



Interim financial report at 30 September 2016

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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
Company website:	<a href="http://www.raiway.it">www.raiway.it</a>

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

## Corporate Bodies and Committees<sup>1</sup>

### Board of Directors

#### **Chairman**

Raffaele Agrusti

#### **Chief Executive Officer**

Stefano Ciccotti

#### **Directors**

Joyce Victoria Bigio  
Fabio Colasanti  
Alberto De Nigro  
Anna Gatti  
Salvatore Lo Giudice

#### **Secretary to the Board**

Giorgio Cogliati

### Control and Risks Committee

Joyce Victoria Bigio (Chair)  
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 (Chair)  
Joyce Victoria Bigio  
Fabio Colasanti

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<sup>1</sup> In office at the date of approval of this interim financial report. Information on the powers assigned within the Board of Directors and the Company's system of corporate governance in general can be found in the Report on Corporate Governance and Ownership Structures which may be consulted on the Company's website ([www.raiway.it](http://www.raiway.it)).

## **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 equipment.

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

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

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

- (i) Broadcasting services, meaning services for the terrestrial and satellite transmission of television and radio signals, through the network infrastructure, to the ultimate end users within a geographical area;
- (ii) Transmission services, for the transmission of radio and television signals via the connecting network (radio links, satellite systems, fiber optic) and in particular the one-way transport of video/audio/data (a) via analog or digital circuits between fixed sites

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

(iii) Tower rental services, meaning (a) the hosting in our sites of transmission equipment 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 emissions protection services).

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

### **Main alternative performance measures**

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

- Gross operating profit or EBITDA – *earnings before interest, taxes, depreciation and amortization*. EBITDA also excludes income and expense from investment and security management as well as any gains or losses on the disposal of investments, classified in the financial statement formats as “financial income and expenses”.
- Net operating profit or EBIT – *earnings before interest and taxes before adjustments*. EBIT also excludes income and expense from investment and security management as well as any gains or losses on the disposal of investments, classified in the financial statement formats as “financial income and expenses”.
- Invested capital: this is the sum of property, plant and equipment and net working capital excluding provisions.

- Net Financial Position: the format used for the calculation is that provided in paragraph 127 of Recommendation CESR/05-054b implementing Commission Regulation (EC) No. 809/2004.

### **Summarized economic and financial data**

The following section provides a summary of Ray Way's financial statements as at 30 September 2016, compared with the results as at 30 September 2015. In addition, figures are also provided on the Company's net financial position and the net invested capital as at 30 September 2016 with comparative information in respect of the end of the previous financial year. The changes and percentages shown in the following tables have been calculated using values expressed in euro.

**Key ratios Rai Way S.p.A.**

	9 months		
(in euro millions; %)	2016	2015	Change %

**Key income statement data**

Core revenues	161.3	158.3	1.9%
Adjusted EBITDA	86.4	82.3	5.1%
EBITDA	83.0	82.1	1.0%
EBIT	50.7	47.3	7.2%
Profit before taxation	49.1	45.7	7.4%
Profit for the period	32.6	30.2	7.9%

**Key balance sheet data (\*)**

Capital expenditure	8.3	14.0	(40.5%)
Invested capital	176.3	200.9	(12.2%)
Net equity	151.9	159.3	(4.6%)
Net financial position	24.5	41.6	(41.2%)

**Key ratios**

Adjusted EBITDA/Core revenues	53.6%	52.0%	3.0%
EBITDA/Core revenues	51.5%	51.9%	(0.8%)
EBIT/Core revenues	31.4%	29.9%	5.1%
Profit for the period/Core revenues	20.2%	19.1%	5.8%
Cash conversion rate	93.2%	89.2%	4.5%

(\*) The comparative figures of Invested Capital, Net equity and the Net financial position are shown at December 31, 2015

- Core revenues amounted to €161.3 million, an increase of 1.9% compared with 30 September 2015.
- *Adjusted* EBITDA amounted to €86.4 million, an increase of €4.2 million compared with 30 September 2015, mainly due to higher revenues from RAI and lower operating costs. The Company defines this indicator as EBITDA adjusted for non-recurring expenses.
- EBITDA amounted to €83.0 million, an increase of €0.8 million despite the expenses related to the voluntary layoff incentive.
- The ratio of Adjusted EBITDA to core revenues was 53.6% compared to 52.0% as at 30 September 2015.
- Net operating profit (EBIT) amounted to €50.7 million, an increase of €3.4 million compared to the figure recorded as at 30 September 2015.



- Net profit amounted to €32.6 million, an increase of 7.9% compared with 30 September 2015, due to a decrease in depreciation and amortization, partially offset by higher tax charges.
- Capital expenditure amounted to €8.3 million. Net invested capital came to €176.3 million, with a net financial position of €24.5 million and net equity of €151.9 million.

