



Interim financial report at 31 March 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>
Vat number:	05820021003

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

Nicola Claudio

#### **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 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.

### **Summary of economic, equity and financial data**

The following section provides a summary of Rai Way's results of operations, financial position and cash flows for the three months ended 31 March 2016, with comparatives for the three months ended 31 March 2015. In addition, figures are also provided for the Company's net financial position and invested capital at 31 March 2016 with comparatives at 31 December 2015.

**Key ratios Rai Way S.p.A.****3 months**

<i>(in euro millions; %)</i>	<b>2016</b>	<b>2015</b>	<b>Change %</b>
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**Key income statement data**

Core revenues	52,7	52,4	0,4%
Adjusted EBITDA	27,4	26,1	5,0%
EBITDA	27,4	26,1	5,0%
EBIT	16,8	14,4	16,7%
Profit before taxation	16,2	13,9	16,6%
Profit for the period	10,7	9,3	14,9%

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

Capital expenditure	2,1	3,0	(28,2%)
Invested capital	192,8	200,9	(4,0%)
Net equity	169,9	159,3	6,7%
Net financial position	23,0	41,6	(44,7%)

**Key ratios**

Adjusted EBITDA/Core revenues	52,0%	49,7%	4,6%
EBITDA/Core revenues	52,0%	49,7%	4,6%
EBIT/Core revenues	31,8%	27,4%	16,2%
Profit for the period/Core revenues	20,3%	17,7%	14,4%
Cash conversion rate	93,9%	88,8%	5,8%

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

- Core Revenues reached € 52.7 million, with an increase of 0.4% compared with the figures for 31 March 2015.
- The Adjusted EBITDA amounted to € 27.4 million, an increase of € 1.3 million compared to the value at 31 March 2015 mainly due to higher revenues from RAI and lower operating costs. It should be noted that the Company defines this indicator as the Adjusted EBITDA of non-recurring charges.
- The ratio between the Adjusted EBITDA and core Revenues was 52.0% compared to 49.7% as at 31 March 2015.
- Net operating profit (EBIT) amounted to € 16.8 million with an increase of € 2.4 million compared to the figure recorded as at 31 March 2015.



- Profit for the quarter was € 10.7 million, increasing by 22.9% compared to 31 March 2015.
- Capital expenditure amounted to € 2.1 million. Invested capital amounted to € 192.8 million, with a net financial position of € 23.0 million and net equity of € 169.9 million.

<i>(in euro millions)</i>	3 months			
	2016	2015	Delta	Change %
Revenues from Rai	44,3	44,0	0,3	0,7%
Revenues from third parties	8,4	8,4	(0,1)	1,0%
<b>TOTAL REVENUES</b>	<b>52,7</b>	<b>52,4</b>	<b>0,2</b>	<b>0,4%</b>
Other revenues and income	0,0	0,2	(0,2)	92,7%
Personnel costs	(12,1)	(12,4)	0,3	2,1%
Operating costs	(13,2)	(14,2)	1,0	7,0%
<b>EBITDA (adj)</b>	<b>27,4</b>	<b>26,1</b>	<b>1,3</b>	<b>5,0%</b>
<i>EBITDA margin</i>	52,0%	49,7%	2,3%	4,6%
Adjustments	-	-	-	N.M.
<b>EBITDA</b>	<b>27,4</b>	<b>26,1</b>	<b>1,3</b>	<b>5,0%</b>
Amortization and depreciation	(10,6)	(11,6)	0,9	8,0%
Write-downs	0,0	(0,2)	0,2	1,0
Allocations	-	-	-	N.M.
<b>OPERATING PROFIT</b>	<b>16,8</b>	<b>14,4</b>	<b>2,4</b>	<b>16,7%</b>
Financial management	(0,6)	(0,5)	(0,1)	20,3%
<b>PROFIT BEFORE INCOME TAXES</b>	<b>16,2</b>	<b>13,9</b>	<b>2,3</b>	<b>16,6%</b>
Income tax	(5,5)	(4,6)	(0,9)	19,6%
<b>PROFIT FOR THE PERIOD</b>	<b>10,7</b>	<b>9,3</b>	<b>1,4</b>	<b>14,9%</b>
<i>PROFIT margin</i>	20,3%	17,7%	2,6%	14,4%

Rai Way's Revenues totaled € 52.7 million, an increase of € 0.2 million (+0.4%) over the previous period.

