

The Rai logo consists of the word "Rai" in a white, bold, sans-serif font, centered within a solid blue square. The background of the entire page is a complex geometric composition of overlapping shapes in shades of blue, teal, and light grey, creating a modern, abstract design.

Rai

Separate and
Consolidated Interim
Financial Statements
as at **30 June 2017**

Separate and Consolidated Interim Financial Statements as at 30 June 2017



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Corporate Bodies

Board of Directors

Chairman	Monica Maggioni	
Directors	Rita Borioni Arturo Diaconale Marco Fortis Carlo Freccero Guelfo Guelfi Giancarlo Mazzuca Paolo Messa (resigned from 1 June 2017) Franco Siddi	
	<i>until 5 September 2017</i>	<i>from 6 September 2017</i>
Secretary	Nicola Claudio	Anna Rita Fortuna

Board of Statutory Auditors

Chairman	Biagio Mazzotta	
Statutory Auditors	Anna Maria Magro Roberto de Martino	
Alternate Statutory Auditors	Pietro Floriddia M.M. Assunta Protopapa	

General Manager

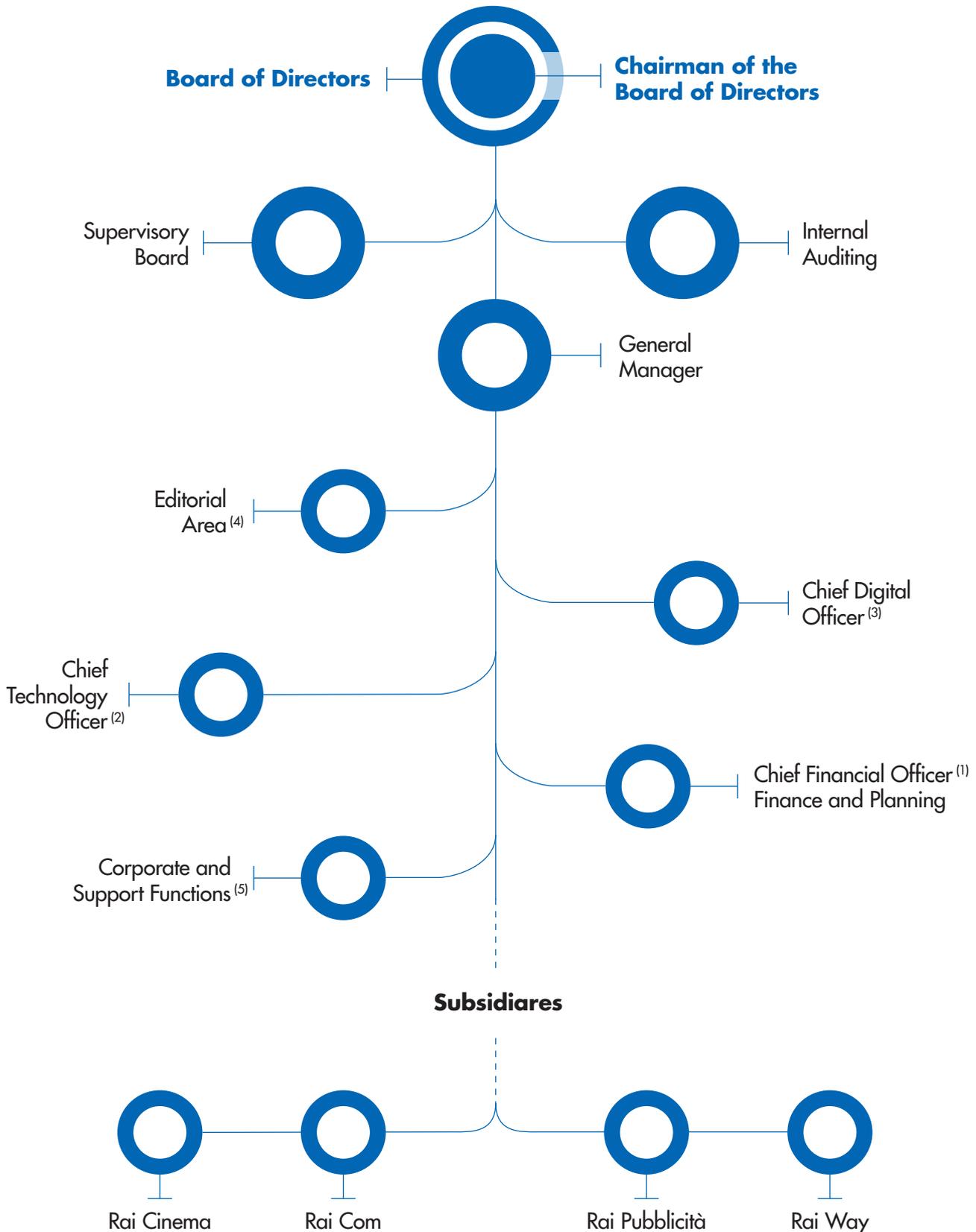
	<i>until 6 June 2017</i>	<i>from 9 June 2017</i>
	Antonio Campo Dall'Orto	Mario Orfeo

Independent Auditors

	PricewaterhouseCoopers
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Organisational Structure

(chart as at 30 June 2017)



⁽¹⁾ Strategic Planning and Management Control, Administration and Finance, Real Estate and Services, Coordination of Regional and Foreign Offices, Licence Fee, Tax Affairs, Regulatory and Methodological Support and PMO functions report to the Chief Financial Offer.

⁽²⁾ TV Production, Quality and Planning, Research and Technological Innovation Centre, Frequency Planning and Spectrum Management, Satellite Structure, ICT functions report to the Chief Technology Officer.

⁽³⁾ Digital Media, Teche Archives and Public Interest Services functions report to the Chief Digital Officer.

⁽⁴⁾ Includes: Editorial staff for news and information, Editorial Coordination of TV Schedules, Mastheads, Channels and TV Genres, Creative Direction and Radio.

⁽⁵⁾ Includes, among others, Communication and External Relations, Human Resources and Organisation, Legal and Corporate Affairs.

Highlights

(in millions of Euros)

Rai SpA			Rai Group			
June 2017	June 2016	Change		June 2017	June 2016	Change
1,246.5	1,313.7	(67.2)	External revenues	1,335.2	1,405.2	(70.0)
(696.8)	(746.4)	49.6	External costs	(543.5)	(572.9)	29.4
(466.0)	(475.9)	9.9	Personnel cost	(515.2)	(531.1)	15.9
(1,162.8)	(1,222.3)	59.5	Total operating costs	(1,058.7)	(1,104.0)	45.3
(40.7)	(20.5)	(20.2)	Operating result	8.6	58.2	(49.6)
35.2	(56.3)	(21.1)	Result before tax	1.7	49.1	(47.4)
47.1	66.2	(19.1)	Result for the period	(2.2)	33.4	(35.6)
84.3	97.9	(13.6)	Investments in programmes	220.4	218.7	1.7
30.2	22.8	7.4	Technical investments	46.1	28.3	17.8
114.5	120.7	(6.2)	Total investments	266.5	247.0	19.5
June 2017	December 2016	Change		June 2017	December 2016	Change
856.5	799.4	57.1	Equity	469.8	476.6	(6.8)
(129.9)	563.5	(693.4)	Net financial debt (liquidity)	60.3	549.6	(489.3)
(in units)						
11,162	11,303	(141)	Personnel under permanent contracts	12,321	12,489	(168)
726	700	26	Personnel under fixed-term contracts	800	741	59
11,888	12,003	(115)	Personnel (under Permanent and Fixed-term Contracts)	13,121	13,230	(109)

Introduction from the Chairman of the Board of Directors

In a competitive market that is evolving rapidly all the time, Rai's first six months of 2017 ended with a practically break-even net result, slightly lower than that of the same period the previous year, while the gradual process of innovation in production continued both with new digital offers and with experiments in new languages.

Even if consolidated income and expenditure balanced out, there was a substantial reduction in revenues owing to the weakness of the advertising market, but, even more, to a 10% reduction (from Euro 100 to Euro 90) in the unit fee.

By this reduction all the benefits have been almost entirely exhausted which have arisen from the system of the licence fee being included in the electricity bill, the most important structural change in the composition of Rai's financial resources, which came into force last year, extending the number of licence fee paying households by almost 5 million, to the widespread satisfaction of public opinion.

The level of the present fee is now not only much lower (from 30% to 50%) than that of similar European public services (France, Germany and the United Kingdom), but also that of broadcasting companies in much smaller countries by size and users (e.g. Croatia and Slovenia).

As regards production, Italians continued to show their confidence in the Public Service's programmes in the first half of 2017. 41.2 million people watch Rai's TV, radio or web offer every day, a number which confirms that the Company is the Italian TV market leader, a unique specimen among the big European public broadcasters. These are encouraging results which again show the traditional strength of the Company's offer. Nevertheless, without abandoning the identity and values of a Public Service, Rai is well aware of the huge challenges on the horizon in the entire world of the media and the profound, rapid changes in the market, in technologies and in public tastes generated by the "digital revolution".

The new digital giants (Google, Facebook, Amazon, etc.) have attained unassailable financial dimensions and are increasingly active and capable of competing in the audiovisual sector at a global level; in a mere handful of years the social media have become key partners – with sometimes worrying developments – in spreading content and information; the use of mobile devices and on-demand modes is growing strongly while users, especially young people, are moving away from traditional TV.

Hence all broadcasting companies, but above all Public Service broadcasters, are called upon to carry out far-reaching processes of innovation of programme production and content, both in order to be able to compete in the new scenario but especially so that they can offer the public an unswerving reference point which assures people of the quality and reliability of content, in the sense of information, which is tending to be increasingly swallowed up in the ocean of new offers and proposals.

In this regard Rai launched a number of initiatives during the first half of 2017. The completion of the Brand Refresh project in April, which gave each Network a coherent and clearly recognisable design. Experiments with new TV genres and also new distribution models, as for the “Non Uccidere” TV series, broadcast in preview on RaiPlay in June. The video offer was strengthened on the web, producing almost 300 million pages visited, against about 130 million in the same period of 2016. The launching of five new digital radio stations in June, each for a different range of themes. The international partnerships were strengthened by signing a framework Agreement in June for cooperation and the development of co-production partnerships with France Télévisions.

In the field of information, the primary reason for the existence of all Public Service networks, its audience figures are a recompense for Rai’s TV news programmes: they prove that the public still consider the Company to be a reliable, authoritative source of information.

This predominant position is maintained on the traditional media and is also to be won on the new media, where the possibility of disintermediation and the viral mechanisms triggered by the web allow low quality content to spread in a manner and in a time which were unthinkable before. Faced as we are with the proliferation of fake news and propaganda, the work of those who, by virtue of their history, objectives and structure, are not subject to the imperative of chasing clicks and shares on social networks is more important than ever.

For this reason Rai is giving the matter profound thought, which will lead to the preparation of a new information plan. The aim is to achieve an overall reform of programme production and offer on all platforms. A process of global rethinking to make Rai’s information more integrated, efficient and modern without giving up its fundamental principles of completeness, accuracy, transparency and pluralism.

In a period of rapid and at times traumatic changes, unfamiliar competitive and increasingly exacting challenges and contests with ever more powerful and aggressive global companies, it is crucially important for a modern Public Service to rethink its profile, identity and corporate mission, as well as the necessary resources, and set them out more and more clearly and distinctively.

In this regard some basic measures were taken or were decided during the half-year. The Public Service Concession was renewed on an exclusive basis for another ten years in April, not only for the radio and television but, for the first time, for multimedia too. This gives Rai a solid basis of legitimacy and a space of time that is sufficient for it to undertake long-term strategies.

The half-year saw the preparation of the guidelines of the 5-year Service Contract with the Ministry of Economic Development, which should be formalised within the year.

The new instruments in Rai’s “Contract with the State” set out, among other aspects, the Company’s role in the country’s digital growth, a heightened international presence with the launching of an English language channel, relations with the Italian audiovisual industry and a commitment to a change in the structure of information.

These are important undertakings which the Company addresses with a sense of responsibility and which will require ongoing attention to the question of the determination of the amount of financial resources necessary.

While the position as regards commitments and long-term mission has been clarified, doubts and difficulties remain concerning what type of undertaking the Company is and its legal status. These doubts and difficulties also emerged during the first six months of 2017 concerning the interpretation of some rules such as those on pay ceilings, which have a direct impact on important management and programme production aspects.

At a time in which the market and competition are evolving rapidly, it is to be hoped that some elements of certainty and clarity in the application of the rules will also be established with regard to this issue, fundamentally important for Rai's efficiency so that it can have the degree of operational freedom which is indispensable in global competition, while still fulfilling its public mission.

In short, in a world of communication in which the scenario is increasingly complex, volatile and difficult, Rai, with the advantage of the role which it has constructed in decades of keeping in step with the public, goes on building up its future in order to be able to continue to contribute, as it has always done, to the country's cultural, industrial and democratic development, setting store by creativity and talent, focusing on innovation and making room for all the voices which represent and accompany the transformations in our society.

The Rai Group's mission

On 23 May 2017, following the approval of the opinion required from the Parliamentary Committee on general affairs and supervision of radio and television services, the Prime Minister's Decree was published in Official Gazette no. 118, which appointed Rai as concessionaire, on an exclusive basis, of the Public radio, television and multimedia Service for a term of 10 years, as from 30 April 2017 and approved the contract form attached to the concession.

The object of the concession is the Public radio, television and multimedia Service, meaning a service of general interest consisting in the production and distribution of live audiovisual and multimedia content on all platforms, also using new technologies, with the aims of providing complete, impartial information and forwarding education, civil growth, progress and social cohesion, promoting the Italian language, culture and creativity, protecting the national identity and supplying socially useful services.

Accordingly, negotiations have been started on the new Service Contract, whereby rights and obligations shall be laid down for the concessionaire company.

While pending the preparation of the new Contract, which will for the first time have a 5-year term, the current text is that relating to the three-year period from 2010 to 2012, in the application of article 36 of the Contract itself.

The market scenario

Growing multi-device and multi-platform competition, always present at both domestic and international level, constantly requires media sector companies to move with the times and develop new approaches to the market, in which production content with the capacity to profile the public accurately is increasingly becoming a key factor with the capacity to push competitive advantage upwards. Thus Media Company activities are of more and more interest to the big OTT service providers and for the Telco operators. Therefore both the Internet Giants (such as Netflix, Amazon, Facebook), which present users with an on-demand offer alternative to that of traditional TV, and Telcos, which seek to raise their revenue per user for traditional voice and data services by offering media content (acquiring, but increasingly self-producing, this type of content, at least basically, including through corporate transactions, such as in the case of Vivendi/Telecom Italia or ATT/Time Warner), are steadily tending to boost their investments all the time in acquiring and producing content.

During the first half of 2017 the major OTT players showed particular interest in acquiring rights to big sports events. This is the direction taken by the Facebook arrangements with LFP, the association which organises the Spanish football championship, for broadcasting *Primera División* matches in live streaming and with MLB, the Major League Baseball, for broadcasting twenty 2017 season US baseball championship matches live on the social network. Live streaming will be available for all users with accounts on this well-known network.

Facebook, however, has not been the only Internet Company to have targeted live sports events. Twitter has announced an agreement with the WNBA to show women's basketball matches, while Amazon will broadcast the football matches of the National Football League (NFL). The agreement signed by Amazon is worth about Dollar 50 million (five times the amount paid by Twitter in 2016). Amazon will allow Prime users only to see matches.

Telecommunications operators have also concluded important agreements to expand their core business and retain their customers.

This is the scenario in which, in February, Tim and Rai signed a strategic agreement whereby subscribers to the TIMvision SVOD (Subscription Video on Demand) platform will be able to see productions from the 2016 RaiCinema/01 Distribution film list in absolute preview. A year after they are released in cinemas, the films will be shown exclusively on TIMvision for 24 months from the thirteenth month after release and Rai will be able to transfer them free of charge to its Networks as from the thirtieth day after they

have been put on line, in advance of the usual 24-month window.

Again, in June Tim signed a deal with Discovery which will enable this telecommunications company's customers to see the 2018 Winter Olympics at Pyeongchang (South Korea) and the 2020 Summer Olympics at Tokyo exclusively on mobile devices, online and on TimVision.

The Tim customers will have access to the two dedicated Eurosport 1 and Eurosport 2 channels both through the Eurosport Player App, and through the TimVision decoder.

Vodafone, on the other hand, expanded the service launched in December 2016, Vodafone TV, which allows the viewing of the traditional digital terrestrial channels, as well as of the entertainment channels of Now TV and of the channels of Discovery Italia, De Agostini Editori and of Viacom International Media Networks. After fresh arrangements with big global players (including Sony Pictures Television, 20th Century Fox, Lionsgate, BBC Worldwide, National Geographic), it also enriched its on-demand catalogue with additional content.

At the same time traditional publishers have continued a review of the scope of their business activities and their offer to the public, trying, in their production and distribution processes, to strengthen the weakest elements in the factors which are considered the winners in the new scenario: content, technology, audience, data. Owing to the importance of these new models, all the operators in the media sector have reorganised and carried out an organic reinforcement of their activities in order to be able to counteract the pervasive dominance of the big international players.

This is also the direction taken by the steps put in hand in order to win target users and markets that have not yet been reached. To do this Rai has directed its efforts, among other measures, on trying out new TV genres, inserting yet unexplored genres in its schedules, such as fantasy (the *La porta rossa* TV series), but also investing in new distribution models, such as the *Non uccidere* TV series, the second edition of which was broadcast in preview on RaiPlay in June.

Mediaset, on the other hand, is rethinking its on-demand offer and has announced the launch of *Mediaset Play* between the end of 2017 and the beginning of 2018, a new on-demand streaming service also available on smartphones and tablets. Among the various products are *Restart*, *Download&Play* and *TV Cast* (a service which sends content being seen on a smartphone to a TV set by means of the app).

Among the new developments that have been announced is also *Addressable Advertising*, a personalised advertising system already active on the Sky platform, which diversifies advertising messages through user profiling on the basis

of geolocation, consumption habits and other characteristics more specific to the user.

User profiling, which is carried out through the analysis of big data, is even more significant for Media Companies, both owing to the opportunities arising from the personalisation of content and user experience, and the threats posed by the giant global communication companies. In fact, the latter are able to knock down all national barriers, giving the public a sophisticated communication capacity that even renders them indispensable in addition to providing them not only with enormous financial benefits but also with an unprecedented possibility of influencing public opinion. The most technologically advanced digital native operators continue to invest in technology infrastructure, hardware and software, through which they can collect, process and organise enormous quantities of data coming from different sources, both inside and outside the Company, in order to build detailed profiles of the public and consequently convey user experience that are as gratifying and personalised as possible (Customer Engagement), with positive effects in terms of perceived quality and enhanced effectiveness of the communication actions taken, also from a financial point of view.

During the first half of 2017 it was increasingly clear that mobile devices, mainly the smartphones, have radically changed media consumption habits. The available data show that smartphone traffic consumption is growing, mainly driven by the Video segment¹. According to some reliable estimates for the sector, over the world users could spend an average of 47.4 minutes a day looking at videos online in 2017, with an increase of about 20% compared to 39.6 minutes in 2016; growth on mobile devices may be as much as 35%, achieving 28.8 minutes a day; while growth on fixed devices (desktops, laptops and smart TV sets) is calculated as only 2%, coming to 18.6 minutes a day. Social media have been extremely proactive in this area, enriching their platforms not only with user generated but also with live streaming videos, as in the case of big sports or music events, as already mentioned. In this context Facebook is the second biggest supplier of video content after YouTube. For example Facebook's official UEFA Champions League page recorded more than 300 million views of the videos uploaded during the season, achieving 56 million in the last week of the competition.

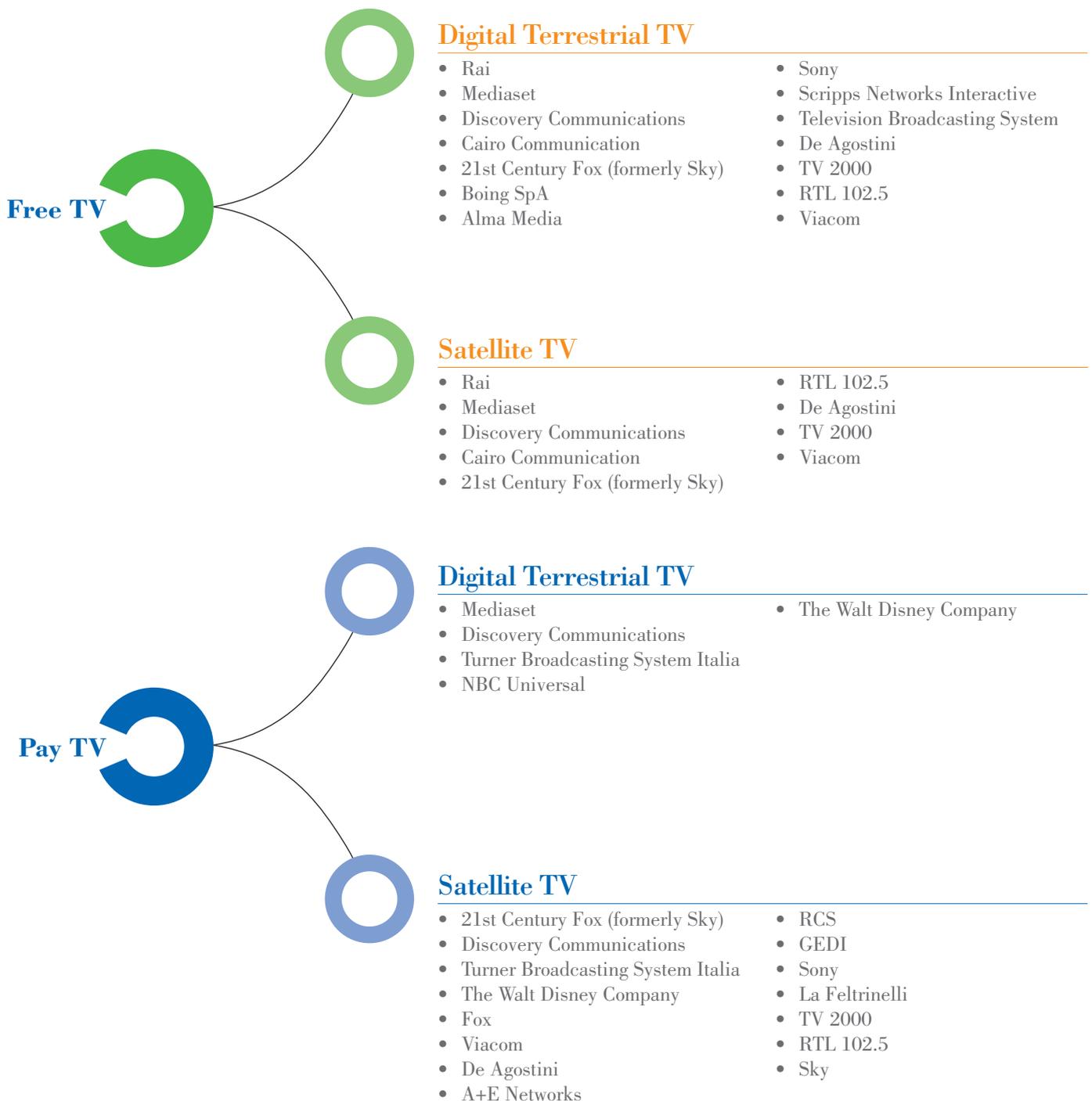
¹ Ericsson estimates a 10% CAGR in mobile data traffic during the period from 2016 to 2022. 75% of content will be generated from Videos. See the Ericsson Mobility Report, June 2017.

It is clear that the role of the social media is becoming increasingly prominent in the dissemination of content, also in the wake of important political events; the tendency has involved the world of news in particular. In the overseas market, for example, Twitter has become much stronger as a source of access to information, driven by President Trump's decision to use this social network as his favourite means of communication.

Social media are supported as means of spreading information by instant messaging services (WhatsApp, FB Messenger and WeChat among the major ones), which provide greater privacy and by-pass content algorithm filters, and by news aggregators, such as Google News, SmartNews or Flipboard, which, on the other hand, give users news from various sources in a single service.

Major TV broadcasters in Italy

(Source: Rai)



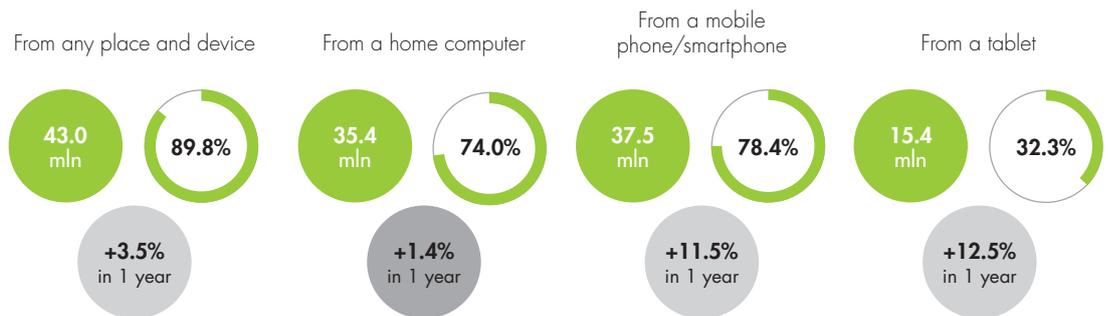
In this new scheme of things, traditional broadcasters, as well as the Media Companies, find that they have to rethink how they distribute content, including information, in order to stay in the market and retain their users. In order to meet their audiences' requirements and needs, Media Companies and other traditional broadcasters (radio, press, etc.) are forced to review their process of news production and distribution, since in the digital world in great request, in addition to traditional and very important hard news (politics, economics, institutions, foreign affairs), are all the kinds of information which enhance internet users' ability to get the most of the active lifestyle that they practise and which also satisfies their curiosity: traffic news, weather forecasts, manners and society, travel, fashion and gossip, i.e. soft news. Furthermore, it is vitally important for these players to distribute their content on all the various platforms so that all types of possible public can obtain access to the different services in their favourite manner. Nevertheless, at the moment this does not provide direct financial returns or proportionate access to advertising

revenues, which are still largely in the hands of the big players that operate these platforms. In fact according to market estimates, Google and Facebook have 70% of US advertising revenues and 50% at a global level. This, at least in the medium term, means that there are obvious problems of industrial and commercial sustainability, and that there is no alternative to a solution agreed among the various players, both at a local and a global level. In this intricate scenario, the public's hunger for information is growing all the time and is a key ingredient of the various media diets. In producing and distributing professional and certified information content, broadcasters and print media publishers are still by far the most sought-after sources of information and this is precisely why it is crucial for these companies to play their role as guarantors of the quality of information following principles of completeness, objectivity, independence, impartiality and pluralism, also and above all to stem the problem of fake news, which has been so much discussed during these six months.

Availability of access to internet from different devices

[Source: Audiweb Trends, June 2017]

Italians from 11 to 74 years old

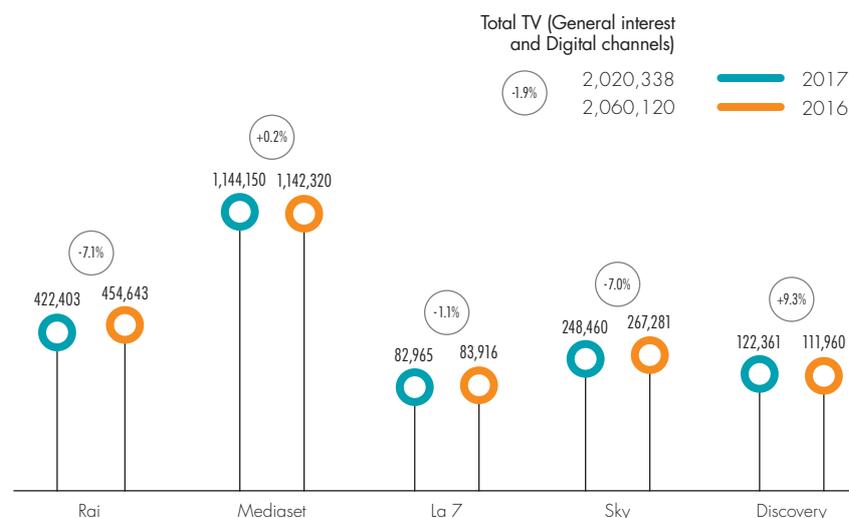


Families with a member aged up to 74 years old



TV advertising market estimates (Net data)

(Thousands of Euros)



During the first half of 2017 the Italian advertising market recorded, according to the official Nielsen data, a decline of 3% compared to the same period in 2016, down from Euro 3.343 billion to Euro 3.243 billion. This result is still negative (-0.4%) when we also consider the search and social component estimated by Nielsen. In spite of its 6.8% growth, revenues in the entire digital advertising universe do not make up for the losses incurred by other media. If we exclude the Nielsen estimates of the search and social components, the change for 2016/2017 comes to -1.7% in the digital media segment only.

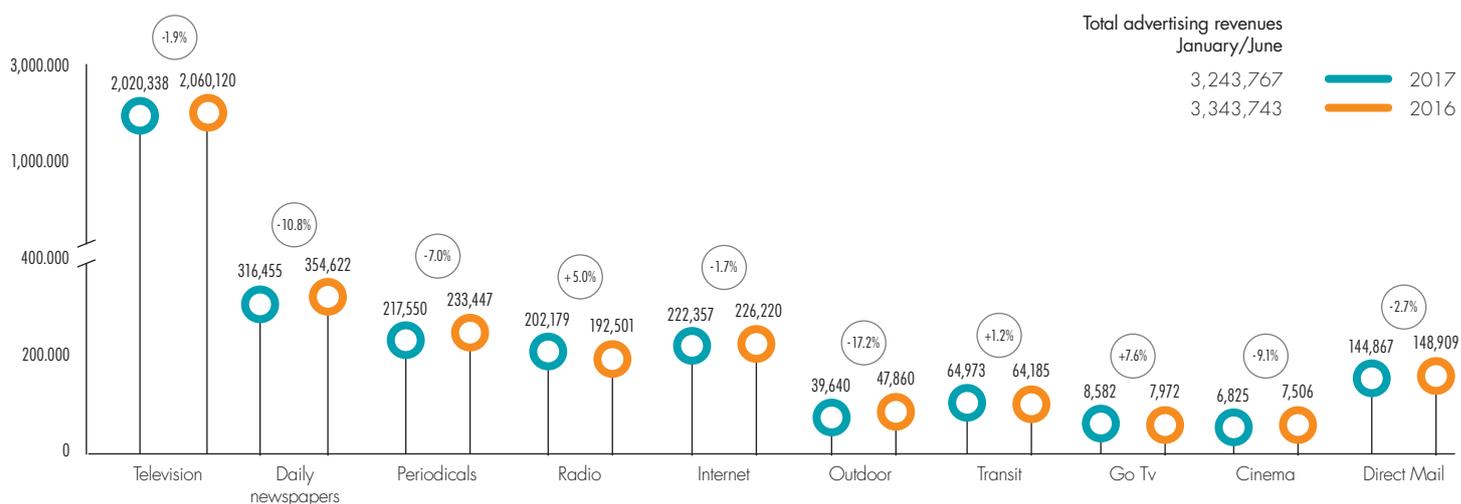
The breakdown of revenues in other medias shows that TV advertising has fallen by almost 2%, while radio continues its positive performance in a significant manner, posting a +5%. Print media revenues have fallen most: -10.8% for daily newspapers and 7% for periodicals.

Encouraging signs of a rise in revenues come from GoTV (+7.6%) and from Transit (+1.2%), while Cinema (-9.1%), Outdoor (-17.2%) and Direct mail (-2.7%) continued their negative performance during the half-year under consideration.

Among the various broadcasters in the television market only, the advertising revenues of Rai and Sky have fallen most, showing a decline of about 7%. These results have been strongly affected by the lack of major sports events in the schedules during the half-year; specifically, the European Football Cup matches were broadcast in June 2016. Moreover, during 2016 Rai decided not to insert commercials in some specialist channels. La7 also recorded a decline, showing a loss of 1.1%. Mediaset, which recorded a final increase of 0.2%, is still the undisputed leading company Report on Operations with a market value share of 57%. Discovery, which recorded the

Trend in advertising revenues by medium (January/June 2016-2017)

(Source: Nielsen, data in thousands of Euros)



best absolute performance, again in terms of percentage change (+9.3%), gained a market share of 6%, also as a result of the launch of a new channel.

Interest in programmatic video campaigns is increasing worldwide in the advertising market. In this context note that EBX, the European Broadcaster Exchange, has been formed, the main members being the Mediaset group (Italy and Spain), ProSiebenSat.1 (Germany) and the TF1 group (France). This is a joint venture which meets the growing demand for a brand-safety environment and high quality pan-European video campaigns. The object of the agreement, which is awaiting the approval of the European competition authorities at the moment, is the launching of a joint platform for digital video advertising. For the first time, some of the main European television groups have signed an alliance to lead the development of TV advertising, which will increasingly merge into the digital world.

During the first half of 2017 the major broadcasters continued with a portfolio diversification policy, implementing highly specialist channels, while new players from other publishing sectors, platforms or different markets (Telco, Internet Giants) continued to expand their range, often overlapping with that of the traditional TV broadcasters. As regards satellite platforms, the amount of Sky subscribers remained substantially stable at just under 4.4 million households during the first half of 2017. Again among pay TV services, Mediaset Premium, broadcast through DTT, is seen by 2 million subscribers, according to the data published by the group.

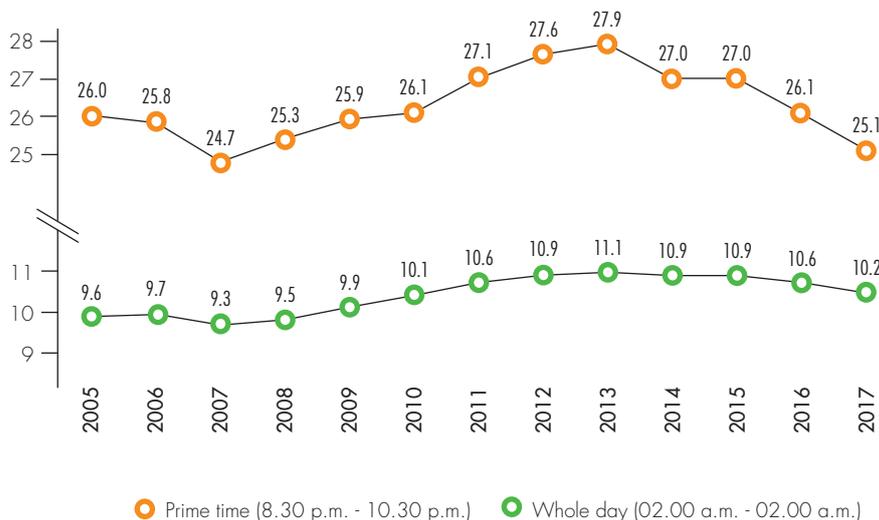
On the other hand, there has been a slight increase in the use of the free Tivù Sat satellite platform: again according to the data provided

operator, there were more than 3 million active cards and more than 2 million user households during the period under consideration.

There were the following changes in the competitive scenario during the first half of 2017:

- the Rai News 24, Rai YoYo, Rai Gulp, Rai Storia and Rai Scuola channels are broadcast in HD on Tivù Sat from January;
- in February the Rai Sport 2 channel was closed down while there was the launch of Rai Sport+ HD on channel 57. The standard version is broadcast on LCN 58;
- closing down broadcasting on AXN and AXN Sci-Fi channels on the Sky's satellite platform in February;
- in April Rai completed the rebrand of its channel portfolio, which had been started in September 2016, rolling out a new look for its 10 specialist channels (Rai 5, Rai Movie, Rai Sport, Rai YoYo, Rai Gulp, Rai Storia, Rai Premium, Rai Scuola, Rai Italia e Rai World Premium);
- in April Sky Italy launched Sky Kids App, the first on-demand mobile TV dedicated to children and teenagers that allows its content to be also viewed offline;
- in April Sky Italy also launched Now Tv Mobile to view content on mobile devices;
- in May Sony entered the Italian free-to-air market and launched the children's channel Pop (LCN 45);
- in May Scripps Networks launched the Food Network in Italy (LCN 33);
- in May Sky made Now TV available on Chromecast;
- in May Eleven Sports entered the Italian market and took over the majority of shares of the OTT Sportube platform;
- in June Rai and France Télévisions signed a framework Agreement for cooperation and the development of co-production partnerships. The basis for the agreement is the two Broadcasters' desire to join in constructing a "European public opinion" and the plan is to carry out a number of projects to be governed by the individual application agreements. With these projects, the Rai Group and France Télévisions will be able to boost the production of quality content with a European matrix for both domestic programmes and international distribution;
- again in June, Sky was also awarded the rights to broadcast all the UEFA Champions League and the UEFA Europa League matches in Italy (in addition to Germany) between 2018 and 2021.

Average TV audience (source: Auditel, data in millions)



Focus on the TV market

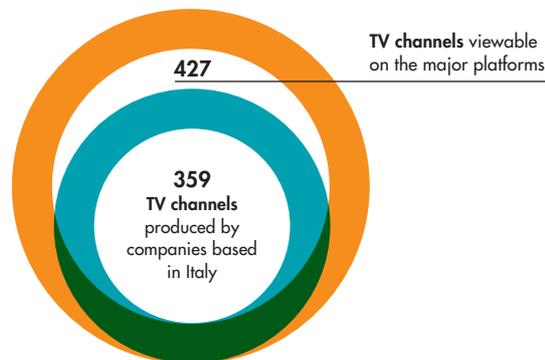
In June 2017 there were 359 nationwide² TV channels on the main platforms, belonging to 67 Broadcasters based in Italy. 125 of the 359 channels can be seen on digital terrestrial platforms and 288 on free and pay satellite TV; 54 channels can be found in both DTT (Digital Terrestrial Television) and DTH (Direct to Home) versions.

² Confindustria Radio Televisioni considers all nationwide channels broadcast on national MUX DTT (excluding Europa Way) or local MUX DTT with a national LCN (Logical Channel Numbering) licence and/or viewable on the Pay-TV (Sky Italia) and/or free-to-view (TivùSat) satellite platforms as channels operated by broadcasters based in Italy.

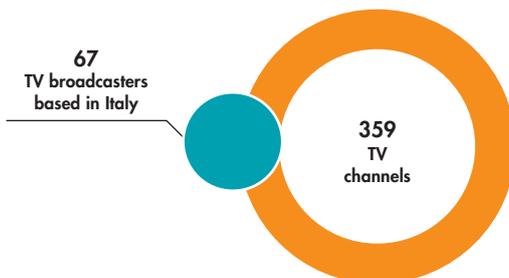
As regards business models, a total of 124 channels can be seen free, 63 of which on the Tivù Sat platform; there are 235,205 pay-per-view channels, only viewable on Sky Italy, 29 only viewable on Mediaset Premium and one channel, Cartoon Network, which is available on both platforms. The range of programmes in HD is becoming wider and wider, from 96 channels in 2016 to 104 in June 2017 (equal to 29% of the total), without counting overlapping on various platforms. Most HD channels are satellite (93 channels). Only one channel broadcasts 3D content.³

³ Data processed by Confindustria Radio Televisioni (CRTV).

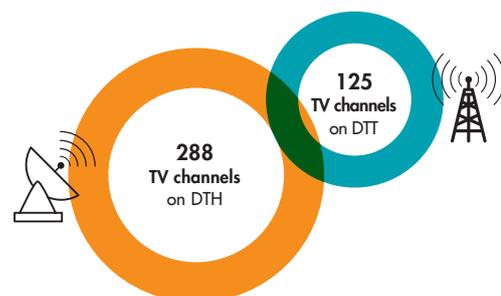
TV channels in Italy (1H - 2017)



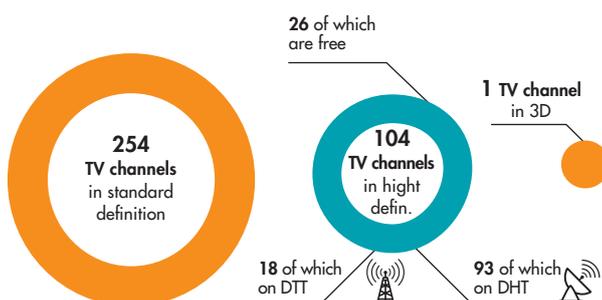
Broadcasters and TV channels



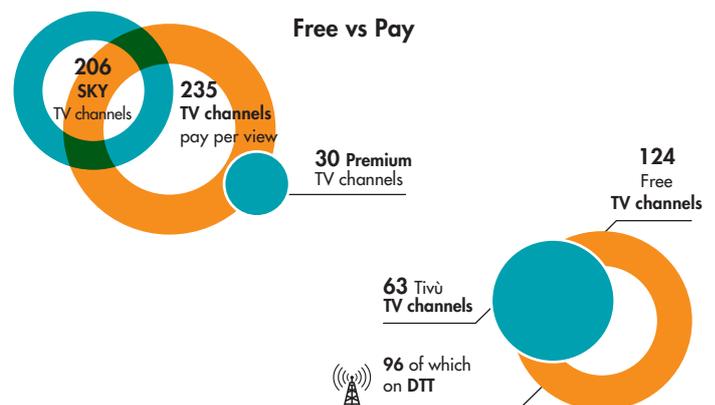
Platforms



HD and not only



Free vs Pay



Penetration relating to the period from 1 January to 30 June 2017

Total individuals (years 4+)

Day time (02:00 a.m. – 02:00 a.m.) 	Share 		Net contacts/ population 		Minutes viewed 		Net contacts 	
	2017	2016	2017	2016	2017	2016	2017	2016
Rai 1	17.23%	17.81%	41.88%	43.70%	102	105	24,584,192	25,618,838
Rai 2	6.23%	6.48%	30.23%	31.48%	51	53	17,744,100	18,455,981
Rai 3	6.50%	6.64%	30.31%	31.51%	53	55	17,796,224	18,472,542
Rai General interest channels	29.95%	30.92%	53.72%	56.18%	139	142	31,535,109	32,937,555
Rai 4	1.40%	0.98%	9.60%	8.45%	37	30	5,634,588	4,955,891
Rai 5	0.39%	0.30%	5.77%	4.71%	17	16	3,387,229	2,761,277
Rai Movie	1.11%	1.07%	9.96%	10.40%	28	27	5,847,551	6,096,471
Rai Premium	1.02%	1.03%	7.07%	7.52%	36	36	4,150,233	4,408,325
Rai News	0.54%	0.40%	5.23%	4.86%	25	21	3,070,357	2,848,436
Rai Sport 1 Rai Sport 2	0.50%	0.64%	4.23%	5.14%	28	29	2,484,464	3,014,010
Rai YoYo	1.53%	1.23%	5.70%	5.65%	67	56	3,343,832	3,314,472
Rai Gulp	0.49%	0.57%	3.07%	3.79%	40	39	1,801,981	2,224,195
Rai Storia	0.26%	0.23%	2.63%	2.66%	25	23	1,543,906	1,558,929
Rai Scuola	0.02%	0.01%	0.34%	0.30%	16	12	202,146	176,487
Rai Specialist channels	7.26%	6.46%	30.87%	31.06%	59	54	18,122,863	18,210,198
Total Rai	37.21%	37.38%	60.81%	62.95%	153	154	35,699,676	36,906,700
Canale 5	16.17%	15.92%	38.02%	40.09%	106	103	22,318,473	23,501,844
Italia 1	5.00%	5.20%	24.87%	26.20%	50	51	14,599,510	15,360,366
Rete 4	4.02%	4.25%	21.03%	21.99%	48	50	12,344,132	12,889,811
Mediaset Generalist interest channels	25.18%	25.37%	49.40%	51.98%	127	126	28,999,418	30,477,950
Mediaset Specialist channels	6.51%	6.40%	28.64%	29.74%	57	56	16,813,348	17,436,082
Total Mediaset	31.70%	31.76%	56.06%	58.57%	141	141	32,911,302	34,341,622
Total La7	3.40%	3.52%	18.01%	21.15%	47	43	10,570,251	12,402,682
Tv8	1.64%	1.27%	13.29%	12.10%	30	27	7,800,124	7,097,040
Nove	1.31%	0.92%	12.09%	9.91%	27	24	7,098,966	5,811,341
Total Sky	6.91%	6.32%	28.99%	27.42%	59	59	17,019,132	16,078,251
Total Fox	1.15%	1.19%	5.06%	5.34%	57	58	2,973,045	3,130,129
Total Discovery	6.62%	6.37%	29.63%	29.87%	56	55	17,395,914	17,510,780
Total MTV- Viacom	1.36%	0.46%	9.78%	3.21%	35	37	5,740,098	1,883,806
Other broadcasters	11.65%	13.00%						
Total TV	100.00%	100.00%	77.61%	80.55%	323	322	45,557,852	47,224,519

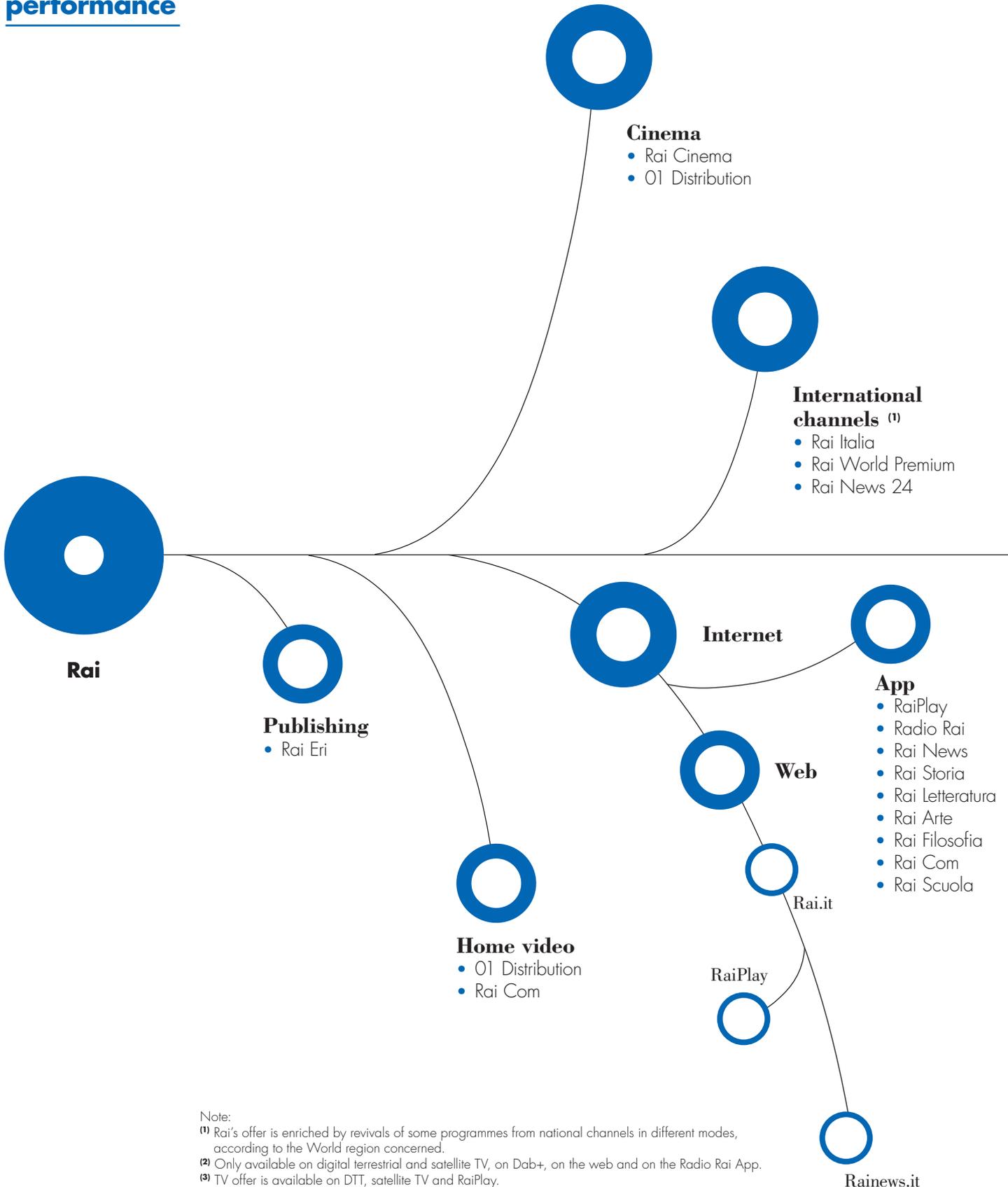
Penetration relating to the period from 1 January to 30 June 2017

Total individuals (years 4+)

Prime time (08:30 p.m. – 10:30 p.m.) 	Share 		Net contacts/ population 		Minutes viewed 		Net contacts 	
	2017	2016	2017	2016	2017	2016	2017	2016
Rai 1	19.35%	20.04%	24.38%	25.26%	40	42	14,312,064	14,809,737
Rai 2	6.57%	6.69%	13.99%	14.31%	24	25	8,212,949	8,390,044
Rai 3	6.73%	6.85%	12.82%	13.39%	26	27	7,526,926	7,848,184
Rai General interest channels	32.65%	33.58%	34.90%	36.43%	48	49	20,486,428	21,357,204
Rai 4	1.57%	1.15%	4.25%	3.45%	19	18	2,492,577	2,020,764
Rai 5	0.40%	0.32%	1.95%	1.60%	10	10	1,142,763	940,426
Rai Movie	1.31%	1.21%	4.12%	4.23%	16	15	2,419,813	2,479,311
Rai Premium	1.13%	0.99%	2.93%	2.88%	20	18	1,717,310	1,687,196
Rai News	0.20%	0.15%	1.02%	0.96%	10	8	597,493	564,258
Rai Sport 1 Rai Sport 2	0.39%	0.43%	1.13%	1.40%	16	15	666,059	819,201
Rai YoYo	0.89%	0.80%	1.46%	1.61%	31	27	854,849	945,731
Rai Gulp	0.46%	0.47%	0.90%	1.05%	26	24	528,066	618,035
Rai Storia	0.29%	0.27%	0.93%	0.94%	16	15	543,264	552,990
Rai Scuola	0.03%	0.02%	0.11%	0.09%	14	12	65,987	54,996
Rai Specialist channels	6.68%	5.80%	13.51%	13.24%	25	23	7,932,665	7,759,698
Total Rai	39.33%	39.38%	39.84%	41.20%	50	51	23,386,362	24,152,841
Canale 5	15.52%	15.47%	21.15%	22.05%	37	37	12,415,155	12,926,869
Italia 1	5.20%	5.55%	9.89%	10.39%	27	29	5,806,417	6,091,850
Rete 4	4.22%	4.39%	9.30%	9.65%	23	24	5,460,388	5,658,813
Mediaset Generalist interest channels	24.95%	25.41%	29.28%	30.74%	43	44	17,190,400	18,020,091
Mediaset Specialist channels	6.75%	6.49%	12.64%	12.76%	27	27	7,423,163	7,478,963
Total Mediaset	31.70%	31.90%	34.45%	35.87%	47	47	20,226,455	21,029,374
Total La7	3.90%	4.34%	8.50%	10.00%	23	23	4,992,142	5,861,501
Tv8	1.68%	1.46%	5.09%	4.73%	16	16	2,989,884	2,772,341
Nove	1.60%	0.79%	4.65%	3.33%	17	12	2,732,513	1,951,331
Total Sky	7.31%	7.23%	13.16%	12.67%	28	30	7,727,561	7,429,284
Total Fox	1.31%	1.31%	2.20%	2.31%	30	29	1,289,431	1,351,625
Total Discovery	5.52%	4.75%	11.82%	11.04%	24	23	6,937,768	6,473,988
Total MTV- Viacom	1.36%	0.25%	3.65%	0.74%	19	18	2,143,209	432,085
Other broadcasters	9.57%	10.84%						
Total TV	100.00%	100.00%	58.61%	60.71%	88	88	34,404,438	35,595,481

The Rai product: offer and performance

Map of Rai's offer



Note:

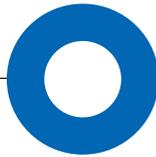
- ⁽¹⁾ Rai's offer is enriched by revivals of some programmes from national channels in different modes, according to the World region concerned.
- ⁽²⁾ Only available on digital terrestrial and satellite TV, on Dab+, on the web and on the Radio Rai App.
- ⁽³⁾ TV offer is available on DTT, satellite TV and RaiPlay.
- ⁽⁴⁾ Only viewable on Tivù Sat.
- ⁽⁵⁾ Viewable in the areas reached by MUX5 and by satellite on Tivù Sat only.
- ⁽⁶⁾ Usable in full on the Sky platform.
- ⁽⁷⁾ Radio offer is also available through digital terrestrial and satellite TV, the web and the Radio Rai App.



Radio⁽⁷⁾

- Rai Radio 1
- Rai Radio 2
- Rai Radio 3
- Rai Isoradio
- Rai Gr Parlamento
- Rai Radio Tutta Italiana⁽²⁾
- Rai Radio Classica⁽²⁾
- Rai Radio Techeté⁽²⁾
- Rai Radio Live⁽²⁾
- Radio Kids⁽²⁾

Television⁽³⁾ (digital terrestrial and satellite)



General interest channels

- Rai 1
- Rai 2
- Rai 3
- Rai 1 HD
- Rai 2 HD
- Rai 3 HD



Semi-general interest channels

- Rai 4
- Rai 5
- Rai Movie
- Rai Premium
- Rai 4 HD^(5,6)
- Rai 5 HD⁽⁴⁾
- Rai Movie HD⁽⁴⁾
- Rai Premium HD⁽⁵⁾



Themed channels

- Rai News 24
- Rai News 24 HD⁽⁴⁾
- Rai Storia
- Rai Storia HD⁽⁴⁾
- Rai Scuola
- Rai Scuola HD⁽⁴⁾
- Rai Sport
- Rai Sport+HD⁽⁴⁾
- Rai Gulp
- Rai GulpHD⁽⁴⁾
- Rai YoYo
- Rai YoYo HD⁽⁴⁾



News and Information

- TG1
- TG2
- TG3
- TGR
- Rai Parlamento
- Rai Sport
- Rai News 24
- Teletvivo
- Giornale Radio Rai
- Gr Parlamento

The publishing offer

The Rai Group is to be found on all platforms with an ample free offering differing by genre and target.

Every day in Italy about 41.2 million persons of at least 4 years of age, equal to 72% of the relevant population, watch, read or listen to what Rai has to offer, looking at one of its TV channels, listening to one of its radio stations or visiting one of its internet portals. They spend an average of 112 minutes a day with our media¹.

This is the Group's strategy:

- to base its approach on a bouquet of channels, to each of which a specific mission is assigned in order to diversify the range, enrich the culture of the population and pursue the objectives which it must attain as a Public Service;
- to look to the utmost efficiency of its production models in terms of format, themes, narration, language, aesthetics and personalities;
- to provide a range whose aim is to seize every opportunity of interacting with its audiences and which responds to the new methods of making use of content on different devices, including mobile devices;
- to make continual experiments with new technologies relating to networks, infrastructure and means, in order constantly to modernise the systems of production, dissemination and distribution of content; quality HD offer consistent with the positioning of Rai and of its publishing activities;
- to strengthen international partnerships in order to promote the renewal of contents at a national level and the enhancement of the Rai product all over the world. This strategy is based on both an increased distribution of Rai contents, such as programs and channels based on flow programming, and the execution of important co-production agreements with large international players, such as, for example, the agreement with France Télévisions referred to above;
- to enhance the System Italy (*Sistema Italia*) abroad through the implementation of information content, in English as well, aimed at attracting new target audiences and promoting the excellence of the Made-in-Italy brand all over the world.

Among the main actions taken by Rai during the first half of 2017 are:

- **Schedules and Brand refresh:** during the period under examination Rai strengthened the renewal process that started in 2016 both by enriching its editorial offer and by completing the Brand refresh that took place in April 2017. This operation gave each Network a coherent and

clearly recognisable design. As regards their offer, in order to identify the general interest channels' mission precisely, their positioning has become even more distinct because they have determined a clear and well-defined production strategy, a process which has been made possible by using new and different languages for different audiences. This has stabilised a far-reaching process of modernisation and made it tangible, while strengthening the Company's Public Service mission.

In this regard the schedules have been implemented through event broadcasts and programmes that have achieved great success in terms of image, audience and interconnection between different media.

For example Rai 1 proposed the special evening event, *Falcone e Borsellino*, broadcast live without commercials, whose merit was that the channel performed its Public Service role in an innovative manner by narrating the personal and professional lives of the two judges from the places which are symbols of their story. The results of this event on the social media were excellent because over 18,000 users participated, which generated a total of 28 thousand interactions. Another programme on the flagship Network to mention in this process of renewal of language is *Maltese, il romanzo del Commissario*, a TV series which increased the Network's target audience by hybridising genres, while achieving excellent results in terms of shares.

Likewise Rai 2 showed significant signs of innovation and renewal, broadcasting the *Il Collegio* series on prime time; this is a product which blends the languages of the observational documentary and the reality show, succeeding in attracting a young audience. With a share of over 15% of the target, young people from 8 to 19, this was a considerable help towards changing this category's perception of the Rai Group and thus achieved the objective of a Rai which speaks to the public as a whole. Feedback on the social media was also very good both for the edition which has just finished and in terms of young people's applications to take part in the casting for subsequent editions. Furthermore, the Network has demonstrated that it is also able to make its information language more innovative by continuing experiments on an infotainment programme with a fresh, innovative style, *Nemo*. This programme, inaugurated in autumn 2016, not only launched faces which are new to the Network and to the Group (Enrico Lucci and Valentina Petrini) but constituted a challenge to the traditional type of information given in talk shows: everyone can become a speaker and

¹ Summary table TSSP 2017: January/December 2016; Auditel 4-13 years.

tell their story here. All the issues are narrated from many different viewpoints so that viewers can form their own personal opinions after listening to different contemporary experiences. Furthermore, with *Ted Talks* and underwater films taken with a micro camera, *Nemo* demonstrated the intention of Rai, as a Media Company, to address more than one type of audience and to welcome technological innovation. The Network also decided to produce innovative TV drama and comedy works by experimenting with new genres such as fantasy, broadcasting the already mentioned the *La porta rossa* TV series.

Rai 3 too continued experiments with new languages, styles and content in accordance with its Public Service mission. In addition to the subjects that are already normally included in the TV schedules, the Network also handled social themes which are not generally accessible to the public as a whole. For example through products such as *I ragazzi del bambino Gesù*, *Operai* by Gad Lerner and *Sono Innocente*, Rai 3 investigated taboos related to children's diseases, including grave pathologies; it gave viewers a close look at the worlds of the new types of workers, searching into traditional industrial environments and new enterprises like Amazon and finally told the stories of ordinary people caught up in judicial errors. During the period under examination the Network also brought a new product into the space devoted to information in prime time by inserting the *#Cartabianca* programme conducted by Bianca Berlinguer into the schedule.

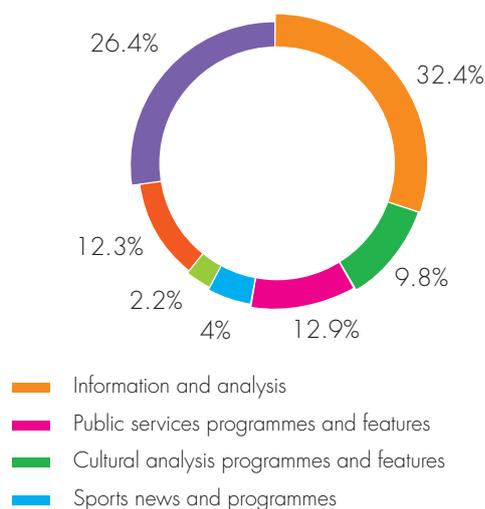
- **Popularity rating:** the new Qualitel quality control system survey, conducted by GFK after a European public tender, builds on the experience acquired through the traditional, solid statistical

approach taken up to now to grow into a richer and more versatile tool which provides more in-depth, frequent and timely information. The innovation in the 2017 survey is the formation of a stable, permanent panel consisting of 18,700 individuals (4+) representing the Italian resident population interviewed online, including non-onliners, using digital devices specifically dedicated to the survey and supplied to the members of the panel. The speed with which the questionnaires are sent and the rapidity of the responses which is typical of online procedures provide indicators of the appreciation of Rai's offer on its various media (TV, radio, digital media and cinemas) which, in some cases, can also be associated with traditional audience indicators, such as the Auditel audience data or the Cinetel cinema box office data. The objective is to explore popularity on the basis of the user needs searched out and satisfied by Rai's offer. The survey of perceptions of quality and appreciation of TV programmes for the first half of 2017 ended in June 2017 and the related data are being processed. As usual, the Digital media and Radio data will be made available on an annual basis.

- **Tavolo Editori Radio:** surveys of radio audiences began in February 2017, which were conducted by Tavolo Editori Radio (TER), a company established for this purpose in 2016 as a representative body of the entire radio market (including the Public Service company, as well as seven national groups and two associations of local broadcasters). Research consists of two different surveys:
 - the main survey records audiences the *Average Day After* and the previous 7 days with 120,000 telephone interviews a year (CATI [Computer-Assisted Telephone

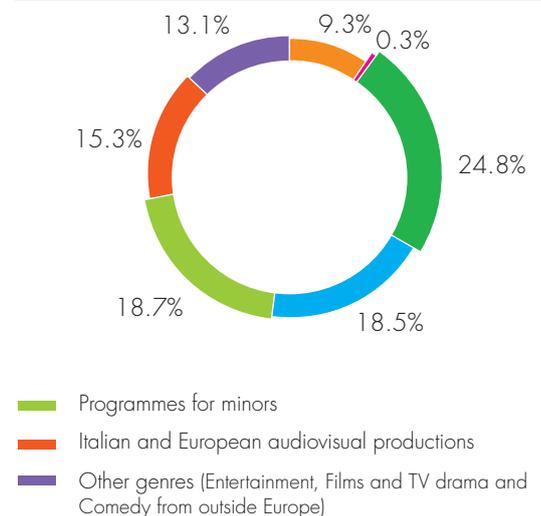
Programmes on general interest channels by genre

(source: Rai)



Programmes on specialist channels by genre

(source: Rai)



Interviewing] technique) and a questionnaire similar to that of 2016, jointly conducted by GFK and IPSOS each, based on a semi-sample of 60,000 interviews;

- there is a parallel survey of audiences conducted by DOXA during the previous 14 to 28 days with 20,000 CATI interviews a year.

Each audience research project consists of two parallel surveys on a six-monthly basis. The first data will be released in the autumn.

Apart from the introduction of a parallel survey of audiences over the previous 14 to 28 days, other innovations in methodology since the previous radio audience survey conducted by GFK (Radiomonitor survey) are the enlargement of the sample to include all municipalities with a population of above 4,000 inhabitants (5,000 inhabitants for Radiomonitor) and the addition of a number of interviews proportionate to the population of Italy for the 75+ age group (who were previously included in the 65+ group).

- **Auditel:** since 30 July 2017 Auditel TV audience data are surveyed from a continuous measurement sample (a panel) three times the size of the previous batch, and therefore two-thirds new, which means that the data produced for all the broadcasters surveyed are considerably more meaningful: to the 5,700 households representing the Italian resident population, making up the panel, were in fact added another 10,400 households selected on the basis of the same representativity criteria, for a total of 16,100 households, equal to about 43,000 individuals aged 4+. Specifically, the Superpanel of 16,100 households is surveyed as follows:
 - the 5,700 households which were already active are surveyed through the traditional people meter, which also records the members of the household who are viewing a particular channel;
 - the 10,400 new families are surveyed through a set meter, which only records the channel to which the household TV set is tuned and not the individual persons watching it. TV channel audience data will be allocated to the individual members of the new households by means of a "probabilistic model", which assigns the probability that they are watching the particular channel at the given moment.

The Auditel Superpanel is a global novelty both owing to the methods it uses and the number of persons in the panel with respect to the population: with this new system, the present average ratio of 1 panel member for each 4,500 individuals decreases to 1

member for 1,500 individuals, enhancing its representativeness.

A working group was set up during the period under examination to find possible areas in which the Auditel and Audiweb surveys overlap, with the aim to develop common measurement criteria in order to obtain reliable total audience data and enhance quality content, whose consumption is of permanent worth and which is a precious form of communication.

Another advance made in the area of the development of themes common to the two surveys was the realisation of the single Auditel/Audiweb Basic Research (BR) project in January 2017, which seeks to record both household and individual persons' use of platforms and devices for the consumption of TV content and for access to internet from a single source. This single project adopts the innovative sampling procedures developed by Auditel using address lists instead of electoral rolls, which do not contain the names of foreign residents.

- **Audiweb:** the development of the new version of the survey (Audiweb 2.0) continued during the half year with the help of Audiweb, a fellow-member of Fedoweb (the trade association of web publishers). This version is able to measure all the ways in which web content is used, adopting the most up-to-date standards and techniques in the world, with the aim to create the conditions for further developing the target market. Accordingly, after determining the requirements of the new system and considering the other solutions offered by the main institutes operating at international level, the technicalities are in the process of being implemented which are required for the measurement of the various objects (websites, apps, player videos). The data output according to the new method is expected in 2018.
- **Renewal of the Public Service Concession:** in April Rai was awarded the concession, on an exclusive basis, for the Public radio, TV and multimedia Service. The concession has a term of ten years and the Service Contract will be entered into every five years. The concept of a multimedia Public Service has been mentioned for the first time in addition to TV and radio programmes, and some important principles have been laid down. Rai, in fact, is asked to draw up a broadcasting plan complying with the mission and obligations of a Public Service, which is based on the principles of transparency, effectiveness, efficiency and competitiveness pursuing efficiency improvement, cost reductions and makes the most of the company's internal human resources; a plan for the reorganisation of information which proposes the distribution of news on all the distribution platforms, information

programmes in English and an absolute prohibition on using methods or techniques which manipulate the contents of information in a manner not discernable to the audience.

Digital terrestrial and satellite television

Digital terrestrial is Rai's primary television platform, on which it has developed a strategy for multi-channel and broadcasting infrastructure growth.

Satellite TV, which is complementary to digital terrestrial, reaches the inhabitants not served by this broadcasting technology, even only partially. To this end, profiting from the experience of other countries, Rai – together with Mediaset, Telecom Italia Media, Confindustria Radio TV and Aeranti-Corallo – had already set up Tivù Sat, its free satellite platform, in 2009. Rai's TV offer includes 14 digital terrestrial channels, which are all available in high definition; specifically:

- three general interest Networks: Rai 1, Rai 2, Rai 3;
- eleven semi-general interest or specialist Networks: Rai 4, Rai 5, Rai Movie, Rai Premium, Rai News 24, Rai Storia, Rai Scuola, Rai Sport, Rai Sport HD, Rai Gulp and Rai YoYo.

14 channels are available on the Tivù Sat platform.

In addition to and supporting its linear television range, Rai offers interactive applications and on-demand video services on internet which can also be used on connectable TV sets (smart TV-sets or through certain types of interactive decoders).

Radio

The Radio is still a transversal, contemporary medium which attracts a wide public and creates engagement. It is an original component of the Public Service and an advance post of hybridisation among the media, an example of convergence between platform and consumption. Its proliferation of content, formats and interactions with the web and the social media, also exploited for advertising purposes, is a paradigm of a profoundly integrated and innovative sector. A vast number of tasks and developments arise from the composite nature of this medium, which is at the same time deep-rooted in people's lives and intent on accepting advanced uses: not the easiest challenge is its performance in the market, where the polarisation between Rai and Mediaset heightened during the first half of 2017; in fact, both companies have continued investing in new offers and technology.

Rai's offer is the widest in Italy in terms of the vastness of different genres and the number of its channels; it has:

- three stations with strong individual characteristics: Radio 1, Radio 2 and Radio 3;

- Isoradio, the infomobility station;
- Gr Parlamento, dedicated to the Institutions;
- five specialist digital channels launched in June 2017, each for a different range of themes.

With the inclusion of these new channels, Rai's unique radio offer will be complete and capable of satisfying different moods and needs. Channels can be received on Dab+, through the Radio Rai app and the web, as well as through digital terrestrial and satellite TV in the numbering dedicated to radio channels. Specifically:

- *Rai Radio Tutta Italiana* is a flow programming radio channel which is only dedicated to Italian music from 60s to today and the distinctive feature of which is easy listening. The core programming will be *Italian compilation* including Italian songs broadcast on an hourly and chronological basis;
- *Rai Radio Classica*, the channel dedicated to Italian and international classical music. In addition to music output from disc, ample space will be given to deferred live coverage with a wide range of programmes dedicated to events, festivals and concert seasons. Given the many programmes dedicated to the season of Rai's National Symphony Orchestra, the channel intends to be a point of reference for musicians, but above all for fans;
- *Rai Radio Live*, dedicated to big concerts, as well as to stories from local communities in order to enhance the country's image at a local level. With a pop culture and mainstream media profile, the channel tends to be a new model of Public Service. In fact, in addition to many music genres, the programming will be enriched with an updated schedule of the major cultural, musical and social events at a local level, which will be followed daily with the information and in-depth analysis feature *Fronte del Palco*;
- *Radio Kids*, a schedule targeted at people aged under 10, enriched with cartoon and live action series soundtracks, fairy tales, information, music and literature education and providing many insights on nature, shows, events, science, environment, tourism and technology;
- *Radio Rai Techetè* dedicated to the large wealth of past radio programmes and targeted at an audience of fans, as well of listeners of every age, above all through interactions with social media. The main issues will be variety, offering the best entertainment radio from *Alto Gradimento* to *Gran Varietà*, sports events narrated by the great old commentators of the Radio news programme and drama and comedy. *Radio Techetè* is a project in line with other European broadcasters' plans to revive and enhance radio archives experience.

After strengthening the Mediaset Radio networks in 2016, Mediaset has concluded the agreement for the acquisition of the Subasio Radio station.

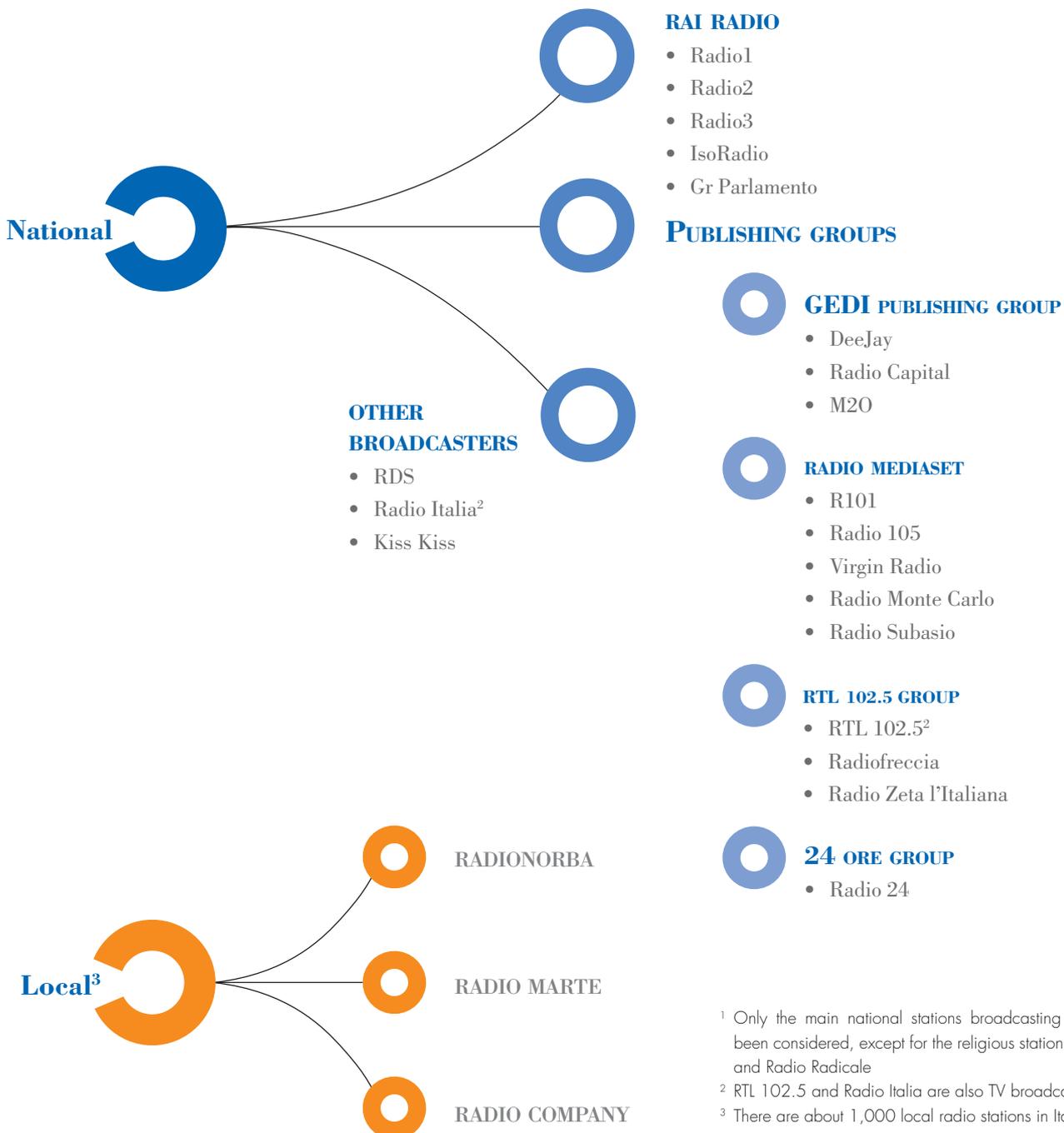
Both “purely” radio broadcasters (including RTL 102.5, Radio Dimensione Suono and Radio Italia) and multimedia groups whose main activities are traditional and online publishing, such as GEDI and Il Sole 24 Ore, are to be found on the Italian market.