9 months				
(in euro millions)	2016	2015	Delta	Var. %
Revenues from RAI	135.5	132.3	3.2	2.4%
Revenues from third parties	25.9	26.0	(0.1)	(0.3%)
<b>TOTAL REVENUES</b>	<b>161.3</b>	<b>158.3</b>	<b>3.1</b>	<b>1.9%</b>
Other revenues and income	0.1	0.2	(0.1)	(60.7%)
Personnel costs	(33.9)	(33.8)	(0.1)	0.2%
Operating costs	(41.1)	(42.4)	1.3	(3.1%)
<b>EBITDA (Adj)</b>	<b>86.4</b>	<b>82.3</b>	<b>4.2</b>	<b>5.1%</b>
<i>EBITDA Margin</i>	<i>0.5%</i>	<i>52.0%</i>	<i>1.6%</i>	<i>3.1%</i>
Adjustments	(3.5)	(0.1)	(3.3)	2572.9%
<b>EBITDA</b>	<b>83.0</b>	<b>82.1</b>	<b>0.8</b>	<b>1.0%</b>
Amortization and depreciation	32.1	(34.9)	2.8	(8.2%)
Write-downs	0.0	(0.2)	0.2	(102.3%)
Allocation	(0.2)	0.2	(0.4)	(174.8%)
<b>EBIT</b>	<b>50.7</b>	<b>47.3</b>	<b>3.4</b>	<b>7.2%</b>
Financial management	(1.6)	(1.6)	(0.0)	2.5%
<b>PROFIT BEFORE INCOME TAXES</b>	<b>49.1</b>	<b>45.7</b>	<b>3.4</b>	<b>7.4%</b>
Income tax	(16.6)	(15.5)	(1.0)	6.6%
<b>PROFIT FOR THE PERIOD</b>	<b>32.6</b>	<b>30.2</b>	<b>2.4</b>	<b>7.9%</b>

Rai Way revenues totalled €161.3 million, an increase of €3.1 million over the previous period (+1.9%).

The activities carried out for the Rai Group generated revenues of €135.5 million, representing an increase of 2.4% over the same period of the previous year. The increase is due to the requests made by customers for additional services (i.e. *new services*). As regards business dealings with other customers, revenues from third parties came to €25.9 million, a slight decrease with respect to 30 September 2015.

Other revenues and income decreased by €0.1 million compared to the same period of the previous year, mainly due to lower insurance reimbursements for damages.

Personnel costs, recognized in the Income Statement, amounted to €33.9 million, representing a slight increase of €0.1 million compared to the same period in 2015 (€33.8 million), mainly due to a lower value in capitalized costs, an increase in travel costs and the variable portion of remuneration offset by a reduction in wages and salaries.

Operating costs, which include consumables and goods, costs for services and other costs, amounted to €41.1 million, down about €1.3 million compared to the previous period, due mainly to a drop in utility costs (electricity) and the costs for service agreements for services provided by the Parent. Adjusted EBITDA came to €86.4 million, an increase of €4.2 million with respect to 30 September 2015, with a margin of 53.6%.

EBITDA amounted to €83.0 million, an increase of €0.8 million primarily due to a €3.2 million increase in revenues and a €1.3 million decrease in operating costs, offset by non-recurring costs relating to the voluntary layoff incentive which came to €3.4 million.

Operating income, in the amount of €50.7 million, reflect an increase of €3.4 million over 2015, also resulting from a reduction in depreciation and amortization.

Net profit, in the amount of €32.6 million, increased €2.4 million over the same period in 2015. Capital expenditure in the first nine months of 2016 came to €8.3 million (vs. €14.0 million in the same period of 2015), of which €2.5 million for development initiatives and €5.9 million for the maintenance of the network infrastructure.

<i>(in euro millions)</i>	<b>30/09/2016</b>	<b>31/12/2015</b>
Fixed assets	203	227
Net working capital	11	13
Net provisions	(38)	(39)
<b>Invested capital</b>	<b>176</b>	<b>201</b>
Net financial position	24	42
Net equity	152	159
<b>Total funding</b>	<b>176</b>	<b>201</b>

Net Invested Capital as at 30 September 2016 showed a decrease compared to 31 December 2015 of €25 million, mainly due to a decrease in fixed assets due to the increased value of amortization for the period compared to that of investment, and a decrease in net working capital. The Net Financial Position came to €24 million, down compared to 31 December 2015 due to the positive cash flow generated from operations during the first nine months of the year.

## **Human resources and organization**

Rai Way had a workforce of 603 people at 30 September 2016 employed on a permanent basis: 22 executives, 125 middle managers, 424 technicians and office workers (including 12 apprentices) and 32 manual workers. An additional 22 workers with fixed-term employment contracts should then be added to this total.

The average number of employees rose from 639 in the first nine months of 2015 to 636 in the corresponding period in 2016.

## **Relationships with companies of the Rai Group**

Relationships mostly of a commercial nature are maintained with the Parent Company Rai - Radiotelevisione Italiana S.p.A., while those of a financial nature regard an intercompany current account used for residual payments. Relationships with other companies of the Rai Group are exclusively of a commercial nature. Further details may be found in the section "Related party transactions" in the notes to the financial statements.