The activities carried out for the Rai Group generated revenues of € 44.3 million, representing an increase of 0.7% over the same period of the previous year; this increase is due to the new services requested by the Customer for additional services (the so-called "development services"). Revenues of € 8.4 million were earned from commercial relationships with other customers, with a slight decrease of € 0.1 million compared to the same period in the previous year (-1.0%).

Other revenues and income showed a fall of € 0.2 million compared to the same period of the previous year, mainly due to lower insurance reimbursements.

The Income Statement item "Personnel costs" amounted to € 12.1 million, representing a decrease of € 0.3 million compared to the same period in 2015 (€ 12.4 million), also due to

the effect of a higher value in capitalized costs and an efficient action to limit variable cost items.

Operating costs – which include consumables, cost of services and other costs – amounted to € 13.2 million, representing a decrease of approximately € 1 million over the previous period, due mainly to the reduction in electricity costs, travelling expenses and consultancy. The Adjusted EBITDA amounted to € 27.4 million, an increase of € 1.3 million compared to the value at 31 March 2015, with a marginality of 52.0%

Operating income, which stood at € 16.8 million shows an improvement over 2015 of € 2.4 million, also as a consequence of a reduction in amortization, depreciation and write-downs of € 1.1 million.

Profit for the period amounted to € 10.7 million, an increase of € 1.4 million over the same period in 2015.

Capital expenditure totaling € 2.1 million was made in the first three months of 2016 (€ 3.0 million in the same period in 2015), relating to € 0.5 for development initiatives and € 1.6 million for the maintenance of the network infrastructure.

<i>(in euro millions)</i>	<b>31/03/2016</b>	<b>31/12/2015</b>
Fixed assets	218	227
Net working capital	13	13
Net provisions	(39)	(39)
<b>Invested capital</b>	<b>193</b>	<b>201</b>
Net financial position	23	42
Net equity	170	159
<b>Total funding</b>	<b>193</b>	<b>201</b>

Net invested capital at 31 March 2016 showed a decrease compared to 31 December 2015 of € 8 million mainly due to a decrease of fixed assets due to the increased value of amortization for the period compared to that of investment. The Net Financial Position was € 23 million, down compared to 31 December 2015 due to positive cash flow in the first 3 months of the year determined by operational management.

## **Human resources and organization**

Rai Way had a workforce of 624 people at 31 March 2016 employed on a permanent basis: 22 executives, 135 middle managers, 433 technicians and office workers (including 12 apprentices) and 34 manual workers. An additional 14 workers with fixed-term employment contracts should then be added to this total.

The average number of employees rose from 641 in the first three months of 2015 to 639 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 main events of note are:

- on 29 January 2016, the Board of Directors appointed Nicola Claudio as a Director of the Company in accordance with Art. 2986, paragraph 1 of the Italian Civil Code in place of Salvatore Lo Giudice who previously resigned in November 2015;
- on 21 March 2016 the Board of Directors approved:
  - the draft financial statements for 2015 and the proposal for distributing a dividend of € 0.1432 per share for a total payment of € 38.9 million;
  - the proposal to authorize the purchase of treasury shares - in the eighteen months from the subsequent date of the Shareholders' Meeting resolution, up to a maximum number of shares so as not to exceed 10% of the share capital, at a price that is neither 20% less or more than the official share price recorded by Borsa Italiana S.p.A. in the session prior to each individual transaction - and also for their sale;

- on 21 March 2016, the Chairman of the Board of Directors, Camillo Rossotto resigned from his position as Director, and thus also as Chairman of the Board of Directors, with effect from the end of the next Shareholders' Meeting.

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

The pursuit of the corporate mission and the Company's financial position, results from operations and cash flows are affected by various risk factors and uncertainties.

A detailed risk analysis is provided in the section of the Report on 2015 operations included in the 2015 Annual Report (in the paragraph Risk factors related to the Company) published on the Company's website.

## **Events subsequent to 31 March 2016**

On 28 April 2016 the Shareholders' Meeting of Rai Way among other things:

- approved the financial statements of the Company and the distribution of a dividend as proposed by the Board of Directors;
- resolved to integrate the Board of Directors by appointing, with duration until the expiry of the latter (i.e. until the Shareholders' Meeting called to approve the financial statements at 31 December 2016), Nicola Claudio, confirming the co-opting already performed, and Raffaele Agrusti, who was then appointed as Chairman of the Board of Directors;
- approved the proposal of the Board of Directors to authorize the purchase and sale of treasury shares.

