelve months' notice.
The law on the "Reform of Rai and the radio and television public service" (Law no.220 of 28 December 2015) made changes, among other things, to a number of provisions regarding the national service agreement. Pursuant to article 1 of this law, article 45, paragraph 1 of Legislative Decree no. 177/2005 was amended as follows: "The general radio and television service is entrusted by concession to a joint stock company which, in accordance with the principles included in article 7, shall perform such on the basis of a national service agreement entered with the Ministry, subject to a resolution of the council of ministers, and regional service agreements and, for the provinces of Trento and Bolzano, provincial service agreements, which identifies the rights and obligations of the concessionary company. These agreements shall be renewed every five years as part of the concession that recognizes to RAI – Radiotelevisione italiana SpA the role as the manager of the public radio, television and multi-media service.".

Risks related to the stipulation of a new service agreement between Rai and the Ministry

At the balance sheet date there was uncertainty as to the technical standards regarding the provision of the Public Service that will be agreed between Rai and the Ministry, given that the new service agreement between the Parent Company and the Ministry is currently under negotiation and has not yet been signed. The Service Agreement between Rai and the Ministry approved by way of the Ministerial Decree of 27 April 2011 and relating to the 2010-2012 period was still effective at the balance sheet date. Given that it has expired, the agreement is in a prorogation period.

Risks related to the ownership of the frequencies held by broadcasting customers

The Company is not and has never been the owner of frequencies, which are assigned to its customers known as broadcasters – a category that includes national and local radio and television operators of which also Rai forms part. The loss of the ownership of the frequencies by broadcasting customers could lead to a loss of customers by the Company, with negative effects on its revenues, as well as on its results of operations, financial position and cash flows. In addition, any changes to the assigned frequencies could cause an increase in the costs that the Company would be required to incur and the investments it would need to make.

Risk related to the contractual and administrative structure of the Sites

Given the importance of its network infrastructures to Rai Way for its business, negative events affecting such could have negative effects on the Company's results of operations, financial position and cash flows.
In particular, among the potential effects relating to the contractual and administrative structure of the Sites is the risk that the agreements for the use of the Sites (other than those wholly owned by Rai Way) on which the infrastructures are located will not be renewed, with the resulting obligation for the Company to return the land used in its original condition, or the risk that any renewals will not be obtained on terms at least as favorable as those applicable at the balance sheet date, with resulting negative effects on the profitability of managing the Sites and consequently on the Company's results of operations, financial position and cash flows.
In addition, given the importance of the company's property, any changes in existing taxes or the introduction of new taxes could have a material effect on the Company's tax charge.

Risks related to Rai's management and coordination activities

The Company is a member of the Rai Group and is subject to the management and coordination of the Parent Company pursuant to articles 2497 and following of the Italian civil code. Without prejudice to the above, the Company is capable of working in conditions of operational autonomy, to the extent appropriate for a listed company and in compliance with the best practice followed by listed issuers and in any case with the rules for the proper functioning of the market, generating revenues from its customers and using its own skills, technologies, human resources and funds. In particular, Rai carries out its management and coordination activities by the means described in the Management and Coordination Regulation which became effective on the First Trading Day (19 November 2014) and aims on the one hand to match the need for an informational link and functional interaction underlying Rai's management and coordination activities and on the other to ensure

that Rai Way's status as a listed company leads to its operational and financial autonomy at all times.

In particular, Rai's management and coordination is not of a general nature and is carried out exclusively by way of the following activities: *(i)* the drafting by Rai of certain general rules designed to coordinate – to the extent possible and in accordance with the respective needs – the main guidelines for the management of Rai and Rai Way; *(ii)* the requirement for Rai Way to inform the Parent Company in advance before approving or executing, depending on the case, any operations and/or transactions, determined and drawn up independently within Rai Way, that are considered to be of particular significance and importance with respect to the strategic lines and planning of the operations of the Rai Group; *(iii)* the communication by the Company to Rai of the information necessary or useful for management and coordination.

In no event does the Parent Company have any power of veto over any extraordinary operation that Rai Way may wish to perform or over the hiring or dismissal of executives by the Company, which has full and exclusive decisional power over matters of appointing or employing persons and setting their career paths.

Risks related to the powers of the Italian government (golden powers)

The ability of the Company to adopt certain corporate resolutions or the acquisition of certain equity interests in the Company by investors not resident in the European Union which are considered material for the purposes of control could be limited by the special powers of the Italian government ("golden powers") granted by Decree Law no. 21 of 15 March 2012 converted with amendments into Law no. 56 of 11 May 2012, which governs the government's special powers with respect, *inter alia*, to strategic assets in the communications sector, as identified by article 3 of Presidential Decree no. 85 of 25 March 2014.

Risks related to the Company's ability to implement its strategy

The inability of the Company to successfully implement any of its growth strategies could lead to negative effects on its business and on its results of operations, financial position and cash flows.

The Company's ability to increase its revenues and improve its profitability also depends on its success in achieving its strategy, which at the balance sheet date was based, *inter alia,* on the following factors:

- pursuit of performing further initiatives for Rai;
- strengthening of its market position as the leading operator in Italy for tower rental services, broadcasting services, transmission services and contribution services;
- enhancement and extension of its range of consultancy services and network management services, in particular regarding migration to digital;
- improvement of its operating efficiency and margins.

Risks related to key personnel

If the relationship between Rai Way and its key personnel ends, this could have negative effects on the Company's business and its results of operations, financial position and cash flows.
The results achieved by Rai Way also depend on the contribution provided by people having key roles within the Company (including in particular the Chief Executive Officer - also Strategy Director - and the General Manager) who have extensive experience in the sector in which Rai Way operates, and who – in certain cases – have played a crucial role in developing the Company from the time of its establishment. At the balance sheet date, all these persons considered key for the purposes of the above are tied to the Company by permanent employment contracts.

Risks related to the licensing agreement for the brand name "Rai Way"

The use of the name "Rai Way" by the Company is directly connected with the continuation in force of the Brand Transfer and Licensing Agreement with Rai.
Although the name "Rai Way" does not have any specific importance for the purpose of identifying a product or service, given the particular nature of the business the Company performs, in the case of the assignment of the Brand Transfer and Licensing Agreement for any reason, the Company's right to use the name "Rai Way" could no longer hold and accordingly it would no longer be able to use it and would have to change its corporate name.

Risks related to related party transactions

The Company has had and continues to have relationships of a trading and financial nature with related parties, and in particular with Rai and other companies of the Rai Group. These relationships have allowed and continue to allow the Com-

pany, depending on the case, to obtain benefits from the use of common skills and services, the use of Group synergies and the application of unified policies in the financial field; in the Company's opinion these provide for terms and conditions in line with those of the market. Despite this, there is no certainty that if these transactions had been carried out with third parties, such would have negotiated and stipulated the relative agreements, or carried out the transactions, under the same terms and conditions and by the same means.

Risks related to financial and other covenants contained in the New Loan Agreement

On 15 October 2014 the Company entered into a New Loan Agreement with Mediobanca, BNP Paribas, Intesa Sanpaolo and UBI Banca, which includes general undertakings and financial and other covenants, also of a negative nature, which although in line with market practice for loans of similar amounts and nature could impose significant restrictions on its business. Further details on this matter may be found in the section "Current and non-current financial assets and liabilities" in the notes to the financial statements.

Risks related to judicial and administrative proceedings and the possibility that the Company's provision for risks and charges may not be adequate

Should the courts find against the Company in the principal court proceedings to which it is party and should the Company incur losses that are significantly higher than the amounts provided in its financial statements, this could lead to negative effects on its business and its financial position, results of operations and cash flows. Without prejudice to these statements, the Company believes that the provisions recognized in its financial statements at the balance sheet date are adequate.

Risks related to the takeover of the Company

Given the interest held by the controlling shareholder Rai and given the legislative framework in which this exists, the Company cannot be taken over.

Risk factors related to the industry in which the Company operates

Risks related to obtaining administrative authorizations and/or to the fact that these may be revoked

The failure by the Company to obtain authorizations and permits or to obtain these late, the delayed issue of such authorizations and permits or the issue of authorizations and permits which only partially satisfy the Company's requests, together with the revocation of these authorizations and permits, could have negative effects on the Company's business and, consequently, on its results of operations, financial position and cash flows.

Risks related to the effects of natural disasters or other force majeure events on infrastructure

It is essential for the network to work properly if the Company is to conduct its business and provide services to its customers. Although the Company believes that its insurance coverage will adequately cover all the costs of any damagethat may be caused by natural disasters or force majeure events, and that in any case it has operating procedures that will come into play if such events should occur, any partial or total damage to the Company's towers or, more generally, its Sites, and to its main locations such as its Control Center and regional centers, caused by natural disasters or other force majeure events, could hinder, or in certain cases prevent, the Company from carrying out its normal operations and its ability to provide services to its customers, with possible negative effects on its business and on its results of operations, financial position and cash flows.

Risks related to the interruption of the activities of the technological and IT infrastructures

To provide its services and, more generally, to carry out its activities, the Company uses sophisticated infrastructure and computer technology, which by its nature is prone to interruptions or other malfunctions caused by, among other things, natural disasters, prolonged electricity outages, process errors, viruses and malware, the actions of hackers and security issues or failures of suppliers. The interruption of the activities of the technological and IT infrastructures could have negative effects on the Company's business and on its results of operations, financial position and cash flows.

Risks related to the maintenance and technological upgrading of the Company's Network

Rai Way's ability to maintain a high level of services depends on its ability to maintain the proper operating condition of its infrastructure, which requires substantial amounts of capital and long-term investment, included that related to the technological renewal, optimization or improvement of its existing Network. The Company's failure to maintain its Network or to introduce technological changes to the Network on a timely basis could have negative effects on its results of operations, financial position and cash flows.

The Company constantly monitors the proper operating condition of its Network, developing projects designed to improve the level of its services and enhance the infrastructure on the basis of the technologies applicable at the time.

Risks related to technological change

The reference market in which Rai Way operates is characterized by constant changes in the technology used for the transmission and broadcasting of television and radio signals, which leads to the requirement: (i) to constantly develop the skills required for rapidly and fully understanding the needs of its customers, in order to develop its service offer on a timely basis with the aim of having a reputation on the market as a full service provider; and (ii) to provide constant training to its personnel. Rai Way's inability to identify the technological solutions required to deal with changes and future development on its markets of reference could have negative effects on the Company's results of operations, financial position and cash flows.

Risks related to increased competition

As regards the business sectors in which the Company operates, the Italian market is characterized by a limited presence of domestic and international operators. Significant increases in the number of competitors could have negative effects on the Company's results of operations, financial position and cash flows.

Risks related to environmental protection and electromagnetic radiation

The Company is subject to comprehensive regulation at national and EU level aimed at the protection of the environment and health. Compliance with such regulations and requirements, moreover, is one of the conditions for the eligibility for and renewal of licenses and permits which the Company requires for the installation and operation of equipment emitting electronic waves. Any breaches of the applicable environmental rules could have negative effects on the Company's results of operations, financial position and cash flows.

The Company places particular emphasis on complying with environmental protection regulations and undertakes to be constantly updated in this respect, as moreover attested by its 2008 ISO14001:2004 and 2011 OHSAS 18001:2007 certifications.

Risks related to the reference regulatory framework in relation to the business of the customers of Rai Way

The Company's business, as well as that of its customers, is subject to a wide-ranging regulatory regime, stemming from both domestic and EU rules and requirements, in particular with respect to administrative matters and environmental concerns, as part of which importance is also assumed by the numerous legislative requirements imposed by the competent authorities on the Company's customers, by virtue of the indirect effects which the failure of these customers to comply with such could have on Rai Way's business. In particular, broadcasting customers and mobile telephone operators which the Company hosts at its Sites are subject to the legislation designed to protect persons and the environment from exposure to magnetic fields.

Should any of Rai Way's customers be deemed to be in violation of these regulations, they could be exposed to sanctions, including the shut-down of transmission activities. These interruptions could have negative effects on the Company's revenues and, as a consequence, on its results of operations, financial position and cash flows.

Risks related to the possible decline in demand for services by customers

The Company provides integrated products and services to its customers with an approach geared towards full service hosting with the aim, on the basis of the operating model adopted, of covering the entire tower hosting chain – from the basic lease of equipment to all the services required to keep this in proper working order and provide maintenance for this at the Sites. The possible decline in the demand for the services carried out by Rai Way could have negative effects on the Company's results of operations, financial position and cash flows.

Risks arising from stoppages and strikes

In carrying out its business the Company is subject to the risk of strikes, stoppages and similar action by its employees in connection with events or circumstances that may not relate directly to the Company, but more generally to the Parent Company or the Rai Group. However, with regard to services provided to Rai, which are considered to be essential public services, the right to strike may only be exercised to the extent of enabling indispensable services to be provided, also by virtue of a trade union agreement of 22 November 2001 relating to the employees of the Rai Group.

The decision by large numbers of employees to take part in strikes or industrial action could have negative effects on the Company's results of operations, financial position and cash flows.

Risks related to global economic conditions

A possible decline by customers in the demand for the services carried out by Rai Way arising from the persistence of the global economic and financial crisis could have negative effects on the Company's results of operations, financial position and cash flows.

Financial risks

The Company may be exposed as a whole to the following financial risks:

- currency risk: currency risk was not significant in 2015 as the Company's operations are concentrated in the European Union;
- interest rate risk: interest rate risk arose mainly in 2015 from the medium-term loan agreement entered with a syndicate of banks and divided into the following two credit facilities:
  - a term credit facility of up to € 120 million completely drawn down; and
  - an unused revolving credit facility of up to € 50 million.

To limit the fluctuation of interest expense that affects the Company's results and the risk of a potential increase in interest rates, in accordance with its financial policy the Company initiated activities at the end of 2015 as a preliminary to hedging the floating interest rate of this agreement through the use of financial instruments such as interest rate swaps. This negotiation procedure, initiated in compliance with the provisions of the Public Contract Code, was completed in early 2016 with the

selection of two prime banks that offered the lowest fixed all-inclusive interest rate for a period ending on 30 September 2019, for an initial total notional value of € 60,000,000.00, 50% of the loan, being equally allocated to the two banks;

- liquidity risk: this is connected with the Company's ability to meet the commitments arising mainly from its financial liabilities. In order to be able to satisfy these commitments the Company has taken out the two credit facilities discussed at the previous point. More specifically, the aim of the revolving facility is to be used for supporting working capital and general cash requirements. In addition, the Company is able to satisfy its commitments through the cash generated from operations.

A more detailed analysis may be found in the section of the notes entitled "Financial risk management".

Credit risk

In respect of credit risk it should be noted that in addition to Rai, the Company's main customers are public administration entities, leading telephone operators and various broadcasting companies that settle their obligations on a regular basis; this situation enables the Company to state that at the present time there are no particular risks connected with the failure to collect its receivables other than those discussed in the section of the notes entitled "Financial risk management", to which reference should be made for further details.

Data security policy and the "Security Policy Document"

Following the introduction of article 45 of Legislative Decree no. 5 of 9 February 2012 and the resulting abolition of the obligation for entities to update their "Security Policy Document", the Company is no longer required to carry out that process and accordingly made no changes as of 31 December 2015.
As however there had been no significant changes in the Company's activities at that date the document updated as of 31 December 2011 may be considered suitable for the purposes of personal data protection as per article 34 of Legislative Decree no. 196/2003 and Annex B of such.
The above considerations also apply if it is taken into account that data protection offences have been excluded from the scope of those that are relevant pursuant to

Legislative Decree no. 231/01 following the entry into force of Law no. 119 of 15 October 2013. Upon conversion, paragraph 2 of article 9 of Legislative Decree no. 93/13, which contemplated said offences, was repealed.
In any case, the Company has implemented an adequate internal organization and carefully checks for compliance with the data protection regulations within the corporate environment on a constant basis, by appointing personal data protection officers pursuant to articles 4, 29 and 30 of Legislative Decree no. 196/2003 and by issuing disclosures relating to the precautionary and security measures to be adopted pursuant to articles 33, 34 and 35 of the above-mentioned legislation.
For further implementation and verification of security requirements, the Company has implemented a monitoring and reporting system that should be applied every six months by each data protection officer, also in order to outline the security measures adopted.
At present, therefore, the internal regulations in force provide for the necessary security measures, including those for the digital authentication and the authorization to retrieve data, specifying the scope of data processing for data processors and any persons responsible for the management and maintenance of electronic instruments and providing for adequate measures for the protection of data, particularly sensitive data, in the presence of any possible illegal treatment or unauthorized access, with copies held in safe custody, including measures to restore systems.
The Company has, therefore, complied with the above requirements within the scope of the more general and prevailing needs of cost containment, since it is not necessary to use resources for activities that are no longer required by law in the absence of needs that have not already been safeguarded.