## **Significant events**

The following significant events occurred:

- on 29 January 2016, the Board of Directors appointed Nicola Claudio as director of the Company pursuant to Art. 2986 paragraph 1 of the Italian Civil Code to replace Salvatore Lo Giudice, who had resigned in November 2015;
- on 21 March 2016, the Board of Directors approved:
  - the draft financial statements for 2015 and the proposal to distribute a dividend of €0.1432 per share, for a total of €38.9 million;
  - the proposal to authorize the purchase of treasury shares, to be conducted within eighteen months following the date of the shareholders resolution, up to a maximum number of such shares not exceeding 10% of the share capital, at a price neither lower nor higher than 20% of the official trading price of shares registered by Borsa Italiana S.p.A. on the trading day prior to each transaction, as well as the disposal of same;

- on 21 March 2016, the Chairman of the Board of Directors, Camillo Rossotto, tendered his resignation as director (and thus as Chairman of the Board of Directors), effective at the conclusion of the next Shareholders Meeting.
- on 28 April 2016, the Shareholders Meeting of Rai Way, among other things:
  - approved the Company's financial statements and the distribution of dividends to Shareholders for €36,995,219.11 as profit for the year net of the legal reserve, and €1,955,180.89 withdrawn from the available reserve referred to in the item "Retained earnings," and the consequent distribution of a dividend of €0.1432 gross to each ordinary share in circulation;
  - resolved to integrate the Board of Directors with the appointment, with term until the expiration of the current Board (i.e., until the Shareholders Meeting called to approve the Financial Statements at 31 December 2016), of Nicola Claudio, as confirmation of the co-option previously conducted, and of Raffaele Agrusti, subsequently appointing Raffaele Agrusti as Chairman of the Board of Directors;
  - approved the proposal of the Board of Directors to authorize the purchase and disposal of treasury shares.

### **Disclosure on the main risks and uncertainties faced by the Company**

The pursuit of the corporate mission, as well as the Company's operating results, financial position, and cash flows, are influenced by various potential risks and uncertainties.

A detailed analysis of risks was presented in the Financial Statements and Management Report at 31 December 2015 – Management Report section (Risk factors influencing the Company), published on the Company's website.

### **Subsequent events to 30 September 2016**

There are no significant events to be reported which had an effect on the Company's financial position at 30 September 2016 or on the results from its operations and its cash flows for the nine months then ended.

## **Business outlook**

In view of the results of the first nine months, the Company confirms the forecast for 2016 for an Adjusted EBITDA of approximately € 110 million and revises the forecast for the maintenance capex level for 2016 that is now expected to be below 8,5% of core revenues, compared to the level of "below 10% of core revenues" previously communicated.

## **Coordination and control**

The Company is subject to management and coordination by Rai within the meaning of article 2497 of the Italian civil code. Further details of this may be found in the "Coordination and control activity" section of the Report on 2015 operations included in the 2015 Annual Report published on the Company's website.

Rome, 8 November 2016

for the Board of Directors

**Stefano Ciccotti**

C.E.O.

## Interim financial statements at 30 September 2016

### Income Statement Rai Way S.p.A. (\*)

(in Euro)	9 months	
	2016	2015
Revenues	161,322,935	158,254,973
Other revenues and income	95,291	242,521
Purchase of consumables	(873,958)	(946,008)
Service costs	(37,680,341)	(38,973,422)
Personnel costs	(37,233,455)	(33,804,144)
Other costs	(2,672,146)	(2,650,162)
Amortization, depreciation and write-downs	(32,051,569)	(35,060,638)
Allocations	(177,554)	237,423
<b>Operating profit</b>	<b>50,729,203</b>	<b>47,300,542</b>
Financial income	27,159	83,506
Financial expenses	(1,652,209)	(1,668,530)
<b>Total financial income and expenses</b>	<b>(1,625,050)</b>	<b>(1,585,024)</b>
<b>Profit before income taxes</b>	<b>49,104,153</b>	<b>45,715,518</b>
Income tax	(16,550,832)	(15,532,986)
<b>Profit for the period</b>	<b>32,553,321</b>	<b>30,182,532</b>

### Statement of comprehensive income Rai Way S.p.A.

(inEuro)	9 months	
	2016	2015
<b>Profit of the period</b>	<b>32,553,321</b>	<b>30,182,532</b>
<b>Items that will be reclassified to the income statement</b>		
Gain (loss) on hedging instruments (cash flow hedge)	(83,053)	-
Tax effect	23,668	-
<b>Items that will not be reclassified to the income statement</b>		
Actuarial gains (losses) on employee benefits	(1,237,209)	491,318
Tax effect	296,930	(135,112)
<b>Total comprehensive income of the period</b>	<b>31,553,657</b>	<b>30,538,738</b>

(\*) 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 financial position Rai Way S.p.A.(\*)**

(in Euro)	30 September 2016	31 December 2015
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**Non-current assets**

Property, plant and equipment	200,669,126	224,496,654
Intangible assets	1,864,871	1,830,934
Non-current financial assets	126,976	173,850
Deferred tax assets	4,086,925	4,473,254
Other non-current assets	355,644	339,150
<b>Total non-current assets</b>	<b>207,103,542</b>	<b>231,313,843</b>

**Current assets**

Inventory	923,393	1,001,152
Trade receivables	79,598,450	70,333,433
Other current receivables and assets	5,222,182	4,465,554
Current financial assets	380,764	298,572
Cash and cash equivalents	65,918,014	78,940,807
Tax receivables	316,577	485,869
<b>Total current assets</b>	<b>152,359,380</b>	<b>155,525,386</b>
<b>Total assets</b>	<b>359,462,922</b>	<b>386,839,228</b>