## **Business outlook**

The results for the first quarter of 2016 are in line with the management's expectations. The economic and financial targets indicated in the 2015 financial statements are therefore confirmed, namely:

- Adjusted EBITDA of approximately € 110 million;

- maintenance investments of less than 10% of revenues.

### **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, 11 May 2016

On behalf of the Board of Directors

The Chairman

**Raffaele Agrusti**

## Interim financial statements at 31 March 2016

### Income Statement Rai Way S.p.A.

	3 months	
(in Euro)	2016	2015
Revenues	52.666.673	52.434.777
Other revenues and income	13.877	215.214
Purchase of consumables	(262.027)	(283.493)
Cost of services	(11.997.971)	(12.983.087)
Personnel costs	(12.101.468)	(12.384.860)
Other costs	(928.884)	(922.680)
Amortization, depreciation and write-downs	(10.624.891)	(11.712.671)
<b>Operating profit</b>	<b>16.765.309</b>	<b>14.363.201</b>
Financial income	12.007	15.027
Financial expenses	(590.776)	(496.047)
<b>Total financial income and expenses</b>	<b>(578.769)</b>	<b>(481.020)</b>
<b>Profit before income taxes</b>	<b>16.186.540</b>	<b>13.882.181</b>
Income tax	(5.500.424)	(4.583.895)
<b>Profit for the period</b>	<b>10.686.116</b>	<b>9.298.286</b>

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

	3 months	
(in Euro)	2016	2015
<b>Profit for the period</b>	<b>10.686.116</b>	<b>9.298.286</b>
<i>Items that will not be reclassified to the income statement</i>		
Actuarial gains (losses) on employee benefits	-	(233.396)
Tax effect	-	64.184
<b>Total comprehensive income for the period</b>	<b>10.686.116</b>	<b>9.129.074</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.**

	31 March	31 December
(in euro)	2016	2015
<b>Non-current assets</b>		
Property, plant and equipment	216.016.054	224.496.654
<i>Intangible assets</i>	1.811.517	1.830.934
Non-current financial assets	158.392	173.850
<i>Deferred tax assets</i>	4.167.830	4.473.254
Other non-current assets	340.454	339.150
<b>Total non-current assets</b>	<b>222.494.246</b>	<b>231.313.843</b>
<b>Current assets</b>		
Inventory	994.855	1.001.152
<i>Trade receivables</i>	81.503.384	70.333.433
Other current receivables and assets	5.744.958	4.465.554
<i>Current financial assets</i>	395.077	298.572
Cash and cash equivalents	82.323.329	78.940.807
<i>Tax receivables</i>	314.511	485.869
<b>Total current assets</b>	<b>171.276.113</b>	<b>155.525.386</b>
<b>Total assets</b>	<b>393.770.359</b>	<b>386.839.228</b>
<b>Shareholders' equity</b>		
Share capital	70.176.000	70.176.000
<i>Legal reserve</i>	8.122.901	8.122.901
Other reserves	37.018.087	37.078.970
<i>Retained earnings</i>	54.570.342	43.884.226
<b>Total shareholders' equity</b>	<b>169.887.330</b>	<b>159.262.097</b>
<b>Non-current liabilities</b>		
Non-current financial liabilities	75.725.413	90.617.939
<i>Employee benefits</i>	20.334.225	20.319.479
Provisions for risks and charges	18.273.185	18.352.923
<i>Other non-current payables and liabilities</i>	-	-
Deferred tax liabilities	-	-
<b>Total non-current liabilities</b>	<b>114.332.823</b>	<b>129.290.340</b>
<b>Current liabilities</b>		
Trade payables	34.509.047	37.178.889
<i>Other current payables and liabilities</i>	43.765.746	28.341.491
Current financial liabilities	29.946.642	30.244.854
<i>Tax payables</i>	1.328.771	2.521.557
<b>Total current liabilities</b>	<b>109.550.206</b>	<b>98.286.791</b>
<b>Total liabilities and shareholders' equity</b>	<b>393.770.359</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				9.129.073	9.129.073
<b>31 March 2015</b>	<b>70.176.000</b>	<b>6.890.612</b>	<b>37.078.970</b>	<b>48.773.891</b>	<b>162.919.473</b>
Comprehensive income for the period				29.813.263	29.813.263
<i>Gains and losses from actuarial valuation</i>				94.162	94.162
Allocation of profit to reserves		1.232.289		(1.232.289)	-
<i>Dividend distribution</i>				(33.564.800)	(33.564.800)
<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				10.686.116	10.686.116
<i>Reserve cash flow hege</i>			(60.883)		(60.883)
<b>31 March 2016</b>	<b>70.176.000</b>	<b>8.122.901</b>	<b>37.018.087</b>	<b>54.570.342</b>	<b>169.887.330</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").