There are more than 1,000 local radio stations² whose signal coverage (from municipal only to more than one region) and audience shares are extremely variable. Overall, local radio stations have the capacity to attract a substantial portion of the radio audience, since they have strong local roots and since the level of the programmes of many of these broadcasters competes with the nationwide networks.

² Confindustria Radio Televisioni, July 2017.

Major radio broadcasters¹

(Source: Rai)



¹ Only the main national stations broadcasting on FM have been considered, except for the religious station, Radio Maria and Radio Radicale

² RTL 102.5 and Radio Italia are also TV broadcasters.

³ There are about 1,000 local radio stations in Italy.

RadioRai is present on all analogical and digital platforms with the aim of strengthening its central position on the market scene and for listeners. Traditional broadcasting on FM is accompanied in fact by transmission on digital terrestrial and satellite TV and all its programmes can be heard on internet both through a PC or a mobile device (smartphone and tablet), including through the RadioRai App.

Digital media

In June 2017 the percentage of greater access to the internet compared to June 2016 remained substantially stable: 67.8% of households are able to access the internet from home from any device (+0.2%). The percentage of individuals aged between 11 and 74 came to 89.8% (+2.4% compared to June 2016).

As at 30 June 2017 Rai's offer included:

- **Rai.it:** the portal which aggregates the Group's vast web offer and makes it easily accessible. Rai.it promotes and gives access to the main offers divided into four areas: News, Sports, TV, Radio, in addition to the Corporate section;
- **RaiPlay.it:** the environment for free access to Rai's entire video offer that is available online in streaming and on-demand modes. There is a full on-demand catalogue and access to all the live TV channels from this portal. In addition to web and apps, RaiPlay is also accessible from smart TV sets in MHP (Multimedia Home Platform) mode (blue remote button);
- **Rainews.it:** the environment from which access may be obtained to all Rai news and information, including the TGR regional news programmes on the web, updated in real time, enriched with videos and photo galleries,

the last editions of the TV and radio news, live broadcasts of the Rai News 24 all-news channel and the most important events of the day. It is accessible via web and through apps.

Rai is present on interactive digital terrestrial televisions and decoders that are Dgtvi, Gold and Platinum stamp certified, with the Rai Play, TGR regional news programmes, Rai News, Rai Sport and Telecomando services.

Rai is continuing to boost its presence with official accounts on the main social networks (Facebook, Twitter and Instagram), streamlining profiles and accounts for TV or radio channels and programmes and filling out its range with cutting edge initiatives like live events on Facebook.

International offer

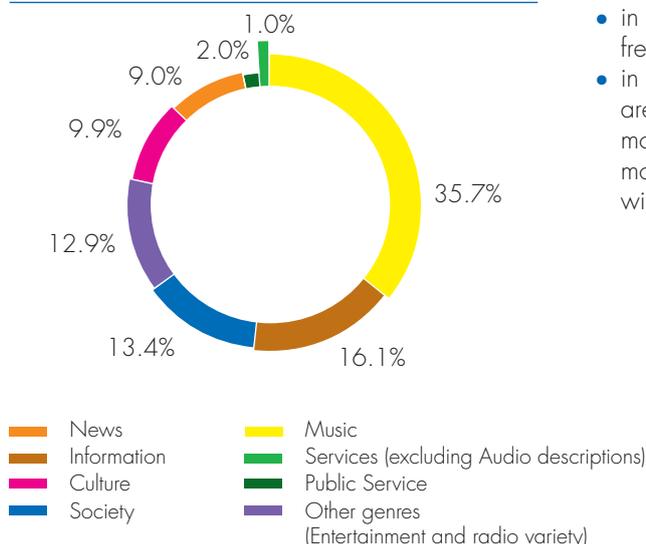
Rai Com SpA is responsible for the distribution and sale of the Rai channels on the international market. The subsidiary is also responsible for the distribution of rights to rebroadcast TV and radio channels in Europe (Rai 1, Rai 2, Rai 3, Rai Storia, Rai Scuola, Rai News 24 and Rai Radio 1, Rai Radio 2, Rai Radio 3), as well as for the distribution of Rai Italia (broadcasting self-produced programmes and based on part of the scheduling of Rai Networks), Rai World Premium (broadcasting original TV drama and comedy series produced by Rai) and Rai News 24 channels outside Europe. Furthermore, Rai Com also sells and distributes the radio channels Radio Rai Uno, Radio Rai Due and Radio Rai Tre outside Europe.

The Channels are delivered through local TV platforms – via cable, satellite or new media platforms – in different modes, both free and pay:

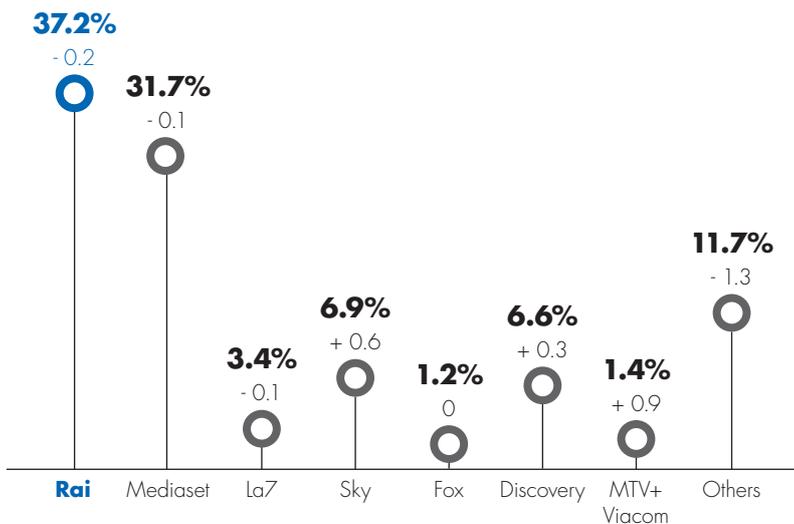
- in the United States, Canada and Australia channels are offered to subscribers in 'Package' or 'Premium – à la carte' mode. Therefore, subscribers must pay – to view Rai channels – a monthly fee, which is additional to their subscription with the relevant operator;
- in Asia, the Rai Italia channel is viewable in free-to-air mode;
- in Europe, Latin America and Africa channels are offered in 'Basic' or 'Extended Basic' mode, whereby subscribers only pay the monthly subscription price to the operator, without any additional costs.

Radio programmes by genre

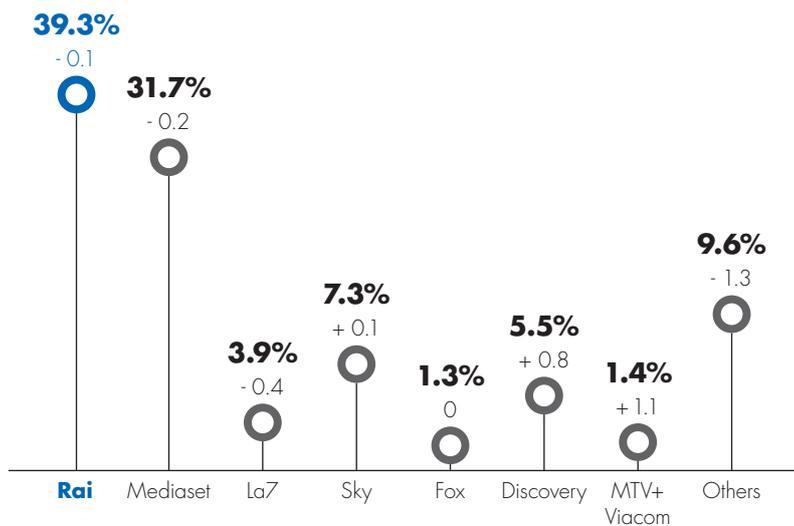
(source: Rai)



TV Audience on an average day (02.00 a.m. - 02.00 a.m., source: Auditel) (Generalist interest and specialist channels)

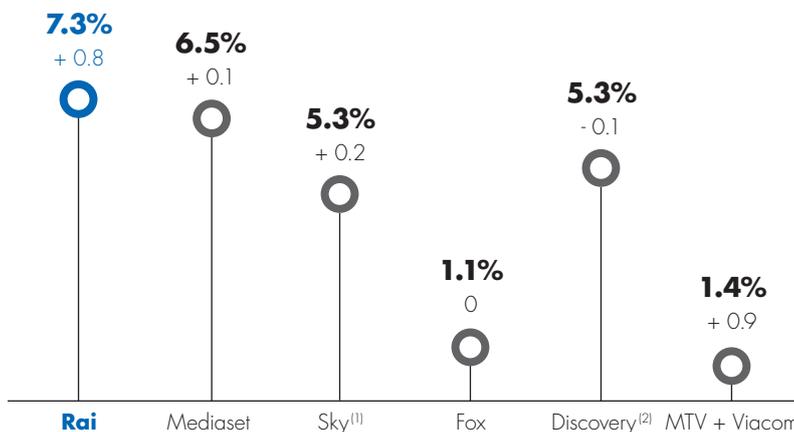


Prime time TV audience (08.30 p.m. - 10.30 p.m., source: Auditel) (Generalist interest and specialist channels)



Comparison between specialist publishers

(Share over the whole day, 02.00a.m. - 02.00 a.m., source: Auditel)



(1) Sky values do not include TV8 channel.

(2) Discovery values do not include Nove channel.

Performance of Rai's offer

Performance of the TV offer

During the first half of 2017, the average number of viewers recorded a decline down to 10.2 million over the whole day (down by 340 thousand viewers compared to the corresponding period in 2016) and little more than 25 million at prime time (down by 981 thousand viewers). The traditional general interest channels (Rai 1, Rai 2, Rai 3, Canale 5, Italia 1, Rete 4 and La7) as a whole continued their negative trend, falling to a 58.0% share on a daily basis (-1.2 share points compared to the first half of 2016) and to 61.1% at prime time (-1.7 points compared to 2016), above all to the benefit of free semi-general interest and themed channels, which rose from 31.8% in 2016 to an average share of 33.7% over the whole day and, at prime time, from 27.8% in 2016 to 30.2%.

Rai was again the market leader by a long way with a 37.2% share (-0.2 share points compared to the first half of 2016) **on the whole day** and 39.3% at prime time (-0.1%). Mediaset remained at a share of 31.7% (-0.1 points compared to the first half of 2016) on the whole day and at 31.7% at prime time (-0.2 points).

The general interest Rai channels retained their market share over the whole day, but recorded a decline that was mainly attributable to the broadcasting of the European Football Cup matches during the same period in 2016. Specifically:

- Rai 1, with a 17.2% share (-0.6 share points compared to the first half of 2016) was again the most viewed channel in absolute terms, holding on to a fair margin over the Mediaset flagship channel (Canale 5 achieved a 16.2%, +0.3 points);
- Rai 2 went down to 6.2% (-0.3 points), ranking fourth after Rai 3;
- Rai 3 came to 6.5% (-0.1 points), ranking third after the two Rai and Mediaset flagship channels.

As regards the performance achieved by the main competitor channels during the period under consideration, the following results were recorded: in addition to the already mentioned Canale 5, 16.2% (+0.3 percentage points compared to the first half of 2016); Italia 1, 5.0% (-0.2 points); Rete 4, 4.0% (-0.3 points); La7, 2.9% (-0.1 points); Tv8, 1.6% (+0.3 points); Nove, 1.3% (+0.4 points).

A contribution to the Rai Group's performance was still made by the specialist Networks, which together obtained a 7.3% share over the whole day (+0.8 share points compared to the first half of 2016), thanks to the performance of the preschool children's Rai YoYo channel, as well as of Rai 4, Rai Movie and Rai Premium, all in the ranking of the ten most viewed specialist channels during the half-year.

Therefore, with its completely free range of services, Rai is again the leading broadcaster of semi-general interest and themed channels, ahead of Mediaset (6.5%), Discovery (6.6%), Sky (6.9%), Fox (1.2%), and all its other Italian and international competitors of the calibre of MTV-Viacom, Disney, DeAgostini and Turner.

In **prime time** the Rai Group remained leader with a 39.3% share (-0.1 share points compared to the first half of 2016) against a 31.7% share recorded by Mediaset (-0.2 points). As regards the individual channels:

- Rai 1 is the most popular channel with a 19.4% share (-0.6 points compared to 2016), ahead of Canale 5 by 3.9% (15.5%, +0.1 points);
- Rai 2 and Rai 3 keep their places as the most viewed networks after the flagship channels, achieving a share of 6.6% (-0.1 points) and 6.7% (-0.1 points) respectively.

To complete the competition scenario, the major competitor stations, at prime time, recorded the following performance: in addition to the already cited Canale 5 (15.5%, +0.1 points), the other two Mediaset networks, Italia 1 and Rete 4, stood at 5.2% (-0.4 points) and 4.2% (-0.2 points), respectively; La7, 3.5% (-0.3 points); Tv8, 1.7% (+0.2 points); Nove, 1.6% (+0.8 points).

The share of the Rai Specialist channels recorded 6.7% (+ 0.9 points compared to 2016) during the first half of 2017, coming after Mediaset's specialist range at 6.8% (+0.3 points), a result which it achieved also owing to its scheduling of premium football matches.

Performance of the Radio offer

As already noted, in February 2017 work commenced on the radio audience surveys conducted by Tavolo Editori Radio (TER), for which the first data output will be released in autumn.

Performance of the Web and Social offer

An average of 30.5 million people, i.e. 55.2% of the Italian population, connected to Internet at least once a month during the first half of 2017 (source: Audiweb), showing an increase of 7.5% compared to the first half of 2016. Among these, nearly 6 million users (19.5% of the digital population) connected with one of the various Rai websites or apps at least once a month, showing a decline of 3.3% compared to the same period in the previous year. This negative trend was also shared by Mediaset that recorded an average of 10.6 million single users a month during the first half of 2017, showing a decline of 5%.

Video consumption is one of the main online uses: over 83% of monthly internet users, equal to 25.4

million, saw video content in the first six months of 2017.

In line with this trend and confident in its audiovisual excellence, Rai has decided to focus above all on its video offer, achieving excellent results: during the first half of 2017 (source: Webtrekk), Rai's video offer (RaiPlay+Rai.Tv) recorded a total of 299.5 million pages visited (against 129.9 million media views during the first half of 2016, including in relation to the launch of RaiPlay in the last months of the previous year) – with a monthly average of 50 million – and 15.0 million single browsers a month (+17% compared to the first half of 2016, again due to the positive results of the abovementioned launch).

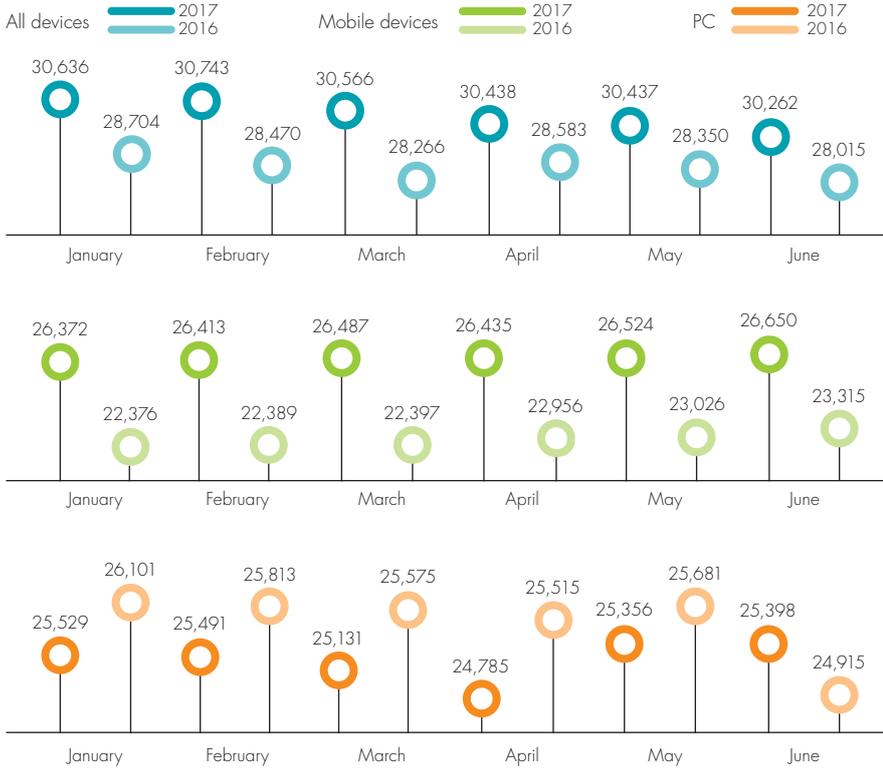
The Rai Group's overall offer generated a total traffic of 1.9 billion views, with a monthly average of 309 million, during the first half of 2017 (source: Webtrekk) (+43% compared to the first half of 2016) and 37.8 million single browsers (+43% compared to the first half of 2016). The same considerations as to RaiPlay also apply with respect to this metric.

The three main Rai mobile applications achieved 14.2 million downloads at the end of June 2017, while the RaiPlay App 11.3 (including the upgrade of the old Rai Tv app), while Radio Rai 1.8 and Rai News 1.1 million.

The twelve main Rai accounts opened on the Facebook, Twitter and Instagram platforms (Rai1, Rai2, Rai3, Rai4, Rai5, Radio1, Radio2, Radio3, RaiPlay, Ufficio Stampa, Rai News, Rai Sport) exceeded a total of 7.5 million fans and followers during the first half of 2017. 53.5% of the Facebook and Twitter interactions related to Italian TV schedules concern Rai programmes. This means that Rai is the leading broadcaster by number of interactions generated.

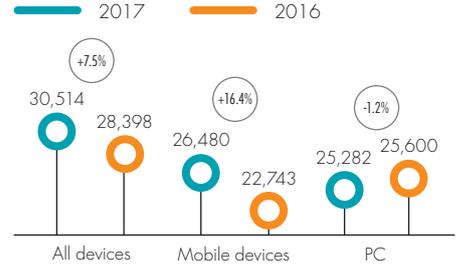
Digital Audience per month (single users)/000

(source: Audiweb)



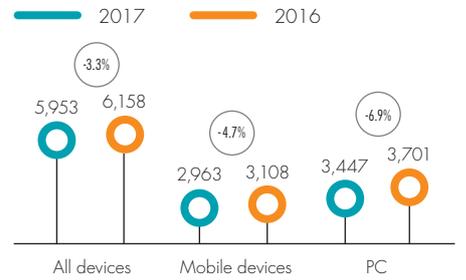
Digital Audience – six-monthly average (single users)/000

(source: Audiweb View; users PC 2+, users Mobile 18-74)



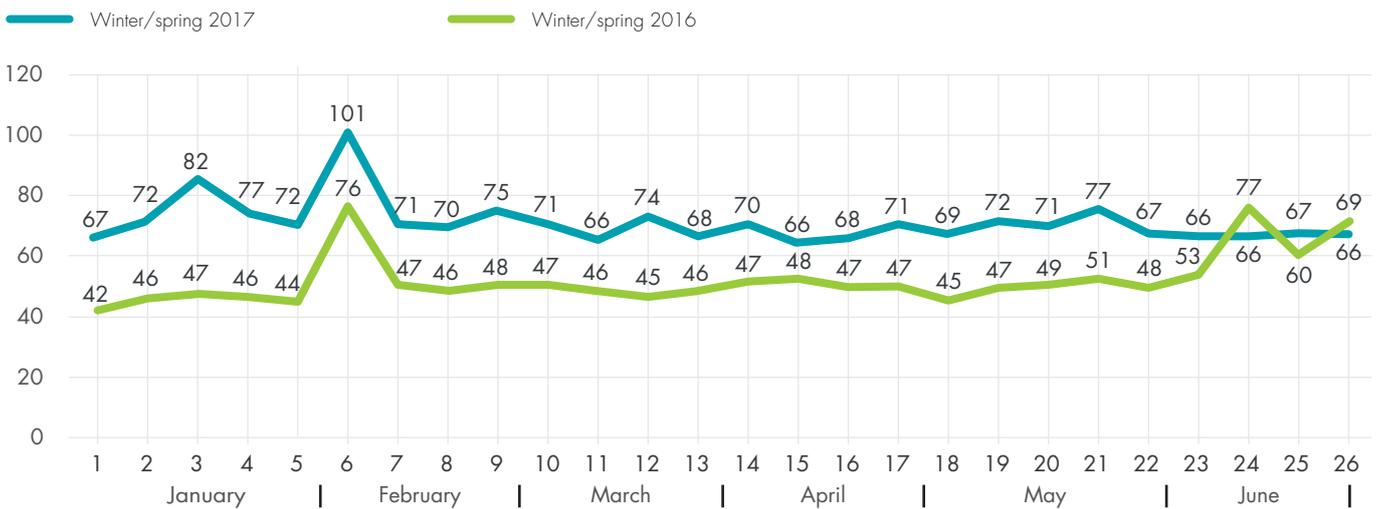
Digital Audience – six-monthly average Rai (single users)/000

(source: Audiweb View; users PC 2+, users Mobile 18-74)



Rai Internet Traffic - Total pages visited a week (million pages visited/a week)

(source: Webtrekk)



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Rai 1



AVERAGE CONTACTS
A DAY

24.584



MINUTES
VIEWED A DAY

102



SHARE OVER 24 HOURS

17.2%

SHARE AT PRIME TIME

19.4%

Television

General interest channels

Rai 1

Rai 1 continues to retain its leading position both in terms of audience, and in terms of a wide range of products based on pluralism, indisputably strengthening its image as a prestigious and authoritative Network.

24.5 million daily contacts, a share of 17.2% over the whole day and 19.4% at prime time, a decrease of 0.6 years in average age at prime time, the substantial increase in its share among the younger public, among more highly educated people and Sky subscribers bear witness to the strength of a Network as an aggregating force which has succeeded in constructing a broadcasting offer which, compared with the past, attracts a larger audience and holds its market share at the same time, in an increasingly competitive and fragmented scenario.

Rai 1's strength is founded on a schedule which ranges over various TV genres and content quality of widespread and universal appeal. A distinctive feature of this channel is its capacity to remain in tune with transformations in Italy and in the world in general and to narrate them by innovating genres, formats and languages.

Valuable assets of crucial importance such as being unique, addressing a cross-section of the public, remaining authoritative, retaining its excellence and its elegance and civic engagement are drawn on incisively using various contemporary modes of speech for the widest possible audience.

The **TV drama and comedy** scenario was exceptionally successful – with an increase of 1.5% of share compared to the first half of 2016 – and continued following a pattern of keeping a balance between returning series of tried and tested products, new proposals and events tied up with Italian history and civic engagement. The 11.6 million people captured by the latest episodes of *Il Commissario Montalbano* were an all-time record for this series of TV movies taken from Andrea Camilleri's thrillers. *Che Dio ci aiuti 4*, *Un passo dal cielo 4* and *Tutto può succedere 2* brought originality and innovation to the screen and gathered vast audiences, reaching a 50% share among younger members of the public.

All the new series presented – *I bastardi di Pizzofalcone*, *Sorelle*, *Di padre in figlia*, *Il commissario Maltese* – exceeded an average share of 26% with peaks of above 30%. This was an extraordinary run of successes which continued

with over 6.5 million viewers and a share of over 25% for the event miniseries *I fantasmi di Porto Palo* and *Studio Uno*.

As regards **entertainment TV series at prime time**, Rai 1's season was marked by experiments aimed at testing the potential of completely new products (*Music Quiz* and *Standing Ovation*), as well as by the confirmation of formats already belonging to the library of Rai 1, such as *Ballando con le stelle* and *I migliori anni*, which were able to innovate their format and compete in ever more complex competitive environments.

But the real qualitative leap was made with the five evenings of the *Sanremo Festival* (the most viewed for the last 15 years), the return of Gigi Proietti with his *Cavalli di battaglia*, the finals of the *Eurovision Song Contest*, the three evenings of *Wind Music Awards* and the extraordinary success of *La Notte di Vasco*. They were contemporary prime times of quality show, capable of reaching different and record audiences, while generating an impact that also goes beyond a merely successful broadcast of TV programmes.

Quality, innovation and high audience figures were also the features of the **cultural programmes** which were again a pillar and a strong point of Rai 1's schedules.

The extraordinary night visit of Alberto Angela to celebrate the magic of Venice was a great creative and production feat on Rai's part, which achieved more than 5 million viewers, recording a 25.1% share of the entire audience and a 33.2% share of graduates.

Furthermore, travels successfully continued in and outside Italy, searching for amazing destinations due to the variety of landscapes and cultures for the documentaries of *Passaggio a Nord-Ovest* *Linea Blu*, *Linea Bianca*, *Linea Verde*, *Easy Driver*, *Dreams Road*, *Paesi che vai*, *Overland*, *Fuori Luogo*.

The **cinema** played a leading role in the Network's prime time schedules, succeeding in achieving very high audience figures. The 22.6% share and 6 million who saw *Belle e Sebastien*, the 20% share for *Maleficent* and the excellent results obtained by Italian films made the return of great cinema to Rai 1 increasingly important and strategic.

Rai 1 has also always stood for authoritative **information**. In addition to the Tg1 news programme, the continuation of journalistic analysis of news, politics and manners in the late evening *Porta a Porta* programme, the reinforcement of *Petrolio* and the daily live broadcasts of *Uno Mattina* and *La Vita in Diretta* features, once again Rai 1 has showed great

attention to the major national and international events, promptly modifying its schedules to make room for live news analyses and updates, thus becoming the point of reference, as far as news is concerned, for the entire TV offer.

For **sports** fans, in addition to the *Formula 1* races, the *Tim Cup* matches broadcast on an exclusive basis and the qualifications for the next world football cup, Rai also continued to excite emotions during the summer with the *European Football Cup for National Under 21 Teams* capable of achieving peaks of 35% share and 8 million viewers.

Furthermore, the Network continued its path to a gradual and consistent renewal of languages and content at daytime as well, with an editorial approach that favoured a direct relationship with the public and the events that strongly characterise the Public Service function; this happened without neglecting entertainment and amusement that had moments of undisputed success with *L'eredità* and with the return of *I Soliti Ignoti 2* in the strategic and valuable early fringe and access time bands.

“Therefore, Rai 1 continues to strengthen its authoritativeness in a continuously evolving scenario, while experimenting with new products and languages in order to involve any kind of audience and meet the needs and expectations of a public that is evolving too.”

Rai 2



AVERAGE CONTACTS
A DAY

17.744



MINUTES
VIEWED A DAY

51



SHARE OVER 24 HOURS

6.2%

SHARE AT PRIME TIME

6.6%

Rai 2

Rai 2 is a popular, eclectic general interest channel in which new stories, formats and languages blend with more traditional content, a Network from which “no one is excluded”.

In the first half of 2017 Rai 2 showed itself loyal to the change it had initiated in autumn 2016, continuing on its voyage in search of new languages and new audiences. Among the **new forms of information**, *Nemo – nessuno escluso* is an ambitious project which perfectly incarnates the concept of loyalty to change both because it turns the rules for prime time news programmes on their head and because of its tenacity in pursuing a lasting place in the schedule. This programme continues to analyse news in depth but transcends the classic talk show model in seeking paths which are more consistent with the identity of this channel.

Nemo – Nessuno escluso, a programme which recounts reality and complexity through the stories of real persons, which it does in two different ways: by putting the protagonists at the centre of the story without any mediation or using the reporters’ live experiences of reality. The aim of each programme is to narrate a journey, to chronicle an immersion which the presenters bring into the studio without concealing their own opinions.

The formula immediately aroused great interest and attention on the part of television professionals and more than favourable feedback from an absorbed and curious public.

The interest in the programme exploded on the web, where a particularly vigorous community took shape and increased in numbers, above all on Facebook. The services which make up the programme, distributed on the social media, showed that they had a sky-high potential to go “viral”. Specifically, some videos showing trends in music in particular were seen online by millions of users.

Results in terms of audience did not come immediately, but fine tuning and the introduction of the format led to a constant increase in the audience from spring onwards until it obtained notable results, higher than the average for political talk shows (between the end of April and the end of May, *Nemo* constantly exceeded a 5% share with a peak of 7.1% and 1 million and half of viewers recorded during the final episode of the season).

Of the **docu-reality entertainment** genre and all its latest versions, *Il Collegio* is the programme which was the most noteworthy in Rai 2’s schedules at the beginning of 2017: an impossible journey through time searching for a public which Rai and general interest TV has lost, that of adolescents.

Il Collegio is the most important novelty in 2017 in both language (it cannot be defined as belonging to a single genre) and in its capacity to capture a demanding target public like that of teenagers, traditionally not very attracted to general interest TV.

It has an original narrative engine, that of “time travel”, and adolescents play leading parts for the first time. The complex genre is a cocktail (a basis of reality with elements of docu-fiction and historical reconstructions) which quickly grips viewers because it dangles bait before them such as identification with the chief characters; the storytelling is thrilling and the curiosity effect combines with the nostalgia effect.

It is a social experiment regarding:

- teenagers growing up (individual and group reactions towards the institutions in a situation of hardship compared with the usual easy life);
- the rediscovery of “analogic” relationships in the digital age.

Il Collegio has reshaped the world of the reality show, going beyond the single narrative threads of present TV programmes but absorbing them at the same time; it has proved to be an outright social phenomenon, among young people above all. The most interesting aspect when the data are analysed is not just absolute numbers (a share of 8% and an audience of 2.1 million, an average age of 45 years): it is how the public is composed. The programme’s performance with respect to its target, young adults, is excellent (an almost constant 10% share among twenty-, thirty- and forty-year olds). But even more satisfying is that the programme was keenly appreciated by the very young and teenagers: there was a 16.8% share among young people from 8 to 14, while there was a 15.6% share among young people from 15 to 19. The result improved between one instalment and another, showing that, also by word of mouth, more and more teenagers identified themselves with the programme and followed it enthusiastically.

This group of millennials brings the world of the social media with it, with an especially large number of followers on Twitter, Instagram and Facebook. In addition to being the leading trend topic on Twitter while it was being shown, in fact *Il Collegio* generated millions of views of the video on Facebook.

All this demonstrates that the teenager public is ready to watch Rai 2 and that in order to draw a difficult and “elusive” target, that of young people, to the Rai brand, a narrative has to be weaved which manages to attract their curiosity and involve and inspire them.

In the spring some extremely vital and interesting territory was explored: the new frontiers of docu-

reality entertainment. The seam developed is **docu-reality sitcom**, an interpretation of the genre in a decidedly comic vein, a hybrid of reality and scripted comedy.

There were two programmes which, more than others, found a way to blend modes of speech that belong to reality with action and comic entertainment: *50 modi per far fuori papà* and *Meglio tardi che mai*.

In *Meglio tardi che mai* four celebrities were followed in their adventurous, entertaining voyage through Japan in the quest for an extreme, absorbing experience. The personages, all over 65 and used to an easy and luxurious life, had come out of their comfort zone to tackle an on-the-road adventure with no set itinerary. Their only goal was to live those out of the ordinary experiences which they had (perhaps) always dreamed of. A dogsbody was with them, ready for anything for the sake of living this experience in close contact with his idols.

The two episodes making up the series were seen by over a million and half viewers, with an average share of 6.5%.

In *Secondo Costa* the docu-reality formula evolved further into a hybrid of a present-day narrative, reality, irony and some comic elements. This was a journey which plunged us into the opportunities and contradictions of society with a completely personal narration of Italy by meeting and interviewing people and through direct experiences. It was a journey through four complex and controversial themes which stimulated and fired curiosity: love, integration, health and food, a late evening cycle of four independent episodes.

Paradoxical, ironic, surprising, *Secondo Costa* was an odyssey of experiences and activities in which the presenter jumped right in with the aim of overcoming his limits and prejudices and taking a fresh view of the reality which faced him in order better to understand it.

On this basis, meetings and exchanges of opinion with experts, people who are directly involved in the subject or simply have different thoughts, took on ironic, original and sometimes divergent forms and tones. This four-episode late evening series had a 5.9% share and aroused great interest among those with a higher educational and socio-cultural background (university education 8.7% share, higher socio-economic class 8.2% share) and had a large number of followers on the social media.

As regards returning programmes, a production with a more traditional structure but always very reliable in terms of audience appreciation was *Un boss in incognito*. Six prime times, six new stories of managers who, in getting involved,

reveal the human and professional sides of their employees, which are often surprising and unsettling. This programme succeeded in holding on to its audience in an increasingly challenging competitive environment, coming to a share of 8.2% of total individuals and an excellent 8.4% of the 25-54 age target audience.

As regards studio-based entertainment, Rai 2 was again the home of talent and big variety shows presented in a contemporary key, as shown by the success of Virginia Raffaele and her *Facciamo che io ero*.

Virginia Raffaele's countenance and masks, present-day variety on identity, the possibility of playing at being anyone, even oneself. A one-woman show with a high dose of spectacularity owing to a full-impact set which draws from the circus world, a cast gingered up by an exceptionally fine supporting actor and well-known guests.

With *Facciamo che io ero* Rai 2 again showed it can present forms of entertainment that are intelligent and sophisticated while at the same time attracting a substantial number of viewers. Variety in its most noble form, made up of scripts, talent and good groundwork, are a contribution to Rai 2's mission as a Public Service which the public has shown it likes.

The four episodes of the cycle recorded an average share of 12.6% with 2.8 million viewers. The evening of its debut was the one which recorded the highest share (14.8%) and audience (3.4 million). The second instalment, on the other hand, even if the number of members in the audience was lower, was the most viewed prime time programme of the evening. The audience and the quality were also born witness to by the number of viewers with a higher secondary school education (14.8%) and a degree (15.7%).

Comicality and irony are a fundamentally important asset in the Network's entertainment range. This is witnessed to by the series of programmes that marked the first half of 2017. Among the new programmes are *Sbandati*, a project which kicked off in the autumn, with the capacity to talk about the television (and not only) lightly but also caustically. The format put Rai 2's experimental ideas into concrete form thanks to an extremely flexible formula, whose content and segments can change as even its cast, as shown by the turnover of members of the panel, and above all presenters with very different styles but who all grip both public and critics.

Sbandati is also, and first and foremost, a programme which brings social media and television together, a complete integration from the point of view of its writers and its producers which greatly enhances its presence on the social media. The experiments with live pieces on

Facebook and users' constant participation during the broadcasts are particularly interesting.

Another comical programme is *Rai dire nius*, the first "fake TG news programme without fake news" chasing to win prime time access: a successful try because the programme was seen by an average of 1,500,000 viewers with a high standard of education – an 8.7% share among graduates – which shows that projects like this can function in the delicate prime access slot.

As regards returning programmes, historic Rai 2 productions such as *Quelli che il calcio* and *Made in Sud* cannot be overlooked.

The 2016/2017 edition of *Quelli che il calcio*, with its formula which couples football and comicality while looking for fresh talent, was seen by slightly smaller audiences than the record figure for 2015/2016 (a share of 7.1% against 7.8%) but the result is still in line with the average for the previous four years in spite of the fiercer competitive environment. A comforting result was its share among viewers with a medium to high standard of education, higher than the average for the programme (e.g. the share of viewers with a degree is equal to 7.5%, up by one tenth of a percentage point compared to the previous edition).

Made in Sud, on the other hand, had a season of transition with a substantial changeover in the cast. The audience figures were 1.4 million viewers, lower than in previous years and a share of 6.5% of total individuals, with a 7.3% share of the 25-54 age target audience.

Another programme not to be passed over is *Furore 20 years*, an operation which revived the historic *Furore* brand, which came on screen again with its traditional strong points accompanied by special features on contemporary life, on the occasion of its twentieth anniversary, attracting about 1.6 million viewers and a share of 7.3%.

In **daytime** TV Rai 2's afternoon programme *Detto Fatto* appeared again, holding onto and indeed improving on the already more than satisfactory results obtained after last autumn's restyling and additions. In aggregate its audience rose by 0.5% over the 2015/2016 season, with an average of 7.5% for 2016/2017. From January 2017 onwards it held a steady average share of over 8%. The programme's target audience (young adult women aged from 35 to 44) rose by 1.1%, achieving a share of 8%. The fact that the viewers' educational and economic backgrounds are growing and higher than the average for the channel shows that this programme is also attractive for advertisers.

From the digital point of view, *Detto Fatto* has become an online tutorials landmark with millions

of views and shares. It has succeeded in calling a strong community together on Facebook (now its page has 733,000 registrations, one of the highest among Rai viewers) and in turning the tutors themselves into online influencers.

In order to explore Rai 2 completely one has to pass through the language of **TV drama and comedy**, in which it is present in a frontier area between general interest TV and a multi-channel offer, both free and pay to view, a market segment in which Rai 2 is in its element because it suits the rest of its range. The productions presented, not all traditional, all of great quality and with a strong impact, have narrative formulas and quality levels which are comparable with the best in the world. The great exploit of *La Porta Rossa* (3.3 million viewers and a 13.7% share in spring 2017) comes to mind: this series repeated the success of *Rocco Schiavone* in autumn 2016.

In June *Non Uccidere* was shown, a series which, more than others, treads in the footsteps of international noir thrillers, particularly from Northern Europe.

The entire *Non Uccidere* season, as a complete novelty for Rai's offer, was shown as a first release online on RaiPlay before arriving on air on Rai 2.

Formula 1 (qualifications and recorded commentaries of the Grand Prix races) and *Tim Cup* played an important part in the Network's prime time **sports** range. A newcomer of outstanding importance joined these two premium events.

This year the *Giro d'Italia* was broadcast on Rai 2 for its centenary edition. The production which celebrated this happening was resoundingly successful, raising the average of the event from 8.7% for the 2016 edition up to 13.6% for the 2017 edition, with an increase of about 5% of total individuals and 3.7% of the 25-54 year target audience (a share of 8.4%). All this bears witness to the value of the Rai 2 brand even for events of this calibre.

“In the first half of 2017 the plan to put Rai 2 at the centre of the stage continued to be carried out with determination, as the channel gained the affection of viewers and the interest of critics and attracted the younger generations using innovation as a lever. The exploits of some productions and the social media traffic generated shown that the channel's pull over the public of young and young adult people is a process which is gaining momentum.”

Rai 3



AVERAGE CONTACTS
A DAY

17.796



MINUTES
VIEWED A DAY

53



SHARE OVER 24 HOURS

6.5%

SHARE AT PRIME TIME

6.7%

Rai 3

Rai 3 is the Network of commitment and renewal, adding innovative elements to traditional programmes and names and working on identifying values (service, credibility, information, knowledge ...), revising them in a contemporary key and considering the new forms of using the television.

During the first half of 2017 Rai 3 was the third most watched general interest TV channel in Italy, both at prime time and over the whole day, achieving a share of 6.74% and 6.53%, respectively.

The schedule was proof of the sweeping renewal project having been carried out, beginning in the autumn of 2016 and leading to a large part of the programmes going back to the drawing board, being produced from scratch or regenerated.

Present-day affairs, culture, history, health and consumer protection have always been the essence of the **morning** programmes of this Network as a Public Service.

Agorà became a newsroom to all effects and purposes, with an open plan editorial staff room and ever more detailed and modular inflows and outflows of information, presenting the first space on the general interest TV scene, in which the public finds the news in real time for two hours running.

In addition to its new scene design, *Mi manda Rai 3* enhanced the performance of its mission as the historical, and only, defender of citizen's rights to return to the streets and open up to reality. More outdoor filming, more stories, more link-ups to bring more real life into the homes of those who follow this programme.

Tuttasalute is a new approach to health and medicine without losing sight of older viewers and information on pathologies, treatments, remedies and diagnosis. *Tuttasalute* has widened the field of interest in themes associated with well-being.

This Network opened a new window immediately after the 12 noon Tg3 news programme, a very important service for the public, *Chi l'ha visto?* 12.25. A twenty-five minute strip with Federica Sciarelli at the helm as always and the programme correspondents, a spin-off from prime time, a short space for the latest information on the cases dealt with in prime time and a help desk for new cases which soon gained a community of viewers.

Quante Storie is the new programme of Corrado Augias with meetings and narratives: not only books but all the arts – music, cinema and theatre too, a way of talking about present-day themes from a

different angle from that of the news programmes, to blend the fast pace of topical affairs with the more reflective speed of literature and criticism.

The same applies to history: we are history ourselves, the future is our history. So *Il Tempo e la Storia*, produced by Rai Cultura, looks for quicker forms of expression and spends from an hour to an hour and a half being more incisive under a new presenter.

Naturally the Network's cultural programmes are included in this programme's information productions: TGR and Tg3 news programmes, as well as TGR *Leonardo*, on science and new technology, TGR L.I.S. and TGR *Piazza Affari*.

Three hours of live broadcasting in the afternoon every day, with nature as the indisputable leading character: this is *Geo*, another historical Rai 3 brand which continues to accompany the audience on a voyage through the protection of the environment, local cultures and chronicles and the world of the associations. *Geo* is a world and a way of life, not just a programme.

#Cartabianca was a risky but successful experiment. Bianca Berlinguer took up the challenge of a difficult time band for political analysis and current affairs but managed to involve the public of Rai 3, also acting as a perfect locomotive for the 7.00 p.m. Tg news programme.

The **weekend daytime** has made the most effective use of Network productions with the rerunning of some mainstays of the week's programmes: *Tuttasalute* (Saturday, 8:00 - 10:00 a.m.), *Quante Storie* (Saturday, 10:00 - 11:00 a.m.) and *Geo* (Sunday, 8:00 - 10:00 a.m.).

Saturday has also become the day on which the public sees the more important role assumed by *TvTalk*, the unique big TV show, the production of which was transferred from Rai Cultura to this Network: a good-sized group of guests who are never banal and talk about the contemporary scene on the television and other media. On Saturday afternoon there is also *Per un pugno di libri*, which succeeds in both talking about books to an adult public and getting young people to play.

On Sunday the channel continued to work with Ministries on key themes for society: work in *Il Posto Giusto* and integration with *Radici*, a thrilling journey in search of their roots made by foreigners living in Italy.

Always in the front line is Lucia Annunziata in *In mezz'ora*, perhaps the most important face-to-face interview. The voyage around the world in *Kilimanjaro* continued, its objectives being to make the language of educational programmes easier to understand and always to focus on current events.

In **access time**, particularly successful was the attempt to also recount present-day life and reality in the slot after the Tg news programme in order to capitalise on and make the most of the work the channel has done for the 7.00 p.m. appointment (and exploit the audience generated as much as possible), blending languages and genres. This is in fact a time for an unconventional interpretation of reality: *Blob*, which has always presented affairs from an original and ingenious point of view), *Gazebo social news*, the attempt to talk about current affairs weaving together information, comicality and provocation; *Caro Marziano* (micro-tales which move, amuse and narrate).

And these wide-ranging and interesting narratives could not do without the expressive language of *Un Posto al Sole*, the day-to-day story of a world which turns its local dimension into a universal message.

On Saturday access time, *Le parole della settimana* has been able to combine current affairs with the pleasure of narration.

On Monday **prime time**, Rai 3 deployed its traditional information products: *Presa Diretta* and *Report* are two different but complementary ways of talking about the complexity of Italian and world affairs. *Report* has been driven by the investigations conducted by *Indovina chi viene a cena*, devoted to food, the environment and health.

On Tuesday *#Cartabianca* made its debut at prime time, Rai's political talk show that has looked for and will continue to look for a new approach to discuss political issues.

Chi l'ha visto? in its Wednesday slot is still the biggest popular story-telling product on Italian TV: an incomparable, and not clonable, mix of Public Service and narration, information and inclusion; this programme has succeeded in creating a real community, constituting one of the happiest examples of interaction between the television and the social media.

Mi manda Rai 3 returned at prime time on Thursdays. This production's move works perfectly, blending the values of a Public Service with a presentation which is at the same time captivating, packed with information and of general interest.

On Fridays a cycle of Italian films has done much to complete the range covered by the Network. A great Italian TV series put the final touch to this process: *Gomorra*.

On Saturdays a new programme, *Sono Innocente*, told the stories from the TV studios and

as docu-fiction of the drama and liberation from prison of men and women who were victims of judicial errors.

Ulisse is the archetype of science education programmes, a mix of high profile acquired and self-produced elements, all controlled and enhanced by a straightforward, engrossing presentation.

Fabio Fazio's *Che tempo che fa* was shown on Sundays; in the next season it will move to Rai 1.

The **late evening** schedules have been packed with experiments and enjoyment.

Beside long-established but constantly evolving narrative such as *La grande storia*, *Doc 3* and *Un giorno in pretura*, Rai 3 endeavoured to present the important international political events and the strident contradictions of our society, creating new programmes that are unique in their kind.

The love stories of *Stato civile* described the far-reaching cultural revolution in progress in Italy with the celebration of the first civil unions.

In the language of docu-fiction, *I ragazzi del Bambino Gesù* showed how children and their families struggle to defeat grave illnesses every day. Then there was *Operai*, a narrative investigation into the difficult world of work, seeking the reasons that it is lower and lower paid and less and less respected and necessary.

Fuori Roma continues with its voyage through small Italian towns where changes in the political scene have a more tangible effect on the population's everyday life.

In collaboration with the Tg3 news programme, *Il mondo nuovo* describes life in other countries in an original manner, leaving news and current affairs at the back of the stage to dwell on individual persons' daily lives.

“Rai 3 remains the Channel for a modern manner of giving information and intelligent entertainment, the channel for reality but also for innovation, for culture but for people at the same time; it has a general interest slant but a precise identity of its own which makes it different.”

Semi-general interest and themed channels

Rai Gold

Rai 4

Additional original formats, musical events and a full schedule of cult genre film and television serials in genres such as action, crime/thrillers, epics, fantasy, science fiction and horror: the fourth Network of the Rai general interest offer goes on developing, successfully intercepting the young and young adult age band.

In terms of audience figures, the first half of 2017 were an absolute record in the channel's nine years of life, confirming its capacity to compete with the Sky and Discovery groups' new general interest offer. The average share of total individuals came to 1.4% over the whole day, to 1.57% prime time including commercials (8:30-10:29 p.m.) and at 1.77% pure prime time (9:05-10:59 p.m.). Even more remarkable data looking at the 15-44 age target: 1.75% over the whole day, 1.73% prime time including commercials and 1.95% pure prime time, with viewers evenly distributed over the three ten-year bands of the overall age target. There were nearly 80 prime time programmes with over 500,000 viewers during the first half-year alone compared with over 60 during 2016.

Two **experimental productions** in the first half-year were addressed at younger people and their use of cross media, both based on crisp, ironic and light-hearted content.

The first, *Kudos – Tutto passa dal web* is a weekly late night talk show (an average share of 0.74% in eight instalments) describing the universe of internet, ranging from technical themes to the more colourful dimension of pop culture; a twofold matrix well introduced by the assorted threesome of young presenters. The second, *Bangkok Addicted*, conceived as a spin-off of the reality game *Pechino Express* and following in the wake of the successful daily travel window *Pechino Addicted*, is a travel & adventure format about discovering Thailand, which exploits the natural comicality of the explorers. This programme reached an average share of 1.18% in its new late night slot.

The four **musical events** broadcast in the first half of 2017 were most successful: in addition to the now traditional appointments with the Brit Awards (a share of 1.00% in late night slot) and the two semi-finals of the Eurovision Song Contest (1.94% and 2.41% at prime time), there was a concert-film, *The Rolling Stones: Havana Moon in Cuba*, which was shown in prime time on 1 January (2.52%) and *One Love Manchester* was broadcast live: a concert event to commemorate the victims of the Manchester Arena attack, the first 45 minutes of which exclusively on Rai 4 and the remainder simultaneously on Rai 1, totalling a share of 2.25% on Rai 4.

With a very substantial average share of 2.05% at prime time, *Criminal Minds*, with 29 episodes

and more than 500,000 viewers with a peak of 682,945 individuals, a 2.52% share, is still the most popular **series** with Rai 4 audiences. Repeat performances of productions from other general interest channels – specifically Rai 2 – also proved to be wise decisions in the cases of *Ghost Whisperer* (a peak of 511,910 viewers and a share of 3.50% at pre-access time) and *Limitless* (a peak of 461,028 viewers and a share of 3.54% in late night). But the second season of *Scorpion* (a peak of 466,613 viewers and a share of 1.76% at prime time) was also successful, like the cult series *X-Files*, repeated in HD, with a constantly good audience at various times thanks to the exhibition week scheme.

The mainstay of prime time viewing was again the **cinema**, carefully constructed mixing returning productions from the Rai Cinema catalogue with first releases chosen specially for Rai 4. The absolute champion audience in 2017 and the first programme in the history of the channel to top a million viewers, *The Equalizer – Il vendicatore*, an action film with Denzel Washington, seen by 1,043,977 persons, with a 4.54% share, was one of the last-named type. Other films bought by Rai 4 were the neo-noir movie *Parker* with Jason Statham, with 892,101 viewers and a 4.17% share, as well as epic fantasies, *Il mistero di Ragnarok* (683,035 viewers with a 3.08% share), *Pathfinder - La leggenda del guerriero vichingo* (630,586 viewers with a 2.37% share) and *Centurion* (592,371 viewers with a 2.27% share) and *Grand Budapest Hotel* (550,451 viewers with a 2.28% share), an eccentric, surreal comedy, the leading film in a big cult cycle.

The practice of an immediate repeat showing in prime time after a general interest programme again obtained good results with the franchises *Marvel* (an average share of 2.63%) and *007*, which, in the post-modern style adopted by the Daniel Craig trilogy, had a 3.27% average share. Finally, particular mention should be made of the experience with the *Alien Legacy* cycle, which, together with Rai 2's immediate repeat showing of the first release *Prometheus* (813,998 viewers with a 3.39% share), accompanied, on an exclusive basis, the library films of the very popular saga started by Ridley Scott, totalling an average share of 2.23%. The cycle was scheduled simultaneously with the release of the last film in the saga in the cinemas, adopting a communication strategy which may be repeated for other franchise media.

“The “middle earth” which separates traditional TV from the intensive and selective consumption of internet is a wide but certainly a fertile space. Rai 4, with a TV schedule effectively structured in serials and film cycles, is an indispensable tool for the discovery of new products akin to those already known and loved and the possibilities offered by a “second screen” radically rethink the sense and language of entertainment programmes.”

Rai 4

MLN

AVERAGE CONTACTS
A DAY

5.634



MINUTES
VIEWED A DAY

37



SHARE OVER 24 HOURS

1.4%



Rai Movie

Rai Movie is the channel for any and all genres: comedies, thrillers, action movies, sentimental western and horror movies. This channel is capable of placing the genre preferred by viewers at the centre of the scene.

In a scenario of constant expansion in the offer of films in TV and streaming, Rai Movie improved on its audiences of the previous years, certainly only slightly but in all slots, during the first half-year, thus improving the performance both over the whole day (from 1.07% a 1.11%) and in late night (from 1.38% to 1.47%), but above all at prime time (from 1.21% to 1.30%).

But the most significant figure was that in these six months over 50 prime time productions of the channel had shares of more than 2%, with classic evergreens like the James Bond cycle, the Monday Westerns – the ones the public love most – and some specially requested purchases.

Showing from 12 to 14 films a day on the basis of a schedule whose aim is to place the right product at the right time, always with an eye to sound production techniques and never ceasing to pay attention to the quality of the copies, Rai Movie is the Public Service film channel which most uses and exploits the Rai archive. Its schedules are entirely devoted to the cinema.

Contemporary cinema is described in *Movie Mag*, which analyses present-day cinema with special articles and reports the big Italian and foreign festivals.

As in the previous year, Rai Movie's daily schedules were arranged in cycles. The morning's programmes were stimulated anew with the *Colazione da Rai Movie* cycle, whose objective was to bring back forgotten Italian film classics, also celebrated in prime time in the summer cycle *Gina, Sofia e le altre...*

Laurel and Hardy and Charlie Chaplin opened prime time evenings with a smile and were backed, with the channel fulfilling its role as a Public Service, by the *Articolo 3* civic and social engagement film cycle, accompanied by that concerning the best European production, *Viaggio in Europa*.

Rai Movie goes on with its commitments to showing films in double audio (Italian and the original), to putting on air a substantial number of recent Italian films and devoting some days' schedules to specific themes. Among these, generous time was given to the Holocaust Remembrance Day on 27 January, Women's Day on 8 March, Italian Legality Day on 21 March and the Festival of Music on 21 June with a careful selection of productions.

At the Bari International Film Festival (from 21 to 28 April), of which Rai Movie is a media partner, the channel supported the Festival's review of Vittorio Gassman and Dino Risi, with a selection from best films.

Before and during the Turin International Book Fair (18-22 May), the channel concentrated on films based on books. A montage of these films was presented in the Rai Space at the Fair at a meeting on films from books.

Rai Movie is the media partner of the three most important Italian cinema festival (Venice International Film Festival, Rome Cinema Festival and the Turin Film Festival). It is the festival TV channel that produces special daily features, including interviews, press conferences, live broadcasts and red carpets. This year this offer was enhanced by new and more abundant content exclusively for the web.

A number of programmes are being worked on for the film literacy project in the new Cinema Law. The channel intends to support this new, ambitious and extremely useful plan, masterminded by the Ministry of Cultural Heritage and Activities and Tourism (MIBACT) and the Education, Universities and Research Ministry (MIUR). Also in the pipeline is a special programme on the relationship between cinema and television, their languages, their aesthetics and their influence on each other.

In addition to TV schedules and broadcasting production, Rai Movie has been working, for time, on **web** programmes, aiming at integrating traditional TV programmes into the portal and with the two main social networks, Facebook and Twitter. Traffic on social media has also increased, encouraged by the editors of the best known specialist magazines.

SnapMovie continued successfully on the channel's social media. Short videos are published every day on Facebook and Twitter, informally but efficiently providing a sample from one of the 14 films on the day's schedule.

“Rai Movie is the channel of every movie genre, devoted both to TV programming and the new opportunities offered by the internet and social networks.”

Rai Cultura

Rai Cultura produces, distributes and fosters the circulation and multi-platform reuse of cultural content, cultural entertainment, history and quality education formats. A schedule which combines narrative force and rigorous scientific verification and speaks the language of today, and which also travels through networks and social media on mobile devices and in on-demand mode.

In addition to delivering the multi-platform offer of the TV channels Rai Storia, Rai 5 and Rai Scuola, the vertical themed portals (culture, art, literature, economics, sciences, Italian language, philosophy and media) and of the National Symphony Orchestra of Rai, Rai Cultura occupies daily or weekly programming slots in the schedule of Rai general interest channels through its own productions such as: *Italia Viaggio nella Bellezza*, *Gli occhi cambiano*, *Italiani*, *I grandi della Letteratura italiana* on Rai 1, *Memex* and *Viaggio nell'Italia del Giro* on Rai 2, *Il Tempo e la Storia* (a daily programme that is re-run on Rai Storia), *Diario Civile*, *Provincia Capitale*, *Storia della Letteratura*, *Save the date* and *Terza Pagina* on Rai 3; again on Rai 3, *Sembra ieri cronache e storia* is broadcast with the collaboration of Rai News.

Rai Cultura is the corporate centre of expertise for the production of serious music. In fact, Rai Cultura produces exclusive events and prestigious concerts, which are broadcast on general interest channels. Among the most important events during the first half of 2017, the New Year's Concert from Wien and the concert from La Fenice Theatre in Venice, conducted by Fabio Luisi, *Concerto dell'Epifania*, *Concerto di Pasqua* from the Orvieto Cathedral and *Concerto per le celebrazioni del 71° Anniversario della Festa della Repubblica* from the Corazzieri Hall at the Quirinale Palace.

Rai 5

The cultural entertainment channel devoted to music, art, literature and theatre with a special focus on large-scale productions, innovation and experimentation in the fields of music, art and theatre.

Among the programmes in the schedule in the first half of 2017 was *Dario Fo e Franca Rame: la nostra Storia*, a tribute to these two extraordinary artists, *L'attimo fuggente*, a new way of talking about poems and poets on the TV and *L'opera italiana* recounted by an outstanding narrator, Elio, the leader of the Group Elio and Le Storie Tese.

Talks on art, painting and sculpture were given in programmes such as *La vera natura di Caravaggio*, the *Rinascimento* and *I secoli bui un'epoca di luce* series and many special documentaries, some shown in prime access time, such as *Manet*, *ritratti di vita* or *Rembrandt*.

For theatre there were theme-based cycles and special programmes dealing with the artistic careers and lives of established actors and directors including the *Comedians* cycle (among others, Gino e Michele, Paolo Rossi and Claudio Bisio) and special cycles about Alessandro Baricco, Luca Barbareschi, Ale&Franz and the civic works of Marco Paolini and Ascanio Celestini. Finally, in June a long tribute to Luigi Pirandello to remember the great playwright on the 150th anniversary of his birth.

Rai 5 dealt not only with the Italian theatre scene, but also made space for the most famous musicals in the world: the documentary series *Broadway*.

Rai 5 is also nature, the environment, travel and exploration of considerable anthropological interest both at daytime (international documentaries such as *Il libro della savana*, *Avventure botaniche*, *India Selvaggia*, *Wild America Latina*) and at prime time (among the major ones, *Attenborough e la grande barriera*, *Wildest Artic*, *Wild Iberia*, *Wild Japan*).

Prime time programmes on Thursday were entirely devoted to the world of serious music and opera: from the 2016/2017 season concerts by the Rai National Symphony Orchestra live and the discussion of *Nessun dorma*.

Rai 5 also put on prestigious live opera, concert and ballet performances from the major theatres and opera houses in Italy. Among the main live performances were Sergei Prokofiev's ballet *Romeo e Giulietta* from the Teatro alla Scala in Milan, star Roberto Bolle and guest artiste Misty Copeland; Rossini's *La Gazza Ladra* conducted by Riccardo Chailly and directed by Oscar prize winner Gabriele Salvatore, also at La Scala; Giacomo Puccini's *Manon Lescaut* from the Turin Teatro Regio, *La Cenerentola* and *Il viaggio a Reims* by Rossini at the Rome Opera House and *La voix humaine* by Francis Poulenc together for the first time with Pietro Mascagni's *Cavalleria rusticana* staged by Emma Dante at the Bologna Teatro Comunale, conducted by Michele Mariotti, and *Don Carlo* by Verdi at the Florence Opera House for the 80th Edition of the Maggio Musicale Festival, conducted by Maestro Zubin Mehta.

Finally as regards pop, rock, jazz and world music were among the genres which were included in the documentaries, series and concerts broadcast in prime time and late at night (among others *Soundbreaking*, *The Blues*, *Discovering* and *Rock legends*).

“Rai 5's productions cover all genres of performing arts from music to theatre and from ballet to opera and focus particularly on broadcasting events live at the same time providing cultural entertainment in an up-to-date and contemporary language.”




AVERAGE CONTACTS
A DAY

3.387



MINUTES
VIEWED A DAY

17



SHARE OVER 24 HOURS

0.4%

Rai Storia

It is the quality channel which presents history, shows great documentaries, talks about Italy and reflects on our past, present and future history.

Rai Storia performs duties of multi-channel and multi-platform production, selection, management and distribution of historical analysis content: it is a Public radio and television Service that involves the entire spectrum of media, from TV to Internet and social networks, with the aim of bringing its audience to all over the world and to any time, talking about facts, places, personalities, civilisation, lifestyles, cultural trends, political processes and social achievements. A channel which broadcast more than three thousand hours of programmes during the last three years, a radio, television and cross media Public Service which covers the whole gamut of social media and internet, becoming a memory bank for everyone on whatever screen they wish to use it on.

In addition to regular daily programmes, such as *Il giorno e la storia*, *Mille papaveri rossi* and *Il tempo e la storia* (broadcast on Rai Storia on access prime time after the first issue at 1:15 p.m. on Rai 3), more theme-based programmes are being shown during prime time in 2017.

Tales from the history of the places concerned and their description were the subjects of programmes such as *Cronache dall'Antichità* and *Cronache del Medioevo*, the successful series in which Cristoforo Gorno led audiences through places and events in the ancient world and the Middle Ages; *La croce e la spada* discussed devotion to patron saints, which started to define the architectural identity and design of many Italian localities in the Middle Ages; *Città d'Italia - Mare Nostrum*, documentaries about the localities along the Italian peninsula on the shores of the Mediterranean and, finally, *a.C.d.C.*, a programme which recounts human history from *homo sapiens* to Napoleon.

The places passed through by the women's cycling race in its hundredth edition were the stars of the *Viaggio nell'Italia del Giro* aired at daytime on Rai 2 and re-run on Rai Storia e Rai Sport.

Spaces were again given to men and women who played major roles in the past: biographies of illustrious Italians introduced by Paolo Mieli (among the new programmes in this cycle were those on Umberto Eco and the photographer-actress-revolutionary, Tina Modotti, Roberto Rossellini and Don Milani), and those who made great historic speeches in *I grandi discorsi della storia*. Then there were portrayals in *Grand'Italia*, devoted to Italian women who made Italy great in Europe and in the world in the most diverse

spheres of activity, making their mark with their passion and vitality; and *Mariangela!*, the serial about Mariangela Melato, recounted by an outstanding presenter, Renzo Arbore.

Ample room was given to inquiring into important issues such as legality, justice, the fight against organised crime and terrorism. The documentaries of *Diario Civile*, shown in the first half of 2017 and introduced by the comments of Franco Roberti, the Italian anti-mafia prosecutor, spoke about, among others, *Marcello Torre*, *Vera Pegna* and *Pio La Torre* (to commemorate the 35th anniversary of his assassination).

Space was also made for programmes about the institutions (including a special production on *Consiglio Superiore della Magistratura*, the Italian Council of Magistrates) and about important anniversaries marked by dedicated programmes such as the *Holocaust Remembrance Day* (27 January), *Giorno del ricordo in memoria delle vittime delle foibe* (10 February), the International Women's Day (8 March), *Giornata della Memoria e dell'Impegno in ricordo delle vittime innocenti delle mafie* (21 March) and *Anniversario della Liberazione* (25 April).

To be mentioned here are the special Rai Storia productions on the 25th anniversary of the Capaci and Via d'Amelio massacres, *MAXI*, *Il Grande Processo a Cosa Nostra*, shown on Rai 1 and repeated on Rai Storia (this documentary was not only based on the precious testimony of Pietro Grasso, the President of the Italian Senate and 1,400 hours of broadcast material, but also showed new shots from the archives of this Mass trial); and *Giovanni Falcone*, a documentary which narrated the Palermo judge's personal life bringing out his character, his turn of mind and his virtues, telling his experiences and the events in his life and gathering comments and reminiscences from those who had been near to him.

Contemporanea, the new 2017 offer in prime time on Friday evening, constitutes the attempt to go from the "tale of history" to the "tale of today" by selecting great documentaries on present-day themes, a window on today's life, which is to be tomorrow's history.

In the first half of 2017 the new instalments were broadcast of *Argo – Un viaggio nella storia*, the new theme-based TV magazine, devoted to history and its narration in the quest of epochs and places, and an original series, *Storia della famiglia*, which tells us all about the Italian family from antiquity to Renaissance and from the enlightenment to the 20th century, the *I padrini* series, portrayals of Italian-American mafia bosses, and the return of award-winning

series *Apocalypse*, the Second World War in colour.

Also to mention is the documentary *Così vicini, così lontani*, co-produced by Rai Cultura and NHK, the Japanese public service, which tells the story of the relations between Italy and Japan, two countries and two peoples, 150 years after the first treaty between them.

“Great institutional activities, the most important anniversaries, events in the past that are to be remembered, all become televised and cross-media events in Rai Storia which are vital elements in the narration of our country’s culture.”

Rai Scuola

The channel devoted to instruction, education and information and scientific and technological literacy: culture and learning at the centre of the television’s function as a Public Service.

As well as the by now established programmes devoted to the teaching of English and to information, the channel continued to pay strong attention to scientific issues, expanding the offer of *Memex*: this is a programme which was shown not only in prime time but early fringe time, with analyses, documentaries and special features produced to talk about great scientific disclosures.

Ample space was also given in prime time to didactic and educational documentaries which went into present-day themes such as ecology, science, nature, respect for the environment, recycling, eco-friendly cities, intercultural communication and integration and legality.

The second edition of *Toolbox* also came onto the air with its discussions on European citizenship, information about school subjects and themes closely related to efficient schooling and teaching activities (particularly valuable is the *Coding* series regarding the dissemination of computational thinking) and the new edition of *Speciali di Rai Scuola*, twelve instalments which present the most important rendezvous for the world of school and the country: Holocaust Remembrance Day and Legality Day.

The channel also paid strong attention to philosophy with the continuation of *Zettel Debate*. *Fare filosofia*, a programme in collaboration with the Education, Universities and Research Ministry Committee as well,

regarding the new approaches to teaching Philosophy in schools with a studio debate stimulated and moderated by two outstanding presenters, professors Maurizio Ferraris and Felice Cimatti.

“Rai Scuola broadens its horizons, strengthening the offer of tools and content online and for the world of mobile devices, creating operational links with schools, universities, the leading cultural institutions and the most active persons and entities in the sphere of scientific and technological research.”




AVERAGE CONTACTS
A DAY

3.343



MINUTES
VIEWED A DAY

67



SHARE OVER 24 HOURS

1.53%



SHARE 4-14 YEARS

6.74%

Rai Ragazzi

Rai YoYo

Rai YoYo is the television for pre-school age children and their families, a channel conceived and created to amuse and instruct at the same time.

Rai YoYo's objective is to help children to discover themselves and the world around them on a daily basis, with content based on a solid and accurate narrative foundation, produced to a high standard and with an elevated educational input.

Among its strong points, the concentration of editorial work on the most successful programmes and constant investments in programmes for studio productions which significantly boost the reputation and appeal of Rai YoYo, in addition to rendering it a highly valuable Public Service compared with its competitors' range, which is mainly based on acquisitions.

All its studio productions became regular slots for the public, marking the main moments in the children's day: *Buongiorno con YoYo*, *Le Storie di Gipo*, *La Posta di YoYo*, *Albero Azzurro*.

The schedule was completed by a selection of the best international productions (*Masha e Orso*, *Peppa Pig*, *Shaun vita da pecora*, *Bob Aggiustatutto*, *il Postino Pat*, *Barbapapà*, *Il piccolo regno di Ben e Holly*, *La casa delle api*, *Vita da giungla alla riscossa*, *Teletubbies*, *La Casa di Topolino*, *Dottoressa Pelouche*, *Sofia la principessa*, *Disney English*, *Miles dal futuro*, *Noddy*, *Loopdidoo M*), drama and comedy co-productions and Rai children's cartoons (*Mini Cuccioli*, *Topo Tip*, *Calimero*, *Pimpa*, *Winx*, *Regal Academy*).

Finally, the Rai YoYo portal focused its attention on the following projects:

- the Rai YoYo portal's upgrade designed to improve its use, making all of its sections clear and accessible;
- the design of sites dedicated to some leading products of the channel that have most contributed to enriching the web offer in terms of both pages visited and single users;
- designing and creating online games;
- creating offline games (print and colour, mazes, other activities, etc.);
- managing the channel's Facebook page;
- creating posts every week for the new Rai YoYo parents' blog;
- preparing and publishing videos and photo galleries.

“Rai YoYo is at present an excellence at national and international level which has succeeded rapidly in establishing itself as the favourite and most watched channel for Italian children and their families”.




 AVERAGE CONTACTS
A DAY

1.801

 MINUTES VIEWED
A DAY

40


SHARE OVER 24 HOURS

0.5%


SHARE 4-14 YEARS

3.62%

Rai Gulp

Rai Gulp is the place where the TV becomes “child’s play”: teen comedies, teen soaps, films, games and cartoons to give young people more fun every day.

Rai Gulp is the channel for school age children, from 8 years old to the early teenagers, which performs an important function liaising between those of Rai Yo Yo’s pre-school programmes and proposals which also appeal to the teens, trying to keep small children and young people loyal to the Rai brand over the years.

The aim of the channel’s range is to involve a young public who play an increasingly central role in multimedia, make their own selective choice of what they want to see on TV and tend to focus their interests and aspirations on very specific domains such as music, performances, action, video games, sports, interactive events and live participation.

The schedule abounds in cartoons, TV films for young people and studio productions selected to be appreciated by different age bracket targets. The schedule includes series bought from among the best productions (including, among others, *Jungle Book*, *Inazuma Eleven*, *Sailor Moon Crystal*, *Robin Hood*, *Le nuove avventure di Peter Pan*, *Pumpkin Reports*, *Peanuts*), selected in order to meet with the tastes of wide categories of audience. There are also live action series, including some striking novelties in these genres and types: *telenovelas* for young people, sitcoms and more adventurous films, some in the form of long-running series. There were also famous successful films, both for the cinema and TV, and drama and comedy co-productions (*L’isola del tesoro*, *Mia and Me*, *Maggie & Bianca II*, *Sette Nani ed io*, *Heidi*, *Geronimo Stilton*, *Bat Pat*, *Pumpkin Reports*, *World of Winx*, *Buona Fortuna Charlie*, *Soy Luna*, *Seven and Me*, *Austin&Ally*, *Binny e il fantasma*).

The Marvel series was still there with its superheroes mainly targeted at a male audience in the afternoon programmes following the TV movies (*Ultimate Spiderman*, *Avengers Ultron Revolution*).

Finally, Rai Gulp has also built up a fully competitive cross-media range, developing a cool website and creating an online community of its own with projects which strengthen the bond between Rai and young people.

The channel paid particular attention to the Rai Gulp portal upgrade, conceived to improve young people’s browsing experience and starting its Replay Tv service. Sites were also

set up which were dedicated to some leading products that have most contributed to enriching the web offer in terms of both pages visited and single users.

“Rai Gulp’s characteristic is that it is a smart, educational entertainment offering which uses themes and trends which are particularly dear to young people in order to convey positive values and elements in an entertaining and light-hearted vein, which is a valuable aid in young people’s formative process, making them aware of the issues they met in their everyday life and of the complexity of their times.”



Rai News 24

Rai News: at users' service, when they want and providing what they want: news, insights and opinions, 24 hours a day. Rai News 24 is the all-news channel designed for today's world.

Rai News 24 is now a modern all-news channel on every platform, looking out for news which it verifies promptly and then puts on air and presenting carefully thought-out comment and opinions. It has an eye to internet, to the rise of the social media and the new languages and it is widely broadcast over the country, also thanks to its collaboration with the regional TGR news programmes and correspondents all over the world so that it can cover all the most important events live.