**Shareholders' equity**

Share capital	70,176,000	70,176,000
Legal reserve	10,070,018	8,122,901
Other reserves	37,019,585	37,078,970
Retained earnings	34,599,751	43,884,226
<b>Total shareholders' equity</b>	<b>151,865,354</b>	<b>159,262,097</b>

**Non-current liabilities**

Non-current financial liabilities	60,750,242	90,617,939
Employee benefits	20,199,608	20,319,478
Provisions for risks and charges	18,077,230	18,352,923
Other non-current payables and liabilities	-	-
Deferred tax liabilities	-	-
<b>Total non-current liabilities</b>	<b>99,027,080</b>	<b>129,290,340</b>

**Current liabilities**

Trade payables	38,150,608	37,178,889
Other current payables and liabilities	38,481,647	28,341,491
Current financial liabilities	30,029,910	30,244,854
Tax payables	1,908,323	2,521,557
<b>Total current liabilities</b>	<b>108,570,488</b>	<b>98,286,791</b>
<b>Total liabilities and shareholders' equity</b>	<b>359,462,922</b>	<b>386,839,228</b>

(\*) 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 S.p.A. (\*)**

	Share capital	Legal reserve	Other reserves	Retained earnings	Total
<i>(in Euro)</i>					
<b>1 January 2015</b>	<b>70,176,000</b>	<b>6,890,612</b>	<b>37,078,970</b>	<b>39,644,818</b>	<b>153,790,400</b>
Comprehensive income for the period				30,182,532	30,182,532
Gains and losses from actuarial valuation				356,206	356,206
Allocation of profit to reserves		1,232,289		(1,232,289)	-
Dividend distribution				(33,564,800)	(33,564,800)
<b>30 September 2015</b>	<b>70,176,000</b>	<b>8,122,901</b>	<b>37,078,970</b>	<b>35,386,465</b>	<b>150,764,336</b>
Comprehensive income for the period				8,759,804	8,759,804
Gains and losses from actuarial valuation				(262,044)	(262,044)
<b>31 December 2015</b>	<b>70,176,000</b>	<b>8,122,901</b>	<b>37,078,970</b>	<b>43,884,226</b>	<b>159,262,097</b>
Comprehensive income for the period				32,553,321	32,553,321
Gains and losses from actuarial valuation (**)				(940,279)	(940,279)
Reserve cash flow hedge (**)			(59,385)		(59,385)
Allocation of profit to reserves		1,947,117		(1,947,117)	-
Dividend distribution				(38,950,400)	(38,950,400)
<b>30 September 2016</b>	<b>70,176,000</b>	<b>10,070,018</b>	<b>37,019,585</b>	<b>34,599,751</b>	<b>151,865,354</b>

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

(\*\*) Figures are net of the tax effects.



(in Euro)	30 September 2016	30 September 2015
<b>Profit before income taxes</b>	<b>49,104,153</b>	<b>45,715,518</b>
Adjustments for:		
Amortization, depreciation and write-downs	32,051,569	35,060,638
Allocations to (releases from) provisions for personnel and other provisions	1,885,163	(1,245,556)
Net financial income (**)	1,480,581	1,585,024
	-	-
<b>Cash flows from operating activities before changes in net working capital</b>	<b>84,521,466</b>	<b>81,115,624</b>
Change in inventory	77,759	(80,577)
Change in trade receivables	(9,261,389)	(11,636,889)
Change in trade payables	971,719	(70,994)
Change in other assets	(756,628)	(974,964)
Change in other liabilities	(3,355,657)	9,529,783
Use of provision for risks	(597,717)	(193,540)
Payment of benefits to employees	(3,135,515)	433,915
Change in tax receivables and payables	14,701,414	(1,090,893)
Taxes paid	(17,493,448)	(12,446,757)
<b>Net cash from (used in) operating activities</b>	<b>65,672,002</b>	<b>64,584,710</b>
Investments in property, plant and equipment	(7,981,097)	(13,700,121)
Disposals of property, plant and equipment	57,989	75,705
Investments in intangible assets	(338,498)	(286,041)
Disposals of intangible assets	-	-
Change in non-current financial assets	46,874	48,906
Change in other non-current assets	(16,494)	-
Interest paid	27,159	83,506
<b>Net cash from (used in) investing activities</b>	<b>(8,204,067)</b>	<b>(13,778,046)</b>
(Decrease) increase in medium/long-term loans	(30,074,566)	10,073,096
(Decrease) increase in current financial liabilities	(315,575)	30,332,970
Change in current financial assets	(82,192)	259,880
Interest paid	(1,067,997)	(1,320,097)
Dividends distributed	(38,950,400)	(33,564,800)
<b>Net cash from (used in) financing activities</b>	<b>(70,490,730)</b>	<b>5,781,050</b>
<b>Change in cash and cash equivalents</b>	<b>(13,022,794)</b>	<b>56,587,714</b>
Cash and cash equivalents at the beginning of the period	78,940,807	14,657,765
<b>Cash and cash equivalents at the end of the period</b>	<b>65,918,014</b>	<b>71,245,479</b>

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

(\*\*) Financial expenses related to the provision for decommissioning and restoration are excluded from Net financial income as they are not considered to be financial in nature.