# Cash flow statement Rai Way S.p.A.

(in Euro)	31/03/2016	31/03/2015
<b>Profit before income taxes</b>	<b>16.186.540</b>	<b>13.882.181</b>
Adjustments for:		
Amortization, depreciation and write-downs	10.624.891	11.712.671
Allocations to (releases from) provisions for personnel and other provisions	575.408	45.806
Net financial income	530.580	481.020
<b>Cash flows from operating activities before changes in net working capital</b>	<b>27.917.417</b>	<b>26.121.677</b>
Change in inventory	6.297	3.390
Change in trade receivables	(11.166.323)	(21.171.679)
Change in trade payables	(2.669.842)	(763.202)
Change in other assets	(1.279.404)	(1.057.799)
Change in other liabilities	11.008.254	9.568.012
Use of provision for risks	(127.927)	(64.513)
Payment of benefits to employees	(599.251)	(275.323)
Change in tax receivables and payables	(1.800.428)	(884.846)
Taxes paid	-	-
<b>Net cash from (used in) operating activities</b>	<b>21.288.793</b>	<b>11.475.717</b>
Investments in property, plant and equipment	(2.050.258)	(2.936.202)
Investments in intangible assets	(78.242)	(28.240)
Change in non-current financial assets	15.459	14.818
Change in other non-current assets	(1.304)	-
Interest received	12.007	15.027
<b>Net cash from (used in) investing activities</b>	<b>(2.102.339)</b>	<b>(2.934.597)</b>
Repayment of long-term loans	(14.953.409)	(14.714.310)
Change in current financial assets	(96.505)	462.917
(Decrease) increase in short-term loans and other loans	(298.212)	14.652.981
Cash of long-term loans	-	39.751.423
Interest paid	(455.807)	(379.607)
<b>Net cash from (used in) financing activities</b>	<b>(15.803.932)</b>	<b>39.773.405</b>
<b>Change in cash and cash equivalents</b>	<b>3.382.522</b>	<b>48.314.524</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>82.323.329</b>	<b>62.972.290</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").

## **Notes to the Interim Financial Report at 31 March 2016**

### **Introduction**

The Interim report as of 31 March 2016, consisting of the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity and the related Explanatory Notes have been prepared in accordance with Art. 154-ter of Italian Legislative Decree 58/1998 and subsequent amendments, as well as the Issuer Regulations issued by Consob.

The interim report as of 31 March 2016 is prepared in accordance with IAS 34 – Interim financial reporting issued by the International Accounting Standards Board (IASB).

The interim report as of 31 March 2016 was approved by the Board of Directors on 11 May 2016 and was authorized for publication.

The structure and content of the financial statements contained in the Report and its compulsory schemes are in line with those provided in the Financial Statements. In the preparation of this Report we have used, where applicable, the same criteria and accounting policies adopted in preparing the consolidated financial statements as of 31 December 2015 – except those specifically applicable to intermediate situations. The new standards that were applied for the first time on 1 January 2016 have not resulted in significant effects on this abbreviated statement.

The Explanatory Notes were drawn up 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 set out in summary form and do not include all the information required in the annual financial statements and refer exclusively to those components which, by amount, composition or operations, are essential for understanding the economic and financial situation and the assets and liabilities of the Company. Therefore, this interim financial report must be read in conjunction with the financial statements as of 31 December 2015.

The interim report presents a comparison with data from the last financial statements of Rai Way at 31 December 2015 as regards the balance sheet and with the data of the last interim report of Rai Way as at 31 March 2015 as regards the Income Statement.