Research and development

In 2014 the Company's research and development activities continued to be directed towards the testing of new digital services applied to the transmission and broadcasting of radio and television programs. The Company also carries out this activity internally, at times using the assistance of Rai's Research and Technological Innovation Center (CRIT).
The main initiatives included the following:

- SFN network: testing continued for checking the effects of propagation (in particular that due to the sea in the hotter months of the year) on the digital terrestrial signal by the systematic collection of data involving various sections of the Company's network. This will enable an assessment to be made of the effects of ISO-channel interference due to sources arriving from other directions. The data gathered in 2015 are awaiting processing in order to obtain indications of ways in which the DVB network works can be improved;

- spectrum recording: work continued on creating a data base of the electromagnetic conditions of reference for radiofrequency signal of types DVB-T, DVB-T2, DVB-T2 Lite, FM, DAB+, LTE, Wind Farm and mobile reception with the aim of checking and comparing professional, semi-professional and user models under standard conditions;
- the "ECO" project (in partnership with a telecommunications operator and an Italian university): the objective that has been set is to overcome the "digital divide", enabling coverage to be available in areas typically not reached by other broadcasting and telecommunications operators. This context includes making broadband widely available in a small Italian municipality, which will enable users to resolve the difficulty of both a physical and economic nature of installing optic fiber in mountainous or rural areas by extending connectivity through a package of services geared to the "smart city" concept (video-surveillance, access control, energy control, environmental monitoring systems, Wi-Fi location systems, smart metering).

Relationships with companies of the Rai Group

Relationships of a commercial and financial nature are maintained with the Parent Company Rai - Radiotelevisione Italiana; relationships with other companies of the Rai Group are exclusively of a commercial nature. Further details may be found in the section "Related party transactions" in the notes to the financial statements.

Treasury shares

The Company does not hold any treasury shares or shares of the Parent Company, and has not acquired or disposed of such, either directly or through a trustee company or third party.

Subsequent events

On 29 January 2016 the Board of Directors appointed Mr. Nicola Claudio as director of the Company pursuant to article 2986, paragraph 1 of the Italian civil code to replace Mr. Salvatore Lo Giudice who retired from the position in November 2015.

Business outlook

The Company's main lines of development will continue to be based on offering new services to Rai, the price of which is not included in the current service agreement fee, and on a commercial focus on third party customers, national and regional TV and radio broadcasters and telephone operators.
The trend towards a slight increase in revenues will be accompanied by significant emphasis on cost optimization.
The Company envisages the following for 2016:

- an adjusted EBITDA of approximately € 110 million;
- maintenance investments of less than 10% of revenues.

Coordination and control activity

The Company is subject to the management and coordination of Rai pursuant to articles 2497 and following of the Italian civil code.
The key data of the Parent Company stated below in the summary form as required by article 2497-bis of the Italian civil code have been taken from the financial statements for the year ended 31 December 2014. It should be noted that the Parent Rai also prepares consolidated financial statements.
For a suitable and complete understanding of the financial position of Rai- Radiotelevisione italiana SpA at 31 December 2014 as well the result of the company for the year then ended reference should be made to the financial statements which together with the auditors' report are available in the form and by the means prescribed by law.

RAI SpA - Financial statements at 31/12/2014
Summary of key data
Thousands of Euros

BALANCE SHEET	
ASSETS	
A) CAPITAL PAYMENTS DUE FROM SHAREHOLDERS	-
B) FIXED ASSETS	1,314,824
C) WORKING CAPITAL	830,589
D) PREPAYMENTS AND ACCRUED INCOME	28,077
TOTAL ASSETS	**2,173,490**
LIABILITIES AND SHAREHOLDERS' EQUITY	
A) SHAREHOLDERS' EQUITY	
SHARE CAPITAL	242,518
RESERVES	55,947
PROFIT (LOSS) FOR THE YEAR	47,864
TOTAL SHAREHOLDERS' EQUITY	**346,329**
B) PROVISIONS FOR RISKS AND CHARGES	357,712
C) EMPLOYEES' LEAVING INDEMNITY	249,804
D) PAYABLES	1,199,418
E) ACCRUED EXPENSES AND DEFERRED INCOME	20,227
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,173,490**
GUARANTEES, COMMITMENTS AND OTHER RISKS	361,058
INCOME STATEMENT	
A) VALUE OF PRODUCTION	2,395,746
B) COST OF PRODUCTION	(2,652,915)
C) FINANCIAL INCOME AND EXPENSE	(13,240)
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS	80,586
E) EXTRAORDINARY INCOME AND EXPENSE	223,066
CURRENT AND DEFERRED TAXATION FOR THE YEAR	14,621
PROFIT (LOSS) FOR THE YEAR	**47,864**

Following the admission to trading and listing of the Company's shares, Rai continues to exercise control pursuant to article 93 of the Consolidated Finance Act and exercise management and coordination activities with respect to Rai Way. In the Company's opinion though, although it is subject to the management and coordination of Rai, it works in conditions of operational autonomy, generating revenues from its customers and using its own skills, technologies, human resources and funds.

On 4 September 2014, the boards of directors of Rai and Rai Way, to the extent of their competence, approved the Management and Coordination Regulation of the Parent Company with respect to Rai Way in a manner completely different from that of the other companies of the Rai Group subject to management and coordination by Rai.

This Management and Coordination Regulation, which became effective on the date on which trading began in the Company's shares, aims on the one hand to match the need for an informational link and functional interaction underlying Rai's management and coordination activities and on the other to ensure that Rai Way's status as a listed company leads to its operational and financial autonomy at all times.

Rai mainly performs its management and coordination activities with respect to Rai Way in the following manner:

(a) the drafting of certain general rules designed to coordinate – to the extent possible and in accordance with the respective needs – the main guidelines for the management of Rai and Rai Way;

(b) the requirement for Rai Way to inform the Parent Company in advance before approving or executing, depending on the case, any operations and/or transactions, determined and drawn up independently within Rai Way, that are considered to be of particular significance and importance with respect to the strategic lines and planning of the operations of the Rai Group;

(c) the requirement for Rai Way to provide certain information necessary in accordance with the regulation and general operational guidelines.

Set out below are details of the relationships between Rai and Rai Way after the date on which trading began in the Company's shares and the resulting application of the regulation:

- **Strategic planning** (budget and business plan). The Board of Directors of Rai Way is independently responsible for drawing up and approving the Company's long-term strategic plans, business plans and financial plans, as well as its annual budgets, and Rai's coordination consists mainly of providing Rai Way with guidelines for the sole purpose of compliance with the Parent's financial covenants – where relevant – and requirements deriving from the concession of the Public Service granted to Rai.

- **General management guidelines.** Rai's duties include the drafting, through its organization, of general operational guidelines in order to unify the procedures of Rai and Rai Way, maximizing possible synergies and reducing the costs incurred. These objectives can be pursued by centralizing certain services, arranging for common procurement of supplies and adopting the Rai Group's documents and procedures.
- **Extraordinary operations.** Rai will have no power of veto over Rai Way's extraordinary operations. In accordance with regulations in force at the time regarding the acquisition, management and use of privileged information (price sensitive information) and market abuse, Rai Way will be required to provide prior information to Rai regarding certain specific operational activities and transactions, determined and drawn up independently by Rai Way, which assume particular significance and importance, having regard in particular to the strategic lines, projects and planning of the Rai Group's operations. The Parent Company's Board of Directors will be able to formulate comments and observations whenever it believes that the approval or execution by Rai Way of the significant operation is inconsistent with the strategic lines, initiatives and projects drawn up by Rai, or else is liable to jeopardize uniform management of the Group. It is understood that Rai Way shall be entitled to assess such comments and observations without any requirement to comply with them.
- **Communication of information.** Without prejudice to the preceding, the Company will continue to report to the Parent Company, on a periodic basis, all the information that may be necessary or useful for performing management and coordination in accordance with the regulation, including the information required by Rai to prepare its consolidated financial statements pursuant to article 2381, paragraph 5 of the Italian civil code. Without prejudice to the above, Rai Way is responsible and bound to comply on an autonomous basis with all the requirements to provide continuous and periodic disclosures to the public and CONSOB.
- **Personnel and remuneration policies.** Rai Way has exclusive responsibility for every decision regarding the appointment and hiring of the Company's person-

nel and executives, the management of employment relationships and the establishment of remuneration policies, including setting the career paths and implementing the appraisal and incentive systems for executives, in respect of which Rai has no power of veto. The Parent Company may adopt specific procedures, which will also be autonomously implemented by Rai Way, directed solely towards compliance with transparency and non-discriminatory criteria which must be a distinct feature, among other things, of the procedures for appointing and hiring the personnel of bodies governed by public law.

- **Treasury relationships.** Rai Way no longer has a centralized treasury relationship with Rai and has its own autonomous treasury. The Company has the competence and responsibility for drawing up and approving its financial policy, including risk management and liquidity management policies.

In addition, the Company also has a Control and Risks Committee, which also carries out the functions of the Related Party Committee, and an Appointments Committee whose members are exclusively independent directors under the criteria established by article 148, paragraph 3 of Legislative Decree no. 58/1998, the Corporate Governance Code of Borsa Italiana S.p.A. and article 37 of CONSOB Regulation 16191/2007. The Company also has a Board of Directors, the majority of whose members are independent directors.

Report on corporate governance and ownership structures

The Report on Corporate Governance and Ownership Structures that has been prepared pursuant to article 123-bis of the Consolidated Finance Act may be consulted on the Company's website www.raiway.it.

Rome, 21 March 2016

On behalf of the Board of Directors
The Chairman
Camillo Rossotto

FINANCIAL STATEMENTS

INCOME STATEMENT (*)
Rai Way SpA

(In Euro)	Year ended 31/12/2015	Year ended 31/12/2014
Revenues	212,306,065	167,264,346
Other revenues and income	537,569	3,881,155
Purchase of consumables	(1,515,909)	(1,701,657)
Cost of services	(52,242,757)	(57,750,749)
Personnel costs	(47,565,679)	(45,420,352)
Other costs	(3,689,021)	(3,346,706)
Amortization, depreciation and write-downs	(45,388,064)	(25,498,983)
Allocations	(583,000)	(410,000)
Operating profit	**61,859,204**	**37,017,054**
Financial income	107,271	4,070,766
Financial expenses	(3,018,715)	(2,069,551)
Total financial income and expenses	**(2,911,444)**	**2,001,215**
Profit before income taxes	**58,947,760**	**39,018,269**
Income tax	(20,005,424)	(14,372,494)
Profit for the year	**38,942,336**	**24,645,775**

STATEMENT OF COMPREHENSIVE INCOME
Rai Way SpA

(In Euro)	Year ended 31/12/2015	Year ended 31/12/2014
Profit for the year	**38,942,336**	**24,645,775**
Items that will not be reclassified to the income statement		
Actuarial gains (losses) on employee benefits	332,615	(1,927,501)
Tax effect	(238,453)	530,063
Total comprehensive income for the year	**39,036,498**	**23,248,337**

(*) Statement prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the European Union ("IFRS").
dall'International Accounting Standards Board e adottati dall'Unione Europea ("IFRS").

STATEMENT OF FINANCIAL POSITION (*)
Rai Way SpA

(In Euro)	Year ended 31/12/2015	Year ended 31/12/2014
Non-current assets		
Property, plant and equipment	224,496,654	243,126,987
Intangible assets	1,830,934	630,885
Non-current financial assets	173,850	236,684
Deferred tax assets	4,473,254	5,448,256
Other non-current assets	339,150	341,044
Total non-current assets	**231,313,843**	**249,783,855**
Current assets		
Inventory	1,001,152	900,592
Trade receivables	70,333,433	64,401,606
Other current receivables and assets	4,465,554	4,383,597
Current financial assets	298,572	676,449
Cash and cash equivalents	78,940,807	14,657,765
Tax receivables	485,869	313,688
Total current assets	**155,525,386**	**85,333,697**
Total assets	**386,839,228**	**335,117,552**
Shareholders' equity		
Share capital	70,176,000	70,176,000
Legal reserve	8,122,901	6,890,612
Other reserves	37,078,970	37,078,970
Retained earnings	43,884,226	39,644,818
Total shareholders' equity	**159,262,097**	**153,790,400**
Non-current liabilities		
Non-current financial liabilities	90,617,939	80,572,451
Employee benefits	20,319,478	21,326,026
Provisions for risks and charges	18,352,923	18,588,667
Other non-current payables and liabilities	-	-
Deferred tax liabilities	-	-
Total non-current liabilities	**129,290,340**	**120,487,144**
Current liabilities		
Trade payables	37,178,889	35,951,405
Other current payables and liabilities	28,341,491	21,689,239
Current financial liabilities	30,244,854	294,899
Tax payables	2,521,557	2,904,466
Total current liabilities	**98,286,791**	**60,840,009**
Total liabilities and shareholders' equity	**386,839,228**	**335,117.552**

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

STATEMENT OF CHANGES IN EQUITY
Rai Way SpA

(In Euro)	Share capital	Legal reserve	Other reserves	Retained earnings	Total
1 January 2013	**70,176,000**	**6,128,612**	**37,078,970**	**19,268,871**	**132,652,453**
Comprehensive income for the year				9,041,608	9,041,608
Allocation of profit to reserves		170,000		(170,000)	-
31 December 2013	**70,176,000**	**6,298,612**	**37,078,970**	**28,140,479**	**141,694,061**
Comprehensive income for the year				24,645,775	24,645,775
Gains and losses from actuarial valuation				(1,397,438)	(1,397,438)
Allocation of profit to reserves		592,000		(592,000)	-
Dividend distribution				(11,152,000)	(11,152,000)
31 December 2014	**70,176,000**	**6,890,612**	**37,078,970**	**39,644,818**	**153,790,400**
Comprehensive income for the year				38,942,336	38,942,336
Gains and losses from actuarial valuation				94,162	94,162
Allocation of profit to reserves		1,232,289		(1,232,289)	-
Dividend distribution				(33,564,800)	(33,564,800)
31 December 2015	**70,176,00**	**8,122,901**	**37,078,970**	**43,884,226**	**159,262,097**

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

CASH FLOW STATEMENT (*)
Rai Way SpA

(In Euro)	Year ended 31/12/2015	Year ended 31/12/2014
Profit before income taxes	**58,947,760**	**39,018,269**
Adjustments for:		
Amortization, depreciation and write-downs	45,388,064	25,498,983
Alllocations to (releases from) provisions for personnel and other provisions	3,943,230	(23,578)
Net financial income (**)	1,875,507	(2,001,215)
Other non-monetary items	-	69,923
Cash flows from operating activities before changes in net working capital	**110,154,562**	**62,562,382**
Change in inventory	(100,560)	(4,259)
Change in trade receivables	(4,115,858)	(14,321,378)
Change in trade payables	1,227,485	(47,012,201)
Change in other assets	(81,957)	(248,771)
Change in other liabilities	1,180,347	854,978
Use of provisions for risks	(1,905,402)	(567,514)
Payment of benefits to employees	3,152,331	(2,791,437)
Change in tax receivables and payables	158,848)	176,151
Tax paid	(14,193,212)	(6,974,913)
Net cash from (used in) operating activities	**88,854,225**	**(8,326,963)**
Investments in property, plant and equipment	(28,570,165)	(14,068,000)
Disposals of property, plant and equipment	296,489	227,000
Investments in intangible assets	(1,552,112)	(465,885)
Disposals of intangible assets	52,038	-
Investments related to finance leases	-	(6,439,382)
Collection of amounts related to finance leases	-	31,101,642
Change in non-current financial assets	62,833	(375,836)
Change in other non-current assets	1,894	-
Interest collected	107,271	4,070,766
Net cash from investing activities	**(29,601,751)**	**14,050,305**
Repayment of long-term loans	10,045,488	79,360,434
Change in current financial assets	377,877	(676,449)
(Decrease) increase in short-term loans and other loans	29,949,955	(57,172,571)
Interest paid	(1,777,952)	(1,424,991)
Dividends distributed	(33,564,800)	(11,152,000)
Net cash (used in) financing activities	5,030,567	8,934,423
Change in cash and cash equivalents	64,283,041	14,657,765
Cash and cash equivalents at the beginning of the year (***)	14,657,765	-
Cash and cash equivalents at the end of the year (***)	78,940,807	14,657,765

(*) Statement prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the European Union ("IFRS").
(**) Net financial income excluding interests on dismantling fund as non-cash item.
(***) Under the centralized treasury agreement, in force since 18 November 2014, the parent Rai Radiotelevisione Italiana S.p.A. is engaged to carry out the Company's financial management through a system of cash pooling which provides for the daily transfer of the positive and negative balances deriving from operations to an intercompany current account; as a consequence, the cash flows generated/ absorbed by operating, investing and financing operations are recognised as a receivable from/payable to the parent Rai Radiotelevisione Italiana S.p.A. in the item "short-term financing and other financing" and the Company accordingly always has a nil cash balance. Reference should be made to the section"Related party transactions" for further details.