## **Notes to the interim financial statements at 30 September 2016**

### **Introduction**

The interim financial report as at 30 September 2016, consisting of the Statement of Assets and Liabilities, the Income Statement, the Statement of Comprehensive Income, the Cash Flow Statement, the Statement of Changes in Equity, and the related Notes, have been prepared in accordance with Art. 154 ter of Italian Legislative Decree 58/1998 and subsequent amendments, as well as with the Issuer Regulations issued by CONSOB.

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

The interim financial report as at 30 September 2016 was approved by the Board of Directors on 8 November 2016, which authorized its publication.

The structure and content of the financial statements contained in the interim financial report and the related compulsory tables conform to those prepared for the annual financial statements. Where applicable, the same criteria and standards applied to the consolidated financial statements as at 31 December 2015, – except for those specifically applicable to interim reports - were used to prepare this report. The new standards that took effect on 1 January 2016 had no significant effect on this interim financial report.

The explanatory notes were prepared in accordance with the minimum contents required by IAS 34 – Interim financial reporting, taking into account the provisions provided by CONSOB in its Communication no. 6064293 of 28 July 2006. The notes, in accordance with IAS 34, are presented in summary form and do not include all the information required in the annual financial statements; they refer exclusively to those components which, due to the amount, composition or transactions, are essential for understanding the financial position and performance of the Company. Therefore, this interim financial report should be read in conjunction with the financial statements as at 31 December 2015.

This interim financial report present a comparison with data from the last financial statement of Rai Way as at 31 December 2015 with regard to the balance sheet, and with the data from the last interim financial report of Rai Way as at 30 September 2015 with regard to the income statement.

The preparation of the interim financial report as at 30 September 2016 required the use of estimates by the directors: the main areas in which significant evaluations and assumptions were conducted, and those with significant effects on the interim financial statements presented, are provided below in the explanatory notes as at 30 September 2016. Some of the evaluation processes, especially the more complex ones, such as determination of impairment of non-current assets are usually carried out in full only when preparing the annual financial statements, except when there are indicators that require an immediate estimate of any updates.

### **Changes and interpretations of current standards, effective as of 1 January 2016**

With regard to the application of current accounting standards and recently issued standards, reference is made to the Financial Statements and Management Report as at 31 December 2015 – Notes to the financial statements under the section “Summary of accounting standards,” published on the Company's website, specifying that on the closing date of the period all of the accounting standards previously approved by the European Union became applicable.

With regard to accounting standards that have not yet been approved, please refer to the above-mentioned section in the 2015 Financial Statements, with the exception of IFRS 14, whose approval is awaiting definition of the final standard, and the amendments to IFRS 10 and IAS 28, whose approval date has been deferred to a date to be decided.

### **Segment information**

Segment information is provided in the report on operations included in the 2015 Annual Report (in the paragraph discussing the Company's reference market) published on the Company's website, and reference should be made to this.

### **Seasonality of the business**

There are no significant seasonality factors that affect the Company's results.

## Notes on the main changes in the Income Statement

### Revenues

This item may be analyzed as follows:

<b>(in Euro)</b>	<b>9 months</b>	
	<b>2016</b>	<b>2015</b>
Revenues from the RAI Group (*)	135,478	132,314
Revenues from third parties	25,845	25,941
- Systems and equipment hosting fees	24,229	24,343
- Other	1,616	1,598
<b>Total revenues</b>	<b>161,323</b>	<b>158,255</b>

(\*) Figures are net of revenue invoiced to companies of the Group (€17,066 thousand as at 30 September 2016 - €15,019 thousand as at 30 September 2015) relating to costs incurred by the company on their behalf.

"Revenues" includes revenues generated during the period for the provision of services which are part of the Company's ordinary operations.

As at 30 September 2016, revenues increased by €3,068 thousand compared to the same period of 2015, from €158,255 thousand at 30 September 2015 to €161,323 thousand at 30 September 2016.

"Revenues from the RAI Group", in the amount of €135,478 thousand, made up 84.0% of total revenues as at 30 September 2016, increasing by €3,164 thousand with respect to the same period of 2015. This increase is mainly due to the requests made by customers for addition services (i.e. new services).

"Revenues from third parties" mainly includes revenues generated from services relating to (i) tower rental, (ii) broadcasting, (iii) transmission, and (iv) network services which the Company provides to third party customers other than Rai. The revenues in question were down slightly compared to the figures reported last year.

### Other revenue and income

"Other revenue and income", recognized in the Income Statement, amounted to €95 thousand for the first nine months of 2016, a decrease of €148 thousand compared to 30 September 2015, mainly due to lower insurance reimbursements for damages and to the

reimbursement of contributions and taxes. The release of funds, previously contained in this item, has been reclassified to provisions starting this year.

### Costs

"Purchase of consumables", recognized in the Income Statement, decreased by €72 thousand, from €946 thousand as at 30 September 2015 to €874 thousand as at 30 September 2016. This item mainly includes costs for purchasing technical materials for the warehouse, as well as fuel for generators and heating. Specifically, the decrease was mainly due to lower fuel costs.