The preparation of the interim report as of 31 March 2016 required the use of estimates from directors: the main areas characterized by estimates and assumptions of particular significance together with those with a significant effects on the interim accounts are given below in the Explanatory Notes as at 31 March 2016. Certain valuation processes, especially the more complex ones, such as determination of impairment of non-current assets are usually carried out in full only when preparing annual financial statements, except in cases where there are indicators that require an immediate estimate of any updates.

## **Amendments and interpretations of existing standards effective from 1 January 2016**

Reference should be made to the section "Summary of Accounting Principles" in the notes to the financial statements in the 2015 Annual Report published on the Company's website.

## **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.

## **Comments on the main changes in the Income Statement**

### Revenues

This item may be analyzed as follows:

<i>(in euro)</i>	3 months	
	2016	2015
Revenues from the Rai Group	44.312	43.995
Revenues from third parties	8.355	8.440
- Systems and equipment hosting fees	7.951	7.925
- Other	404	515
<b>Total revenues</b>	<b>52.667</b>	<b>52.435</b>

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

Total revenues rose by € 232 thousand over the corresponding period of 2015, from € 52,435 thousand in the quarter ended 31 March 2015 to € 52,667 thousand in the quarter ended 31 March 2016.

"Revenues from the Rai Group" amounted to € 44,312 thousand or 84.1% of total Revenues for the quarter ended 31 March 2016, increasing by € 317 thousand over the same period of 2015. This increase derives mainly from the new services requested by the customer for additional services (so-called "developmental services").

"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. The Revenues in question recorded a reduction € 85 thousand.

#### Other Revenues and Income

The Income Statement item "Other revenues and income" amounted to € 14 thousand in the first three months of 2016, showing a reduction of € 201 thousand compared to 31 March 2015, mainly due to lower insurance reimbursements.

#### Costs

"Purchase of consumables" decreased by € 21 thousand from € 283 thousand in the quarter ended 31 March 2015 to € 262 thousand in the quarter ended 31 March 2016. This item mainly consists of the costs incurred for purchasing technical materials for the warehouse and consumables, fuel and combustibles for electricity generating groups and

heating. More specifically, the decrease in these costs principally reflects a fall in fuel costs and for equipment purchases.

"Cost of services" decreased by € 985 thousand from € 12,983 thousand in the quarter ended 31 March 2015 to € 11,998 thousand in the quarter ended 31 March 2016, mainly due to a fall in costs for electricity, travelling expenses and consultancy. "Personnel costs" amounted to € 12,101 thousand, representing a fall of € 284 thousand over compared to 31 March 2015 (€ 12,385 thousand), due mainly to an increase in costs for personnel to be capitalized from € 316 thousand at 31 March 2015 to € 527 thousand at 31 March 2016 and actions to optimize variable cost items.

"Other costs" recorded a total amount in line with that for the reference financial year, moving from € 923 thousand in the quarter ended 31 March 2015 to € 929 thousand in the quarter ended 31 March 2016.

#### Amortization, Depreciation and Write-downs

Costs for "Amortization and depreciation", which forms part of "Amortization, depreciation and write-downs", amounted to € 10,629 thousand in the quarter ended 31 March 2016 (€ 11,553 thousand in the quarter ended 31 March 2015). The gap amounting to € 928 thousand was determined mainly by the completion of the amortization process with some assets.

#### Financial Income and Expenses

"Interest income for finance lease agreements" amounted to € 12 thousand, almost in line with the figure at 31 March 2015 (€ 15 thousand).

"Financial expenses" amounting to € 591 thousand with an increase of € 95 thousand over the same period in the previous year; financial expenses include the interest accruing on the loan taken out under an 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.

### Income Tax

This item may be analyzed as follows:

(in euro)	3 months	
	2016	2015
Current taxes	5.195	4.660
Deferred taxes	305	(76)
Taxes pertaining to previous years	-	-
<b>Total</b>	<b>5.500</b>	<b>4.584</b>

### **Comments on the main changes in the statement of financial position**

#### Non-current Assets

Property, plant and equipment amounted to € 216,016 thousand at 31 March 2016, a decrease of € 8,481 thousand over 31 December 2015 arising from a depreciation charge of € 10,531 thousand, capital expenditure in the period of € 2,050 thousand and other smaller changes. More specifically, capital expenditure led to an increase in "Assets under construction and advances" and mainly related to investments in the Company-owned network infrastructure. Intangible assets totaled € 1,812 thousand, a decrease of € 19 thousand over 31 December 2015 due to an amortization charge of € 98 thousand and investments of € 78 thousand made in the period.