NOTES TO THE FINANCIAL STATEMENTS

Introduction

Rai Way S.p.A. (hereafter "Rai Way" or the "Company") has prepared these financial statements for the years ended 31 December 2015 and 2014 (hereafter the "financial statements") in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the European Union ("IFRS").

In addition, certain items in the financial statements for the year ended 31 December 2014, as discussed in the following, were affected by the fact that the new active service agreement relating to the transmission and broadcasting services provided by Rai Way to Rai, which came into effect on 1 July 2014, is accounted for as an operating lease under IAS 17, whereas the previous agreement was accounted for as a finance lease. This led to a different means of accounting for the new agreement in the statement of financial position and income statement, causing the following effects:

a) in the statement of financial position:
   - the recognition of network assets in "Property, plant and equipment" and "Intangible assets";
   - the reclassification of items in "Inventory", under "Contract work in progress", to "Property, plant and equipment under construction and advances";
   - the elimination, against the recognition of the above items of property, plant and equipment and intangible assets, of the financial receivables due to the Company by its Parent resulting from the completion of the 2000-2014 service agreement that had been accounted for as a finance lease under IAS 17;
   - the recognition of a "provision for site decommissioning and restoration" calculated on the basis of the present value of the costs that the Company estimates it will have to incur in the future to restore the leased areas to their state and condition before the installation of the works built there;

b) in the income statement:
   - the recognition as "Revenues" of the component of the contractual fees which

as part of the accounting treatment of the finance lease implicit in the 2000-2014 Service Agreement had been recognized as a deduction from the financial receivable due to the Company by the Parent Rai;

- the recognition from 1 July 2014 of systematic depreciation and amortization on the basis of the respective economic and technical useful lives of the "Property, plant and equipment" and "Intangible assets" stated above;
- the discontinuance of the practice of recognizing interest income on the receivables due from the Parent Rai as part of the finance lease accounting, as these receivables, as discussed above, are no longer recognized under the New Service Agreement.

General Information

Rai Way S.p.A. is a Company incorporated and domiciled and organized under the laws of the Republic of Italy, with registered office in Via Teulada 66, Rome.

The Company, which was incorporated on 27 July 1999, has been operational since 1 March 2000 following the contribution of the "Transmission and Broadcasting Division" business unit by its sole shareholder Rai Radiotelevisione Italiana S.p.A. (hereafter "Rai").

Rai Way owns and manages the transmission and broadcasting networks of the Rai signal. The Company's activities are as follows:

- the design, installation, construction, maintenance, implementation, development and management of telecommunications networks and software, as well as the preparation and operation of a commercial, distribution and assistance network; these operations are aimed at the provision of services for the transmission, distribution and broadcasting of audio and visual signals and programs in favor of Rai, which is the concessionaire of Italian public radio and television broadcasting services, and of its subsidiaries, as well as of third parties, and of telecommunications services of any kind;
- the provision of wireless infrastructures and related services to wireless operators (including telephone operators, local loop wireless operators, TETRA, UMTS and other existing or future mobile technology operators), including the leasing of sites/aerials and co-lease services, built-to-suit services, network programming and design, site research and acquisition, site design and construction, site installation and commissioning, network optimization, infrastructure maintenance, network operation and maintenance and related microwave or fiber transmission services;

- research, consulting and training activities for people both inside and outside the Company, in the areas described in the two paragraphs above.

Summary of Accounting Principles

The main accounting principles and policies applied by the Company in preparing these financial statements are set out in the following.

Basis of Preparation

The financial statements have been prepared on a going concern basis, as the Directors have verified that there are no indicators of a financial, operational or other nature that may suggest critical issues connected with the Company's ability to meet its obligations in the foreseeable future, and in particular over the next 12 months. The means by which the Company manages financial risks is included in the section "Financial risk management".

The financial statements have been prepared and are presented in Euro, the currency of the prevalent economic environment in which the Company operates. All amounts stated in this document are expressed in thousands of Euro unless otherwise stated and the financial statements are expressed in Euro.

The following is a summary of the primary financial statements presented and the classification policies selected by the Company from the options available in IAS 1 *Presentation of Financial Statements:*

- statement of financial position prepared by classifying assets and liabilities on a "current/non-current" basis;
- an income statement prepared by classifying operating costs by their nature;
- a statement of comprehensive income which in addition to net profit for the year includes other changes in the equity accounts arising from transactions not carried out with the Company's shareholders;
- a cash flow statement which has been prepared by presenting cash flows from operating activities using the "indirect method".

The Financial Statements have been prepared under the historical cost convention, other than for the measurement of financial assets and liabilities which are required to be measured at fair value.

Translation of transactions in a currency other than the functional currency

Transactions in a currency other than the Euro are translated at the exchange rate at the transaction date. Any foreign exchange gains or losses on the assets or liabilities

in currency arising from the closing of the transaction or from translation at the balance sheet date are recognized in profit or loss under the items "Financial income" and "Financial expenses".

Accounting policies

Set out in the following is a brief description of the most significant accounting policies used in preparing the Financial Statements.

Property, plant and equipment

Property, plant and equipment is measured at purchase cost including all the directly attributable accessory costs required to make the asset ready for use. If the Company has the obligation to dismantle and remove assets and restore the sites at which it has operated to their original condition, the carrying amount of items of property, plant and equipment also includes the estimated costs, discounted as necessary, that it will incur on decommissioning the facilities, with a counter-entry being made to a specific provision. Any borrowing costs directly attributable to the acquisition, construction of production of property, plant and equipment are capitalized and depreciated over the useful life of the asset to which they refer.
Items of property, plant and equipment are depreciated systematically on a straight-line basis over an asset's economic and technical useful life, meaning the estimated period for which the Company believes the asset will be used, starting from the time it becomes available for use. If items of property, plant and equipment are made up of several significant components, depreciation is charged for each separate component. The depreciable amount consists of the carrying amount less any residual value, being the amount the Company expects to obtain on selling an asset at the end of its useful life, provided that this amount is significant and can be reasonably determined. Land is not depreciated even if acquired together with a building.
Costs incurred for routine and/or periodic maintenance and repairs are expensed as incurred. Expenditure on extending, modernizing or improving structural items owned or used by third parties are capitalized to the extent this responds to the requirements for being separately classified as an asset or part of an asset. Assets recognized as leasehold improvements are depreciated over the shorter of the contract term or the asset's specific useful life.
The indicative estimated useful lives of the different categories of property, plant and equipment are as follows:

Asset category	Useful life (years)
Buildings	10 – 17
Plant and machinery	4 – 12
Production and commercial equipment	5 – 7
Other assets	4 - 8

The useful lives of assets are reviewed and revised, where necessary, at least at the end of every year.

Intangible assets

Intangible assets are identifiable assets without physical substance that are controlled by the Company and able to produce future economic benefits. The requirement to be identifiable is generally met when the intangible asset arises from a legal or contractual right or can be sold or licensed separately or as part of other assets. Control consists in the Company's power to obtain the future economic benefits flowing from the asset together with the possibility of preventing or restricting the access of others to those benefits.
Intangible assets are recognized at cost, determined using the criteria stated for property, plant and equipment.
Intangible assets with a finite useful life are systematically amortized over their useful lives, meaning the estimated period during which they will be used by the Company. The Company uses the same approach to determine the amortizable amount and the recoverability of the carrying amount described for "property, plant and equipment".

Impairment of tangible and intangible assets

Testing is carried out at each balance sheet date to assess whether there is any indication that a tangible or intangible asset may be impaired. Internal and external sources of information are used to make this assessment. The following are considered for the former (internal sources): the obsolescence or physical deterioration of an asset, any significant changes in the use of an asset and the economic performance of an asset compared to that expected. The following external sources are considered: changes in the market price of an asset, any technological, market or legislative discontinuities, changes in market interest rates or in the borrowing costs used to value the investments.
If the presence of such indicators is identified an estimate is made of the recoverable amount of the assets, with any impairment loss compared to book value being recognized in profit or loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, with the latter being the present value of the future cash flows expected to be derived from the asset. In calculating value in use the expected future cash flows are discounted using a pre-tax discount rate

that reflects current market assessments of the time value of money over the period of the investment and the risks specific to the asset. If an asset does not generate cash flows that are largely independent, the recoverable amount is determined for the cash-generating unit (CGU) to which that asset belongs, meaning the smallest identifiable group of assets that generates independent cash flows.
An impairment is recognized in the income statement when the book value of the asset or the relevant CGU to which it is allocated is higher than its recoverable value. Reductions in value of CGUs are recorded against the respective assets in proportion to their book value and within the limits of the recoverable value thereof..
If the conditions for an impairment previously recognized no longer exist, the asset's book value is restored and recorded in the income statement, within the limits of the net accounting value that the asset would have had if the reduction had not been made and if the relevant amortization had been performed..

Cash and cash equivalents

Cash and cash equivalents consist of, cash, deposits on demand and financial assets with an original maturity date of up to 90 days, readily convertible into cash and subject to an immaterial risk of a change in value.
Receipts are recognized as per the date of the bank transaction, while payments also take into account the availability date.

Inventory

Inventories of raw materials, ancillary materials and consumables, mostly technical materials, are measured at the lower of cost, determined on a weighted average cost basis, and market value at the balance sheet date. Stocks of raw materials, ancillary materials and consumables that can no longer be used in the production cycle are written down.
Work in progress, typically relating to the adaptation of the transmission and broadcasting network to the requirements of Rai under the "Agreement for the provision of transmission and broadcasting services" (hereafter the "2000-2014 Service Agreement") entered with Rai on 5 June 2000 and valid, in the version subsequently supplemented and amended on several occasions, until 30 June 2014 (reference should be made to General Information for this matter), are measured on the basis of the costs incurred in relation to the progress of the works, determined using the method of the cost incurred (cost-to-cost).

Trade receivables and other financial assets

Trade receivables and other financial assets are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. Trade receivables and other financial assets are classified as current assets, other than those having a contractual settlement date of more than twelve months after the balance sheet date which are classified as non-current assets.
Impairment losses are recognized when there is objective evidence that the Company will not be able to recover the receivable due from the counterparty on the basis of the contractual terms.
The impairment loss is measured as being the difference between an asset's carrying amount and the present value of the estimated future cash flows and it is recognized in the income statement under the item "Amortization, depreciation and write-downs". If in subsequent periods the reasons that led to the previous recognition of an impairment loss no long hold, the loss is reversed up to the amount that would have been determined on the basis of amortized cost.

Finance leases and operating leases

Under IAS 17 "Leases" a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership, regardless of whether the right to ownership is transferred to the lessee at the end of the lease term. A lease is therefore classified as a finance lease if it transfers to the lessee substantially all the risks and rewards typically associated with ownership of the asset.
More specifically, under IAS 17 a lease that has certain specific features must be classified as a finance lease and accounted for as if the lessor finances the acquisition of the asset, even though the legal ownership of the leased asset remains with the lessor. The classification of a lease as a finance lease or an operating lease therefore depends on the substance of the operation rather than on the form of the contract.
In further detail, under IAS 17 the lessor in a finance lease arrangement must recognize the following:

- a financial receivable in the statement of financial position at an amount equal to the present value of the lease payments due by the lessee calculated to reflect a constant periodic rate of return, rather than the assets of which the lessor is formally the owner;
- the financial income accruing over time on the financial receivables in comprehensive income.

IAS 17 defines a lease arrangement as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Financial liabilities

Financial liabilities are initially recognized at fair value excluding any directly attributable accessory costs, and are subsequently measured at amortized cost using the effective interest rate method. If there is a change in the estimate of expected cash flows, the carrying amount of the liability is recalculated to reflect that change on the basis of the present value of the new expected cash flows and the effective internal rate initially determined. Financial liabilities are classified as current liabilities, other than those having a contractual due date of more than twelve months after the balance sheet date where the Company has an unconditional right to defer settlement for at least twelve months after the balance sheet date, which are classified as non-current assets.
Financial liabilities are recognized at the trading date of the transaction and are derecognized when they are extinguished and when the Company has transferred all the risks and expenses relating to the instrument.

Employee benefits

Short-term benefits consist of wages, salaries, the related social charges, compensated annual leave and incentives in the form of bonuses payable within twelve months of the balance sheet date. These benefits are recognized as personnel costs in the period in which employees render the related service.
In defined benefit programs, which also include the severance pay due to employees pursuant to article 2120 of the Italian civil code (the "TFR"), the amount of the benefit to be paid to employees can only be determined after the completion of employment and is linked to several factors such as age, years of service and remuneration. The cost is accordingly recognized in the income statement on the basis of an actuarial calculation. The liability recognized for defined benefit plans corresponds to the present value of the obligation at the balance sheet date. Defined benefit plan obligations are calculated on an annual basis by an independent actuary using the projected unit credit method. The present value of a defined benefit plan is determined by discounting the future cash flows using an interest rate determined by reference to high quality corporate bonds issued in Euros, consistent with the term of the related plan. The actuarial gains and losses arising from these adjustments

and changes in actuarial assumptions are recognized in comprehensive income.

From 1 January 2007 Italian legislation introduced significant changes to regulations for the TFR, including permitting an employee to choose the destination of the accruing entitlement. More specifically, from that date an employee is able to decide whether the new TFR flows should be transferred to a selected supplementary pension fund or retained within the company. In the case of transfer to an external pension fund, the Company usually pays over a defined contribution to the fund, and accordingly the portion of TFR accruing from 1 January 2007 has the nature of a defined contribution and is not subject to actuarial valuation.

As far as retirement incentives are concerned, if the retirement incentive is not included as part of the restructuring program the liabilities and the cost relating to the benefits due as the result of the termination of the employment relationship are recognized when the Company can no longer withdraw its offer for the benefits payable as a result of the termination of the employment relationship. More specifically, if the decision to terminate is made by the employee, the Company may no longer withdraw the offer of such benefits when the first of the following occurs (i) the employee accepts the offer, (ii) a restriction on the ability of the Company to withdraw the offer comes into force. Conversely if the Company decides to terminate the employment relationship, it may no longer withdraw the offer of such benefits when it has communicated a detailed retirement incentive plan to those concerned and when the steps required to be taken to complete the plan imply that it is not probable that significant changes will be made to such. If it is expected that such benefits will be fully settled within twelve months after the end of the year in which such benefits are recognized, the requirements for short-term employee benefits are applied, while if this is not expected to be the case the entity applies the requirements for other long-term employee benefits.

Provisions for risks and charges

Provisions for risks and charges are recognized for losses and charges of a specific nature whose existence is certain or probable but for which the amount and/or date of occurrence cannot be determined. Provisions are only recognized when the Company has a present obligation, legal or constructive, arising from past events, for the future outflow of economic benefits and it is probable that that outflow will be required to settle the obligation. The amount recognized as a provision is the best estimate of the expense required to settle the obligation.

Where the effect of the time value of money is material and the date of settling the obligation can be reliably estimated, the amount of the provision is the present value of the expected expense discounted using a rate that reflects market conditions, the time value of money and the risks specific to the liability. The increase in the carrying amount of a provision reflecting the change over time of the cost of money is recognized as financial expenses.
Risks for which the likelihood that a liability will arise is only possible are disclosed in the section of the notes on contingent liabilities and no provisions are recognized.