"Costs of services" decreased by €1,293 thousand, from €38,973 thousand as at 30 September 2015, to €37,680 thousand as at 30 September 2016, mainly due to a reduction in utility costs (especially electricity), costs for intercompany service agreements, and in leases and rentals. "Personnel costs", recognized in the Income Statement, amounted to €37,233 thousand, an increase of €3,429 thousand compared to 30 September 2015 (when it was €33,804 thousand), mainly due to costs related to the voluntary layoff incentive. Without considering the impact of this incentive, Personnel costs came to €33,870 thousand.

"Other costs", recognized in the Income Statement, are in line with the reporting period covered, increasing from €2,650 thousand as at 30 September 2015 to €2,672 thousand as at 30 September 2016.

### Amortization, depreciation and write-downs

"Amortization," included in the item "Amortization, Depreciation, and Write-downs" of the Income statement amounted to €32,055 thousand as at 30 September 2016 (vs. €34,901 thousand as at 30 September 2015). This decrease of €2,846 thousand was mainly due to the completion of the amortization process for some assets.

### Provisions

"Provisions" amounted to €178 thousand, mainly reflecting the provision for civil litigation and legal expenses, with an increase of €415 thousand caused by the previous year release of €237 thousand in funds for potential liabilities.

### Financial Income and Expenses

"Financial Income" in the amount of €27 thousand, decreased by €57 thousand compared to 30 September 2015 (when it was €84 thousand), mainly due to a decrease in interest income on bank current accounts and interest on overdue receivables from customers.

"Financial expenses" in the amount of €1,652 thousand, increased by €17 thousand over same period of last year. Financial expenses include the interest accruing on the loan taken out under an agreement entered into the fourth quarter of 2014 with Mediobanca, BNP Paribas S.A., Intesa Sanpaolo S.p.A., and UBI Banca Società Cooperativa per Azioni. Specifically, this change was mainly due to a contraction in the interest adjustment on the decommissioning and restoration provision, whose discounting rate has remained unchanged as it has been considered consistent with respect to 31 December 2015, partially offset by the interest on employee benefit obligations.

### Income Tax

This item may be analyzed as follows:

<b>(in Euro)</b>	<b>9 months</b>	
	<b>2016</b>	<b>2015</b>
Current taxes	15,790	15,050
Deferred taxes	707	474
Taxes pertaining to previous years	54	9
<b>Total</b>	<b>16,551</b>	<b>15,533</b>

### Profit for the period

Profit for the period amounted to €32,553 thousand, an increase of €2,370 thousand compared with the same period of 2015, due to higher revenues, lower service costs, lower amortization partially offset by higher personnel costs.

## **Notes on the main changes in the Balance Sheet**

### Non-current assets

Property, plant and equipment amounted to €200,669 thousand as at 30 September 2016, a decrease of €23,828 thousand compared to 31 December 2015, due to depreciation charges of €32,151 thousand, capital expenditure of €7,981 thousand during the period, and other minor changes. Specifically, capital expenditure mainly regarded "Assets under

construction and advances" linked primarily to the Company-owned infrastructure network and related equipment. Intangible assets totalled €1,865 thousand, a slight increase of €34 thousand compared to 31 December 2015 due to investments of €339 thousand made in the period, offset by amortization charges in the amount of €305 thousand.

Non-current financial assets amounted to €127 thousand, a decrease of €47 thousand compared to the figure at 31 December 2015.

Deferred tax assets amounted to €4,172 thousand, a decrease of €485 thousand mainly due to a decrease in prepaid tax assets and a simultaneous reduction of the provision for deferred tax liabilities.

### Current assets

Inventory amounted to €923 thousand, a decrease of €78 thousand compared to 31 December 2015.

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

Trade receivables, in the amount of €79,598 thousand, may be analyzed as follows:

(in Euro thousands)	30 September	31 December
	2016	2015
Receivables from Rai	63,810	59,914
Receivables from customers	17,357	11,992
Provision for bad and doubtful debts	(1,569)	(1,573)
<b>Total trade receivables</b>	<b>79,598</b>	<b>70,333</b>

The increase of €9,265 thousand during the period is mainly due to the increase in Receivables from Rai (€3,896 thousand) and from Customers (€5,365 thousand) owing mainly to accounts receivable.

"Other current receivables and assets" amounted to €5,222 thousand as at 30 September 2016, an increase of €756 thousand compared to 31 December 2015, due mainly to higher prepaid expenses relating to costs deferred to the subsequent period and higher receivables from personnel.

Tax receivables amounted to €317 thousand, a decrease of €169 thousand with respect to 31 December 2015, mainly due to the change in the balance of corporate income tax (IRAP).

#### Shareholders' equity

As at 30 September 2016, the Company's Shareholders' equity was €151,865 thousand, a decrease of €7,397 thousand due mainly to the distribution of profits last year, partially offset by the recognition of profit for the period.