The three essential parts of the information and multi-platform offer of Rai News 24 work together: the content of **Rai News 24** (the all-news TV channel) is to be found in an appropriate form on **Rainews.it** (the Rai information portal) and **Teletext** (the teletext platform which has over 16,000 pages of news and services on air for visually and hearing impaired persons every day) and vice versa.

The efficiently organised newsroom also benefits from the contribution of experience gained in different environments. In fact, the increased production of original content, which is also supplemented by brief, flexible and accurate analyses, and the work carried out extremely closely with other Rai news offices help Rai News 24 to carry out its function as a service even more intensively: its reporters are often on air for other newsrooms and for the other leading Rai news and entertainment programmes. Rai and its resources in different parts of the country are common ground for all those working in the company. Rai News 24 is the heart of this synergy, which delivers substantial savings in costs and human resources.

The **Rainews.it** portal, created fully integrated into and coordinated with the TV channel, went on with its growth also thanks to an increasingly consistent and effective presence on social network platforms. In particular, on the occasion of big events, the public is turning to the pages of Rai's news site with ever-increasing conviction.

Rainews.it continues to display the best information produced by the Company as a whole and accompanies each news item with text, photos, videos, web-docs and latest generation multimedia products to provide free, impartial and detailed information always available in the round. Moreover it works with other media outlets and therefore there are more live products for the social media platforms which are becoming increasingly popular.

Teletext, for its part, continues to be a prompt, simple and essential information tool and above all strongly at the centre of the media diet of the Italian people, which considers this channel authoritative, swift and reliable. But simplicity is not achieved to the detriment of the quality of the information or of technological progress; apps with Teletext content are among the most downloaded and appreciated in the Italian news scenario.

“Substantial investments in infrastructures and production systems are bringing Rai News 24 into line with the most modern Italian and international competitors in the all-news information sector.”

Rai Sport

All the sports news minute by minute: live events, news and international competitions so that the public never miss seeing their favourite events, but also challenges and historic feats which have made sport something more than a sport.

Rai was again pre-eminent in its offer of sporting events in the first half of 2017 in order to keep faith with its mission as an authentic Public Service.

An ever broader range of disciplines from Big Football to F1 and Cycling, a vast range of multimedia thanks to the dissemination of new instruments for users (RaiPlay); always present on the social media trying out cutting edge languages and communication tools, near the spirit and habits of the Millennials, the younger public now removed from the rituals of the TV screen. This is how Rai remained true to its mission in sport too: looking to the future while at the same time respecting its history and its identity.

The most meaningful example is Edition 100 of the Giro d'Italia, broadcast exclusively by Rai. A successful instance of “team spirit”, a combined effort by reporters, production units and engineers which constructed a story day by day which drew in and enthralled millions of people. Rai 2 became the “home of the Giro” with a schedule tailor made to enhance this cycling event's technical and spectacular effects. Coverage included *Grande Corsa*, a programme of advance information and sporting entertainment, a long live commentary on each stage before the traditional *Processo alla Tappa* with discussions, news from behind the scenes and statistics and *Viaggio nell'Italia del Giro*, a programme in which the quest for the culture, crafts and manners of the various places the race passes proceeded step by step with the racers' progress.

This strategy for covering the Giro d'Italia was rewarded by the audiences: the twentieth and penultimate stage from Pordenone to Asiago recorded the highest average audience, with 3.3 million viewers and a 27.4% share, on Saturday 27 May. The 23 May stage won by Vincenzo Nibali on the Bormio slope after the Mortirolo and the double climb of the Stelvio was the second most viewed, with 2.5 million viewers and a 23% share; the long Dolomites stage achieved the same result on 25 May.

The Bormio stage, on the other hand, set up the RaiPlay record for a live showing of the Giro d'Italia with 741,400 views and social interactions (Facebook + Twitter) which involved almost 154 thousand users.

The arrival on the web was an even more notable development with F1, especially with the Monaco Grand Prix: in addition to the almost 370,000 views in streaming on RaiPlay, there was a 300% rise in the number of downloads and a 30% rise in the number of recordings. This was an astonishing performance and a textbook case for Rai. Obviously the driving factor was the Ferrari double with Vettel and Raikkonen on the roads of Monte Carlo: the return to competitiveness of the "Rosse" red cars was enjoyed by an average of 5.8 million viewers on Rai 1, with a share of 35.5%. Vettel's share when he won in Bahrain was even higher: a share of 36.6%, with an average of 4.5 million viewers, again on Rai 1.

The commentary on the opening Grand Prix in Australia, with Vettel's first victory in 2017, also shown on Rai 1 at 2.00 p.m., also achieved a surprising exploit for a pre-recorded broadcast: 5.1 million viewers, with a share of 30.2%.

Production decisions also changed as a result of the revival of interest in the doings of the Prancing Horse. So there were exclusive interviews of the drivers during which attempts were made to bring out the less known sides of their characters, the stories of the men in the pit and their working methods and aspects of an increasingly sophisticated technology.

But in the heart of the Italians is the other National Team above all, the one which wears the blue jersey on the football ground; a love that knows no slackening and a team which Rai follows exclusively. The Italy-Albania match in the 2018 World Cup qualification round was seen by an average of 7,167,000 viewers on 24 March, with a share of 27.1% and 292,500 live media views on RaiPlay, while the Italy-Liechtenstein match was seen by 6,459,000 viewers, with a share of 29.8%.

Equally keen was participation in the Italian team's European National Under-21 Team Championship matches, also exclusively on Rai 1.

The young Italian footballers' progress lasted until the semi-final against Spain, a traditional adversary, again unbeatable, but the audiences for their matches were an impressive sign of participation all the same. The role of a Public Service is to give everyone the chance to live an inspiring moment, and the audience for this decisive Italy-Spain match semi-final climbed to 7,927,000 viewers, with a share of 34.8%.

Another wise decision was to show the Italian Football Cup, an event which Rai broadcasts exclusively and which is becoming more and more popular with fans of the various teams: the TV audiences for the matches were unimaginable a few years ago, when the Cup was looked upon as a second-rate event compared with the Championship and European competitions. In fact owing to the great space it has been given on Rai channels, especially from the last sixteen onwards, the Italian Football Cup has become a trophy which the leading Italian teams vie for.

Some audience figures give an idea of the phenomenon in this case too: the final between Juventus and Lazio at the Rome Olympic Stadium in the presence of the President of the Republic was seen by an average of 10,260,000 viewers on 17 May, with a share of almost 40%. The audiences for matches in the previous rounds were also worthy of a European or even a World competition, however: 8,600,000 people saw Napoli-Juventus and almost the same number Juventus-Napoli or Juventus-Milan. The derby between Lazio and Rome on 1 March also stands out with its 6,144,000 viewers.

Victories, defeats, medals won and those missed by a hair, the passions that sporting adventures fire up had other vast stages: winter sports. Rai renewed the contract for the World Skiing Championships and gave the utmost prominence to races on the most famous slopes, from Wengen to Kitzbühel, from Cortina to Garmish.

Coverage of the World Alpine Ski Championship at St Moritz, where Sofia Goggia won a bronze medal in giant slalom and Federica Brignone achieved a fourth place, was of the highest quality, as it was for the World Nordic Ski Championships at Lahti in Finland. Rai was also present at the World Figure Skating Championships following Carolina Kostner and the Cappellini/Lanotte duo's ice dancing numbers.

“Rai Sport’s objectives are to offer a schedule which gives viewers the certainty that they will find the programme they are looking for, reassures the public that they are always there when a sport event is taking place and broadcasts analysis and discussion.”

Information

Tg1

Tg1 news has been the leading programme of Rai news and information services for over sixty years. It puts the citizen-viewer in contact with the world of the institutions, politics, society, religion, economy and culture. In other words the Public Service.

Created in 1952 with the experimental Italian TV broadcasts under the name of *Telegiornale*, Tg1 is the unquestioned leader in informing the country in terms of audience and image, thanks to the values of universality, quality, pluralism and authority of its programmes, in which it covers all the most important events in the world.

The reason for the success of Tg1 is also a full schedule containing three main editions of half an hour each, six flash editions, one in sign language, one of "sixty seconds" and a long night news making a total of twelve editions a day (from 6.30 a.m. to 1 a.m.).

Furthermore, there were six extraordinary editions – compared to two editions in the first half of 2016 – and three special editions of *Porta a Porta - TG1* during the first half of 2017.

The discussions in *Tv7* and *Speciale Tg1* should not be overlooked, with the many other theme-based features, such as *Tg1 Economia*, *Tg1 Billy*, *Tg1 Dialogo*; the show business discussion programme *DoReCiakGulp*; *Tg1 Fa' la cosa giusta*, a page of good practices, rights and solidarity; the features *Cinemattina* and *Camera con Vista*, shown in *Uno Mattina*; medical news in *Tg1 Medicina*; *Tg1 Motori* on the world of motorcars and *Tg1 Persone* with its filmed and spoken portraits of men and women whose lives reflect the main themes in our times.

The correct presentation of a multiplicity of different news items, the capacity to select them appropriately, care in the transmission of images, the reliability of reports and rigour in verifying content and preparing reports are the factors that make Tg1 a reliable news programme for the entire population of Italy, a mixture of tradition and innovation in using current language and presenting contemporary issues.

"Tg1 could well adopt for itself the summary of the mission assigned to the BBC by its legendary founder, Lord John Reith: 'educate, inform, entertain.' Inform by reporting the most important news of the day, educate with reports on fundamental issues in people's lives, entertain with personalities and culture through music, cinema and theatre."

MIDDAY EDITION AUDIENCE

Tg1
22.0%
SHARE

Tg2
15.5%
SHARE

Tg3
10.7%
SHARE

TGR
15.3%
SHARE

EVENING EDITION AUDIENCE

Tg1
24.9%
SHARE

Tg2
7.8%
SHARE

Tg3
10.1%
SHARE

TGR
11.6%
SHARE

Tg2

Following its vocation as a Public Service news programme, Tg2 is continuing on its path of analysis, innovation and experimentation, loyal to the principles of fairness and pluralism and ensuring that its information is accurate and complete.

The editorial approach inaugurated last year, based on an efficient broadcasting model in terms of themes, narration and language, is one of immediacy, live reporting and unusual stories with the presence of studio guests and continues to arouse viewers' curiosity and attract them. In early 2017 the Tg2 product was rewarded with an average audience share of nearly 16% in the 1:00 p.m. edition, 4% in the afternoon edition and 8% in the evening edition. During the first half of 2017 606 hours of broadcasts were produced compared with over 1,000 during the whole of 2016 despite one edition fewer (the night Tg2) and one shortened (the 6.15 p.m. edition).

An increase in broadcasting hours and in the use of troupes and backpacks for live link-ups with the news, in unscheduled and special editions (16 in six months), the 13 Tg2 special features and technical assistance abroad have all ensured that information is thorough, accurate and pluralist, as its editorial mission requires.

Events all over the world, including the bloody terrorist attacks, Italian news, the Rigopiano disaster, the immigration emergency with the landings of migrants, elections like those for the French President, the Italian local elections and finally running commentaries on institutional events (such as the Bank of Italy's annual report and the Council of Magistrates' plenum on the 25th anniversary of the massacre at Capaci) have all required more resources and equipment to be used than in the past.

A significant sector in Tg2's offer are also its 13 special features. For decades these programmes, each with a specific theme (art, cinema, culture, society, manners, tourism, food and drink, medicine and health, motoring, national and international news, current affairs, unfamiliar stories, tales of life and personalities, the world of the young, the tertiary sector and volunteering) go on air at different hours during the week. As always, they were well received in the first six months of 2017 too. These products have excellent audiences of up to a 10% share each and have received, among other things, national awards in some cases.

During the first half of 2017 Tg2's web offer was expanded in the framework of a more comprehensive editorial strategy; the site is renewed continually and is open to viewers.

“Tg2 is continuing with its strategic, comprehensive editorial policy, whose aim is to strengthen a broadcasting system and an offer which is ever more modern, efficient and compliant with changes in its public and in society.”

Tg3

Tg3 is always a news programme with a strong identity, using live reports so that viewers can always be on the spot.

It is a news programme which reports events immediately in special editions: the attacks in Istanbul, Manchester, London, Stockholm and Paris and at the Coptic churches in Egypt were recounted promptly, like international summits and the work of Italian constitutional bodies.

The daily supply of information starts with the Tg3 news programme at 12 noon – the only Rai TV news programme produced in Milan, with many live link-ups with reporters in Italy and abroad. Then the new Tg3 *Giorno* news programme at 2.20 p.m. which very much concentrates on consumer and family themes and tries to provide answers and practical advice with the help of live comments from studio guests. This policy has been rewarded by the audience figures: 1,630,000 viewers and a share of 10.7%.

The 7.00 p.m. Tg3 news programme provides some thoughts on the day in politics and presents a full overview of the news, going into its main aspects in detail.

Linea Notte comes at the end, concentrating on comment and analysis and anticipating the issues that will come up the following day.

There were many special features as always: Tg3 puts family matters centre stage with *Fuori Tg* and pays special attention to themes in other countries with *Tg3 nel Mondo*, the only news programme that deals with overseas politics, *Agenda nel Mondo*, a weekly international report, and a new project, *Il Mondo Nuovo* in collaboration with Rai 3, which surpasses stereotypes, leaves news items and current affairs in the background and talks about the everyday lives of people in exceptional circumstances.

Tg3 news programme audiences also appreciate the presentations of cultural news in *Fuori Linea*

and *Chièdiscena*, scientific and technological themes in *Pixel* and stories in *Persone*.

A practical example of Tg3's commitment is *L.I.S.*, the very sought-after edition of the TG news programme in sign language, with a share of 6.2% and 844,000 viewers, as well as the presence on social media and web pages.

“Tg3 has again been a news programme which increases its audience and enhances viewer satisfaction owing to a strong identity which is acknowledged by a public interested in news analysis.”

TGR

TGR is Rai's regional news provider, a multimedia arm of Rai which operates by keeping in touch with all parts of the country.

The Regional Newsroom Office is the lifeblood which feeds news into the Public Service's overall news system, providing content for the television, the radio and internet and supporting the Rai's other mastheads.

It is a veritable goldmine for the Company because it covers all the regions in Italy with about 700 reporters; TGR ensures an ongoing presence at a local level, thus allowing Rai to be present promptly in the places where the most important events occurred for the country. Furthermore the close bond with the population, with users and with entire communities, has strengthened during the last decade as a result of a copious, comprehensive schedule starting at 7:00 in the morning and ending at 12.30 a.m..

The objectives of the first half of 2017 were to stabilise and improve product and management performance. The basic themes in the main guidelines for meeting these objectives were completion of technological renewal and expansion of offer by means of a more structured activity on the social media and on the web in general.

From the point of view of technology, TGR Campania was the last regional Rai production centre to be digitalised, the end of a complex, vast and exhaustive process of modernisation of the local TV newsrooms of this Public Service during 2017.

The ambitious aim of migrating all regional newsroom offices into a modern, integrated system for the organisation of work is a completely logical and harmonious part of the project for the transformation of the entire enterprise into a Media Company. Quality and speed are the priorities of the new broadcasting operations, so that Rai's local newsroom offices come closer and closer to local areas and populations.

Technological change, carried out thanks to joint efforts and exceptional commitment on the part of various Rai departments, with an enhancement of the offer, are the new TGR's strong points. The work gave rise to a vast out-and-out work site: 21 new post-production stations were installed, 1,500 human resources – reporters, employees, engineers, fitters – were given training and substantial investments were made throughout the country.

The digitalisation of the Naples Production Centre was the crowning moment of an enterprise which seemed very doubtful some years ago, a difficult challenge which once again showed the extraordinary strength of the Radio and Television Public Service.

As regards the expansion of the multimedia offer, the search for a more solid link with the social media led to a virtuous circle which enabled the regional newsroom offices to become important players on Twitter and Facebook. Moreover, the web project was formally initiated with the launching of the first regional site, TGR Tuscany, to be followed by the sites of all the other regional offices.

“The project for the digitalisation of Rai's local production centres, together with experiments with and expansion of the multimedia offer, are a distinctive sign of the acknowledgement of the role of the regional TGR news programme, which is at the forefront of information and of the innovation of the Public Service.”

Rai Parlamento

Rai Parlamento is the news programme which informs TV users of the doings of the Italian and European Parliaments, in close connection with political developments.

During the first half of 2017, Rai Parlamento, which has direct contact with the Italian institutions, dedicated three daily Tg Parlamento editions to the Italian Parliament's proceedings, for a total of 280 instalments (more than 42 hours of broadcasts were produced), to which must be added ten editions of *Speciale Parlamento*, a live broadcast from the Chamber of Deputies and the Senate (for a total of 15 hours and 52 minutes), and 23 live broadcasts of *Question Time*, in which Deputies ask questions and receive immediate answers (more than 28 hours).

Current political and social issues were also dealt with in twenty-five instalments of the weekly *Settegiorni* feature (20 hours and 54 minutes); the weekly *Punto Europa* feature, dedicated to the European Parliament's proceedings (12 hours and 30 minutes) was broadcast in as many instalments.

Furthermore Rai Parlamento broadcast sixty-two instalments of the programme *Spaziolibero* about the world of associations (10 hours and 33 minutes).

TV drama and comedy

Rai Fiction is responsible for producing TV drama and comedy works for the general interest Networks and specialist Rai channels.

Rai's commitment to encouraging Italian and European audiovisual production is at the same time one of the linchpins of its mission as a Public Service broadcaster in recounting contemporary and historical Italy, in fostering talent and the Italian audiovisual industry, in supporting innovation and in helping to have Italian work shown in other countries.

During the first half of 2017 Rai's TV drama and comedy works achieved the highest total audiences in the last ten years, this result being achieved by:

- carefully diversifying the offer among new editions of successful productions and an extraordinary quantity of original projects set in various regions of Italy, widening the general interest scope of the three Networks and thus aiming at the most extensive possible range of TV audiences;
- experimenting with genres through recently discovered hybridisation and the renewal of formats and language;
- an ever more pronounced tendency towards internationalisation by co-producing important event series with major foreign partners, as already happened, for example, with *Medici – Masters of Florence*, which was broadcast in autumn 2016. Ambitious projects with a powerful international appeal, high quality scripts and casts and excellent production values or genre stories with a strong sense of identity, with a narrative language and a visual style which measures up to the best international serials (both *La porta rossa* and *Maltese*, broadcast in spring, were co-financed by foreign partners).

New works were broadcast on Rai 1 in prime time between January and June 2017 achieved a total of 55 evenings. The average audience was over 6 million viewers with a 24.3% share (+2% compared to the first half of 2016).

The ten most watched Italian TV drama and comedy plays in the period under consideration were all Rai productions. Specifically, *Il commissario Montalbano* returns to first place in the table: the two new crime stories taken from the works of Andrea Camilleri reached all-time record levels with a total average audience of more than 11.3 million viewers and a share of 42.7%.

The *I bastardi di Pizzofalcone* series, taken from Maurizio De Giovanni's bestseller, set in a Naples far removed from the usual stereotypes (7 million viewers and a share of 26.3%) was in second place, followed by the two-episode mini-series *C'era una volta Studio 1* (6.9 million viewers and a share of 26.8%).

Another production to note was the new event series *Maltese – Il romanzo del commissario* (6.4 million viewers and a share of 26.3%), a powerful police melodrama set in the Trapani of the seventies, co-produced with Palomar and ZDF Enterprise. In a season of high quality and great variety of offer, *Maltese's* content and style is a point of arrival and a turning point for Italian TV drama and comedy: it is a series which is modern and which contaminates genres abundantly on the lines of the best international serials, with a leading character who portrays the loneliness of a person who has to make ethical and moral decisions.

The top ten drama and comedy plays by share is made up of Rai programmes only, including as regards the subscribers to satellite pay TV channels.

Il commissario Montalbano is in first place (43.5%), followed by *Maltese – Il romanzo del commissario* (27.8%) and the series *Di padre in figlia* (27.4%). These figures demonstrate that Rai's TV drama and comedy are able to meet the tastes and expectations of the most demanding audience, including against the wide range of products offered by satellite pay-TV.

In Rai 2 prime time, *La porta rossa*, a supernatural police thriller by Carlo Lucarelli and Giampiero Rigosi, obtained excellent feedback from critics and the public (more than 3.5 million viewers and a share of 14.3%), winning over the female public above all (15.6%) in addition to persons with high educational qualifications (15.7%). Distributed globally by Studio Canal and acclaimed as one of the most interesting and innovative series in Europe, *La porta rossa* is another brilliant example of the new type of Rai TV drama and comedy for audiences who love contemporary serials.

Traditional soap opera *Un posto al sole* continued on Rai 3: this is the longest-lived Italian serial which speaks of feelings and social themes every day to a keen and loyal public of all ages.

Production work also continued during the first half of 2017 on the drama and comedy plays that will be included in the offer to be presented next year. Projects which are increasingly challenging, dealing with contemporary issues, designed with a view to bring the product into line with the international standards of the new serials.

On Rai 1 the filming started of *L'Aquila – Grandi speranze, coming of age*, set in the regional capital of Abruzzo, destroyed by the 2009 earthquake; *Tutto il mondo è paese* is about Mimmo Lucano, Mayor of Riace, who has transformed a fishing village into a model for the integration of migrants; and *È così lieve il tuo bacio sulla fronte*, a TV movie about

Rocco Chinnici, the magistrate who set up the pool which fights against organised crime, assassinated in 1983; *Principe libero*, a biopic on Fabrizio De André.

Strategically important sequels like *Don Matteo* were produced: this is one of Rai's outstanding classics which is in its eleventh season and is still capable of taking on new life from one season to another while keeping to the same mix of comedy, thriller and sentimentality. Other sequels were *È arrivata la felicità 2*, a family serial, and *Non dirlo a mio capo 2*, a dramedy.

In addition to these, two new TV movies in the event series *Il commissario Montalbano* were shown; this series is one of the most successful and best loved productions among Rai 1's general public.

Filming will soon begin of event series *L'amica geniale*, from Elena Ferrante's bestseller, a highly-rated co-production with HBO for the international market. This is an ambitious project with a world-scale value which follows the success of *Medici – Masters of Florence*, building on Rai's commitment to exporting Italian products and spreading the Italian image over national frontiers.

Rai 2 has started filming *L'ispettore Coliandro – Il ritorno* and the *Il Cacciatore* series is under production; this, taken from the book by Alfonso Sabella, is the story of a young public prosecutor who plays a leading part in hunting mafia criminals in the period immediately following the Capaci and Via D'Amelio massacres.

The scripted reality show *Ci vediamo in tribunale* was launched on Rai 2 in the afternoon to encourage genre and format innovation; this production presents the stories of civil lawsuits by means of faithful reconstructions and interviews of the contending parties. In access prime time the channel broadcasts *Camera Café*, a sketch comedy whose format is among those most successful internationally, which will appear in a new guise on Rai 2 next season.

Finally, Rai 3 continues to work on the production of docu-fiction which describes real life and present-day social and current civic and social engagement themes: a new series has started, *La linea verticale*, written and directed by Mattia Torre. This is a dramedy which tells the moving and sometimes surreal story, in an ironic tone, of daily life in the oncological urology department of an Italian hospital from the patients' point of view.

Cinema

During the first half of 2017, Rai Cinema continued with its activity of acquiring films and TV dramas and comedies in order to enrich the Rai's programmes both qualitatively and quantitatively. The company also retains its role at the forefront of Italian and European movie production and in the products' commercial exploitation through the O1 Distribution department.

TV product acquisition

The procurement activity for the Networks included the agreement entered into with Sony Pictures Television Distribution, among other Majors, for the acquisition of a package of 38 films, 15 TV movies and the first-run series *The Halcyon*, requested for the prime time of Rai 1.

The term of the Framework Agreement in place with CBS for the years 2018/2019 was extended, as already agreed at the end of 2016; furthermore, series which are considered unmissable in Rai 2 and Rai 4's schedules continued with other episodes, including *Navy NCIS* (seasons 1, 2, 3, 5, 7, 9 and 11), *NCIS: LA* (seasons 1, 3 and 5), *Blue Bloods*, *Hawaii Five - 0*, *Beauty and the beast*, *Numb3rs* (seasons 1, 3 and 5), *Medium* (seasons from 1 to 6).

A package was agreed with Walt Disney Italy to repeat the first five seasons of the *Alias* series in a daytime slot at the request of Rai 4; they are to be shown exclusively by the specialist channels.

Rai continued to procure quality films from independent Italian distributors (Cinema Srl, Satine, Bolero and Teodora) for the cinema offer of all its Networks. 16 films from the Leone Film Group and 10 from IIF were also bought for Rai 4 schedules in order to satisfy its requirement for Action and Thriller films which has been a mark of the channel since it opened.

A wide selection of productions more specifically designed for television came from the German ZDF and Global Screen, which provide a large number of films for programmes for all types of audience in accordance with a long-established partnership: TV movie collection, sequels of series and among the new productions is the Rai 3 event mini-series, *Ku'damm56 - Rebel with a cause (3x90')*. Furthermore note the acquisition of the new seasons (22 and 23) of Rai 2's flagship series *Squadra speciale Cobra 11* from FremantleMedia (a RTL group company).

With reference to international titles for distribution, by constantly monitoring world cinema trends and

attending the most important markets, Rai Cinema was able to add new films to its list:

- *Raid Dingue* was bought from Danny Boom with the subsequent film by the same director and actor (*Une Jolie ch'tite famille*), the French follow-up of *Giù al Nord (Bienvenue chez les Ch'tis)* with an option for the rights to its remake;
- *A Beautiful Boy*, from the novels *Beautiful Boy* by David Sheff and *Tweak* by Nic Sheff, telling the story of the Sheff family and the ruinous effects of methamphetamine dependence;
- *Human Flow*, a documentary by Ai Weiwei, shot in 23 countries over more than a year, which describes the living conditions of over 65 million people who have fled from their homes in search of a new way of life.

Movie production

During the first half of 2017, Rai Cinema contributed to the production of a number of films that make up a wide and differentiated range of product.

Among the films completed, in post-production or about to be completed are *Ella & John - The Leisure Seeker* by Paolo Virzi, a dramatic comedy sustained by extraordinary interpretations on the part of Donald Sutherland and Helen Mirren; *Io sono Tempesta* by Daniele Lucchetti, a comedy about the period of crisis; *Il colore nascosto delle cose* by Silvio Soldini; *La vita in comune*, a short Salento comedy by Edoardo Winspeare; *Land* by Babak Jalali, set in a community of native Americans; *L'ordine delle cose*, the third feature film by Andrea Segre; *I'm fantasy in 3D* by Anne Riitta Ciccone; *Dove non ho mai abitato* by Paolo Franchi, a sentimental tale of a woman, with Emmanuelle Devos and Fabrizio Gifuni; *L'equilibrio*, the new film by Vincenzo Marra, a story of social and human commitment; *Balon* by Pasquale Scimecca, mainly filmed in Sierra Leone; *Rimetti a noi i nostri debiti* by Antonio Morabito with Marco Giallini and Claudio Santamaria; *Il flauto magico di Piazza Vittorio*, an alternative version of Mozart's masterpiece, directed by Gianfranco Cabiddu; *Nome di donna*, the new film by Marco Tullio Giordana; *Io, il tubo e le pizze*, a work of autobiographical docu-fiction which Ugo Gregoretti drew from his book *La storia sono io*.

Rai also showed the following first and second films of directors: *Hannah*, the second film by Andrea Pallaoro on the identity crisis of a woman played by Charlotte Rampling; *Una famiglia*, the second film by Sebastiano Riso which investigates the traffic in newborn babies; *Jenish*, the first film by documentary maker Valentina Pedicini on the ethnic persecution of Jenish nomads in Switzerland from the 1930s to the 1970s; *Sembra mio figlio* by Costanza

Quattriglio, a story of the difficult integration of a Hazara Afghan; *Nato a Casal di Principe* by Bruno Oliviero on a family's desperate search for a son who vanished into thin air; *Achtung Baby* by Andrea Tagliaferri, narrating the flight of three young people with no bearings; *Asteroidi*, the debut of young documentary maker Germano Maccioni; *Ride*, the first film by Valerio Mastrandea on how a family comes to grips with their grief; *Dei*, Cosimo Terlizzi's first work; *Il mangiatore di pietre* by Nicola Bellucci; *Ci vuole un fisico* by Alessandro Tamburini, a sentimental parable about a young couple; *Il contagio*, the second film by Matteo Botrugno and Daniele Coluccini from Walter Siti's novel of the same name; *La terra dell'abbastanza*, the first film by Fabio and Damiano D'Innocenzo, very young directors; *Veleno*, the second film by Diego Olivares with Massimo Gallo and Luisa Ranieri; *L'età imperfetta*, the first film of Ulisse Lendaro; *Favola*, the debut as a director of video maker and writer Sebastiano Mauri; *Cruel Peter* by Christian Bisceglia and Ascanio Malgarini, a horror film made in English like *In un giorno la fine* by Daniele Misischia; *Si muore tutti democristiani*, the first film of Il Terzo Segreto di Satira; *La fuitina sbagliata* by Mimmo Esposito, a film tailor made for stars who have climbed to fame on television (Zelig and Colorado Café) under the name of "I Soldi Spicci"; *Otzi and the mystery of time* by Gabriele Pignotta, a fantasy film for boys and girls; *La gatta cenerentola*, a cartoon by Alessandro Rak, Ivan Cappiello, Marino Guarneri, Dario Sansone, a contemporary transposition of Basile's fairy tale; *Il più bel giorno* by Vito Palmieri, a romantic comedy based on misunderstandings; *Tito il piccolo*, the second film by Paola Randi, a fantasy with surreal tones; and *Ricordi?*, with Valerio Mieli's return as a director, a sentimental story.

Filming is in progress of *Ovunque proteggimi* by Bonifacio Angius, the story of a meeting of two lonely people; *Metti la nonna in freezer*, Giuseppe Stasi and Giancarlo Fontana's debut as directors; *Lala, incontro a Bombay* by Goutam Ghose, the story of a young documentary maker who comes into contact with an Indian child; *Figlia mia*, the second work by Laura Bispuri; the first film by Simone Catania, *Drive me home* with Marco D'Amore, the story of a deep male friendship; and *Un confine incerto* by Isabella Sandri, which describes the routes taken by pedopornography in Europe with great delicacy.

Among the films being planned are *Arrivano i prof* by Ivan Silvestrini, a remake of a French comedy; *Il primo re*, an epic film by Matteo Rovere; *Dogman* by Matteo Garrone on an atrocious crime in the 1980s; a new film by Pupi Avati, *Il signor Diavolo*, in which he returns to

the horror milieu of his first successes; *Quel poco che rimane* by Pippo Mezzapesa, the story of an earthquake survivor; *Nel bagno delle donne*, the first film by Marco Castaldi on the existential crisis of a thirty-year old man; *Il pendolo* by Aureliano Amadei, an enjoyable on-the-road film; *Primo piano*, a new film by Tonino De Bernardi; *Amore non si sa* by Marcello Di Noto, the saga of a singer of modern Neapolitan songs; *Wine to Love* by Domenico Fortunato, the story of a vine grower who does not resign himself to selling his land; *I Destini Generali* by Stefano Chiantini on two colleagues' impossible love; *Martin Eden* by Pietro Marcello, the story of a penniless sailor who becomes a successful writer; *K23* by Ermanno Olmi, a film which connects Stalin with Maria Yudina, a musician who had the courage to make known her dissent; and *Capri Batterie* by Mario Martone

Among films on which work is in progress are *Vita* by Liliana Cavani, the story of a miracle; *Momenti di trascurabile felicità e infelicità*, taken from two books by Francesco Piccolo; *Non sono un assassino*, a thriller based on friendship from the novel of the same name by Francesco Caringella; *Niente è come sembra*, a new work by Roberto Andò, a thriller which turns on a ghost writer; *Dormiremo da vecchi*, an acid comedy written by Fabio Bonifacci from a novel by Pino Corrias; *Un cielo stellato sopra il ghetto di Roma* by Israel Moscati which tells the story of a woman looking for her roots; *Gli infedeli* on the instability of human relationships; the first work by Samuele Sestieri, *Da un'altra parte*; *Dona Gracia*, the new film by Amos Gitai; *In Absentia*, a work initiated through the Scuola Holden written by some students in the last year of script writing; *La notte più lunga dell'anno* by Andrea Di Consoli and Simone Aleandri, in which four stories intertwine in Basilicata during the last night of the year; *L'alba di Domani* by Francesco Castellani and Mario Orfini, the story of a conflict between a married couple; and *700 di questi giorni* by Alberto De Angelis and Marco Trabucchi, the story of three young people who rediscover provincial life.

Documentary production

As regards the cinema of reality and documentaries, Rai Cinema started 16 projects during the first half of 2017, in line with its editorial policy and abiding by its mandate to support independent authors and producers.

Documentaries about Marco Biagi and Natale De Grazia have started to be made as a part of the *In nome del popolo italiano* project, after works on Piersanti Mattarella and Vittorio Occorsio, to complete the series produced in synergy with RaiCom and Rai 1.

Then there were the special programmes: *Vedete, sono uno di voi* by Ermanno Olmi (in Milan Cathedral on 10 February), *Pino Daniele, Il tempo resterà* by Giorgio Verdelli (in the Naples San Carlo Opera House on 19 March), *Alla ricerca delle radici del male* by Israel Moscati (against the impressive backdrop of the Fosse Ardeatine massacre mausoleum on 7 June).

As regards TV broadcasting, note the excellent audience performance of : *Triangle* by Costanza Quatriglio (more than 900,000 viewers and a share of 8.8% - 3.3 million contacts), *Let's go* by Antonietta De Lilla (730,000 viewers and a share of 5.8% - 2.5 million contacts), both in *Speciale Tg1* on Rai 1; the second viewing of *Fuocoammare* by Gianfranco Rosi (more than 860,000 viewers and a share of 3.4% - 5.8 million contacts) on Rai 3.

Festivals

Rai Cinema took part in the two biggest festivals on the calendar in the first half of 2017: the Berlinale (9-19 February), without Italian films this time, and Cannes (17-28 May). Four Italian films were selected for Cannes: *Sicilian Ghost Story* by Fabio Grassadonia and Antonio Piazza which successfully opened the *Semaine de la Critique* and three films selected for the *Quinzaine del Réalisateurs*; *A Ciambra* by Jonas Carpignano, the winner of the Europa Cinemas Label Award; *L'intrusa* by Leonardo di Costanzo; and *Cuori Puri*, the first film by Roberto de Paolis.

Then there are two notable films from other countries: *Wonderstruck* by Todd Haynes, contending, and *D'après une histoire vraie* by Roman Polanski, not competing.

There were a number of awards received during the first half of 2017. First of all note the sixteen David di Donatello awards assigned, among others, to *La pazza gioia* by Paolo Virzi, who received the most prestigious statuettes for Best Film, Best Director and Best Actress in a leading role (Valeria Bruni Tedeschi) and *Veloce come il vento* by Matteo Rovere, winner in no fewer than six categories, including Best actor in a leading role (Stefano Accorsi), Best Cinematography and Best Film Editing.

Additionally the Foreign Press in Italy awarded the 7 Golden Globes, including those to *La stoffa dei sogni* by Gianfranco Cabiddu for the best film and 20 Silver Ribbons from the Italian Cinema Reporters Union, handed over at Taormina, where Gianni Amelio triumphed with *La tenerezza*, the winner of the most important awards: Best film, Best Director, Best Actor in a leading role (Renato Carpentieri) and Best Cinematography. The Ribbon for the best debutant director, on the other hand, went to Andrea De Sica for *I figli della notte*.

Distribution

During the first half of 2017 Rai Cinema distributed 18 films with a total box office take of about Euro 39 million and almost 7 million tickets sold, ranking fourth in the classification of distributors, with a market share of 12% of revenues.

The titles that recorded the best performance are: *Mister felicità* by Alessandro Siani, sixth in the box office rankings for the year, the second in Italy after *L'ora legale*, with a box office take of about Euro 10.5 million, and *La La Land* by Damien Chazelle, winner of 7 Golden Globes and 6 Oscars, including Best Actress in a Leading Role and Best Original Score, which took in about Euro 8.3 million.

Among the other films of note were Gianni Amelio's *La tenerezza*, the takings for which were Euro 2.2 million and which won 4 Silver Ribbons for the Best Film, Best Director, Best Actor in a Leading Role (Renato Carpentieri) and Best Cinematography.

Furthermore, Rai Cinema is the second Italian company in the Home Video sector after Eagle and the fifth one on the market, with a share of 4.5% (5% as regards the new works for 2017); *La La land* was the 20th most-sold movie during the first half of 2017.

Commercial agreements

The first half of 2017 confirmed the growing trend in sales activities in the various channels in which distribution is carried out following the exploitation of Theatrical and Home Video rights.

It should be noted that an agreement was entered into with Telecom for the concession of Pay TV/SVOD rights to the digital platform TIMVision in relation to a package of 20 titles distributed in cinemas during 2016: for the first time in Italy, the window for the first utilisation of PAY TV/SVOD rights was sold to a non-linear digital platform on an exclusive basis, with the possibility of a move to free TV several months before the standard windows.

The period saw the confirmation of the agreements with the big digital platforms for the distribution of products in TVOD (Transactional Video On Demand) and EST (Electronic Sell-Through) such as iTunes, Chili, TIMVision, Google Play, Sony, Xbox by Microsoft and Wuaki.

As regards the channel of newsstands, the agreements in place with Mondadori and with the L'Espresso Group (now GEDI Gruppo Editoriale) ensured Rai Cinema's substantial footprint of movies.

Numerous films were entrusted to Rai Com to sell abroad; among these *In guerra per amore*, Pif's second production, and *Lasciati andare* by Francesco Amato were sold in many countries, giving great satisfaction. Finally, note RaiCom's sales of SVOD rights for the international Netflix market.

Rai Cinema continues to increase its commitment in the web sector on an ongoing basis. As usual, 2017 saw Rai Cinema Channel's support to the promotion of any and all films produced and co-produced by Rai Cinema: in February Ermanno Olmi's documentary about Cardinale Martini, *Vedete, sono uno di voi*, was shown in Milan Cathedral and in March there was a special showing of *Il tempo resterà* about Pino Danieli in the Naples San Carlo Opera House, while in May a documentary about the 2017 Cannes Festival was shown.

Radio

The radio is an original component of the Public Service and an advance guard of hybridisation among the media, an example of the convergence of platforms and consumers, a test bench for the Rai Media Company.

The proliferation of content, formats and web and social media interactions make up a picture of a radio sector which is thoroughly integrated and innovative, interpreting the fluid identity of sound and claiming a place in the centre of the digital scenario.

From this point of view, the extension of the Dab+ (Digital audio broadcasting) network accompanies a process of technological and production migration which has been in progress for some time and which has already been fully perceived by listeners, especially habitual users of digital devices.

Rai, therefore, continued with its commitment to developing and advancing Digital Radio. The protection and boosting of the FM Network and Dab+ are priorities from the point of view of both production and infrastructure, within the framework of the development process headed by the Regulatory Authority.

In the first half of 2017 RadioRai opened five new specialist radio stations for different themes, which can be heard on internet, with an app, on DTT or satellite TV and on Dab+ digital radios, constituting a range of content to satisfy new digital radio listening needs: Radio Classica with a repertory of music from the 11th to the 21st century; Radio Kids, for children of 2 to 10 years and their families; Radio Live, live events from all parts of the country; Radio Techeté, with its precious stock of recordings from the archives, and Radio TuttalTaliana with all Italian pop star voices and personalities.

These are five quality radio stations which take their places at the side of the general interest Networks, Radio 1, Radio 2, Radio 3, and the themed channels Isoradio and GrParlamento, to make up a full, exclusive and many-sided Public Service offer.

The expansion of the radio offer and the 10 Rai channels' positioning in the digital platform hybrid area outlines the playing field of competition at an advanced stage, in which the decisive factors will be innovating content and technology and ensuring that quality rivals that of the commercial networks.

This overall scenario of a sector which is deep-rooted and is tending towards advanced uses and audiences shows that a host of tasks and improvements are to be carried out; not the least of these is keeping abreast with the radio market, which is continually growing with the entry of new operators and offers, cross-media strategies. On

the other hand the performance of investments in advertising started reversing the downward trend in 2016, which confirms that this medium is in good health.

Another important aspect is Rai's commitment to the phase to establish Tavolo Editori Radio – TER Srl, the Italian and local radio broadcasting company board, chaired by a Rai representative who has been elected for a second term.

This board's aim is to reconstruct a new form of audience survey, which started in February 2017 and which widens the scope of its activity to keeping in contact with the Authorities and Investors in advertising (UPA).

A project which requires long-term vision and the ability to detect opportunities for growth: sustainable solutions for a Public Service which is not the market leader but nevertheless remains the mainstay of the Italian radio system.

Radio1 – Radio News Programme

Radio1 continues to carry out its mission to provide reliable, credible and authoritative information. The desks produce over 230 editions of Gr1 radio news programmes a week, 66 of Gr2 and 40 of Gr3, lasting from two to twenty minutes, in addition to sports news. Intense and passionate work to recount complex political, economic, labour and financial events, report general news items and what is happening abroad and in all the parts of the country, describe social ferments and present events in the worlds of culture and entertainment. Characteristics of these editions are *live conversations*, with special radio news programmes which go into matters in depth: *Terremoto in Centro Italia*, *Soccorsi Hotel Rigopiano*, *Il Giorno della memoria*, *Le Elezioni Olandesi*, *I Trattati di Roma*, *L'attentato a Londra*, *Speciale Turchia*, *Le Elezioni Francesi*, *25 Aprile*, *Il Papa in Egitto*, *Fatima* and *Banca Italia*.

Sport is always a backbone of Radio 1 and the Gr radio news programme, covering a wide range of events: the Italian Football Championship, the Champions League, F1, the MotoGP, basketball, volleyball, rugby, athletics and swimming. A formidable container of free sporting rights. Radio 1 Sport gives radio audiences two live broadcasts with listener participation about current sports events with *A tutto Campo* on afternoons a week from Monday to Friday and *Radio anch'io Sport* on Monday morning. In the evening comes *Zona Cesarini*, the historic broadcast about the Champions and Europa League.

At the weekend space is given to reporting and to telling the stories of sports personalities in *Extratime* in the morning and to live commentaries from sports grounds and racing tracks with *Sabato Sport* and *Domenica Sport* in the afternoons.

The utmost effort is put into the great sporting events; for example there was a long and thorough commentary on the Giro d'Italia in its hundredth year, supplemented by *Sulle Strade del Giro*, by a live commentary from the finish of the stage with the initial impressions and *Fuori Giro – il dopo tappa*. Radio 1 is the media partner of the BNL-sponsored Italian international tennis championships this year too, providing a wide range of broadcasts to talk about the thrills of each match, curiosities, the background and events behind the scenes of the main courts.

In addition to securing its public, Radio 1 invests in new listener segments: first of all women and young people.

An experiment which started on language and quality and sought-after music to end with new proposals for insertion in the schedule. This led to the birth of *Vittoria*, a daily programme about the little and great challenges women face: stories of success, life, beauty.

Radio 1 is a radio of content. Its schedules are packed from the early hours of the day, beginning with *Voci del Mattino*, an international press review, and goes on with *Radio anch'io*, a flagship Radio 1 news programme based on dialogue with listeners, investigations and special editions. The space devoted to listeners' reports and complaints and questions about current affairs with *La Radio ne parla* has been renewed. *Un giorno da Pecora*, a satirical political programme, has also arrived on Radio 1, on afternoons from Monday to Friday, from 1:30 to 3:00 p.m.. *After Tutto il Calcio minuto per minuto* and *Vittoria, Italia sotto Inchiesta* and *Zapping* have come back to keep Italians happy.

Musical programmes have character and personality: *Radio1 Music Club*, *King Kong*, *Latitudine Soul* and *Brasil*.

King Kong in particular has given life to an impressive project which is alone of its kind: *KO Computer*, a digital compilation which can be downloaded free from the Radio 1 website (single pieces and/or the entire compilation can be downloaded). 12 Italian singers have interpreted a piece of the Radioheads' "Ok Computer" for this project.

A number of media partnerships were established during the half-year. Radio1 is the official Radio station of important festivals: the Beauty Festival in Verona, the Economy Festival in Trento, the Tenteramente Festival at the Vittoriale Amphitheatre and the Trento Film Festival.

Radio2

Multi-platform production projects, the paramount role of music, live events, local storytelling, social awareness campaigns and brand visibility

through cross-mediality and new on-field activities are the main elements which marked Radio 2's offer during the first half of 2017.

Radio 2 is always conscious that it is a Public Service and its aim is to combine entertainment, quality and content.

Radio 2's on-air offer of the first half of 2017, with the precise intention of intensifying its recognisability, cemented the schedules presented in the previous autumn.

The Network's leading products were confirmed. *Il Ruggito del Coniglio* and *Caterpillar* – which completed 20 years on air – *Caterpillar AM*, *610*, *Decanter*, *Radio2 Social Club*, *I Provinciali*, *Non è un Paese per Giovani*, *I Sociopatici*, *Radio2 Come Voi*, *Me Anziano*, *You TuberS*, an encounter between different generations; *2Night* continued in its new night format without a break, presenting trendy music to Rai 2's night audience.

In the weekend, the schedules included the historic *Black Out*, *il Programmone*, *Ettore*, *Coniglio Relax*, *Italia nel Pallone*, as well as *Hit Story*, a journey through authorial music; *KGG*, which searches out the most curious news items, the funniest stories and the best music in circulation; *Radio 2 Weekend* and its pungent satire and *Back2Back*, challenges between house music and dance music stars on the console with one hit after another and a series of celebrated musical personalities.

The strategy that has evolved around the live concept is increasingly broadly based because it is one of the Station's strong points:

- **live programmes from the Via Asiago studios.** *Thegiornalisti*, *Diodato*, *Ermal Meta*, *Marianne Mirage*, *Ex Otago*, *Mannarino*, *Tiromancino*, *Coez*, *Stato Sociale*, *Levante*, *Paola Turci*, *Elodie* with *Michele Bravi* and *Lodovica Comello*, on air and online with live Facebook connections to attract a new audience;
- **mini-live broadcasts** with musical and sound exhibitions by young trendies in the *Rock and Roll Circus*, *Babylon* and *2Night* programmes;
- **live broadcasts** of the most noteworthy **Italian and international music.** *Bersani*, *Brunori Sas*, *Joan Thiele*;
- **local live events** from the Radio 2 truck in squares and theatres, often in media partnership, such as the Energy Saving Day *M'illumino di Meno*, the Sanremo Festival, the International Tourism Exchange BIT, the Vinitaly wine exhibition, the Concert of 1st May in Rome, the Bicycle Festival, Giro d'Italia, the Partita del Cuore football charity match, the Biografilm Festival, the Music Festival. The Station committed itself to production on an impressive scale for Big Events: 50 hours of live commentary were broadcast for the 100th

edition of the 21 stages of the Giro d'Italia and the stage truck which stopped in all the towns the race passed through covered more than 3,000 km.

Radio2 was also to be found on the world scene with the Groningen Eurosonic, the shop-window festival for new European music, with Primavera Sound in Barcelona, the Spanish event which gathers the best on the international scene and Sonar, the annual electronic music and multimedia art event.

Radio2 continued to substantially boost synergies in terms of editorial content created with TV programming: with Rai 1 for the Eurovision Song Contest, with Rai 3 for the Concert of 1st May, with Rai 4 for *Rai Dire Nazionale*. So it did for the daily link of *Ruggito del Coniglio* with *Uno Mattina* and of *Decanter* with *La prova del cuoco* on Rai 1, and of *Sociopatici* with *Stracult* on Rai 2.

Radio 2 did not fail, either, to bring its community into social awareness campaigns regarding momentous present-day themes.

The 13th edition of *Mi illumino di meno* took place in February. This is Energy Saving Day, supported by *Caterpillar*, which has presented the biggest energy consumption and sustainable mobility awareness campaign on the radio for years. The project, conducted on air, on internet and on the social media, was also patronised by the highest authorities of the Italian State in 2017 and the main Italian and European monuments supported the day as a symbolic gesture in favour of energy saving.

The multi-media content of Radio2 programmes videos, exclusive backstage, live broadcasts, photos – can be downloaded from the website and the Facebook pages of the radio station.

Radio3

2017 began with two new programmes: *Le meraviglie. In cammino per l'Italia*, a voyage of discovery of surprising places abounding in history and beauty which are symbols of the history of the Italian people, and a new eight-installment cycle of *Pantheon* about J.R.R. Tolkien, one of the best liked, and to a great extent misunderstood, 20th century writers, followed by two other cycles dedicated to Primo Levi and Don Lorenzo Milani.

In 2017 Radio 3 expanded and enhanced the quality of its music broadcasts, putting on 434 concerts of various musical genres from 1 January to 30 June. Some among the many to mention are the live performances from the New York Metropolitan, from the Milan Teatro alla Scala, the Turin Teatro Regio, the Bologna Comunale,

the Venice La Fenice, the Rome and the Naples San Carlo Opera Houses.

The Rai National Symphony Orchestra was a constant presence both with Symphony Season concerts and cycles of Rai Nuova Musica, devoted to contemporary music. Radio 3's concerts at the Quirinale continued: this is a prestigious series of musical events produced live by Rai 3 every Sunday morning from the Cappella Paolina in the President of the Republic's Quirinale Palace, for which there was more participation from the public for the 17th edition.

In addition to concerts, Radio 3 provides musical education all the year round with *Wikimusic* and the much appreciated *Lezioni di Musica*.

With a special eye to the foremost themes in cultural and civic debate, Radio 3 devoted a number of broadcasts and events to the commemoration of important dates in Italian history. 25 January was dedicated to Giulio Regeni with a live programme from the Rome La Sapienza University in collaboration with Amnesty International; Holocaust Remembrance Day – 27 January – live from the Venice Synagogue; International Women's Day – 8 March – on which women's stories, voices and songs were heard; on 21 March, World Poetry Day and also the first day of spring, the Station's entire schedule was accompanied by the voices of poets who offered one of their works related to nature; the live performance on 30 March from the French Academy at Villa Medici in Rome to celebrate the sixtieth anniversary of the Treaties of Rome in collaboration with Radio France; and 31 March was a day dedicated to the great scholar and linguist, Tullio De Mauro.

For the Anniversary of the Liberation of Italy from the Fascist government and Nazi occupation, Radio 3 commemorated the Italian Resistance with its daily tools of the trade: words, music, history, archive material and audio-documentaries.

On 1st May Day Radio 3 threw out the question, "What job would you like and what would you like from your job", involving listeners by radio, on the social media, in text messages and WhatsApp.

Radio 3 took part enthusiastically in the European Festival of Music promoted by the MIBACT, opening the historic Room A in Via Asiago – one of the places which symbolise music during the last decades – from 12 noon to 3 p.m. with live broadcasts and the presence of the public. Radio3 has broadcast live the most important cultural events: the Science Festival in Rome and the Art Fair in Bologna in January, the Film Festival in Berlin in February; *Libri Come* – the book and literature fair at the Rome Auditorium Parco della Musica in March; *Tempo di Libri* in Milan in April;

the Book Fair in Turin, the Film Festival in Cannes and the Biennale Art Exhibition in Venice in May and the Economy Festival in Trento in June.

Furthermore, the third edition of the Radio 3 Festival at Forlì took place from 9 to 11 June: three days of discussions, theatre performances and concerts in the square, a feast of voices and sounds.

There was still greater attention to new formats and to meeting the requirements of an audience which chooses to download programmes more frequently apart from listening to them on air in the traditional manner. Particular care was given to packaging content which could be streamed or podcasted, a policy appreciated by users, as shown by the results obtained by the programmes of *Ad Alta Voce* and *Wikiradio*. There was also an increase in the range of films, images, e-books, interactive and multi-media maps such as those accompanying the programmes of *Le Meraviglie* and *File Urbani*. Video streaming activities were enhanced, especially with the channel's special initiatives.

In June a new website was created to which all the musical content of the network is conveyed, so that listeners can hear entire concerts, interviews and talks again at any time.

Isoradio

During the first half of 2017, the Isoradio channel went on with its flow programming, 24 hours a day throughout the year: traffic and road news and music.

As usual, daily links continued with the Highway Police, the Motorways Company, the National Highways Agency (ANAS), Harbourmasters' Offices, the Airports and the State Railways in order to give continuous and accurate information on traffic conditions and the roads in general throughout the country.

The main production events during the first half of 2017 were:

- The feature *Viaggiare in sicurezza* ("Safe Journey") with Isoradio and the Highway Police. Every week live from Isoradio microphones Highway Police officers inform travellers of the provisions of the Highway Code, tell drivers how to behave at the wheel, give information about traffic offence fines and also answer listeners' questions;
- *In diretta con l'ANAS*, a weekly programme that provides information on the activities carried out by ANAS: works, closures, traffic forecasts during weekends;
- *Notte sicura con Isoradio*, every night from 0.30 to 5.30 a.m. presenters alternate to keep

travellers company with a radio happening, a mixture of traffic news, music and information about road safety and education. The schedule includes connections with the Highway Police, the Carabinieri Corps, the Fire Brigade and Civil Protection teams at work on the roads of Italy. During the weekend there are live broadcasts from resorts and end of week events. There are studio guests and listener phone-ins;

- *Studenti a Isoradio*: from January to May 2017, on Wednesdays it is the turn of primary and secondary schoolchildren, who talk live from the Isoradio studio about road safety and education;
- *Cultura on the road*, a twice-weekly radio magazine on programmes of events, theatre performances, concerts and exhibitions;
- *Scuola guida: uomini e donne al volante*, stories of a different genre on air live twice a week, in collaboration with National Association of Driving Schools;
- *I viaggi del Giovedì*, every week an itinerary which visits little-known destinations, bizarre places, curious museums, hidden hill villages and the out-of-the way parks of the Italian peninsula;
- *Arrivi&Partenze*, the most unusual current news and the oddest events in Italy and in the world. Live guests, link-ups and music;
- *Sulla strada*, weekly road haulage feature. News, discussions and interviews;
- *Ti viaggio bene*, stories about Made in Italy on the march – strategies and logistics of small and medium-sized Italian firms;
- *Pop Corn*, quality music in the Italian hit parades of the sixties and seventies.

During the twenty-four hours of daily programming, at times of less intense traffic, there were live broadcasts of analysis programmes, taking a cue from present-day affairs and news, on Isoradio's specific themes: road safety, territory, environment, sustainable mobility, alternative inner city and out-of-town routes, tourism and travels, in the broadest sense, service quality and consumer protection, transport means and infrastructure. The schedule also includes presentations of various campaigns and fund gathering crusades, such as those for AIRC (Italian Association for Cancer Research), Telethon, AIL (Italian Association against Leukemia-lymphoma and myeloma), FAI (Italian Environment Fund) etc.. Finally, the music programmes which, as always, had an important place in the daily schedule, with talks and special programmes about artists who were often live guests in the Isoradio studio.

Digital media

2017 saw the confirmation of the publishing and industrial strategy that had been adopted during the second half of 2016. On 14 December 2016, Rai took RaiPlay into the world of connected TV sets: single browsers increased from a daily average of about 22,000 in January (63,000 views) to more than 29,000 in June (exceeding 102 thousand views a day) during the first half of 2017.

With RaiPlay the Public Service broadcaster talks to everyone more and more, paying attention to each individual user, taking its place at people's side with a vast amount of content which meets the most diverse requirements while being simple to use with an accessible form of technology which does not need either a decoder or a special remote control devices.

In June total digital audience recorded 30.2 million users, 55% of Italians from 2 years of age onwards. On the average day 23.6 million Italians were online, of which 21.06 million Italians of between 18 and 74 years also browsed from mobile devices (source: Audiweb).

At the end of June 2017, the offer essentially consisted of:

Rai.it: the portal that is inclusive and makes the vast Group's web offer easily accessible. Rai.it promotes all the programmes on air and gives access to them, with their web-available content, from all TV networks and radio channels, as well as to information and multimedia content from all the news mastheads, directly reporting all the most important news of Rai News and Rai Sport.

Rai.it also offers a series of services of great importance and interest to users, such as the guide to the Rai programmes and the access to corporate information.

Rai.it also includes the offer from programmes, channels and service websites.

RaiPlay.it: the multi-platform environment for access, through a sophisticated and adaptive graphical interface, to a selected video offer available on non-linear platforms. This service consists of:

- live streaming of 14 TV channels;
- the Replay TV services, from which access may be obtained on-demand and on payment of rights to eight of the Rai channels broadcast during the previous seven days;
- access on-demand, a rich video on-demand offer selected from TV channels, in addition to content exclusive to the web from the Rai Teche Archives and Rai productions ordered by genres and re-run through selected themes specifically released.

Methods of integration of various platforms were also successfully tried out, for example the web and apps and MHP during the 2017 Sanremo Festival so that content could be combined and used in live streaming and on demand at the same time as TV broadcasts.

Radio Rai.it: it is Rai Radio's portal, with access to the live broadcasts from 10 stations. It also provides access to all the portals of the radio networks and programmes with a wide range of on-demand audios, podcasts, texts, photographs and videos, most of which are exclusive. The phase of study of the reorganisation of the radio offer in order to put it on internet also ended in the first half of 2017. The method of use is as successfully tried out for RaiPlay; the new web radio offer is expected to be produced during the second half of 2017.

Rainews.it is the Rai news website. During the first half of 2017 "Rai24" was designed and almost set up, which is the name provisionally assigned to Rai's new digital news project, which is to carry out a full review of both user experience and the newsrooms' system for producing and publishing content.

At the same time as it was at work on the domestic news project, TGR radio news programme also started to go digital during the first half of 2017: the first regional website was opened by the Florence production centre in the framework of the TGR web project. This development was preceded by training reporters in digital procedures and assisting them during a trial period.

As regards sports news, particularly that on RaiSport and its portal, a special Giro d'Italia website was created during the half year, which, for the first time, gathered together and combined web content from the Radio, presenting information from the various newsrooms in an orderly and coordinated manner to Rai users.

Some of the Rai web services (es. RaiPlay.it, Radio Rai, Rai News, Rai Sport) may also be accessed in the form of applications for the main smartphone and tablet devices.

Rai's video on-demand programmes can also be found on Smart TV Samsung, Apple TV and Android TV. The app provides, free of charge, on-demand content and videos to watch and watch again sitting comfortably in the living room at home: in fact users may obtain access to the RaiPlay.it service and, in on-demand mode, to a selection of the best Rai content structured for each channel and in an original manner for each platform. Rai is also present on interactive digital terrestrial televisions and decoders (Gold stamp

certified) with the RaiPlay.it, TGR regional news programmes and Telecomando services.

During the first half of 2017, Rai strengthened and streamlined its official footprint on the main social networks (Facebook, Instagram and Twitter); the aim is to capture a vaster and vaster social user public, younger and technologically skilled from the socio-demographic point of view, and to position its corporate and product brands more contemporaneously.

Many social media profiles which were no longer up with the times have been removed in the processes of rationalising its presence in this sector and optimising its communication and product strategies, from 1,050 to less than 440 profiles for the entire company.

This paring process was conducted thanks to coordination with the platforms which assisted with the process so that the fans and followers of the profiles closed could migrate to those still open and the total numbers of users did not fall. At the same time the centralised matrix for the management of the credentials of all the social media users was finalised, excluding, for the moment, those in the Rai News area.

During the first half of 2017 Rai went on positioning each profile/publisher more clearly on the social platforms in addition to innovating the formats and tools used: live broadcasts on Facebook in which Rai's talents and personalities can talk to the public and answer their questions have now been tried out successfully by almost all the profiles; its main TV and radio networks and RaiNews are now permanently present on Instagram, including feeds of stories and live broadcasts, critically important to reach out to younger users; referral to Rai's digital platforms and app downloads have become a constant and well-organised practice on the part of the main profiles, together with information about on-air content; very technologically advanced solutions have been tested and adopted for live broadcasts on social media, such as a program which shoots live multi-camera film, launched in the Digital Room set up at Forte Santa Tecla during the Sanremo Festival, in which one of the special digital correspondents, The Show, interviewed artists and guests taking part in the event and allowed users to ask questions.

Owing to this particular approach to managing social media, Sanremo 2017 was the most popular Italian TV entertainment event ever on the social media, with a total of 37.3 million interactions during the programming week (Twitter, Instagram, Facebook; source: Blogmeter) and 5.8 million people involved over the whole week (Twitter, Facebook; source: Nielsen Social Content Ratings).

This activity on the social media increased the number of referrals to RaiPlay content compared with the previous edition. During the first half of 2017, the content relating to the last edition of the Sanremo Festival totalled 12.3 million views, recording an increase of 40% compared to the Sanremo-branded content that could be downloaded from Rai TV during the first half of 2016. Live streaming with 2.5 million views recorded an even more evident increase compared to 2016, +67%.

From a more general point of view, in the first half of 2017 the share of Facebook and Twitter interactions regarding Rai TV programmes was 53% of the total of interactions generated by Italian TV programmes as a whole. This makes Rai the leading Italian broadcaster by number of interactions generated on social media platforms from January to June 2017 (excluding sports events; source: NSCR).

As it did for Euro 2016 and Rio 2016, furthermore, Rai constructed a digital offer for the 100th edition of the Giro d'Italia with a responsive website and a social media War Room offered at Saxa Rubra by Radio 1 which enabled the social media managers of all the Networks involved to comment on the race (Rai 2, Rai Sport, Radio 1, RaiPlay), make a plan for cross-platform content and communication and give a variegated and highly synergical account of the Giro on the social media.

Special live or recorded video content was broadcast by the RaiSport and Radio 1 reporters who followed the Giro 100 event, assisted by social media correspondents throughout the country with the aim, agreed with Rai's partner, RCS, of spreading awareness of the Race among young and digital targets.

On Facebook and Twitter, *Giro 100* involved 1 million single users and generated more than 2 million interactions (data processing: Marketing Rai).

In the first half of 2017, even in the absence of a dedicated team, new traffic building campaigns were strengthened and conducted on the Twitter and Facebook/Instagram platforms, in addition to the completion of the agreement with Google for planning on Google and YouTube platforms in June. The campaigns covered the main entertainment programmes and sporting and radio events transversally.

A special effort was made to communicate the RaiPlay Pre-release of *Non Uccidere*, for which a digital campaign was designed with street art videos with the aim of raising awareness and increasing traffic on the website and App downloads.

The campaign, which was active for the ten days of the Pre-release, resulted in 73,000 single clicks on the *Non Uccidere* content on RaiPlay, out of a total of 226,000 single browsers for the episodes

of the second season (sources: Facebook Business Manager; Webtrekk).

Additionally, in support of Corporate Communication, a conversation, image and crisis management monitoring system was designed and put in place on the social media platforms in order to intercept and promptly handle all conversations which could have an unfavourable impact on the Company or which contain false statements with this objective in mind; exchanges of this kind often spring up and spread on these media.

In the first half of 2017 a social media training system for reporters was further refined and made available, with specific reference to the digitalisation of the TGR radio news programme offices and teams.

During 2017, finally, the design function designed and implemented the interfaces for the digital projects of Rai, launched on web browsers and Apps for connected TV sets, as well as mobile Apps for smartphones and tablets. Among the major projects were: RaiRadio, Giro d'Italia, RaiPlace, Rai Academy, Rai Porte Aperte, La Rai che vorrei, the programme sites of *Sanremo 2017* and *Ballando con le Stelle*, *Cartoons on the Bay*, in addition to a number of actions on RaiPlay and Rai24.

As regards the performance of Digital Media during the first half of 2017:

Rai.it generated an overall traffic of 175.7 million pages visited, with a monthly traffic of 29 million pages (-42% compared to the first half of 2016) and an average of 5.3 million single browsers a month (-31% compared to the first half of 2016) (source: Webtrekk).

The reduction in traffic compared to the corresponding period of 2016 was mainly due to a change in the intended use of the site – it became, more than anything else, the institutional portal of Rai in 2017 – and to the absence of big sports events.

RaiPlay/Rai.tv generated an overall traffic of almost 299 million video views, with a monthly average of about 50 million (+89% compared to the first half of 2016) and an average of 15 million single browsers a month (+17% compared to the first half of 2016) (source: Webtrekk).

RaiNews.it recorded a total of 6.6 million single browsers on average a month (+5% compared to the first half of 2016) and 17.1 million video views, with a monthly average of 2.9 million (-28% compared to the first half of 2016).

The apparent decline in video consumption was only due to the comparison between the performance recorded in June 2017 without sports events and that recorded in June 2016 with

the European Football Cup. In fact, while limiting the analysis to May, the parameter for Rainews views would be positive as well (+11%).

The most successful applications were:

- Raiplay – with more than 5 million downloads (11.3 included the upgrades of Rai.tv);
- RadioRai – with 1.8 million downloads;
- RaiNews – with 1.1 million downloads.

Teche archives

During the first half of 2017 Rai proceeded with measures taken to strengthen the brand as a Public Service point of reference for Italy's audiovisual history.

The objective was attained also as a result of Rai's participation in a very large number of cultural initiatives in Italy and abroad by providing material from its archive.

Among the most important were the "Totò Genio" exhibition in Naples from 13 April to 9 July, the "TV70 Francesco Vezzoli guarda la Rai" exhibition organised by Fondazione Prada in Milan from 9 May to 24 September, the BIF&ST festival in Bari from 22 to 29 April, with the retrospective dedicated to the works of Vittorio Gassman and Dino Risi and the festivals organised by the National Film Library at the Trevi Cinema in Rome.

Rai Teche Archives continued the valuable process of promoting and exploiting old archive films by selecting and providing programmes for the RaiPlay platform. The *I Favolosi* section is in fact one of the most powerful sources of appeal for digital users.

The Rai Teche Archives make a vital contribution to networks and media outlets with its Multimedia Catalogue (MMC), which brought available product hours up to 1.7 million for TV and 1.6 million for radio, with a substantial increase compared to December 2016. There are 75 million radio and TV documents in the Catalogue in addition to 90,000 books kept in the three Rai libraries in Rome and Turin and 45,000 photographs. The users registered to acquire archive material for reuse in programmes make an average of more than 2.2 million searches a month.

The Teche Archives check that rights to a product are available before it is put on air, a vital activity in view of the rise in digital use, and are responsible for harmonising the process of digitalising the assets it preserves. The Archives also handle legal obligations with regard to the utilisation of copyright works.

Negotiations continued with SIAE, the Italian Authors and Publishers Society, for the renewal of framework contracts and agreements were entered into with the major record producers associations for the use of discs, off-the-market backing tracks and music videos in radio and TV programmes and on line.

Finally, in 2017 the Teche Archives also proceeded with the essential cultural activity of assisting in the employment of Rai's records as a historical source and object of study for the whole country, increasing the extent to which

they are used by public and private Entities, Museums, Schools, Universities and Foundations, which avail themselves of this Public Service as a depository of first-class historical material for the celebration of all types of anniversaries of events that have occurred in modern times.

At present the Rai Teche Archives are present in many Italian and foreign Museums, Italian Cultural Institutes abroad, Universities and libraries.

Digital inclusion

Digital inclusion is an expression which stands for a Rai which wishes to accompany the digital transformation of Italy and Italians with a careful eye to the international context, mainly European, short and medium-term trends and a contemporary vision of society. This task has three main objectives: computer literacy for the Italians hitherto excluded, developing digital skills and spreading awareness of the advantages and disadvantages of internet in the various aspects of life: in other words, a digital culture.

The main lines of action for Digital Inclusion are study, relations with the main stakeholders, monitoring of Rai's offer, the creation of content and the fostering of initiatives in TV programmes and drama and comedy works. Among the most important actions taken as regards literacy in the first half of 2017 were:

- *Complimenti per la Conessione 2* (Rai 1 in access time), in its second edition after its success in 2016 is the 20-episode mini-fiction set in the narrative universe of *Don Matteo*, one of whose leading characters is the popular Maresciallo Cecchini, which presents a series of exhilarating "internet lessons". A far-reaching communication campaign was a part of the project (TV, radio and cinema spots), conducted during the three weeks before the entire series was first broadcast and then repeated on Rai 1 at 6:30 p.m., on Rai 3, Rai Premium, Rai 5, Rai Storia, Rai Scuola and obviously on RaiPlay. The average audience for each episode was estimated at 4 million people;
- *L'Eredità* – "Digital" questions (events/unusual news/information, etc.) were increasingly frequent and systematic in the early evening quiz with explanations and inclusion messages from the presenter.

The monitoring of Rai's offer has given the Company the opportunity of showing its ability, sometimes starting from current news, to go into matters in greater depth and provide food for thought, ways of understanding the phenomenon from a multiplicity of points of view autonomously and respecting the language of each programme.

Public Service Function

Weather forecast and Traffic

The following programmes were broadcast during the first half of 2017:

- For the Radio:
 - *Onda Verde* traffic news, 196 editions a week regularly distributed over the schedules of the three main Radio Stations and GR Parlamento news programme from 5.30 a.m. to half-past twelve at night and 98 broadcasts a week during the night, one every twenty minutes on Isoradio;
 - *Meteo* weather news, 116 editions a week regularly distributed over the schedules of the three Radio Stations from 5.30 a.m. to half-past twelve at night and 84 broadcasts a week from 5.30 a.m. to half-past twelve at night, on Isoradio;
- For TV:
 - *Viaggiare Informati* traffic news, 96 editions a week distributed over the schedules of Rai 1, Rai 2, Rai 3, TGR, Rai News and Web from 5.55 a.m. to 8:00 p.m.;
 - *Meteo* weather news, 92 editions a week distributed over the schedules of Rai 1, Rai 2, Rai 3, TGR and Rai News, over 24 hours.

Taking a wider view in experimenting with new ways of using Weather and Traffic content in TV and radio schedules, during the first half of 2017 weather forecasts and traffic news were broadcast in conjunction with big sporting and musical events. For example special content for the places near the event was produced and put on air by Rai Sport during the last Giro d'Italia. Another initiative which is a part of the new offer was the collaboration with Rai Radio Live for the Vasco Rossi special programme before his concert at Modena Park, an event attended by over 200,000 people with an obvious impact on local traffic and transport. Ad hoc content was put together for this concert which not only provided weather forecasts on the day of the concert, but also gave useful information on roads and traffic.

Work also continued on developing the new logistic and technical infrastructure to support both radio and TV broadcasts and distribution on internet and mobile platforms. The design of the new TV studio, modernisation of radio cabins, new layouts for the traffic news desk and the weather station are all parts of this work. Particularly close attention is given to the design for the backdrop: particularly original and effective, artistic and technologically advanced proposals are being looked at so that the impact of Weather and Traffic news content is as strong as possible and in

order to differentiate the programme from its competitors.

Furthermore, the agreement has been renewed with the Italian Air Force for weather services, while agreements are being negotiated with the Ministry of Transport and Civil Protection for traffic news.

Televideo

During the first half of 2017, the range was enriched with new Environment, Book and Territory features, in order to further expand the daily offer with more than 15,000 pages from the National Televideo service and 21 sites of the Regional Televideo service.

At a local level, Televideo edits and publishes a feature on the hill towns and villages of Italy – *Borghi d'Italia* – which is also attracting the interest of other production desks, such as for example Rai Radio Kids and Radiocorriere tv, interested in projects with this content. The same strategy of increasing the amount of content edited by the Televideo desk is at the basis of a collaboration agreement, also with Radiocorriere TV, regarding articles on music, cuisine and books. Collaboration with the TV channels has also been made closer in providing advance information on the contents of future programmes.

Finally, note the important activities jointly carried out with the Coast Guard, the Italian Research Council (CNR), the Italian Environment Fund (FAI) and the National Astrophysics Institute. Finally, collaboration has started with ANICA, the Italian Cinema Industry Association in publishing the trailers of films being shown in cinemas on the website.

Accessibility

Rai is constantly committed to the fulfilment of its obligations to include persons with sensory disabilities: during the first half of 2017 there was a rise of a certain number of percentage points in the number of subtitled programmes, both in Italian and in English. This is a growing trend which means that the 16,000 hours subtitled in 2016 will be exceeded by the end of the year. There was a similar positive trend for audio-described content, while the number of ad hoc TG news programmes in Sign Language (LIS) in the general interest channels is as in the previous year.