Trade payables and other liabilities

Trade payables and other liabilities are initially recognized at fair value, excluding directly attributable accessory costs, and are subsequently measured at amortized cost using the effective interest rate method.

Recognition of revenues and income

Revenues are recognized at the fair value of the consideration received or receivable for the sale of goods and services in the normal course of the Company's operations. Revenues are recognized net of returns, discounts, rebates and bonuses and directly related taxes.
Revenues from sales and services are recognized when the significant risks and rewards typical of ownership have been effectively transferred or when services have been rendered.
Revenues arising from the partial rendering of services are recognized on the basis of the consideration accrued at the balance sheet date on condition that the stage of completion can be measured reliably and that there are no uncertainties as to the amount and existence of the revenue and the relative costs. If this is not the case revenues are only recognized to the extent that the expenses recognized are recoverable.
Financial income is recognized in the income statement in the year in which it accrues.

Recognition of costs

Costs are recognized in the income statement on an accrual basis. Financial expenses are recognized in the income statement in the year in which it accrues.

Government grants

Government grants are recognized in the financial statements when there is reasonable assurance that the Company will comply with all the conditions attaching to the receipt of the grants and that the grants will be received. Grants are recognized as income over the period necessary to match them with the related costs.

The accounting treatment of the benefits deriving from a loan obtained from public bodies at a subsidized interest rate is similar to that used for government grants. The benefit is calculated as the difference between the initial fair value of the loan, including the costs incurred to obtain the loan, and the amount actually received. This difference is initially recognized as a liability in the balance sheet and is subsequently released to the income statement over the term of the loan.

Taxation

Current taxes are determined on the basis of an estimate of taxable profit made in compliance with the fiscal legislation applicable to the Company.

Deferred tax assets and liabilities are recognized for all the differences between the carrying amount of an asset or liability and its tax base and are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. For the portion not offset by deferred tax liabilities, deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which they can be recovered.

Current taxes and deferred taxes are recognized under the item "Income tax" in the income statement, apart from taxes relating to items recognized in comprehensive income and those relating to items directly charged or credited to equity. In these latter cases, deferred taxes are recognized in comprehensive income and directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority, the Company has a legally enforceable right to set off the recognized amounts and the Company intends to settle on a net basis.

Other taxes that are not based on income, such as indirect taxes and duties, are recognized under the item "Other costs" in the income statement.

Together with Rai the Company has opted for domestic tax consolidation. The economic relationships, as well as the mutual responsibilities and obligations, between Rai and the other companies of the same group that opted to join the tax consolidation are defined in the "Agreement for the exercise of the option for the domestic

consolidation in accordance with article 117 and following of the Consolidated Income Tax Act", under which:

- subsidiaries that transfer a taxable profit to Rai also transfer the amounts required to settle the additional tax liability due as the result of their participation in the domestic consolidation;
- subsidiaries that transfer a taxable loss to Rai are compensated to the extent of the respective tax saving achieved by Rai when this saving is realized or could have been realized by the subsidiary transferring the loss.

Accordingly the related tax net of any advances paid, withholding tax and tax credits in general is recognized as a receivable from or payable to the Parent.

Earnings per share

Basic earnings per share is calculated by dividing the Company's net profit by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the Company's net profit by the weighted average number of ordinary shares outstanding during the year. In order then to calculate diluted earnings per share the weighted average number of ordinary shares outstanding during the year is adjusted by assuming that all the holders of rights that potentially have a dilutive effect exercise those rights, while the Company's net profit is adjusted to take into account any effect, net of taxes, of exercising those rights.

Recently issued accounting standards

Accounting standards adopted by the European Union but not yet applicable

- By way of Regulation no. 2015/29 issued by the European Commission on 17 December 2014 the amendment to IAS 19 "Defined Benefit Plans: Employee Contributions" was adopted. This amendment is effective for repowering periods beginning on or after 1 February 2015 (for Rai Way financial 2016).

  In some countries pension schemes require employees or third parties to contribute to the plan and these contributions reduce the cost incurred by the employer. These are non-discretional contributions that the present version of IAS 19 requires be considered in the accounting treatment of defined benefit plans by including them in the measurement of the liability and attributing them to the "service period" in accordance with paragraph 70 of the standard. The aim of the objective is to simplify the accounting treatment of these contributions when despite being linked to the service rendered by employees they do not depend on the number of years of service. In this case the amendment introduces a simplification on the basis of which the employees' contributions (or those of third parties) may be recognized as a reduction in labor costs in the period in which the relative service is rendered rather than being attributed to the whole "service period". The accounting treatment of voluntary contributions has not changed with respect to the present version of IAS 19 (they are recognized as a reduction in labor costs on payment).

- By way of Regulation no. 2015/28 issued by the European Commission on 17 December 2014 the "IFRS Annual Improvements Cycle 2010-2012" was adopted. This contains amendments, essentially of a technical nature or relating to the wording of certain international accounting standards. The amendments included in this document are effective for reporting periods beginning on or after 1 February 2015 (for Rai Way financial 2016) and may be summarized as follows:
  - IFRS 2 "Share-based Payment": the definition of "vesting condition" is clarified and the definitions of "service condition and "performance condition" are introduced;
  - IFRS 3 "Business Combinations": the standard has been amended to clarify that the requirement to pay contingent consideration forms part of the definition of a financial instrument and must be classified as a financial liability or an item of equity on the basis of the requirements of IAS 32. In addition, it is clarified that unlike those that form part of the definition of an equity instrument, obligations to pay contingent consideration must be measured at fair value at each balance sheet date, with differences recognized in profit or loss;
  - IFRS 8 "Operating Segments": the amendment requires disclosures to be provided about the judgements made by management in applying the aggregation criteria to operating segments and the economic indicators that have been assesses to determine that aggregated segments have similar economic characteristics. In addition the standard is amended to require that reconciliations be provided in the notes to the financial statements of the total of the reportable segments' assets to the entity's assets as stated in the statement of financial position (this information need only be provided if

disclosures on the operating segments' activities are provided);

- IAS 16 "Property, Plant and equipment" and IAS 38 "Intangible Assets": both standards have been amended to clarify the accounting treatment of the cost and accumulated depreciation of an asset when an entity applies the revalued cost model. It is clarified that the carrying amount can be adjusted to the revalued amount in two ways: a)the gross amount of the asset is revalued and accumulated depreciation is revalued proportionately; or b) accumulated depreciation is eliminated against the gross amount of the asset;
- IAS 24 "Related Party Disclosures": the amendment provides details of the disclosures to be provided when a third party entity provides key management personnel services to the reporting entity.

- By way of Regulation no. 2015/2173 issued by the European Commission on 24 November 2015 approval was given to the amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations", which requires an entity to apply IFRS 3 for recognizing the accounting effects resulting from the acquisition of an interest in a joint operation that is a business. The amendment to IFRS 11is applicable both to an initial interest and subsequent acquisitions. Nevertheless a previously held investment is not remeasured at fair value if the purchase of an additional interest keeps joint control unchanged (meaning that the additional purchase does not lead to the acquisition of control of the investee).

  The amendment to IFRS 11 is effective for reporting periods beginning on or after 1 January 2016.
- By way of Regulation no 2015/2231 issued by the European Commission on 2 December 2015 the amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation" were adopted. The amendment to each standard specifies that the depreciation or amortization of an asset should not be determined on the basis of the revenue it generates in a specific period. In the IASB's view the revenue generated by an asset generally reflects factors that differ from the consumption of the economic benefits deriving from that asset.

  The amendments to IFRS 16 and IAS 38 are effective for reporting periods beginning on or after 1 January 2016.
- By way of Regulation no 2015/2343 issued by the European Commission on 15 December 2015 the "IFRS Annual Improvements Cycle 2012-2014" was

adopted. This contains amendments, essentially of a technical nature or relating to the wording of certain international accounting standards, which may be summarized as follows:

– IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations": the amendment clarifies that if a non-current asset (or disposal group) is reclassified from "held for sale" to "held for distribution" or vice versa, this reclassification is not a change to a plan of sale or distribution. In addition it is clarified that the principles on changes to a plan of sale in IFRS 5 are applicable to an asset (or disposal group) that ceases to be held for distribution but is not reclassified as "held for sale";
– IFRS 7, "Servicing Contracts": if an entity transfers a financial asset to a third party and the conditions of IAS 39 for derecognition are complied with, the amendment to IFRS 7 requires disclosures to be provided about any continuing involvement that the entity may still have in the transferred asset. More specifically, the amendment provides guidance as to what "continuing involvement" means and adds a specific guide to help management establish whether the terms of an agreement for providing services that regard the transferred asset lead to continuing involvement or not;
– IFRS 7 "Interim Financial Statements": this clarifies that the disclosures required by the previous amendment to IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities" do not need to be provided in interim financial statements unless explicitly required by IAS 34;
– IAS 19 "Employee Benefits": the standard requires that the rate used to discount obligations for post-employment benefits must be determined with reference to market yields on high quality corporate bonds and that in countries where there is no "market" for such bonds market yields on government bonds must be used. The amendment introduced through the IFRS Annual Improvements Cycle 2012-2014 establishes that when assessing whether there is a high quality corporate bond "market" the market should be assessed at currency level and not at individual country level;
– IAS 34 "Interim Financial Reporting": this lists the information that must be disclosed in the interim financial statements unless it is to be found elsewhere in the interim report. The amendment clarifies the meaning of "elsewhere in the interim report", explaining that this refers to other documents that must be available to users together with the interim financial statements (for example the report on operations).

The amendments to the standards are effective for reporting periods beginning on or after 1 January 2016.

- By way of Regulation no. 2015/2406 issued by the European Commission on 18 December 2015, the amendments to IAS 1 reported in the "Disclosure Initiative" were adopted, essentially containing clarifications regarding the means of presenting financial statement disclosures that draw attention to the use of the concept of "materiality".
  The amendments to IAS 1 are effective for l reporting periods beginning on or after 1 January 2016.
- By way of Regulation no 2015/2441 issued by the European Commission on 18 December 2015 the amendment to IAS 27 "Equity Method in Separate Financial Statements" was adopted. This introduces the possibility for entities to use the equity method for accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.
  The amendment to IAS 27 must be applied retrospectively for reporting periods beginning on or after 1 January 2016. Earlier application is permitted.
  As things currently stand the Company is reviewing the above standards and assessing whether adoption will have a significant effect on its financial statements.

Accounting standards not yet adopted by the European Union

- The IASB issued IFRS 16 "Leases" on 14 January 2016. IFRS 16 creates a new model for accounting for leases.
  IFRS 16 is effective for reporting periods beginning on or after 1 January 2019.
  The IASB issued an amendment to IAS 12 "Income Taxes" on 19 January 2016. This clarifies the accounting treatment for deferred tax assets arising from debt instruments measured at fair value. The amendment is effective from 1 January 2017.
- The IASB issued an amendment to IAS 7 "Statement of Cash Flows" on 29 January 2016. The amendment requires disclosures to be provided in the financial statements for changes in financial liabilities with the aim of improving the information provided to investors to assist them in gaining a better understanding of the changes occurring in this item. The amendment is effective from 1 January 2017.
- On 30 January 2014 the IASB issued IFRS 14 "Regulatory Deferral Accounts".

IFRS 14 permits first-time adopters to continue measuring the amounts relating to rate-regulated activities in accordance with their previous accounting standards. To improve comparability with entities that already apply IFRSs and do not recognize these amounts, the standard requires that the rate regulation effect must be presented separately from the other items.

IFRS 14 is effective for reporting periods beginning on or after 1 January 2016.

- The IASB issued IFRS 15 "Revenue from Contracts with Customers" on 28 May 2014, which governs the way in which revenues arising from contracts with customers must be recognized. More specifically, the recognition of revenues must be based on the following five-step model:

  1. identify the contract with the customer;
  2. identify the performance obligations in the contract;
  3. determine the transaction price;
  4. allocate the transaction price to the identified performance obligations on the basis of the stand-alone sales price of each good or service;
  5. recognize revenue when (or as) the entity satisfies a performance obligation.

  In addition, IFRS 15 identifies the disclosures to be provided regarding the nature, amount, timing and uncertainty of the revenues and relative cash flows.

  IFRS 15 is effective for reporting periods beginning on or after 1 January 2018.
- On 24 July 2014, the IASB completed the process for revising its accounting standard on financial instruments by issuing IFRS 9 "Financial Instruments". More specifically the new standard: (i) amends the model for classifying and measuring financial instruments (ii) introduces a new impairment model that takes account of expected losses; and (iii) makes changes to hedge accounting requirements.

  The requirements of IFRS 9 are effective for reporting periods beginning on or after 1 January 2018.
- On 11 September 2014 the IASB issued "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28". The amendments have the aim of resolving an existing conflict between the requirements of IFRS 10 and those of IAS 28 when an investor sells or contributes a business to an associate or joint venture. Under IFRS 10 if an investor loses control of an investee it must recognize the difference between the fair value of the consideration received and the carrying amount of the derecognized asset or liability in profit or loss, while under IAS 28 the effect of transactions be-

tween an investor and an associate or joint venture should only be recognized in the financial statements of the entity to the extent of third party interests in the associate or joint venture. The amendment made to the two standards specifies that in the case of a sale or a contribution of a business to an associate or joint venture the investor must apply the requirements of IFRS 10 and recognize the entire gain or loss resulting from the loss of control in its financial statements. The amendment does not apply when the assets sold or contributed to an associate or joint venture do not represent a business within the meaning of IFRS 3. In this case the profit or loss must be recognized in accordance with IAS 28.

The amendments to IFRS 10 and IAS 28 are effective for reporting periods beginning on or after 1 January 2016.

As things currently stand the Company is reviewing the above standards and assessing whether adoption will have a significant effect on its financial statements.

Segment Information

IFRS 8 *Operating Segments* defines an "operating segment" as a component of an entity: (a) that engages in business activities from which it may earn revenues and incur expenses, (b) whose operating results are regularly reviewed by the entity's chief operating decision maker, which for Rai Way is the Board of Directors, to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available. The Company has identified only one operating segment, for which information on operations is prepared and made available to the Board of Directors on a periodic basis for the above-mentioned purposes, considering the business conducted by Rai Way as a single group of activities; accordingly no disclosures by operating segment are provided in the financial statements. Disclosures on the services rendered by the Company, the geographical area in which it carries out its activities (which almost entirely corresponds to the state of Italy) and its main customers are provided in the notes to these financial statements, to which reference should therefore be made.

Transactions between Rai and Rai Way

The incorporation of the Company and the completion of the transfer by the Parent Rai of the business unit headed by the Transmission and Broadcasting Division are part of a much broader streamlining project being carried out by the Rai Group which resulted in the formation of a number of subsidiaries tasked with handling

specific business sectors ancillary to the Public Service for broadcasting radio and television programs previously performed by Rai. Under this transfer, which took place on 1 March 2000, the Company became the owner of the business unit tasked with performing the planning, design, installation, construction, operation, management, maintenance, implementation and development of the systems, of the stations, of the connections and in general of the network for transmitting and broadcasting Rai's voice, video and data signals. The ownership of the equipment needed for Rai's television and radio transmission and broadcasting was therefore transferred to the Company, in addition to the employment relationships with approximately 600 engineers and technicians specialized in the transmission and broadcasting of radio and television signals.
On 5 June 2000, Rai and the Company executed the 2000-2014 Service Agreement under which the latter engaged the Company to provide services on an exclusive basis for the installation, maintenance and operation of telecommunications networks and the performance of services for the transmission, distribution and broadcasting of radio and television signals and programs. The 2000-2014 Service Agreement remained effective until 30 June 2014.
On 31 July 2014 Rai and Rai Way executed the New Service Agreement, effective 1 July 2014, replacing the 2000-2014 Service Agreement, under which Rai engages the Company on an exclusive basis to provide a set of services that enable Rai to carry out the following: (i) regular transmission and broadcasting in Italy and abroad through the MUX that were assigned to it on the basis of applicable regulation; and (ii) regularly fulfill public service obligations the regular discharge of its Public Service obligations.
Reference should be made to the section on related party transactions for further details about transactions between Rai and Rai Way and to the section on subsequent events where an update on these transactions is provided.