#### Non-current liabilities

"Non-current financial liabilities" amounted to €60,750 thousand as at 30 September 2016, a decrease of €29,868 thousand compared to 31 December 2015, mainly as a result of the reclassification in the short-term financial liabilities of the instalment of the "term" facility included as part of the loan agreement entered into in the fourth quarter of 2014 with Mediobanca, BNP Paribas S.A., Intesa Sanpaolo S.p.A. and UBI Banca Società Cooperativa per Azioni, resulting from the repayment instalment scheduled for 30 September 2017.

"Employee benefits", in the amount of €20,200 thousand, decreased by €120 thousand compared to 31 December 2015.

"Provisions for Risks and Charges", in the amount of €18,077 thousand, decreased by €276 thousand compared to 31 December 2015 as a result of the use and release of the legal expense provision and rents provision partially offset by the related provisions.

#### Current liabilities

Trade payables, in the amount of €38,151 thousand may be analyzed as follows:

<b>(in Euro thousands)</b>	<b>30 September 2016</b>	<b>31 December 2015</b>
Payables to suppliers	28,942	32,328
Payables to the Parent Company	9,209	4,839
Payable to other companies of the Rai Group	-	12
<b>Total trade payables</b>	<b>38,151</b>	<b>37,179</b>



"Trade Payables" increased by €972 thousand mainly due to an increase in payables to the Parent Company for invoices received but not yet paid offset by a lower amount of payables to suppliers.

"Other current payables and liabilities" amounted to €38,482 thousand as at 30 September 2016, an increase of €10,140 thousand with respect to the figure as at 31 December 2015, mainly due to:

- an increase in payables to employees (€4,685 thousand), mainly attributable to the voluntary layoff incentive;
- an increase in deferred income (€7,125 thousand) mainly reflecting revenue not pertaining to the period under review

partially offset by a reduction in payables to the Parent Company for the group's consolidated IRES and VAT in the amount of €1,965 thousand.

"Current financial liabilities" amounted to €30,030 thousand as at 30 September 2016, a decrease of €215 thousand compared to 31 December 2015.

Tax payables amounted to €1,908 thousand, a decrease of €614 thousand compared to the figure as at 31 December 2015, due mainly to a lower payable for VAT in tax deferral, withholdings on employee and self-employed income and partially offset by the balance of corporate income tax (IRAP) payables.

## Earnings per Share

The following table shows the determination of basic and diluted earnings per share for the reporting period.

<b>(in Euro thousands)</b>	<b>9 months</b>	
	<b>2016</b>	<b>2015</b>
Profit of the period	32,553	30,183
Average number of shares	272,000,000	272,000,000
<b>Earnings per share (basic and diluted) in Euro</b>	<b>0.12</b>	<b>0.11</b>

Diluted earnings per share shows the same value as basic earnings per share because at the date of this Report there are no dilutive elements and it is in line with the previous year.

## Net Financial Position

The Company's net financial position, calculated in conformity to the requirements of paragraph 127 of the recommendations contained in document no. 81 of 2011, issued by the ESMA, implementing EC Regulation 809/2004, is presented below.

The main component of Rai Way's net financial position is the loan taken out under the agreement entered into on 15 October 2014 with Mediobanca, BNP Paribas S.A., Intesa Sanpaolo S.p.A. and UBI Banca Società Cooperativa per Azioni. The balance on this loan amounted to € 90 million (nominal value, term facility) at 30 September 2016, of which €30 million has been reclassified in current liabilities and €60 million in non-current liabilities.

The loan agreement also includes a revolving credit facility of € 50 million that had not been utilized as of 30 September 2016.

Interest is charged at the aggregate of the Euribor rate for the period of reference and a spread (100 bps for the term facility, 120 bps for the revolving facility).

<i>(in Euro thousands)</i>		30 September 2016	31 December 2015
A.	Cash	-	-
B.	Cheques and bank and post office deposits	65,918	78,941
C.	Securities held for trading	-	-
<b>D.</b>	<b>Cash and cash equivalents (A) + (B) + (C)</b>	<b>65,918</b>	<b>78,941</b>
<b>E.</b>	<b>Current financial receivables</b>	<b>381</b>	<b>299</b>
F.	Current bank debt	(29,954)	(30,169)
G.	Current portion of non-current debt	-	-
H.	Other current financial payables	(76)	(76)
<b>I.</b>	<b>Current debt (F) + (G) + (H)</b>	<b>(30,030)</b>	<b>(30,245)</b>
<b>J.</b>	<b>Net current debt (I) - (E) - (D)</b>	<b>36,269</b>	<b>48,995</b>
K.	Non-current bank debt	(60,363)	(90,193)
L.	Bonds issued	-	-
M.	Other non-current payables	(387)	(425)
<b>N.</b>	<b>Net non-current debt (K) + (L) + (M)</b>	<b>(60,750)</b>	<b>(90,618)</b>
<b>O.</b>	<b>Net debt - ESMA</b>	<b>(24,481)</b>	<b>(41,623)</b>

## Commitments and guarantees

Commitments as at 30 September 2016 amounted to €17.0 million (vs. €10.2 million as at 31 December 2015) and relate solely to technical investments.

Guarantees amounted to €71,153 thousand as at 30 September 2016 (vs. €71,341 thousand as at 31 December 2015) and mainly relate to personal guarantees received for the obligations of other parties and guaranties of third parties pledged for the Company's obligations for liabilities and payables.