Material continued to be produced on the Rai Easy Web site for persons with visual disabilities, including the usual offer of multimedia works and didactic tales for unsighted and visually impaired children. Easy Web's special features provide a complete offer of content in containers created for

persons with visual disabilities, who can consult, in a simple manner, a careful selection from Rai's archive in its portals, including events and subjects of general interest.

Commercial activities

Advertising

The recovery in the global economy is consolidating, even if there are wide margins of uncertainty; there are conflicting signals from the Euro area because on one hand economic activity is increasing while on the other hand inflation trends are again downwards. In this context, the Italian advertising market recorded a decline of 3% and television 1.9% during the period from January to June. With specific regard to Rai and Sky, this situation was also affected by the comparison with June 2016 which benefitted from the event of the European Football Cup.

Television confirmed by far its leading position, accounting for 62.3% of the market. Among the media, positive results were achieved by radio (+5.0%), transit (+1.2%) and go TV (+7.6%). The media that recorded a negative performance are TV (-1.9%), periodicals (-7.0%), daily newspapers (-10.8%), internet (-1.7%), outdoor (-17.2%), cinema (-9.1%) and direct mail (-2.7%).

In the scenario described above, **Rai Pubblicità** recorded an 8.1% decrease in advertising revenues (equal to Euro -30.5 million) during the first half-year compared to the same period in the previous year, being affected, first of all, by the positive impact of Euro 32 million arising from the European Football Cup matches broadcast in June 2016. Rai's decision to stop accepting commercials on three of the specialist TV channels (Rai YoYo, Rai 5, Rai Storia) also had an impact. Finally, in April and May difficulties in the market led to pressure on prices on the part of competitors, so that Rai Pubblicità could not fill all the vacant spaces.

Rai is one of the few broadcasters which is present on all media, even if its centre of gravity "still" stands on general interest TV, a segment which tends to lose ground naturally. On the other hand the specialist Rai televisions are growing in terms of audience and turnover and Rai 4's ideal position is increasingly the fourth "general interest" channel in Rai's range.

During the first half of 2017 advertising revenues totalled Euro 346.4 million (compared to Euro 377 million as at 30 June 2016).

There are two significant tendencies in the market:

- fragmentation and heightened competition among broadcasters and in which the digital and multimedia sectors are expanding;
- a move towards splits in the advertising intermediation system (Media Centres), because new entities are entering the market

by offering services. This could constitute a risk factor for Rai Pubblicità since, if the phenomenon is not resisted, it could lead to the loss of business as sales on platforms designed by other parties gain ground.

Rai Pubblicità is preparing a series of strategies to face these challenges and transform itself into a Digital Media Company.

In the market, in order to maintain and strengthen its role as leader in innovation, Rai Pubblicità has become a front runner in launching a proprietary design planning platform, a technological development which seeks to obtain the most out of its catchment area by adopting a Revenue Management rationale, to acquire customer loyalty and to share market trends and forecasts. Rai Pubblicità is also reshaping its approach to the market by means of an "innovative" sales proposition which pushes cross mediality and exalts Rai's quality in the market.

As regards relationships within the Company and corporate culture itself, Rai Pubblicità is reviewing the main value chain processes in conformity to this vision, also thanks to the creation of Business Intelligence systems integrating diverse data universes adopting different ways of interpretation which provide quicker and more effective responses to market feedback.

Sales

The Group's sales activities have been carried out since 2014 by Rai Com, which is a wholly-owned subsidiary of the Parent Company Rai.

The main activities carried out during the first half of 2017 are described below.

Agreements with public and private Entities

Except for the execution of framework contracts and agreements with the Ministries – the responsibility for which was reallocated within Rai at the end of 2016 –, the function involving

Agreements with public and private Bodies is responsible for the signature and management of negotiations concerning all the Agreements with local Public Authorities, the Institutional Bodies and Non-profit Organisations, the agreements arising from the obligations under the Rai/State service contract (linguistic minorities and Rai Italia), as well as for the activities connected with the concerts of the Rai Symphony Orchestra.

During 2017 work continued on the preparation and management of agreements with Public Authorities and Bodies. In spite of the considerable reduction in local authority

funding and consequently the diminution of their budget for communication, relations with various institutional partners continued to be strengthened and new collaboration arrangements were entered into.

Specifically, there was the renewal, for a term of one year, of the Agreements with the Prime Minister's Office regarding broadcasts to safeguard the French, Slovenian and Friulian speaking linguistic minorities and for Italians abroad.

An important strategic Agreement was entered into with the Autonomous Province of Trento for a new weekly TV programme broadcast in the area of the province which will talk about local affairs and the Province's outstanding features.

The valuable partnership with the Basilicata Regional Government also continued with a number of communication activities as 2019 approaches, the year in which Matera is to become the European Capital of Culture.

Other agreements of note are those with the Liguria Regional Government for communication during the *Sanremo Festival* and with the Sardinia Region for making Sardinian language programmes.

As regards communication with Non-profit organisations, the contract with the Telethon Foundation was renewed for other three years.

The activities for the concerts of Rai's National Symphony Orchestra continued with good results.

Music Publications

As a Music Publisher, Rai Com keeps up and manages Rai's Music Catalogue and buys and distributes light, contemporary and serious music and drama rights.

During the first half of 2017, 24 new TV programme layouts (23 of which for general interest TV channels) were either edited or produced for Rai radio and television schedules in support of Rai programmes. Specifically, we must mention: *Frontiere speciale "Caso Regeni"*, *Uno Mattina in Famiglia*, *Geo*, *Carta Bianca* (evening time slot), *Programmi dell'Accesso*, *Protestantesimo*, *Agorà Estate*, *Chi l'ha visto?*, *Voyager Estate*, *Presa Diretta*, *Una Notte a Venezia*, *Viaggio nella Chiesa di Francesco*, *Fuori Luogo*, *Reazione a Catena*, *Per un Pugno di Libri*, *W La Mamma*, *Linea Blu*, *Made in Sud* (in co-edition with Goody Music), *Linea Bianca*, *Sereno Variabile*, *Formula Uno*, *Giro d'Italia* and *Kudos*. Furthermore, music from the Rai Com library was used for 31 documentaries at the request of channels Rai Storia, Rai 1 and Rai 3.

New jingles were created for the rebranding of channels Rai 5, Rai Movie, Rai Premium, Rai YoYo and Rai Storia. Furthermore, signature tunes were composed for the new digital radio stations and all Radio 2's new channel identities were recorded for summer 2017 and for 4 new summer schedule programmes.

Rai Com continued to work in combination with Rai Fiction in the field of music edition and production of soundtracks. In the first half of 2017 alone, pieces of music were composed for major productions such as: *L'ispettore Coliandro 2 Il ritorno*, *Non uccidere 2*, *Provaci ancora Prof 7*, *Scomparsa*, *Il Paradiso delle Signore 2*, *Romanzo Familiare*, *Linea Verticale*, *Paolo Borsellino-Adesso Tocca a me*, *Mafia Capitale*, *Il Commissario Montalbano*, *Braccialetti Rossi 3* and the TV movie *In Arte Nino*. These productions also included scientific and other educational documentaries such as *Ulisse Il Piacere della Scoperta* and *Radici*.

Also to be mentioned is the long-established collaboration with the Turin National Symphony Orchestra, on the basis of which works were completely performed in house, such as sound tracks for TV series *Non Uccidere 2* and *Il Paradiso delle Signore 2*.

There were further additions to the catalogue of Contemporary Music Publications, which were broadcast in programmes of Radio 3 and Filodiffusione and also abroad, on Radio France, France Musique, BBC Radio3. Abroad, high quality works were performed at prestigious Festivals such as *Ultraschall* (Berlin), *Dark Music Festival* (Reykjavik), *Printemps des Arts* (Monte Carlo), *MARS* (Los Angeles) and *Modern Music Festival* (Beijing).

Furthermore, Rai compositions were also presented at the Paris Philharmonie, Oslo NRK, Freiburg Theater, Museo del '900 (Milan), Liegi Opera House, Wigmore Hall (London), Gare du Nord (Basel), Dai-ichi Seimei Hall (Tokyo), Palau de la Musica (Valencia), Dr. Hecht Arts Center (Haifa), Buchmann-Mehta School of Music (Tel Aviv).

Rai Com kept in contact with the leading Italian Theatres and Opera Houses with regard to serious music and drama, with the result that an outline of the works to be shown during the 2017/2018 season was available earlier than in previous years. Rai Com assisted in drafting the Parent Company's production guidelines and deciding on the works to include in the *All'Opera* movie programme for the season.

Serious music and drama rights were also acquired: operas, ballets, concerts and other performances and documentaries as necessary

both to meet the requirements of the Rai Networks and so that Rai Com could produce works for sale and promotion in Italy and abroad.

Sports rights

The performance of marketing of sports rights was positive during the first half of 2017.

This performance was attributable to the continuation of existing agreements for the distribution of the themed sports channel JTV in Italy on the Sky platform, the distribution of the themed channels JTV, Roma TV, Lazio Style Television abroad and the marketing of rights to Club library archives in Italy and abroad which are available to Rai Com.

As in the two previous years, the production rights for the TV viewing on the domestic matches of five Serie A Division football clubs (Atalanta, Bologna, Chievo Verona, Crotone and Sampdoria) which had been sold to Infront were withdrawn and were then handed over to the Italian Football League, including for the 2017/2018 sports season.

Rai Eri

In the first half year of 2017 Rai Eri went on with the process of renewal and revival which it had embarked on in 2015 and which also continued during 2016. It intensified its efforts in scouting for important authors, paying particular attention to the enhancement of Rai resources and, among other things, stepping up contacts with leading agencies in conducting effective and comprehensive discussions with regard to publishing. Sales and marketing efforts were redoubled, press office work heightened, the rationalisation of processes was tightened and investments in publishing, editing, printing and warehouse management were increased.

As regards content, in the first half of 2017 Rai Eri continued to make efforts to bring personalities and voices into Rai's TV and radio schedules who are normally presented by third-party publishers, but also to include quality authors in its catalogue who are appreciated by the reading public.

An example of a season's bestseller is Roberto Giacobbo's essay *L'uomo che fermò l'apocalisse* (three editions) and *L'inganno della mafia* by Nicola Gratteri and Antonio Nicaso (two editions). The last-named in particular confirmed and relaunched Rai Eri's presence in the debate on the burning issues of the present day, showing that Rai's publishing arm was fully discharging its mission as a Public Service.

Great efforts were put into enhancing Rai's human resources in the first half-year's programmes by scouting for new personalities who may become the best selling writers of the future.

Rai Eri did not fail to consider the world of the young and very young: the new novel by Mattia Briga with Andrea Passeri, *Novocaina*, was launched in April. This took the Rai Eri brand on tour in the stores of the whole of Italy, and a new marketing strategy was tried out successfully: the acquisition of the front cover of *Leggo*, a free daily.

The sales performance was more than positive during the first half of the year.

Roberto Giacobbo's essay topped the sales of the author's two previous books published by market leader Mondadori, an excellent outcome also due to its launch being combined with successful Rai broadcasts, especially *Che tempo che fa*. The book continued to be promoted in the instalments of the author's programmes, *Voyager* and *Voyager Morning*. Another success factor was the marketing strategy of putting the book in the window and on permanent special offer for two weeks in various Mondadori stores in the main towns and cities of Italy.

Rai Eri boosted its presence on the difficult international market selling rights to the translation into Spanish of *Fedeltà e cambiamento* by Monsignor Dario Edoardo Viganò and of *Non aver paura di perdonare* by Padre Luis Dri, the "confessor of Pope Francis".

Rai Eri was one of the few publishers which took a leading part in both big events in spring 2017, "Time for Books" in Milan and the Turin Book Fair, with presentations attended by full audiences every day, so that there was a substantial increase in the revenues from the direct sales of books at the Turin Fair compared to the previous edition.

Sales of library and consumer products

The increase in commercial activity on digital platforms and greater attention to hiring and operating the Rai Group's production facilities resulted in very satisfactory results being achieved during the first half of 2017.

Teche Archives. As Rai's archives are exclusive and the major framework agreements were renewed with the Italian broadcasters, this business area is recording better results also thanks to arrangements with broadcasters on pay platforms for the use of cartoon content.

Home Video in Italy. In an economic scenario which is extremely unfavourable owing to the gradual growth of the digital market, income is in any case as expected: note the good performance of the DVD series dedicated to the TV drama and comedy work *Montalbano*, in collaboration with *Corriere della Sera*.

Normal trade. The results relating to the first half of the year recorded a slight increase due to the good sales performance of Rai's TV drama and comedy works for the 2015/2016 TV season.

Licensing. The crisis in the Italian market continues to affect the sector: in the first part of the year there were difficulties in the publishing segment because revenues from publishing projects fell against a good performance of the licensing sector as a result of the development of the "YoYo" cartoon property.

Digital Extension. Telephone interaction (televoting and call games) through fixed and mobile appliances fell strongly because there was a general drop in total calls and SMS messages. As to the New Media business, note the gradual growth both for SVOD (Subscription Video On-Demand) and for EST (Electronic Sell-Through)/TVOD (Transactional Video On-Demand) rights. During the first half-year, the management of the digital rights of the Rai Group allowed, as regards SVOD rights, key agreements to be reached with all the market operators: Netflix, TimVision, Infinity; as regards EST/ TVOD rights, the commercial positioning was strengthened on all platforms operating on the Italian market.

Sales of rights to foreign countries: cinema, TV and music

The activity in this area consists of the international distribution of TV and film products for Rai and third parties, and of the marketing of Rai musical products.

As regards the distribution of TV and cinema content, the first half of 2017 recorded good results for both cinema and TV products sale.

Globally, most revenues come from Western Europe, English-speaking (the United States, the United Kingdom, Canada and Australia) and Asia countries.

The six new *Il commissario Montalbano* TV films confirmed that the series is still popular, with good performances in all the areas in which it had already been seen. Among these, there was strong interest in the areas acquired directly from the producer: Spain, France, the United Kingdom, Latin America, Australia and Eastern Europe.

Among the productions which made the biggest contribution to turnover were: the TV series *Non Uccidere*, and the films *Lo chiamavano Jeeg Robot* by Gabriele Mainetti and *Lasciati Andare* by Francesco Amato.

Films were again attractive for airlines all over the world; in 2017 *Montalbano* TV drama and comedy episodes were sold to British Airways and Singapore Airlines.

Among long costume serials, the *Il Paradiso delle Signore* series was very successful in Latin America, Eastern Europe, the Philippines and the United States.

The restoration of the *La Piovra* series achieved notable results in Russia, in the United States and in the Netherlands. Among non-fiction events, note the sale of the live rights to the *Palio di Siena* race to Abu Dhabi Media in 2017, while rights relating to *Detto Fatto* were sold to Rogers in Canada.

As far as music productions are concerned, the first half of the year started with the live broadcast of the New Year Concert at the La Fenice in France, Germany and Austria through WDR, ZDF and Arte.

The Concert from Piazza Duomo in Milan, conducted by Riccardo Chailly, was also shown live by media partner Arte in Europe and by Tohokushinsha in Japan. A live performance of Mozart's opera *Il Ratto del Serraglio* by Strehler at the Teatro alla Scala appeared on Czech television in June.

As regards DVD rights, two key agreements were formalised with Decca for Puccini operas conducted by Maestro Chailly and with C-Majors for two operas and two ballets from the Teatro alla Scala in Milan. The DVDs referred to in both agreements are expected to be released all over the world during the next Christmas holidays.

Rai Com has been working on the internationalisation of the management of the marketing and international coordination aspects of the *All'Opera* project.

Rai Channels Marketing and Distribution

The favourable trend in this segment was confirmed during the first half of 2017.

As regards the marketing of broadcasting rights relating to Rai Italia, Rai World Premium and Rai News 24 channels in non-EU countries, alignment of operators' prices, the provision of content for VOD (Video On-Demand) platforms and a higher number of partners involved in the B2B

distribution, above all in the United States and in Latin America, generated an increase in sales. This trend was positive in Europe too.

Market rates and types of strategic management in the more important areas of Europe realigned during the half year, thus giving rise to a substantial increase in sales.

Negotiations are being held with operators in various countries, specifically in France, Austria and Russia and the next steps to be taken are being considered in the United Kingdom, Bulgaria, Hungary, Croatia, Slovenia, Slovakia, Serbia, Montenegro, Bosnia and Macedonia to boost further development in the sector.

Marketing and business development

With reference to the TV magazine *Italiana*, which is the international commercial project conceived in 2015 with the aim of searching for new business lines linked to the main assets of our country (culture, food, tourism), it should be pointed out that, during the first half of 2017 negotiations were held which strengthened distribution in China (The Travel Channel International), Russia and former Soviet (Rossiya K) countries, Canada (Rogers), MENA (Abu Dhabi Media), the United States (MHZ), Europe (Scripps Network) and Pacific Asia (Scripps Network), thus covering a distribution area that substantially covers all the continents, excluding South America.

Another key business segment has involved the execution of agreements concerning the art and cultural heritage and founded on co-production partnerships with major entities and players in international and domestic markets. Worthy of mention are the agreements with both France Télévisions and RSI, the Italian-speaking Swiss radio and TV broadcaster.

These are joint-venture agreements regarding cooperation in and work on co-production projects whereby a number of projects are selected in order to be regulated by individual implementation agreements. This type of collaboration enables the groups involved to increase their production of content for international distribution and possibly domestic programmes. After the first agreement of this kind with Arte in 2016, which led to the international 52-minute version of *Stanotte a Firenze*, in 2017 *Cinekinò*, *Stanotte a Venezia*, the concert for the G7 summit at Taormina and a documentary for the 60th Anniversary of the Spoleto Festival were either produced and/or are under production.

Other activities

Technology

During the last two-year period, Rai sharply boosted its project and implementation activities aimed at supporting the strategic path to the transformation from being a Broadcaster to being a Digital Media Company.

Numerous projects were started to improve the industrial processes of radio, TV and multimedia product creation and distribution on the various platforms, in order to obtain benefits for the products that Rai creates and for the services offered to users, also in terms of end-to-end quality, building on four technology enablers that are peculiar to the Digital Media Company:

- the dematerialisation, i.e. digitisation of content and operational and supporting processes;
- the expansion of distribution networks and neutrality of content with respect to them, so that Rai content can reach customers anywhere and on all types of fixed or mobile equipment or device;
- the implementation of a coordinated IT infrastructure, with extensive use of Full IP and Cloud technology that allows an effective, efficient and secure storage and distribution of dematerialised content all along the value chain;
- the development of organisational and production models.

The benefits and results expected from the technology projects can be divided into the tree following categories:

- **benefits to the public:** Rai radio, TV and multimedia content available on any fixed or mobile device, in HD or in Ultra HD mode, with low latency, improved services received, for example in terms of Guide to Programmes and of on-demand video or Catch-up TV services, a higher involvement, offer customisation and an increasingly effective interactivity;
- **company efficiency improvement:** an improved efficiency and innovation of industrial and operational processes and technology infrastructure, more flexible systems and process in relation to the changes in the business, safety of content and key assets in terms of Business Continuity and Disaster Recovery;
- **service protection and quality:** an improved radio and TV reception, an increasing reliability of digital distribution, with a reduced latency time, increased quality of broadcasting of content and services.

The main projects that characterised the year with reference to the various activities are described below.

TV Production

The TV Production Department's priorities during the first half of 2017 were:

- to do its best to support the realisation of editorial projects, while also optimising the use of internal production resources and minimising external costs;
- to ensure that Rai's HD content production, operational and broadcasting chain met the highest technological standards in order to raise product quality and customer service level.

Technological developments

• T-CUBE infrastructure and services

During the first half of 2017 some substantial renewal work on the T-Cube (T3) infrastructure was commenced, such as moving the Asset Repository 1 storage systems from Via Salaria to Via Teulada, the replacement of some of their hardware and software components and the start of the project to migrate the software system of T3-MAM (Media Asset Management) to the new major release.

Up to now the file-based workflow has incorporated 150 newsrooms, the five national news channels, Rai Com's archive and a part of the new flows of Rai Digital, the digitisation flow of TecaMaster (Master Archive), the archive of TecaNews, as well as the technical testing and storage of new bought-in products.

The system has currently stored more than 160,000 hours of high quality audio/video material.

The newsrooms of all the regional centres have been integrated, so that there is a considerable reduction in radio link contributions to production centres.

The procedure for delivering files has been included in the contracts for the acquisition of cinema and TV drama and comedy works; about 800 productions have already been delivered and tested in file-based mode since the middle of 2017.

• Digitisation of National News Programmes

The 2017 financial year saw the completion of the tuning of disaster recovery and business resumption functions of the "Single Infrastructure for Production of National News Programmes" at Saxa Rubra. The current recording/instant replay system for Rai Sport's offer has been updated and integrated in the post-production area. After the European tender for the new Rai Sport integrated production system was published, a Technical Board was formed to appraise the offers.

• Digitisation of Regional Newsrooms/Offices

The last two installations in Pescara and Naples, which took place before the 2017

summer, completed the implementation of the integrated production system for the Regional News Programmes. Furthermore, work continued for the integration of the digital production system of the TGR Regional news programmes into the News Room system and for the improvement of technical and editorial operation of the sub-offices of Catania, Sassari and Udine.

- **Central Control Station and Broadcasting Systems**

In early 2017 the automation system for Rai 1, Rai 2 and Rai 3's broadcasting stations was upgraded, in order to allow, among other things, the interconnection with the T3 platform. The tender was also launched for the acquisition of new video servers intended for the partial upgrading of the playout systems of channels Rai 1, Rai 2 and Rai 3.

As regards the activities concerning the Central Control Stations, the video/audio routing system was put into service for digital connection of TV studios in HD mode at the facility located at Via Teulada.

The Technical Board is considering the offers received in the tender for the upgrade of the Central Control Station in Milan.

- **TV Studios**

During the first half of 2017 the new stage lighting and audio/video data of the five theatres at the Nomentano facility of the Rome Production Centre were completed and tested. The TV1 and TV2 studios at Via Teulada were adapted to HD and the digital connections with the video/audio routing system of the other TV studios in Via Teulada were completed.

The tender was closed for the award of the realisation of the Teulada TV12 studio stage lighting and for the supply of the motorised suspended lighting system for the Turin TV1 studio.

- **Outdoor Shooting**

The HD upgrade of the fleet of production means for Outdoor Shooting also continued during 2017.

A European public tender was called for the project for the construction of four medium-sized trucks equipped with mobile HD control booths with satellite uplinks. Four of the eight light mono-camera satellite vehicles (KA-SAT technology) were constructed and tested.

The plan for the replacement of the mobile generating units of various wattages continued to be executed.

The video-server/instant replay and integrated big event production systems that have been supplied are on trial.

As regards Newsgathering technologies, ten additional ultra-light systems for live connections via LTE bonding were bought and allocated

to complete the project for the coverage of emergencies by regional centres.

- **Post-production**

Action is being taken to upgrade the hardware and software of the workstations in additional editing rooms and graphics workstations in order fully to support new HD formats, bringing the total proportion of HD renewal up to about 85%. Post-production systems continued to be acquired to support the production of TV drama and comedy works in house (for example in Turin and Naples).

The project for the refurbishment of the testing rooms at Salario, where it will be possible to test products in UHD and HDR, is at an advanced stage. Hardware and software was bought for the construction of Color Correction workstations at production centres.

Production activity

- **Coverage of the G7 summit at Taormina on 26 and 27 May**, for which Rai, at the request of the President of the Council of Ministers, acted as Host Broadcaster for the production of the multilateral signal and for technical and operational support of all the broadcasters present at the event. This undertaking involved a large number of human and technical resources in various different locations in addition to the IBC (International Broadcast Centre) at the Atahotel at Capo Taormina, where an OB (Outside Broadcasting) Van was used with 7 telecameras and 3 satellite stations and a large number of spaces and plants were fitted out for the work of the foreign broadcasters. These are the main figures for the TV production teams' output:

- a total of 7 cameras, 3 fly stations and 3 satellite stations;
- 76 human resources to provide Host broadcasting services;
- 47 human resources to produce news and programmes for Rai's various news desks and news mastheads;
- over 27 hours of coverage of the events broadcast on location and via satellite;
- an average of 750 radio and television operators and personnel doing IBC work (more than 70% of which relating to foreign media) in transit through the IBC on summit days;
- 12 outgoing signals from the IBC, 7 of which sent out via satellite and 5 via fibre to Rai's facilities in Rome;
- 24 km of cable laid to transport video and audio signals and electricity.

- Coverage of **further events connected with the G7 summit** as Host Broadcaster, such as the meetings of the Ministers of Culture in Florence (commitment 28 March to 1 April), G7

Foreign Ministers in Lucca (commitment from 9 to 12 April), G7 Energy Ministers in Rome (commitment from 9 to 10 April), G7 Finance Ministers in Bari (commitment from 9 to 14 May 2017), G7 Transport Ministers in Cagliari (commitment from 19 to 21 June).

- **Taking moving shots of the 100th edition of the Giro d'Italia race** and of other numerous important cycling tours using exclusively in-house resources. This year the high quality achieved in this specific production activity also allowed Rai to meet the organising body's request to ensure the TV coverage of the **Dolomiti Marathon event**. Aerial filming of cycling races arranged by the **Italian Cycling Federation** also increased.
- **Producing material with a high standard of quality** with in-house resources for Rai channel programmes but also of interest for sales in international markets (e.g. drama and comedy works such as *Non Uccidere 2* and documentaries such as *Stanotte a Venezia*).
- Design and utilisation of **augmented reality** for some productions, including *Ballando con le Stelle*, *La Grande Corsa* and *Le Parole della Settimana*.
- During the months to come, the return of some studios and their appurtenances to the TV Production Department in the **Rome Nomentano centre** (at the end of June) will require sufficient resources to ensure that the studios can be used for important prime time and daytime autumn season programmes.
- As a result of the favourable outcome of the tests on the **Prymsis project planning model** at the Rome TV Production Centre (in February), since June the functions of the application have also been extended to the other TV Production Centres and thus the TV Production Department's Operational Plan has been fully executed. Furthermore, work continued during the first half-year on the analysis and development of other application modules that will have to support the other phases of production activities.

Information and Communication Technology

IT and communication products and services are provided to all the facilities of Rai and the Group companies based on integrated and flexible mechanisms for the *governance*, ensuring the coordination and management of assets (applications, systems, infrastructure, communication networks) and on investment policies and priorities according to the value of the actions taken in terms of cost efficiency, efficacy and reduction.

Digital transformation, which is both rapid and complex, requires the role of Information and Communication Technology to be rethought in order to assist in the changes in the Company

through ongoing collaboration with all corporate Departments to agree on an approach to innovation which is not only technological but also cultural and organisational. The change in paradigm required substantial investments in integration architecture, change management, connectivity infrastructure, data centres, safety technology.

The *Portfolio of corporate business projects* substantiates the prospective change in the long term and is consistent with the strategic guidelines adopted by the Company:

- **transformation into a Media Company:**
 - the new Right Management system, which allows the governance of the Rai Group's Portfolio of Rights for the exploitation of content on the various platforms, has been integrated with new classification information; the development of the Multimedia Catalogue search system and of the related Data Warehouse tool will be completed by the end of the year;
 - the objective of equipping marketing analysts and programme producers with tools for the study and analysis of social phenomena has led to the creation of a social intelligence platform to monitor information flows in the main social networks, selecting the subjects of interest to be observed; the short-term forecast, to be confirmed in the autumn, is that it will be integrated with a layer data lake, while medium-term design entails substantial investments dedicated to upgrading the Business Intelligence and Big Data platforms;
 - the adoption of the new business models on differentiated platforms of access/distribution has involved the upgrade of the virtual network of transmitting digitised files (IP File Based Network), as well as the renovation of the Web Farm infrastructure and of the nodes exposed towards Big Internet to ensure that Rai delivers content and services effectively and efficiently; furthermore data transport strategies are being redefined;
- **availability of digital platforms all along the entire chain value:**
 - the digital agenda (Full Digital) on management processes has entailed upgrading interventions in the areas of the purchasing cycle, the Corporate Digital Workspace (Raiplace) and communication and collaboration tools, with the completion of the diffusion of IP telephony and the upgrade of the video conference system;
 - actions were taken on the Schedule system in order to integrate the broadcasting planning (Scheduler module) into the T-Cube System for digital content management;

this result is expected to be published within the end of 2017 so that Rai Scuola can be broadcast all-digital, followed by the gradual extension of the system to all channels; after this due thought will be given to bring non-linear programmes into the system as well;

- actions were taken for the release of a new digital platform for news agencies, which makes additions to editorial and content processing tools;
- **changes in organisational and production models:**
 - as regards financial planning, supported by the Integrated Planning System (IPS), in addition to improvements to the tools already available for plan management, there was progress for the governance and monitoring of publishing contracts, which will enable the planning and control of financial events to be improved; the phase to support start-up and release is expected to be commenced by the end of the year;
 - the part of the new tool *Primsys*, which takes its place in the system for planning production resources over periods of time in strategic and operational terms, has been made available to manage resource commitment schedules, at the Production Centres. By the end of 2017 the functions for the support of short-term planning are expected to be completed; at the same time the commitment to complete the system will be directed at solutions to support medium- and long-term planning;
 - a plan for the integration of the Programme Schedules, the IPS and *Primsys* systems has been prepared which will make the entire planning process digital and exploit the systems' simulation potential to the full;
 - after having completed and started the system used to manage the contracts of subordinate employees and staff members outside the workforce (Collaborators), the related business intelligence tools are now being arranged;
 - support was given to the Licence Fee Department in complying with the new collection method;
- **availability of an 'IT Data Centre' layer:**
 - a plan is being prepared for combining local data centres in a modern, scalable "IT Data Centre" which is to act as the technological fulcrum of digital transformation, operating with a view to business continuity and disaster recovery, targeted at the strategic management of information and content; the commitment on the part of Rai and highly specialised providers is necessary for the creation of this new technological layer.

Work was also done on the management of the *Portfolio of executive projects* involving the

optimisation of the systems, in terms of operation and performance, required by the lines of business.

Research and Development

The experimentation into and implementation of new technology broadcasting, telecommunications and TV production platforms are at the centre of Rai's R&D strategies, and are essential prerequisites for product development, in line with the transformation of Rai into a Digital Media Company.

The current technology development of the radio and TV system is driven by:

- the commercial availability of TV screens, with an increasingly higher definition (HD and Ultra-HD 4K) and a better viewing quality (HDR);
- more and more possibilities of different media and devices open to users of content;
- the widespread introduction of fixed broadband and new broadcasting technologies and standards in mobile telephones (5G).

All this calls for new types of highly interactive television and multimedia products to be perfected and for new ways of making use of them based on knowledge of and profiling users.

During the first half of 2017 the main R&D issues concerned the upgrade of audio/video production and encoding systems, the investigation into new multi-platform services and the upgrade of distribution networks, both fixed and mobile.

The transition towards the Full HD video format – with the prospect of moving towards even more sophisticated formats – within the scope of a reduction in frequency resources and a new planning of digital terrestrial TV by 2020/2022, has entailed the study and evaluation of video quality using any encoding techniques available (Mpeg-2, Mpeg-4, HEVC), in order to contribute to the definition of the Company's strategies for the management of digital Multiplex. Research has started into the applicability of codification techniques based on deep neural networks in order to contribute to the future technological and scientific development of international rules (MPEG, ISO-IEC, ETSI).

New technologies and appliances have been studied, which are able to handle very high quality television signals all along the production and distribution chain, paying particular attention to standardisation of new formats, also with a view to an extensive transition to the IP technology.

Studies have been conducted and experiments have been made in order to establish the maturity and practical applicability of the emerging standards (SMPTE 2110), through laboratory tests and developments and the participation in events organised by the EBU (NTS 2017 and IoT among others).

Rai continued its work in the study of and experimentation into HDR (High Dynamic Range) technology, which will allow high dynamic range imaging to be generated and transmitted and which is considered a basic feature of new TV formats, both UHD and HD. Work focused on the application of the new DVB (Digital Video Broadcasting) specification for UHD and HDR services. Alberto Angela's documentary *Stanotte a Venezia*, produced in UHD HDR, was shown on Tivù Sat, the first broadcast in Italy in this format, at the same time as on Rai 1 in HD and SD.

Experimental broadcasting in HDR is mainly continuing in the form of certain commercials which self-promote Rai Programmes. Appliances have also been laboratory-tested which produce HDR signals "artificially" using normal (SDR, Standard Dynamic Range) archive material.

The objective of the Teca Master (Master Archive) digitisation project, fully in the implementation phase, is to save the contents of the analogical archive, composed of video cassettes and films, and transform them into digital master files to be used easily using modern production and distribution methods. The magnitude of the Rai archives is such that the procedures must be automated to the greatest possible extent in order to complete digitisation within the desired time.

In the first half of 2017 the completion of the technological infrastructure enabled the Betacam/IMX formats at the Via Salaria centre in Rome to be transferred. At the same time a first step was made towards the improvement of the equipment required for digitalising film formats in HD files, which will be completed by the end of the year.

It is planned to also use the same types of systems for digitalising the analogical content of regional offices and local production centres.

Connected with this project are studies into Quality Control to verify the efficacy and soundness of the resulting digitisation processes and master files and into Digital Preservation, involving the steps taken to ensure that the contents of the digital archives can be used as storage technologies and production formats evolve in future.

As regards advanced Content Management systems, experiments have been made in

indexing and visual searches for video content both by using standard components and technologies (MPEG CDVS) and state-of-the-art components on the market. The aims of the experiments are to establish the performances of these technologies and their applicability in practice, as regards storage above all.

At the same time experimental studies of automatic classification based on deep neural networks (Deep Learning) have commenced in order to do research into innovative video content classification architecture, which will allow the optimisation of documentation costs and the enhancement of the potential for the content to be made use of.

During the first half of 2017 work commenced on converting some interactive MHP format services to HbbTV (Hybrid Broadcast Broadband TV), which will be on the main brands of TV sets from 2018. Specifically, the Rai and RaiPlay Telecomando Remote Control applications have been rewritten in HTML5/Javascript in order to verify the portability of the two services using the new technology on the first prototype TV sets. Test signals have been produced and sent out to manufacturers to verify that HbbTV receivers function correctly in a diffusion environment in which interactive services will be present in both formats for some years. At the end of June Rai's Center for Research and Technology Innovation (CRIT) took part in the first Italian meeting on interoperability between HbbTV products, presenting these and other specific testing applications.

As regards the development of technologies and services which make Rai products accessible to persons with disabilities, a project was launched to improve accessibility to museums using the Turin Radio and Television Museum as a pilot.

Another development in interactive applications for users was the commencement of a system of end-to-end production of companion screen applications, named Rai Bridge and based on the results of the financed BRIDGET project completed in February 2017, starting from the end of 2016 and during the first half of 2017. The system is composed of an authoring suite which adds synchronised content to linear TV and an Android application for users to enjoy this experience.

During the first half of the year, work continued on the implementation of the Data Journalism production platform, through the use of Hyper Media News and Concept Book systems as multi-source indexing and search engines integrated into third-party systems in support of the production process.

Issues arising from the correct synchronisation of the transmitters of an isofrequency DTT (Digital Terrestrial Television) network were addressed in order to reduce the risks of malfunctioning in the SFN (Single Frequency Network) terrestrial radio and TV broadcasting programmes supplied by Rai at present, this being a key aspect on which the continuity and quality of the service provided to users are based. An analysis was conducted on the effective soundness of the GPS (Global Positioning System) system, which is used at present, and a second series of tests was designed in relation to the use of time/frequency signals distributed via satellite, the execution of which, in collaboration with the National Metrology Research Institute (INRIM) and the Antares Consortium, is expected during the second half of 2017.

In order to improve the quality and reliability of the filming of moving objects during sports events such as the Giro d'Italia, the configurations for the use of digital connections between equipment fitted on motor cycles, in aeroplanes and mobile cameras were reviewed and optimised, in finding the best solutions for antenna systems.

As regards the Dab+ network project, the new digital radio service which will take its place beside the present FM broadcasting method, technical solutions have been designed and tested on the field in order to also ensure the service coverage and continuity inside highway tunnels.

Two additional projects are under consideration with regard to research into service continuity in tunnels: one at an advanced stage with *Autostrade per l'Italia* (ASPI) whose purpose is to create an example of the implementation (test bed) of the techniques suggested and the other with *Raccordo Autostradale Valle d'Aosta* for examining the possibility of passing on and integrating the techniques suggested with existing transmission infrastructures.

A demonstrator has been made for the broadcasting of regional news programmes on the Italian single frequency Dab+ network (SFN) which parallelises all regional news broadcasts meeting the objectives of low transmission capacity and good sound quality. With the system proposed, the radio receiver appliance is switched automatically to the regional news programme selected by the user.

Furthermore, as regards radio, work continued on the development of new services intended for users provided with connected receivers, such as the Hybrid Radio for the personalisation of content and schedules. These activities are carried out in collaboration with other EBU members.

Within the scope of the European Community's plans providing for the 700MHz band frequencies to be released by 2020/2022, which are currently used for TV broadcasting, work continued on the study on the development of terrestrial distribution network, with particular attention to the integration of broadcast modes into next-generation mobile technology. In this context work was completed on a comparative study of mobile phone networks and broadcasting networks with a view to transmission using 5G-Broadcast technology, which was started in 2016 in collaboration with the *Polytechnic University of Turin*.

Rai also continued working with the *University of Braunschweig* (Lower Saxony) on developing a demonstrator for transmitting TV content from broadcasting networks to mobile terminals, while collaboration was started with the Polytechnic University of Turin to study the features of mobile terminals' antennas in the next future.

Finally, work continued on collaboration on the DVB activities for the assessment of the WiB (Wide Band Frequency Reuse-1) potential as an alternative to conventional DTT planning. The results of the various activities described above will be presented in four articles of the IBC 2017 conference in Amsterdam.

In collaboration with the *University of Turin Physics Department*, a programme was concluded during which new electromagnetic field configurations (bands with different vorticity) were analysed and experimented with in order to use the same channel to transmit more than one signal. Research was conducted into theoretical aspects of the radio section of the project and the performance of the system (spectral efficiency and comparison with MIMO (Multiple-Input Multiple-Output) techniques), while tests were made of the simultaneous transmission of two digital television signals on the same frequency over a short distance.

The results have been published on international scientific journals.

In the field of financed projects, the *H2020 MULTIDRONE* project was started at the beginning of 2017, which provides for the study of a coordinated management system of fleets of drones for the TV broadcasting of special events. Up to this moment Rai has been making valuable contributions to determining production requirements and leads the work of developing the techniques necessary for the integration of the system in production processes.

Rai's work continued within the scope of the *ESA SCORSESE* project for the study and development

of an infrastructure which allows the exploitation of satellites that are usually used to broadcast linear TV signals, including for the power supply of the nodes of broadband networks that are currently employed for the delivery of multi-media and Video-on-Demand services to “connected” devices (PCs, tablets, smartphones). The *H2020 5GCity* project took off in June 2017, with the intention of developing edge computing concepts using 5G technology for moving calculation capacity from the centre towards the periphery, lightening network and neutral cell traffic, an infrastructure operated by the municipality and used by all operators; the project will develop three test beds in as many European cities, including, among others, Lucca in Italy.

Frequency planning and spectrum management

Protection and extension of digital terrestrial TV (DTT) services of Mux 1

Activities continued to minimise the interference impact to the detriment of the reception of Mux 1. Specifically, a long-standing key issue has been solved, which involved some central Italy regions, thanks to coordination with and participation in local radio electricity measurement campaigns – in collaboration with Rai Way and discussing with the counterparty –, as well as through the preparation of supporting technical and regulatory documents. The question had arisen when analogue TV was switched off and DTT arrived and there was a risk of having to make substantial reductions in the emissions from the Monte Nerone installation in Marche, with unfavourable consequences on the Public Service which it would have been difficult to remedy.

In other parts of the country solutions were found to problems of interference caused by the application of recent regulations which sought to free private frequencies which potentially interfered with transmission from other countries. Under these regulations, the allocation of alternative resources to local broadcasters conflicted with Rai’s frequencies, in some cases leading to an interruption in the Public radio and television Service.

In order to bring the Public Service to all inhabitants, technical procedures were also adopted which resolve situations in which reception is poor in difficult mountainous areas.

Release of the 700 MHz band: European Decision and prospects for the new National Frequency Allocation Plan

On 15 March 2017 the European Parliament adopted the Decision regarding the use of the UHF (Ultra-High Frequency) band in Europe, which requires television services to release the 700 MHz band for use by Rai wireless services by 30 June 2020, with a two-year delay for particular justified reasons. In the discussions which preceded the adoption of the Decision, among other things Rai undertook to support the EBU in ensuring that the remaining UHF Band frequencies were used exclusively by terrestrial broadcasting platforms at least until 2030. This certainty of the availability of frequencies is the basis on which the investments necessary for the rechanneling of TV services are made as a result of the release of the 700 MHz band.

As a part of its activities in the Italian Radio and Television Confindustria Industry Federation, Rai provided data on the state of the technologies it uses in distributing its digital networks and the other information needed by the Observatory on innovation in audiovisual media services. The Observatory was set up by the Italian Communications Authority (AGCOM) to monitor the progress and diffusion of transmission standards and signal codification for the DTT service from the points of view of both broadcasting companies and the receivers available to the users, with the twofold objective of:

- assessing the costs of reforming the 700 MHz Band which broadcasters must pay;
- providing combinations of transmission and codification standards which keep step with the evolution of users’ receiving appliances in the new National Frequency Allocation Plan.

Digital radio and radio service improvement

In accordance with the Company’s commitment to expanding the digital radio network, a technical project was carried out to broadcast the Dab+ service all along the entire A4 motorway (Turin-Milan-Venice).

On one hand this very busy road is one of those in which there are difficulties in hearing FM radio services in mobile mode without interruptions and on the other hand it is the motorway with the highest amount of high-range or new-generation vehicle traffic, which is more likely to be equipped with digital radio receivers. Obviously in considering progress in the growth of digital radio, the close connection must be borne in mind between the advance of the service and the diffusion of the necessary equipment on the part of motor vehicle manufacturers.

National and International coordination

The evaluation of interference caused by installing and/or modifying analogue and digital television and radio appliances is at the basis of international and domestic frequency coordination. Specifically, international coordination includes analysis which ensures that the use of spectral resources is made compatible with countries that are neighbours in radio electricity terms, based on technical procedures and rules that are laid down in specific coordination agreement. About 50 frequency coordination projects requested by the Ministry of Economic Development (MISE) were managed during the first half of 2017.

Relations with local and central government Authorities (AGCOM, MISE, Corecom) and support to relations with Parliamentary Institutions

Rai responded to questions, requests for explanations and communications regarding radio and television broadcasting and requests for technical information from institutions, local and central government authorities and private individuals. About 80 such cases involving about 500,000 people were handled in the first half of 2017 in consultation with all the departments and persons in the Company involved and with Rai Way.

New services on Rai Multiplex

During the first half of 2017 four additional radio stations were added (Rai Radio Tutta Italiana, Rai Radio Techetè, Rai Radio Kids and Rai Radio Live); subtitles on Rai channels (Rai 1HD, Rai 2HD and Rai 3HD) started to be shown for persons with hearing difficulties; the flows were activated for the inclusion of a second audio transmission in the original language on Rai Sport, Rai 5 and Rai Premium.

Satellite activities

The programme for Rai's offer to be broadcast by satellite in HD (Full HD Sat Plan) was recently completed in the framework of a 360-degree vision of the development of the Networks and platforms and in the implementation of the Company's strategic plans. In fact, all Rai channels have been sent out by satellite in both SD and HD since January 2017.

Furthermore, as a part of the Company's policy of enhancing video content, which strengthens Rai's leadership in technology, the Public Service coordinated the work necessary to simulcast *Stanotte a Venezia* by satellite using UHD/4k. With this initiative, Rai substantiated its place as leader in the technological development of innovations in product quality; it will also use UHD/HDR by satellite selectively.

Coordination continued with TivùSat – especially a substantial increase in the use of the free platform by satellite, the monitoring of large-scale distribution, relations with decoders and television appliance manufacturers, the supply of schedule information for EPG (Electronic Programme Guides), as well as with Rai Way – in managing and expanding satellite services and with satellite receiver manufacturers, whom they inform of changes in technology and with whom they take part in Italian and international standardisation work- and with the Ministry of Economic Development, with AGCOM and with Confindustria Radio TV for the issues under their responsibility.

Technical and institutional agreements

Rai has worked intensively on promoting, formalising and managing collaboration agreements with Institutions, Universities and research Bodies on special technological projects for identifying and developing, in agreement with affiliate Rai Com, opportunities for financing projects. Furthermore, the activity provides for the analysis of the impact in technical terms of the national Service Contract.

In this framework, agreements were entered into with Universities, research Bodies, Trade associations during the first half of 2017, to commence experiments in improving the technical quality of Rai's radio and television programmes from users' point of view. Furthermore, the *La città educante* and the Social Museum Smart Tourism projects were coordinated in the framework of the National Technology Clusters.

Technical quality development

The ongoing improvement in the technical quality of the products and services offered by Rai is a key feature of its role as the Public Service concession holder.

In the first half of 2017 too, monitoring activities continued in this area, along the entire production and distribution chain, both from an objective point of view and from the point of view of the end user's perception.

The main activities concerned the analysis of data made available by the EVA (Signal Quality Evaluator) system, the technology benchmarking of Quality, a coordinated management of inefficiencies (aimed at taking any appropriate infrastructural countermeasure), as well as the coordination of operating standards and the correlated comparative evaluation.

The EVA system is used to control the technical quality of radio and TV signals and to manage corrective actions taken on IT systems and infrastructural projects, while ensuring a prompt and effective reporting of technical inefficiencies. In this context, operational measures were also taken for the development of digital radio, through the acquisition of specific probes for the reception and measurement of Dab+ standard, which will be installed at the sites of regional offices.

Furthermore, activities continued to improve the technical quality as regards drama and comedy works, together with other similar activities aimed at delivering the highest technical quality standards (from HD to UHD) to users, as well as those for the monitoring and evaluation of the technical quality that can be measured by means of tools, also in collaboration with Rai Way (e.g. Radio, Drama and Comedy, Sports).

Therefore, there was the upgrade of the IT system (CQS) dedicated to the inefficiencies observed on the distribution network of radio and TV signals of Rai or reported by subsidiary Rai Way; specific and structural measures were taken to improve the distribution network in order to increase the technical quality of signals and the overall reliability of the distribution network.

To this end, a project was started for the introduction of statistical analysis tools (supported by a data mining application) to analyse the trends in the values measured and make aggregations on a geographical and time basis. The system will be completed by a series of indicators that will show the anomalies reported on customised "dashboards", based on parameters and on a multidimensional basis. Furthermore, activities will be started for the

experimentation of mobile probes, which may be interconnected with a central system through the Internet, using any available wireless technology (WiFi, 3G and 4G networks).

In collaboration with *La Sapienza University in Rome* – Engineering Faculty, a system was implemented for the 'Full Reference' objective measurement of the quality of a video HD and/or UHD signal, through the definition of a QI (Quality Impairment) index for the determination of the deterioration of the end-to-end video content (from the transmission point to the user reception point). The QI was defined by using both internationally recognised metrics and metrics specifically produced for the requirements of Rai. The QI indexes were calculated in relation to the first UHD programmes broadcast by Rai.

Finally, a feasibility study was started in collaboration with the *Parma University* – Engineering Faculty, aimed at improving the perception of the audio quality reproduced by flat screen TV sets, realising three specific systems for the three models of lounge TV sets (37" - 47" screen) that are mostly sold in Italy, in order to be able to improve above all the intelligibility of speech.

Finally, an experimental measurement system was further improved, which is able to assess the quality of reception – on the user side – of the radio service that can be received from mobile IP networks (3G/4G). This instrument is able to detect, on a georeferenced basis, the presence and quality of the audio signal decoded by a smartphone (connected to the network and using the RadioRai APP) through metrics that simulate the user's perception.

Finally, the first hardware/software system which assesses the quality as perceived by the user of Rai and its main competitors' web TV services was completed. With this system campaigns can be planned for the comparative measurement of the quality of live and/or on-demand services on any web portal and for summarising the main quality parameters (indicators) in a specific application dashboard.

Broadcasting

Rai Way operates more than 2,300 sites equipped with infrastructures and systems for the transmission and broadcasting of radio and TV signals in Italy. Its 23 operating offices are located throughout the country and avails itself of highly skilled staff, including more than 600 people. The technology assets and specialist know-how are key resources for the present range of services, as well as for the development of new businesses.

The services provided by Rai Way can be divided into the following types of activity:

- **Broadcasting services**, to be intended as services for the terrestrial and satellite transmission of TV and radio signals, through the Broadcasting Networks, to the end users within a geographical area.
- **Services for the Transmission** of radio and TV signals via the connecting network (radio links, satellites, fibre optic) and in particular the provision of TV Distribution Services, to be intended as one-way transport services:
 - between fixed sites and/or video/audio/data via analog or digital circuits;
 - of the radiofrequency signal from the satellite within a geographical area of a suitable size, and connected services.
- **Tower Rental Services**, to be intended as:
 - services for the hosting of transmission equipment at broadcasting points (sites) related to radio, TV, telephony and telecommunications signals;
 - services for the management and maintenance of the transmission equipment hosted at our sites;
 - complementary and connected services-
- **Network Services**, which consist of a vast range of heterogeneous services which can be provided by the Company in relation to networks of electronic communication and telecommunications in general (design, construction, installation, maintenance and operation, as well as consultancy, monitoring and radio protection services, etc.).

The type of customer who comes to Rai Way to make use of the abovementioned services can be conventionally classified as being in the category of broadcasters (national and local radio and television broadcasters, including Rai), Telecommunications Operators (mostly mobile network operators) and Public Administration and Corporate Entities (a catch-all residual category including public authorities, legal entities and persons), FWAP (Fixed Wireless Access Provider) operators.

Rai Way is a leading operator in the Italian radio and television transmission infrastructure market.

The main transmission platforms in the television broadcasting market are as follows:

- DTT (Digital Terrestrial Television, both free and pay TV);
- DTH (Direct To Home) (satellite);
- IPTV (Internet Protocol Television) (internet);
- cable TV.

Italy is characterised by having a far greater diffusion of the DTT platform than the other countries of Western Europe. In other countries, the reduced extent of the use of the DTT platform is due to a broader and more competitive presence of satellite platforms (e.g. the United Kingdom and Germany), cable (e.g. Germany) and IPTV (e.g. France). The solid positioning of DTT in the Italian TV broadcasting market is further supported by the absence of cable TV (at a European level operators that are capable of delivering TV services via cable usually represent the strongest competitors on the market, as regards both television and broadband) and, in practice, of IPTV as well, the poor diffusion of which is due to, among other things, the limited presence of fast broadband networks capable of supporting the relative services.

As regards the Italian radio market, programmes are transmitted in both analog and digital format (DAB - Digital Audio Broadcasting) and no expiry dates have been set for a switch-off of the analog signal, in line with many other European countries.

The experience Rai Way has acquired in operating transmission and broadcasting networks enables it to play a prominent part in this field and puts it in a favourable position also to explore the markets for the development of new-generation telecommunications networks.

The service contract that was entered into between Rai and Rai Way in 2014 provides for the delivery of basic broadcasting and transmission services, as well as provides for and regulates the possibility for the parties to negotiate the provision of additional services should the customer have any additional requirements. In this context, the most important services provided in 2017 included:

- Contribution services for sporting and institutional events (Alpine Ski World Championships in Switzerland, G7 Summit in Taormina, Swimming World Championships in Budapest and World Athletics Championships in London), provided with highly reliable technological solutions;
- Satellite contribution services: updating to the video standards of the satellite receivers located at the Milan and Rome Saxa Rubra Production Centres and the activation of the new transponders on satellite E10A a 10° E and on satellite E36 E a 36° E;

- the commencement of the process of rechanneling Mux 1: coordinated frequencies may be allocated to local broadcasters in a process which is known in Italy as a “beauty contest”.

As regards activities carried out to the benefit of third-party customers, during the first half of 2017 Rai Way continued to promote a commercial line to mobile radio operators in order to encourage the development of new generation networks. For this purpose, proposals were prepared for incentive tariffs in order to develop telecommunications networks and infrastructure at the sites which are available to Rai Way.

Commercial activities continued with both TV and radio major operators as part of the Tower Rental services provided to Broadcasting customers, while also offering full service solutions for the complete management of the signal transmission and broadcasting infrastructure so that operators can focus exclusively on developing content.

As regards the provision of innovative services during the first half of 2017, Rai Way joined the LoRa (Long Range) Alliance, an association founded by leading companies in the sector, with the mission to standardise the Low Power Wide Area Networks (LPWAN) technology that is adopted all over the world to enable the ‘Internet of Things (IoT), the machine-to-machine (M2M), the Smart Cities and business applications.

Communication, external, institutional and international relations

In addition to the promotion of the main products of channels and newsrooms, Rai’s communication projects were based on the requirement to enhance the Public Service role played by the Concession Holder.

Specifically:

- 263 media partnership agreements were entered into during the first half of 2017. Priority is given to themes for young people, from preparing them for work to the discovery of the pleasure of reading, from legality as culture to culture as knowledge, throwing light on Italian achievements. Rai supported both the Italian and the Philosophy Olympiads, in collaboration with the Education, Universities and Research Ministry; it celebrated the thirtieth anniversary of the Erasmus Programme and the twentieth anniversary of the European Voluntary Service. The focus was on reading with Rai at the Turin Book Fair and at the Milan Time for Books Fair, at the Bologna Children’s Book Fair, at the *Maggio dei Libri* Fair and many other events. Rai also put the spotlight on the web, especially with the *Parole O-Stili* event and on immigration with various festivals such as Sabir, a festival of Mediterranean culture. There was room for Italian successes: Italian Design Day in the world, in the environment and in the country as a whole with the mapping of cultural assets in earthquake areas, the first National Landscape Day and the FAI Week. Rai celebrated the institutions with the 70th anniversary of the Highway Police and kept alive the memory of Italian heroes like Falcone and Borsellino, as well as commemorating the victims of the Ustica disaster on its 37th anniversary;
- the first half of 2017 a number of steps were taken to refresh Rai’s international dimension, have its importance duly recognised as a modern Media Company with the ability to compete on the new world scene and contribute to establishing its role as a Public Service, its values and its financial sustainability in close connection with the international network of Public Service stakeholders and broadcasters. It is in this context that Rai remains a strong and constant presence in the big European and non-EU trade associations (EBU, COPEAM, CIRCUM, CMCA, ABU, ASBU, CRI-Comunità radiotelevisiva Italofofon), in which it works towards sustaining a policy of multilateral cooperation, including by participating in key international projects. Important is the active role Rai plays in the Mediterranean group of the EBU, which is an essential platform for relation building and reciprocal knowledge with operators of

this crucial, strategic area and for fostering multilateral cooperation;

- Rai has also supported international training programmes to give bilateral assistance to other Public Service Media (PSM) in difficulties (Mediterranean region, Balkans, etc.). For example a Security & Safety training course was held for reporters from the public Radio and Television Services of Algeria, Morocco and Tunisia at the beginning of the year in collaboration with the Italian Centre of Higher Studies in Radio and Television Journalism Training and Updating of Perugia, in partnership with ASBU and COPEAM;
- Rai collaborated constructively with entities in other countries in connection with the utilisation of its programmes as means to support the teaching and learning of Italian language, thereby promoting the Italian language and culture globally and also enhancing its role as the biggest Italian cultural organisation; furthermore, the network of broadcasting stations that transmit in Italian all over the world was implemented through the Italian-speaking TV and Radio Community (CRI);
- as regards international co-production and special projects, note the coordination of Rai's participation in shows of great impact, such as the Eurovision Song Contest (in both Senior and Junior versions), and *Generation What?*, the European project aimed at depicting a portrait of so-called Millennials (young people of between 16-34 years old) and promoted by the leading European Public Service broadcasters, under the coordination of the EBU;
- Rai carried out some projects to communicate – including, but not limited to, the PSM Marketing Campaign (pan-European communication campaign in support of public broadcasters) – and fostered some global-scale events – including, among others, the “Reconnecting Europeans” Conference, organised by Rai on the 60th Anniversary of the Treaties of Rome and the 30th Anniversary of the Erasmus Programme –, with the aim of contributing to a corporate culture and policy of highlighting public broadcasters' value for society;
- on 16 March 2017 the *Porte Aperte* project was launched, its aim being to draw children and young people to Rai, which indeed opened its doors to all Italian school children and students from primary and secondary schools to universities in order to let them see the vast number of professional skills in its vast universe, interest and attract the younger public and arouse their curiosity and show them the true worth of its professionals and all the different activities the Company carries out every day.

The activities in Rai's *Porte Aperte* programme differ according to students' classes and ages:

- for the smallest, children from the last years of infants' school and primary school children (5-10 years), there are (a) didactic games at the Turin TV Production Centre, which is specialised in making TV programmes for children; (b) a visit to Rai's National Symphony Orchestra in Turin to interest them in classical music and show them the instruments that make up an orchestra; and (c) visits to Radio and TV Production Centres all over the country, from Ancona to Cagliari, from Turin to Palermo;
- for lower secondary school children (11-13 years) there is the possibility of instructional Visits to the four TV Production Centres (Turin, Milan, Rome and Naples), the Radio Production Centre in Via Asiago in Rome, to all the seventeen regional offices, and to the national and regional television news programme offices;
- the same applies to higher secondary school students (14-19 years), who may also visit the ICT Centre and the Research and Technological Innovation Centre (CRIT), both in Turin, and use instructional work experience for students modules;
- there are visits for university and postgraduate school students to the ICT Centre and the Research and Technological Innovation Centre (CRIT) and the possibility of traineeships in central and regional Rai offices. Work-related training courses are held in accordance with the Italian School Reform (*Buona Scuola*) law and in collaboration with the educational establishments themselves;
- schoolchildren and students of all classes and ages can visit the Radio and TV Museum in Turin. This Museum holds about 1,500 instruments from Guglielmo Marconi's telegraph to modern radios and smartphones and describes the evolution of radio and television.

The figures from the first three months of work show great interest in Rai:

- a conference was held in Rome on 5 May in collaboration with the National Meeting of Schools for Peace, *Le Sfide educative e il Servizio Pubblico*. Taking part from all around Italy were a hundred students who had been engaged in the promotion of peace and global citizenship. At the centre of the 2017 edition of the Meeting were the proposals in Pope Francesco's Encyclical *Laudato si* and in the 2030 Agenda of the United Nations. The programme required students to join together in workshops to present the work they had done on this theme during the year. It was on this occasion that Rai hosted the conference in which students' presentations alternated with talks by Rai professionals, not all of whom were journalists;

- in November 2016 Quality in the Universal Public Service working groups were set up in order to put this theme on a practical footing and give it visibility. In 2017 round table meetings began with the objective of laying down Quality policies for B2C services, with specific reference to Customer Care management. The Customer Care Centre project consists of the creation of a single virtual meeting point for all contacts with Rai customers, which will act as the nerve centre of Rai's communication and interaction with the outside world, and with its customers/ the public in particular. It will enable services to be delivered through a number of different channels (e.g. telephone, internet browser, e-mail, fax, letters, mobile phones with SMS messages, Whatsapp, etc.) and the handling process will be monitored (from call to response) in order to ensure that certain "service levels" are observed, which are aimed at substantially improving Customer Experience and then Customer Satisfaction;
- during the first half of 2017 a number of communication projects were put in hand which highlighted Rai's role as the Public Service Concessionaire. Among the most salient were those regarding the Gadda Law, Solidarity tourism to Regions hit by earthquakes, School enrolments, the Morrione Award, the Rai Play portal – Phase 3 – Connected TV, the *Porte Aperte* and *Rai Academy* projects, *La Rai che vorrei* (an online contest dedicated to Millennials), Holocaust Memorial Day and the commitment with *Libera contro le mafie* association, the celebrations for the anniversary of the Rome Treaties, the 25th Legality Day (falling on the anniversary of the Capaci massacre), the *Patto per la lettura* (with the MIBACT), the Milan Time for Book Fair and the Turin Book Fair, the 2 June celebrations for the anniversary of the foundation of the Italian Republic and *Complimenti per la connessione 2* (a mini-fiction on digital inclusion).

The legislative and regulatory framework

Prime Minister's Decree of 28 April 2017, governing the "Procedure for awarding Public radio, television and multimedia Service and approval of the attached contract form"

On 23 May 2017 the Prime Minister's Decree was published in Official Gazette no. 118, which appointed Rai as concessionaire, on an exclusive basis, of the Public radio, television and multimedia Service for a term of 10 years, as from 30 April 2017 and approved the contract form attached to the concession.

This followed the approval, on the part of the parliamentary Committee on general affairs and supervision of radio and television services at the meeting held on 11 April 2017, of the opinion prescribed by Article 49, paragraph 1-*quinquies*, of Legislative Decree 177 of 31 July 2005 (Consolidation Act on audiovisual media and radio services, *Testo unico dei servizi di media audiovisivi e radiofonici*, hereinafter referred to as TUSMAR) on the decree and agreement forms. Accordingly, negotiations were started on the new Service Contract (see below).

Law 19 of 27 February 2017, bearing the "Conversion into law, with amendments, of Decree Law 244 of 30 December 2016, governing the extension and definition of time limits. Extension of the time limit for the exercise of delegated legislative powers" ("Mille-proroghe")

The Law in question converted the *Mille-Proroghe* (One thousand extensions) Decree Law into Law, consolidating, in particular, the related provisions that postpone, until 1 January 2018, the application of the effects towards Rai arising from the rules aimed at reducing operating, organisation, accounting, finance, investment and disinvestment costs, provided for in the legislation in force against the persons included in the list prepared by the ISTAT (National Statistics Institute) (Article 6, paragraph 4, of the Decree Law).

Furthermore, Article 11, paragraph 3-*ter*, of the converted Decree Law lays down provisions relating to Istituto Luce-Cinecittà Srl: in 2017 a portion of the resources available as a result of possible savings in lower utilisations of the cinema tax credit provisions could be allocated to the aforesaid Institute for operating expenses and for investments, including stock market investments, with reference to the Cinecittà district, in order to expand the activities of the Italian Film Library and make the most of the Italian film heritage.

In relation to said purposes, the Institute is authorised, within the framework and limits of the authority granted to it, to enter into one or more framework agreements with Rai, to be approved, by a Decree of the Minister of Cultural Heritage and Activities and Tourism, in agreement with the Minister of Economic

Development, within 30 days after the date of the related execution.

Legislative Decree 254 of 30 December 2016, governing the "Implementation of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups"

This measure was enacted in the implementation of Law 114 of 9 July 2015 (2014 European Delegation Act) and lays down provisions applicable with reference to the statements and reports relating to the financial years commencing from 1 January 2017. The measure puts public interest entities and large groups which meet certain requirements related to number of employees and size under the obligation to prepare and publish a non-financial statement every financial year containing specific information (on environmental and social matters, their staff, the observance of human rights and the fight against bribery and corruption. If the company does not follow policies regarding any of these matters, it must explain the reason for not doing so clearly and in detail). The measure also requires any parent company of large-size groups to prepare a consolidated non-financial statement (Article 4). This statement may be included in the report on operations, in either separate or consolidated accounts, or may constitute a distinct report, either separate or consolidated: in both cases it shall be published in the register of companies and on the website of the Public Interest Entity (EIP) or of the parent company.

Calculation of radio licence fees

Article 1 of the Minister of Economic Development's Decree of 22 December 2016, governing "Radio licence fees for 2017", which was published in the Official Gazette of 1 February 2017, makes no change to the amount of the special licence fee (with respect to the amounts set out in tables 3 and 4 attached to Ministerial Decree of 29 December 2014), due for (i) holding radio receiving or TV appliances outside the household; (ii) holding radio or television appliances in cinemas, theatres and comparable establishments, with effect from 1 January 2017 and for the current year.

Legislative Decree 35 of 15 March 2017, governing the “Implementation of Directive 2014/26/EU on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market” – Public consultation announced by AGCOM (Telecommunications Authority)

The Decree was enacted in the implementation of Article 20 of Law 170 of 12 August 2016 (governing the “*Delegation of powers to the Government for the adoption of European directives and the implementation of other measures issued by the European Union – 2015 European Delegation Act*”) and of Directive 2014/26/EU on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market. It lays down the requirements that need to be met in order to ensure that the copyright and related rights are managed correctly by collective management organisations and independent management entities, as well as the requirements for the aforesaid multi-territorial licensing on the part of copyright collective management organisations (referred to in Chapter III, Articles 29-37).

The measure reframes the rules governing collective management organisations, laying down regulations for their work, their rules and their functioning in order to improve their governance standards and their transparency, efficiency and representativeness, also in their relations with the holders of rights; it also leaves people free to decide which organisation (a collective management organisation or an independent management entity) to entrust with the management of their rights (concerning the related categories or types of works or materials protected in the territories indicated by them), regardless of the Member State of nationality, residence or establishment of the collective management organisation, of the independent management entity or of the holder of rights. The Decree, however, preserves the exclusive right of the Italian Society of Authors and Publishers (SIAE) to act as the copyright intermediary between authors and consumers according to Article 180 of Law 633/1941. The provisions that are of greater interest to the Company are Article 22 (*Licensing*) and 23 (*Users’ obligations*), which regulate the collecting entities’ relations with the users of the repertoires with specific reference to the mutual disclosure and information obligations (Article 27).

Legislative Decree 38 of 15 March 2017, governing the “Implementation of Council Framework Decision 2003/568/JHA of 22 July 2003 on combating corruption in the private sector”

The measure has transposed, into the Italian legal system, the provisions laid down in the Council Framework Decision 2003/568/JHA

of 22 July 2003 on combating corruption in the private sector; on the other hand this matter was specifically regulated under Law 170 of 12 August 2016, bearing the delegation of powers to the Government for the transposition of European Directives and the implementation of others measures issued by the European Union - 2015 European Delegation Act (Article 19), amending, among other things, the Italian Civil Code’s provisions governing corruption between private individuals (Article 2635 of the Italian Civil Code) and introducing the new Article 2635-bis (*Incitement to corruption between private individuals*). Article 6 of the Decree in question reformed, in line with the amendments made to the Italian Civil Code, Article 25-ter, paragraph 1, letter s-bis, of Legislative Decree 231 of 8 June 2001; furthermore, it also provided for the inclusion of incitement to corruption between private individuals pursuant to Article 2635-bis, paragraph 1, of the Italian Civil Code, among predicate offences concerning the abovementioned liability of entities, within the scope of corporate crimes.

Said amendment was also taken into account in the implementation of the Organisational, Management and Control 231 Model adopted by the Company (see below).

Ministry of Economy and Finance’s Directive of 16 March 2017 governing the procedures to appoint the members of the corporate bodies of the companies invested in by the Ministry

The Ministry updated the procedures to appoint the members of the corporate bodies of the companies in which it invests (directly or indirectly) by Directive of 16 March 2017.

Legislative Decree 56 of 19 April 2017, governing the “Supplementary and corrective provisions of Legislative Decree 50 of 18 April 2016”

Legislative Decree 56 of 19 April 2017, governing “*Supplementary and corrective provisions of Legislative Decree 50 of 18 April 2016*”, in force from 20 May 2017, was published in Official Gazette of 5 May 2017. The Decree, which implemented Article 1, paragraph 8, of Law 11/2016 (Enabling Law), authorised the Government to adopt the related supplementary and corrective provisions within one year from the entry into force of the Code of Public Contracts and in compliance with the same principles and guidelines. It also made a number of amendments to Legislative Decree 50 of 18 April 2016 (Code of Public Contracts) in the matter, among others, regarding: two-year planning of procurement of goods and services and three-year planning of works; design of works and feasibility studies; selection, appointment

and ineligibility of the Single Procedure Manager (RUP); contracts below the ceiling; direct award of contracts; contracting authorities' qualifications; procedures to select contracting parties; selection boards; tender documents and bid guarantees; testing and verification of conformity; concession contracts; contractor rating and qualifications to perform public works; award criteria; method of calculation of anomalous bids; subcontract; penalties on delayed performance and deductions from invoices.

Rai is bringing its internal procedures into line with the relevant regulations governing the award of public contracts, both in the so-called ordinary sector and in such sectors that are excluded – as expressly required by law – from the application of the Code of Public Contracts, in particular – with reference to the latter – providing for new criteria and procedures for the award of contracts referred to in Article 49-ter of the TUSMAR. In fact, at the meeting held on 27 July 2017, the Board of Directors approved the *“Internal instructions for the award of contracts of works, services and supplies relating to contracts excluded from the application of the Code of Public Contracts”*, as updated in line with the regulatory changes occurred in the meantime.

Legislative Decree 90 of 25 May 2017, governing the “Implementation of Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Directives 2005/60/EC and 2006/70/EC and the implementation of Regulation (EU) 2015/847 on information accompanying transfers of funds and repealing Regulation (EC) 1781/2006”

The Decree rewrote Legislative Decree 231 of 2007 (implementing the previous anti-money laundering Directive), bringing in various innovations including, among others, the persons subject to its obligations, records, communications to the competent Authorities, the notions of effective owner and of a person who is politically exposed, client due diligence, controls, obligations to preserve records and penalties. The law ruled in particular that the provisions under the amended Article 10 (regulating the notices to be given to the Bank of Italy Financial Intelligence Unit (*Unità di Informazione Finanziaria*) to provide details of and information concerning suspicious transactions and adopting internal procedures which on one hand assess offices' exposure to risk and on the other hand set out the measures necessary to mitigate such risks) also apply – in the framework, among others, of the procedures to select contracting parties for the award of contracts of works, supplies and services according to the provisions laid down in the code of public contracts – to the companies invested in by public authorities and

their subsidiaries, pursuant to Article 2359 of the Italian Civil Code – only as regards their activities of public interest as regulated in domestic or European law, as well as entities responsible for collecting central or local government taxes, whatever their legal status.

Law 71 of 29 May 2017, governing the “Provisions for the protection of minors to prevent and counter cyberbullying”

This law, for the first time, lays down a legal definition of *cyberbullying*, against which its Article 2 (*Protection of minors and their dignity*) sets out a specific procedure to protect minors of over fourteen years of age who are victims of such acts. The procedure may be triggered at the request of the minors concerned themselves, by one of their parents or by a “person exercising responsibility for them”: the data controller or website or social media operator is sent a mandatory injunction and prescriptive measures (to blank out, remove or block any other item of minors' personal data diffused on internet, after saving the original data). The “responsible person” must (i) confirm within 24 hours after receiving the injunction that he has undertaken to act as requested, and (ii) actually comply with the injunction within the following 48 hours. If this does not happen (and if the data controller or website or social media operator cannot be identified), the person concerned may submit the request in the form of a report or complaint to the Data Protection Authority, which must take action within the following 48 hours.

Under Article 3, a committee of experts is to be formed by virtue of a Decree of the President of the Council of Ministers which will consider measures to prevent and counter cyberbullying. It will have the tasks of drawing up an integrated Plan of action (with the code to prevent an counter cyberbullying by which social networking services and other internet operators are to abide), in compliance with the relevant EU regulations, and of creating a data gathering system to monitor the evolution of this phenomenon and control content in order to protect minors. The Plan will provide for projects for informing population of the phenomenon of cyberbullying and for preventing these acts and will make arrangements for periodic information, prevention and awareness campaigns on the main media, as well as by making use of communication and press media.

Law 96 of 21 June 2017, governing the “Conversion into law, with amendments, of Decree Law 50 of 24 April 2017, governing urgent provisions for financial issues, actions in favour of local entities, additional measures for the areas hit by earthquakes and development measures”

The law introduced a series of measures mainly in tax, labour law and public accounts, including the provisions of Article 1 (*Provisions for fight against tax evasion – split payment*), which extended the scope of the split payment system (for the payment of VAT on a contractor’s invoice to a public body whereby the Tax Office takes the VAT charged to the public body directly) to the VAT payable for all the transactions (provision of services and sales of goods for which an invoice will be issued as from 1 July 2017) which are also carried out with the companies owned by the Ministries and related direct or indirect subsidiaries, as well as with listed companies.