Financial Risk Management

The financial risks to which the Company is exposed are managed in accordance with the approach and procedures included in a specific policy approved by Rai Way's Board of Directors, which is directed at risk minimization in order to maintain the value of the Company.
The main risks identified by the Company are as follows:

- market risk, deriving from exposure to fluctuations in rates;
- credit risk, deriving from the possibility that one or more counterparties may be insolvent;
- liquidity risk, deriving from the Company's inability to obtain the financial resources necessary to fulfill short-term financial commitments;
- capital risk, deriving from the Company's ability to continue ensuring capital soundness.

Market risk

Market risk consists of the possibility that changes in interest and exchange rates, or the rating of the counterparties with whom liquidity is deposited, may negatively affect the value of assets, liabilities or expected cash flows.

The Company has adopted its own specific financial policy, whose features are described in the following and whose aim is to minimize risk and maintain the value of the business.

- Interest rate risk. The policy requires that interest rate risk, which derives from possible fluctuations in the interest rates applicable to the long-term loans granted to the Company (for significant amounts), be managed through the use of the hedging instruments available on the market such as IRSs, options, etc., with pre-set minimum cover percentages.

  Applying an increase of 50 bps and a decrease of 10 bps to the financial balances at 31 December that are exposed to interest rate risk, a respective economic effect of a – 0.3 and + 0.1 million Euros is obtained.
- Exchange rate risk. The Company's operations in currencies other than the Euro are extremely limited and accordingly its exposure to exchange rate risk does not lead to significant effects on its financial position, results from operations or cash flows.

  The Company nevertheless monitors its exposure in currency to be ready to take the initiatives deemed necessary by its policy to manage any significant risk positions (over € 2.5 million) which may emerge from a changed exposure to the exchange rate risk. In these cases the policy requires a gradual hedging approach to be taken by means similar to those envisaged for interest rate risk described above.
- Risks connected with the investment of liquidity. For risks connected with the investment of liquidity, in the case of temporary excesses of cash the

business policy requires the Company to use low risk market-based financial instruments with counterparties having a high rating or with the Parent. Only deposits on demand were used in 2015.

Credit risk

The Company's main customer is its Parent Rai, which generated revenues of € 177,338 thousand (approximately 84% of total revenues) and € 132,087 thousand (approximately 79% of total revenues) in the years ended 31 December 2015 and 2014 respectively. The Company's other customers are mainly entities of the public administration, the security forces and the leading telephone operators and broadcasting companies with which the Company enters multi-year service agreements. The Company is therefore exposed to the risk of concentration of revenues and credit deriving from the possibility that its trade counterparties will be unable to fulfill their obligations, both for business and financial reasons, such as business instability, the inability to collect the necessary capital for the performance of their activity, or related to the general trend towards the reduction in operating costs, both for technical-commercial nature reasons and legal reasons connected with the performance of the services by the Company, such as complaints relating to the services provided, or the customers' inclusion in bankruptcy proceedings, that make it more difficult or impossible to recover the receivables.

A breach by one of the Company's trade counterparties to fulfil its obligations may result in negative effects on its results of operations, financial position and cash flows.

With regard to counterparty risk, formalized procedures for assessing trade partners have been adopted for credit management purposes. The assessment is carried out with two week periodicity on overdue items and may lead to formal notice of default being served on the parties involved. The lists of overdue items analyzed are sorted by amount and by customer in order to highlight the items requiring greater attention.

The Company sends informal payment claim notices to debtors owing amounts relating to overdue items. If this activity does not remedy the situation, after formally placing the debtors in default, the Company assesses the possibility of filing for an injunction.

The following table provides an ageing of trade receivables at 31 December 2015 and 2014, with figures stated net of the provision for bad and doubtful debts.

(In Euro)	31 December 2015	31 December 2014
Not yet due	61,323	58,357
Overdue by 0-30 days	252	54
Overdue by 31-60 days	1,552	428
Overdue by 61-90 days	18	21
Overdue by more than 90 days	7,188	5,542
Total	**70,333**	**64,402**

All trade receivables are due within 12 months.

Liquidity risk

Liquidity risk is the inability for the Company to obtain the funding it requires to meet its operational requirements for investments, working capital and debt servicing. Rai Way believes that cash flows from operating activities and its outstanding loans (see the section on "Current and non-current financial assets and liabilities") are amply sufficient to meet its needs. At 31 December 2015 these loans had been used to the extent of 71% of the maximum facility and the covenants included in the loan agreements had been amply satisfied.

The following tables set out the expected cash flows for future years arising from the Company's outstanding financial liabilities at 31 December 2015 and 2014.

31 December 2015 (in euro thousands)	Carrying amount	Within 12 months	Between 1 and 5 years	Over 5 years
Non-current financial liabilities	90,618	-	90,357	261
Trade payables	37,179	37,179	-	-
Current financial liabilities	30,245	30,245	-	-

31 December 2014 (in euro thousands)	Carrying amount	Within 12 months	Between 1 and 5 years	Over 5 years
Non-current financial liabilities	80,573	-	80,145	428
Trade payables	35,951	35,951	-	-
Current financial liabilities	295	295	-	-

Capital risk

The Company's capital management objectives aim at safeguarding its ability to continue to ensure optimal capital soundness. In particular, the ratio between the Company's financial debt and equity was 0.76 and 0.52 at 31 December 2015 and 2014 respectively; the increase is due to a rise in financial debt partially offset by an increase in equity.
The fair value of trade receivables and other financial assets, trade payables and other payables and other financial liabilities, recognized as "current" in the balance sheet and measured using the amortized cost method, does not differ from the carrying amounts of these items at 31 December 2015, as they mainly relate to assets arising from commercial transactions for which settlement is expected in the short term. Non-current financial assets and liabilities are regulated or valued at market rates and their fair value is considered to be broadly in line with their present carrying amounts.

Estimates and Assumptions

The preparation of financial statements requires the directors to apply accounting principles and methods which, in certain circumstances, depend upon difficult and subjective measurements and estimates based on historical experience and assumptions that at the time are considered reasonable and realistic with respect to the relative circumstances. The application of these estimates and assumptions affects the amounts reported in the financial statements, the statement of financial position, the income statement, the statement of comprehensive income and the cash flow statement and the disclosures. The final results of the items in the financial statements for which the above estimates and assumptions have been made could differ from those recorded in the financial statements, as these recognize the effects of the event estimated, due to the uncertainty inherent in the assumptions and conditions on which the estimates are based.
The following paragraphs provide a brief description of the areas which require greater subjectivity to be used by the directors in arriving at their estimates and for which a change in the conditions underlying the assumptions could have a significant effect on the reported figures.

Contingent liabilities

A liability is recognized for risks arising from disputes and litigation when an outflow

of funds is considered probable and the amount can be reliably estimated. If an outflow of funds is considered possible but the amount of that outflow cannot be determined, this fact is disclosed in the notes to the financial statements. The Company is the defendant in legal cases (of an administrative and fiscal nature and relating to labor law) on a variety of issues. The Company constantly monitors the status of this pending litigation and engages the services of legal advisors. The related provision is accordingly based on the directors' best estimate at the date of preparation of the financial statements.

Revenues

This item may be analyzed as follows:

	Year ended 31 December	
(in euro thousands)	**2015**	**2014**
Revenues from the Rai Service Agreement	177,436	132,150
Revenues from third parties	34,870	35,114
- Systems and equipment hosting fees	32,686	32,928
- Other	2,184	2,186
Total revenues	**212,306**	**167,264**

"Revenues" consists of revenues relating to the year arising from the provision of services forming part of the Company's ordinary operations.

Revenues rose by € 45,042 thousand from € 167,264 thousand in 2014 to € 212,306 thousand in 2015, an increase of 26.9%.

"Revenues from the Rai Service Agreement" amounted to € 177,436 thousand or 83.6% of total revenues for the year ended 31 December 2015 (€ 132,150 thousand or 79.0% of total revenues for the year ended 31 December 2014). The increase of € 45,286 thousand (+34.3%) is mainly due to the fact that the new service agreement with Rai is classified as an operating lease from 1 July 2014 under IAS 17 and no longer as a finance lease, as provided by the previously effective agreement.

"Revenues from third parties" consist mainly of service revenues relating to (i) tower rental, (ii) broadcasting, (iii) transmission and (iv) network services which the Company renders to third party customers other than Rai. There was a decrease of € 244 thousand in these revenues (-0.7%) mainly due to a contraction in network service revenues following the non-renewal of a contract with a customer.

Other revenues and income

This item may be analyzed as follows:

	Year ended 31 December	
(in euro thousands)	**2015**	**2014**
Other income	243	661
Release of provisions	133	2,908
Grant income	59	129
Reimbursements and refund of expenses	103	183
Total other revenues and income	**538**	**3,881**

"Other revenues and income" decreased by € 3,343 thousand (-86.1%) from € 3,881 thousand in the previous year to € 538 thousand in 2015. This is mainly due to the increase in the item "Release of provisions" which consists of the release to income of various provisions for risks and charges accrued by the Company in previous years.

"Other income" amounted to € 243 thousand in 2015, a decrease of € 418 thousand over 2014 due to the reduced amount received as compensation for damages by the Company compared to the previous year.

"Grant income" for the year ended 31 December 2015 decreased by € 70 thousand over the previous year. This item consists mainly of the amounts pertaining to the year of the capital grants obtained by the Company following its participation in the 11th and 31st calls for tender pursuant to Law no. 488/92 for various investment activities. The decrease mainly arises due to the completion of the depreciation period for the assets funded by this grant.

Purchase of consumables

This item may be analyzed as follows:

	Year ended 31 December	
(in euro thousands)	**2015**	**2014**
Purchase of fuel	672	756
Purchase of combustibles	211	191
Miscellaneous tools	551	644
Technical material stocks	183	115
Change in inventory	(101)	(4)
Total purchase of consumables	**1,516**	**1,702**

"Purchase of consumables" decreased by € 186 thousand (-10.9%) from € 1,702 thousand in the previous year to € 1,516 thousand in 2015. This item mainly consists of the costs incurred for purchasing technical materials for the warehouse and consumables (technical materials, fuel for transportation vehicles and fuel for electricity generating groups and heating).
More specifically the decrease in these costs principally reflects a decrease in fuel costs and purchases for tooling and changes in inventory.

Cost of services

This item may be analyzed as follows:

	Year ended 31 December	
(in euro thousands)	**2015**	**2014**
Lease and rentals	15,159	14,561
Other services	2,634	3,074
Compensation to directors and statutory auditors	570	812
Consulting services	1,210	1,439
Maintenance and repairs	4,749	5,961
Intercompany service agreement	12,465	14,462
Travel expenses	1,831	1,730
Utilities	13,625	15,712
Total cost of services	**52,243**	**57,751**

"Cost of services" decreased by € 5,508 thousand (-9.5%) from € 57,751 thousand in the previous year to € 52,243 thousand in 2015. Set out below are the main changes in the above cost items and a description of the principal factors that led to these:

- "Leases and rentals" consist mainly of the cost of renting buildings, hiring plant and equipment and hiring transmission circuits. The increase in 2015 is mainly due to the increase in costs incurred for leasing optic fiber as the result of work carried out on strengthening the contribution network which began in 2015 and is currently being finalized;
- "Other services" consist mainly of costs for consultancies, seconded personnel, computer services provided by third parties and services provided for third party assets. This item amounted to € 2,634 thousand in 2015, representing

a decrease of € 440 thousand due mainly to a contraction in computer costs provided by third parties and waste disposal costs;

- "Consulting services", amounting to € 1,210 thousand in 2015, decreased over 2014 due to a reduction in costs incurred for extraordinary operations. In 2015 this item includes the fees relating to the year for the legal audit of the annual accounts and other attestation services amounting to € 70 thousand (pursuant to article 149-duodecies of the Consob Issuers' Regulations);

Information pursuant to article 148-duodecies of the CONSOB Issuers' Regualtions
(in euro thousands)

		Fees for 20155
Type of engagement		
Legal audit of the accounts	PricewaterhouseCoopers S.p.A.	49
Semi-annual report	PricewaterhouseCoopers S.p.A.	21
Total cost of services		**70**

- "Intercompany service agreement" costs arise from the services provided by the Parent; there was a decrease of € 1,997 thousand between 2014 and 2015 due to the renegotiation of the agreements effective 1 July 2014 and lower ICT service costs;
- "Utilities" amounted to € 13,265 thousand in 2015 and mostly consist of electricity costs, telephone expenses, cleaning expenses and sundry items. The decrease of € 2,087 thousand over 2014 is mainly due to the new electricity supply agreement which ensures lower units costs than in the past.

Personnel costs

This item may be analyzed as follows:

	Year ended 31 December	
(in euro thousands)	**2015**	**2014**
Wages and salaries	32,888	32,494
Social security costs	9,955	9,575
Employee severance pay	2,161	2,197
Pensions and similar obligations	909	891
Other costs	1,653	263
Total personnel costs	**47,566**	**45,420**

"Personnel costs" amounted to € 47,566 thousand in 2015 and in the item "Other costs" include non-recurring costs of € 1,417 thousand relating to a voluntary retirement incentive plan initiated by the Company in the second half of 2015 which envisages the departure on a voluntary basis from 2016 of staff who reach pensionable age or the contributions entitlement by 31 December 2019, also compatible with the Company's operational assessments. Excluding the effect of this plan, personnel costs increased by € 729 thousand (+1.6%) over 2014 (€ 45,420 thousand).
The increase of € 729 thousand is mainly due to the strengthening of the workforce as the result of the Company's listing and the development of rewarding systems geared towards talent management and retention objectives, only partially offset by the decrease in costs for contractual increases and overtime, transfer costs (which are partially recognized in personnel costs and partially in cost of services) and the increase in capitalized personnel costs from € 1,832 thousand in 2014 to € 2,505 thousand in 2015.
Further details of the effects on income arising from the accounting treatment for employee benefits may be found in the note "Employee benefits".
The following table sets out the average number of the Company's employees during the year and the number at year end:

	Average number of employees for the year ended		End of period number of employees for the year ended	
(Numbers)	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
Executives	18	14	22	14
Middle managers	132	118	134	132
Office workers	454	459	449	458
Manual workers	34	35	34	34
Total	**638**	**626**	**639**	**638**

The Company's average workforce increased by 12 during the year from 626 in 2014 to 638 in 2015.

Other costs

This item may be analyzed as follows:

	Year endend 31 December	
(in euro thousands)	**2015**	**2014**
Taxes on production and consumption	1,056	1,085
ICI/IMU/TASI	1,362	1,322
Other indirect taxes, duties and other taxes	356	410
Other costs	915	530
Total other costs	**3,689**	**3,347**

"Other costs" increased by € 342 thousand (+10.2%) from € 3,347 thousand in the previous year to € 3,689 thousand in 2015, mainly due to an increase in the item "Other costs" which relates to losses realized on the disposal of business assets.

Amortization, depreciation and write-downs

"Amortization and depreciation" forming part of "Amortization, depreciation and write-downs" amounted to € 47,204 thousand in the year ended 31 December 2015 (€ 25,149 thousand for the year ended 31 December 2014). The increase of € 22,005 thousand is mainly due to the different treatment used to account for the Rai service agreement that was in force until 30 June 2014; under IAS 17 this had been accounted for as a finance lease. This led to the reversal from "Property, plant and equipment" and "Intangible assets" of the assets relating to the network and the elimination of the relative depreciation and amortization.

"Write-downs" forming part of "Amortization, depreciation and write-downs" amounted to € 1,816 thousand in the year ended 31 December 2015, an improvement of € 2,166 thousand over 2014 due to the release of part of the provision as the result of the receipt of a previously written-down receivable following action taken by the Company.

Allocations

"Allocations" increased by € 173 thousand from € 410 thousand in 2014 to € 583 thousand in 2015. More specifically, allocations of € 300 thousand were made in 2015 as additions to the "lease provision", € 110 thousand to increase the provision for civil litigation, € 90 thousand to increase miscellaneous provisions and € 83 thousand to increase the provision for legal expenses.