Non-current financial assets amounted to € 158 thousand, representing a decrease of € 16 thousand over the balance at 31 December 2015.

Deferred tax assets totaled € 4,319 thousand, representing a decrease of € 338 thousand, mainly due to a contraction in tax credits with the Treasury for pre-paid taxes.

#### Current Assets

Inventory amounted to € 995 thousand, with a slight reduction of € 6 thousand compared to the balance at 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, amounting to € 81,503 thousand, may be analyzed as follows:

<i>(in euro thousands)</i>	<b>31/03/2016</b>	<b>31/12/2015</b>
Receivables from Rai	61.864	59.914
Receivables from customers	21.208	11.992
Provision for bad and doubtful debts	(1.569)	(1.573)
<b>Total trade receivables</b>	<b>81.503</b>	<b>70.333</b>

The increase of € 11,170 thousand during the period is mainly due to the following:

- increase of € 1,950 thousand in "Receivables from RAI";
- an increase of € 9,216 thousand in the item "Receivables from customers" net of the provision for bad and doubtful debts determined principally by the increase in receivables overdue by less than 30 days.

"Other current receivables and assets" amounted to € 5,745 thousand at 31 March 2016, an increase of € 1,279 thousand over the balance at 31 December 2015 due mainly to a rise in prepayments, relating to costs deferred to the subsequent period.

Tax receivables are related to credit for VAT of € 315 thousand, a decrease compared to balance at 31 December 2015 of € 171 thousand, mainly due to the change in the balance of IRAP.

#### Shareholders' Equity

On 31 March 2016 the Shareholders' equity of the company was € 169,887 thousand and showed an increase equal to € 10,625 thousand mainly determined by the profit for the period.

#### Non-current Liabilities

"Non-current financial liabilities" amounted to € 75,725 thousand at 31 March 2016, a reduction of € 14,893 thousand compared to 31 December 2015, mainly as the 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, as an effect of the repayment instalment scheduled for 31 March 2017.



The item "Employee benefits", totaling € 20,334 thousand showed a slight increase of € 15 thousand compared to 31 December 2015 while the item "Provisions for risks and charges" amounted to € 18,273 thousands, a decrease of € 80 thousand compared to 31 December 2015 due mainly to uses made on Provisions for risks.

### Current liabilities

Trade payables, which amounted to € 34,509 thousand may be analyzed as follows:

<i>(in euro thousands)</i>	<b>31/03/2016</b>	<b>31/12/2015</b>
Payables to suppliers	26.156	32.328
Payables to the Parent Company	8.341	4.839
Payable to other companies of the Rai Group	12	12
<b>Total trade payables</b>	<b>34.509</b>	<b>37.179</b>

"Other current payables and liabilities", amounting to € 43,766 at 31 March 2016, increased by € 15,425 thousand over the figures at the end of 2015, mainly due to an increase of € 8,464 thousand for higher deferred income related mainly to revenues not relating to the period in question and higher payables due to the Parent Company of € 4,387 for tax consolidation and VAT of the group.

Current "Financial liabilities" amounted to € 29,947 thousand at 31 March 2016, a decrease of € 298 thousand over the balance at 31 December 2015 due to a fall in accrued financial liabilities relating to financial expenses.

Tax payables amounted to € 1,329 thousand, representing a decrease of € 1,193 thousand over the balance at 31 December 2015.

### **Earnings Per Share**

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

<i>(in euro thousands)</i>	<b>31/03/2016</b>	<b>31/03/2015</b>
Profit for the period	10.686	9.298
Average number of shares	272.000.000	272.000.000
<b>Earnings per share (basic and diluted) (euro)</b>	<b>0,04</b>	<b>0,03</b>

Diluted earnings per share shows the same value as basic earnings per share as at the date of this Report there were no dilutive elements.

### Net financial position

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.

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 € 105 million (nominal value, term facility) at 31 March 2016, of which € 30 million is classified as current liabilities and € 75 million as non-current liabilities.

The loan agreement also includes a revolving credit facility of € 50 million that had not been utilized as of 31 March 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).