At the request of the assignors/contractors, the assignees/principals must, however, issue a document confirming that the tax paid is relevant to the entities to which split payment rules apply: assignors and contractors who hold a certificate of this kind must apply this VAT payment procedure, the application of which is also extended to the fees payable for the provision of services subject to income tax withholdings (e.g. fees due to professionals). By a subsequent decree issued by the Minister of Economy and Finance on 27 June 2017, governing the *“Procedures for the implementation of Article 1, paragraphs 1 and 2, of Decree Law 50 of 24 April 2017, as amended and converted by Law 96 of 21 June 2017, governing split payment for VAT purposes”*, regulations have been drawn up for the implementation of these provisions. Rai has taken any appropriate internal measure in order to procure that the Company and the Group shall comply with the abovementioned regulations, which will enter into force, as specified, with reference to the invoices issued in its name as from 1 July 2017.

Corporate Governance

Approval of the Three-Year Corruption Prevention Plan 2017-2019

The Company's Board of Directors approved the Three-Year Corruption Prevention Plan 2017-2019 at the meeting held on 25 January 2017. Specifically, the protocols in the General Section of the National Anti-Corruption Plan have been updated, specifically those under the headings of "Award of contracts of works, services and supplies" and "Staff recruitment and advancement."

Rules for the Financial Reporting Officer of Rai Radiotelevisione Italiana SpA

The Company has taken steps to adopt the Rules for the Financial Reporting Officer, laying down, in compliance with the provisions of law and of the Articles of Association governing obligations and formalities, general operational instructions in relation to the performance of the duties assigned to the Financial Reporting Officer.

Appointment of the Corruption Prevention Manager

At the meeting held on 26 April 2017 the Company's Board of Directors resolved to also appoint the Internal Auditing Manager as the Corruption Prevention Manager, pursuant to the regulations in force (Law 190/2012), who shall report to the Board of Directors, together with the related supporting operating function.

Limits on remuneration

Article 9 of Law 198 of Law of 26 October 2016 (*Establishment of the Fund for pluralism and innovation of information and powers delegated to the Government for the reform of regulations governing public support to the sector of publishing and local radio and television broadcasters, the regulations governing pension schemes for journalists and the composition and competence of the National Council of the Association of Journalists. Procedure for awarding Public radio, television and multimedia Services*) provides for a new procedure for awarding Public radio, television and multimedia Services, as well as for the remuneration payable to directors, subordinate staff, collaborators and consultants working for the entity that has been awarded the Public radio, television and multimedia Service, whose professional services are not subject to regulated tariffs, to be covered up to a limit equal to Euro 240,000, set out in Article 13 of Decree Law 66/2014 (as converted by Law 89/2014). It also specifies that, for the purposes of compliance with this limit, the exceptions laid down in Article 23-bis of Decree Law 201/2011 (Law 214/2011) shall not apply which relate to the companies that issue financial

instruments listed on regulated markets and to their subsidiaries.

Following any appropriate evaluation, Rai's Board of Directors' meeting held on 9 November 2016 resolved, with reference to this provision, to ask the Shareholder represented by the Ministry of Economy and Finance and the Ministry of Economic Development to prove an exact interpretation of the rule based on the formulation of a specific question. Rai has also taken steps to implement the aforesaid regulations by providing, as regards any relationship in place with reference to subordinate staff, collaborators and consultants employed under non-artistic work contracts, for its application as from the salaries and wages payable from December 2016. These clarifications came in April 2017 in a memorandum from the Ministry of Economic Development with an attached opinion from the Italian Government Lawyers, who confirmed that the provision according to which artistic performance contracts are excluded from the application of the limit is lawful in full, requiring the Company's governing bodies to lay down, "in a comprehensive plan, the criteria and parameters for identifying contracts for artistic performances, the mechanisms for determining their remuneration and their value in relation to the objectives of the editorial plan", in order to lay down self-regulations to govern the matter. The policy was finally adopted at the Board of Directors' meeting held on 14 June 2017.

Resignation and appointment of the General Manager

In June 2017, following the termination of the employment relationship with the former General Manager, the Company took steps, after having reached the prescribed understanding between the governing body and the Shareholders' Meeting as to the intended designation, to appoint Mario Orfeo as the Company's General Manager, granting him the powers and prerogatives required by the law and the Articles of Association, as well as specified and acknowledged in the board resolution of 3 February 2016 relating to the structure of the Company's governance powers.

Procedure for negotiations of the new Service Contract with the Ministry of Economic Development, appointment of the Delegated Technical Board

At the meeting held on 23 June 2017 the Board of Directors gave its favourable opinion as to the composition of the Delegated Technical Board in view of the start of negotiations for the execution of the new 5-year Service Contract. As already mentioned, the Delegated Technical Board, the composition of which was subsequently

notified to the Ministry of Economic Development, will be responsible for holding negotiations with the Ministry.

Update of data and information provided for in the Corporate Transparency and Communication Plan on the part of Rai and data published on the Company's website

On 26 May 2016 the Board of Directors passed a resolution to approve the Corporate Transparency and Communication Plan of Rai SpA, in the implementation of Article 49, paragraph 10, letter g), of the TUSMAR, as amended by Article 2 of the Reform Act of Rai. The Plan, which has been published in the dedicated section of the Company's website, contains the information required by Article 49, paragraph 10, letter g), of the TUSMAR, as well as the criteria and procedures for the determination and update of the aforesaid information (according to different time limits that are set out precisely).

At present the Plan is in the process of being updated, as required at least on an annual basis under Article 49-bis of Legislative Decree 177/2005.

Update of the Organisational, Management and Control Model

On 27 July 2017, the Board of Directors approved, as a result of the subsequent regulatory developments and changes in the organisational and corporate structure of the Company, the update of the Organisational, Management and Control Model pursuant to Legislative Decree 231/2001.

Corporate Governance Report – Rai’s Control Governance Model and the Internal Control and Risk Management System

The Internal Control and Risk Management System (SCIGR) is *“the system of tools, organisational units and corporate standards and rules whose aim is the sound and correct conduct of the enterprise, consistent with the corporate objectives set out by the Board of Directors, by means of a suitable process of identification, measurement, management and monitoring of the main risks and the construction of information flows which are adequate to ensure the circulation of information.”*

Rai’s Internal Control and Risk Management System is included in the overall organisational and corporate governance systems. An effective SCIGR supports aware decision making and helps to protect the corporate assets, makes corporate processes efficient and effective and provides reliable financial reporting, ensures compliance with laws and regulations, the Company’s Articles of Association and internal rules.

Even if it is adequate and functions well, the Internal Control and Risk Management System may only provide “reasonable certainty” regarding the attainment of corporate goals.

Rai uses the CoSO (Committee of Sponsoring Organizations of the Treadway Commission) Report as an internationally recognised reference framework, for the implementation, analysis and assessment of the Internal Control and Risk Management System.

Rai’s SCIGR, therefore, on three levels:

- Level I: Management;
- Level II: Corruption Prevention Manager (RPC) and Management with monitoring functions – e.g. Planning and Control, Risk Management, etc.;
- Level III: Internal Auditing.

The Internal Control and Risk Management System of Rai SpA involves various persons and bodies with their particular roles and responsibilities, i.e.:

- Board of Directors;
- Chairman of the Board of Directors;
- General Manager;
- Management;
- Board of Statutory Auditors, Independent Auditors and Magistrate of the Court of Auditors;
- Supervisory Board under Legislative Decree 231/2001;
- Financial Reporting Officer;
- Internal Auditing;
- Standing Committee for the Code of Ethics;
- Corruption Prevention Manager (RPC);
- Transparency Manager/Holder of Replacement Power.

The Board of Directors has an absolutely central role in that it lays down the basic outlines of the Internal Control and Risk Management System’s organisational, administrative and accounting structure and policies, so that the Company’s main risks are correctly identified, measured, managed and monitored.

The Chairman operates within the scope of the powers granted by law, the Company’s Articles of Association, the corporate governance system and delegated powers and is appointed, among other things, to chair and coordinate the proceedings of the Board of Directors. In relation to the delegated powers provided for in the Rai Reform Act 220 of 2015, the Chairman has been vested with the delegated powers relating to the supervision of internal control activities, without prejudice to the reporting hierarchy within the Internal Auditing Department, in compliance with the board resolution approved on 16 March 2016 with the favourable opinion of the shareholder.

The General Manager is responsible for supervising the operations of the Internal Control System, implementing the policies adopted by the Board of Directors. He also sees to the design, creation and management of the Internal Control and Risk Management System and constantly verifies its overall adequacy, effectiveness and efficiency.

As a part of its functions and in pursuing its related objectives, the Management constantly ensures that the Internal Control and Risk Management System is correctly designed and that it runs effectively. In order to do this, and also according to the nature of the risks managed, it checks and monitors the system in order to ensure the effectiveness and efficiency of the Internal Control and Risk Management System in preventing irregularities and/or fraudulent activities and detecting any that have already taken place.

Pursuant to Article 2403 of the Italian Civil Code, as amended by the reform of the Company Law, the Board of Statutory Auditors supervises compliance with the law, the Articles of Association and observance of the principles of proper management. The Board oversees, in particular, the effectiveness of the Internal Control and Risk Management System and the adequacy of the organisational, administrative and accounting structure adopted by the Company and its effective operation.

The statutory audit of accounts is conducted pursuant to Article 2409-bis of the Italian Civil Code and is the responsibility of the Independent Auditors enrolled in the special register.

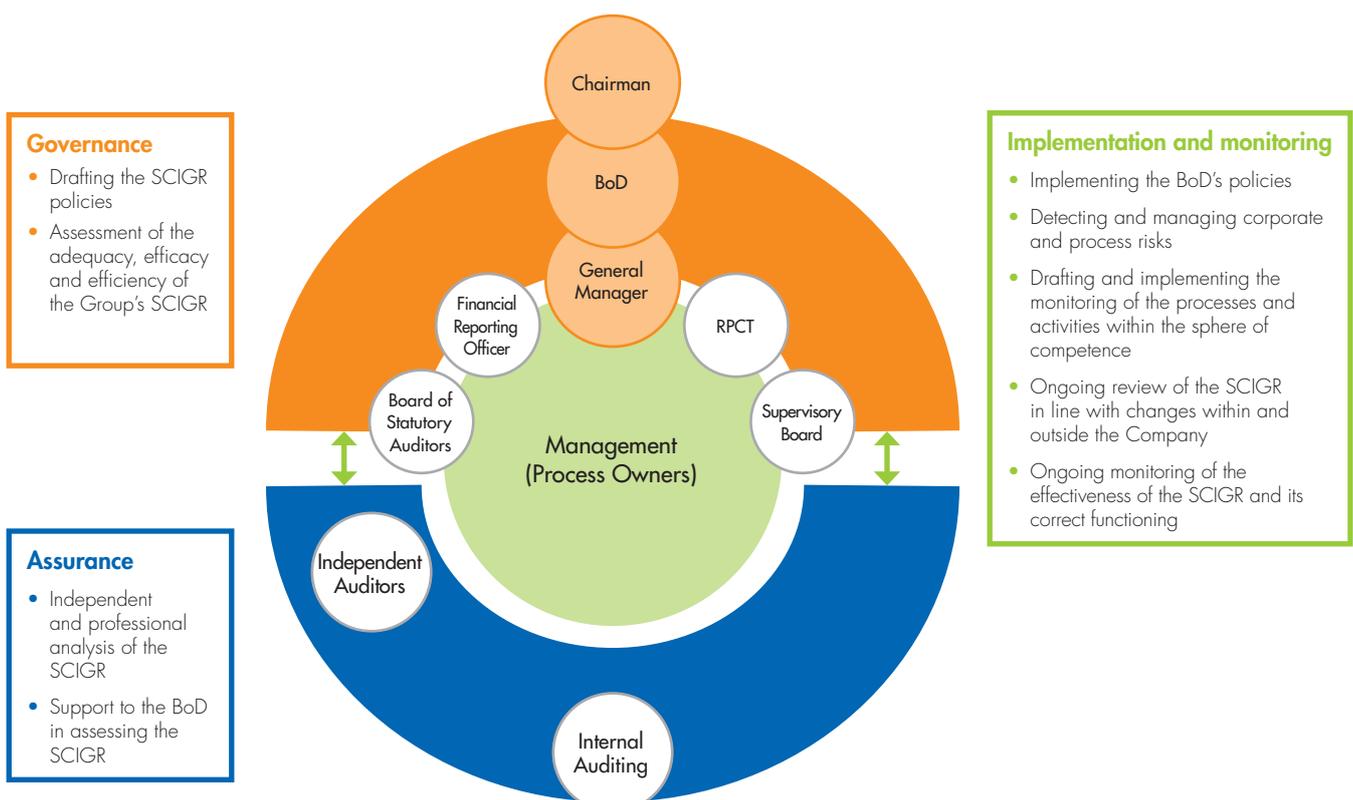
More specifically, following the listing of a bond issue on the Irish regulated market, Rai acquired the status of a Public Interest Entity (*Ente di Interesse Pubblico*, EIP) from 28 May 2015 pursuant to Article 16 of Legislative Decree 39/2010. Therefore, Article 17, paragraph 1, shall apply to the audit of accounts which provides that: *"The engagement for the statutory audit of accounts has a term of nine financial periods for accounting firms."* On 10 March 2016 the Shareholders' Meeting of Rai acknowledged the Board of Statutory Auditors' proposal and resolved to renew the appointment of PricewaterhouseCoopers SpA for the 2015-2023 financial years.

Rai is also required to keep separate accounts of the revenues from the licence fee and the costs sustained in the previous calendar year in order to deliver the Public Service, based on the schedule approved by the Telecommunications Authority (AGCOM). Rai's separate accounts are audited, pursuant to Article 47 of Legislative Decree 177/2005 (Consolidation Act on audiovisual media and radio services, *Testo unico dei servizi di media audiovisivi e radiofonici* - TUSMAR), by independent auditors selected by AGCOM from among those included in the special register kept by Consob but other than those appointed to carry out the statutory audit of separate financial

statements. In compliance with AGCOM's choice and the outcome of the tender, the Shareholders' Meeting appointed the auditing firm Mazars SpA (now BDO Italia SpA) on 17 November 2011 for the period from 2010 to 2018.

Furthermore, since 2010 Rai SpA's financial management is subject to the scrutiny of the Court of Auditors, which, pursuant to Article 12 of Law 259 of 21 March 1958, reports its findings to the Presidents of the two Chambers of Parliament. For this purpose, a Magistrate of the Court of Auditors attends the meetings of the Board of Directors and of the Board of Statutory Auditors of Rai SpA.

Rai SpA complies with the regulations under Legislative Decree 231/2001 governing the administrative liability of the entities, adopting the required Organisational, Management and Control Model. Rai SpA's Board of Directors approves the update of the Model in conformity to the progressive widening of the scope of application of the regulations to other criminal offences and the changes in organisation occurring over time. The Supervisory Board oversees the functioning of and compliance with the Model, satisfying itself of its adequacy, i.e. that it is likely to prevent wrongdoing, as well as its implementation and updating. By a



resolution passed on 24 September 2015, the Board of Directors appointed the currently serving Supervisory Board of Rai SpA. The Board submits periodic reports on its work to the Board of Directors, the Chairman, the General Manager and the Chairman of the Board of Statutory Auditors of Rai SpA.

The Financial Reporting Officer arranges adequate administrative and accounting procedures for the preparation of separate and consolidated financial statements, as well as of any other financial reporting document, with specific duties and responsibilities provided for in the Law. Article 30 of Rai SpA's Articles of Association provides for the Board of Directors to appoint the Financial Reporting Officer, subject to the prior mandatory opinion of the Board of Statutory Auditors, for a period not shorter than the term of office of the Board itself but not longer than six financial years, as provided for in Article 154-bis of the Consolidation Act on Finance. The Board of Directors of Rai SpA has then taken steps to appoint the Financial Reporting Officer in compliance with said provision.

By a specific decision, the General Manager has approved – giving notice thereof to the Board of Directors at the meeting held on 25 January 2017, also based on the related supervisory activity in this area – the Rules for the Company's Financial Reporting Officer, providing for general operational instructions, in compliance with the provisions of law and the Articles of Association governing obligations and formalities, in relation to the performance of duties assigned to the Financial Reporting Officer.

Internal Auditing

The purposes and scope of internal audits and the procedures for their conduct are set out in the document on *Internal Auditing Policies* (so-called Audit Charter), which were finally approved by the Board of Directors in July 2015 in line with the relevant best practices.

The Internal Auditing Department which has the powers and resources needed for it to go about its duties in full operational independence, including spending autonomy, the availability of a sufficient number of resources with professional expertise and access to the information, data, archives and assets of the Company and of its subsidiaries – carries out its audits in conformity to the annual Plan of activities drawn up in compliance with a risk-based approach. The Department is not responsible for any operational activities and is directly under the Chairman of the Board of Directors, while functionally reporting to the General Manager since the latter is appointed by the Board of Directors of Rai SpA to set up and maintain an effective Internal Control and

Risk Management System. This organisational model ensures an independent and objective activity, aimed at improving the efficacy and efficiency of the organisation. Furthermore, the Department assists the organisation in pursuing its objectives through a systematic professional approach which generates added value since it seeks to evaluate and improve control, risk management and Corporate Governance processes.

Internal Auditing function's main duties are:

- within the limits of the investigative tools at its disposal, to assess the operation and adequacy of the Internal Control and Risk Management System, both on an ongoing basis and in relation to specific needs, and to provide evaluations and recommendations which foster its efficiency and effectiveness;
- to provide the management with specialist support concerning the Internal Control and Risk Management System issues in order to enhance the effectiveness and efficiency of audits of corporate processes, integrate them and foster constant improvement in governance and risk management.

The Management, namely those charged with the management of the company, are responsible for the correct design and effective functioning of the Internal Control and Risk Management System on an ongoing basis, for the definition of the corporate and process objectives, for the prevention and detection of irregularities and for seeing that risk management procedures comply with the risk mitigation measures that have been laid down.

The Internal Auditing Department:

- prepares the proposed annual Audit Plan, which is subsequently approved by the Chairman of the BoD subject to sharing the proposal with the general Manager. The Audit Plan is then the object of the Chairman of the BoD's reporting to the Board of Directors of Rai. The Supervision Plan concerning Legislative Decree 231/2001 is approved by the Supervisory Board of Rai SpA, on the basis of a proposal submitted by the Internal Auditing Department which normally includes the model 231 audits required within the scope of the audits of the Annual Internal Audit Plan;
- is responsible for any necessary information flow on the audits conducted and the related reporting to the Company's Top Management, the Control/Supervisory Bodies of Rai SpA and the Corruption Prevention Manager of Rai SpA, as well as to the Top Management, the Control/Supervisory Bodies and the Prevention Corruption Managers of Subsidiaries for the processes being audited by the Internal Auditing department of Rai SpA, concerning the Group's Internal Control and Risk Management System, in line with the relevant regulatory provisions;

- monitors whether the corrective actions have been actually implemented through operational audits (on-site Follow up).

Recent developments of the SCIGR

Particular developments in the evolution of Rai's Internal Control and Risk Management Systems which occurred during the period were:

- update of the Three-year Corruption Prevention Plan (PTPC) of Rai SpA and adoption of the 2017-2019 PTPC (which was approved by a resolution passed by the Board of Directors of Rai SpA on 25 January 2017, as referred to below), prepared by the Corruption Prevention Manager and also containing, as regards management and coordination, reference principles and implementation criteria for Subsidiaries, for the purposes of the adoption of specific regulations. Furthermore, the Organisational, Management and Control Model (MOGC) under Legislative Decree 231/01 was also reviewed on an ongoing basis and amendments were made which took account of regulatory developments, as well as of changes in the Company's organisational structure and the recommendations issued by the Supervisory Board. The Company's Code of Ethics was also updated accordingly;
- a different methodological approach to monitoring corrective action continued to be taken in order to enhance its efficacy; the Company went about this work more regularly and through on-the-spot verification, aiming at prevention and support of Management rather than audits pure and simple;
- update of the internal rules by virtue of Law 220 of 28 December 2015 bearing provisions governing the "Reform of Rai and of the Public radio and television Service." Specifically, the instructions for awarding contracts outside the scope of the regulations governing public tenders were reviewed, in addition to the criteria and procedures for recruiting staff and appointing collaborators;
- with reference to the protection of health and safety at work, some organisational issues were further updated in relation to the company functions responsible for delivering training in health and safety at work as were the procedures to perform and operate any related activity.

Anti-corruption and Transparency activities

Information is provided below on the implementation of the Three-year Corruption Prevention Plan 2017-2019 (PTPC), which was approved by the Board of Directors at the meeting held on 25 January 2017. On 26 April 2017 the Board of Directors of Rai also appointed the Internal Auditing Manager as the Corruption Prevention Manager (RPC), who took over the position that had been previously assigned

on a temporary basis to the Manager responsible for the Secretary's Office of the Board of Directors. During the relevant period (from January to June 2017) Rai continued its work on the implementation of the Anti-Corruption Law 190/2012, taking account of the Rai Reform Act 220/2015 (which entered into force on 30 January 2016) and laying down the guidelines and programme activities that are preliminary to the adoption, development and update of the PTPC. This was done with the objective of contributing to the constant development of an internal control and prevention system integrated with the other measures which the Company has already adopted (specifically, the Code of Ethics, as well as the Organisational, Management and Control Model pursuant to Legislative Decree 231/2001), also taking advantage of the opportunity offered by the above laws to bring in new measures and/or strengthen those already existing, with a coordinated action for a more effective fight against corruption and illegality. The entry into force of the Rai Reform Act, together with the Simplification Decree 97/2016 (which reformed Legislative Decree 33/2013) and Legislative Decree 175/2016 (Consolidation Act on Investees), entailed the exclusion of Rai SpA from the subjective and objective scope of application of Legislative Decree 33/2013, including the appointment of the Transparency Manager, as the related work is under the responsibility of the General Manager.

In detail, the main initiatives and actions in connection with Anti-corruption activities during the relevant period were:

- **actions taken to strengthen control measures:** continuing with what had already been done in the previous two years, in order to verify the compliance with and the adequacy of the PTPC, the RPC operated along four lines of action (Field work - Audit and Risk Assessment, documentary analyses, information flows to the RPC and certifying contact persons), including by involving other company functions in operational terms. In continuing the approach that has been already adopted in previous PTPC, the list of Areas that are potentially exposed to the risk of Corruption includes the General Areas that are specifically identified in the National Anti-Corruption Plan, as well as those identified by the Control Risk Self-Assessment that was carried out in 2015. Furthermore, on the basis of the recommendations laid down in the Resolution passed by the National Anti-Corruption Authority (ANAC) on 14 September 2016, Rai widened the scope of the control and monitoring of the Protocols for staff recruitment and the Protocol for the appointment of advisors, collaborators and professional experts, and reduced the margins of discretion, as also suggested by the Authority, as confirmed by the latter; the Protocols were

then added to by the provisions of a document on the "Criteria and procedures for recruiting staff and appointing collaborators", which is required by the Rai Reform Act 220/2015;

- **execution of the training and information programme for staff and contact persons:** during the first half of 2017, classroom training sessions were arranged for persons in new jobs, which also involved the Regional Offices and the TV Production Centres through connections in streaming mode. A refresher course will soon be given for those who have already taken the e-learning session or classroom sessions in 2015/2016. Employees are continually updated on the latest developments in this area, which are made available in the specific section of the Company's intranet site. The Anti-corruption Contact Persons and the Corruption Prevention Managers of Group Companies are also kept informed of the main activities performed and initiatives carried out in relation to Anti-corruption and Transparency issues; other means of informing these persons are a special section of the Company's intranet site and a monthly newsletter;
- **activation and analysis of macro-information flows from and to Corruption Prevention Managers:** in order to monitor the correct implementation of the Plan and the compliance with related Protocols, information flows have been gradually implemented from 2015, with the competent Procurement, Internal Auditing, Legal and Corporate Affairs Departments, the CFO and the Contact Persons. Furthermore, additions have been made to the information flow with the Human Resources and Organisation Department, with specific reference to the Protocols for staff recruitment and the appointment of advisors, collaborators and professional experts, including in the implementation of the recommendations laid down in the ANAC Resolution 961 of 14 September 2016;
- **proposals for the Update of the PTPC:** in the discharge of the obligation requiring the annual update of the Plan as required by the relevant regulations, the proposal for the 2017- 2019 PTPC was submitted and approved at the Board of Directors' meeting held on 25 January 2017. The 2017-2019 PTPC falls within the scope of the development and consolidation plan provided for in the National Anti-corruption Plan (PNA), and applies the same structure, methods and rationale as those adopted in the two previous editions of the PTPC. In particular, the update has concerned the plan of action and support to risk prevention in the section relating to the protocols in the General Section of the National Anti-Corruption Plan, specifically those under the headings of "Award of contracts of works, services and supplies"

and "Staff recruitment and advancement." The abovementioned protocols have been required to be amended following the regulatory developments that entered into force after the publication of the 2016-2018 PTPC, as well as to adopt the recommendations laid down in the ANAC Resolution 961 of 14 September 2016;

- **transparency formalities:** the update of data published on the website "Rai for Transparency" has been monitored within the time limits and in the manners set out in the Corporate Transparency and Communication Plan (TCA Plan), which was approved by a resolution passed by the BoD on 26 May 2016.

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Other information

Human Resources and Organisation

During the first half of 2017 work continued on the design of new human resources mapping and development tools, on the basis of structured and integrated policies in order for the Company to have complete knowledge of each member of its staff in terms of performance appraisal, expertise mapping, assessment of potential and training requirements.

The rationalisation of human resources also continued, prioritising internal mobility, also through the recourse to job posting and changing job descriptions; particular attention was paid to the organisational development and related staffing of qualified resources for the new areas, such as Digital Media, Public Service Function and Art Direction.

While analysing the breakdown of staff, the Company's workforce, including top management positions under fixed-term contracts, went down from 11,303 people at the beginning of the year to 11,162 as at 30 June 2017, with a net reduction of 141 people.

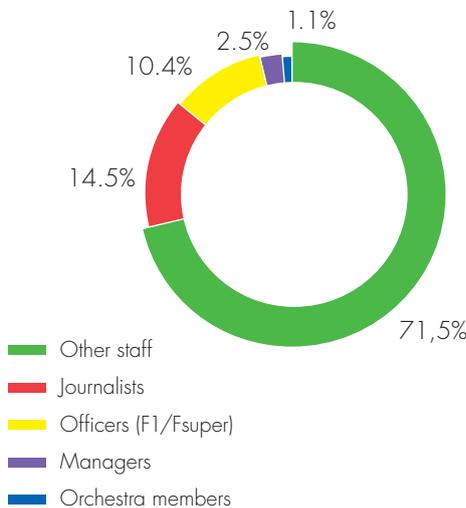
The tables show the breakdowns by macro-categories and genres.

More in particular, the changes in the number of employees recorded 187 terminations of employment, of which 21 for having attained retiring age, 87 under incentive plans, 5 under intra-group mobility schemes, 68 for termination by mutual agreement and for resignation, and 46 new hires (see the charts).

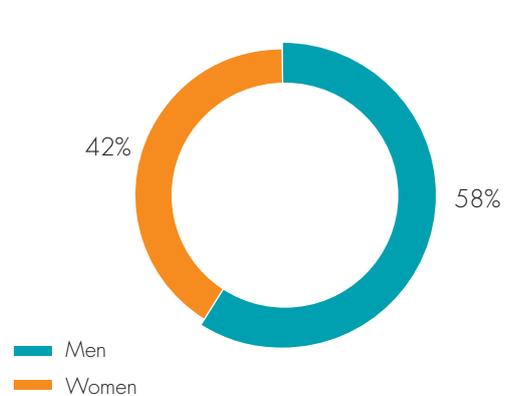
The various reasons for the recruitment of new human resources were: 15 for the transformation of fixed-term into permanent contracts under labour agreements; 12 for intra-group mobility; 14 for reinstatements as a result of labour disputes; 5 (of which 2 for the replenishment of the vacant labour force positions in the Turin National Symphony Orchestra) in order to replenish the labour force owing to turnover, the expansion of some facilities or new requirements.

As regards **Internal Communication** activities, in order to expand and increase the efficiency of communication between the Company and its employees, work has commenced on the implementation of the new intranet portal, which will be enriched with new content and added to by the company IT systems.

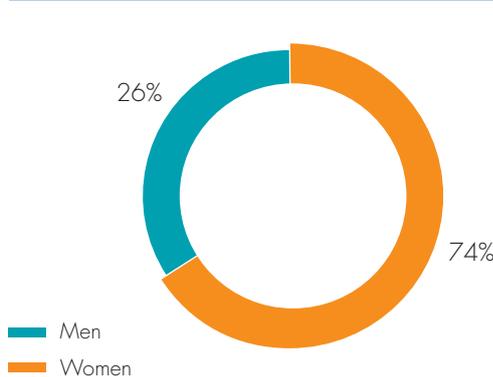
Staff by macro-categories



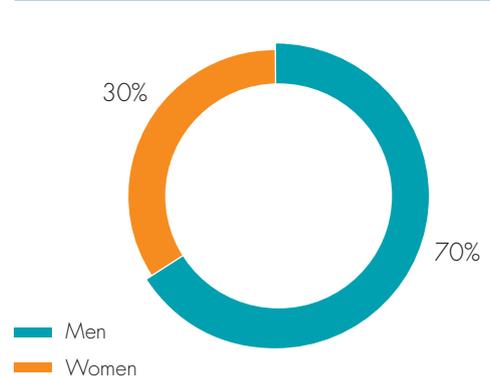
Breakdown of staff into men and women



Proportion of women recruited



Breakdown of terminations of employment into men and women



During the half-year work commenced on the analysis of the project relating to the implementation of the new training portal *Rai Academy*, which will be added to by the intranet portal.

As regards **organisational aspects**, steps have been taken to complete the structure of Departments which are already in being and operate in highly specialised areas and to put arrangements in place for guiding, coordinating and governing complex phenomena and processes while paying constant attention to the objectives of enhancing the effectiveness and efficiency of the company's activities.

Among the main steps that have been taken in this direction is the completion of the structure of second-level positions and of related organisational responsibilities, as well as of the ICT and Frequency Planning and Spectrum Management Departments. A part of this process which completes the overall reorganisation of the Chief Technology Officer area consists of changes in the TV Production Department. The scope of the action taken here includes the remodelling of the Department's mission, structure and responsibilities, also bringing elements related to production and technological solutions and innovative operating methods in line with product evolution, corporate strategy and the Department's role as the partner of clients in other parts of the Company. Line management structures have also been thoroughly reshaped and reviewed so that the responsibilities of each position are clearly set out, important skills and interrelations are expressly stated, organisational clarity is optimised and compliance aspects and principles of segregation of roles and responsibilities are also included.

Among the organisational steps which have had an impact on the Company's macro-organisation is the creation of the position of the Information Project Manager, whose operations are functionally coordinated by the Information Offer Editorial Department, and of the Rai Academy Department under the Human Resources and Organisation Department, which gives rise to a strongly structured and innovative unit whose work pervades all training activities.

Finally, changes continued to be made to some corporate operating and specific procedures. Also among the most important measures are product placement and branded content, the TV drama and comedy planning process, the procedure for optimisation in allocating and searching for editorial staff, the start-up of a computerised system for seeking and engaging collaborators, the gift policy, procedures for split payment management and the procedure for issuing travel tickets and hotel reservations for collaborators paid for by the Company.

As regards optimisation and control, also to be mentioned are the monitoring of big events, random checks on travel and subsistence expenses and internal resources saturation indices.

As regards **Industrial Relations**, there was the application of the provisions during the first months of the year, which were laid down in the new agreements on Industrial Relations – implementing the Consolidation Act on Bargaining Units dated 10 January 2014 –, involving the staff employed under the Collective Labour Agreement (CCL) for middle managers, office and manual workers. This was made in particular through the introduction of new codes to identify the various types of paid time off for union duties, as well as the activation of the system for monitoring time off (on a quarterly basis) taken in relation to the total hours allowed by the various Trade Unions and the computerisation of the appointments of trade union representatives.

Negotiations were also conducted for the renewal of the Collective Labour Agreement, both in the specific technical boards formed to discuss professional profiles, regulations and labour market, and in the Round Tables for the coordination of discussions about the agreement with the Trade Unions' National Secretaries and the Delegation responsible for the Agreement. Discussions, however, broke off in March owing to the distance between the Parties regarding the financial aspects of renewal.

Finally, local talks have begun with Trade Union Representatives and Regional Secretaries with regard to the utilisation of internal resources and tenders in the Rome area, through the establishment of a specific Company/Trade Union Board.

In the news sector, the process of digitalisation of all the TGR regional newsrooms was substantially completed with the digital start-up of the last office in Naples in mid-July. In this regard talks also continued between the Company and the unions regarding the project for the presence of the regional news on internet and social network platforms. Specifically, agreement has been reached with the Rai journalists' trade union (USIGRAI) on experiments with this innovation: it is first being tried out in Tuscany newsrooms. Additional specific agreements with the unions were also formalised during the half year to continue with regional experiments in the Trieste (Italian and Slovene) and Venice TV newsroom offices.

Discussions with the unions continued in order to choose the other newsrooms in which to start the experiment.

As regards the National Labour Agreement for Journalists (CNLG), although the unions put specific issues at the basis of the negotiations, talks broke off in March owing to the distance between the Parties regarding the financial aspects of renewal.

As regards **Litigation**, in addition to the usual work of responding to requests for advice from departments and individual employees, action was taken to prevent and/or reduce the amount of labour law cases: 27 settlement agreements were signed at union offices, thus closing 14 pending lawsuits and prevent 13 potential disputes. The Legal and Corporate Affairs Department was assisted in settling 29 cases in court after assessing the claimants' negotiating position. 88 interim settlements were formally concluded with as many employees who left the Company under early retirement schemes (at the same time agreeing out-of-court claims) and 21 final judgments were complied with (most of them promoting the claimant to a higher grade) in order to avoid appeals regarding the amount to pay.

As regards **Regulations**, the Company started summarising the current conditions of service with a view to rationalisation and simplification and in order to make it easier for employees to consult the rules, breaking them down by subject. The first consolidated version of the provisions regarding "Absence on sick leave – Summary of current rules" was published.

As regards new legislation, staff were given instructions regarding Maternity and paternity rights in order to clarify the situation after the non-renewal of the provisions for optional paternity leave for the year 2017 and, on the contrary, the renewal of the provisions governing obligatory paternity leave, babysitting vouchers and contributions to pay nursery fees.

Furthermore, guidance on the interpretation (INPS (National Social Security Institute) Circular Letter 38 of 27 February 2017 – Law 76 of 20 May 2016 and Constitutional Court's Judgment 213 of 5 July 2016) of legislation regarding civil unions and cohabitation was provided in connection with their effects on time off under Law 104/92 and special leave under Article 42, paragraph 5, of Legislative Decree 151/2001.

Finally, new rules were sent out regarding the Reduction in the period covered by a doctor's sick note (INPS Circular Letter 79 of 2 May 2017) and online medical certificates for pregnancy (INPS Circular Letter 82 of 4 May 2017).

As regards **Disciplinary Rules**, more than 100 cases relevant for disciplinary purposes were examined and information was gathered during

the first half of 2017, following reports on the part of the functions concerned, as well as on the part of the Permanent Committee on the Code of Ethics. After examination, it was decided to proceed in 35 cases and 28 disciplinary penalties were imposed; about 20 proceedings were still pending as at 30 June 2017. Finally, 64 disciplinary proceedings were settled, which were pending as of 31 December 2016, one of which involving dismissal.

During the first half of 2017 the **Selection** area members participated in some working teams within the abovementioned *Rai Academy* project, started some selection processes for various professional positions and assessed internal resources with a view to professional development, performed some activities required by the employer branding plan and followed the recruitment on the part of the Company of students under a curricular internship regime. Some procedures were activated for the selection of a number of professional positions – by public notice. 122 candidates were appraised at Auditions for Orchestra Players and interviews for positions as Set, Costume and Interior Designers for the Turin Production Centre and Slovene language assistants.

In relation to the obligations arising from Law 68/99 – Rules governing disabled people's right to work –, there was an appraisal of 43 external resources belonging to protected categories. Furthermore, work continued on the professional development of colleagues employed under Fixed-term or Permanent contracts, who have been asked to change their duties (50 resources). Furthermore, the first edition of the List of Journalists was completed after a year of work. The CVs of 850 journalists on Rai's staff were updated and 510 were interviewed, obtaining general information and information about their needs and training requirements.

In order to pursue its employer branding project, also with the purpose of supporting its new image as a Media Company, Rai continued attending career days at certain Universities and arranging training days for students following particular degree courses. These occasions gave the selection team the opportunity of personal meetings with graduates and students (the universities involved in these initiatives were Bocconi, Lumsa and Luiss during the period in question).

The *Rai Porte Aperte* project welcomes students and schoolchildren of all ages, allowing them to learn about the Company and the professionals who work in it. In the framework of this project, the Selection team is responsible for running the work-related training courses (referred to in the Italian School Reform Law 107 of 2015), for which 80 applications were received

from all over Italy, and for running curricular traineeships.

On the basis of a policy to bring business closer to the Italian educational system, 85 curricular trainees were received by the Company from all the leading Italian universities (62 students) and the Journalism Schools recognised by the National Journalists' Associations (ONG) (23 students).

As regards **Training**, a feature of the first six months of 2017 was the revival of the Safety Training Plan. A massive training campaign was conducted to bring all Safety Executives (about 600 people) and all Supervisors in professional, administrative and production areas (about 1,400 people) up to date with the latest legislation. This will be followed in the second half of 2017 by a similar Special Safety Training campaign, which shall involve about 13,000 users.

These measures accompanied the usual obligatory training activities such as General Safety Training, drills for First-Aid Teams and courses for the Prevention and Protection Service Staff and the Workers' Safety Representatives.

As regards Compliance as a whole, the Company continued with the measures laid down in the Three-year Corruption Prevention Plan and with the courses regarding the Model MOGC 231, as well as with the activities in support of the company functions involved in the formalities arising from the application of the Code of Public Contracts. Specifically, classroom seminars involving about 350 colleagues were given in order to give instructions to the Departments which requested information regarding the need to send data and information to the ANAC in digitalised form.

In order to enhance and align the skills of the Areas which support the core business, ad hoc projects were created for Rai Digital, with a course on the retrieval and interpretation of the analytics for monitoring internet and social media sites; for the Quality and Planning Department in order to explore the possibility of verifying radio and TV process, product and service quality and for the Security & Safety and Procurement Departments, with the aim of providing know-how and building up special skills.

As regards training in new technologies, a course for piloting drones was given for engineers in regional offices who pilot the Rai drone fleet; among the results of this course were the fascinating images of the G7 summit at Taormina from the air, provided by Rai to all international broadcasters.

The three-year process has come to an end in which journalists, engineers and newsrooms employees of all regional centres have been involved in the introduction of the integrated digital news broadcasting system. The training programme adapted itself flexibly to the various

times at which the local systems became available, so that they were able to come into service shortly after installation. The programme was conducted using the cascade training model by forming specialist in-house trainers who gave more than 50,000 man/hours of training, involving more than 1,600 people, in the various regional centres during the three years.

As regards Management Training, the third edition of the PER.FOR.MA MM Management Training Courses for Middle Managers was given, divided into classroom, coaching and group work days in a dedicated web community, for a total of 75 hours. This edition was devoted to the latest group of recruits to the role of Senior Officer, the objective being to develop and align shared expertise and methods for carrying out managerial activities and to promote people-oriented management approaches. The PER.FOR.MA MM project, which will have a term of three years, has already involved 102 colleagues.

Finally, support continued to be given to bringing in and updating the Company's IT systems accompanied by ad hoc training sessions, particularly for the T-cube/On Air, SAP, SAP ESPERS and Attendance and Travel applications, as was the training activity relating to the Office package and the use of the Company's data warehouse.

Direct expenditure was partially covered by constantly scrutinising training activities whose requirements allowed the Company to qualify for reimbursements from inter-professional funds; after this preparatory work, the results had to be presented, monitored and reported in order to complete the self-financing processes.

Security & Safety

Rai adopts a careful security and safety policy for its staff and implements policies and programmes aimed at mitigating and/or reducing risks.

Attention to Security & Safety at work has been shown to have an impact on the quality of people's working lives, making a constructive contribution to rendering the workplace safer.

From preventing risks when working abroad to fostering projects devoted to the prevention of new threats to safety, Rai has always engaged in giving practical support to issues related to professional tranquillity and health.

The principles underlying Rai's Security & Safety policy remained unaltered during the first half of 2017:

- operating processes were revised to conform them as far as possible to Italian and international national safety requirements;
- infrastructures, plant and equipment were maintained to the highest reference standards;
- the highest levels of safety were provided for all operators and other external entities working with the Company on any basis;
- it was ensured that all workers had up-to-date information and were suitably trained to report any event which could have an effect on the enhancement of processes to the Supervisory Board.

Precautions were taken for all the big events, including the Sanremo Festival, which required a complex organisational structure to be set up and a control system so formidable as to be acclaimed by all the institutions involved, and in particular the Prefecture of Imperia. Similarly appreciated was the support given in handling the case of the two Report correspondents stopped by the police in the Republic of the Congo.

As regards asset protection issues, new technologies were implemented and technology scouting activities were carried out.

With regard to information security, a survey was conducted of the policies for the protection of the Company's IT assets, of the degree to which they were up to date and their residual effectiveness threshold. The weaknesses found were ranked according to risk and a standing inter-company round table was set up in order to take the necessary corrective action.

On 24 May 2016 the General Data Protection Regulation (GDPR) (EU) 679/2016 entered into force, which replaces most of the provisions of the personal data protection code (Legislative Decree 196/03). Gap analysis is being conducted and

compliance monitored for the protection of data, in collaboration with all the Company functions concerned.

Guidelines have been laid down and recommendations made with regard to the security of messages from personnel travelling on duty, the use of the Company's mobile telephones and the protection of classified information; logical and physical access perimeters were strengthened, attendance was verified, an event accreditation system was created and data loss prevention was implemented.

Vulnerability assessments and penetration tests were conducted for vulnerable areas and processes were undertaken for the mitigation of shortcomings. Technical and editorial information flows related to Rai productions with a greater financial and reputational impact were analysed, further protected and monitored. Tools were also installed which provided classified information with greater protection by means of encryption.

Rai widened the scope of its collaboration and exchanges of information with leading organisations which manage security risks, both institutional and private, and also at international level and targeted action was taken to identify, assess, manage and verify security risks (kidnapping, robbery, terrorism, Nuclear, Biological, Chemical, Radiological NBC-R, etc.) and pre-assessments based on knowledge (OSINT – Open Source INTelligence), experience and expertise were conducted, taking care to draw process owners into active participation in order better to inculcate a security culture.

When serious incidents occurred, like the detention of the Rai correspondents in Congo, or when events such as the celebrations for the 60th anniversary of the signature of the Treaty of Rome were covered, Security & Safety acted as a crisis management and coordination centre, a role which it also performed to monitor the continuity of the Company's operations. A special plan has already been produced to assess threats and make all Rai's cultural property safe. The plan is intended, in particular, to come into play against risks of environmental damage, natural disasters and calamities which take place as a result of human intervention or criminal and terrorist acts.

Rai is positioning itself in security internationally, one of its objectives being to cultivate stable, lasting relationships with institutional and sector high-level counterparts, also by taking its place on Security & Safety committees and boards and developing joint safety activities.

It intends to foster an innovative security culture on the basis of common lines with other organisations; one of the ways it will do this is

taking targeted awareness measures based on best global practice in this field.

Furthermore, foreign journalists and correspondents are also monitored, a weekly report is drawn up and a geolocation map is compiled for human resources in places or countries at risk.

Information was gathered on about 140 sensitive events, which were analysed, and precautions were taken at 36 of them: accesses were supervised and the activities of trainees and visitors on company premises were carried out under surveillance. 42 trainees were monitored and the *Porte Aperte* project was given support for its security event theme.

In the field of health and safety, attention was again paid in 2017 to safety at work matters with a view to continuous improvement in health and safety conditions for radio and television workers. One of the policies was to foster a culture based on increased awareness and on involving everyone at every level in the question of prevention.

The Company health service continued with its work, further strengthening and improving the results it achieved in previous years. During the half-year under consideration the service carried out the supervisory activities involved in health protection in the workplace as prescribed by Legislative Decree 81/2008 carrying out 2,323 medical examinations, both preventive and periodic, at the various Rai offices throughout the country.

As regards preventive measures to protect workers' health, 172 persons who were to go abroad for the Company were also seen for medical examinations and vaccinations and 9 plans were prepared for medical centres at major production events in various parts of the country were also prepared.

Group companies also continued with their work on complying with legal obligations and standardising their prevention measures. First-aid training, including handling specific risks (under Ministerial Decree 388/03), was given for RaiWay throughout the country, with 11 editions.

Preventive procedures were followed in order to protect workers responsible for duties entailing certain risks to third-party security, health and safety.

Accident ratios (relative frequency and degree of gravity) are considerably under the INAIL (Italian Institute of Insurance against Accidents at Work) average for companies of the same type. The Company's good record with regard to work

accidents, together with the three-year renewal of the Health and Safety at Work Management System certification under standard BS OHSAS 18001, meant that INAIL allowed it the annual reduction in accident insurance premiums.

Keeping the Risk Assessment Document up to date on an ongoing basis was among the activities carried out for Health and Safety at Work. Furthermore, certified local offices were monitored by regular internal worker health and safety audits and health and safety managers throughout the country were given ongoing assistance. These measures enabled the Company to have its three-year Certificate renewed according to standard OHSAS (Occupational Health and Safety Assessment Series).

The tender for the award of a financial consulting contract with a view to starting to operate an environment management system pursuant to standard UNI EN ISO 14001 is in the final phase. A plan for the implementation of the waste management procedure has started to operate, its objective being to rationalise activities and fully comply with legal obligations in this matter.

Intercompany transactions

During the first half of 2017 the Rai Group's operations were carried out on the basis of a decentralised organisational model, whereby some activities were managed by specially incorporated companies.

Transactions with subsidiary and associated companies are based on customary negotiations held with reference to current and market values.

For the details concerning the commercial and financial relations with the Group companies, reference should be made to note 12.4 "Related Parties" in the Notes to the Separate Interim Financial Statements.

Rai Cinema

(in millions of Euros)	June 2017	December 2016	June 2016
Revenues	143.1	354.0	166.9
Operating result	6.9	75.5	36.1
Result for the period	4.6	50.1	23.8
Comprehensive result for the period	4.4	46.8	21.1
Equity	244.0	287.2	261.5
Net financial position	(252.3)	(106.1)	(156.6)
Investments	135.8	262.3	120.6
Workforce (in units)	140.0	136.0	139.0
<i>of which under fixed-term contracts</i>	7.0	2.0	6.0

Rai Com

(in millions of Euros)	June 2017	December 2016	June 2016
Revenues	23.9	57.0	26.7
Operating result	5.6	13.7	5.3
Result for the period	4.1	6.9	3.4
Comprehensive result for the period	4.1	6.9	3.3
Equity	110.6	113.1	109.5
Net financial position	108.0	102.9	106.8
Investments	0.2	0.2	0.2
Workforce (in units)	111.0	110.0	119.0
<i>of which under fixed-term contracts</i>	13.0	10.0	11.0

Rai Corporation

(in millions of Euros)	June 2017	December 2016	June 2016
Revenues	-	-	-
Operating result	(0.1)	(4.1)	(4.0)
Result for the period	(0.1)	(4.1)	(4.0)
Comprehensive result for the period	(0.1)	(4.1)	(4.0)
Equity	-	0.1	0.1
Net financial position	4.1	4.1	4.1
Investments	-	-	-
Workforce (in units)	-	-	-
<i>of which under fixed-term contracts</i>	-	-	-

Rai Pubblicità

(in millions of Euros)	June 2017	December 2016	June 2016
Revenues	348.6	706.0	378.6
Operating result	7.9	4.2	7.6
Result for the period	5.5	(0.4)	5.1
Comprehensive result for the period	5.6	(0.6)	4.9
Equity	34.9	29.3	34.7
Net financial position	(6.4)	22.7	4.9
Investments	1.0	2.0	0.8
Workforce (in units)	365.0	359.0	360.0
<i>of which under fixed-term contracts</i>	37.0	22.0	17.0

Rai Way

(in millions of Euros)	June 2017	December 2016	June 2016
Revenues	108.0	215.6	106.7
Operating result	39.7	65.6	30.7
Result for the period	27.4	41.8	19.6
Comprehensive result for the period	27.6	41.2	18.6
Equity	147.3	161.5	138.9
Net financial position	(43.0)	(9.4)	(29.9)
Investments	12.4	19.5	4.7
Workforce (in units)	617.0	622.0	644.0
<i>of which under fixed-term contracts</i>	17.0	7.0	20.0

Balance Sheet - Rai SpA with subsidiaries and associates as at 30 June 2017 and 31 December 2016

Subsidiaries (in thousands of Euros)	Rai Pubblicità	Rai Cinema	Rai Com	Rai Way	Rai Corporation in liquidation	Total Subsidiaries
Non-current financial assets						
As at 30 June 2017	-	-	-	-	-	-
As at 31 December 2016	-	-	-	-	-	-
Current financial assets						
As at 30 June 2017	6,460	252,330	-	-	-	258,790
As at 31 December 2016	-	107,033	-	-	-	107,033
Current trade receivables						
As at 30 June 2017	181,947	3,618	89,271	6,308	-	281,144
As at 31 December 2016	214,690	3,414	85,092	5,252	-	308,448
Other current receivables and assets						
As at 30 June 2017	1,856	352	350	10,464	-	13,022
As at 31 December 2016	4,196	19,613	3,837	19,375	-	47,021
Current financial liabilities						
As at 30 June 2017	-	(49)	(107,232)	(259)	(3,483)	(111,023)
As at 31 December 2016	(22,647)	(920)	(102,623)	(117)	(3,865)	(130,172)
Trade payables						
As at 30 June 2017	(61)	(35,359)	(10,120)	(65,536)	-	(111,076)
As at 31 December 2016	(391)	(20,935)	(8,855)	(61,790)	-	(91,971)
Other current payables and liabilities						
As at 30 June 2017	(5,665)	(6,058)	(3,393)	(2,456)	-	(17,572)
As at 31 December 2016	(2,768)	(3,056)	(3,048)	(2,456)	-	(11,328)
Non-current financial liabilities						
As at 30 June 2017	-	-	-	-	-	-
As at 31 December 2016	-	-	-	-	-	-

Associates (in thousands of Euros)	Auditel	San Marino RTV	Tivù	Tavolo Editori Radio	Total Associates
Non-current financial assets					
As at 30 June 2017	-	-	-	-	-
As at 31 December 2016	-	-	-	-	-
Current financial assets					
As at 30 June 2017	-	1,038	1,281	-	2,319
As at 31 December 2016	-	-	-	-	-
Current trade receivables					
As at 30 June 2017	-	68	260	-	328
As at 31 December 2016	-	83	260	-	343
Other current receivables and assets					
As at 30 June 2017	-	-	-	-	-
As at 31 December 2016	-	-	-	-	-
Current financial liabilities					
As at 30 June 2017	-	-	-	-	-
As at 31 December 2016	-	(73)	-	(13)	(86)
Trade payables					
As at 30 June 2017	-	-	(416)	-	(416)
As at 31 December 2016	(2,711)	-	(1,026)	-	(3,737)
Other current payables and liabilities					
As at 30 June 2017	-	-	-	-	-
As at 31 December 2016	-	-	-	-	-
Non-current financial liabilities					
As at 30 June 2017	-	-	-	-	-
As at 31 December 2016	-	-	-	-	-

Income Statement - Rai SpA with subsidiaries and associates as at 30 June 2017 and 2016

Subsidiaries (in thousands of Euros)	Rai Pubblicità	Rai Cinema	Rai Com	Rai Way	Rai Corporation in liquidation	Total Subsidiaries
Revenues from sales and services						
As at 30 June 2017	304,026	8	30,281	24	-	334,339
As at 30 June 2016	332,543	-	30,638	24	-	363,205
Other earnings and proceeds						
As at 30 June 2017	1,683	1,654	1,906	5,693	-	10,936
As at 30 June 2016	1,807	2,530	1,906	6,064	-	12,307
Costs for purchases of consumables						
As at 30 June 2017	-	-	(2)	-	-	(2)
As at 30 June 2016	-	-	-	(2)	-	(2)
Costs for services						
As at 30 June 2017	168	(124,817)	(4,929)	(102,008)	-	(231,586)
As at 30 June 2016	69	(148,294)	(5,070)	(100,832)	9	(254,118)
Personnel costs						
As at 30 June 2017	855	562	253	306	-	1,976
As at 30 June 2016	786	585	548	229	-	2,148
Other costs						
As at 30 June 2017	-	-	(210)	-	-	(210)
As at 30 June 2016	-	-	(249)	-	-	(249)
Amortisation, depreciation and write-downs						
As at 30 June 2017	-	-	202	-	-	202
As at 30 June 2016	-	-	8	-	-	8
Accruals						
As at 30 June 2017	-	-	-	-	-	0
As at 30 June 2016	-	-	-	-	-	0
Financial income						
As at 30 June 2017	3	48,568	6,573	27,162	-	82,306
As at 30 June 2016	8,001	44,678	6,700	25,306	-	84,685
Financial costs						
As at 30 June 2017	0	(12)	-	(13)	-	(25)
As at 30 June 2016	(63)	(2)	-	(14)	-	(79)

Associates (in thousands of Euros)	Auditel	San Marino RTV	Tivù	Total Associates
Revenues from sales and services				
As at 30 June 2017	-	-	263	263
As at 30 June 2016	-	-	251	251
Other earnings and proceeds				
As at 30 June 2017	-	12	23	35
As at 30 June 2016	-	9	45	54
Costs for purchases of consumables				
As at 30 June 2017	-	-	-	-
As at 30 June 2016	-	-	-	-
Costs for services				
As at 30 June 2017	(4,066)	2	(831)	(4,895)
As at 30 June 2016	(3,480)	1	(840)	(4,319)
Personnel costs				
As at 30 June 2017	-	84	-	84
As at 30 June 2016	-	84	-	84
Other costs				
As at 30 June 2017	-	-	-	-
As at 30 June 2016	-	-	-	-
Amortisation, depreciation and write-downs				
As at 30 June 2017	-	-	-	-
As at 30 June 2016	-	-	-	-
Accruals				
As at 30 June 2017	-	-	-	-
As at 30 June 2016	-	-	-	-
Financial income				
As at 30 June 2017	-	4	-	4
As at 30 June 2016	-	2	-	2
Financial costs				
As at 30 June 2017	-	-	-	-
As at 30 June 2016	-	-	-	-

Significant post-period events

Rai Pubblicità

On 27 September 2017 Rai Pubblicità's Board of Directors, with the Parent Company's endorsement, examined the documents consisting, among others, of opinions handed down by authoritative tax experts and resolved to approve the concessionary settlement arrangement, pursuant to Article 11 of Decree Law 50/2017 as amended and converted by Law 96/2017, concerning the dispute pending with the Revenue Agency, in relation to the notices of VAT tax assessment served in December 2016 (for the tax period from 2007 to 2011), which were challenged within the time limits set out by law and which arose from the Report of Findings (*Processo Verbale di Costatazione*) served on 7 July 2016.

Outlook

The overall trend of the main Italian macroeconomic indicators is positive. If the trend falls, this may be owing to financial market uncertainty and unfavourable developments in global economic and trade policies.

The main institutions and operators estimate that the advertising market will grow by between 1% and 1.8% during this financial year. Taking the trend in the first half of the year into account, this is tantamount to forecasting between 4% and 6% growth in the advertising market during the second half-year. Since there are no big sporting events in Rai's schedules in odd years and these events are concentrated in the summer months, the forecast will only be proved correct if there is a substantial increase in advertising revenues in the autumn.

Again as regards revenues, public funds that are the main source of financing, will be lower than those recorded during the previous year, in an amount equal to about Euro 140 million, thus going back to the level recorded in 2013.

In this scenario, the economic and financial projections for the current financial year show a substantial breakeven result due to a series of measures aimed at rationalising expenditure and reducing costs. These are measures that are selected in such a way as to not damage the quality and competitiveness of the Group's offer and without endangering the process for the transformation into a Digital Media Company, in line with the award of the contract to Rai for the Public radio, television and multimedia Service.

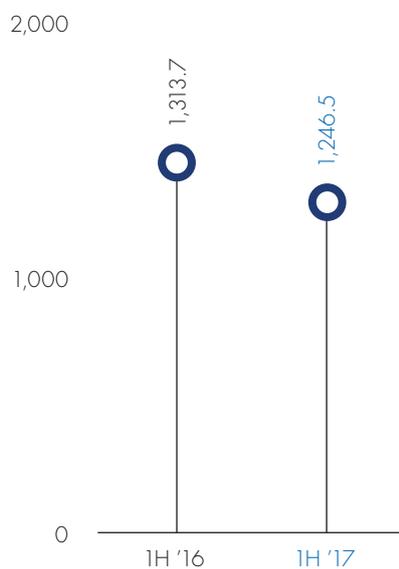
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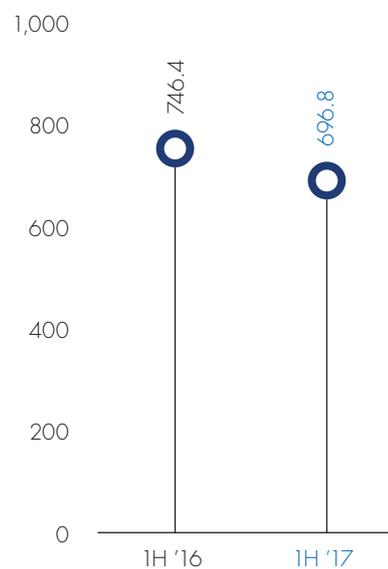
Highlights

(in millions of Euros)

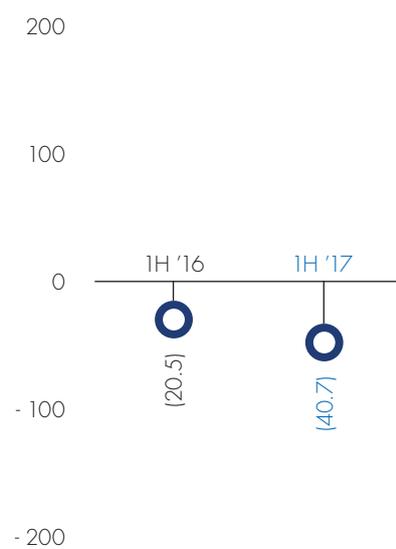
External revenues



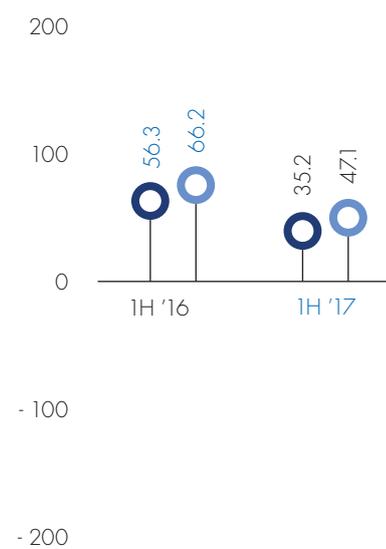
External costs



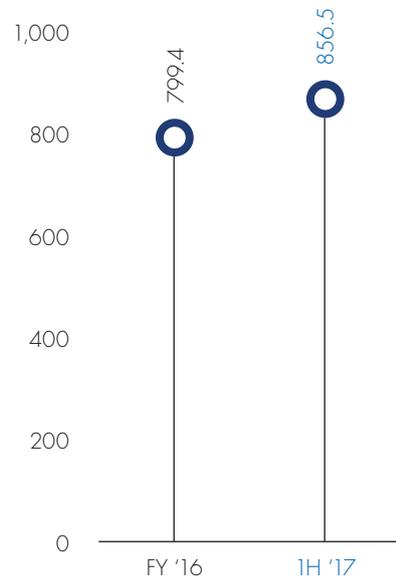
Operating result



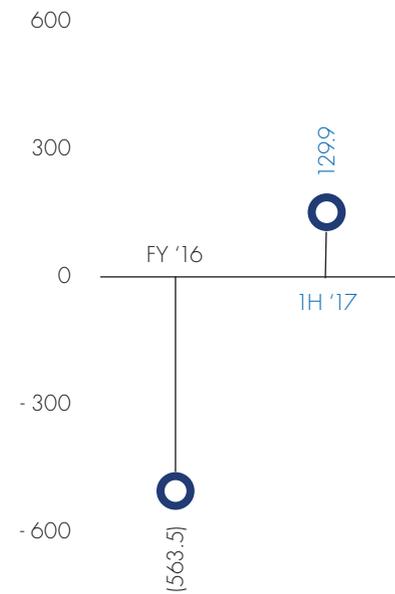
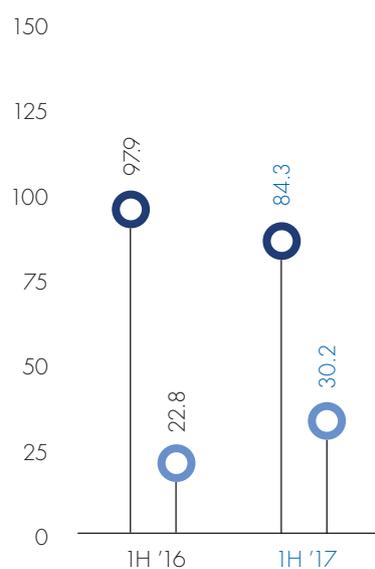
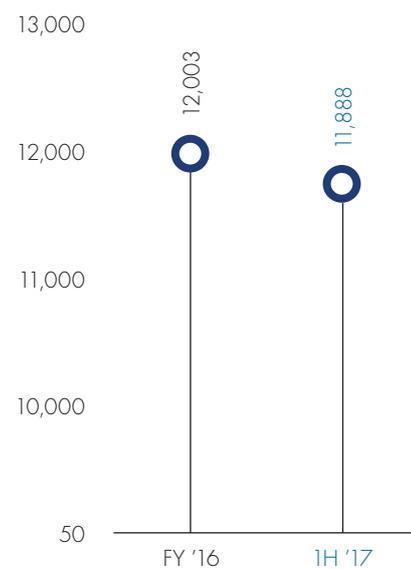
Result before tax Result for the period



Equity



Net financial (debt) liquidity

Investments in programmes
and technical investmentsNumber of employees
(units)

Reclassified financial statements

Income Statement

(in millions of Euros)	June 2017	June 2016	Change
External revenues	1,246.5	1,313.7	(67.2)
External costs, net of Big sports events	(696.8)	(689.0)	(7.8)
Big sports events	0.0	(57.4)	57.4
External costs	(696.8)	(746.4)	49.6
Personnel costs	(466.0)	(475.9)	9.9
EBITDA	83.7	91.4	(7.7)
Amortisation, depreciation and write-downs	(121.8)	(118.3)	(3.5)
Provisions	(2.6)	6.4	(9.0)
Operating result	(40.7)	(20.5)	(20.2)
Net financial income (expenses)	75.6	76.7	(1.1)
Share of profits (losses) of equity-accounted investments	0.3	0.1	0.2
Result before tax	35.2	56.3	(21.1)
Income taxes	11.9	9.9	2.0
Result for the period	47.1	66.2	(19.1)
Other comprehensive income (expense)	10.0	(31.0)	41.0
Total comprehensive income (expense) for the period	57.1	35.2	21.9

Balance Sheet

(in millions of Euros)	30.06.2017	31.12.2016	Change
Non-current assets	2,232.7	2,237.6	(4.9)
Current assets – net	(834.0)	(159.9)	(674.1)
Provisions for risks and charges	(161.6)	(188.1)	26.5
Employee benefits	(510.5)	(526.7)	16.2
Net invested capital	726.6	1,362.9	(636.3)
Equity	856.5	799.4	57.1
Net financial debt (liquidity)	(129.9)	563.5	(693.4)
	726.6	1,362.9	(636.3)

Review of results and financial position as at 30 June 2017

Results of the Parent Company

The Parent Company's Financial Statements for the first half of 2017 showed a net profit of Euro 47.1 million, showing a decrease compared to a profit of Euro 66.2 million recorded in the same period of 2016, which was mainly attributable to a reduction in income from licence fees (-3.8%) and advertising (-8.6%).

The following section provides an overview of the main items in the Income Statement and the Balance Sheet, together with the reasons for the most significant changes compared to the values posted in the previous period.

Income Statement

External revenues

These are made up of licence fees, as well as of advertising and other commercial revenues. Total revenues amounted to Euro 1,246.5 million, showing a decrease of Euro 67.2 million (-5.1%).

External revenues

(in millions of Euros)	June 2017	June 2016	Change
Licence fees	895.3	930.7	(35.4)
Advertising	303.1	331.5	(28.4)
Other revenues	48.1	51.5	(3.4)
Total	1,246.5	1,313.7	(67.2)

Licence fees

(in millions of Euros)	June 2017	June 2016	Change
Fees for the period – ordinary subscribers	819.3	883.0	(63.7)
Fees for the period – special subscribers	42.0	40.0	2.0
Fees for previous years	34.0	8.0	26.0
Reimbursement of fees	0.0	(0.3)	0.3
Total	895.3	930.7	(35.4)

Licence fees

The licence fees for the period, as well as fees for previous years, amounted to Euro 895.3 million, showing a reduction of Euro 35.4 million (-3.8%) compared to the first half of 2016, as shown in the table below.

The reduction in the item was attributable to licence fees for private subscriptions (ordinary subscriptions) as a result of a combined effect due to a reduction in the unit licence fee down to Euro 90 (Euro 100 in 2016), as well as to a reduction down to 50% (67% in 2016) in Rai's share of higher amounts arising from the procedure for collecting fees through a charge on the electricity bills (additional revenues).

This reduction was partially offset by fees for previous years, showing an increase of Euro 26.0 million due to 2016 licence fees for Euro 20.9 million, which have come to our knowledge recently and which the electricity companies passed on to the Government in 2017; the remaining amount of this item is made up of income from collecting fees for previous years (2015 and previous financial years) from users that are not up-to-date with their payments (defaulting users) through standard enforcement procedures.

Advertising

In the first half of 2017 the advertising market reported a negative performance, showing a 3.0% reduction in investments during the period from January to June 2017 compared to the same period in 2016 (Nielsen data). The TV advertising, which confirmed its leading position with a total market share of about 63%, recorded a negative change of 1.9%. The other media used by Rai showed an increase in Radio advertising (+5.0%) and a decline in Internet (-1.7%, excluding search engines and social networks) advertising.

In these conditions, Rai's advertising revenues (Euro 303.1 million), as detailed in the table below, showed a reduction of Euro 28.4 million compared to the first half of 2016 (-8.6%), when revenues had been positively affected by the European football championship held in June 2016.

Other revenues

These amounted to Euro 48.1 million, showing a decrease of Euro 3.4 million (-6.6%) compared to 30 June 2016. The breakdown of this item is reported in the table at the bottom of the page.

The most substantial decreases compared to 2016 related to:

- *Service and other services to subsidiaries* (Euro -1.3 million), as a result of lower revenues from dubbing services rendered to Rai Cinema and administrative services rendered to Rai Way;
- *Other* (Euro -1.0 million), largely due to a reduction in the amount of grant for the switchover to digital terrestrial broadcasting recognised through profit or loss.

With reference to the revenue trends set forth above, the fee achieved 71.8% of revenues, with an increase of 1.0 percentage points compared to 30 June 2016 at the expense of advertising, as stated in the relevant table.

Advertising

(in millions of Euros)	June 2017	June 2016	Change
TV advertising on general interest channels:			
- commercials	195.4	222.0	(26.6)
- promotions, sponsorships and other events	61.9	63.3	(1.4)
	257.3	285.3	(28.0)
TV advertising on specialist channels	28.8	29.9	(1.1)
Radio advertising	14.5	13.8	0.7
Web advertising	3.2	3.3	(0.1)
Other advertising	0.2	0.2	0.0
Shares attributable to third parties	(0.9)	(1.0)	0.1
Total	303.1	331.5	(28.4)

Other revenues

(in millions of Euros)	June 2017	June 2016	Change
Special services under agreement	18.9	19.2	(0.3)
Service and other services to subsidiaries	10.3	11.6	(1.3)
Sale of rights and Home video distribution	3.4	3.5	(0.1)
Distribution and sale of channels	5.7	5.4	0.3
Sundry services, mainly rendered to public entities	2.5	2.4	0.1
Digital terrestrial broadcasting services	1.5	1.5	0.0
Others	5.3	6.3	(1.0)
Shares of sales attributable to third parties	(0.3)	(0.3)	0.0
Contingent assets	0.8	1.9	(1.1)
Total	48.1	51.5	(3.4)

Operating costs

These are made up of total external costs and personnel costs, i.e. both external and internal costs arising from the company core business, except for those relating to financial operations.

They totalled Euro 1,162.8 million, showing a reduction of Euro 59.5 million (-4.9%) compared to the same period in 2016, the reasons for which are described below.

External costs

They amounted to Euro 696.8 million and include purchases of goods and services required to implement one-time-use programmes (purchase of consumables, external services,

artistic collaborations, etc.), filming rights to sports events, copyrights, services delivered by subsidiaries, running costs and other operating costs (indirect taxes and duties, contributions to Supervisory Authorities, etc.).

This item, which is broken down in the table below, showed a decrease of Euro 49.6 million (-6.6%) compared to the first half of 2016, which was attributable to failure to recognise costs of the European Football Championship (Euro 57.4 million, Euro 54.4 million of which for the sole acquisition of filming rights), which had been recorded during the first half of 2016, as well as to a reduction in costs of viewing rights acquired from Group companies (Euro 23.2 million) following the review of fees payable to Rai Cinema and lower freelance services costs (Euro 5.2 million).

% of revenues

	June 2017	June 2016
Licence fees	71.8	70.8
Advertising	24.3	25.3
Other revenues	3.9	3.9
Total	100.0	100.0

External costs

(in millions of Euros)	June 2017	June 2016	Change
Purchases of materials	6.3	6.9	(0.6)
Costs for services:			
Freelance services	65.2	70.4	(5.2)
Services for acquisition and production of programmes	98.1	87.9	10.2
Travel expenses and additional personnel costs	20.2	22.4	(2.2)
Signal broadcasting and transport - Rai Way	102.0	100.9	1.1
Maintenance, repairs, transport and similar costs	18.3	19.0	(0.7)
Documentation and assistance for IT systems services	24.0	21.9	2.1
Other external services (telephone systems, cleaning, supply services, post, insurance etc.)	38.9	37.8	1.1
Acquisition of viewing rights from subsidiaries	126.9	150.1	(23.2)
Leases and rentals	27.6	26.1	1.5
Filming rights (essentially sports rights and Sanremo Festival)	91.2	121.8	(30.6)
Rights of use	54.1	55.7	(1.6)
Others	0.0	(0.4)	0.4
Recoveries of expenses	(1.2)	(1.6)	0.4
Contingent liabilities	1.3	1.7	(0.4)
	666.6	713.7	(47.1)
Other costs	23.9	25.8	(1.9)
Total	696.8	746.4	(49.6)

Net of costs of the 2016 European Football Championship and of the reduction arising from a change in the cost of viewing rights acquired from Group companies, external costs recorded a total increase of Euro 31.0 million, due to strengthening the offer that entailed higher costs of Euro 11.2 million for services of acquisition and production of programmes and Euro 23.8 million for filming rights to sports events, mainly for: Football – Italian Football Cup (Euro +7.1 million, due to a different distribution of matches during the two half-years), Football – Italian National Team (Euro +7.1 million, as a result of matches, both friendly and for qualifications for the world and European football championships for National Under-21 Teams, which were held in 2017) and Cycling (Euro +6.9 million, for higher contract costs for the acquisition of rights to the events).