Financial income and expenses

This item may be analyzed as follows:

	Year ended 31 December	
(in euro thousands)	**2015**	**2014**
Interest income for finance lease agreements	-	3,903
Foreign exchange gains	16	2
Other interest income	91	166
Total financial income	**107**	**4,071**
Interest expense payable to Parent Company	-	(1,230)
Interest on the employee benefit liability	(205)	(499)
Foreign exchange losses	(47)	(11)
Interest on loans	(1,220)	(151)
Interest payable - contributions on preferential loan	14	15
Interest adjustment on the provision for site decommissioning and restoration	(1,036)	(127)
Other interest expense	(524)	(67)
Total financial expenses	**(3,018)**	**(2,070)**
Total net financial income	**(2,911)**	**2,001**

"Financial income" for 2015, which amounted to € 107 thousand, fell significantly compared to the figure of € 3,964 thousand for the year ended 31 December 2014. This was mainly due to the item "Interest income for finance lease agreements", which had a nil balance in 2015, while up to 30 June 2014 consisted of the income accruing on the loan granted to Rai as part of the finance lease implicit in the service agreement effective until 30 June 2014 and amounted to € 3,903 thousand.

"Interest on loans", amounting to € 1,220 thousand, consists of the interest expense for the year arising from the loan agreement signed on 15 October 2014 with Mediobanca, BNP Paribas, Intesa Sanpaolo and UBI Banca; this item also includes the interest on the outstanding loans with Mediocredito Centrale and Cassa Depositi e Prestiti.

A credit facility that was opened with the Parent Company in 2014 was closed on drawing down the facility available under the new loan agreement signed on 15 October 2014; this had led to interest expense of € 1,230 thousand in the previous year.

The item "Interest adjustment on the provision for site decommissioning and restoration", amounting to € 1,036 thousand, consists of the interest expense relating to the year arising from the adjustment of the provision for site decommissioning and

restoration; the change over the previous year mainly arises from the decrease in the discount rate due to the fall in interest rates taking place in 2015.

Income tax

This item may be analyzed as follows:

	Year endend 31 December	
(in euro thousands)	2015	2014
Current taxes	19,260	14,010
Deferred taxes	737	350
Taxes pertaining to previous years	8	12
Total	**20,005**	**14,372**

"Current taxes" amounted to € 19,260 thousand in 2015 representing an increase of € 5,250 thousand over 2014, due to a higher pre-tax result that was partially offset by a reduction in IRAP. This item consists of:

- IRES (corporate income tax) of € 16,520 thousand;
- IRAP (regional production tax) of € 2,740 thousand.

The deferred tax balance (income and expense) in 2015 amounted to € 737 thousand (€ 387 thousand at 31 December 2014) due to the changes reported in the current year and the changes in the IRES tax rate that will be effective from 2017 (a reduction from 27.5% to 24% pursuant to Law no. 208/2015 – the 2016 budget law) applied to temporary differences giving rise to deferred tax liabilities for reversals on or after 1 January 2017.

Deferred taxes consist of:

- movements on deferred tax assets of € 903 thousand;
- movements on deferred tax liabilities of € 166 thousand.

The following table provides a reconciliation between the theoretical tax charge and the effective tax charge for the years ended 31 December 2015 and 2014.

	Year ended 31 December			
(in euro thousands)	2015		2014	
Profit before income taxes	58,948		39,018	
Theoretical tax charge	16,211	27.5%	10,730	27.5%
Taxes pertaining to previous years	8		12	
Permanent differences	1,046		670	
IRAP	2,740		2,960	
Total	**20,005**	**33.9%**	**14,372**	**36.8%**

Property, plant and equipment

This item and changes during the year may be analyzed as follows:

(in euro thousands)	Land	Buildings	Plant and machinery	Production and commercial equipment	Other assets	Assets under construction and advances	Total property, plant and equipment
1 January 2015							
Cost at 1 January 2015	11,754	92,608	670,771	23,578	937	15,924	815,572
Accumulated depreciation at 1 January 2015	-	(58,129)	(491,838)	(19,566)	(781)	-	(570,314)
Impairment at 1 January 2015	-	(44)	(2,088)	-	-	-	(2,132)
Net book value at 1 January 2015	**11,754**	**34,435**	**176,845**	**4,012**	**156**	**15,924**	**243,126**
Changes in 2015							
Investments	**-**	**963**	**17,840**	**1,559**	**22**	**8,186**	**28,570**
Depreciation charge for the year	**-**	**(5,681)**	**(40,565)**	**(1,426)**	**(43)**		**(47,715)**
Impairment							
on existing assets	**-**	**13**	**798**	**-**	**-**		**811**
on disposed assets	**-**	**-**	**4**	**-**	**-**		**4**
	-	13	802	-	-		815
Disposals							
Cost	(99)	(91)	(4,252)	(46)	-	(2)	(4,490)
Accumulated depreciation	-	88	4,061	42	-		4,191
Net book value	**(99)**	**(3)**	**(191)**	**(4)**	**-**	**(2)**	**(299)**
Reclassifications	**-**	**2,081**	**9,312**	**887**	**21**	**(12,301)**	**-**
31 December 2015							
Cost at 31 December 2015	11,655	95,561	693,671	25,978	980	11,807	839,652
Accumulated depreciation at 31 December 2015	-	(63,722)	(528,342)	(20,950)	(824)	-	(613,838)
Impairment at 31 December 2015		(31)	(1,286)				(1,317)
Net book value at 31 December 2015	**11,655**	**31,808**	**164,043**	**5,028**	**156**	**11,807**	**224,497**

"Property, plant and equipment" amounted to € 224,497 thousand at 31 December 2015, representing a decrease of € 18,630 thousand due to the effect of the depreciation charge that was partially offset by the investments made during the year. The item "Buildings" includes the present value of the estimated costs that the Company expects to incur in the future to restore the areas, acquired under an operating lease, to their original state prior to the construction of the infrastructure built thereon. "Property, plant and equipment" includes the costs that may be capitalized as leasehold improvements.

Intangible assets

This item, which mainly consists of expenditure on software licenses, had a balance of € 1,831 thousand at 31 December 2015, representing an increase of € 1,200 thousand due to the effect of the investments made during the year, partially offset by the amortization charge. These assets are being systematically amortized over their useful life that the Company has estimated as 3 years.
The following table sets out movements for the year.

(in euro thousands)	Software	Intangible assets in progress and advances	Total intangible assets
Book value at 1 January 2015			
Cost at 1 January 2015	1,137	140	1,277
Accumulated amortization at 1 January 2015	646)	-	(646)
Net book value at 1 January 2015	**491**	**140**	**631**
Changes 2015			
Investments	**507**	**1,045**	**1,552**
Amortization charge for the year	**300)**		**(300)**
Impairment			-
Disposals			
Cost	(133)		(133)
Accumulated amortization	81		81
Net book value	(52)	-	(52)
Reclassifications	**100**	**(100)**	-
Book value at 31 December 2015			
Cost at 31 December 2015	1,611	1,085	2,696
Accumulated amortization at 31 December 2015	(865)	-	(865)
Net book value at 31 December 2015	**46**	**1,085**	**1,831**

There are no intangible assets with an indefinite useful life.

Current and non-current financial assets and liabilities

The following table sets out details of “Current financial assets” and “Non-current financial assets” at 31 December 2015 and 2014:

(in euro thousands)	31 December 2015	31 December 2014
Receivables from the Parent Company	228	365
Other financial receivables	71	311
Total current financial assets	**299**	**676**
Prepayments and accrued income	174	237
Totale attività finanziarie non correnti	**174**	**237**

“Receivables from the Parent Company” of € 228 thousand (€ 365 thousand at 31 December 2014) represent the balance due from the Parent Company on the intercompany current account for managing certain residual payments.
“Other financial receivables” of € 71 thousand (€ 311 thousand at 31 December 2014) have decreased due to the reduced effect of bank fees on loans.
The following table sets out details of “Current financial liabilities” and “Non-current financial liabilities” at 31 December 2015 and 2014:

31 December 2014 *(in euro thousands)*	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Payable to banks	219	79,838	234	80,291
Payable to other lenders	76	307	194	577
Total	**295**	**80,145**	**428**	**80,868**

31 December 2014 *(in euro thousands)*	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Payable to banks	30,169	90,049	144	120,362
Payable to other lenders	76	308	117	501
Total	**30,245**	**90,357**	**261**	**120,863**

“Payable to banks” includes the outstanding balance on a loan granted under an agreement with Mediobanca, BNP Paribas S.A., Intesa Sanpaolo S.p.A. and UBI Banca Società Cooperativa per Azioni. Under this agreement a medium-term loan was granted to the Company divided into two credit facilities, both to be used though cash draw-downs and both having a maturity on 30 September 2019.
More specifically:

- a term credit facility of up to € 120 million (of which approximately € 120 million has been drawn down) with interest payable at Euribor + 100 basis points; and
- a revolving credit facility of up to € 50 million with interest payable at Euribor + 100 basis points.

The New Loan Agreement contains a series of general requirements and covenants having both positive and negative content, for which the Company is responsible, and events of default in line with market practice for loans of a similar amount and nature, but does not however include restrictions or limitations on the distribution of dividends by the Company.

The covenants include a commitment to comply with the following parameters, to be checked on a six-monthly basis starting from the present financial statements:

- Net financial position/net equity, which must be less than or equal to 2.75; and
- Net financial position/gross operating margin, which must be less than or equal to 2.75.

"Payable to banks" also includes the balance outstanding at 31 December 2015 of the ordinary loan granted by Mediocredito Centrale in connection with the investments financed by Law no. 488/92 – 31st call for tender which is repayable in six-monthly instalments and bears interest at an annual floating rate determined as the sum of the six-month Euribor rate plus an annual spread of 0.70%.

"Payable to other lenders" consists mainly of the balance outstanding at 31 December 2015 and 2014 of the subsidized loan granted by Cassa Depositi e Prestiti S.p.A. which is repayable in six-monthly instalments and bears interest at a subsidized rate of 0.50%.

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

	(in euro thousands)	31 December 2015	31 December 2014
A.	Cash	-	-
B.	Cheques and bank and post office deposits	78,941	14,658
C.	Securities held for trading	-	-
D.	Cash and cash equivalents (A) + (B) + (C)	78,941	14,658
E.	Current financial receivables	299	676
F.	Current bank debt	(30,169)	(219)
G.	Current portion of non-current debt	-	-
H.	Other current financial payables	(76)	(76)
I.	Current debt (F) + (G) + (H)	(30,245)	(295)
J.	Net current debt (I) - (E) - (D)	48,995	1 ,039
K.	Non-current bank debt	(90,193)	(80,072)
L.	Bonds issued	-	-
M.	Other non-current patables	(425)	(501)
N.	Net non-current debt (K) + (L) + (M)	(90,618)	(80,573)
O.	Indebitamento finanziario netto ESMA/Posizione finanziaria netta	(41,623)	(65,534)

Deferred tax assets and liabilities

The following table sets out changes in deferred tax assets and liabilities:

(in euro thousands)	31 December 2015	31 December 2014
Opening balance	**5,448**	**5,268**
Recognized in profit or loss	(737)	(350)
Recognized in comprehensive income	(238)	530
Closing balance	**4,473**	**5,448**
Of which:		
- deferred tax assets	4,657	5,798
- deferred tax liabilities	(184)	(350)

Changes in deferred tax assets may be analyzed as follows:

Deferred tax assets *(in euro thousands)*	**Provisions for risks and charges**	**Employee benefits**	**Other items**	**Total**
31 December 2014	**3,883**	**782**	**1,133**	**5,798**
Recognized in profit or loss	(778)	450	(575)	(903)
Recognized in comprehensive income	-	(238)	-	(238)
31 December 2015	**3,105**	**994**	**558**	**4,657**

Changes in deferred tax liabilities may be analyzed as follows:

Deferred tax liabilities *(in euro thousands)*	**Other items**
31 December 2014	**(350)**
Recognized in profit or loss	166
Recognized in comprehensive income	-
31 December 2015	**(184)**

Inventory

This item may be analyzed as follows:

(in euro thousands)	**31 December 2015**	**31 December 2014**
Contract work in progress	226	226
Raw materials and consumables	775	674
Total inventory	**1,001**	**900**

"Raw materials and consumables" relate to supplies and spare parts for the maintenance and use of technical business assets.

Trade receivables

This item may be analyzed as follows:

(in euro thousands)	**31 December 2015**	**31 December 2014**
Receivables from Rai	59,914	56,478
Receivables from customers	11,992	11,706
Provision for bad and doubtful debts	(1,573)	(3,782)
Total trade receivables	**70,333**	**64,402**

"Receivables from Rai" consist of the balances due to the Company from Rai under the Service Agreement. Further details may be found in the notes on "Revenues" and "Related party transactions".
"Receivables from customers" arise mainly from service revenues relating to (i) tower rental, (ii) broadcasting, (iii) transmission and (iv) network services which the Company renders to third party customers other than Rai.
The following table sets out changes in the provision for bad and doubtful debts:

	Current provision for bad and doubtful debts
(in euro thousands)	
31 December 2014	**(3,782)**
Utlilization	393
Charge for the year	-
Releases	1,816
31 December 2015	**(1,573)**

Part of the provision has been released to income following the receipt of a previously written-down receivable following action taken by the Company to collect past receivables due from a specific customer.

Other current receivables and assets

This item may be analyzed as follows:

(in euro thousands)	31 December 2015	31 December 2014
Receivables from the Parent for the tax consolidation	2,456	2,718
Accrued income and prepaid expenses	1,518	1,202
Other receivables	492	464
Total other current receivables and assets	**4,466**	**4,384**

"Receivables from the Parent for the tax consolidation" refer to the receivable arising from the application made for a refund of IRES corporate income tax regarding the deductibility of the IRAP regional production tax charged on personnel expenses for IRES purposes.
"Accrued income and prepaid expenses" mainly regards the portion of the rental costs for land, industrial buildings and roads, systems hosting and various other expenses which were paid during the year but relate to future periods.

"Other receivables" principally relate to amounts due from personnel for travel advances and receivables from social security organizations.

Tax receivables

This item may be analyzed as follows:

(in euro thousands)	31 December 2015	31 December 2014
VAT receivable	314	313
Other taxes receivable	1	1
IRAP receivable	171	-
Total tax receivables	**486**	**314**

As discussed in the section "Related party transactions", the Company avails itself of the Group VAT offsetting procedure permitted by the Ministerial Decree of 13 December 1979 on the regulations for implementing the provisions of article 73, last paragraph, of Decree of the President of the Republic no. 633 of 26 October 1972, recognizing the following transactions with the Parent Company. In addition, the Company has additional receivables arising from applications for VAT refunds which do not form part of this offsetting procedure.

Cash and cash equivalents

The balance on this item amounted to € 78,941 thousand (€ 14,658 thousand at 31 December 2014). The increase over the year is mainly due to the drawdown in 2015 of the residual balance available on the medium-term loan agreement entered with a banking syndicate and the cash generated by operating activities.

Shareholders' equity

Share capital

At 31 December 2015, Rai Way had a share capital of € 70,176 thousand consisting of 272,000,000 ordinary shares without nominal value.

Other reserves

"Other reserves" may be analyzed as follows:

Shareholders' equity *(in euro thousands)*	**31 December 2015**	**31 December 2014**	**Note**
Taxed extraordinary reserves	11,291	11,291	1,2,3
Reserves for accelerated deprectaion	9,360	9,360	1,2,3
Reserve for aligning the civil/fiscal values of business assets	8,938	8,938	1,2,3,4
Reserve for first-time adoption of IFRS	7,490	7,490	2
Total other reserves	**37,079**	**37,079**	

Key
1 For capital increases
2 For absorbing losses
3 For distribution to shareholders
4 In the case of utilization for purposes other than absorbing losses, the amount is subject to IRES

Earnings per share

Basic and diluted earnings per share have been calculated as follows:

(In euro thousands unless otherwise stated)	**31 December 2015**	**31 December 2014**
Profit for the year	38,942	24,646
Average number of ordinary shares	272,000,000	57,492,603
Earnings per share (basic and diluted) (euro)	**0.14**	**0.43**

Basic and diluted earnings per share have the same value as there were no dilutive items at the balance sheet date.