### **Transactions deriving from abnormal and/or unusual operations**

Pursuant to Consob Communication no. DEM 6064293 of 28 July 2006 it is hereby stated that during the first nine months of 2016 the Company was not party to any abnormal and/or unusual operations as defined in that communication.

### **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 use causes with the radio and/or television signals 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 law 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 application of the current regulations governing employee agreements. As previously noted, as far as this type of litigation is concerned the Company again makes use of support provided by leading law firms during the court proceedings, in this case those specializing in labor law, 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 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, the Company has recognized the amounts that management considers it probable that it will be required to pay should it lose the cases as provisions for risks and charges in the financial statements, also taking into account the professional opinions formulated by these firms concerning the expected outcome of the pending disputes.

In order to provide 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 through 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 incurrence of these costs, not at present quantifiable with any certainty, in the near future. The Company accordingly believes that it is probable that it may in the future have to incur costs to satisfy the claims it has received, and in this respect has created a site dismantling and restoration provision 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 site dismantling and restoration provision, 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.

#### Related party transactions

Details of the transactions the Company conducted with related parties in the nine months ended 30 September 2016 and 2015 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;
- 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 30 September 2016 and 31 December 2015:

<i>(in Euro thousands)</i>	Parent Company	Key management personnel	Other related parties	Total
<b>Non-current financial assets</b>				
31 December 2015	-	-	-	-
30 September 2016	-	-	-	-
<b>Current financial assets</b>				
31 December 2015	228	-	-	<b>228</b>
30 September 2016	318	-	-	<b>318</b>
<b>Current trade receivables</b>				
31 December 2015	59,914	-	164	<b>60,078</b>
30 September 2016	63,810	-	166	<b>63,976</b>
<b>Other current receivables and assets</b>				
31 December 2015	2,456	-	10	<b>2,466</b>
30 September 2016	2,456	-	1	<b>2,457</b>
<b>Current financial liabilities</b>				
31 December 2015	-	-	-	-
30 September 2016	-	-	-	-
<b>Trade payables</b>				
31 December 2015	4,839	-	12	<b>4,851</b>
30 September 2016	9,209	-	-	<b>9,209</b>
<b>Other current payables and liabilities</b>				
31 December 2015	18,173	169	123	<b>18,465</b>
30 September 2016	16,207	380	846	<b>17,433</b>
<b>Employee benefits</b>				
31 December 2015	-	247	109	<b>356</b>
30 September 2016	-	273	109	<b>382</b>

The following table sets out details of the Company's transactions with related parties for the nine months ended 30 September 2016 and 2015:

	Parent Company	Key management personnel	Other related parties	Total
<b>Revenues (*)</b>				
30 September 2015	147,241	-	181	<b>147,422</b>
30 September 2016	152,307	-	237	<b>152,544</b>
<b>Other revenues and income</b>				
30 September 2015	-	-	-	-
30 September 2016	-	-	-	-
<b>Purchase of consumables</b>				
30 September 2015	1	-	-	<b>1</b>
30 September 2016	-	-	-	-
<b>Cost of services</b>				
30 September 2015	9,623	-	9	<b>9,632</b>
30 September 2016	9,374	-	9	<b>9,383</b>
<b>Personnel costs</b>				
30 September 2015	13	1,766	648	<b>2,427</b>
30 September 2016	(8)	2,421	667	<b>3,080</b>
<b>Other costs</b>				
30 September 2015	21	-	-	<b>21</b>
30 September 2016	24	-	-	<b>24</b>
<b>Financial income</b>				
30 September 2015	4	-	-	<b>4</b>
30 September 2016	14	-	-	<b>14</b>
<b>Financial expenses</b>				
30 September 2015	-	-	-	-
30 September 2016	-	-	-	-

(\*) Figures are gross of the costs of services accounted at margin.

### Parent Company

Relationships with the Parent Company at 30 September 2016 mainly regard the Service Agreement renegotiated on 31 July 2014 which relates to the provision of new integrated network services by the Company, the Rai supply agreement (regarding personnel administration, general services, IT systems, administration and treasury and the research and technological innovation center), the agreement for leases and for the performance of connected services by Rai, the domestic tax consolidation, the VAT legislation consolidation and lastly an agreement for an intercompany current account used to deal with residual payments.

### Key management personnel

“Key management personnel” means key executives who have the power and direct and indirect responsibility for planning, managing and controlling the Company's activities, and includes among others the directors.

#### 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 Company which receives transmission services from Rai Way and provides hosting services to the Company;
- supplementary employee and executive pension funds.

Rome, 8 November 2016

for the Board of Directors

**Stefano Ciccotti**

C.E.O.

## **Attestation of the manager in charge of preparing the corporate accounting documents**

The manager in charge of preparing the corporate accounting documents of Rai Way S.p.A., Adalberto Pellegrino, declares, pursuant to paragraph 2 of article 154-bis of the Consolidated Finance Act, that the accounting information contained in this interim financial report at 30 September 2016 corresponds to the underlying books and records and the accounting entries.

Rome, 8 November 2016

**Adalberto Pellegrino**

Manager in charge of  
preparing the corporate accounting document