Personnel costs

These amounted to Euro 466.0 million, down by Euro 9.9 million (-2.1%) compared to the first half of 2016, due to lower early retirement incentive costs (Euro -2.1 million), higher capitalisations of costs for internal productions (Euro -4.4 million), lower accruals to the provision for labour disputes (Euro -1.3 million) included under Other costs. Additional savings arise from the application of pay ceilings for executives from November 2016 as required by Law 198 of 26 October 2016, and from early retirement incentive operations for journalists, the benefits of which have more than

offset the normal rising trends in labour costs due to the transformation of fixed-term contracts into permanent contracts, automatic pay rises and management policies.

The **average number of employees** in service during the period, including those on fixed-term contracts, was 11,772, with an increase of 73 people compared to the first half of 2016, as a result of an increase of 90 employees on permanent contracts and a reduction of 17 employees on fixed-term contracts.

The **workforce** as at 30 June 2017 was made up of 11,162 staff members in active employment (personnel employed under permanent contracts, top management staff members employed under fixed-term contracts and apprenticeships) and 726 staff members employed under fixed-term contracts. The decrease of 141 people in the staff members in active employment compared to 31 December 2016 was due to the exit of 187 people, 87 of which under early retirement incentive agreements, and 46 new hires, 15 of which were due to the transformation of fixed-term contracts into permanent contracts, 14 to disputes and 12 to hires from Group companies.

Personnel costs

(in millions of Euros)	June 2017	June 2016	Change
Wages and salaries	349.4	350.8	(1.4)
Social security contributions	95.9	95.9	0.0
Provision for Staff Severance Pay	19.6	19.9	(0.3)
Pension and similar costs	6.9	6.8	0.1
Other	5.4	6.9	(1.5)
	477.2	480.3	(3.1)
Early retirement incentives	1.1	3.2	(2.1)
Recoveries of expenses	(2.8)	(2.9)	0.1
Capitalised personnel costs	(9.5)	(5.1)	(4.4)
Contingent liabilities	0.0	0.4	(0.4)
	(11.2)	(4.4)	(6.8)
Total	466.0	475.9	(9.9)

EBITDA

In relation to the trends described above, EBITDA posted a positive value for Euro 83.7 million, down by Euro 7.7 million compared to the first half of 2016.

Amortisation, depreciation and write-downs

This item showed a balance of Euro 121.8 million, up by Euro 3.5 million (+3.0%) compared to 30 June 2016 and related to amortisation, depreciation and write-downs of current and non-current assets, as shown in the table below.

Provisions

This item, which includes accruals to provisions for risks and charges and related releases that cannot be classified under specific Income Statement items, showed a negative balance of Euro 2.6 million (against a positive value of Euro 6.4 million in 2016); this was mostly due to accruals to the provision for legal disputes (equal to Euro 2.4 million), showing a reduction compared to the amount set aside during the first half of 2016 (Euro 9.7 million, an amount of Euro 7.7 million of which for legal disputes). The positive balance posted in 2016 benefitted from a release of

Amortisation, depreciation and write-downs

(in millions of Euros)	June 2017	June 2016	Change
Amortisation and depreciation			
Amortisation of programmes			
TV Drama and comedy	71.5	59.4	12.1
Films	0.1	0.1	0.0
Cartoons	2.8	4.7	(1.9)
Others	1.6	2.3	(0.7)
	76.0	66.5	9.5
Other amortisation and depreciation			
Depreciation of property, plant and equipment:			
Buildings	5.8	5.8	0.0
Plant and machinery	24.0	23.6	0.4
Industrial and commercial equipment	0.7	0.6	0.1
Other assets	2.6	2.7	(0.1)
	33.1	32.7	0.4
Amortisation of intangible assets:			
Software	1.8	1.8	0.0
Digital Terrestrial	0.0	0.6	(0.6)
Other rights	0.1	0.1	0.0
	1.9	2.5	(0.6)
	35.0	35.2	(0.2)
Total amortisation and depreciation	111.0	101.7	9.3
Write-downs (write-backs)			
Of intangible assets:			
Programmes subject to amortisation	8.0	10.6	(2.6)
Programmes under way	1.0	1.3	(0.3)
Other	1.0	0.0	1.0
	10.0	11.9	(1.9)
Of investments accounted for at cost	0.1	2.8	(2.7)
Of other non-current assets	0.9	0.4	0.5
Of trade receivables and other current assets	(0.2)	1.5	(1.7)
Total write-downs	10.8	16.6	(5.8)
Total	121.8	118.3	3.5

Euro 16.1 million of the excess portion of the provision for contribution to the rights of usage of digital frequencies for 2014-2015 following the enactment of Ministerial Decree of 4 August 2016, which set the procedures for related calculation.

Operating result

The trend in operating revenues and costs as described above determined a negative Operating result of Euro 40.7 million, showing a deterioration of Euro 20.2 million compared to 30 June 2016.

Net financial income (expenses)

This item showed a positive result of Euro 75.6 million (Euro 76.7 million as at 30 June 2016), down by Euro 1.1 million compared to the first half of 2016.

The item, which is broken down in the table below, reports the economic effects arising from the distribution of dividends on the part of subsidiaries, as well as from the recognition of actuarial interest for employee benefits, from the effects of financial operations, such as interest income/expense from banks, Group companies and bondholders, in addition to foreign exchange gains and losses.

The following changes were recorded compared to the first half of 2016:

- a reduction of Euro 2.4 million in dividends from subsidiaries;
- net interest expense payable to banks and bondholders and net interest income from subsidiaries and associates substantially in line with the values posted during the first half of 2016;
- lower costs for Euro 1.4 million due to a reduction in the rates applied to the actuarial valuation of employee benefit obligations (mainly the staff severance pay and the Company's supplementary pension fund).

The average cost of borrowing, made up of uncommitted credit lines, medium/long-term and stand-by loans, as well as of the 2015-2020 bond issue, came to 1.5%, in line with the value posted during the first half of 2016.

Furthermore, it should be noted that on 20 April 2017 four Interest Rate Swap Forward Start contracts were entered into for an overall notional amount of Euro 350 million, the effective date of which will fall in May 2020 and which will remain in force for the subsequent 5 years. This transaction, which was carried out to hedge the risk of an increase in interest rates upon expiry of the present obligation and the consequent need for refinancing, shows a positive fair value of Euro 2.6 million, including the tax component, which reflects on the net comprehensive result for the period.

Financial income (expenses)

(in millions of Euros)	June 2017	June 2016	Change
Dividends			
Rai Cinema	47.5	43.7	3.8
Rai Way	27.2	25.3	1.9
Rai Com	6.6	6.7	(0.1)
Rai Pubblicità	0.0	8.0	(8.0)
	81.3	83.7	(2.4)
Other financial income (expenses)			
Net interest income (expense) from banks	(1.0)	(0.8)	(0.2)
Net interest income (expense) from subsidiaries and associates	1.0	1.0	0.0
Interest expense on bond issues	(3.0)	(3.0)	0.0
Interest on employee benefit obligations	(2.2)	(3.6)	1.4
Net foreign exchange gains (losses)	0.2	0.2	0.0
Other	(0.7)	(0.8)	0.1
	(5.7)	(7.0)	1.3
Financial income (expenses)	75.6	76.7	(1.1)

Share of profits (losses) of equity-accounted investments

This item showed a positive balance of Euro 0.3 million (Euro 0.1 million in 2016), arising from the measurement of associates and joint ventures according to the equity method, as detailed in the table below.

Income taxes

This item, which showed a positive value of Euro 11.9 million (Euro 9.9 million during the first half of 2016) was due to the balance between current and deferred tax, as detailed in the table below.

Unlike in 2016, the economic trends that were recorded during the half-year determined no taxable income for IRAP (Regional Production Activity) tax purposes.

Deferred tax liabilities had a positive effect of Euro 0.9 million (Euro 1.3 million as at 30 June 2016), as a result of the reversal of temporary income differences recognised in prior years.

Deferred tax assets had a positive effect and related to the recognition against the tax loss for the period, which was offset by the income contributed by companies within the scope of tax consolidation.

Share of profits (losses) of equity-accounted investments

(in millions of Euros)	June 2017	June 2016	Change
Revaluations (Write-downs)			
Euronews	0.0	(0.7)	0.7
San Marino	(0.1)	(0.2)	0.1
Tivù	0.4	1.0	(0.6)
Total	0.3	0.1	0.2

Income taxes

(in millions of Euros)	June 2017	June 2016	Change
IRES tax	0.0	0.0	0.0
IRAP tax	0.0	(0.4)	0.4
Deferred tax liabilities	0.9	1.3	(0.4)
Deferred tax assets	11.0	9.0	2.0
Total	11.9	9.9	2.0

Balance Sheet

Non-current assets

The table below provides a breakdown of non-current assets, which amounted to Euro 2,232.7 million, down by Euro 4.9 million compared to 31 December 2016.

Property, plant and equipment, which are broken down in the table below, recorded a decrease of Euro 7.3 million.

Investments in programmes, which showed a decrease of Euro 0.6 million and are broken down in the table below, are mostly made up of investments in Drama and Comedy programmes, on which the most of investments focused during the half-year, as detailed below.

Non-current assets

(in millions of Euros)	30.06.2017	31.12.2016	Change
Property, plant and equipment	864.8	872.1	(7.3)
Investments in programmes	424.7	425.3	(0.6)
Non-current financial assets	923.6	921.6	2.0
Other	19.6	18.6	1.0
Total	2,232.7	2,237.6	(4.9)

Property, plant and equipment

(in millions of Euros)	30.06.2017	31.12.2016	Change
Land	370.1	370.1	0.0
Buildings	303.5	306.4	(2.9)
Plant and machinery	128.1	131.9	(3.8)
Industrial and commercial equipment	4.2	3.8	0.4
Other assets	21.7	21.2	0.5
Assets under construction and payments on account	37.2	38.7	(1.5)
Total	864.8	872.1	(7.3)

Investments in programmes

(in millions of Euros)	30.06.2017	31.12.2016	Change
Drama and Comedy	323.7	325.1	(1.4)
Cartoons	30.2	27.6	2.6
Rights of use of library	70.7	72.5	(1.8)
Other	0.1	0.1	0.0
Total	424.7	425.3	(0.6)

Non-current financial assets, which were made up of participating investments and other financial assets with a maturity beyond twelve months, showed an increase of Euro 2.0 million, mainly due to the recognition of the positive fair value of the Interest Rate Swap Forward Start contracts entered into to hedge the risk of an increase in interest rates at the maturity date of the present bond, as already mentioned.

It should also be noted that the reduction in the book value of the investment held in Tivù Srl, an associate valued according to the equity method, was due to the recognition of dividends.

The breakdown of this item is reported in the table below.

Other non-current assets, which are broken down in the table below, showed an increase of Euro 1.0 million.

The **Investments** made during the first half of 2017 amounted to Euro 114.5 million, down by Euro 6.2 million (-5.1%) compared to the results posted during the first half of 2016.

In detail:

- lower investments in programmes for Euro 13.6 million (-13.9%), to be attributed to the TV drama and comedy genre in relation to the different distribution of investments over the half-years;
- higher investments in property, plant and equipment for Euro 7.4 million (+32.5%) mainly due to the refurbishment of the production plant Dear.

Non-current financial assets

(in millions of Euros)	30.06.2017	31.12.2016	Change
Equity investments in subsidiaries:			
Rai Cinema SpA	267.8	267.8	0.0
Rai Com SpA	107.1	107.1	0.0
Rai Way SpA	506.3	506.3	0.0
Rai Pubblicità SpA	31.1	31.1	0.0
Rai Corporation (in liquidation)	0.0	0.1	(0.1)
	912.3	912.4	(0.1)
Equity investments in associates:			
Auditel Srl	0.7	0.7	0.0
Euronews SA	2.3	2.3	0.0
Tivù Srl	1.8	3.4	(1.6)
San Marino RTV SpA	2.0	2.0	0.0
	6.8	8.4	(1.6)
Other equity investments	0.9	0.7	0.2
Derivatives	2.6	0.0	2.6
Other	1.0	0.1	0.9
Total	923.6	921.6	2.0

Other non-current assets

(in millions of Euros)	30.06.2017	31.12.2016	Change
Software	16.1	14.1	2.0
Commercial rights with football clubs	3.5	4.5	(1.0)
Total	19.6	18.6	1.0

Investments

(in millions of Euros)	June 2017	June 2016	Change
Drama and comedy	78.8	94.4	(15.6)
Cartoons	5.5	3.5	2.0
Investments in programmes	84.3	97.9	(13.6)
Investments in property, plant and equipment	26.4	19.1	7.3
Software	3.8	3.7	0.1
Technical investments	30.2	22.8	7.4
Total investments	114.5	120.7	(6.2)

Net current assets

The most significant changes compared to 31 December 2016 concerned the following items:

- **Trade receivables** showed a decrease of Euro 243.5 million mainly as a result of the collection of instalments of licence fees for ordinary subscriptions relating to the 2016 financial year during the six-month period.
- **Other receivables**, down by Euro 73.9 million, mainly due to the assignment of VAT receivables to the factor without recourse.
- **Other payables**, up by Euro 307.5 million, as a result of the recognition of deferred income from licence fees, arising from the difference between the amounts paid by the Ministry of Economy and Finance during the half-year compared to the accrued value, which is expected to be repaid during the second half-year.

Provisions for risks and charges

Provisions for risks and charges, equal to Euro 161.6 million, showed a decrease of Euro 26.5 million compared to 31 December 2016.

This reduction was mainly due to the use of the provision set aside for costs of accrued commissions to subordinate employees as at 31 December 2016.

The table below shows the breakdown of provisions and related changes compared to 31 December 2016.

Employee benefits

Employee benefits, equal to Euro 510.5 million, showed a reduction of Euro 16.2 million compared to 31 December 2016.

The table below shows the breakdown of accruals and related changes compared to 31 December 2016.

Net current assets

(in millions of Euros)	30.06.2017	31.12.2016	Change
Inventories	0.2	0.2	0.0
Trade receivables	314.2	557.7	(243.5)
Other receivables	182.7	256.6	(73.9)
Trade payables	(578.7)	(560.4)	(18.3)
Other payables	(685.7)	(378.2)	(307.5)
Net deferred tax liabilities	(66.7)	(35.8)	(30.9)
Total	(834.0)	(159.9)	(674.1)

Provisions for risks and charges

(in millions of Euros)	30.06.2017	31.12.2016	Change
Legal disputes	(65.5)	(68.0)	2.5
Reclamation and renovation of properties	(27.8)	(28.0)	0.2
Costs of accrued commissions	(23.2)	(41.4)	18.2
Risks of recourse for losses on receivables from concessionaires Rai Pubblicità and Rai Com	(7.9)	(9.6)	1.7
Reversals	(4.3)	(4.3)	0.0
Litigation with social security institutions	(3.0)	(3.0)	0.0
Other	(29.9)	(33.8)	3.9
Total	(161.6)	(188.1)	26.5

Employee benefits

(in millions of Euros)	30.06.2017	31.12.2016	Change
Staff Severance Pay	(248.9)	(258.4)	9.5
Supplementary company pension fund	(139.0)	(143.6)	4.6
Compensation in lieu of notice – journalists	(107.1)	(109.2)	2.1
FASDIR welfare fund for retired executives	(14.8)	(14.8)	0.0
Other	(0.7)	(0.7)	0.0
Total	(510.5)	(526.7)	16.2

Net financial position

The first half of 2017 closed with a net financial position, determined according to the ESMA schedule, which was positive for Euro 129.9 million (Euro -57.4 million as at 30 June 2016), showing an improvement of Euro 693.4 million compared to 31 December 2016, the components of which are reported in the table below.

The full reabsorption of net debt as at 31 December 2016 was due to cash flows from ordinary operations recorded during the first half-year (characterised by the usual payment of instalments of advances on licence fees for a total amount of Euro 1,200 million) and the payment of instalments of licence fees for the 2016 financial year equal to about Euro 245 million, of which Euro 202 million relating to additional revenues. To these factors must be added the assignment of 2014-2015 VAT receivables to the factor without recourse for Euro 57.4 million.

Additional positive effects arose from intercompany cash flows as a result of a postponement to the second half-year of charges for services rendered by subsidiaries and for charging direct taxes to the latter, which were offset against the losses recorded by the Parent Company within the scope of tax consolidation.

The average financial position was negative for about Euro 537 million (Euro -488 million during the first half of 2016), showing an increase of about Euro 50 million due to a higher debt recorded at the beginning of the year, which was only partly offset by the collection of receivables from additional revenues in May.

In December 2016 Moody's confirmed the Long-Term Issuer Baa3 (investment grade) rating, with a change in the outlook from "stable" to "negative", as a result of the downgrade in the rating of the Italian Government, which is the majority shareholder of the Company.

Net financial position

(in millions of Euros)	30.06.2017	31.12.2016	Change 30.06.2017 31.12.2016	30.06.2016
Liquidity:				
- cash	0.3	0.3	0.0	0.4
- deposits, bank and postal accounts	358.3	4.2	354.1	311.1
	358.6	4.5	354.1	311.5
Current financial receivables:				
- from subsidiaries and associates	260.5	107.0	153.5	159.5
- current financial assets on derivatives	0.6	1.7	(1.1)	1.6
- time deposits	9.0	5.5	3.5	5.7
- other	0.3	0.1	0.2	0.1
	270.4	114.3	156.1	166.9
Current financial debt:				
- to banks	(10.1)	(170.1)	160.0	(31.5)
- current financial liabilities on derivatives	(0.6)	0.0	(0.6)	0.0
- to subsidiaries and associates	(111.0)	(130.2)	19.2	(117.8)
- other	0.0	(0.1)	0.1	0.0
	(121.7)	(300.4)	178.7	(149.3)
Non-current financial debt:				
- to banks	(30.0)	(35.0)	5.0	(40.0)
- bond issue	(347.4)	(346.9)	(0.5)	(346.5)
	(377.4)	(381.9)	4.5	(386.5)
Net liquidity (financial debt)	129.9	(563.5)	693.4	(57.4)
of which:				
- to subsidiaries and associates	149.5	(23.2)	172.7	41.7
- to Third parties	(19.6)	(540.3)	520.7	(99.1)
Total	129.9	(563.5)	693.4	(57.4)

The Company monitors the financial risks to which it is exposed using dedicated IT and statistical tools. The financial management policy is in line with best practices and is aimed at achieving capital preservation through a risk-averse approach, combined with active monitoring of the exposure and the implementation of appropriate hedging strategies, also on behalf of Group companies (except for Ray Way).

The detailed information on financial risks is reported in the specific section of the notes to the consolidated financial statements, to which reference should be made.

Financial Statements of Rai SpA

Financial Statements of Rai SpA

Statement of financial position

(in thousands of Euros)	Note	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Property, plant and equipment	6.1	864,808	872,115
Intangible assets	6.2	444,270	443,993
Equity investments	6.3	920,023	921,502
Non-current financial assets	6.4	3,645	61
Deferred tax assets	6.5	-	-
Other non-current assets	6.6	9,757	11,428
Total non-current assets		2,242,503	2,249,099
Inventories	7.1	178	211
Trade receivables	7.2	313,853	556,921
Current financial assets	7.3	270,465	114,294
Tax receivables	7.4	60,437	134,438
Other current receivables and assets	7.5	104,001	111,538
Cash and cash equivalents	7.6	358,556	4,562
Total current assets		1,107,490	921,964
Total assets		3,349,993	3,171,063
Share capital		242,518	242,518
Reserves		588,268	582,406
Profits (losses) carried forward		25,766	(25,455)
Total equity	8	856,552	799,469
Non-current financial liabilities	9.1	377,381	381,946
Employee benefits	9.2	510,506	526,710
Non-current provisions for risks and charges	9.3	161,595	188,110
Deferred tax liabilities	9.4	66,696	35,816
Other non-current payables and liabilities	9.5	2,794	3,625
Total non-current liabilities		1,118,972	1,136,207
Trade payables	10.1	578,706	560,424
Current financial liabilities	10.2	121,750	300,427
Tax payables	10.3	37,211	81,258
Other current payables and liabilities	10.1	636,802	293,278
Total current liabilities		1,374,469	1,235,387
Total liabilities		2,493,441	2,371,594
Total equity and liabilities		3,349,993	3,171,063

Income statement

(in thousands of Euros)	Note	Half-year ended	
		30 June 2017	30 June 2016
Revenues from sales and services	11.1	1,232,441	1,296,601
Other earnings and proceeds	11.2	14,092	17,165
Total revenues		1,246,533	1,313,766
Costs for purchases of consumables	11.3	(6,325)	(6,937)
Costs for services	11.3	(666,604)	(713,710)
Other costs	11.3	(23,856)	(25,763)
Personnel costs	11.4	(466,032)	(475,938)
Amortisation, depreciation and write-downs	11.5	(121,772)	(118,309)
Provisions	11.6	(2,617)	6,369
Total costs		(1,287,206)	(1,334,288)
Operating result		(40,673)	(20,522)
Financial income	11.7	82,700	85,760
Financial expenses	11.7	(7,045)	(9,035)
Share of profits (losses) of equity-accounted investments	11.8	291	100
Result before tax		35,273	56,303
Income taxes	11.9	11,866	9,935
Result for the period – Profit (loss)		47,139	66,238

Financial Statements of Rai SpA

Statement of comprehensive income

(in thousands of Euros)

	Half-year ended	
	30 June 2017	30 June 2016
Result for the period	47,139	66,238
Items that can be reclassified through profit or loss:		
Profit/(loss) on cash flow hedge instruments	2,063	(2,434)
Tax effect	(467)	787
Total	1,596	(1,647)
Items that cannot be reclassified through profit or loss:		
Remeasurement of defined-benefit plans	8,348	(29,368)
Total	8,348	(29,368)
Total comprehensive income (expense) for the period	57,083	35,223

Cash flow statement

(in thousands of Euros)

	Note	Half-year ended	
		30 June 2017	30 June 2016
Profit (loss) before tax		35,273	56,303
Adjustments for:			
Amortisation, depreciation and write-downs	11.5	121,772	118,309
Accruals to and (releases of) provisions related to personnel and other provisions		28,577	20,221
Net financial expenses (income)	11.7	(75,655)	(76,725)
Share of profits (losses) of equity-accounted investments	11.8	(291)	(100)
Other non-cash items		78	(330)
Cash flows from operating activities before changes in net working capital		109,754	117,678
Change in inventories		33	25
Change in trade receivables	7.2	243,210	6,098
Change in trade payables	10.1	18,281	(3,764)
Change in other assets/liabilities		432,041	272,930
Use of provisions for risks	9.3	(32,160)	(25,668)
Payment of employee benefits and to external funds	9.2	(35,513)	(31,052)
Income taxes paid		(4,154)	-
Net cash flow from operating activities		731,492	336,247
Investments in property, plant and equipment	6.1	(26,400)	(19,087)
Disposals of property, plant and equipment	6.1	526	8
Investments in intangible assets	6.2	(88,139)	(101,601)
Disposals of intangible assets	6.2	-	52
Equity investments		(200)	(17)
Dividends collected	6.3	81,933	84,410
Interest collected		-	43
Change in financial assets	6.4 7.3	(157,036)	(59,782)
Net cash flow from investing activities		(189,316)	(95,974)
Long-term loans	9.1	-	-
Long-term loan repayments	9.1	(5,000)	-
(Decrease)/increase in short-term loans and other loans	10.2	(178,586)	9,333
Net interest paid (*)		(4,596)	(5,250)
Net cash flow from financing activities		(188,182)	4,083
Change in cash and cash equivalents		353,994	244,356
Cash and cash equivalents at the beginning of the period	7.6	4,562	67,111
Cash and cash equivalents at the end of the period	7.6	358,556	311,467

(*) Relating to financial assets/liabilities

Financial Statements of Rai SpA

Statement of changes in equity

(in thousands of Euros)	Share Capital	Legal reserve	Other reserves	Profits (losses) carried forward	Total equity
Balances as at 1 January 2016	242,518	11,553	869,559	(311,844)	811,786
Allocation of the result	-	-	(297,301)	297,301	-
Result for the period	-	-	-	66,238	66,238
Other comprehensive income (expenses)	-	-	(1,647)	(29,368)	(31,015)
Total comprehensive income (expense) for the period	-	-	(1,647)	36,870	35,223
Balances as at 30 June 2016	242,518	11,553	570,611	22,327	847,009
Balances as at 1 January 2017	242,518	11,553	570,853	(25,455)	799,469
Allocation of the result	-	213	4,053	(4,266)	-
Result for the period	-	-	-	47,139	47,139
Other comprehensive income (expenses)	-	-	1,596	8,348	9,944
Total comprehensive income (expense) for the period	-	-	1,596	55,487	57,083
Balances as at 30 June 2017	242,518	11,766	576,502	25,766	856,552

Notes to the Interim Financial Statements of Rai as at 30 June 2017

1) General information

Rai Radiotelevisione Italiana SpA (hereinafter referred to as “Rai”, the “Company” or the “Parent Company”) is a joint-stock company incorporated under the laws of, and domiciled in, Italy, with registered office in Rome, at Viale Mazzini no. 14 and organised according to the legal system of the Italian Republic.

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are active in Italy in the role as a general Public Radio and Television Service operator. The Parent Company is required by special national and Community regulations to fulfil specific obligations regarding the quality and quantity of its broadcasting schedule, which are further detailed in the Service Contract entered into with the Ministry of Economic Development (hereinafter also referred to as the “Contract”).

The current Service Contract is that referred to the three-year period from 2010 to 2012, which is still in force by virtue of the provisions of Section 36 thereof.

The Service Contract provides for certain service levels and restrictions that Rai is required to meet in the performance of its publishing activities, which are increasing over time and also establishes a clear connection between Rai, individuals and the community, meeting needs that are relevant to the growth of the individual and the creation of public awareness. Editorial issues that are worthy of mention are the focus on education and employment, information and insights, social and cultural issues, children and teenagers, the role of women, sports and entertainment, minority languages and the promotion of the image of Italy abroad, to the benefit of both foreigners and the many communities of Italians living there.

Under Law 89/2014 Rai must ensure public information at a national and regional level, through the presence of newsrooms and facilities suitable for specific productions in each region and autonomous province. The new paragraph 3-bis of Article 17 of Law 112/2004 also provides for the offices located in Bolzano, Trento, the Aosta Valley and Friuli-Venezia Giulia to retain their autonomy in financial and accounting terms, to serve as decentralised production centres for the promotion of local culture and language, and for any other regional and provincial office to retain such autonomy until the definition of a new local structure on the part of Rai.

In accordance with Law 220 of 28 December 2015 governing the “Reform of Rai and of the Public Radio and Television Service”, the National Service Contract between the Ministry of Economic Development and Rai is to be renewed for a term of five years rather than the previous three years, within the scope of the concession that assigns Rai the role of operator of the Public radio, television and multi-media Service.

On 19 April 2016, the new Code of Public Contracts (Legislative Decree 50 of 18 April 2016) entered into force. This Decree, under Article 216, paragraph 24, has provided that “in order to achieve the highest possible participation in the public consultation referred to in Article 5, paragraph 5, of Law 220 of 18 December 2015 (Rai Reform Act), and pending the updating of the regulations governing the assignment of the Public radio, television and multimedia Service”, the term of the concession must be extended from 6 May 2016 to 31 October 2016.

Law 198 of 26 October 2016, governing the “Establishment of the Fund for pluralism and innovation of information and powers delegated to the Government for the reform of regulations governing public support to the sector of publishing and local radio and television broadcasters, the regulations governing pension schemes for journalists and the composition and competence of the National Council of the Association of Journalists. Procedure for awarding Public radio, television and multimedia Services”, has set out a new procedure for the award of the Public radio, television and multimedia Service. This 10-year concession is preceded by a public consultation on the obligations involved in performing the service, pursuant to the abovementioned Article 5, paragraph 5, of Law 220 of 18 December 2015 (Rai Reform Act).

Article 6, paragraph 3, of Decree Law 244 of 30 December 2016, governing the “Extension and definition of time limits” (“*mille-proroghe*”, one thousand extensions), provides that, pending the award of the Public radio, television and multimedia Service (according to the new procedures set out in Article 9 of Law 198/2016, within the framework of the actions already laid down in Law 220/2015), and in any case for a period of time not exceeding one hundred and eighty days from 31 October 2016 (i.e. until 29 April 2017), the concession and the contract in place shall continue to apply for all purposes. Accordingly, the current concession term of the Public radio, television and multimedia Service contract awarded to Rai has been extended so as to regulate the case that the new contract is not awarded before that term under a Decree to be issued by the President of the Council of Ministers.

On 23 May 2017 the Prime Minister’s Decree of 28 April 2017 was published in Official Gazette no. 118, which governed the “Procedure for awarding Public radio, television and multimedia Service and approval of the attached contract form”; under said Decree, Rai was appointed as concessionaire, on an

exclusive basis, of the Public radio, television and multimedia Service for a term of 10 years, as from 30 April 2017 and approved the contract form attached to the concession.

This followed the approval, on the part of the parliamentary Committee on general affairs and supervision of radio and television services at the meeting held on 11 April 2017, of the opinion prescribed by Article 49, paragraph 1-*quinquies* of Legislative Decree 177 of 31 July 2005 (Consolidation Act on audiovisual media and radio services, *Testo unico dei servizi di media audiovisivi e radiofonici*, hereinafter referred to as TUSMAR) on the Decree and agreement forms.

Accordingly, negotiations were started on the new Service Contract with the Ministry of Economic Development.

The interim financial statements of Rai as at 30 June 2017 (hereinafter the "Rai Financial Statements"), as described below, have been subject to limited audit by PricewaterhouseCoopers SpA (hereinafter the "Independent Auditors"), which was appointed for the financial years until 2023, at the reasoned proposal of the Board of Statutory Auditors, by the General Ordinary Shareholders' Meeting of Rai held on 10 March 2016, in consideration of the acquisition by Rai of the status of Public Interest Entity.

2) Basis of preparation, accounting principles and use of estimates

The Rai Financial Statements have been prepared in accordance with IAS 34 – Interim Financial Reporting, provided for in the International Financial Reporting Standards ("IFRS").

As to the basis of preparation, accounting principles and use of estimates used to prepare the Rai Financial Statements, reference should be made to the information reported in the specific paragraphs of the Notes to the Rai Financial Statements in Rai SpA's Reports and Financial Statements as at 31 December 2016 as they have remained unchanged, except for the useful life of repeated-use programmes belonging to the cartoon genre, which has changed from three to five years.

As to the Accounting standards endorsed but not yet applicable or not yet endorsed by the European Union, reference should be made to the information already reported in the specific paragraph of the Notes to the Rai Financial Statements in Rai SpA's Reports and Financial Statements as at 31 December 2016.

3) Financial risk management

The financial risks to which the Company is exposed are managed according to the approach and procedures set out in a specific policy. These documents describe procedures, limits and tools for the monitoring and mitigation of financial risks, with a view to preserving the Company's value.

The main risks identified by the Company are:

- market risk arising from the exposure to fluctuations in interest and exchange rates associated with the financial assets and liabilities that are held/generated and assumed, respectively;
- credit risk arising from the possibility that one or more counterparties may be insolvent;
- liquidity risk arising from the Company's inability to obtain the financial resources required to meet short-term financial commitments.

3.1 Market risk

The market risk is the possibility that any changes in interest and exchange rates could adversely affect the value of assets, liabilities or of estimated cash flows.

Interest rate risk

The interest rate risk is generated by the possible increase in net financial costs due to unfavourable changes in market rates on the floating rate financial positions. In order to limit this risk, the Company's policy requires that medium/long-term variable rate loans should be converted into fixed rate loans for at least 50% through the use of derivative products, such as Interest Rate Swaps.

As at 30 June 2017 and 31 December 2016, the medium/long-term debt was entirely at fixed rate; therefore, the effects of the changes in interest rates only affect the short-term positions, with variable maturity and sign during the year.

On 20 April 2017, Rai entered into four Interest Rate Swap Forward Start contracts for an overall notional amount of Euro 350 million, the effective date of which will fall in May 2020 and which will remain in force for the subsequent 5 years. This transaction was carried out to hedge the risk of an increase in interest rates at the maturity date of the bond issued and of the consequent need for refinancing. The fair value of this transaction as at 30 June 2017 has been deferred in a specific Cash Flow Hedge Reserve, thus impacting on the comprehensive result for the period, net of tax component.

Sensitivity analysis

The sensitivity analysis, which has been conducted on unhedged financial positions, as at 30 June 2017 and as at 31 December 2016, assuming a parallel shift of +50 bps in the interest rate curve (in consideration of the minimum level already reached by interest rates, which is negative on the short-term portion) shows that an increase in the curve determined higher net revenues as at 30 June 2017, in consideration of higher interest income on cash and cash equivalents and on the intercompany net credit, while the effects of the shift were of negative sign, although very limited, as at 31 December 2016.

Exchange risk

Exchange risks are managed as from the date when the Company enters into the commercial transaction, which often has a multi-year term and is aimed at preserving the Euro countervalue of the commitments, as estimated at the time of the orders or of the budget. The policy regulates the risk management according to international best practices, with a view to minimising the risk, through the active monitoring of the exposure and the implementation of hedging strategies on the part of Rai, also on behalf of its subsidiaries (except for Rai Way, provided with independent policy and management). The powers related to the implementation of hedging activities are assigned on a hierarchical and gradual basis, with a minimum percentage of intervention of 50% of the currency contract amount.

The hedging strategies are implemented by means of derivative financial instruments – such as forward purchases and options – and are never intended for financial speculation purposes. For this purpose effectiveness tests are conducted, through specific systems, on an ex-ante and ex-post basis, which allow, as detailed in note 10.2 “Current financial liabilities”, the identification of the effective and ineffective portions of the hedge.

Sensitivity analysis

In light of the foregoing, the exposure to the exchange risk is significant only for the EUR/USD exchange rate. A sensitivity analysis that was conducted as at 30 June 2017 on unhedged credit and debt positions, on derivatives used to hedge commitments against already executed contracts and on funds available in foreign currencies, confirmed the trends already noted as at 31 December 2016: a depreciation of the Euro would determine negative economic effects on the amount of unhedged positions (about Euro 0.5 million in the case of a depreciation of 10%), on one hand, and, on the other, an increase in the Cash Flow Hedge Reserve as a consequence of the higher value of the hedges (about Euro 0.1 million). On the contrary, an appreciation of the Euro would entail lower economic costs and a decrease in the Cash Flow Hedge Reserve as a result of the lower value of the hedges, in amounts that are similar to the previous case.

3.2 Credit risk

The theoretical exposure to the credit risk for the Company mainly refers to the book value of financial assets and trade receivables recognised in the accounts.

As regards the counterparty risk, procedures are adopted for the assessment of business partners, in order to manage trade receivables.

The credit risk on uses of liquidity is limited since the corporate policy provides, during periods of cash surpluses, for the use of low risk financial instruments with highly rated counterparties. Only time or demand deposits held with bank counterparties with an Investment Grade rating were used during the first half of 2017 and the 2016 financial year.

3.3 Liquidity risk

By virtue of specific contracts with subsidiaries, except for Rai Way only, Rai manages the Group's financial resources through a cash-pooling system that provides for the daily transfer of the affiliates' bank balances to the current accounts of Rai, which grants the intercompany credit facilities required to conduct the business of the companies themselves. As from the date of listing, Rai Way is provided with its own treasury and financial resources.

As regards medium/long-term portions, the Company's financial structure is made up of a bond issue due May 2020 for Euro 350 million (for more details, reference should be made to note 9.1 "Non-current financial liabilities and current portions of non-current financial liabilities") and of the EIB loan due June 2021 in relation to the project for the implementation of digital terrestrial for Euro 40 million.

In consideration of the significant fluctuation in the interim debt, arising from the payment by the Ministry of Economy and Finance of fees in four quarterly instalments, the Company holds uncommitted credit facilities of about Euro 480 million and, from January 2017, a 5-year revolving facility with a pool of banks, totalling Euro 270 million.

The new revolving facility provides for compliance with the following benchmark/financial ratio with respect to the consolidated financial statements prepared according to IFRS and to be calculated on the reporting date of the annual accounts:

- Net Financial Debt (adjusted by receivables from the Government for licence fees)/ Shareholders' Equity < 1.7.

The cash position is monitored on an ongoing basis through a financial forecasting model that makes it possible to identify, well in advance, any possible financial problem so that the appropriate measures can be taken.

4) Capital risk management

The Company's capital management objectives are focused on the protection of the ability to continue to ensure an optimal financial soundness, including through an ongoing improvement of its operational and financial efficiency. The objective of the Company is to maintain an adequate level of capitalisation that would allow the achievement of an economic return and the access to external funding sources. The Company monitors the changes in the debt/equity ratio on an ongoing basis. Specifically, the ratio of net worth to total liabilities including equity is shown in the table below:

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Equity	856,552	799,469
Total liabilities and equity	3,349,993	3,171,063
Ratio	25.6%	25.2%

The Company's net financial position for the periods being analysed is reported in note 14.2 "Appendix".

5) Fair value measurement

Financial instruments at fair value are comprised of hedging financial derivatives, measured through a financial model that uses the most common and accepted market formulas (present value of estimated future cash flows for interest rate swaps, net present value for currency forwards and application of the Black&Scholes model for options), in addition to the following inputs provided by Reuters: ECB spot exchange rates, Euribor and IRS rate curves, volatility and credit spreads of the various banks and of the bonds issued by the Italian Government. The fair value of derivative instruments represents the net position between asset values and liability values. For more information on derivative assets and liabilities reference should be made to notes 7.3 "Current financial assets" and 10.2 "Current financial liabilities".

All the instruments outstanding as at 30 June 2017 and 31 December 2016 were measured according to the Level 2 method: use of inputs observable in the market (such as, for derivatives, the exchange rates quoted by the Bank of Italy, market rate curves, volatility provided by Reuters, credit spreads calculated based on credit default swaps, etc.) other than quoted prices included within Level 1.

Notes to the Interim Financial Statements of Rai

6) Non-current assets

6.1 Property, plant and equipment

Property, plant and equipment, equal to Euro 864,808 thousand (Euro 872,115 thousand as at 31 December 2016), are broken down as follows:

(in thousands of Euros)	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on accounts	Total
Cost	370,146	454,175	1,387,739	67,370	110,857	38,669	2,428,956
Accumulated depreciation	-	(147,744)	(1,255,878)	(63,557)	(89,662)	-	(1,556,841)
Balance as at 31 December 2016	370,146	306,431	131,861	3,813	21,195	38,669	872,115
Change during 2017 – 1st half-year							
Increases and capitalisation	-	2,070	6,370	542	1,190	16,230	26,402
Disposals [1]	-	(22)	(546)	(2)	(1)	(33)	(604)
Reclassifications	-	860	14,449	466	1,898	(17,673)	-
Depreciation	-	(5,825)	(23,990)	(663)	(2,627)	-	(33,105)
Balance as at 30 June 2017	370,146	303,514	128,144	4,156	21,655	37,193	864,808
<i>broken down as follows:</i>							
Cost	370,146	456,916	1,405,154	68,331	110,760	37,193	2,448,500
Accumulated depreciation	-	(153,402)	(1,277,010)	(64,175)	(89,105)	-	(1,583,692)
[1] of which:							
Cost	-	(189)	(3,404)	(47)	(3,185)	(33)	(6,858)
Accumulated depreciation	-	167	2,858	45	3,184	-	6,254
	-	(22)	(546)	(2)	(1)	(33)	(604)

Investments, equal to Euro 26,401 thousand, fell within the scope of the projects for the technological upgrading and development implemented by the Company.

The amount of the existing contractual commitments for the acquisition of property, plant and equipment is stated in note 12.2 "Commitments".

6.2 Intangible assets

Intangible assets, equal to Euro 444,270 thousand (Euro 443,993 thousand as at 31 December 2016) are broken down as follows:

(in thousands of Euros)	Programmes	Software	Trademarks	Other rights	Assets under development and payments on account	Total
Cost	622,649	10,163	70	1,465	204,311	838,658
Accumulated amortisation	(323,667)	(3,797)	(49)	(1,166)	-	(328,679)
Write-downs	(42,811)	-	-	-	(23,175)	(65,986)
Balance as at 31 December 2016	256,171	6,366	21	299	181,136	443,993
Change during 2017 – 1st half-year						
Increases and capitalisation	34,720	236	-	-	53,184	88,140
Reclassifications [1]	49,145	2,642	-	-	(51,787)	-
Disposals/eliminations [2]	-	-	-	-	-	-
Write-downs	(8,021)	-	-	-	(1,952)	(9,973)
Adjustment to amortisation for use of the provision for write-down	17,840	-	-	-	-	17,840
Amortisation	(93,814)	(1,829)	(4)	(83)	-	(95,730)
Balance as at 30 June 2017	256,041	7,415	17	216	180,581	444,270
<i>broken down as follows:</i>						
Cost	706,601	13,041	70	1,465	204,640	925,817
Accumulated amortisation	(417,481)	(5,626)	(53)	(1,249)	-	(424,409)
Write-downs	(33,079)	-	-	-	(24,059)	(57,138)
[1] of which:						
cost	49,232	-	-	-	(51,874)	(2,642)
accumulated amortisation	(87)	-	-	-	87	-
	49,145	-	-	-	(51,787)	(2,642)
[2] of which:						
Cost	-	-	-	-	(981)	(981)
write-down	-	-	-	-	981	981
	-	-	-	-	-	-

Investments for the period, equal to Euro 88,140 thousand mainly related to television drama and comedy programmes for Euro 78,802 thousand and cartoons for Euro 5,529 thousand.

The amount of assets under development and payments on account related to programmes for Euro 168,641 thousand, software for Euro 8,689 thousand and other rights for Euro 3,251 thousand.

Write-downs recognised during the period amounted to Euro 9,973 thousand and were made in order to adjust the assets at their estimated recoverable value.

The amount of the existing contractual commitments for the acquisition of intangible assets is stated in note 12.2 "Commitments".

6.3 Equity investments

Equity-accounted investments amounted to Euro 920,023 thousand (Euro 921,501 thousand as at 31 December 2016) and are broken down as follows:

Equity investments in subsidiaries

(in thousands of Euros)	Financial year ended 31 December 2016			Change during the half-year	Half-year ended 30 June 2017		
	Cost	Write-downs	Book Value	Write-downs	Cost	Write-downs	Book Value
Rai Cinema SpA	267,848	-	267,848	-	267,848	-	267,848
Rai Com SpA	107,156	-	107,156	-	107,156	-	107,156
Rai Corporation in liquidation	2,891	(2,822)	69	(48)	2,891	(2,870)	21
Rai Pubblicità SpA	31,082	-	31,082	-	31,082	-	31,082
Rai Wway SpA	506,260	-	506,260	-	506,260	-	506,260
Total equity investments in subsidiaries	915,237	(2,822)	912,415	(48)	915,237	(2,870)	912,367

Equity investments in joint ventures and associates

(in thousands of Euros)	Financial year ended 31 December 2016			Change during the half-year		Half-year ended 30 June 2017		
	Cost	Adjustment at Equity	Book value	Result	Decrease for dividends	Cost	Adjustment at Equity	Book value
Joint ventures:								
San Marino RTV SpA	258	1,797	2,055	(92)	-	258	1,705	1,963
Tivù Srl	483	2,882	3,365	346	(1,921)	483	1,307	1,790
Other associates:								
Audiradio Srl in liquidation	1,428	(1,428)	-	-	-	1,428	(1,428)	- (a)
Auditel Srl	10	659	669	29	-	10	688	698 (b)
Euronews SA	850	1,424	2,274	-	-	850	1,424	2,274 (b)
Tavolo Editori Radio Srl	17	-	17	8	-	17	8	25
Total equity investments in joint ventures and associates	3,046	5,334	8,380	291	(1,921)	3,046	3,704	6,750

(a) the financial deficit pertaining to Rai, on the basis of the results stated in the Financial Statements as at 31 December 2016, amounting to Euro 9 thousand, is covered by a provision for charges in the same amount.

(b) Measurement relating to the Financial Statements as at 31 December 2016, which are the last accounts available.

As to the investment held in Euronews SA, it should be noted that, following two capital increases carried out during the half-year and subscribed by other shareholders, the ownership percentage reduced from 9.66% to 3.08%.

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Equity investments in other companies

(in thousands of Euros)	Financial year ended 31 December 2016			Change during the half-year	Half-year ended 30 June 2017		
	Cost	Write-downs	Book value	Acquisitions	Cost	Write-downs	Book value
Almaviva SpA	324	-	324	-	324	-	324
Banca di Credito Cooperativo di Roma	1	-	1	-	1	-	1
Int. Multimedia University Umbria Srl	52	(52)	-	-	52	(52)	-
Ist. Enciclopedia Treccani SpA	513	(132)	381	200	713	(132)	581
Total equity investments in other companies	890	(184)	706	200	1,090	(184)	906

It should be noted that during the half-year the Company subscribed the capital increase carried out by Istituto Enciclopedia Treccani for a total amount of Euro 0.2 million. Accordingly, the ownership percentage increased from 0.81% to 1.063%.

6.4 Non-current financial assets

Non-current financial assets, equal to Euro 3,645 thousand (Euro 61 thousand as at 31 December 2016), are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Financial receivables from employees	233	240
Hedging derivative assets – interest rates	2,635	-
Other non-current financial assets	956	-
- Provision for write-down of non-current financial assets	(179)	(179)
Total non-current financial assets	3,645	61

Non-current financial assets were stated net of a provision for write-down of Euro 179 thousand (unchanged compared to 31 December 2016).

Hedging derivative assets against the risk of changes in interest rates, equal to Euro 2,635 thousand (nil as at 31 December 2016), related to the fair value of the Interest Rate Swap Forward Start contracts that were entered into in April 2017, the effective date of which will fall in May 2020 and which will remain in force for the subsequent 5 years. No current portions have been recognised.

Other non-current financial assets, equal to Euro 956 thousand, relate to the deferral of the non-current portion of commissions relating to the 5-year revolving facility agreement in an overall amount of Euro 270 million.

Below is the breakdown of current and non-current financial assets by maturity:

(in thousands of Euros)	Half-year ended 30 June 2017			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Receivables from subsidiaries – current accounts	258,242	-	-	258,242
Receivables from associates – current accounts	1,038	-	-	1,038
Other financial receivables from associates	1,281	-	-	1,281
Time bank deposits	9,018	-	-	9,018
Hedging derivative assets – interest rates	-	2,635	-	2,635
Assets for derivative activated on behalf of Rai Cinema	548	-	-	548
Financial receivables from personnel	50	54	-	104
Other financial assets	288	956	-	1,244
Total financial assets	270,465	3,645	-	274,110

The short-term portion of financial assets, equal to Euro 270,465 thousand, was entered under the current components of the balance sheet described in note 7.3 "Current financial assets".

(in thousands of Euros)	Financial year ended 31 December 2016			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Receivables from subsidiaries – current accounts	107,007	-	-	107,007
Time bank deposits	5,536	-	-	5,536
Receivables from Subsidiary Rai Cinema for derivatives	966	-	-	966
Hedging derivative assets – exchange rates	697	-	-	697
Assets for derivatives activated on behalf of Rai Cinema	26	-	-	26
Financial receivables from personnel	55	61	-	116
Other current financial assets	7	-	-	7
Total financial assets	114,294	61	-	114,355

The information on hedged risks and hedging policies is reported in note 3.1 "Market risk".

6.5 Deferred tax assets

As shown in the table below, at 30 June 2017, and as at 31 December 2016, the net balance of deferred tax assets and liabilities showed a negative amount and was then recognised under liabilities in the statement of financial position. Therefore, reference should be made to note 9.4 "Deferred tax liabilities" for the related breakdown.

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Deferred tax assets that can be offset	98,159	129,513
Deferred tax liabilities that can be offset	(164,855)	(165,329)
Deferred tax liabilities	(66,696)	(35,816)

Income taxes are described in note 11.9 "Income taxes".

6.6 Other non-current assets

Other non-current assets, equal to Euro 9,757 thousand (Euro 11,428 thousand as at 31 December 2016), are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Advances on commercial activities	8,745	8,959
Advances on sports events	6,913	6,902
Collateral securities	1,622	1,737
Non-current portion of trade receivables	396	811
Receivables from personnel	349	341
- Provision for other bad debts and non-current assets	(8,268)	(7,322)
Total other non-current assets	9,757	11,428

The items reported above substantially related to non-current portions of assets described in note 7.5 "Other receivables and current assets", to which reference should be made.

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The provision for write-down of other non-current assets, equal to Euro 8,268 thousand (Euro 7,322 thousand as at 31 December 2016), is broken down as follows:

(in thousands of Euros)	Balances as at 31 December 2016	Provisions	Uses	Balances as at 30 June 2017
Provision for write-down of advances on sports events	(6,601)	(148)	-	(6,749)
Provision for write-down of advances on commercial activities	(680)	(839)	-	(1,519)
Provision for write-down of other non-current assets	(41)	-	41	-
Total provisions for write-down of other non-current assets	(7,322)	(987)	41	(8,268)

7) Current assets

7.1 Inventories

Inventories, net of the related provision for write-down, equal to Euro 178 thousand (Euro 211 thousand as at 31 December 2016), are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Inventories	12,428	12,365
Provision for write-down of inventories	(12,250)	(12,154)
Total inventories	178	211

Inventories related to supplies and spare parts for the maintenance and operation of equipment, considered as consumables since their useful life generally ends over a period of no more than 12 months.

7.2 Trade receivables

Trade receivables, equal to Euro 313,853 thousand (Euro 556,921 thousand as at 31 December 2016), are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
From customers:		
- Ministry of Economy and Finance for licence fees	21,925	228,889
- Revenue Agency for services under agreement	6,466	14,813
- Other receivables	12,216	12,596
- Provision for write-down of receivables from customers	(8,226)	(8,168)
From subsidiaries:		
- Receivables	281,431	308,936
- Provision for write-down of receivables from subsidiaries (Rai Com)	(287)	(488)
From associates	328	343
Total trade receivables	313,853	556,921

Receivables from subsidiaries and associates related to:

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
From subsidiaries:		
. Rai Cinema SpA	3,618	3,414
. Rai Com SpA	89,271	85,092
. Rai Pubblicità SpA	181,947	214,690
. Rai Way SpA	6,308	5,252
Receivables from subsidiaries	281,144	308,448
From associates:		
. San Marino RTV SpA	68	83
. Tivù Srl	260	260
Receivables from associates	328	343

The receivable from the Ministry of Economy and Finance for licence fees amounted to Euro 21,925 thousand, showing a decrease of Euro 206,964 thousand compared to the value posted as at 31 December 2016, and represents the portions still to be reversed to Rai.

The receivable from the Revenue Agency for services under agreement amounted to Euro 6,466 thousand, showing a decrease of Euro 8,347 thousand compared to the value posted as at 31 December 2016 and fully related to the management of ordinary licence fees, of which Euro 4,466 thousand relating to the 2016 financial year and Euro 2,000 thousand relating to the first half of 2017.

Other receivables have been stated for a nominal value of Euro 12,216 thousand, showing a decrease of Euro 380 thousand compared to 31 December 2016 and are made up of receivables for assignment of rights and for other various services.

Receivables from related parties are detailed in note 12.4 "Related Parties".

Trade receivables are stated net of a provision for bad debts of Euro 8,513 thousand (Euro 8,656 thousand as at 31 December 2016), which is broken down as follows:

(in thousands of Euros)	Balances as at 31 December 2016	Provisions	Uses and other capital transfers	Reversal in profit or loss	Balances as at 30 June 2017
Provision for write-down of trade receivables	(8,168)	(59)	1	-	(8,226)
Provision for write-down of trade receivables from subsidiary Rai Com	(488)	-	-	201	(287)
Total provisions for write-down of trade receivables	(8,656)	(59)	1	201	(8,513)

Receivables expressed in a currency other than Euro amounted to Euro 22 thousand (Euro 19 thousand as at 31 December 2016).

7.3 Current financial assets

Current financial assets amounted to Euro 270,465 thousand (Euro 114,294 thousand as at 31 December 2016). The breakdown of this item and the comparison with the previous year are detailed below:

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Receivables from subsidiaries – Current accounts – Rai Cinema	258,242	107,007
Time bank deposits	9,018	5,536
Receivables from associates – Current accounts – San Marino RTV	1,038	-
Other financial receivables from associates	1,281	-
Hedging derivative assets	-	966
Assets for derivatives activated on behalf of Rai Cinema	-	697
Receivables from Subsidiary Rai Cinema for derivatives	548	26
Financial receivables from personnel	50	55
Other current financial assets	288	7
Total current financial assets	270,465	114,294

Time bank deposits, equal to Euro 9,018 thousand (Euro 5,536 thousand as at 31 December 2016), related to amounts confiscated on current accounts due to some pending disputes.

Derivative financial instruments, entered at fair value, are broken down below as regards their asset component, including current and non-current portions:

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Hedging derivative assets – exchange rates	-	966
Assets for derivatives activated on behalf of Rai Cinema	-	697
Receivables from Subsidiary Rai Cinema for derivatives	548	26
Total derivative financial instruments – Current portion	548	1,689
Hedging derivative assets – interest rates	2,635	-
Total derivative financial instruments – Non-current portion	2,635	-
Total derivative financial instruments	3,183	1,689

The fair value of derivative financial instruments was determined on the basis of valuation models used in the financial sector and market benchmarks as at the reporting date of the financial statements, as detailed in note 5 “Fair value measurement”. Cash flow hedge transactions related to exchange risk hedging on agreements for the acquisition of rights to the broadcasting of sports events denominated in USD. Furthermore, exchange risk hedging activities were started on behalf of subsidiary Rai Cinema in relation to the acquisition of TV rights relating to serials and films denominated in USD, as described in note 12.4 “Related Parties”.

The recognition of the effects through Profit or loss and the realisation of cash flows from hedged contracts entered into in USD are expected over a period of time limited to the fourth quarter of 2017.

During the first half of 2017 no significant events occurred in which, in consideration of transactions previously qualified as hedging, the realisation of the hedged item was no longer regarded as highly probable.

The exchange risk hedging derivative financial instruments as at 30 June 2017, amounting to Euro 548 thousand (Euro 1,689 thousand as at 31 December 2016), related to the current portion of receivables from subsidiary Rai Cinema (Euro 26 thousand as at 31 December 2016), relating to exchange risk hedging derivatives (with a negative fair value) activated by Rai by virtue of the mandate received from Rai Cinema, the effects of which pass through intercompany accounts.

The fair value of interest rate hedging derivative assets is included under non-current assets and amounts to Euro 2,635 thousand (nil as at 31 December 2016), relating to the Interest Rate Swap Forward Start

contracts which were entered into in April and the effective date of which will fall in May 2020 and will remain in force for the subsequent five years. No current portions have been recognised to hedge the risk of an increase in interest rates at the time of the refinancing of the bond issue.

The information on hedged risks and hedging policies is reported in note 3.1 "Market risk".

7.4 Tax receivables

Tax receivables, equal to Euro 60,437 thousand (Euro 134,438 thousand as at 31 December 2016), are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Requests for VAT refund	1,743	59,649
Group VAT	39,840	54,071
Requests for IRES tax refund for deductibility of IRAP tax relating to personnel costs and similar costs	16,905	16,905
IRAP tax credit	1,761	2,460
Withholdings on disposals of foreign companies	33	818
Requests for other tax refunds	155	493
Other tax receivables	-	42
Total tax receivables	60,437	134,438

IRAP (Regional Production Activity) tax credit, equal to Euro 1,761 thousand (Euro 2,460 thousand as at 31 December 2016) related to the IRAP tax advances paid to the Tax Office in previous years.

Taxes are described in note 11.9 "Income taxes".

7.5 Other receivables and current assets

Other receivables and current assets, equal to Euro 104,001 thousand (Euro 111,538 thousand as at 31 December 2016), are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Advances for sports events	30,835	11,636
Payments on account to suppliers, collaborators and agents	23,825	11,286
Receivables from subsidiaries	13,018	47,021
Receivables from personnel	11,786	11,896
Receivables from entities, companies, bodies and others	7,368	5,888
Receivables from welfare and social security institutions	2,709	2,723
Advances on commercial initiatives	-	700
Receivables from subsidies and grants from the Government, the EU and other public entities	319	266
Other receivables (current prepaid expenses)	17,180	23,403
- Provision for other bad debts and current assets	(3,039)	(3,281)
Total other receivables and current assets	104,001	111,538

Below is the breakdown of receivables from subsidiaries:

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
. Rai Cinema SpA	352	19,613
. Rai Com SpA	350	3,837
. Rai Pubblicità SpA	1,852	4,196
. Rai Way SpA	10,464	19,375
Receivables from subsidiaries	13,018	47,021

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Moreover, it should be noted that:

- receivables from subsidiaries are mainly made up of the companies' contribution to Tax consolidation (see note 12.4 "Related Parties");
- receivables from personnel relate to various cases that are broken down in the table below and include, other Others, receivables arising from the application of Law 89/2014:

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Travel expenses	4,280	3,999
Employment disputes	2,931	3,194
Advances for production expenses	2,418	2,387
Other	2,157	2,316
Receivables from personnel	11,786	11,896

The provision for other bad debts and current assets, equal to Euro 3,039 thousand (Euro 3,281 thousand as at 31 December 2016), is broken down as follows:

(in thousands of Euros)	Balances as at 31 December 2016	Provisions	Uses and other capital transfers	Reversal in profit or loss	Balances as at 30 June 2017
Provision for other bad debts and current assets	(3,133)	-	47	47	(3,039)
Provision for write-down of guaranteed minimums	(148)	-	126	22	-
Total provisions for other bad debts and current assets	(3,281)	-	173	69	(3,039)

Considering the short period of time elapsing between the date when the receivable arises and its maturity, it is believed that there are no significant differences between the book value of trade receivables, other receivables and current financial assets and their respective fair values.

7.6 Cash and cash equivalents

Cash and cash equivalents, equal to Euro 358,556 thousand (Euro 4,562 thousand as at 31 December 2016), are broken down into the following items:

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Bank and postal deposits	358,250	4,217
Cheques	-	16
Cash and cash equivalents on hand	306	329
Total cash and cash equivalents	358,556	4,562

Bank and postal deposits amounted to Euro 358,250 thousand (Euro 4,217 thousand as at 31 December 2016) and included available balances at sight or in the short term, on deposits or current accounts held with banks, financial institutions and the Post Office.

Cash and cash equivalents on hand amounted to Euro 306 thousand (Euro 329 thousand as at 31 December 2016) and included liquid funds in the form of cash and equivalent instruments (revenue stamps, etc.) held with the Company as at 30 June 2017.

8) Shareholders' equity

Below is the breakdown of equity:

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Share Capital	242,518	242,518
Legal reserve	11,766	11,553
IFRS FTA reserve	570,446	570,446
Cash-flow hedge reserve	2,003	407
Reserve from valuation of investments	951	-
Other reserves	3,102	-
Total other reserves	576,502	570,853
Actuarial reserves for employee benefits	(21,373)	(29,721)
Profit (loss) for the period	47,139	4,266
Total profits (losses) carried forward	25,766	(25,455)
Total shareholders' equity	856,552	799,469

Share Capital

As at 30 June 2017, the share capital was divided into 242,518,100 ordinary shares with a par value of Euro 1 each. The fully paid-up and subscribed share capital is held by:

- the Ministry of Economy and Finance (MEF) for 241,447,000 shares, equal to 99.55835% of the share capital; and
- Società Italiana Autori Editori (S.I.A.E.) for 1,071,100 shares, equal to 0.4417% of the share capital.

Legal reserve

The legal reserve amounted to Euro 11,766 thousand.

Other reserves and profits (losses) carried forward

Other reserves, equal to Euro 576,502 thousand (Euro 570,853 thousand as at 31 December 2016) and profits (losses) carried forward, equal to Euro 25,766 thousand (Euro 25,455 thousand as at 31 December 2016), including the profit for the period, are broken down as follows:

- the IFRS FTA reserve was recognised as an increase in equity for Euro 570,446 thousand;
- the Cash Flow Hedge reserve, which was stated net of the tax effect for a value of Euro 2,003 thousand (Euro 407 thousand as at 31 December 2016);
- other reserves amounted to Euro 4,053 thousand and related to:
 - reserve from valuation of investments: Euro 951 thousand;
 - others: Euro 3,102 thousand;
- actuarial reserves for employee benefits were stated as a reduction in equity for Euro 21,373 thousand;
- the profit for the period amounted to Euro 47,139 thousand.

9) Non-current liabilities

9.1 Non-current financial liabilities and current portions of non-current financial liabilities

Non-current financial liabilities, including current portions, were equal to Euro 387,381 thousand (Euro 391,946 thousand as at 31 December 2016), and are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017			Financial year ended 31 December 2016		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Bonds	347,381	-	347,381	346,946	-	346,946
Medium/long-term payables to banks	30,000	10,000	40,000	35,000	10,000	45,000
Total	377,381	10,000	387,381	381,946	10,000	391,946

Non-current financial liabilities, including current portions, decreased by Euro 4,565 thousand from 31 December 2016, mainly due to the repayment of the second instalment of the loan granted by the European Investment Bank ("EIB") for Euro 5,000 thousand.

As at 30 June 2017 medium/long-term payables were made up of a bond issue with a notional amount of Euro 350,000 thousand and of the EIB amortising loan due 2021 for Euro 40,000 thousand, granted to Rai for the development of the Digital Terrestrial infrastructure.

This loan provides for compliance with the following parameters/financial ratios in relation to the consolidated financial statements prepared according to IFRS:

- Net Financial Debt (adjusted by receivables from the Government for license fees)/Equity \leq 1.3;
- Net Financial Debt (adjusted by receivables from the Government for license fees)/EBITDA \leq 1.0.

As at the reporting date these ratios had been largely complied with, coming to 0.08 and 0.06, respectively.

The bond loan issued by Rai at the end of May 2015 is listed on the Irish Stock Exchange. This bond, which was fully subscribed by international institutional investors, pays a nominal interest rate of 1.5%, due May 2020; it is fully unsecured and contains the usual covenants for issues with a similar rating. These covenants include:

- Negative Pledge, i.e. the prohibition on providing guarantees on other bond issues launched by the Issuer or of its "relevant subsidiaries", unless the same guarantee is provided to the existing bondholders;
- Cross-default, i.e. the possibility for the bondholders to ask for the default to be declared on the bond in the case of default on the debt of the Issuer or its "relevant subsidiaries" in an amount exceeding Euro 50 million;
- Change of Control, i.e. the possibility for the bondholders to exercise a "Put" option at par if the Ministry of Economy and Finance ceases to hold the majority of the votes at the ordinary and extraordinary Shareholders' meetings of Rai.

In December 2016 Moody's confirmed the Long-Term Issuer Baa3 (investment grade) rating, with a change in the outlook from "stable" to "negative", as a result of the downgrade in the Italian Government's rating, which is the majority shareholder of the Company.

Below is the breakdown of financial liabilities (current and non-current) by maturity:

(in thousands of Euros)	Half-year ended 30 June 2017			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Bonds	-	347,381	-	347,381
Payables to subsidiaries – current accounts	111,023	-	-	111,023
Medium/long-term payables to banks	10,000	30,000	-	40,000
Short-term payables to banks	90	-	-	90
Liabilities for derivatives activated on behalf of Rai Cinema	548	-	-	548
Hedging derivative liabilities – exchange rates	84	-	-	84
Other financial liabilities	5	-	-	5
Total	121,750	377,381	-	499,131

(in thousands of Euros)	Financial year ended 31 December 2016			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Bonds	-	346,946	-	346,946
Payables to subsidiaries – current accounts	129,475	-	-	129,475
Payables to Subsidiary Rai Cinema for derivatives	697	-	-	697
Medium/long-term payables to banks	10,000	35,000	-	45,000
Short-term payables to banks	160,143	-	-	160,143
Payables to associates – current accounts	73	-	-	73
Payables to associates – amounts to be paid on capital increase	13	-	-	13
Liabilities for derivative activated on behalf of Rai Cinema	26	-	-	26
Total	300,427	381,946	-	682,373

The fair value of non-current financial liabilities (other than derivative financial instruments) has been measured according to the following criteria:

- the bond, at the value of listing on the Irish Stock Exchange, equal to 103.21 (including accrued interest);
- the fair value of the EIB loan (including the short-term portion) has been calculated by discounting the capital and interest flows at the implied rates of the Euro curve as at the reporting date, as increased by the credit spread of Rai, estimated on the basis of the bonds issued by the Italian Government and was substantially in line with the book value.

9.2 Employee benefits

Employee benefits, equal to Euro 510,506 thousand (Euro 526,710 thousand as at 31 December 2016), are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Provision for Staff Severance Pay	248,902	258,424
Supplementary pension fund (*)	139,015	143,607
Provision for compensation in lieu of notice – journalists	107,089	109,154
Healthcare fund for RAI executives (FASDIR)	14,857	14,857
Other employee benefits	643	668
Total employee benefits	510,506	526,710

(*) Net of FIPDRAI assets.

Notes to the Interim Financial Statements of Rai

Provisions for employee benefits measured by applying actuarial techniques are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017				
	Provision for Staff Severance Pay	Pension funds	Compensation in lieu of notice – journalists	FASDIR	Other benefits
Present value of the obligation at the beginning of the year	258,424	146,746	109,154	14,857	668
Current cost of defined-benefit plans	-	-	3,189	-	7
Current cost of defined-contribution plans	19,663	-	-	530	-
Interest expense	825	654	623	66	-
+ Actuarial gains/losses from changes in demographic assumption	}				
+ Actuarial gains/losses from changes in financial assumption					
+ Effect of the past experience					
Past service cost and Gains/losses from settlement			(453)		
Benefits paid	(11,603)	(5,396)	(680)	(596)	(32)
Transfers to external funds for defined-contribution plans	(19,430)				
Other changes	2,578				
Present value of the obligation at the end of the period (a)	248,902	139,956	107,089	14,857	643
Plan assets at the beginning of the period		(3,139)			
Interest income		(9)			
Returns on plan assets		(1)			
Benefits paid		2,208			
Plan assets at the end of the period (b)	-	(941)	-	-	-
Total net liability (a+b)	248,902	139,015	107,089	14,857	643

Costs of employee benefits, determined by using actuarial assumptions, recognised in profit or loss are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017				
	Provision for Staff Severance Pay	Pension funds	Compensation in lieu of notice – journalists	FASDIR	Other benefits
Current cost of defined-benefit plans	-	-	(3,189)	-	(7)
Current cost of defined-contribution plans	(19,663)	-	-	(530)	-
Past service cost and gains/losses from settlement	-	-	453	-	-
Net interest expense (income):					
- interest expense on the obligation	(825)	(654)	(623)	(66)	-
- interest income on plan assets	-	9	-	-	-
Total net interest expense (income)	(825)	(645)	(623)	(66)	-
Total	(20,488)	(645)	(3,359)	(596)	(7)
of which recognised under personnel costs	(19,663)	-	(2,736)	(530)	(7)
of which recognised under financial income (expenses)	(825)	(645)	(623)	(66)	-

Costs of defined-benefit plans recognised under Other Comprehensive Income of the statement of comprehensive income are broken down as follows:

(in thousands of Euros)		Half-year ended 30 June 2017				
		Provision for Staff Severance Pay	Pension funds	Compensation in lieu of notice – journalists	FASDIR	Other benefits
Revaluations:						
- actuarial gains/losses from changes in demographic assumptions	}	1,555	2,048	4,744	-	-
- actuarial gains/losses from changes in financial assumptions						
- effect of the past experience						
- returns on plan assets			1		-	-
Total		1,555	2,049	4,744	-	-

The main actuarial assumptions adopted are outlined below:

	Half-year ended 30 June 2017
Financial assumptions	
Discount rates:	
. Provision for Staff Severance Pay	0.79%
. Pension funds	1.04%
. Provision for compensation in lieu of notice – journalists	1.50%
Rate of inflation:	
. Provision for Staff Severance Pay	1.50%
. Pension funds	-
. Provision for compensation in lieu of notice – journalists	1.50%
Expected rate of pay increase (*):	
. Provision for Staff Severance Pay	N.A.
. Pension funds	1.21%
. Provision for compensation in lieu of notice – journalists	3.00%
Demographic assumptions	
Maximum retirement age:	
. Provision for Staff Severance Pay	According to law
. Pension funds	-
. Provision for compensation in lieu of notice – journalists	According to the most recent INPGI provisions
Life tables	SI 2014 Amended
Average annual percentage of staff exits:	
. Provision for Staff Severance Pay	7.56%
. Pension funds	-
. Provision for compensation in lieu of notice – journalists	7.30%
Annual probability of request for early retirement:	
. Provision for Staff Severance Pay	1.50%
. Pension funds	-
. Provision for compensation in lieu of notice and Others	-

(*) Inflation included

The discount rate adopted was determined taking account of the returns on high quality corporate bonds, specifying the class of rating, or other references (such as government bonds in the absence of high quality corporate bonds). For the purposes of the definition of actuarial assumptions and, specifically, of the discount rate, taking account of the definition of Investment grade securities, only securities of corporate issuers with a rating of "AA" were considered.

The demographic tables adopted are SI 2014, broken down by gender and appropriately amended according to a specific study on the mortality concerning the Company community.

9.3 Non-current provisions for risks and charges

Non-current provisions for risks and charges, equal to Euro 161,595 thousand (Euro 188,110 thousand as at 31 December 2016), are broken down as follows:

(in thousands of Euros)	Balances as at 31 December 2016	Provisions	Uses	Reversal	Balances as at 30 June 2017
Provision for legal disputes	68,000	5,453	(7,953)	-	65,500
Provision for reclamation and renovation of properties	28,000	-	(215)	-	27,785
Provision for decommissioning and restoration	4,327	5	(8)	(44)	4,280
Provision for costs of accrued commissions	41,409	-	(18,238)	-	23,171
Provision for litigation with social security institutions	3,000	-	-	-	3,000
Provision for risks of recourse for losses on receivables of concessionaries Rai Pubblicità and Rai Com	9,600	-	(1,649)	(25)	7,926
Provision for ISC ICM Agents	675	30	-	(19)	686
Other provisions	33,099	245	(4,097)	-	29,247
Total provisions for risks and charges	188,110	5,733	(32,160)	(88)	161,595

The provision for legal disputes, equal to Euro 65,500 thousand, included the prudential and prognostic estimate of the charges arising from pending legal proceedings, in which the Company is involved for various reasons. More specifically, they related (amounts including legal fees) to civil, administrative and criminal proceedings for Euro 40,500 thousand and to labour-related disputes for Euro 25,000 thousand.

The provision for reclamation and renovation of properties, equal to Euro 27,785 thousand, included the estimated costs that the Company expects to incur mainly with reference to the removal of facilities containing asbestos from within two of the properties owned. The constructive obligation to carry out the reclamation and subsequent renovation of the aforementioned properties results from the Company's intention expressed on more than one occasion to the company's bargaining units.

The provision for decommissioning and restoration, equal to Euro 4,280 thousand, included the estimated costs for decommissioning, removal of installations and changes made, and the restoration of the premises operated by the Company under operating leases, which place an obligation on the lessee to restore the leased premises at the end of the lease term (i.e. when the premises are handed over absent any renewal of the lease).

The provision for costs of accrued commissions, equal to Euro 23,171 thousand, includes total costs estimated in relation to the employment relationships in place.

The provision for litigation with social security institutions, equal to Euro 3,000 thousand, included the estimated costs resulting from jurisdictional proceedings pending with social security institutions.

The provision for risks of recourse for losses on receivables of concessionaires Rai Pubblicità and Rai Com, equal to Euro 7,926 thousand, included the costs arising from the risks of retrocession of shares of income, which had already been paid to the Company in financial terms, following the failure to collect receivables on the part of the same.

The provision for agent's supplementary clientele indemnity (*Indennità suppletiva di clientela* or ISC) and the provision for agent's merit clientele indemnity (*Indennità di clientela meritocratica* or ICM), equal to Euro 686 thousand, included the amounts to be paid to the agents upon termination of their agency con-

tracts due to a cause not ascribable to the agent, determined also based on estimates that take account of the Company's historical data, and with reference to the growth of the customer portfolio or the increase in business volumes with the customers already included in such portfolio.

9.4 Deferred tax liabilities

Deferred tax liabilities, equal to Euro 66,696 thousand, are stated net of deferred tax assets that can be offset, equal to Euro 98,159 thousand. The net balance as at 31 December 2016 showed deferred tax liabilities of Euro 35,816 thousand.