Employee benefits

This item may be analyzed as follows:

(in euro thousands)	**Year ended 31 December 2015**	**Year ended 31 December 2014**
Opening balance	**21,326**	**19,493**
Charges for the year	2,273	2,198
Interest on the liability	205	499
Utilization	(3,152)	(2,792)
Actuarial (gain) / loss	(333)	1,928
Closing balance	**20,319**	**21,326**

Changes in "Employee benefits" may be analyzed as follows:

(in euro thousands)	31 December 2015	31 December 2014
Employee severance pay	19,437	20,445
Other provisions	882	881
Total employee benefits	**20,319**	**21,326**

The actuarial assumptions used in calculating the employee severance pay liability were as follows:

(%; years)	31 December 2015	31 December 2014
Discount rate	1.53%	0.98%
Inflation rate	1.50%	1.50%
Average annual employee leaving rate	4.93%	4.80%
Annual probability of requests for advances	1.00%	1.00%
Duration (years)	9.33	9.68

In using these assumptions, the value of the employee severance pay liability obtained from variations of +/- 50 bps in the discount rate used for the valuation was also calculated, giving a result of € 18,575 thousand and € 20,363 thousand respectively.

"Other provisions" refer to the supplementary seniority indemnity provision and the Company's supplementary pension fund; the value of the liability obtained from variations of +/- 50 bps in the discount rate used for the valuation was calculated in these cases too, giving a result of € 659 thousand and € 735 thousand respectively.

Provisions for risks and charges

Changes in this item may be analyzed as follows:

(in euro thousands)	1 January 2015	Charge for the year	Interest expense, releases, discounting	Utilisation	Release	31 December 2015
Civil and administrative litigation	8,593	193	-	(1,518)	(133)	7,135
Accrued expenses	276	183	-	-	-	459
Other provisions for risks and charges	1,118	390	-	(387)	-	1,121
Decommissioning and restoration provision	8,602	-	1,036			9,638
Total provisions for risks and charges	**18,589**	**766**	**1,036**	**(1,905)**	**(133)**	**18,353**

"Provisions for risks and charges" consist of losses and charges of a specific nature whose existence is certain but whose amount cannot be precisely determined, or whose existence is probable and whose amount can be reliably estimated. This item mainly regards the risk arising from civil and administrative judicial proceedings and the related legal expenses and the provision recognized for the costs of dismantling and restoring transmission sites that are owned by other parties.
The balance of € 1,518 thousand in the "Civil and administrative litigation provision" relates to the settlement of title to ownership of a broadcasting site that led to the use of the previously provided amount.

Trade payables

This item may be analyzed as follows:

(in euro thousands)	31 December 2015	31 December 2014
Payables to suppliers	32,328	30,393
Payables to the Parent Company	4,839	5,558
Payables to other companies of the Rai Group	12	-
Total trade payables	**37,179**	**35,951**

Further details about transactions with the Parent Rai may be found in the section "Related party transactions".
"Payables to suppliers" amounted to € 32,328 thousand at 31 December 2015 representing an increase of € 1,935 thousand over the balance at 31 December 2014, due to the higher level of investments made in 2015 compared to the previous year.

"Payables to the Parent Company" regard trade payables due to Rai. There was a balance of € 4,839 thousand at 31 December 2015 representing a decrease of € 719 thousand over 31 December 2014.

Other current payables and liabilities

This item may be analyzed as follows:

(in euro thousands)	31 December 2015	31 December 2014
Payables to personnel	6,814	4,654
Payables to pension and social security agencies	2,473	3,553
Other payables	460	1,744
Payables to the Parent Company for the tax consolidation	16,507	11,048
Guarantee deposits received	236	315
Accrued income and deferred income	186	208
Payables to the Parent Company for Group VAT	1,665	167
Total other current payables and liabilities	**28,341**	**21,689**

"Payables to personnel" include a liability of € 1,417 thousand relating to a voluntary retirement incentive plan initiated by the Company in the second half of 2015 which envisages the departure on a voluntary basis from 2016 of staff who reach pensionable age or the contributions entitlement by 31 December 2019, also compatible with the Company's operational assessments.
Further details about transactions with the Parent Rai may be found in the section "Related party transactions".

Tax payables

This item may be analyzed as follows:

(in euro thousands)	31 December 2015	31 December 2014
Payables for amounts withheld from wages and salaries	1,580	1,463
Payables for other amounts withheld and substitute tax	29	26
VAT payable	913	1,190
IRAP payable	-	225
Total tax payables	**2,522**	**2,904**

As discussed in the section "Related party transactions", the Company avails itself of the Group VAT offsetting procedure prescribed by Ministerial Decree of 13 December 1979 on the regulations for implementing the provisions of article 73, last paragraph, of Decree of the President of the Republic no. 633 of 26 October 1972, explaining the concerning transactions with the Parent Company. The Company also has additional existing receivables pertaining to VAT repayment requests not included in the aforesaid offsetting procedure.

Commitments and guarantees

Commitments at 31 December 2015 amounted to € 10.2 million (€ 13.8 million at 31 December 2014) and relate solely to technical investments.
Guarantees at 31 December 2015 amounted to € 71,341 thousand (€ 64,498 thousand at 31 December 2014) and mainly regard personal guarantees received for the obligations of other parties and guarantees of third parties pledged for the Company's obligations for liabilities and payables.

OTHER INFORMATION

Contingent liabilities

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

The Company is also party to a number of law suits brought by employees and former employees in relation to alleged faulty applications of the current regulations governing employee agreements. As previously noted, as far as this type of litigation is concerned the Company makes use of support provided by leading law firms specializing in labor law during the litigation proceedings as well as employing the services of its in-house legal department. The amounts recognized in the financial statements to provide against the risk of losing the litigation have been calculated by management by estimating, on the basis of the professional assessment of the external lawyers representing the Company in court, the probable cost to be borne by Rai Way, taking into consideration the present stage of the litigation.

Finally, Rai Way is a party to a number of law suits of a civil nature relating to the way in which the fee due for the occupation of public space by the Company's owned installations is calculated.

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

In order to provide supplementary information on the matters discussed above, it should forthwith be stated that in carrying out its ordinary operations the Company avails itself of the hosting services of third parties to position its installations on the

land, buildings or structures of such parties. Considering that such hosting services are generally formalized by way of contracts or similar legal instruments (by way of example: transfers of surface rights, concessions of public spaces, etc.), the Company may have to incur costs for the removal of network infrastructures in the event that the contractual relationships with the third party hosts are not renewed or expire. A number of specific disputes are currently in progress on this matter, which could lead to the determination of these costs, on the other hand not at present quantifiable, in the near future. The Company accordingly believes that the possibility exists that it may in the future have to incur costs to satisfy the claims it has received, and in this respect has created a provision for site decommissioning and restoration in the financial statements for this purpose.

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

Compensation payable to Directors and Statutory Auditors

The compensation payable to directors and statutory auditors, including travel expenses, is as follows:

	Year ended 31 December	
(in euro thousands)	**2015**	**2014**
Directors' compensation	490	727
Statutory auditors' compensation	80	85
Total directors and statutory auditors	**570**	**812**

Subsequent events

On 29 January 2016 the Board of Directors appointed Mr. Nicola Claudio as director of the Company pursuant to article 2986, paragraph 1 of the Italian civil code to replace Mr. Salvatore Lo Giudice who retired from the position in November 2015.

Related party transactions

Details of the transactions the Company carried out with related parties in the years ended 31 December 2015 and 2014 are provided in the following; related parties are identified on the basis of IAS 24 *Related Party Disclosures*. The company

carries out transactions mainly of a commercial and financial nature with the following related parties:

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

Related party transactions are conducted under normal market conditions.
The following table sets out details of the Company's balances with related parties at 31 December 2015 and 2014:

(in euro thousands)	Parent company	Key mangement personnel	Other related parties	Total
Non-current financial assets				
31 December 2015	-	-	-	**-**
31 December 2014	-	-	-	**-**
Current financial assets				
31 December 2015	228	-	-	**228**
31 December 2014	365	-	-	**365**
Current trade receivables				
31 December 2015	59,914	-	164	**60,078**
31 December 2014	56,478	-	67	**56,545**
Other current receivables and assets				
31 December 2015	2,456	-	10	**2,466**
31 December 2014	2,718	-	10	**2,728**
Current financial liabilities				
31 December 2015	-	-	-	**-**
31 December 2014	-	-	-	**-**
Trade payables				
31 December 2015	4,839	-	12	**4,851**
31 December 2014	5,558	-	-	**5,558**
Other current payables and liabilities				
31 December 2015	18,173	169	-	**18,342**
31 December 2014	11,215	149	-	**11.364**
Employee benefits				
31 December 2015	-	247	-	**247**
31 December 2014	-	246	-	**246**

The following table sets out details of the Company's transactions with related parties in the years ended 31 December 2015 and 2014:

(in euro thousands)	Parent company	Key management personnel	Other related parties	Total
Revenues				
Year ended 31 December 2015	177,338	-	126	177,464
Year ended 31 December 2014	132,087	-	67	132,154
Other revenues and income				
Year ended 31 December 2015	-	-	-	-
Year ended 31 December 2014	-	-	-	-
Purchase of consumables				
Year ended 31 December 2015	4	-	-	4
Year ended 31 December 2014	6	-	-	6
Cost of services				
Year ended 31 December 2015	13,087	-	12	13,099
Year ended 31 December 2014	14,938	-	29	14,967
Personnel costs				
Year ended 31 December 2015	33	2,515	-	2,548
Year ended 31 December 2014	29	359	-	388
Other costs				
Year ended 31 December 2015	22	239	-	261
Year ended 31 December 2014	20	730	-	750
Financial income				
Year ended 31 December 2015	4	-	-	4
Year ended 31 December 2014	4,059	-	-	4,059
Financial expenses				
Year ended 31 December 2015	-	-	-	-
Year ended 31 December 2014	1,230	-	-	1,230

Parent Company

The Company carries out transactions with the Parent Company that are mostly of a commercial nature.

Financial agreements between Rai Way and Rai

Financial relationships between the Company and Rai were governed by the following agreements originally entered into on 16 July 2007 and tacitly renewed annually:

- Centralized treasury agreement
- Intercompany current account agreement
- Agency agreement
- Credit facility agreement

Under the centralized treasury agreement the Company's financial management was assigned to the Parent by a system of cash pooling. The Company had stipulated an agreement with Banca Intesa Sanpaolo under which at the end of each working day the bank transferred the outstanding balance on the Company's current account (at the end of the day) (the "Origin Account") to the current bank account held by Rai; as a consequence of the agreement, there was always a nil balance on the Origin Account at the end of the day. The agreement did not provide for any charges to be borne by the Company but the debit or credit balances on the intercompany current account were remunerated by virtue of the agreement discussed below.

The intercompany current account provided for the automatic transfer of the positive and negative balances arising from the bank cash pooling and from the economic and financial transactions conducted between the Company and Rai to an intercompany current account set up for the purpose. The Parent applied interest on these balances at money market rates (Euribor) plus/minus a spread that was updated on a quarterly basis.

The agency agreement allowed Rai to arrange payments and receipts respectively of the payables and receivables due to or from the other Companies of the Rai Group.

The credit facility agreement provided for the opening of a credit facility in the Company's favor transacted through the intercompany current account up to an amount of € 100 million. The facility could vary depending on the Company's cash requirements, within the limits of the financial plans approved by the Parent. Any balances arising from this arrangement, which had an original term of one year and was tacitly renewable, had to be repaid immediately if the centralized treasury agreement was terminated or if there were any changes to the current ownership structures of the Company.

As of the listing date, the Company entered a loan agreement with a syndicate of banks, discussed in the section "Current and non-current financial assets and liabilities". At the same time, starting from the disbursement of this loan only the intercompany current account agreement and the mandate agreement were not novated in relation to the Company's operational and financial independence with respect to the Parent. The centralized treasury agreement and the credit facility agreement were terminated as of 18 November 2014, while a new intercompany current account agreement was set up to deal with the residual balances.

The Company has recognized the following with respect to the intercompany current account:

- there was a nil balance for financial expenses in 2015 and € 1,230 thousand in 2014; the 2014 amount relates to the old current account;
- current financial receivables of € 228 thousand at 31 December 2015 and € 365 thousand at 31 December 2014.

The 2000-2014 Service Agreement

The 2000-2014 Service Agreement executed on 5 June 2000 and valid until 31 December 2014 in the version subsequently supplemented and amended mainly regards the provision of services for the installation, maintenance and operation of telecommunications networks and services for the transmission, distribution and broadcasting of radio and television signals and programs for which a monthly fee is paid which depends on the type of service provided (i.e. services that Rai Way renders using its own resources or those of third parties, investments requested by Rai, digital terrestrial television broadcasting services and other services established by the parties).

The above-mentioned 2000-2014 Service Agreement was renegotiated on 31 July 2014, with effect from 1 July 2014. As a result of this agreement the Company has recognized revenues and receivables as described in the sections "Revenues" and "Trade receivables" of these notes.

Service agreement with Rai and the rental agreement with related services

"The Rai service agreement" entered into in 2006 mainly relates to the provision of the following services:

- personnel administration;
- general services;
- insurance policies;
- IT systems;
- administration;
- finance;
- research and technological innovation center;
- advice and legal counsel.

The agreement expired on 31 December 2010 and remained in force until 30 June 2014; it was then renewed on 31 July 2014 with effect as of 1 July 2014.
The "Agreement for leases and for the performance of connected services", relating to the lease of property and/or portions of property, including the flat roofs on which the systems for the transmission and/or broadcasting of radio and television signals stand, owned by Rai Way or third parties hosted by it, was originally executed on 19 April 2001 and had an original term of six years tacitly renewable for further six year periods (the current term expires in 2019).
The fees for the above services, including the property rent and ancillary services, are identified on the basis of the valuation criteria for each service stated in the technical specifications. As the result of these agreements the Company recognized:

- costs of services of € 12,465 thousand and € 14,536 thousand in 2015 and 2014 respectively;
- trade payables of € 4,839 thousand and € 5,558 thousand at 31 December 2015 and 2014 respectively.

Tax consolidation

On the basis of the Consolidated Income Tax Act (article 117 and following of Presidential Decree no. 917/86) and in accordance with the provisions contained in article 11, paragraph 4 of the ministerial decree of 9 June 2004 on "Provisions for the application of the domestic tax consolidation as per articles 117 to 128 of the Consolidated Income Tax Act", Rai Way applies the group tax regime governed by the "Agreement for the exercise of the option with Rai for the domestic tax consolidation". This agreement, which governs all the mutual obligations and responsibilities between the Parent and the Company, is effective for fiscal years 2014 and 2015.
As a consequence of the tax consolidation the Company recognized "Other current payables and liabilities" of € 16,057 thousand and € 11,048 thousand at 31 December 2015 and 2014 respectively and "Other current receivables and assets" of € 2,456 thousand at 31 December 2015 and € 2,718 thousand at 31 December 2014.

The Group's VAT regime

The Group avails itself of the Group VAT offsetting procedure permitted by Ministerial Decree of 13 December 1979 on the regulations for implementing the provisions of article 73, last paragraph, of Decree of the President of the Republic no. 633 of

26 October 1972, recognizing "Other current payables and liabilities" of € 1,665 thousand and € 167 thousand at 31 December 2015 and 2014 respectively with respect to the Parent Company.

Key management personnel

"Key management personnel" includes key executives who have the power and direct and indirect responsibility for planning, managing and controlling the Company's activities and includes the directors. The Company recognized:

- costs of services of € 239 thousand and € 730 thousand at 31 December 2015 and 2014 respectively;
- personnel costs of € 2,515 thousand and € 359 at 31 December 2015 and 2014 respectively.

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 provides leasing services and receives transmission services from Rai Way.

Rome, 21 March 2016

On behalf of the Board of Directors
The Chairman
Camillo Rossotto

ATTESTATION PURSUANT TO ARTICLE 154-BIS OF LEG. DEC. NO. 58/98

- The undersigned Stefano Ciccotti as Chief Executive Officer and Adalberto Pellegrino as manager in charge of preparing the corporate accounting documents of Rai Way S.p.A. certify the following, taking into account the provisions of article 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February1998:
  - the adequacy in relation to the characteristics of the business and
  - the effective application of the administrative and accounting procedures for the preparation of the Company's annual financial statements during 2015.
- The assessment of the adequacy of the administrative and accounting procedures for the preparation of the annual financial statements for the year ended 31 December 2015 was performed on the basis of the process defined by Rai Way S.p.A., taking as reference the criteria established in the model *"Internal Controls – Integrated Framework"* issued by the *Committee of Sponsoring Organizations of the Treadway Commission.*
- We also certify that:
  - the annual financial statements of Rai Way S.p.A. for the year ended 31 December 2015:
    a) have been prepared in accordance with the applicable international accounting standards adopted by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
    b) agree with the balances on the books of account and the accounting entries;
    c) give a true and fair view of the financial position, results of operations and cash flows of the issuer;
  - the report on operations includes a reliable analysis of the performance and results for the year as well as the issuer's position, together with a description of the main risks and uncertainties to which it is exposed.