(in euro thousands)	31/03/2016	31/12/2015
A. Cash	-	-
B. Cheques and bank and post office deposits	82.323	78.941
C. Securities held for trading	-	-
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>	<b>82.323</b>	<b>78.941</b>
E. Current financial receivables	395	299
F. Current bank debt	(29.871)	(30.169)
G. Current portion of non-current debt	-	-
H. Other current financial payables	(76)	(76)
I. Current debt (F) + (G) + (H)	(29.947)	(30.245)
<b>J. Net current debt (I) - (E) - (D)</b>	<b>52.771</b>	<b>48.995</b>
K. Non-current bank debt	(75.301)	(90.193)
L. Bonds issued	-	-
M. Other non-current payables	(425)	(425)
<b>N. Net non-current debt (K) + (L) + (M)</b>	<b>(75.726)</b>	<b>(90.618)</b>
<b>O. Net debt - ESMA</b>	<b>(22.955)</b>	<b>(41.623)</b>

## **Commitments and guarantees**

It should be noted that the existing commitments for capital expenditure at 31 March 2016 (€ 10.2 million at 31 December 2015) amounted to € 13.2 million.

Guarantees amounted to € 70,973 thousand at 31 March 2016 (€ 71,341 thousand at 31 December 2015) and mainly relate to personal guarantees received for third party obligations and third party guarantees pledged for the Company's liabilities for obligations and debts.

## **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 three 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 31 March 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 31 March 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>				
31/12/2015	-	-	-	-
31/03/2016	-	-	-	-
<b>Current financial assets</b>				
31/12/2015	228	-	-	<b>228</b>
31/03/2016	327	-	-	<b>327</b>
<b>Current trade receivables</b>				
31/12/2015	59.914	-	164	<b>60.078</b>
31/03/2016	61.864	-	233	<b>62.097</b>
<b>Other current receivables and assets</b>				
31/12/2015	2.456	-	10	<b>2.466</b>
31/03/2016	2.456	-	7	<b>2.463</b>
<b>Current financial liabilities</b>				
31/12/2015	-	-	-	-
31/03/2016	-	-	-	-
<b>Trade payables</b>				
31/12/2015	4.839	-	12	<b>4.851</b>
31/03/2016	8.341	-	12	<b>8.353</b>
<b>Other current payables and liabilities</b>				
31/12/2015	18.173	-	-	<b>18.173</b>
31/03/2016	22.559	-	21	<b>22.580</b>
<b>Employee benefits</b>				
31/12/2015	-	247	-	<b>247</b>
31/03/2016	-	197	-	<b>197</b>

The following table sets out details of the Company's transactions with related parties for the three months ended 31 March 2016 and 2015:

<i>(in euro thousands)</i>	Parent Company	Key management personnel	Other related parties	Total
<b>Revenues</b>				
31/12/2015	43.993	-	48	<b>44.041</b>
31/03/2016	44.274	-	46	<b>44.320</b>
<b>Other revenues and income</b>				
31/12/2015	-	-	-	-
31/03/2016	-	-	-	-
<b>Purchase of consumables</b>				
31/12/2015	1	-	-	<b>1</b>
31/03/2016	1	-	-	<b>1</b>
<b>Cost of services</b>				
31/12/2015	3.311	-	3	<b>3.314</b>
31/03/2016	3.223	-	3	<b>3.226</b>
<b>Personnel costs</b>				
31/12/2015	6	341	-	<b>347</b>
31/03/2016	1	501	-	<b>502</b>
<b>Other costs</b>				
31/12/2015	2	-	-	<b>2</b>
31/03/2016	7	-	-	<b>7</b>
<b>Financial income</b>				
31/12/2015	4	-	-	<b>4</b>
31/03/2016	7	-	-	<b>7</b>
<b>Financial expenses</b>				
31/12/2015	-	-	-	-
31/03/2016	-	-	-	-

#### Parent Company

Relationships with the Parent Company at 31 March 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 which receives transmission services from Rai Way;
- supplementary employee and executive pension funds.

Rome, 11 May 2016

On behalf of the Board of Directors

The Chairman

**Raffaele Agrusti**



## **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 31 March 2016 corresponds to the underlying books and records and the accounting entries.

Rome, 11 May 2016

**Adalberto Pellegrino**

Manager in charge of  
preparing the corporate accounting document