The nature of the temporary differences that determined deferred tax liabilities and offset deferred tax assets is as follows:

(in thousands of Euros)	Balances as at 31 December 2016	Changes			Balances as at 30 June 2017
		Income Statement	Other Comprehensive Income (expense)	Balance Sheet	
Statutory-tax differences on property, plant and equipment	(158,437)	929	-	-	(157,508)
Exchange rate derivatives	(165)	-	165	-	-
Interest rate derivatives	-	-	(632)	-	(632)
Statutory-tax differences on equity investments	(6,727)	20	-	-	(6,707)
Neutralisation of exchange rate valuation	-	(8)	-	-	(8)
Deferred tax liabilities that can be offset	(165,329)	941	(467)	-	(164,855)
Negative taxable income	129,513	10,925	-	(42,279)	98,159
Deferred tax assets that can be offset	129,513	10,925	-	(42,279)	98,159
Deferred tax liabilities	(35,816)	11,866	(467)	(42,279)	(66,696)

The calculation of deferred tax assets took account of the reasonable certainty of their future recovery.

The changes related to other comprehensive income (expense) essentially concerned deferred tax liabilities recognised in equity and related to the tax effect of the cash flow hedge instruments recognised based on hedge accounting.

Deferred tax assets on tax losses carried forward amounted to Euro 98,159 thousand and are likely to be used with reference to the possibility of them being offset with the taxable income contributed by the Group companies that participate in the Tax Consolidation and with the reversal of deferred tax liabilities to profit or loss.

9.5 Other non-current payables and liabilities

Other non-current payables and liabilities, which entirely reflect items expressed in Euros, were equal to Euro 2,794 thousand (Euro 3,625 thousand as at 31 December 2016) and related to deferred income for the non-current portion of the grants disbursed by the then Ministry for Communications in support of the initiatives for the switchover to Digital Terrestrial broadcasting, for Euro 2,791 thousand (Euro 3,613 thousand as at 31 December 2016). For additional information on such grants, reference should be made to note 10.1 "Trade payables and other current payables and liabilities".

Payables to related parties are described in note 12.4 "Related Parties".

10) Current liabilities

10.1 Trade payables and other current payables and liabilities

Trade payables and other current payables and liabilities, equal to Euro 1,215,508 thousand (Euro 853,702 thousand as at 31 December 2016), are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Payables to suppliers	467,214	464,716
Trade payables to subsidiaries	111,076	91,971
Trade payables to associates	416	3,737
Total trade payables	578,706	560,424
Payables to personnel	185,130	189,190
Payables to social security institutions	56,635	73,043
Payables to subsidiaries	17,522	11,250
Payables to the Government for contribution for the usage of frequencies	5,615	-
Sundry payables due to tax assessments for the period	4,877	7,000
Other payables	7,634	4,942
Advances	1,541	1,391
Accrued commissions and interest expense	646	3,141
Deferred income:		
- licence fees	354,964	590
- grant for switch over to Digital Terrestrial broadcasting	2,127	2,610
- Other deferrals	111	121
Total other current payables and liabilities	636,802	293,278
Total trade payables and other current payables and liabilities	1,215,508	853,702

The table below reports trade payables and other payables to subsidiaries and associates:

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Subsidiaries:		
Rai Cinema SpA	35,359	20,935
Rai Com SpA	10,120	8,855
Rai Pubblicità SpA	61	391
Rai Way SpA	65,536	61,790
Trade payables to subsidiaries	111,076	91,971

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Associates:		
Auditel Srl	-	2,711
Tivù Srl	416	1,026
Trade payables to associates	416	3,737

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Subsidiaries:		
Rai Cinema SpA	6,058	3,056
Rai Com SpA	3,363	2,970
Rai Pubblicità SpA	5,645	2,768
Rai Way SpA	2,456	2,456
Other payables to subsidiaries	17,522	11,250

Trade payables, equal to Euro 578,706 thousand, showed an increase of Euro 18,282 thousand compared to 31 December 2016.

Other current payables and liabilities, equal to Euro 636,802 thousand, showed an increase of Euro 343,524 thousand, which was due to the recognition of deferred income on licence fees, arising from the difference between the amounts paid by the Ministry of Economy and Finance during the half-year compared to the accrued economic value, the repayment of which is largely expected to be made during the second half of the year.

The item of "Deferred income – grant for switch over to Digital Terrestrial broadcasting" includes the current portion of grants disbursed by the then Ministry for Communications from 2007 to 2011 in support of the initiatives to speed up the transition to Digital Terrestrial, equal to Euro 2,127 thousand.

Payables to personnel amounted to Euro 185,130 thousand (Euro 189,190 thousand as at 31 December 2016), and are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Untaken holidays	89,230	72,224
Untaken days off	50,796	50,567
Assessed remuneration	40,507	46,258
Early retirement incentives	2,514	17,855
Others	2,083	2,286
Payables to personnel	185,130	189,190

Payables to social security institutions, equal to Euro 56,635 thousand (Euro 73,043 thousand as at 31 December 2016), are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Payables to Supplementary personnel Pension Funds	10,549	22,960
Payables to INPS (formerly ENPALS)	17,557	18,591
Payables to INPGI	11,096	14,672
Payables to INPS	6,462	6,633
Payables to INAIL	-	20
Payables to CASAGIT	1,067	1,454
Contributions on assessed remuneration	9,543	8,360
Other payables	361	353
Payables to social security institutions	56,635	73,043

Payables to related parties are described in note 12.4 "Related Parties".

10.2 Current financial liabilities

Current financial liabilities, equal to Euro 121,750 thousand (Euro 300,427 thousand as at 31 December 2016) are stated in the table below:

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Payables to subsidiaries – current accounts	111,023	129,475
Medium/long-term payables to banks (current portion)	10,000	10,000
Short term payables to banks	90	160,143
Hedging derivative liabilities – exchange rates	84	-
Liabilities for derivatives activated on behalf of Rai Cinema	548	26
Payables to Subsidiary Rai Cinema for derivatives	-	697
Payables to associates – current account - San Marino RTV	-	73
Payables to associates – amounts to be paid on capital increase	-	13
Other payables	5	-
Total current financial liabilities	121,750	300,427

The table below reports the breakdown of payables to subsidiaries by company:

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Rai Cinema SpA	49	223
Rai Com SpA	107,232	102,623
Rai Corporation in liquidation	3,483	3,865
Rai Pubblicità SpA	-	22,647
Rai Way SpA	259	117
Payables to subsidiaries – current accounts	111,023	129,475

Current portions of non-current financial liabilities are already reported and commented in note 9.1 “Non-current financial liabilities”.

Short-term payables to banks, equal to Euro 90 thousand (Euro 160,143 thousand as at 31 December 2016), were due to the negative balance of current accounts held with some banks.

Derivative transactions concern the hedging of exchange risks on contracts for the acquisition of rights to sports events and denominated in USD. Furthermore, exchange risk hedging instruments are in place on behalf of subsidiary Rai Cinema in relation to the acquisition of TV rights relating to serial and movie products denominated in USD, as described in note 12.4 “Related Parties”.

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Hedging derivative liabilities – exchange rates	84	-
Liabilities for derivatives activated on behalf of Rai Cinema	548	26
Payables to subsidiary Rai Cinema for derivatives	-	697
Total derivative financial instruments – Current portion	632	723
Total derivative financial instruments – Non-current portion	-	-
Total derivative financial instruments	632	723

The fair value of derivative liabilities was equal to Euro 632 thousand as at 30 June 2017 (Euro 723 thousand as at 31 December 2016). Specifically:

- the current portion of exchange rate hedging derivatives activated for Rai commitments, equal to Euro 84 thousand (nil as at 31 December 2016) was attributed to advances for sports events for Euro 63 thousand and as an increase in financial costs for Euro 21 thousand. Non-current portions were not recorded;
- the current portion of derivatives activated by virtue of the mandate granted by Rai Cinema, equal to Euro 548 thousand (Euro 26 thousand as at 31 December 2016), reflects in intercompany accounts under the financial receivable from the subsidiary itself, as described in note 7.3 "Current financial assets". Non-current portions were not recorded;
- no current portions were recorded for payables to subsidiary Rai Cinema for hedging derivatives activated by virtue of the mandate granted by Rai Cinema (Euro 697 thousand as at 31 December 2016). Non-current portions were not recorded.

The information related to hedged risks and hedging policies is reported in note 3.1 "Market risk".

10.3 Tax payables

Tax payables, equal to Euro 37,211 thousand (Euro 81,258 thousand as at 31 December 2016), are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
IRES tax payables from national tax consolidation	11,422	46,628
Total payables for direct taxes	11,422	46,628
Deferred VAT debt	1,381	1,503
Total deferred VAT debt	1,381	1,503
Withholding taxes on income from subordinate and self-employment	23,831	32,924
Other withholdings and substitute taxes	577	203
Total payables for withholdings applied as withholding agent	24,408	33,127
Total tax payables	37,211	81,258

As regards IRES tax payables to the Tax Office, equal to Euro 11,422 thousand (Euro 46,628 thousand as at 31 December 2016), it should be noted that the Company opted for Group taxation, as the consolidating entity, to fulfil any formalities related to the settlement and payment of IRES tax for the companies included in the Tax Consolidation. The procedure for consolidating the Group's taxable income is regulated by a specific agreement between the Parent Company and its subsidiaries.

Income taxes are analysed in note 11.9 "Income Taxes".

11) Income statement

11.1 Revenues from sales and services

The main items that make up the "Revenues from sales and services" are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
Licence fees	895,332	930,700
Advertising	303,126	331,524
Other revenues	33,983	34,377
Total revenues from sales and services	1,232,441	1,296,601

The breakdown of revenues by geographical area shows the predominance of the domestic market.

Licence fees

License fees revenues, equal to Euro 895,332 thousand in the first half of 2017 (Euro 930,700 thousand in the first half of 2016), are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
Fees for the period – ordinary subscribers	819,324	883,000
Fees for the period – special subscribers	42,000	40,000
Fees for previous years	34,008	8,000
Reimbursement of fees	-	(300)
Total licence fees	895,332	930,700

In calculating the amount of licence fees for private subscriptions, the information and data were used, which had been made available with reference to the collection methods introduced by Law 208 of 28 December 2015 (2016 Stability Law), which, under Article 1, paragraphs 152 and ff., provides, as from 1 January 2016, for the collection of TV license fees for private use through a charge - under a separate item - on the electricity bills. This rule provides, for the years from 2016 to 2018, that any higher receipts compared to the amounts reported in the Government's forecast-type 2016 budget must be paid to Rai in a percentage of 67% for 2016 and 50% for each of the years 2017 and 2018. Account must also be taken of the provisions under Law 190 of 23 December 2014 (Article 1, paragraph 293), providing for a 5% reduction, as from the year 2015, in the amounts to be paid to Rai to cover for the cost of supplying the Public Service.

Licence fees for previous years include fees which the electricity companies passed on to the Government in 2017 and which have come to our knowledge recently, relating to the 2016 financial year for an amount equal to Euro 20,927 thousand; the remaining amount of this item is made up of fees relating to the 2015 and previous financial years collected from users that are not up-to-date with their payments through standard enforcement procedures.

The "separate accounting" mechanism, which is used, as required by the consolidated broadcasting law, to determine the annual per-unit licence fee and thereby ensure alignment between licence fee revenues and the independently audited costs sustained by Rai in carrying out its Public Service remit, has shown an under provision of licence fee revenues amounting to over Euro 2.6 billion for the period from 2005 to 2015. Separate annual accounts relating to 2016 are in the process of being prepared.

Advertising revenues

Advertising revenues, which are usually more significant during the first half-year, amount to Euro 303,126 thousand (Euro 331,524 thousand in the first half of 2016), are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
TV advertising on general interest channels:		
- commercials	195,435	222,078
- promotions, sponsorships and special events	59,290	60,741
- product placement	2,553	2,514
	257,278	285,333
TV advertising on specialist channels	28,846	29,856
Radio advertising	14,492	13,829
Web advertising	3,230	3,300
Other advertising	197	228
Non-controlling interests	(888)	(984)
Contingent assets	(29)	(38)
Total revenues from advertising	303,126	331,524

Advertising revenues showed a decrease of Euro 28,398 thousand compared to the value posted in the first half of 2016, which benefitted from revenues relating to the European Football Championship.

Other revenues

Other revenues from sales and services, equal to Euro 33,983 thousand in the first half of 2017 (Euro 34,377 thousand in the first half of 2016), are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
Special services under agreement	18,938	19,204
Revenues from distribution and sale of channels	5,726	5,424
Sale of rights and musical publications	3,301	3,434
Sundry services, mainly for public entities	2,493	2,375
Digital terrestrial signal broadcasting services	1,450	1,463
Production services and facilities	291	184
Agreements with telephone companies	160	312
Revenues from home video distribution	99	101
Other	1,026	968
Non-controlling interests	(267)	(303)
Contingent assets	766	1,215
Total revenues from sales and services – other revenues	33,983	34,377

11.2 Other earnings and proceeds

Other earnings and proceeds, equal to Euro 14,092 thousand in the first half of 2017 (Euro 17,165 thousand in the first half of 2016), are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
Recoveries and reimbursements of expenses	242	464
Operating grants	1,509	2,911
Income from investment property	114	114
Compensation for damage	743	198
Other income from subsidiaries	10,329	11,595
Contingent assets	(74)	690
Other	1,229	1,193
Total other earnings and proceeds	14,092	17,165

"Other income from subsidiaries", as specified in note 12.4 "Related Parties", related to agreements for provision of services on the part of Rai.

11.3 Costs for purchases of consumables, for services and other costs

Costs for purchases of consumables, for services and other costs, equal to Euro 696,785 thousand during the first half of 2017 (Euro 746,410 thousand in the first half of 2016), are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
Purchases of consumables	6,325	6,937
Costs for services	666,604	713,710
Other costs	23,856	25,763
Total costs for purchases of consumables, for services and other costs	696,785	746,410

Costs for services, the breakdown of which is stated in the table below, totalled Euro 666,604 thousand (Euro 713,710 thousand in the first half of 2016), net of discounts and allowances obtained. They also included fees, position allowances and reimbursements of expenses paid to the Directors for Euro 240 thousand and to the Statutory Auditors for Euro 79 thousand.

(in thousands of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
Freelance services	65,217	70,432
Services for production of programmes	98,145	87,935
Daily allowances, travel expenses and additional personnel costs	20,159	22,430
Signal broadcasting and transport – Rai Way	102,023	100,858
Maintenance, repairs, transport and similar costs	18,282	18,995
Documentation and assistance for IT systems services	23,953	21,862
Other external services	38,936	37,783
Acquisition of viewing rights	126,908	150,133
Leases and rentals	27,615	26,129
Filming rights	91,157	121,789
Rights of use	54,167	55,767
Other	-	(452)
Recoveries of expenses	(1,225)	(1,638)
Contingent liabilities	1,267	1,687
Costs for services	666,604	713,710

Pursuant to Article 2427, no. 16-bis, of the Italian Civil Code, the fees accrued in the first half of 2017 for the services rendered by the independent auditors for the statutory audit of annual accounts, the audit of half-year reports and non-auditing services amounted to Euro 77 thousand, Euro 24 thousand and Euro 24 thousand, respectively.

11.4 Personnel costs

Personnel costs, equal to Euro 466,032 thousand (Euro 475,938 thousand in the first half of 2016), are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
Wages and salaries	349,401	350,860
Social security contributions	95,870	95,889
Provision for Staff Severance Pay	19,664	19,880
Pension and similar costs	6,874	6,812
Other	5,416	6,948
Personnel costs	477,225	480,389
Costs of early retirement incentives	1,067	3,171
Recovery of expenses	(2,762)	(2,937)
Capitalised personnel costs	(9,465)	(5,147)
Other personnel costs	(11,160)	(4,913)
Contingent liabilities and releases of provisions	(33)	462
Total personnel costs	466,032	475,938

Costs for employee benefits includes charges for defined-contribution plans for Euro 20,193 thousand and charges for defined-benefits plans for Euro 2,743 thousand, net of past service, as analysed in note 9.2 "Employee benefits".

The Group applies five Collective Labour Agreements, i.e. the Collective Labour Agreement for middle managers, office and manual workers of Rai, Rai Way, Rai Cinema and Rai Com, the Collective Labour Agreement for Orchestra Members of Rai, the National Labour Agreement for Journalists, as applied by Rai according to the procedures set out in a "Agreement for the extension of CNLG (National Labour Agreement for Journalists) to Rai" and the related Supplementary Agreement between Rai and Usigrai for journalists, the National Collective Labour Agreement for Executives of Companies that produce goods and services and the related Supplementary Agreement between Rai and ADRAI (Association of Rai Executives) and the National Collective Labour Agreement for employees of Rai Pubblicità.

The Company agreements for middle managers, office and manual workers and Orchestra Members, respectively, expired on 31 December 2013.

At present the National Labour Agreement in force for journalists (1/4/2013 – 31/3/2016, firstly extended for 6 additional months until 30/9/2016 and then extended for the duration of contract negotiations) is not applied by the Company as it has not been possible to reach an understanding with Usigrai on the extension Agreement; the Supplementary Agreement expired on 31 December 2013.

The National Labour Agreement for executives is in force for the period from 1/1/2015 to 31/12/2018, while the supplementary Rai-ADRAI agreement for the period from 2014 to 2016, which was renewed on 23 December 2015, expired on 31 December 2016.

Below is the breakdown by category of the average number of the employees working for the Company:

	Half-year ended 30 June 2017			Half-year ended 30 June 2016		
	Personnel under permanent contracts (average number of units) ⁽¹⁾	Personnel under fixed-term contracts (average number of units)	Total	Personnel under permanent contracts (average number of units) ⁽¹⁾	Personnel under fixed-term contracts (average number of units)	Total
- Executives	277	-	277	265	-	265
- Officers and middle managers	1,159	-	1,159	1,127	1	1,128
- Journalists	1,623	183	1,806	1,709	96	1,805
- Office workers, production employees, camera staff film director's staff, technicians	6,969	446	7,415	6,846	529	7,375
- Manual workers	903	78	981	899	97	996
- Orchestra members and other staff	124	3	127	118	4	122
- Medical staff	7	-	7	8	-	8
Total	11,062	710	11,772	10,972	727	11,699

(1) of which apprenticeship contracts

159

180

The average number of employees is calculated as the arithmetic mean of the daily number of employees in the period under consideration, as weighted in relation to part-time work of employees.

11.5 Amortisation, depreciation and write-downs

Amortisation, depreciation and write-downs, equal to Euro 121,772 thousand (Euro 118,309 thousand in the first half of 2016), are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
Property, plant and equipment:		
Buildings	5,826	5,795
Plant and machinery	23,990	23,636
Industrial and commercial equipment	663	607
Other assets	2,627	2,654
Total depreciation of property, plant and equipment	33,106	32,692
Intangible assets:		
Programmes	75,974	66,529
Software	1,829	1,785
Digital Terrestrial frequencies	-	561
Trademarks	3	3
Other rights	83	86
Total amortisation of intangible assets	77,889	68,964
Total amortisation and depreciation	110,995	101,656
Programmes under amortisation	8,021	10,600
Programmes under development	1,002	1,294
Other intangible assets	950	-
Cost-accounted investments	48	2,794
Other non-current receivables and assets	945	438
Receivables from customers	60	1,608
Receivables from subsidiaries	(202)	(8)
Other current receivables and assets	(47)	(73)
Total write-downs (write-backs)	10,777	16,653
Total amortisation, depreciation and write-downs	121,772	118,309

11.6 Provisions

Net provisions, equal to Euro 2,617 thousand (net reversals of Euro 6,369 thousand in the first half of 2016) reflected accruals of Euro 2,686 thousand, which were offset by reversals of Euro 69 thousand, and mostly related to provisions for risks and charges for disputes of different kinds.

11.7 Financial income and expenses

Net financial income, equal to Euro 75,655 thousand (Euro 76,725 thousand in the first half of 2016), are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
Financial income:		
Dividends	81,293	83,706
Interest income from subsidiaries	1,013	979
Interest income from associates	4	2
Income from derivatives – exchange rates	6	193
Interest receivable from banks	11	5
Foreign exchange gains realised	282	168
Estimated foreign exchange gains	43	87
Other	48	620
Total financial income	82,700	85,760
Financial expenses:		
Interest on obligations for employee benefits	(2,159)	(3,629)
Interest payable on bond issues	(3,038)	(3,040)
Interest payable to banks	(964)	(801)
Expenses from derivatives – exchange rates	(106)	(116)
Estimated foreign exchange losses	(12)	(112)
Foreign exchange losses realised	71	(32)
Interest payable to subsidiaries	(25)	(26)
Other	(812)	(1,279)
Total financial expenses	(7,045)	(9,035)
Net financial income (expenses)	75,655	76,725

Breakdown of dividends:

(in thousands of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
Rai Cinema SpA	47,558	43,700
Rai Com SpA	6,573	6,700
Rai Pubblicità SpA	-	8,000
Rai Way SpA	27,162	25,306
Total dividends	81,293	83,706

11.8 Share of profits (losses) of equity-accounted investments

The share of profits (losses) of equity-accounted investments, which was positive for Euro 291 thousand (Euro 100 thousand in the first half of 2016), is broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
Share of profit (losses) of equity investments		
- Audiradio Srl in liquidation	-	44
- Auditel	28	-
- Euronews SA	-	(740)
- San Marino RTV	(91)	(201)
- Tavolo Editori Radio Srl	8	-
- Tivù Srl	346	997
Total effect from equity-accounted investments	291	100

The breakdown of changes in equity-accounted investments is stated in note 6.3 "Equity investments".

11.9 Income taxes

Income taxes, which were positive for Euro 11,866 thousand (Euro 9,935 thousand in the first half of 2016) as a result of deferred tax liabilities, are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
IRAP tax	-	(400)
Total current taxes	-	(400)
Deferred tax liabilities	941	1,269
Deferred tax assets	10,925	9,066
Total deferred tax assets/liabilities	11,866	10,335
Direct taxes from previous years	-	-
Total income taxes	11,866	9,935

For IRES tax purposes, in the first half of 2017, as well as in the first half of 2016, additional tax losses were calculated for which deferred tax assets were allocated, with a positive effect through profit or loss.

12) Other information

12.1 Guarantees

Guarantees given, equal to Euro 66,082 thousand (Euro 38,353 thousand as at 31 December 2016), are broken down as follows:

(in thousands of Euros)	Half-year ended 30 June 2017		
	Unsecured guarantees Sureties	Collaterals	Total
Subsidiaries	63,500	-	63,500
Joint ventures and associates	2,582	-	2,582
Total	66,082	-	66,082

(in thousands of Euros)	Financial year ended 31 December 2016		
	Unsecured guarantees Sureties	Collaterals	Total
Subsidiaries	35,771	-	35,771
Joint ventures and associates	2,582	-	2,582
Total	38,353	-	38,353

Guarantees given included the assumption of a payment obligations in favour of Tax Authorities, as security for the early repayment of VAT surplus of Euro 61,822 thousand as at 30 June 2017 (Euro 34,015 thousand as at 31 December 2016) in favour of subsidiaries.

The Company also reported guarantees provided by Third parties against obligations in financial and commercial terms, equal to Euro 340,137 thousand (Euro 319,269 thousand as at 31 December 2016), which mainly related to:

- (i) guarantees received from banks and other insurance entities for:
 - the acquisition of goods and services;
 - proper performance of agreements for the realisation of radio and television productions;
- (ii) Third-party guarantees provided for the Company's obligations:
 - against payables for surety as security for the medium/long-term EIB loan;
 - against other obligations – mainly for sureties released to the Tax Authorities as security for the prize contests and for the VAT credit being refunded, for a surety released to UEFA for qualifications for the 2018 World Football Cup.

12.2 Commitments

The main commitments, including multi-year commitments, linked to the product or to initiatives for technological upgrading and development, which had already been subscribed as at the reporting date, are listed below:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Future commitments for:		
Sports rights	112.1	159.8
Investments in drama and comedy and cartoons	111.0	93.0
Rights and services for the realisation of one-time use programmes	13.0	39.8
Technical investments	26.7	23.0
Total commitments	262.8	315.6

12.3 Potential liabilities

The Company is involved in civil, administrative, labour-related and social security proceedings connected to the ordinary course of their businesses.

The disputes concerning civil law and administrative issues in which the Company is involved mainly relate to activities for the production and broadcasting of radio and television programmes. Almost all of the civil disputes concern claims for damages, mostly connected to defamation and infringement of personality rights, whereas within the context of the administrative proceedings claims for compensation are usually submitted in disputes concerning public contracts, in which, however, the claim for compensation by way of equivalent measures is considered as an alternative only, given that the main claim regards the cancellation of the tender documents and, in some cases, the taking over of the contract.

Upon occurrence, based on the analyses conducted on these types of disputes, of the following conditions:

- the availability, at the moment of the preparation of the consolidated financial statements, of information that would indicate that a liability is likely to be incurred;
- the possibility of reasonably estimating the amount of the charge, taking account of the requests submitted by the plaintiffs, the related charge is allocated through accruals to the Provisions for legal disputes.

As regards labour-related and social security issues, the Company is involved in a considerable number of disputes mainly concerning requests for reinstatement, demands for establishing a fictitious interposition of third-party labour (*interposizione fittizia di manodopera*), demands for higher positions or levels, claims for damages due to asserted downgrading and the inferred non-compliance with social security requirements laid down in collective contracts or agreements. In order to determine the amount, if any, to be allocated to provisions, considering the number of pending disputes and the subsequent difficulty in carrying out a correct assessment for each one of them, three sub-categories have been identified with reference to the status of the proceedings and the possible interim outcome of the dispute (lawsuits not yet settled in first instance, adverse and positive outcome in the appeal), for each one of which the percentage of risk is estimated by identifying an average value expressed in percentage terms, in order to quantify the accrual to the provision for legal disputes.

Note 9.3 "Non-current provisions for risks and charges" provides details of the provisions set aside against these cases.

Based on the information currently available, and taking account of the existing provisions for risks, the Company believes that the amounts allocated to the existing provisions for risks are fair.

12.4 Related Parties

The details of the relations maintained by the Company with related parties, identified based on the criteria set out under IAS 24 "Related Party Disclosures".

The Company mainly maintains relations of a commercial and financial nature with the following related parties:

- Rai Cinema;
- Rai Com;
- Rai Corporation in liquidation;
- Rai Pubblicità;
- Rai Way;
- Key management personnel ("Top Management");
- other associates and joint ventures in which the Company holds an interest as specified in note 6.3 "Equity investments"; companies under the control or joint control of the Top Management and entities that manage post-employment benefit plans, reserved for the employees of the Rai Group ("Other related parties").

Although the transactions with related parties are carried out at arm's length, there is no guarantee that, had they been concluded between or with third parties, the latter would have negotiated and entered into the relevant agreements or carried out such transactions, at the same conditions and with the same procedures.

“Top Management” means the key management personnel who have authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, and the term also includes the members of the Board of Directors of the Company. As regards the fees due to the Statutory Auditors, reference should be made to the provisions of note 11.3 “Costs for purchases of consumables, for services and other costs”.

The table below reports the breakdown of the balance sheet balances as at 30 June 2017 and 31 December 2016 and the economic effects of the transactions concluded between the Company and the related parties during the first half of 2017 and the first half of 2016:

(in thousands of Euros)	Subsidiaries	Top Management	Other related parties	Total
Current financial assets				
As at 30 June 2017	258,790	-	2,319	261,109
As at 31 December 2016	107,033	-	-	107,033
Current trade receivables				
As at 30 June 2017	281,144	-	328	281,472
As at 31 December 2016	308,448	-	343	308,791
Other current receivables and assets				
As at 30 June 2017	13,022	-	-	13,022
As at 31 December 2016	47,021	90	-	47,111
Employee benefits				
As at 30 June 2017	-	(5,505)	(14,857)	(20,362)
As at 31 December 2016	-	(5,204)	(14,857)	(20,061)
Current financial liabilities				
As at 30 June 2017	(111,023)	-	-	(111,023)
As at 31 December 2016	(130,172)	-	(86)	(130,258)
Trade payables				
As at 30 June 2017	(111,076)	-	(416)	(111,492)
As at 31 December 2016	(91,971)	-	(3,737)	(95,708)
Other current payables and liabilities				
As at 30 June 2017	(17,572)	(6,768)	(6,369)	(30,709)
As at 31 December 2016	(11,328)	(5,709)	(14,042)	(31,079)

(in thousands of Euros)	Subsidiaries	Top Management	Other related parties	Total
Revenues from sales and services				
As at 30 June 2017	334,339	-	263	334,602
As at 30 June 2016	363,205	-	-	363,205
Other earnings and proceeds				
As at 30 June 2017	10,936	-	35	10,971
As at 30 June 2016	12,307	-	305	12,612
Costs for purchases of consumables				
As at 30 June 2017	(2)	-	-	(2)
As at 30 June 2016	(2)	-	-	(2)
Costs for services				
As at 30 June 2017	(231,586)	(310)	(4,895)	(236,791)
As at 30 June 2016	(254,118)	(281)	(4,322)	(258,721)
Other costs				
As at 30 June 2017	(210)	-	-	(210)
As at 30 June 2016	(249)	-	-	(249)
Personnel costs				
As at 30 June 2017	1,976	(8,419)	(6,660)	(13,103)
As at 30 June 2016	2,148	(9,279)	(6,407)	(13,538)
Amortisation, depreciation and write-downs				
As at 30 June 2017	202	-	-	202
As at 30 June 2016	8	-	-	8
Financial income				
As at 30 June 2017	82,306	-	4	82,310
As at 30 June 2016	84,685	-	2	84,687
Financial expenses				
As at 30 June 2017	(25)	-	-	(25)
As at 30 June 2016	(79)	-	-	(79)

As to the description of the main agreements in place between Rai and subsidiaries, associates and joint ventures as identified above, reference should be made to the specific paragraph in the Notes to the Rai Financial Statements in Rai SpA's Reports and Financial Statements as at 31 December 2016, except for the paragraphs below.

Tax Consolidation

The Rai Group applies the group taxation regime for IRES tax purposes, which is defined as "National tax consolidation", as required by Articles 117 and ff. of the TUIR (Consolidation Act on Income Taxes) and is also regulated by Ministerial Decree of 9 June 2004.

The 3-year option for the National tax consolidation has been renewed by the Parent Company Rai for Rai VWay, Rai Cinema and Rai Com; as regards Rai Pubblicità, the option has been renewed in Rai's tax return for the 2016 tax period. The option for tax consolidation from the 2017 tax period will be regarded as automatically renewed without need for any notice.

The statutory and financial relationships between the participating companies are regulated by a specific agreement executed between the parties, updated with reference to the regulatory changes that might occur during the period when such agreement remains in force.

As a result of the National Tax Consolidation, Rai recognised a receivable from the participating companies, which amounted to Euro 19,523 thousand as at 30 June 2017.

Group VAT Regime

The Company avails itself of the Group VAT netting procedure provided for in Ministerial Decree dated 13 December 1979, which contains the regulations implementing the provisions laid down in Article 73, last paragraph, of Presidential Decree 633 of 26 October 1972.

The option for carrying out the Group VAT procedure on an annual basis was exercised as regards Rai and all other national subsidiaries until 31 December 2017. The statutory and financial relationships are regulated by a specific agreement signed between the parties.

13) Significant events after the reporting date

There is no significant event to be reported.

14) Appendix 14.1 Rai's equity investments in subsidiaries and associates

The table below reports the details of the equity investments held by Rai in joint-stock companies, including foreign companies.

Values as at 30 June 2017	Registered Office	Number of Shares/Quotas owned	Par Value (in Euros)	Share Capital (thousands of Euros)	Equity (thousands of Euros)	Profit (loss) (thousands of Euros)	Ownership %	Book value (thousands of Euros)
Subsidiaries								
Rai Cinema SpA	Rome	38,759,690	5.16	200,000	270,514	31,162	100.00%	267,848
Rai Com SpA	Rome	2,000,000	5.16	10,320	110,662	4,117	100.00%	107,156
Rai Corporation in liquidation	New York (USA)	50,000	10.00 (1)	500 (2)	21 (3)	(43) (4)	100.00%	21
Rai Pubblicità SpA	Turin	100,000	100.00	10,000	34,910	5,562	100.00%	31,082
Rai Way SpA	Rome	176,721,110	- (5)	70,176	147,336	27,360	64.971%	506,260
								912,367
Associates								
Audiradio Srl in liquidation	Milan	69,660	1.00	258	(34) (6)	- (6)	27.00%	- (7)
Auditel Srl	Milan	99,000	1.00	300	2,114 (6)	86 (6)	33.00%	698
Euronews SA	Lyon (F)	55,271	15.00	8,581 (8)	23,543 (8)	(16,124) (8)	3.08% (8)	2,274 (8)
San Marino RTV SpA	S. Marino (RSM)	500	516.46	516	3,927	(182)	50.00%	1,963
Tavolo Editori Radio Srl	Milan	1	17,380.00	110	158	81	15.80%	25
Tivù Srl	Rome	1	482,500.00	1,002	3,716	718	48.16%	1,790
								6,750

(1) Values in USD.

(2) Values in USD/th.

(3) USD 23,859 at the 30.06.2017 exchange rate of Euro/USD 1.1412.

(4) USD -48,526 at the 30.06.2017 exchange rate of Euro/USD 1.1412.

(5) Ordinary shares with no par value.

(6) As per the financial statements as at 31.12.2016.

(7) The financial deficit, equal to Euro 9 thousand, is covered by a provision for charges in the same amount.

(8) The equity values are those resulting from the financial statements as at 31 December 2016. It should be noted that, during the first half of 2017, the ownership percentage held by Rai reduced down to 3.08%, following a capital increase reserved for a new shareholder. At present the statement of financial position as at 30 June 2017 is not available.

14.2 Net financial position

The net financial position, determined in accordance with paragraph 127 of the recommendations reported in the document no. 319 prepared by ESMA (European Securities and Markets Authority) in 2013, which implement Regulation (EC) no. 809/2004, is as follows:

(in thousands of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
A. Cash	306	329
B. Other cash and cash equivalents	358,250	4,234
C. Securities held for trading	-	-
D. Liquidity (A+B+C)	358,556	4,563
E. Current financial receivables	270,465	114,294
F. Current bank debt	(90)	(160,143)
G. Current portion of non-current debt	(10,000)	(10,000)
H. Other current financial debt	(111,660)	(130,283)
I. Current financial debt (F+G+H)	(121,750)	(300,426)
J. Current net financial position (I+E+D)	507,271	(181,569)
K. Non-current bank debt	(30,000)	(35,000)
L. Bonds issued	(347,381)	(346,946)
M. Other non-current financial debt	-	-
N. Non-current financial debt (K+L+M)	(377,381)	(381,946)
O. Net financial position (J+N)	129,890	(563,515)

Statement pursuant to art. 154-bis of Legislative Decree 58/98

The undersigned Mario Orfeo as General Manager and Massimo Cappelli as the Financial Reporting Officer for RAI Radiotelevisione italiana Spa, certify, in accordance with Article 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998:

- the appropriateness of the financial statements with regard to the nature of the business and
- the effective application

of administrative and accounting procedures in preparing the Separate Interim Financial Statements as at 30 June 2017 during the first half of 2017.

The administrative and accounting procedures and the well-established operating practices in place have supported, on the whole, the administrative and accounting system of internal control in an adequate manner so as to ensure the compliance with the objectives provided for by Law 262/05, also in consideration of the applicable regulatory framework.

It is also certified that:

- The Separate Interim Financial Statements as at 30 June 2017 of RAI Radiotelevisione italiana Spa:
 - a) were prepared in accordance with International Financial Reporting Standards endorsed by the European Union pursuant to EC Regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002;
 - b) correspond to the entries in the books and accounting records;
 - c) provide a true and fair view of the financial position, results of operations and cash flows of the issuer.
- The Report on Operations includes a reliable analysis of the performance and the operating result, as well as of the position of the issuer, together with a description of the main risks and uncertainties it is exposed to.

Rome, 26 October 2017

Mario Orfeo
General Manager

Massimo Cappelli
Financial Reporting Officer

Independent Auditors' Report



REVIEW REPORT ON SEPARATE INTERIM FINANCIAL STATEMENTS

To the Board of Directors of
RAI – Radiotelevisione italiana SpA

Foreword

We have reviewed the accompanying separate interim financial statements of Rai – Radiotelevisione italiana SpA as of 30 June 2017, comprising the statement of financial position, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and related notes. The directors of RAI – Radiotelevisione italiana SpA are responsible for the preparation of the separate interim financial statements that give a true and fair view in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these separate interim financial statements based on our review.

Scope of review

We conducted our work in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of the separate interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the separate interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements of RAI – Radiotelevisione italiana SpA as of

PricewaterhouseCoopers SpA

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30 June 2017, do not give a true and fair view of the financial position, the result of operations and cash flows of RAI – Radiotelevisione italiana SpA, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Rome, 10 November 2017

PricewaterhouseCoopers SpA

Signed by

Pier Luigi Vitelli
(Partner)

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

Consolidated Interim Financial Statements as at 30 June 2017

Board of Directors' Report on Operations

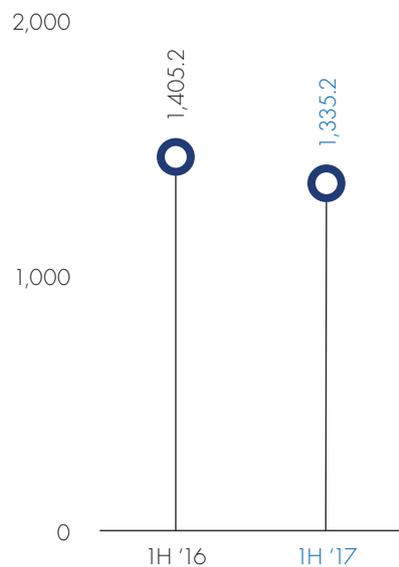
For any information regarding the activities carried out by the Rai Group, Human Resources, Research and Development, Significant events during and after the end of the period, and to the Outlook, reference should be made to the Board of Directors' Report on Operations accompanying the Rai Interim Financial Statements, which are presented together with these Consolidated Interim Financial Statements.

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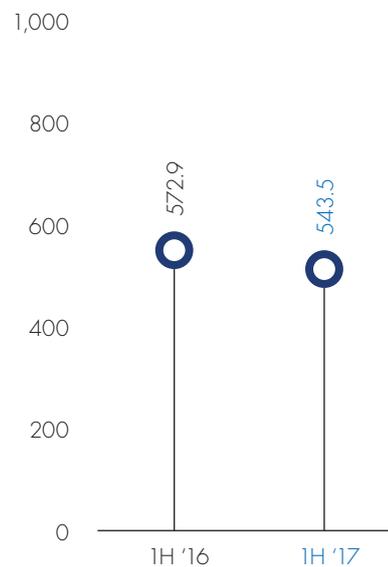
Highlights

(in millions of Euros)

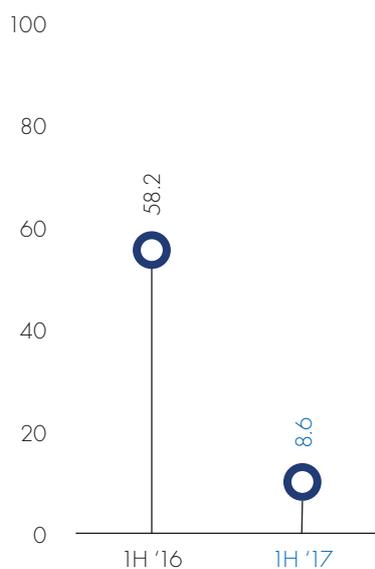
Revenues



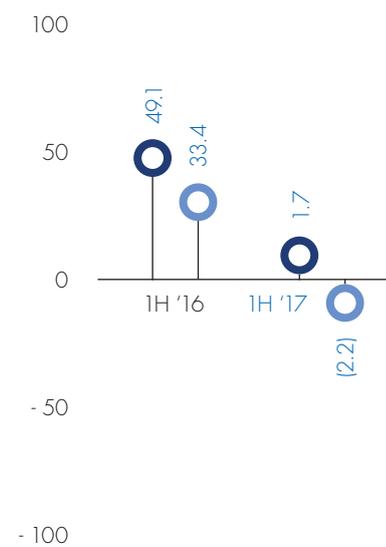
External costs



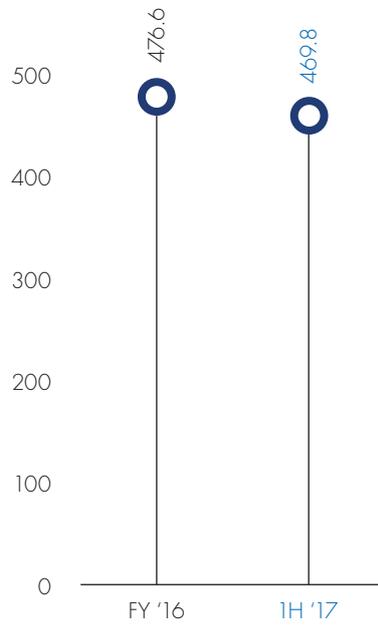
Operating result



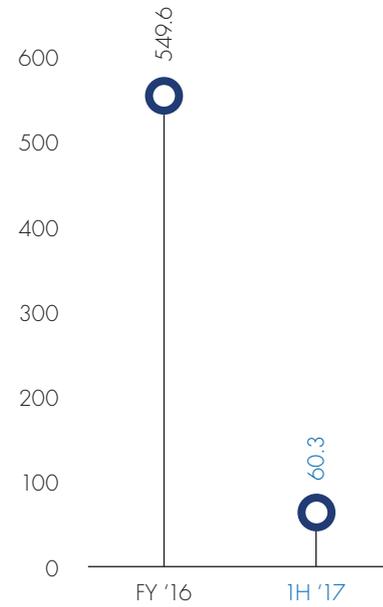
Result before tax Result for the period



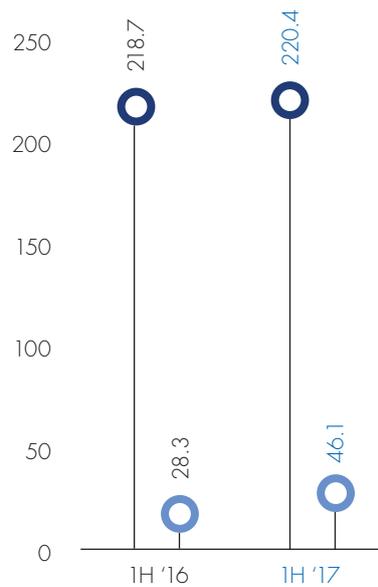
Equity



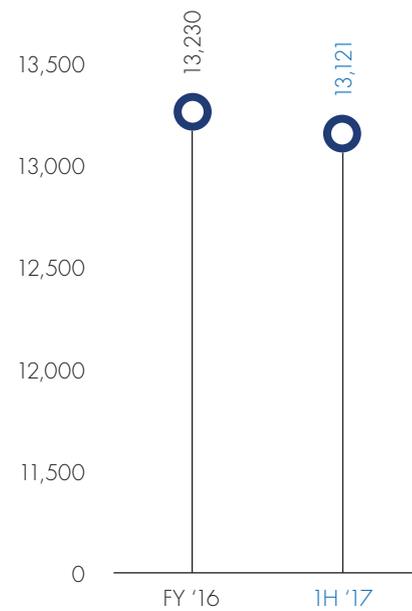
Net financial (debt) liquidity



Investments in programmes and others



Number of employees (units)



Rai Group / Reclassified financial statements

Reclassified financial statements

Consolidated Income Statement

(in millions of Euros)	June 2017	June 2016	Change
Revenues	1,335.2	1,405.2	(70.0)
External costs, net of Big sports events	(543.5)	(515.5)	(28.0)
Big sports events	0.0	(57.4)	57.4
External costs	(543.5)	(572.9)	29.4
Personnel costs	(515.2)	(531.1)	15.9
EBITDA	276.5	301.2	(24.7)
Amortisation, depreciation and write-downs	(254.8)	(249.8)	(5.0)
Provisions	(13.1)	6.8	(19.9)
Operating result	8.6	58.2	(49.6)
Net financial income (expenses)	(7.2)	(9.2)	2.0
Share of profits (losses) of equity-accounted investments	0.3	0.1	0.2
Result before tax	1.7	49.1	(47.4)
Income taxes	(3.9)	(15.7)	11.8
Result for the period	(2.2)	33.4	(35.6)
of which pertaining to Non-controlling interests	9.6	6.9	2.7
Other comprehensive income (expense)	10.0	(35.2)	45.2
Total comprehensive income (expense) for the period	7.8	(1.8)	9.6
of which pertaining to Non-controlling interests	9.6	6.5	3.1

Consolidated Balance Sheet

(in millions of Euros)	30.06.2017	31.12.2016	Change
Non-current assets	2,060.5	2,047.1	13.4
Current assets – net	(779.3)	(237.4)	(541.9)
Provisions for risks and charges	(213.4)	(228.5)	15.1
Employee benefits	(537.7)	(555.0)	17.3
Net invested capital	530.1	1,026.2	(496.1)
Equity	469.8	476.6	(6.8)
Net financial debt (liquidity)	60.3	549.6	(489.3)
	530.1	1,026.2	(496.1)

Review of results and financial position as at 30 June 2017

Rai Group's results

The Rai Group's Consolidated Financial Statements for the first half of 2017 showed a net loss of Euro 2.2 million compared to a final profit of Euro 33.4 million recorded in the same period of 2016, which was mainly attributable to a reduction in income from licence fees (-3.8%) and advertising (-8.2%).

The following section provides an overview of the main items in the Income Statement and the Balance Sheet, together with the reasons for the most significant changes compared to the values posted in the previous period.

Consolidated Income Statement

External revenues

These are made up of licence fees, as well as of advertising and other commercial revenues.

Total revenues amounted to Euro 1,335.2 million, showing a decrease of Euro 70.0 million (-5.0%), which is described below.

External revenues

(in millions of Euros)	June 2017	June 2016	Change
Licence fees	895.3	930.7	(35.4)
Advertising	344.1	374.7	(30.6)
Other revenues	95.8	99.8	(4.0)
Total	1,335.2	1,405.2	(70.0)

Licence fees

(in millions of Euros)	June 2017	June 2016	Change
Fees for the period – ordinary subscribers	819.3	883.0	(63.7)
Fees for the period – special subscribers	42.0	40.0	2.0
Fees for previous years	34.0	8.0	26.0
Reimbursement of fees	0.0	(0.3)	0.3
Total	895.3	930.7	(35.4)

Licence fees

The licence fees for the period, as well as fees for previous years, amounted to Euro 895.3 million, showing a reduction of Euro 35.4 million (-3.8%) compared to the first half of 2016, as shown in the table below.

The reduction in the item was attributable to licence fees for private subscriptions (ordinary subscriptions) as a result of a combined effect due to a reduction in the unit licence fee down to Euro 90 (Euro 100 in 2016), as well as to a reduction down to 50% (67% in 2016) in Rai's share of higher amounts arising from the procedure for collecting fees through a charge on the electricity bills (additional revenues).

This reduction was partially offset by fees for previous years, showing an increase of Euro 26.0 million due to 2016 licence fees for Euro 20.9 million, which have come to our knowledge recently and which the electricity companies passed on to the Government in 2017; the remaining amount of this item is made up of income from collecting fees for previous years (2015 and previous financial years) from users that are not up-to-date with their payments (defaulting users) through standard enforcement procedures.

Advertising

In the first half of 2017 the advertising market reported a negative performance, showing a 3.0% reduction in investments during the period from January to June 2017 compared to the same period in 2016 (Nielsen data). The TV advertising, which confirmed its leading position with a total market share of about 63%, recorded a negative change of 1.9%. The other media used by Rai showed an increase in Radio advertising (+5.0%) and a decline in Internet (-1.7%, excluding search engines and social networks) advertising.

In these conditions, the Rai Group's advertising revenues (Euro 344.1 million), as detailed in the table below, showed a reduction of Euro 30.6 million compared to the first half of 2016 (-8.2%), when revenues had been positively affected by the European football championship held in June 2016.

Other revenues

These amounted to Euro 95.8 million, showing a decrease of Euro 4.0 million (-4.0%) compared to 30 June 2016.

The breakdown of this item is reported in the related table.

Among the items that showed substantial changes compared to 2016 were film and home video distribution, which recorded a positive performance, showing an increase of Euro 3.1 million in relation to the box office results achieved by film distribution on the part of Rai Cinema.

The most substantial decreases related to:

- *Sale of rights and musical publications* (Euro -3.9 million), mostly relating to the sale of pay-TV rights of Rai Cinema;

Advertising

(in millions of Euros)	June 2017	June 2016	Change
TV advertising on general interest channels:			
- commercials	219.6	249.0	(29.4)
- promotions, sponsorships and other events	70.1	71.3	(1.2)
	289.7	320.3	(30.6)
TV advertising on specialist channels	32.4	33.2	(0.8)
Radio advertising	16.3	15.6	0.7
Cinema advertising	1.4	1.5	(0.1)
Web advertising	4.9	4.8	0.1
Other advertising	0.3	0.3	0.0
Shares attributable to third parties	(0.9)	(1.0)	0.1
Total	344.1	374.7	(30.6)

Other revenues

(in millions of Euros)	June 2017	June 2016	Change
Special services under agreements	22.0	22.3	(0.3)
Sale of rights and musical publications	25.8	29.7	(3.9)
Film and home video distribution	19.9	16.8	3.1
Distribution and sale of channels	10.4	9.7	0.7
Systems and equipment hosting fees	16.2	16.1	0.1
Sundry services, mainly rendered to public entities	3.3	3.2	0.1
Signal broadcasting, circuit hire, radio link and connections	3.0	2.8	0.2
Telephone interactions	0.2	0.6	(0.4)
Operating grants	2.4	4.4	(2.0)
Others	5.3	5.7	(0.4)
Shares of sales attributable to third parties	(14.6)	(15.2)	0.6
Contingent assets	1.9	3.7	(1.8)
Total	95.8	99.8	(4.0)

- *Operating grants* (Euro -2.0 million), largely due to a reduction in the amount of grant for the switchover to digital terrestrial broadcasting recognised through profit or loss.

With reference to the revenue trends set forth above, the fee achieved 67.0% of revenues, with an increase of 0.8 percentage points compared to 30 June 2016 at the expense of Advertising, as stated in the table reported below.

Operating costs

These are made up of total external costs and personnel costs, i.e. both external and internal costs arising from the Group's core business, except for those relating to financial operations.

They totalled Euro 1,058.7 million, showing a reduction of Euro 45.3 million (-4.1%) compared to the same period in 2016, the reasons for which are described below.

External costs

They amounted to Euro 543.5 million and include purchases of goods and services required to implement one-time-use programmes (purchase of consumables, external services, artistic collaborations, etc.), filming rights to sports events, copyrights, running costs and other operating costs (indirect taxes and duties, contributions to Supervisory Authorities, etc.).

This item, which is broken down in the table below, showed a decrease of Euro 29.4 million (-5.1%), which was attributable to failure to recognise costs of the European Football Championship, equal to Euro 57.4 million (Euro 54.4 million of which for the sole acquisition of filming rights), which had been recorded during the first half of 2016, as well as to lower freelance services costs (Euro 5.2 million).

% of revenues

	June 2017	June 2016
licence fees	67.0	66.2
Advertising	25.8	26.7
Other revenues	7.2	7.1
Total	100.0	100.0

External costs

(in millions of Euros)	June 2017	June 2016	Change
Purchases of materials	7.5	7.9	(0.4)
Costs for services:			
Freelance services	66.9	72.1	(5.2)
Services for acquisition and production of programmes	110.7	101.1	9.6
Travel expenses and additional personnel costs	22.1	24.5	(2.4)
Maintenance, repairs, transport and similar costs	22.1	22.9	(0.8)
Documentation and assistance for IT systems services	26.2	23.5	2.7
Other external services (telephone systems, supply services, cleaning, post, insurance etc.)	72.9	72.0	0.9
Leases and rentals	48.7	47.2	1.5
Filming rights (Sports rights, Sanremo Festival, serious music and theatrical works programmes)	92.4	122.9	(30.5)
Rights of use	54.4	56.2	(1.8)
Recoveries of expenses	(9.1)	(7.1)	(2.0)
Contingent liabilities	1.5	0.4	1.1
	508.8	535.7	(26.9)
Other costs	27.2	29.3	(2.1)
Total	543.5	572.9	(29.4)

Net of costs of the 2016 European Football Championship, external costs recorded a total increase of Euro 28.0 million, due to strengthening the offer that entailed higher costs of Euro 10.6 million for services of acquisition and production of programmes and Euro 23.9 million for filming rights to sports events, mainly for: Football – Italian Football Cup (Euro +7.1 million, due to a different distribution of matches during the two half-years), Football – Italian National Team (Euro +7.1 million, as a result of matches, both friendly and for qualifications for the world and European football championships for National Under-21 Teams, which were held in 2017) and Cycling (Euro +6.9 million, for higher contract costs for the acquisition of rights to the events).

Personnel costs

These amounted to Euro 515.2 million, down by Euro 15.9 million (-3.0%), due to lower early retirement incentive costs (Euro -5.3 million), higher capitalisations of costs for internal productions (Euro -3.4 million), lower accruals to the provision for labour disputes (Euro -4.4 million) included under Other costs. Additional savings arise from the application of pay ceilings for executives from November 2016 as required

by Law 198 of 26 October 2016, and from staff early retirement incentive operations, the benefits of which have more than offset the normal rising trends in labour costs due to the transformation of fixed-term contracts into permanent contracts, automatic pay rises and management policies.

The **average number of employees** in service during the period, including those on fixed-term contracts, was 12,986, with an increase of 46 people compared to the first half of 2016, as a result of an increase of 55 employees on permanent contracts and a reduction of 9 employees on fixed-term contracts.

The **workforce** as at 30 June 2017 was made up of 12,321 staff members in active employment (personnel employed under permanent contracts, top management staff members employed under fixed-term contracts and apprenticeships) and 800 staff members employed under fixed-term contracts. The decrease of 168 people in the staff members in active employment compared to 31 December 2016 was due to the exit of 224 people, 124 of which under early retirement incentive agreements, and 56 new hires, 17 of which were due to the transformation of fixed-term contracts into permanent contracts and 14 were due to disputes.

Personnel costs

(in millions of Euros)	June 2017	June 2016	Change
Wages and salaries	383.4	385.8	(2.4)
Social security contributions	105.3	105.5	(0.2)
Provision for Staff Severance Pay	21.7	22.0	(0.3)
Pension and similar costs	7.8	7.8	0.0
Other	6.1	11.2	(5.1)
	524.3	532.3	(8.0)
Early retirement incentives	1.4	6.7	(5.3)
Recoveries of expenses	(0.8)	(0.8)	0.0
Capitalised personnel costs	(10.7)	(7.3)	(3.4)
Contingent liabilities	1.0	0.2	0.8
	(9.1)	(1.2)	(7.9)
Total	515.2	531.1	(15.9)

EBITDA

In relation to the trends described above, EBITDA posted a positive value for Euro 276.5 million, down by Euro 24.7 million compared to the first half of 2016.

Amortisation, depreciation and write-downs

This item showed a balance of Euro 254.8 million, up by Euro 5.0 million (+2.0%) compared to 30 June 2016 and related to amortisation, depreciation and write-downs of current and non-current assets, as shown in the table below.

Provisions

This item, which includes accruals to provisions for risks and charges and related releases that cannot be classified under specific Income Statement items,

showed a negative balance of Euro 13.1 million (against a positive value of Euro 6.8 million during the first half of 2016) as a result of provisions of Euro 14.7 million (Euro 10.1 million in 2016) and releases of Euro 1.6 million (Euro 16.9 million in 2016). In this regard it should be noted that provisions related to the provision for tax litigation arising from the agreement to the concessional settlement of tax disputes pursuant to art. 11 of Decree Law 50/2017 concerning a VAT litigation of Rai Pubblicità for Euro 10.8 million and to the provision for legal disputes (Euro 8.1 million in the first half of 2016) for Euro 2.5 million. An amount of Euro 16.1 million of the releases recorded in 2016 related to the excess portion of the provision for contribution to the rights of usage of digital frequencies for 2014-2015 following the enactment of Ministerial Decree of 4 August 2016, which set the procedures for related calculation.

Amortisation, depreciation and write-downs

(in millions of Euros)	June 2017	June 2016	Change
Amortisation and depreciation			
Amortisation of programmes			
TV Drama and comedy	137.3	119.4	17.9
Films	45.6	45.5	0.1
Cartoons	5.6	8.6	(3.0)
Others	2.6	3.2	(0.6)
	191.1	176.7	14.4
Other amortisation and depreciation			
Depreciation of property, plant and equipment:			
Buildings	8.6	8.8	(0.2)
Plant and machinery	36.9	41.2	(4.3)
Industrial and commercial equipment	1.3	1.3	0.0
Other assets	2.7	2.8	(0.1)
	49.5	54.1	(4.6)
Of investment property	0.2	0.2	0.0
Amortisation of intangible assets:			
Software	2.7	2.6	0.1
Digital Terrestrial	0.0	0.6	(0.6)
Other rights	0.2	0.1	0.1
	2.9	3.3	(0.4)
Other amortisation and depreciation	52.6	57.6	(5.0)
Total amortisation and depreciation	243.7	234.3	9.4
Write-downs (write-backs)			
Of intangible assets:			
Programmes subject to amortisation	8.8	11.2	(2.4)
Programmes under way	1.0	1.2	(0.2)
Other	0.9	0.0	0.9
	10.7	12.4	(1.7)
Of other non-current assets	1.1	0.7	0.4
Of trade receivables and other current assets	(0.7)	2.4	(3.1)
Total write-downs	11.1	15.5	(4.4)
Total	254.8	249.8	5.0

Operating result

The trend in operating revenues and costs as described above determined a positive Operating result of Euro 8.6 million, showing a deterioration of Euro 49.6 million compared to 30 June 2016.

Net financial income (expenses)

This item includes the economic effects arising from the recognition of actuarial interest for Employee benefits, as well as the effects of financial operations, such as interest income/expense from banks and bondholders, in addition to foreign exchange gains and losses.

This item showed a negative result of Euro 7.2 million (Euro -9.2 million as at 30 June 2016), the components of which are detailed in the table below.

The following changes were recorded compared to the same period in the previous year:

- lower net interest expense payable to banks and bondholders for Euro 0.4 million;
- lower interest on employee benefit obligations for Euro 1.5 million arising from a reduction in the rates applied to the actuarial valuation.

The average cost of borrowing, made up of uncommitted credit lines, medium/long-term and stand-by loans, as well as of the bond issue, came to 1.4%, substantially in line with the value posted during the first half of 2016.

Furthermore, it should be noted that on 20 April 2017 four Interest Rate Swap Forward Start contracts were entered into for an overall notional amount of Euro 350 million, the effective date of which will fall in May 2020 and which will remain in force for the subsequent 5 years. This transaction, which was carried out to hedge the risk of an increase in interest rates upon expiry of the present obligation and the consequent need for refinancing, shows a positive fair value of Euro 2.6 million, including the tax component, which reflects on the net comprehensive result for the period.

Share of profits (losses) of equity-accounted investments

This item showed a positive balance of Euro 0.3 million (Euro 0.1 million during the first half of 2016), arising from the measurement of associates and joint ventures according to the equity method, as detailed in the table below.

Net financial income (expenses)

(in millions of Euros)	June 2017	June 2016	Change
Net interest income (expense) from banks and other lenders	(1.5)	(1.9)	0.4
Interest expense on bond issues	(3.0)	(3.0)	0.0
Interest on employee benefit obligations	(2.3)	(3.8)	1.5
Net foreign exchange gains (losses)	0.6	0.1	0.5
Other	(1.0)	(0.6)	(0.4)
Net financial income (expenses)	(7.2)	(9.2)	2.0

Share of profits (losses) of equity-accounted investments

(in millions of Euros)	June 2017	June 2016	Change
Revaluations (Write-downs)			
Euronews	0.0	(0.7)	0.7
San Marino	(0.1)	(0.2)	0.1
Tivù	0.4	1.0	(0.6)
Total	0.3	0.1	0.2

Income taxes

This item, which showed a negative value of Euro 3.9 million (Euro 15.7 million during the first half of 2016) was due to the balance between current and deferred tax, as detailed in the table below.

During the first half of 2017, the economic trends determined a positive taxable result for the period for all the Group companies, except for the Parent Company. In consideration of this income, total IRES (Corporate Income) and IRAP (Regional

Production Activity) tax were allocated for Euro 13.2 million and Euro 2.9 million, respectively.

Deferred tax liabilities had a positive effect of Euro 1.0 million, as a result of the reversal of temporary income differences recognised in prior years.

Deferred tax assets had a positive effect of Euro 11.0 million, mainly arising from the recognition against the tax loss for the period recorded by the Parent Company.

Income taxes

(in millions of Euros)	June 2017	June 2016	Change
IRES tax	(13.2)	(22.1)	8.9
IRAP tax	(2.9)	(4.3)	1.4
Deferred tax liabilities	1.0	1.5	(0.5)
Deferred tax assets	11.0	8.9	2.1
Direct taxes from previous years	0.2	0.3	(0.1)
Total	(3.9)	(15.7)	11.8

Consolidated Balance Sheet

Non-current assets

The table below provides a breakdown of non-current assets, which amounted to Euro 2,060.5 million, up by Euro 13.4 million compared to 31 December 2016.

Property, plant and equipment, which are broken down in the table below, recorded a decrease of Euro 17.8 million.

Investments in programmes, which showed an increase of Euro 19.4 million and are broken down in the table below, are mostly made up of investments in Drama and Comedy programmes and films, on which the most of investments focused during the half-year, as detailed below.

Non-current financial assets, which were made up of participating investments and other financial assets with a maturity beyond twelve months, showed an increase of Euro 2.1 million, mainly due to the recognition of the positive fair value of the Interest Rate Swap Forward Start contracts entered into to hedge the risk of an increase in interest rates at the maturity date of the present bond issue, as already mentioned.

It should also be noted that the reduction in the book value of the investment held in Tivù Srl, an associate valued according to the equity method, was due to the recognition of dividends.

The breakdown of this item is reported in the table below.

Non-current assets

(in millions of Euros)	30.06.2017	31.12.2016	Change
Property, plant and equipment	1,069.6	1,087.4	(17.8)
Investments in programmes	947.3	927.9	19.4
Non-current financial assets	11.4	9.3	2.1
Other	32.2	22.5	9.7
Total	2,060.5	2,047.1	13.4

Property, plant and equipment

(in millions of Euros)	30.06.2017	31.12.2016	Change
Land	382.0	381.8	0.2
Buildings	338.7	343.1	(4.4)
Plant and machinery	270.7	281.4	(10.7)
Industrial and commercial equipment	9.3	8.5	0.8
Other assets	22.3	21.8	0.5
Assets under construction and payments on account	46.6	50.8	(4.2)
Total	1,069.6	1,087.4	(17.8)

Investments in programmes

(in millions of Euros)	30.06.2017	31.12.2016	Change
Drama and Comedy	572.8	530.2	42.6
Films	260.2	282.7	(22.5)
Cartoons	37.6	36.3	1.3
Rights of use of library	70.7	72.5	(1.8)
Other	6.0	6.2	(0.2)
Total	947.3	927.9	19.4

Non-current financial assets

(in millions of Euros)	30.06.2017	31.12.2016	Change
Equity investments in associates			
Auditel Srl	0.7	0.7	0.0
Euronews SA	2.3	2.3	0.0
Tivù Srl	1.8	3.4	(1.6)
San Marino RTV SpA	2.0	2.0	0.0
	6.8	8.4	(1.6)
Other equity investments	0.9	0.7	0.2
Derivatives	2.6	0.0	2.6
Other	1.1	0.2	0.9
Total	11.4	9.3	2.1

Other non-current assets, which are broken down in the table below, showed an increase of Euro 9.7 million, mainly as a result of the items of Goodwill and customer portfolio, arising from the allocation of a portion of the price paid by Rai Way for acquiring control over Sud Engineering Srl, which was merged by incorporation into Rai Way in June 2017.

The **Investments** made during the first half of 2017 amounted to Euro 266.5 million, up by Euro 19.5 million (+7.9%) compared to the first half of 2016.

In detail, higher investments were made:

- in programmes for Euro 1.7 million (+0.8%); the different trend recorded in the context of each genre is to be attributed to a different distribution of investments over the half-years;
- in property, plant and equipment for Euro 9.0 million (+38.0%) mainly due to the refurbishment of the production plant Dear on the part of the Parent Company and for the acquisition of tangible assets on the part of Rai Way as a result of the merger by incorporation of Sud Engineering;
- in others for Euro 8.3 million, as a result of intangible assets arising from the allocation of a portion of the price paid by Rai Way for acquiring control over Sud Engineering, as noted above.

Other non-current assets

(in millions of Euros)	30.06.2017	31.12.2016	Change
Software	20.4	18.0	2.4
Goodwill	5.0	0.0	5.0
Customer portfolio of Sud Engineering	3.3	0.0	3.3
Commercial rights with football clubs	3.5	4.5	(1.0)
Total	32.2	22.5	9.7

Investments

(in millions of Euros)	June 2017	June 2016	Change
Drama and Comedy	189.3	178.6	10.7
Films	23.4	33.1	(9.7)
Other programmes	7.7	7.0	0.7
Total investments in programmes	220.4	218.7	1.7

Other investments

(in millions of Euros)	June 2017	June 2016	Change
Investments in property, plant and equipment	32.7	23.7	9.0
Software	5.1	4.6	0.5
Other investments	8.3	0.0	8.3
Total investments in plant and equipment	46.1	28.3	17.8
Total investments	266.5	247.0	19.5

Net current assets

The most significant changes compared to 31 December 2016 concerned the following items:

Trade receivables showed a decrease of Euro 229.4 million mainly as a result of the collection of instalments of licence fees for ordinary subscriptions relating to the 2016 financial year during the six-month period.

Other payables, up by Euro 293.7 million, as a result of the recognition of deferred income from licence fees, arising from the difference between the amounts paid by the Ministry of Economy and Finance during the half-year compared to the accrued value, which is expected to be repaid during the second half-year.

Provisions for risks and charges

Provisions for risks and charges, equal to Euro 213.4 million, showed a decrease of Euro 15.1 million compared to 31 December 2016.

This reduction was mainly due to the use of the provision set aside for costs of accrued commissions to subordinate employees as at 31 December 2016

The table below shows the breakdown of provisions and related changes compared to 31 December 2016.

Net current assets

(in millions of Euros)	30.06.2017	31.12.2016	Change
Inventories	2.7	2.9	(0.2)
Trade receivables	409.8	639.2	(229.4)
Other receivables	201.7	229.8	(28.1)
Trade payables	(645.2)	(686.2)	41.0
Other payables	(692.6)	(398.9)	(293.7)
Deferred tax assets (liabilities)	(55.7)	(24.2)	(31.5)
Total	(779.3)	(237.4)	(541.9)

Provision for risks and charges

(in millions of Euros)	30.06.2017	31.12.2016	Change
Legal disputes	(76.7)	(80.1)	3.4
Costs of accrued commissions	(25.3)	(43.9)	18.6
Reclamation and renovation of properties	(27.8)	(28.0)	0.2
Decommissioning and restoration	(14.5)	(14.1)	(0.4)
Tax litigation	(24.0)	(13.2)	(10.8)
Litigation with social security institutions	(3.0)	(3.0)	0.0
ISC/ICM Agents	(2.0)	(1.9)	(0.1)
Other	(40.1)	(44.3)	4.2
Total	(213.4)	(228.5)	15.1

Employee benefits

Employee benefits, equal to Euro 537.7 million, showed a reduction of Euro 17.3 million compared to 31 December 2016.

The table below shows the breakdown of accruals and related changes compared to 31 December 2016.

Net financial position

The first half of 2017 closed with a net financial position, determined according to the ESMA schedule, which was negative for Euro 60.3 million (Euro -128.5 million as at 30 June 2016), showing

an improvement of Euro 489.3 million compared to 31 December 2016, the components of which are reported in the table at the bottom of the page.

The reduction in net debt compared to 31 December 2016 was due to cash flows from ordinary operations recorded during the first half-year (characterised by the usual payment of instalments of advances on licence fees for a total amount of Euro 1,200 million) and the payment of instalments of licence fees for the 2016 financial year equal to about Euro 245 million, of which Euro 202 million relating to additional revenues. To these factors must be added the assignment of 2014-2015 VAT receivables to the factor without recourse for Euro 57.4 million.

Employee benefits

(in millions of Euros)	30.06.2017	31.12.2016	Change
Staff Severance Pay	(272.9)	(283.5)	10.6
Supplementary company pension fund	(139.7)	(144.3)	4.6
Compensation in lieu of notice – journalists	(107.1)	(109.2)	2.1
FASDIR welfare fund for retired executives	(15.0)	(15.0)	0.0
Seniority bonuses	(2.3)	(2.3)	0.0
Seniority allowance	(0.6)	(0.6)	0.0
Social security	(0.1)	(0.1)	0.0
Total	(537.7)	(555.0)	17.3

Net financial position

(in millions of Euros)	30.06.2017	31.12.2016	Change June 2017 December 2016	30.06.2016
Liquidity	404.4	86.2	318.2	387.5
Current financial receivables:				
- current financial assets on derivatives	-	1.7	(1.7)	1.6
- time deposits	9.0	5.5	3.5	5.7
- other	2.7	0.2	2.5	0.8
	11.7	7.4	4.3	8.1
Current financial debt:				
- to banks	(50.0)	(200.0)	150.0	(61.4)
- to other lenders	(0.1)	(0.1)	0.0	(0.1)
- current financial liabilities on derivatives	(0.6)	-	(0.6)	-
- to associates	-	(0.1)	0.1	-
- other	(2.7)	(0.3)	(2.4)	(0.4)
	(53.4)	(200.5)	147.1	(61.9)
Non-current financial debt:				
- to banks	(75.3)	(95.3)	20.0	(115.2)
- bond issue	(347.4)	(346.9)	(0.5)	(346.5)
- to other lenders	(0.3)	(0.4)	0.1	(0.4)
- non-current financial liabilities on derivatives	-	(0.1)	0.1	(0.1)
	(423.0)	(442.7)	19.7	(462.2)
Net liquidity (financial debt)	(60.3)	(549.6)	489.3	(128.5)

The average financial position was negative for about Euro 547 million (Euro -510 million during the first half of 2016), showing an increase of about Euro 37 million due to a higher debt recorded at the beginning of the year, which was only partly offset by the collection of receivables from additional revenues in May.

In December 2016 Moody's confirmed the Long-Term Issuer Baa3 (investment grade) rating, with a change in the outlook from "stable" to "negative", as a result of the downgrade in the rating of the Italian Government, which is the majority shareholder of the Company.

The Group monitors the financial risks to which it is exposed using dedicated IT and statistical tools. The financial management policy is in line with best practices and is aimed at achieving capital preservation through a risk-averse approach, combined with active monitoring that is managed by the Parent Company centrally, also on behalf of its subsidiaries, except for Rai Way which has its own financial resources, despite applying guidelines issued by the Parent Company.

The detailed information on financial risks is reported in the specific section of the notes to the consolidated financial statements, to which reference should be made.