Rome, 21 March 2016

Stefano Ciccotti	**Adalberto Pellegrino**
Chief Executive Officer	Manager in charge of preparing the corporate accounting documents

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**INDEPENDENT AUDITORS' REPORT
IN ACCORDANCE WITH ARTICLES 14 AND 16
OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010**

RAI WAY SPA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2015

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INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the shareholders of
Rai Way SpA

Report on the financial statements

We have audited the accompanying financial statements of Rai Way SpA, which comprise the statement of financial position as of 31 December 2015, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of Rai Way SpA are responsible for the preparation of financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree n° 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel.0458263001

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Rai Way SpA as of 31 December 2015 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005.

Emphasis of matter

Without modifying our opinion, we point out what reported by the directors in paragraph "General information" of the notes to the financial statements, with reference to the comparability of profit and loss figures at 31 December 2015 with those of the corresponding period of the prior year, as a result of the new service agreements, both as seller and buyer, entered into with the parent company RAI – Radiotelevisione Italiana SpA during 2014.

Report on compliance with other laws and regulations

Opinion on the consistency with the financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) n° 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree n° 58/98, which are the responsibility of the directors of Rai Way SpA, with the financial statements of Rai Way SpA as of 31 December 2015. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Rai Way SpA as of 31 December 2015.

Rome, 6 April 2016

PricewaterhouseCoopers SpA

Signed by

Pier Luigi Vitelli
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

BOARD OF AUDITORS REPORT

(pursuant to Art. 153 of Italian Legislative Decree no. 58 of 24 February 1998)

TO THE SHAREHOLDERS' MEETING

OF RAI WAY S.p.A.

Registered office Via Teulada, 66 – 00195 Rome

Fully paid-up Share capital €70,176,000

Tax ID and VAT number: 05820021003

REA number: RM-925733

company managed and coordinated by

RAI - Radiotelevisione italiana S.p.A.

* * *

Dear Shareholders,

During the year ending 31 December 2015, the Board of Auditors carried out, with reference to RAI WAY S.p.A. (hereinafter also referred to as "RAI WAY" or the "Company"), supervisory activities in accordance with the law and pursuant to the Rules of Conduct recommended for the Board of Auditors by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (Italian National Council of Accountants and Business Advisors); in particular as a company issuing shares listed on the Borsa Italiana, the Board has performed the activities set out under D. Lgs. no. 58 of 24 February 1958 (hereinafter also referred to as "T.U.F."), taking into consideration the instructions and recommendations issued by CONSOB, and those set out under D. Lgs. no. 39 of 27 January 2010.
The Board of Auditors in office was appointed, in accordance with the provisions of the Articles of Association, by the Shareholders' Meeting of 28 April 2015 and its mandate will end with the approval of the Financial Statements ending 31 December 2017.
The Company adopted the Code of Conduct for listed companies prepared by the Corporate Governance Committee for listed companies in the July 2014 edition (hereinafter referred to as the "Code of Conduct") as illustrated by the Corporate Governance and Ownership Report for the year 2015. With reference to this, the Board of Auditors supervised the concrete implementation by the Company of the provisions set out in the Code of Conduct.
In relation to its members, the Board of Auditors verified conformance with the criteria for independence established by the Code of Conduct and the outcome was positive; the members of the Board conformed to the limit on the number of posts held established by the *Regolamento Emittenti Consob* (CONSOB Issuers' Regulations).
During the year 2015, the Company again verified, with a positive outcome, the presence of the requirements for independence for those directors holding "independent" offices pursuant to the Code of Conduct and the criteria established by law; the composition of the Board is also consistent with the gender representation provisions established by Law no. 120 of 12 July 2011. Furthermore, the Board of Auditors has been able to verify that the Board of Directors has carried out, with reference to the year 2015 and in fulfilment of the provisions established by the Code of Conduct, a self-assessment of the dimensions, composition and functioning of the

Board itself and the Committees formed in relation to it, and that an entirely positive assessment resulted from the analysis of said process, both in terms of activity and functioning, and in terms of the size and composition of the Board itself.
Since listing its shares on Borsa Italiana's MTA, the Company has adopted a special Code on Privileged Information that covers the correct management of information flows and the processing of confidential or privileged information.
The Company's Financial Statements as at 31 December 2015 are submitted to you for approval and have been prepared in accordance with the International Accounting Standards (IAS - IFRS) adopted by the European Union.
An audit has been carried out by the auditing firm PricewaterhouseCoopers S.p.A. (hereinafter also referred to as "PwC") whose current nine-year mandate (years 2014 – 2022) was decided by a Shareholders' resolution on 4 September 2014 at the suggestion of the Board of Auditors.
No particular problems were identified while carrying out the appropriate checks and controls.
Considering the activities performed and in light of the instructions contained in the relevant CONSOB Notices, the Board of Auditors notes the following:

a. it has monitored compliance with the law and the Bylaws and has nothing to report in this context;
b. it has attended meetings, including not only the Shareholders' Meeting, but the meetings of the Board of Directors, the Control and Risks Committee and the Remuneration and Appointments Committee, and it has obtained from the Directors the required information on the activity carried out and on the transactions of greatest economic, financial and capital-related importance that have been passed by resolution and implemented during the year; the transactions of greatest economic, financial and capital-related importance that were examined are exhaustively described in the Company's Annual Report that accompanies the Financial Statements, to which reference should be made. On the basis of the information made available to the Board, the Board can reasonably deem that the transactions implemented by the Company are consistent with the law and the Bylaws and they are not clearly imprudent, risky, potentially in conflict of interest or contrary to the resolutions passed by the Shareholders' Meeting or such that they would compromise the integrity of the Company's assets;
c. neither the Board of Directors nor the auditing company has indicated the exist-

ence of atypical or unusual transactions carried out with third parties or related parties, nor have they been reported directly;

d. in the Annual Report and the Notes to the Financial Statements for 2015, the Board of Directors provided an exhaustive description of the most important transactions performed with related parties, and these were identified on the basis of international accounting standards and the recommendations issued by CONSOB on this matter; reference should be made to these documents in relation to identifying the type of transactions in question and the associated economic, capital-related and financial effects, as well as on the procedural methods adopted to ensure that said transactions are performed in compliance with criteria for transparency, as well as procedural and substantive correctness. At its meeting on 4 September 2014, the Company's Board of Directors approved the "Procedure for Transactions with Related Parties", which remained in force for the entire 2015 accounting period and was intended, further to the Company's shares being listed on Borsa Italiana's MTA, precisely to regulate related party transactions. This procedure was published on the Company's website and the main points are also described in the Corporate Governance and Ownership Report for 2015. The Board has monitored the conformity of the aforementioned procedure with current legislation, the provisions of the Civil Code and the implementation rules issued by CONSOB and deems that this constitutes an adequate degree of supervision in terms of the performance of said transactions. The Board confirms that related party transactions were arranged in accordance with the approval and execution methods set out in the aforementioned procedure.

   All the related party transactions reported in the Company's Notes to the Financial Statements for 2015 were performed in the interests of the Company, they fall within ordinary management activity and are regulated by market conditions in terms of consistency;

e. to the extent of its obligations, it monitored the adequacy of the Company's organisational structure, in relation to compliance with the principles of proper administration, through direct observations, collecting information from those in charge of the competent business functions and through meetings with the auditing company. In this context, it should be noted that during the accounting year of 2015 the organisational structure was implemented and revised and the new functions of "Internal Auditing" and "Investor Relations" were added.

The Board confirms that the current organisational model is both adequate to support the Company's development and consistent with requirements for monitoring;

f. it has monitored the financial reporting process, the adequacy of the Company's administrative-accounting system and the reliability of the latter in correctly representing operations, as well as in relation to the principles of proper administration while performing company activities and it has no observations to report in this context. It carried out the relevant checks by obtaining information from the head of the Chief Financial Officer's department at the Company (also taking into account the role held by the Manager responsible for drafting corporate accounting documents), as well as by examining business documents and analysing the results of the work performed by the auditing company.

The Managing Director and the Manager responsible for drafting corporate accounting documents have confirmed with reference to the Company's Financial Statements for 2015: (i) that they are adequate in terms of the characteristics of the business and the effective application of the administrative and accounting procedures for the preparation of the Financial Statements for the year; (ii) that the contents of said Financial Statements conform with the applicable international accounting standards recognised by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council, established on 19 July 2002; (iii) that the Financial Statements concerned are consistent with the records and accounting entries and they are suitable for the purpose of providing a true and accurate representation of the Company's capital, economic and financial position; (iv) that the Annual Report includes a reliable analysis of the performance and the operating result, as well as of the Company's situation, together with a description of the main risks and uncertainties to which it is exposed. The aforementioned declaration also confirmed that the adequacy of the administrative and accounting procedures for preparing the Company's Financial Statements for 2015 was checked on the basis of the procedure established by the Company, with reference to the criteria set out in the *Internal Controls – Integrated Framework* document issued by the Committee of Sponsoring Organizations of the Treadway Commission;

g. the Company has confirmed that it has prepared the Financial Statements for 2015 in accordance with the IAS – IFRS international accounting standards recognised by the European Union pursuant to Regulation (EC) no. 1606/2002,

in force as at the end of the year 2015. Furthermore, the Company's Financial Statements for the year 2015, were drafted on a going concern basis and using the conventional historical cost criterion, except for the valuation of financial assets and liabilities for which application of the fair value criterion is mandatory. The Company's Notes to the Financial Statements, provide an analytical description of the accounting standards and valuation criteria adopted. With reference to the recently issued accounting standards, the Notes to the Financial Statements refer to (i) the accounting standards approved by the European Union that are not yet applicable and (ii) the accounting standards not yet approved by the European Union;

h. the Board of Auditors examined the Board of Directors' proposal in relation to the allocation of profit for the year 2015 and distribution of the same and partial distribution of an available reserve (retained earnings reserve) and it has no observations to report;

i. up until 11 March 2015, the Board of Auditors performed the role of Supervisory Body pursuant to D. Lgs. no. 231/2001, further to the resolutions passed by the Board of Directors on 27 March 2013 and by the Shareholders' Meeting on 23 April 2013; in performing this function, therefore, it supervised the organisational activities and procedures implemented in accordance with D. Lgs. no. 231/2001, reporting to the Board of Directors on the activities carried out. The Corporate Governance and Ownership Report for the year 2015, approved by the Board of Directors, to which reference should be made, includes a description of the principle elements of the Organisation, Management and Control Model adopted by the Company as at the date of the Report itself. Furthermore, it states that on 11 March 2015, further to a decision previously taken by the Board of Directors, a new Supervisory Body was established and is composed of three members: the President, external member, the Head of Legal and Corporate Affairs and the Head of the Company's Internal Auditing. The Board of Auditors received adequate information on the principle activities carried out by the aforementioned Supervisory Body during 2015; the examination of said activities did not reveal evidence of events and/or situations that would need to be mentioned in this Report. It is appropriate to mention that the Company has made the Head of Internal Auditing the Head of Preventing Corruption also; therefore, during the year 2015, the Board approved, on 30 January 2015, the Three-year Prevention of Corruption Plan that was drafted according to the aims and principles of the National Anti-corruption Plan. A few specifications have since been added to the Plan, which was then approved by the Board of Directors on 12 March 2015. In any event, the Plan will be monitored and updated annually and, in this context, it should be noted that on 29 January 2016, the Board of Directors approved a new amendment further to, in particular, the amendment made to the National Anti-corruption Plan;

j. it reported that Rai Way is managed and coordinated by the parent company RAI in accordance with legal obligations and in particular with the observance of the conditions set out under Art. 37 of the CONSOB Regulations on Markets. In this context, attention is drawn to the existence of a specific Regulation regarding to the management and coordination role exercised by the parent company RAI in relation to the Company (approved by the Board of Directors at its meeting on 4 September 2014 and effective as of the date on which the Company's shares were listed on Borsa Italiana's MTA market), which is also mentioned in the aforementioned Corporate Governance and Ownership Report.

k. it has assessed and supervised the adequacy and effectiveness of the Internal Control and Risk Management System (ICRMS), mainly through meetings with the person in charge of the Company's Internal Audit department, as well as by reference to the documentation received from the Director in charge of the ICRMS and the Manager responsible for drafting accounting documents and those received from the auditing company; participation in the work of the Control and Risks Committee by all the members of the Board of Auditors also allowed the Board to coordinate the performance of its own control activities over the ICRMS with the activities of the Committee itself. Given the checks that have been carried out and the absence of notable problems being discovered, it is reasonable to confirm that the ICRMS is both adequate and effective; however, it should be noted that some of the System's profiles are being updated during the year 2016;

l. as "Committee for internal control and auditing" pursuant to Art. 19 of D. Lgs. no. 39/2010, it monitored: i) the financial reporting process, ii) the effectiveness of the internal control, internal auditing and risk management systems, iii) the auditing of the annual accounts and iv) the independence of the firm appointed to carry out the audit, in particular, with regard to the provision of non-auditing services to the Company;

m. it met with representatives from the auditing company who told the Board about the auditing plan they had prepared, how it had been executed and the results that had emerged; from these meetings, no events or situations emerged that would need to be noted in this report;

n. the auditing company, PwC, has today issued, pursuant to Articles 14 and 16 of D.Lgs. 39/2010, a Report that shows that the Financial Statements for the year ending 31 December 2015 provide a true and accurate representation of the Company's capital and financial position, its financial result and its cash flows for the year ending on that date. Furthermore, with reference to the Financial Statements for the accounting year, the auditing company has confirmed that the Annual Report and the information contained in the Corporate Governance and Ownership Report, shown under Art. 123-bis, paragraph 4 of D. Lgs. no. 58/98, are consistent with the Financial Statements;

o. today, it was advised by the auditing company that no "fundamental issues" or "significant failings" were identified during the audit;

p. pursuant to Art. 17, paragraph 9, letter a) of D. Lgs. no. 39/2010, it received confirmation of the independence of the auditing company from the same along with a notice confirming the absence of non-auditing services provided to the Company by the auditing firm or entities belonging to the network of the same; it also discussed with the same auditing firm, pursuant to Art. 17, paragraph 9, letter b) of D. Lgs. no. 39/2010, the risks associated with the independence of the same as well as the measures adopted by the same auditing firm to limit said risks.

In performing the supervisory activities described above, during the year 2015, the Board of Auditors met 11 times, it attended 15 meetings of the Board of Directors and it attended the only Shareholders' Meeting; it also took part in 12 meetings of the Control and Risks Committee and 7 meetings of the Remuneration and Appointments Committee, which were held during the year 2015.

During the accounting year, no complaints were received and no irregularities were reported to the Board of Auditors.

In the course of the year 2015, the Board of Auditors did not issue opinions pursuant to legislation; it did not formulate observations in relation to, in particular:

- the appointment and remuneration of the person in charge of the Internal Auditing role, or the budget assigned to the role itself
- the Audit Plan

In performing the supervisory activities detailed above and on the basis of the information obtained from the auditing firm, no omissions and/or irregularities or, in any event, notable issues that would need to be reported to the supervisory authorities or mentioned in this report were discovered.

Conclusions

The Financial Statements for the period ending 31 December 2015, as proposed by the Board of Directors, closes with a net profit of €38,942,336.11. .
The Annual Report and the explanatory notes are exhaustive in providing a detailed account of the management and the composition of the entries in the Financial Statements, performance during the year and the most significant events and transactions that took place during the same.
On the basis of the supervisory activities performed during the year and the results of the data and information exchanged with the auditing firm, the Board of Auditors confirms that there are no obstacles to approving the Financial Statements as at 31 December 2015 or to approving the draft resolutions formulated by the Board of Directors in relation to, apart from said approval, the allocation of profit for the year and the partial distribution of the available reserve, which is recorded under "Retained earnings".

Rome, 6 April 2016

The Board of Auditors

Maria Giovanna Basile

Mr Giovanni Galoppi (lawyer)

Mr Massimo Porfiri

IMPAGINAZIONE

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