Consolidated Financial Statements of the Rai Group

Consolidated Financial Statements of the Rai Group

Consolidated statement of financial position

(in millions of Euros)	Note	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Property, plant and equipment	7.1	1,064.7	1,082.5
Investment property	7.2	4.9	4.9
Intangible assets	7.3	979.5	950.4
Equity investments	7.4	7.7	9.1
Non-current financial assets	7.5	3.7	0.2
Other non-current assets	7.7	25.0	17.7
Total non-current assets		2,085.5	2,064.8
Inventories	8.1	2.7	2.9
Trade receivables	8.2	407.3	637.0
Current financial assets	8.3	11.7	7.4
Tax receivables	8.4	64.4	135.6
Other current receivables and assets	8.5	114.8	78.7
Cash and cash equivalents	8.6	404.4	86.2
Total current assets		1,005.3	947.8
Total assets		3,090.8	3,012.6
Share capital		242.5	242.5
Reserves		210.8	205.9
Profits (losses) carried forward		(35.1)	(28.4)
Total Group equity		418.2	420.0
Non-controlling interests' capital and reserves		42.2	42.2
Profits (losses) carried forward attributable to non-controlling interests		9.4	14.4
Total equity attributable to non-controlling interests		51.6	56.6
Total equity	9	469.8	476.6
Non-current financial liabilities	10.1	423.0	442.7
Employee benefits	10.2	537.7	555.0
Non-current provisions for risks and charges	10.3	213.1	228.1
Deferred tax liabilities	10.4	55.7	24.2
Other non-current payables and liabilities	10.5	2.8	3.6
Total non-current liabilities		1,232.3	1,253.6
Trade payables	11.1	645.2	686.2
Current provisions for risk and charges		0.3	0.4
Current financial liabilities	11.2	53.4	200.5
Tax payables	11.3	42.0	85.8
Other current payables and liabilities	11.1	647.8	309.5
Total current liabilities		1,388.7	1,282.4
Total liabilities		2,621.0	2,536.0
Total equity and liabilities		3,090.8	3,012.6

Consolidated income statement

(in millions of Euros)	Note	Half-year ended	
		30 June 2017	30 June 2016
Revenues from sales and services	12.1	1,328.5	1,396.4
Other earnings and proceeds	12.2	6.7	8.8
Total revenues		1,335.2	1,405.2
Costs for purchases of consumables	12.3	(7.5)	(7.9)
Costs for services	12.3	(508.8)	(535.7)
Other costs	12.3	(27.2)	(29.3)
Personnel costs	12.4	(515.2)	(531.1)
Amortisation, depreciation and write-downs	12.5	(254.8)	(249.8)
Provisions	12.6	(13.1)	6.8
Total costs		(1,326.6)	(1,347.0)
Operating result		8.6	58.2
Financial income	12.7	1.3	1.5
Financial expenses	12.7	(8.5)	(10.7)
Share of profits (losses) of equity-accounted investments	12.8	0.3	0.1
Result before tax		1.7	49.1
Income taxes	12.9	(3.9)	(15.7)
Net result from operating activities		(2.2)	33.4
Result for the period – Profit (loss)		(2.2)	33.4
of which pertaining to:			
- the Group		(11.8)	26.5
- Non-controlling interests		9.6	6.9

Consolidated Financial Statements of the Rai Group

Consolidated statement of comprehensive income

(in millions of Euros)

	Half-year ended	
	30 June 2017	30 June 2016
Result for the period	(2.2)	33.4
Items that can be reclassified through profit or loss:		
Profit/(loss) on cash flow hedge instruments	1.7	(6.2)
Translation of financial statements with a functional currency other than the Euro	-	(0.1)
Tax effect	(0.3)	2.0
Total	1.4	(4.3)
Items that cannot be reclassified through profit or loss:		
Remeasurement of defined-benefit plans	8.7	(31.2)
Tax effect	(0.1)	0.3
Total	8.6	(30.9)
Total comprehensive income (expense) for the period	7.8	(1.8)
of which pertaining to:		
- the Group	(1.8)	(8.3)
- Non-controlling interests	9.6	6.5

Consolidated cash flow statement

(in millions of Euros)	Note	Half-year ended	
		30 June 2017	30 June 2016
Profit (loss) before tax		1.7	49.1
Adjustments for:			
Amortisation, depreciation and write-downs	12.5	254.8	249.8
Accruals to and (releases of) provisions related to personnel and other provisions	12.6	42.0	26.5
Net financial expenses (income)	12.7	7.2	9.2
Share of profits (losses) of equity-accounted investments	12.8	(0.3)	(0.1)
Other non-cash items		0.1	0.4
Cash flows from operating activities before changes in net working capital		305.5	334.9
Change in inventories	8.1	0.2	-
Change in trade receivables	8.2	230.3	6.5
Change in trade payables	11.1	(41.0)	(47.9)
Change in other assets/liabilities		362.9	260.0
Use of provisions for risks	10.3	(32.2)	(9.9)
Payment of employee benefits and to external funds	10.2	(39.1)	(33.6)
Income taxes paid		(8.8)	(2.4)
Net cash flow from operating activities		777.8	507.6
Investments in property, plant and equipment and investment property	7.1 - 7.2	(32.7)	(23.7)
Disposals of property, plant and equipment and investment property	7.1 - 7.2	0.7	-
Investments in intangible assets	7.3	(233.8)	(223.3)
Disposals of intangible assets	7.3	-	-
Equity investments		(0.2)	-
Dividends collected		0.6	0.2
Interest collected		-	0.1
Change in financial assets	7.5 - 8.3	(5.8)	(0.3)
Net cash flow from investing activities		(271.2)	(247.0)
Long-term loans	10.1	-	-
Long-term loan repayments	10.1	(20.1)	(15.0)
(Decrease)/increase in short-term loans and other loans	11.2	(147.7)	16.1
Interest paid		(6.0)	(6.6)
Dividends distributed		(14.6)	(13.7)
Cash flow from financing activities		(188.4)	(19.2)
Change in cash and cash equivalents		318.2	241.4
Cash and cash equivalents at the beginning of the period	8.6	86.2	146.1
Cash and cash equivalents at the end of the period	8.6	404.4	387.5

Consolidated Financial Statements of the Rai Group

Consolidated statement of changes in equity

(in millions of Euros)	Share Capital	Legal reserve	Other reserves	Profits (losses) carried forward	Group equity	Non-controlling interests	Total equity
Balances as at 1 January 2016	242.5	11.6	489.0	(306.6)	436.5	56.3	492.8
Allocation of the result	-	-	(290.6)	290.6	-	-	-
Distribution of dividends	-	-	-	-	-	(13.7)	(13.7)
Other changes [1]	-	-	0.6	(0.1)	0.5	(0.5)	-
Transactions with shareholders	-	-	0.6	(0.1)	0.5	(14.2)	(13.7)
Result for the period	-	-	-	26.5	26.5	6.9	33.4
Other comprehensive income (expense)	-	-	(4.3)	(30.5)	(34.8)	(0.4)	(35.2)
Total comprehensive income (expense) for the period	-	-	(4.3)	(4.0)	(8.3)	6.5	(1.8)
Balances as at 30 June 2016	242.5	11.6	194.7	(20.1)	428.7	48.6	477.3
Balances as at 1 January 2017	242.5	11.6	194.3	(28.4)	420.0	56.6	476.6
Allocation of the result	-	0.2	3.3	(3.5)	-	-	-
Distribution of dividends	-	-	-	-	-	(14.6)	(14.6)
Transactions with shareholders	-	-	-	-	-	(14.6)	(14.6)
Result for the period	-	-	-	(11.8)	(11.8)	9.6	(2.2)
Other comprehensive income (expense)	-	-	1.4	8.6	10.0	-	10.0
Total comprehensive income (expense) for the period	-	-	1.4	(3.2)	(1.8)	9.6	7.8
Balances as at 30 June 2017	242.5	11.8	199.0	(35.1)	418.2	51.6	469.8

[1] Effect determined by the difference between the value of the option included in the IPO of Rai Way (Bonus Share) as estimated when the right arises and the actual value at maturity.

Notes to the Consolidated Interim Financial Statements as at 30 June 2017

1) General information

Rai Radiotelevisione Italiana SpA (hereinafter referred to as “Rai”, the “Company” or the “Parent Company”) is a joint-stock company incorporated under the laws of, and domiciled in, Italy, with registered office in Rome, at Viale Mazzini no. 14 and organised according to the legal system of the Italian Republic.

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are active in Italy in the role as a general Public Radio and Television Service operator. The Parent Company is required by special national and Community regulations to fulfil specific obligations regarding the quality and quantity of its broadcasting schedule, which are further detailed in the Service Contract entered into with the Ministry of Economic Development (hereinafter also referred to as the “Contract”).

The current Service Contract is that referred to the three-year period from 2010 to 2012, which is still in force by virtue of the provisions of Section 36 thereof.

The Service Contract provides for certain service levels and restrictions that Rai is required to meet in the performance of its publishing activities, which are increasing over time and also establishes a clear connection between Rai, individuals and the community, meeting needs that are relevant to the growth of the individual and the creation of public awareness. Editorial issues that are worthy of mention are the focus on education and employment, information and insights, social and cultural issues, children and teenagers, the role of women, sports and entertainment, minority languages and the promotion of the image of Italy abroad, to the benefit of both foreigners and the many communities of Italians living there.

Under Law 89/2014 Rai must ensure public information at a national and regional level, through the presence of newsrooms and facilities suitable for specific productions in each region and autonomous province. The new paragraph 3-bis of Article 17 of Law 112/2004 also provides for the offices located in Bolzano, Trento, the Aosta Valley and Friuli-Venezia Giulia to retain their autonomy in financial and accounting terms, to serve as decentralised production centres for the promotion of local culture and language, and for any other regional and provincial office to retain such autonomy until the definition of a new local structure on the part of Rai.

In accordance with Law 220 of 28 December 2015 governing the “Reform of Rai and of the Public Radio and Television Service”, the National Service Contract between the Ministry of Economic Development and Rai is to be renewed for a term of five years rather than the previous three years, within the scope of the concession that assigns Rai the role of operator of the Public radio, television and multi-media Service.

On 19 April 2016, the new Code of Public Contracts (Legislative Decree 50 of 18 April 2016) entered into force. This Decree, under Article 216, paragraph 24, has provided that “in order to achieve the highest possible participation in the public consultation referred to in Article 5, paragraph 5, of Law 220 of 18 December 2015 (Rai Reform Act), and pending the updating of the regulations governing the assignment of the Public radio, television and multimedia Service”, the term of the concession must be extended from 6 May 2016 to 31 October 2016.

Law 198 of 26 October 2016, governing the “Establishment of the Fund for pluralism and innovation of information and powers delegated to the Government for the reform of regulations governing public support to the sector of publishing and local radio and television broadcasters, the regulations governing pension schemes for journalists and the composition and competence of the National Council of the Association of Journalists. Procedure for awarding Public radio, television and multimedia Services”, has set out a new procedure for the award of the Public radio, television and multimedia Service. This 10-year concession is preceded by a public consultation on the obligations involved in performing the service, pursuant to the abovementioned Article 5, paragraph 5, of Law 220 of 18 December 2015 (Rai Reform Act).

Article 6, paragraph 3, of Decree Law 244 of 30 December 2016, governing the “Extension and definition of time limits” (“*mille-proroghe*”, one thousand extensions), provides that, pending the award of the Public radio, television and multimedia Service (according to the new procedures set out in Article 9 of Law 198/2016, within the framework of the actions already laid down in Law 220/2015), and in any case for a period of time not exceeding one hundred and eighty days from 31 October 2016 (i.e. until 29 April 2017), the concession and the contract in place shall continue to apply for all purposes. Accordingly, the current concession term of the Public radio, television and multimedia Service contract awarded to Rai has been extended so as to regulate the case that the new contract is not awarded before that term under a Decree to be issued by the President of the Council of Ministers.

On 23 May 2017 the Prime Minister’s Decree of 28 April 2017 was published in Official Gazette no. 118, which governed the “Procedure for awarding Public radio, television and multimedia Service and approval of the attached contract form”; under said Decree, Rai was appointed as concessionaire, on an exclusive basis, of the Public radio, television and multimedia Service for a term of 10 years, as from 30 April 2017 and approved the contract form attached to the concession.

This followed the approval, on the part of the parliamentary Committee on general affairs and supervision of radio and television services at the meeting held on 11 April 2017, of the opinion prescribed by Article 49, paragraph 1-*quinquies* of Legislative Decree 177 of 31 July 2005 (Consolidation Act on audiovisual media and radio services, *Testo unico dei servizi di media audiovisivi e radiofonici*, hereinafter referred to as TUSMAR) on the Decree and agreement forms.

Accordingly, negotiations were started on the new Service Contract with the Ministry of Economic Development.

The Consolidated Interim Financial Statements as at 30 June 2017 (hereinafter the "Consolidated Financial Statements") have been subject to limited audit by PricewaterhouseCoopers SpA (hereinafter the "Independent Auditors"), which was appointed for the financial years until 2023, at the reasoned proposal of the Board of Statutory Auditors, by the General Ordinary Shareholders' Meeting of Rai held on 10 March 2016, in consideration of the acquisition by Rai of the status of Public Interest Entity.

2) Basis of preparation, accounting principles and use of estimates

The Consolidated Financial Statements have been prepared in accordance with IAS 34 – Interim Financial Reporting, provided for in the International Financial Reporting Standards ("IFRS").

As to the basis of preparation, accounting principles and use of estimates used to prepare the Consolidated Financial Statements, reference should be made to the information reported in the specific paragraphs of the Notes to the Consolidated Financial Statements in the Rai Group's Reports and Financial Statements as at 31 December 2016 as they have remained unchanged, except for the useful life of repeated-use programmes belonging to the cartoon genre, which has changed from three to five years.

As to the accounting standards endorsed but not yet applicable or not yet endorsed by the European Union, reference should be made to the information already reported in the specific paragraph of the Notes to the Consolidated Financial Statements in the Rai Group's Reports and Financial Statements as at 31 December 2016.

3) Consolidation principles

The Consolidated Financial Statements were prepared by using the Company's and subsidiaries' interim financial statements as at 30 June 2017, as prepared according to IFRS. The financial year of all the Group companies ends on 31 December.

As to the consolidation principles used to prepare the Consolidated Financial Statements, reference should be made to the information reported in the specific paragraphs of the Notes to the Consolidated Financial Statements in the Rai Group's Reports and Financial Statements as at 31 December 2016.

The companies included in the scope of consolidation as at 30 June 2017 are detailed in note 16.1 "Rai's equity investments in subsidiaries", which forms an integral part of the Consolidated Financial Statements.

It should be noted that on 1 March 2017 Rai Way acquired full control over Sud Engineering Srl (hereinafter "Sud Engineering"), which conducts its business in the sector of maintenance and installation of radio and television systems. On 20 June 2017 a deed was entered into for the merger of the company by incorporation into Rai Way. The merger became effective on 22 June 2017, with retroactive accounting and tax effects from 1 March 2017.

4) Financial Risk Management

The financial risks to which the Group is exposed are managed according to the approach and procedures set out in a specific policy that is issued by the Parent Company and is also applied to subsidiaries, except for Rai Way SpA (hereinafter "Rai Way"), which, following the listing, has adopted its own policy, which is similar to that applied by Rai. These documents describe procedures, limits and tools for the monitoring and mitigation of financial risks, with a view to preserving the Group's value and therefore of the entities that belong to the same.

The main risks identified by the Group are:

- market risk arising from the exposure to fluctuations in interest and exchange rates associated with the financial assets and liabilities that are held/generated and assumed, respectively;
- credit risk arising from the possibility that one or more counterparties may be insolvent;
- liquidity risk arising from the Group's inability to obtain the financial resources required to meet short-term financial commitments.

4.1 Market risk

The market risk is the possibility that any changes in interest and exchange rates could adversely affect the value of assets, liabilities or of estimated cash flows.

Interest rate risk

The interest rate risk is generated by the possible increase in net financial costs due to unfavourable changes in market rates on the floating rate financial positions. In order to limit this risk, the Group's policy requires that medium/long-term variable rate loans should be converted into fixed rate loans for at least 50% through the use of derivative products, such as Interest Rate Swaps.

As at 30 June 2017 and 31 December 2016, the Parent Company held medium/long-term loans which were entirely at fixed rate; therefore, the effects of the changes in interest rates only affect the short-term positions, with variable maturity and sign during the year.

On 20 April 2017, Rai entered into four Interest Rate Swap Forward Start contracts for an overall notional amount of Euro 350 million, the effective date of which will fall in May 2020 and which will remain in force for the subsequent 5 years. This transaction was carried out to hedge the risk of an increase in interest rates at the maturity date of the bond issued and of the consequent need for refinancing.

In compliance with its own financial policy, Rai Way has two Interest Rate Swap (IRS) contracts in place to cover 50% of the amortising credit facility, with a residual notional amount of Euro 75 million as at 30 June 2017.

The fair value of these transactions as at 30 June 2017 has been deferred in a specific Cash Flow Hedge Reserve, thus impacting on the comprehensive result for the period, net of tax component.

Sensitivity analysis

The sensitivity analysis, which has been conducted on unhedged financial positions, assuming a parallel shift of +50 bps in the interest rate curve (in consideration of the minimum level already reached by interest rates, which is negative on the short-term portion) shows that an increase in the curve determined higher net revenues as at 30 June 2017, as a result of higher interest income on the Group's cash and cash equivalents outstanding on said date, while the effects of the shift were of negative sign, although very limited, as at 31 December 2016.

Exchange risk

The exchange risk to which the Group is exposed mainly concerns the exposure to US Dollars resulting from the acquisition of sports rights on the part of Rai and of cinema and TV rights on the part of Rai Cinema SpA (hereinafter "Rai Cinema"). During the first half of 2017 such commitments generated payments of approximately USD 107 million (to a substantially similar extent as during the first half of 2016). Additional currencies of exposure, with split payments and in a modest aggregate amount, are the Swiss Franc and the British Pound.

Exchange risks are managed as from the date when the Group enters into the commercial transaction, which often has a multi-year term and is aimed at preserving the Euro countervalue of the commitments, as estimated at the time of the orders or of the budget. The policy regulates the risk management according to international best practices, with a view to minimising the risk, through the active monitoring of the exposure and the implementation of hedging strategies on the part of Rai, also on behalf of its subsidiaries (except for Rai Way, provided with independent policy and management). The powers related to the implementation of hedging activities are assigned on a hierarchical and gradual basis, with a minimum percentage of intervention of 50% of the currency contract amount.

The hedging strategies are implemented by means of derivative financial instruments – such as forward purchases and options – and are never intended for financial speculation purposes. For this purpose effectiveness tests are conducted, through specific systems, on an ex-ante and ex-post basis, which allow, as detailed in note 11.2 "Current financial liabilities", the identification of the effective and ineffective portions of the hedge.

Sensitivity analysis

In light of the foregoing, the exposure to the exchange risk is significant only for the EUR/USD exchange rate. A sensitivity analysis that was conducted as at 30 June 2017 on unhedged credit and debt positions, on derivatives used to hedge commitments against already executed contracts and on funds available in foreign currencies, confirmed the trends already noted as at 31 December 2016: a depreciation of the Euro would determine negative economic effects on the amount of unhedged positions (about Euro 0.5 million in the case of a depreciation of 10%), on one hand, and, on the other, an increase in the Cash Flow Hedge Reserve as a consequence of the higher value of the hedges (about Euro 0.7 million). On the contrary, an appreciation of the Euro would entail lower economic costs and a decrease in the Cash Flow Hedge Reserve as a result of the lower value of the hedges, in the same amount as that reported in the previous case.

4.2 Credit risk

The theoretical exposure to the credit risk for the Group mainly refers to the book value of financial assets and trade receivables recognised in the accounts.

As regards the counterparty risk, procedures are adopted for the assessment of business partners, in order to manage trade receivables.

The credit risk on uses of liquidity is limited since the corporate policy provides, during periods of cash surpluses, for the use of low risk financial instruments with highly rated counterparties. Only time or demand deposits held with bank counterparties with an Investment Grade rating were used during the first half of 2017 and the 2016 financial year.

4.3 Liquidity risk

By virtue of specific contracts with subsidiaries, except for Rai Way only, Rai manages the Group's financial resources through a cash-pooling system that provides for the daily transfer of the affiliates' bank balances to the current accounts of Rai, which grants the intercompany credit facilities required to conduct the business of the companies.

As regards medium/long-term portions, the Group's financial structure is made up of a bond issue due May 2020 and by an amortising loans expiring on 2021, granted by the European Investment Bank out of the project for the implementation of digital terrestrial in a total amount of Euro 390 million, to the benefit of Rai, as well as a syndicated loan of Euro 75 million, in favour of Rai Way, expiring in 2019 (for more details, reference should be made to note 10.1 "Non-current financial liabilities and current portions of non-current financial liabilities").

In consideration of the significant fluctuation in the interim debt, arising from the payment by the Ministry of Economy and Finance of fees in four quarterly instalments, the Parent Company holds uncommitted credit facilities of about Euro 480 million and, from January 2017, a 5-year revolving facility with a pool of banks, totalling Euro 270 million.

The new revolving facility provides for compliance with the following benchmark/financial ratio with respect to the consolidated financial statements prepared according to IFRS and to be calculated on the reporting date of the annual accounts:

- Net Financial Debt (adjusted by receivables from the Government for licence fees)/ Shareholders' Equity < 1.7.

Rai Way is provided with a revolving facility of Euro 50 million, which will expire in 2019 and which had been used for Euro 10 million as at 30 June 2017. Furthermore, note that a temporary time deposit account of about Euro 43 million has been opened as security for all the creditors of Rai Way and Sud Engineering, which have not given their consent to the merger or whose claims had not been satisfied in full as at the date of the deed of merger.

The cash position is monitored on an ongoing basis through a financial forecasting model that makes it possible to identify, well in advance, any possible financial problem so that the appropriate measures can be taken.

5) Capital risk management

The Group's capital management objectives are focused on the protection of the ability to continue to ensure an optimal financial soundness, including through an ongoing improvement of its operational and financial efficiency. The objective of the Group is to maintain an adequate level of capitalisation that would allow the achievement of an economic return and the access to external funding sources. The Group monitors the changes in the debt/equity ratio on an ongoing basis. Specifically, the ratio of net worth to total liabilities including equity is shown in the table below:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Equity	469.8	476.6
Total liabilities and equity	3,090.8	3,012.6
<i>Ratio</i>	15.2%	15.8%

The Group's net financial position for the periods being analysed is reported in note 16.2 "Consolidated net financial position".

6) Fair value measurement

Financial instruments at fair value accounted for in the Consolidated Financial Statements are comprised of hedging financial derivatives, measured through a financial model that uses the most common and accepted market formulas (present value of estimated future cash flows for interest rate swaps, net present value for currency forwards and application of the Black&Scholes model for options), in addition to the following inputs provided by Reuters: ECB spot exchange rates, Euribor and IRS rate curves, volatility and credit spreads of the various banks and of the bonds issued by the Italian Government. The fair value of derivative instruments represents the net position between asset values and liability values. For more information on derivative assets and liabilities reference should be made to notes 8.3 "Current financial assets" and 11.2 "Current financial liabilities".

All the instruments outstanding as at 30 June 2017 and 31 December 2016 were measured according to the Level 2 method: use of inputs observable in the market (such as, for derivatives, the exchange rates quoted by the Bank of Italy, market rate curves, volatility provided by Reuters, credit spreads calculated based on credit default swaps, etc.) other than quoted prices included within Level 1.

7) Non-current assets

7.1 Property, plant and equipment

Property, plant and equipment, equal to Euro 1,064.7 million (Euro 1,082.5 million as at 31 December 2016), are broken down as follows:

(in millions of Euros)	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
Historical cost	381.8	580.6	2,101.2	94.4	116.7	50.8	3,325.5
Write-downs	-	-	(0.8)	-	-	-	(0.8)
Accumulated depreciation	-	(242.4)	(1,819.0)	(85.9)	(94.9)	-	(2,242.2)
Balance as at 31 December 2016	381.8	338.2	281.4	8.5	21.8	50.8	1,082.5
Increases and capitalisation [1]	0.2	3.4	7.9	0.7	1.4	19.1	32.7
Disposals [2]	-	(0.1)	(0.6)	-	-	(0.1)	(0.8)
Reclassifications	-	0.9 [3]	18.9	1.4	1.8	(23.2)	(0.2)
Depreciation	-	(8.6)	(36.9)	(1.3)	(2.7)	-	(49.5)
Balance as at 30 June 2017	382.0	333.8	270.7	9.3	22.3	46.6	1,064.7
<i>broken down as follows: [4]</i>							
Historical cost	382.0	584.2	2,123.7	96.7	116.7	46.6	3,349.9
Write-downs	-	-	(0.5)	-	-	-	(0.5)
Accumulated depreciation	-	(250.4)	(1,852.5)	(87.4)	(94.4)	-	(2,284.7)
[1] of which, following the incorporation of Sud Engineering into Rai Way:							
Cost	0.2	1.0	0.1	0.3	-	-	1.6
Depreciation	-	-	-	(0.3)	-	-	(0.3)
	0.2	1.0	0.1	-	-	-	1.3
[2] of which:							
Cost	-	(0.2)	(4.3)	(0.1)	(3.2)	(0.1)	(7.9)
Depreciation	-	0.1	3.7	0.1	3.2	-	7.1
	-	(0.1)	(0.6)	-	-	(0.1)	(0.8)
[3] of which Euro -0.2 million reclassified to Investment property following a change in the intended use of a property, broken down as follows:							
Cost	-	(0.7)	-	-	-	-	(0.7)
Depreciation	-	0.5	-	-	-	-	0.5
	-	(0.2)	-	-	-	-	(0.2)
[4] net of the use of the provision for write-down for:							
	-	-	0.3	-	-	-	0.3

Investments, equal to Euro 32.7 million, fell within the scope of the projects for the technological upgrading and development implemented by the Group.

Write-downs related to plant and machinery and were aimed at adjusting the value of the asset in case of technological obsolescence.

The amount of the existing contractual commitments for the acquisition of property, plant and equipment is stated in note 13.2 "Commitments".

7.2 Investment property

Investment property amounted to Euro 4.9 million (Euro 4.9 million as at 31 December 2016) and concerned some properties, which are owned by Rai Pubblicità SpA (hereinafter "Rai Pubblicità") and are leased to third parties, for which a periodical rental is received for a total amount of Euro 0.9 million during the first half of 2017 and Euro 0.9 million during the first half of 2016 and is broken down as follows:

(in millions of Euros)	
Historical cost	12.9
Accumulated depreciation	(8.0)
Balance as at 31 December 2016	4.9
Reclassifications [1]	0.2
Depreciation	(0.2)
Balance as at 30 June 2017	4.9
<i>broken down as follows:</i>	
Cost	13.6
Accumulated depreciation	(8.7)
[1] Reclassification from property, plant and equipment following a change in the intended use of property, broken down as follows:	
Cost	0.7
Depreciation	(0.5)
	0.2

No investments and disposals were made during the first half of 2017; therefore, the change for the period relates to depreciation rates and to the reclassification from Property, plant and equipment arising from a change in the intended use of a property owned by Rai Pubblicità.

7.3 Intangible assets

Intangible assets, equal to Euro 979.5 million (Euro 950.4 million as at 31 December 2016) are broken down as follows:

(in millions of Euros)	Programmes	Software	Trademarks	Goodwill	Other intangible assets	Assets under development and payments on account	Total
Cost	1,380.2	15.3	0.1	-	1.5	295.3	1,692.4
Write-downs	(44.0)	-	-	-	-	(23.2)	(67.2)
Amortisation	(667.3)	(6.2)	(0.1)	-	(1.2)	-	(674.8)
Balance as at 31 December 2016	668.9	9.1	-	-	0.3	272.1	950.4
Increases and capitalisation	159.6	1.4	-	5.0	3.4	64.4	233.8
Disposals and eliminations [1]	-	-	-	-	-	-	-
Reclassifications [2]	85.3	2.8	-	-	-	(88.1)	-
Write-downs	(8.8)	-	-	-	-	(1.9)	(10.7)
Amortisation [3]	(191.1)	(2.7)	-	-	(0.2)	-	(194.0)
Balance as at 30 June 2017	713.9	10.6	-	5.0	3.5	246.5	979.5
<i>broken down as follows:</i>							
Cost	1,625.2	19.5	0.1	5.0	4.9	270.5	1,925.2
Write-downs	(34.4)	-	-	-	-	(24.0)	(58.4)
Amortisation	(876.9)	(8.9)	(0.1)	-	(1.4)	-	(887.3)
[1] of which:							
Cost	-	-	-	-	-	(1.0)	(1.0)
Write-downs	-	-	-	-	-	1.0	1.0
	-	-	-	-	-	-	-
[2] of which:							
Cost	0.1	-	-	-	-	(0.1)	-
Write-downs	(0.1)	-	-	-	-	0.1	-
	-	-	-	-	-	-	-
[3] net of the use of the provision for write-down for:	18.5	-	-	-	-	-	18.5

Investments for the period, equal to Euro 233.8 million mainly related to television drama and comedy programmes for Euro 189.3 million and films for Euro 23.4 million.

The amount of assets under development and payments on account related to programmes for Euro 233.4 million, software for Euro 9.8 million and other rights for Euro 3.3 million.

Write-downs recognised during the period amounted to Euro 10.7 million and were made in order to adjust the assets at their estimated recoverable value.

The amount of the existing contractual commitments for the acquisition of intangible assets is stated in note 13.2 "Commitments".

7.4 Equity investments

Equity-accounted investments and equity investments in other companies, equal to Euro 6.8 million (Euro 8.4 million as at 31 December 2016) and Euro 0.9 million (Euro 0.7 million as at 31 December 2016), respectively, are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Joint ventures	3.8	5.4
Associates	3.0	3.0
Total equity-accounted investments	6.8	8.4
Equity investments in other companies	0.9	0.7
Total equity investments	7.7	9.1

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Below is the breakdown of equity-accounted investments:

(in millions of Euros)	Financial year ended 31 December 2016	New entries	Adjustment from equity valuation	Decrease for dividends	Half-year ended 30 June 2017
Joint ventures:					
San Marino RTV SpA	2.1	-	(0.1)	-	2.0
Tivù Srl	3.3	-	0.4	(1.9)	1.8
Associates:					
Audiradio Srl	-	-	-	-	- (a)
Auditel Srl	0.7	-	-	-	0.7 (b)
Euronews SA	2.3	-	-	-	2.3 (b)
Tavolo Editori Radio Srl	-	-	-	-	-
Total equity-accounted investments	8.4	-	0.3	(1.9)	6.8

(a) the financial deficit pertaining to Rai, on the basis of the results stated in the Financial Statements as at 31 December 2016 (last approved accounts), amounting to Euro 9 thousand, is covered by a provision for charges in the same amount.

(b) Measurement relating to the Financial Statements as at 31 December 2016, which are the last accounts available.

As to the investment held by the Parent Company in Euronews SA, it should be noted that, following two capital increases carried out during the half-year and subscribed by other shareholders, the ownership percentage reduced from 9.66% to 3.08%.

Below is the breakdown of changes in equity investments in other companies:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Almaviva SpA	0.3	0.3
Istituto Enciclopedia Treccani SpA	0.7	0.5
Others [1]	0.1	0.1
Gross value	1.1	0.9
Provision for write-down of equity investments in other companies	(0.2)	(0.2)
Total equity investments in other companies	0.9	0.7

[1] Banca di Credito Cooperativo di Roma S.c.p.a and International Multimedia University Umbria Srl.

It should be noted that during the half-year the Parent Company subscribed the capital increase carried out by Istituto Enciclopedia Treccani for a total amount of Euro 0.2 million. Accordingly, the ownership percentage held by the Parent Company increased from 0.81% to 1.063%.

7.5 Non-current financial assets

Non-current financial assets, equal to Euro 3.7 million (Euro 0.2 million as at 31 December 2016), are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Receivables from personnel	0.1	0.1
Derivative financial instruments	2.6	-
Other non-current financial assets	1.0	0.1
Total non-current financial assets	3.7	0.2

Non-current financial assets were stated net of a provision for write-down of Euro 0.2 million (unchanged compared to 31 December 2016).

The value of derivatives, equal to Euro 2.6 million (nil as at 31 December 2016), related to the fair value of the Interest Rate Swap Forward Start contracts that were entered into by the Parent Company in April, the effective date of which will fall in May 2020 and which will remain in force for the subsequent 5 years, to cover the risk of changes in interest rates at the time of the refinancing of the present bond (Euro 350 million). No current portions have been recognised. The fair value, net of the tax component of this transaction, equal to Euro 2.0 million, is deferred in a specific Cash Flow Hedge Reserve, thus impacting on the comprehensive result for the period.

Other non-current financial assets, equal to Euro 1.0 million (Euro 0.1 million as at 31 December 2016) almost entirely relate to the deferral of the non-current portion of commissions relating to the 5-year revolving facility agreement entered into by the Parent Company.

Below is the breakdown of current and non-current financial assets by maturity:

(in millions of Euros)	Half-year ended 30 June 2017			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Financial receivables from personnel	-	0.1	-	0.1
Receivables from associates	2.3	-	-	2.3
Derivative financial instruments	-	2.6	-	2.6
Time bank deposits	9.0	-	-	9.0
Other financial assets	0.4	1.0	-	1.4
Total	11.7	3.7	-	15.4

(in millions of Euros)	Financial year ended 31 December 2016			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Financial receivables from personnel	0.1	0.1	-	0.2
Derivative financial instruments	1.7	-	-	1.7
Time bank deposits	5.5	-	-	5.5
Other financial assets	0.1	0.1	-	0.2
Total	7.4	0.2	-	7.6

The short-term portion of financial assets, equal to Euro 11.7 million, was entered under the current components of the balance sheet described in note 8.3 "Current financial assets".

The information on hedged risks and hedging policies is reported in note 4.1 "Market risk".

7.6 Deferred tax assets

As shown in the table below, at 30 June 2017, and as at 31 December 2016, the net balance of deferred tax assets and liabilities showed a negative amount and was then recognised under liabilities in the statement of financial position. Therefore, reference should be made to note 10.4 "Deferred tax liabilities" for the related breakdown.

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Deferred tax assets that can be offset	106.6	137.7
Deferred tax liabilities that can be offset	(162.3)	(161.9)
Deferred tax liabilities	(55.7)	(24.2)

Income taxes are described in note 12.9 "Income taxes".

7.7 Other non-current assets

Other non-current assets, equal to Euro 25.0 million (Euro 17.7 million as at 31 December 2016), are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Advances on sports events	6.9	6.9
Advances on commercial activities	20.7	20.5
Non-current portion of trade receivables	2.5	2.2
Receivables from personnel	0.3	0.3
Collateral securities	2.5	2.6
Other non-current receivables	11.7	3.7
Provision for other bad debts and non-current assets	(19.6)	(18.5)
Total other non-current assets	25.0	17.7

The items reported above substantially related to non-current portions of assets described in note 8.5 "Other receivables and current assets", to which reference should be made.

The provision for other bad debts and the write-down of non-current assets, equal to Euro 19.6 million (Euro 18.5 million as at 31 December 2016), is broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Provisions	Uses	Half-year ended 30 June 2017
Provision for write-down of advances on commercial activities	(11.9)	(1.0)	-	(12.9)
Provision for write-down of advances on sports events	(6.6)	(0.1)	-	(6.7)
Total provision for other bad debts and non-current assets	(18.5)	(1.1)	-	(19.6)

6) Current assets

8.1 Inventories

Inventories, net of the related provision for write-down, equal to Euro 2.7 million (Euro 2.9 million as at 31 December 2016), are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Technical materials	13.1	13.1
Provision for write-down of technical materials	(12.2)	(12.2)
Contract work in progress	0.2	0.2
Finished products and goods for resale	1.6	1.8
Total inventories	2.7	2.9

Inventories of technical materials, equal to Euro 0.9 million, net of the related provision for write-down (Euro 0.9 million as at 31 December 2016) related to supplies and spare parts for the maintenance and operation of equipment, considered as consumables since their useful life generally ends over a period of no more than 12 months.

Contract work in progress, equal to Euro 0.2 million (unchanged compared to 31 December 2016), related to costs incurred for the development of the Isoradio network, which were recognised in the accounts of subsidiary Rai Way.

Inventories of goods for resale, equal to Euro 1.6 million (Euro 1.8 million as at 31 December 2016), mainly concerned inventories connected with the publishing of journals and books, as well as home video distribution.

8.2 Trade receivables

Trade receivables, equal to Euro 407.3 million (Euro 637.0 million as at 31 December 2016), are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
From customers:		
From the Government and other public entities for public broadcasting services	78.0	84.3
Ministry of Economy and Finance for licence fees	21.9	228.9
Other receivables	350.9	370.5
Provision for write-down of receivables from customers	(43.8)	(47.1)
From joint ventures and associates	0.3	0.4
Total trade receivables	407.3	637.0

Receivables from joint ventures and associates related to:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
From joint ventures and associates		
San Marino RTV SpA	-	0.1
Tivù Srl	0.3	0.3
Receivables from joint ventures and associates	0.3	0.4

Receivables from the Government and other public entities for public broadcasting services, amounting to Euro 78.0 million (Euro 84.3 million as at 31 December 2016), related to:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Prime Minister's Office:		
Operating grant to be paid to San Marino RTV	4.6	3.1
Television, radio and multimedia offering for the foreign market	10.1	6.7
Broadcasting from Trieste in Slovenian	13.1	7.4
Radio and television broadcasts in French for the Autonomous Region of Valle D'Aosta	2.4	1.4
Revenue Agency: management of ordinary TV licence fees	6.5	14.8
Regions and Provinces:		
Autonomous Province of Bolzano: radio and television broadcasts in German and Ladin in the Autonomous Province of Bolzano	32.7	42.3
Autonomous Region of Valle d'Aosta: management of equipment for receiving programmes from the French-speaking area	8.6	8.6
Total	78.0	84.3

The receivable from the Ministry of Economy and Finance for licence fees amounted to Euro 21.9 million, showing a decrease of Euro 207.0 million compared to the value posted as at 31 December 2016, and represents the portions still to be reversed to Rai.

Other receivables have been stated for a nominal value of Euro 350.9 million, showing a decrease of Euro 19.6 million compared to 31 December 2016 and are made up of receivables for advertising services, assignment of rights, film and home video distribution, system hosting and other various services.

Receivables from related parties are detailed in note 13.4 "Related Parties".

Trade receivables are stated net of a provision for bad debts of Euro 43.8 million (Euro 47.1 million as at 31 December 2016), which is broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Provisions	Uses	Reversals	Half-year ended 30 June 2017
Provision for write-down of receivables from customers	(47.1)	(0.8)	2.7	1.4	(43.8)
Provision for write-downs of trade receivables	(47.1)	(0.8)	2.7	1.4	(43.8)

8.3 Current financial assets

Current financial assets amounted to Euro 11.7 million (Euro 7.4 million as at 31 December 2016). The breakdown of this item and the comparison with the previous year are detailed below:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
From joint ventures and associates	2.3	-
From personnel	-	0.1
Hedging derivatives	-	1.7
Time bank deposits	9.0	5.5
Other current financial assets	0.4	0.1
Total current financial assets	11.7	7.4

Receivables from joint ventures and associates related to:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
From joint ventures and associates:		
San Marino RTV SpA	1.0	-
Tivù Srl	1.3	-
Total receivables from joint ventures and associates	2.3	-

Time bank deposits, equal to Euro 9.0 million (Euro 5.5 million as at 31 December 2016), related to amounts confiscated on current accounts due to some pending disputes.

Derivative financial instruments, entered at fair value, are broken down below as regards their asset component, including current and non-current portions:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Exchange rate hedging derivatives	-	1.7
Total derivative financial instruments – Current portion	-	1.7
Interest rate hedging derivatives	2.6	-
Total derivative financial instruments – Non-current portion	2.6	-
Total derivative financial instruments	2.6	1.7

The fair value of derivative financial instruments was determined on the basis of valuation models used in the financial sector and market benchmarks as at the reporting date of the financial statements, as detailed in note 6 "Fair value measurement".

The derivative financial instruments as at 30 June 2017 amounted to Euro 2.6 million (Euro 1.7 million as at 31 December 2016) and fully related to the non-current portion (nil as at 31 December 2016) of the fair value of the Interest Rate Swap Forward Start contracts entered into by the Parent Company, as already described in note 7.5 "Non-current financial assets".

No current portions had been recognised as at 30 June 2017, while as at 31 December 2016 the value of Euro 1.7 million related to the current portion of exchange rate hedging derivatives.

The information on hedged risks and hedging policies is reported in note 4.1 "Market risk".

8.4 Tax receivables

Tax receivables, equal to Euro 64.4 million (Euro 135.6 million as at 31 December 2016), are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Requests for VAT refund	2.2	60.1
Group VAT	39.9	54.1
Requests for IRES tax refund for deductibility of IRAP tax relating to personnel costs and similar costs	16.9	16.9
IRAP tax credit	3.0	2.4
Withholdings on disposals of foreign companies	0.5	0.8
Requests for other tax refunds	0.2	0.5
Other tax receivables	1.7	0.8
Total tax receivables	64.4	135.6

IRAP (Regional Production Activity) tax credit, equal to Euro 3.0 million (Euro 2.4 million as at 31 December 2016) related to the IRAP tax advances paid to the Tax Office.

Taxes are described in note 12.9 "Income taxes".

8.5 Other receivables and current assets

Other receivables and current assets, equal to Euro 114.8 million (Euro 78.7 million as at 31 December 2016), are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Advances for sports events	30.8	11.6
Advances on commercial initiatives	-	0.7
Payments on account to suppliers, collaborators and agents	27.3	14.0
Receivables from welfare and social security institutions	2.8	2.8
Receivables from personnel	12.2	12.3
Receivables from entities, companies, bodies and others	21.6	15.1
Receivables from subsidies and grants from the Government, the EU and other public entities	0.3	0.3
Other receivables	23.5	25.9
Provision for other bad debts and current assets	(3.7)	(4.0)
Total other receivables and current assets	114.8	78.7

Moreover:

- receivables from personnel mostly related to receivables for labour disputes, advances for travel expenses and production costs. This item includes receivables arising from the application of Law 89/2014;
- other receivables include trade receivables assigned to factoring companies without recourse in an amount equal to Euro 7.0 million (Euro 1.5 million as at 31 December 2016).

The provision for other bad debts and current assets, equal to Euro 3.7 million (Euro 4.0 million as at 31 December 2016), is broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Provisions	Uses	Reversals	Half-year ended 30 June 2017
Provision for other bad debts and current assets	(4.0)	-	0.2	0.1	(3.7)

Considering the short period of time elapsing between the date when the receivable arises and its maturity, it is believed that there are no significant differences between the book value of trade receivables, other receivables and current financial assets and their respective fair values.

8.6 Cash and cash equivalents

Cash and cash equivalents, equal to Euro 404.4 million (Euro 86.2 million as at 31 December 2016), are broken down into the following items:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Bank and postal deposits	404.1	85.9
Cash and cash equivalents on hand	0.3	0.3
Total cash and cash equivalents	404.4	86.2

Bank and postal deposits amounted to Euro 404.1 million (Euro 85.9 million as at 31 December 2016) and included available balances at sight or in the short term, on deposits or current accounts held with banks, financial institutions and the Post Office. In this regard it should be noted that this item includes a temporary time deposit of about Euro 43 million held as security for all the creditors of Rai Way and Sud Engineering which have not given their consent to the merger or whose claims had not been satisfied in full as at the date of the deed of merger.

Cash and cash equivalents on hand amounted to Euro 0.3 million (unchanged compared to 31 December 2016) and included liquid funds in the form of cash and equivalent instruments (revenue stamps, cashier's cheques or bank-guaranteed cheques, etc.) held with the Group as at 30 June 2017.

9) Shareholders' equity

Below is the breakdown of equity into shares attributable to the Group and non-controlling interests:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Share Capital	242.5	242.5
Legal reserve	11.8	11.6
IFRS FTA reserve	(58.7)	(58.7)
Reserve for translation difference	0.7	0.7
Cash-flow hedge reserve	1.7	0.3
Other reserves	255.3	252.0
Total other reserves	199.0	194.3
Actuarial reserves for employee benefits	(23.3)	(31.9)
Profit (loss) for the period	(11.8)	3.5
Total profits (losses) carried forward	(35.1)	(28.4)
Total Group equity	418.2	420.0
Non-controlling interests' capital and reserves	42.2	42.2
Profits (losses) carried forward attributable to non-controlling interests	9.4	14.4
Total equity attributable to non-controlling interests	51.6	56.6
Total equity	469.8	476.6

Non-controlling interests

The result for the half-year and the equity attributable to non-controlling interests related to subsidiary Rai Way, which is 64.971% invested in by Rai.

Share Capital

As at 30 June 2017, the Parent Company's share capital was divided into 242,518,100 ordinary shares with a par value of Euro 1 each. The fully paid-up and subscribed share capital is held by:

- the Ministry of Economy and Finance (MEF) for 241,447,000 shares, equal to 99.55835% of the share capital; and
- Società Italiana Autori Editori (S.I.A.E.) for 1,071,100 shares, equal to 0.4417% of the share capital.

Legal reserve

The legal reserve amounted to Euro 11.8 million.

Other reserves and profits (losses) carried forward

Other reserves, equal to Euro 199.0 million (Euro 194.3 million as at 31 December 2016) and losses carried forward, equal to Euro 35.1 million (Euro 28.4 million as at 31 December 2016), are broken down as shown above.

10) Non-current liabilities

10.1 Non-current financial liabilities and current portions of non-current financial liabilities

Non-current financial liabilities, including current portions, were equal to Euro 463.1 million (Euro 482.7 million as at 31 December 2016), and are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017			Financial year ended 31 December 2016		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Bonds	347.4	-	347.4	346.9	-	346.9
Medium/long-term payables to banks	75.3	40.0	115.3	95.3	39.9	135.2
Hedging derivatives	-	-	-	0.1	-	0.1
Medium/long-term payables to other lenders	0.3	0.1	0.4	0.4	0.1	0.5
Total	423.0	40.1	463.1	442.7	40.0	482.7

Non-current financial liabilities, including current portions, decreased by Euro 19.6 million from 31 December 2016, mainly due to:

- the repayment by Rai of the second instalment of the loan granted by the European Investment Bank ("EIB") for Euro 5.0 million;
- the repayment of two instalments of the Rai Way loan for Euro 15.0 million.

As at 30 June 2017, the main medium/long-term payables to banks were made up of:

- an amortising loan in a notional amount of Euro 40 million, due 2021, granted by the European Investment Bank for the development of the Digital Terrestrial infrastructure;
- an amortising loan to Rai Way in a notional amount of Euro 75 million, finally due 2019;
- medium/long-term credit facilities granted to Rai Way by Mediocredito Centrale and Cassa Depositi e Prestiti in a notional amount of Euro 0.8 million.

The EIB loan provides for compliance with the following parameters/financial ratios in relation to the annual and half-year consolidated financial statements prepared according to IFRS:

- Net Financial Debt (adjusted, net of receivables from the Government for license fees)/Equity ≤ 1.3
- Net Financial Debt (adjusted, net of receivables from the Government for license fees)/EBITDA ≤ 1.0

As at the reporting date these ratios had been largely complied with, coming to 0.08 and 0.06, respectively.

The amortising loan held by Rai Way provides for the following parameters/financial ratios to be complied with in the Company's financial statements as at 31 December and as at 30 June of each year:

- Net Financial Debt/Equity ≤ 2.75
- Net Financial Debt/EBITDA ≤ 2.75

These ratios have been complied with in full.

The bond loan issued by Rai in May 2015 is listed on the Irish Stock Exchange. This bond, which was fully subscribed by international institutional investors, pays a nominal interest rate of 1.5%, due May 2020; it is fully unsecured and contains the usual covenants for issues with a similar rating. These covenants include:

- Negative Pledge, i.e. the prohibition on providing guarantees on other bond issues launched by the Issuer or of its "relevant subsidiaries", unless the same guarantee is provided to the existing bondholders;
- Cross-default, i.e. the possibility for the bondholders to ask for the default to be declared on the bond in the case of default on the debt of the Issuer or its "relevant subsidiaries" in an amount exceeding Euro 50 million;
- Change of Control, i.e. the possibility for the bondholders to exercise a "Put" option at par if the Ministry of Economy and Finance ceases to hold the majority of the votes at the ordinary and extraordinary Shareholders' meetings of Rai.

In December 2016 Moody's confirmed the Long-Term Issuer Baa3 (investment grade) rating, with a change in the outlook from "stable" to "negative", as a result of the downgrade in the Italian Government's rating, which is the majority shareholder of the Company.

Below is the breakdown of total financial liabilities (current and non-current) by maturity:

(in millions of Euros)	Half-year ended 30 June 2017			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Bonds	-	347.4	-	347.4
Medium/long-term payables to banks	40.0	75.3	-	115.3
Short-term payables to banks	10.0	-	-	10.0
Medium/long-term payables to other lenders	0.1	0.3	-	0.4
Hedging derivatives	0.6	-	-	0.6
Other financial liabilities	2.7	-	-	2.7
Total	53.4	423.0	-	476.4

(in millions of Euros)	Financial year ended 31 December 2016			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Bonds	-	346.9	-	346.9
Medium/long-term payables to banks	39.9	95.2	0.1	135.2
Short-term payables to banks	160.1	-	-	160.1
Medium/long-term payables to other lenders	0.1	0.4	-	0.5
Payables to associates	0.1	-	-	0.1
Hedging derivatives	-	0.1	-	0.1
Other financial liabilities	0.3	-	-	0.3
Total	200.5	442.6	0.1	643.2

The fair value of non-current financial liabilities (other than derivative financial instruments) has been measured according to the following criteria:

- the bond, at the value of listing on the Irish Stock Exchange, equal to 103.21 (including accrued interest);
- the fair value of the EIB loan (including the short-term portion) has been calculated by discounting the capital and interest flows at the implied rates of the Euro curve as at the reporting date, as increased by the credit spread of Rai, estimated on the basis of the bonds issued by the Italian Government and was substantially in line with the book value.

As regards the Rai Way facilities, it is estimated that their book value approximates their fair value.

The fair value of non-current derivative liabilities posted an insignificant value in terms of millions of Euros as at 30 June 2017 (Euro 0.1 million as at 31 December 2016) and related to the Interest Rate Swap transactions entered into by Rai Way to cover 50% of the amortising credit facility. The details of the fair value measurement of the derivative instruments are stated in note 6 "Fair value measurement"; the quantification of the changes in market value recognised in consolidated profit or loss and in the consolidated equity reserve is stated in note 11.2 "Current financial liabilities".

Notes to the Consolidated Interim Financial Statements

10.2 Employee benefits

Employee benefits, equal to Euro 537.7 million (Euro 555.0 million as at 31 December 2016), are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Provision for Staff Severance Pay	272.9	283.5
Pension fund (*)	139.7	144.3
Provision for compensation in lieu of notice – journalists	107.1	109.2
Healthcare fund for RAI executives (FASDIR)	15.0	15.0
Seniority bonuses	2.3	2.3
Other employee benefits	0.7	0.7
Total employee benefits	537.7	555.0

(*) Net of FIPDRAI assets.

Provisions for employee benefits measured by applying actuarial techniques are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017				
	Provision for Staff Severance Pay	Pension funds (*)	FASDIR	Compensation in lieu of notice-journalists	Other benefits
Present value of the obligation at the beginning of the year	283.5	144.3	15.0	109.2	3.0
Current cost of defined-benefit plans	-	-	-	3.2	0.1
Current cost of defined-contribution plans	21.7	-	0.5	-	-
Interest expense	0.9	0.7	0.1	0.6	-
Revaluations:					
- Actuarial gains/losses from changes in demographic assumptions					
- Actuarial gains/losses from changes in financial assumptions	(1.9)	(2.1)	-	(4.7)	-
- Effect of the past experience					
- Actuarial gains (losses) from returns on plan assets	-	-	-	-	-
Past service cost and gains/losses from settlement	-	-	-	(0.5)	-
Benefits paid	(13.0)	(3.2)	(0.6)	(0.7)	(0.1)
Transfers to external funds for defined-contribution plans	(21.5)	-	-	-	-
Other changes	3.2	-	-	-	-
Present value of the obligation at the end of the period	272.9	139.7	15.0	107.1	3.0

(*) Net of plan assets.

Costs of employee benefits, determined by using actuarial assumptions, recognised in Consolidated profit or loss are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017				
	Provision for Staff Severance Pay	Pension funds	FASDIR	Compensation in lieu of notice-journalists	Other benefits
Current cost of defined-benefit plans	-	-	-	(3.2)	(0.1)
Current cost of defined-contribution plans	(21.7)	-	(0.5)	-	-
Past service cost and gains/losses from settlement	-	-	-	0.5	-
Net interest expense (income):					
- Interest expense	(0.9)	(0.7)	(0.1)	(0.6)	-
- Interest income	-	-	-	-	-
Total	(22.6)	(0.7)	(0.6)	(3.3)	(0.1)

Costs of defined-benefit plans recognised under Other Comprehensive Income of the consolidated statement of comprehensive income are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017				
	Provision for Staff Severance Pay	Pension funds	FASDIR	Compensation in lieu of notice-journalists	Other benefits
Revaluations:					
- Actuarial gains/losses form changes in demographic assumptions					
- Actuarial gains/losses form changes in financial assumptions	1.9	2.1	-	4.7	-
- Effect of the past experience					
- Actuarial gains (losses) from returns on plan assets	-	-	-	-	-
Total	1.9	2.1	-	4.7	-

The main actuarial assumptions adopted are outlined below:

	Half-year ended 30 June 2017
Financial assumptions	
Discount rates	from 0.79% to 1.50%
Rate of inflation	1.50%
Expected rate of pay increase (*)	from 1.21% to 3%
Demographic assumptions	
Maximum retirement age	According to law
Life tables	SI 2014 Amended
Average annual percentage of staff exits	from 3.65% to 7.56%
Annual probability of request for early retirement	from 1.00% to 1.50%

(*) Inflation included.

The discount rate adopted was determined taking account of the returns on high quality corporate bonds, specifying the class of rating, or other references (such as government bonds in the absence of high quality corporate bonds). For the purposes of the definition of actuarial assumptions and, specifically, of the discount rate, taking account of the definition of Investment grade securities, only securities of corporate issuers with a rating of "AA" were considered.

The demographic tables adopted are SI 2014, broken down by gender and appropriately amended according to a specific study on the mortality concerning the Group community.

10.3 Non-current provisions for risks and charges

Non-current provisions for risks and charges, equal to Euro 213.1 million (Euro 228.1 million as at 31 December 2016), are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Provisions	Uses	Reversals	Translation differences	Other changes	Half-year ended 30 June 2017
Provision for legal disputes	80.1	5.6	(8.2)	(0.5)	(0.3)	-	76.7
Provision for reclamation and renovation of properties	28.0	-	(0.2)	-	-	-	27.8
Provision for decommissioning and restoration	14.1	0.1	-	-	-	0.3	14.5
Provision for costs of accrued commissions	43.9	1.1	(18.8)	(0.9)	-	-	25.3
Provision for litigation with social security institutions	3.0	-	-	-	-	-	3.0
Provision for tax litigation	13.2	10.8	-	-	-	-	24.0
Provision for ISC ICM Agents	1.9	0.2	(0.1)	-	-	-	2.0
Provision for reimbursement of licence fees	0.7	-	(0.1)	-	-	-	0.6
Provision for disputes on leases	1.4	-	-	-	-	-	1.4
Provision for risks on default interest	0.6	-	-	-	-	-	0.6
Other provisions	41.2	1.6	(4.7)	(1.0)	-	0.1	37.2
Total provision for risks and charges	228.1	19.4	(32.1)	(2.4)	(0.3)	0.4	213.1

The provision for legal disputes, equal to Euro 76.7 million, included the prudential and prognostic estimate of the charges arising from pending legal proceedings, in which the Group is involved for various reasons. More specifically, they related (amounts including legal fees) to civil, administrative and criminal proceedings for Euro 47.7 million and to labour-related disputes for Euro 29.0 million.

The provision for reclamation and renovation of properties, equal to Euro 27.8 million, included the estimated costs that the Group expects to incur mainly with reference to the removal of facilities containing asbestos from within two of the properties owned. The constructive obligation to carry out the reclamation and subsequent renovation of the aforementioned properties results from the Group's intention expressed on more than one occasion to the company's bargaining units.

The provision for decommissioning and restoration, equal to Euro 14.5 million, included the estimated costs for decommissioning, removal of installations and changes made, and the restoration of the areas and/or premises operated by the Group under operating leases, which place an obligation on the lessee to restore the leased areas and/or premises at the end of the lease term (i.e. when the area and/or premises are handed over absent any renewal of the lease).

The provision for costs of accrued commissions, equal to Euro 25.3 million, includes total costs estimated in relation to the employment relationships in place.

The provision for litigation with social security institutions, equal to Euro 3.0 million, included the estimated costs resulting from jurisdictional proceedings pending with social security institutions.

The provision for tax litigation, equal to Euro 24.0 million, included costs (totalling Euro 21.3 million, of which an amount of Euro 16.7 million on account of taxes and an amount of Euro 4.6 million on account of interest) to be incurred following Rai Pubblicità's agreement, as resolved in September 2017, to the concessional settlement of pending tax disputes, as required by Article 11 of Decree Law 50/2017, as amended and converted by Law 96/2017. The tax disputes in question concern the actions brought against the VAT tax assessments for the tax periods between 2007 and 2011, which were served on Rai Pubblicità in December 2016. For more details, reference should be also made to notes 12.6 "Provisions" and 13.3 "Potential liabilities".

The provision for agent's supplementary clientele indemnity (*Indennità suppletiva di clientela* or ISC) and the provision for agent's merit clientele indemnity (*Indennità di clientela meritocratica* or ICM), equal to Euro 2.0 million, included the amounts to be paid to the agents upon termination of their agency contracts due to a cause not ascribable to the agent, determined also based on estimates that take account of the Group's historical data, and with reference to the growth of the customer portfolio or the increase in business volumes with the customers already included in such portfolio.

10.4 Deferred tax liabilities

Deferred tax liabilities, equal to Euro 55.7 million, are stated net of deferred tax assets that can be offset, equal to Euro 106.6 million. The net balance as at 31 December 2016 showed deferred tax liabilities of Euro 24.2 million.

The nature of the temporary differences that determined deferred tax liabilities and offset deferred tax assets is as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Changes			Half-year ended 30 June 2017
		Income Statement	Other Comprehensive Income (expense)	Balance Sheet	
Statutory-tax differences on property, plant and equipment	(159.7)	1.0	-	-	(158.7)
Exchange and interest rate derivatives	(0.2)	-	(0.4)	-	(0.6)
Other equity investments	(1.7)	-	-	-	(1.7)
Deferred tax liabilities on consolidation adjustments	(0.2)	-	-	-	(0.2)
Other	(0.1)	-	-	(1.0) (a)	(1.1)
Deferred tax liabilities	(161.9)	1.0	(0.4)	(1.0)	(162.3)
Negative taxable income	129.5	10.8	-	(42.2)	98.2
Write-down of programmes	0.1	-	-	-	0.1
Statutory-tax difference on programmes	-	0.1	-	-	0.1
Employee benefits	0.8	-	(0.1)	-	0.7
Estimated new accruals	5.2	0.2	-	-	5.4
Deferred tax assets from consolidation adjustments	1.6	-	-	-	1.6
Exchange and interest rate derivatives	-	-	0.1	-	0.1
Other	0.5	(0.1)	-	-	0.4
Deferred tax assets that can be offset	137.7	11.0	-	(42.2)	106.6
Net deferred tax liabilities	(24.2)	12.0	(0.4)	(43.2)	(55.7)

(a) Deferred tax liabilities recognised against intangible assets arising from the allocation of the price paid by Rai Way for the acquisition and subsequent merger by incorporation of Sud Engineering.

The calculation of deferred tax assets took account of the reasonable certainty of their future recovery.

The changes related to other comprehensive income (expense) essentially concerned deferred tax assets and liabilities recognised in equity and related to the tax effect of the remeasurement of defined-benefit plans and of cash flow hedge instruments recognised based on hedge accounting.

Deferred tax assets on tax losses carried forward amounted to Euro 98.2 million and are likely to be used with reference to the possibility of them being offset with the taxable income contributed by the Group companies that participate in the Tax Consolidation and with the reversal of deferred tax liabilities to consolidated profit or loss.

10.5 Other non-current payables and liabilities

Other non-current payables and liabilities, which entirely reflect items expressed in Euros, were equal to Euro 2.8 million (Euro 3.6 million as at 31 December 2016) and related to deferred income for the non-current portion of the grants disbursed by the then Ministry for Communications in support of the initiatives for the switchover to Digital Terrestrial broadcasting. For additional information on such grants, reference should be made to note 11.1 "Trade payables and other current payables and liabilities".

Payables to related parties are described in note 13.4 "Related Parties".

11) Current liabilities

11.1 Trade payables and other current payables and liabilities

Trade payables and other current payables and liabilities, equal to Euro 1,293.0 million (Euro 995.7 million as at 31 December 2016), are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Payables to suppliers	640.1	679.1
Trade payables to joint ventures and associates	5.1	7.1
Total trade payables	645.2	686.2
Payables to the Government for contribution for the usage of frequencies	5.6	-
Payables to social security institutions	63.4	78.3
Other payables to personnel	197.2	203.8
Payables due to tax assessments for the period	5.4	7.6
Advances	8.3	6.5
Deferred income:		
- licence fees	355.0	0.6
- grant for switch over to Digital Terrestrial broadcasting	2.1	2.6
- other deferrals	1.6	1.3
Accrued expenses	0.6	3.1
Other payables	8.6	5.7
Total other current payables and liabilities	647.8	309.5
Total trade payables and other current payables and liabilities	1,293.0	995.7

Trade payables to joint ventures and associates related to:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Auditel Srl	-	2.7
San Marino RTV SpA	4.7	3.4
Tivù Srl	0.4	1.0
Trade payables to joint ventures and associates	5.1	7.1

Trade payables, equal to Euro 645.2 million, showed a decrease of Euro 41.0 million compared to 31 December 2016.

The increase in other current payables and liabilities, equal to Euro 338.3 million compared to 31 December 2016, was mainly due to the recognition of deferred income on licence fees as at 30 June 2017, arising from the difference between the amounts paid by the Ministry of Economy and Finance during the half-year compared to the accrued economic value, the repayment of which is largely expected to be made during the second half of the year.

The item of "Deferred income – grant for switch over to Digital Terrestrial broadcasting" includes the current portion of grants disbursed by the then Ministry for Communications from 2007 to 2011 in support of the initiatives to speed up the transition to Digital Terrestrial, equal to Euro 2.1 million.

Payables to personnel amounted to Euro 197.2 million (Euro 203.8 million as at 31 December 2016), and are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Untaken holidays	94.2	75.8
Untaken days off	51.2	51.0
Assessed remuneration	43.5	52.0
Early retirement incentives	6.2	22.7
Other	2.1	2.3
Total payables to personnel	197.2	203.8

Payables to social security institutions, equal to Euro 63.4 million (Euro 78.3 million as at 31 December 2016), are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Payables to Supplementary personnel Pension Funds	10.8	23.2
Payables to INPS (formerly ENPALS)	19.3	20.2
Payables to INPGI	11.1	14.7
Payables to INPS	8.6	8.3
Payables to CASAGIT	1.1	1.5
Contributions on assessed remuneration	10.5	9.5
Other payables	2.0	0.9
Payables to social security institutions	63.4	78.3

Payables to related parties are described in note 13.4 "Related Parties".

11.2 Current financial liabilities

Current financial liabilities, equal to Euro 53.4 million (Euro 200.5 million as at 31 December 2016) are stated in the table below:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Medium/long-term payables to banks (current portion)	40.0	39.9
Medium/long-term payables to other lenders (current portion)	0.1	0.1
Short term payables to banks	10.0	160.1
Hedging derivatives	0.6	-
Payables to associates – under current financial liabilities	-	0.1
Other current payables and financial liabilities	2.7	0.3
Total current financial liabilities	53.4	200.5

Current portions of non-current financial liabilities are already reported and commented in note 10.1 "Non-current financial liabilities".

Short-term payables to banks, equal to Euro 10.0 million (Euro 160.1 million as at 31 December 2016), were substantially related to the use of the revolving facility on the part of affiliate Rai Way.

Derivative transactions concern the hedging of exchange risks on contracts for the acquisition of rights to sports events and TV rights relating to serial and movie products denominated in Dollars.

The recognition of the effects through profit or loss and the realisation of cash flows from hedged contracts are expected over a period of time limited to the fourth quarter of 2017.

During the first half of 2017 no significant events occurred in which, in consideration of transactions previously qualified as hedging, the realisation of the hedged item was no longer regarded as highly probable.

The fair value of derivative liabilities, both current and non-current, is specified below:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Exchange rate hedging derivatives	0.6	-
Total derivative financial instruments – Current portion	0.6	-
Interest rate hedging derivatives	-	0.1
Total derivative financial instruments – Non-current portion	-	-
Total derivative financial instruments	0.6	0.1

The fair value of hedging derivative liabilities as at 30 June 2017 amounted to Euro 0.6 million (Euro 0.1 million as at 31 December 2016). Specifically, the current portion, equal to Euro 0.6 million (nil as at 31 December 2016) relates to exchange rate hedging transactions and is deferred in equity for Euro 0.4 million under the Cash Flow hedge Reserve, while an amount of Euro 0.2 million has been stated as an adjustment to the value of the acquired right. There has been no recognition of non-current portions.

Furthermore, as at 31 December 2016 a negative fair value of Euro 0.1 million had been recognised under non-current financial liabilities, which related to interest rate hedging transactions of Rai WWay, fully deferred in equity under the Cash Flow Hedge Reserve.

The information related to hedged risks and hedging policies is reported in note 4.1 "Market risk".

Financial payables to associates related to:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
San Marino RTV SpA	-	0.1
Financial payables to associates	-	0.1

Other current payables and financial liabilities, equal to Euro 2.7 million (Euro 0.3 million at 31 December 2016), were mainly made up of the balance to be paid for the acquisition of Sud Engineering on the part of Rai WWay.

11.3 Tax payables

Tax payables, equal to Euro 42.0 million (Euro 85.8 million as at 31 December 2016), are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
IRES tax payables from national tax consolidation	11.4	46.6
IRAP tax payables	0.6	1.2
Total payables for direct taxes	12.0	47.8
Deferred VAT debt	1.5	1.5
Total payables for indirect taxes	1.5	1.5
Withholding taxes on income from subordinate and self-employment	27.0	36.0
Other withholdings and substitute taxes	1.5	0.5
Total payables for withholdings applied as withholding agent	28.5	36.5
Total tax payables	42.0	85.8

As regards IRES tax payables to the Tax Office, equal to Euro 11.4 million (Euro 46.6 million as at 31 December 2016), it should be noted that the Group companies opted for Group taxation, appointing the Parent Company, as the consolidating entity, to fulfil any formalities related to the settlement and payment of IRES tax for the companies included in the Tax Consolidation. The procedure for consolidating the Group's taxable income is regulated by a specific agreement between the Parent Company and its subsidiaries, as described in note 13.4 "Related Parties".

Income taxes are analysed in note 12.9, "Income Taxes".

12) Income statement

12.1 Revenues from sales and services

The main items that make up the "Revenues from sales and services" are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
Licence fees	895.3	930.7
Advertising	344.1	374.7
Other revenues	89.1	91.0
Total revenues from sales and services	1,328.5	1,396.4

The breakdown of revenues by geographical area shows the predominance of the domestic market.

Licence fees

Licence fees revenues, equal to Euro 895.3 million in the first half of 2017 (Euro 930.7 million in the first half of 2016), are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
Fees for the period – ordinary subscribers	819.3	883.0
Fees for the period – special subscribers	42.0	40.0
Fees for previous years	34.0	8.0
Reimbursement of fees	-	(0.3)
Total licence fees	895.3	930.7

In calculating the amount of licence fees for private subscriptions, the information and data were used, which had been made available with reference to the collection methods introduced by Law 208 of 28 December 2015 (2016 Stability Law), which, under Article 1, paragraphs 152 and ff., provides, as from 1 January 2016, for the collection of TV licence fees for private use through a charge – under a separate item – on the electricity bills. This rule provides, for the years from 2016 to 2018, that any higher receipts compared to the amounts reported in the Government's forecast-type 2016 budget must be paid to Rai in a percentage of 67% for 2016 and 50% for each of the years 2017 and 2018. Account must also be taken of the provisions under Law 190 of 23 December 2014 (Article 1, paragraph 293), providing for a 5% reduction, as from the year 2015, in the amounts to be paid to Rai to cover for the cost of supplying the Public Service.

Licence fees for previous years include fees which the electricity companies passed on to the Government in 2017 and which have come to our knowledge recently, relating to the 2016 financial year for an amount equal to Euro 20.9 million; the remaining amount of this item is made up of fees relating to the 2015 and previous financial years collected from users that are not up-to-date with their payments through standard enforcement procedures.

The "separate accounting" mechanism, which is used, as required by the consolidated broadcasting law, to determine the annual per-unit licence fee and thereby ensure alignment between licence fee revenues and the independently audited costs sustained by Rai in carrying out its Public Service remit, has shown an under provision of licence fee revenues amounting to over Euro 2.6 billion for the period from 2005 to 2015. Separate annual accounts relating to 2016 are in the process of being prepared.

Advertising revenues

Advertising revenues, which are usually more significant during the first half-year, amount to Euro 344.1 million (Euro 374.7 million in the first half of 2016), are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
TV advertising on general interest channels:		
- commercials	219.6	249.0
- promotions, sponsorships and special events	66.8	68.1
- product placement	3.3	3.2
TV advertising on specialist channels	32.4	33.2
Radio advertising	16.3	15.6
Cinema advertising	1.4	1.5
Web advertising	4.9	4.8
Other advertising	0.3	0.3
Non-controlling interests	(0.9)	(1.0)
Total revenues from advertising	344.1	374.7

Advertising revenues showed a decrease of Euro 30.6 million compared to the value posted in the first half of 2016, which benefitted from revenues relating to the European Football Championship.

Other revenues

Other revenues from sales and services, equal to Euro 89.1 million in the first half of 2017 (Euro 91.0 million in the first half of 2016), are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
Special services under agreement	22.0	22.3
Sale of rights and musical publications	25.8	29.7
Film and home video distribution	19.9	16.8
Distribution and sale of channels	10.4	9.7
Systems and equipment hosting fees	16.2	16.1
Sundry services, mainly for public entities	3.3	3.2
Signal broadcasting, circuit hire, radio link and connections	3.0	2.8
Telephone interactions	0.2	0.6
Production services	0.4	0.2
Revenues from sales	0.3	1.0
Other	1.1	1.0
Non-controlling interests	(14.6)	(15.2)
Contingent assets	1.1	2.8
Total revenues from sales and services – other revenues	89.1	91.0

12.2 Other earnings and proceeds

Other earnings and proceeds, equal to Euro 6.7 million in the first half of 2017 (Euro 8.8 million in the first half of 2016), are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
Operating grants	2.4	4.4
Income from investment property and hires	1.0	1.0
Income from production of programmes	0.2	0.5
Compensation for damage	0.8	0.2
Contingent assets	0.8	0.9
Other	1.5	1.8
Total other earnings and proceeds	6.7	8.8

12.3 Costs for purchases of consumables, for services and other costs

Costs for purchases of consumables, for services and other costs, equal to Euro 543.5 million (Euro 572.9 million thousand in the first half of 2016), are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
Purchases of consumables	7.5	7.9
Freelance services	66.9	72.1
Services for acquisition and production of programmes	110.7	101.1
Daily allowances, travel expenses and additional personnel costs	22.1	24.5
Maintenance, repairs, transport and similar costs	22.1	22.9
Documentation and assistance for IT systems services	26.2	23.5
Other external services (telephone, supply services, cleaning, post, insurance, etc.)	72.9	72.0
Leases and rentals	48.7	47.2
Filming rights	92.4	122.9
Rights of use	54.4	56.2
Contingent liabilities	1.5	0.4
Recoveries and reimbursements of expenses	(9.1)	(7.1)
Costs for services	508.8	535.7
Other costs	27.2	29.3
Total costs for purchases of consumables, for services and other costs	543.5	572.9

Costs for purchases of consumables, equal to Euro 7.5 million (Euro 7.9 million in the first half of 2016), mainly related to purchases of various production materials, technical materials for warehouses and other materials.

Costs for services, the breakdown of which is stated in the table above, totalled Euro 508.8 million (Euro 535.7 million in the first half of 2016), net of discounts and allowances obtained. They also included fees, position allowances and reimbursements of expenses paid by the Parent Company to the Directors for Euro 0.2 million and to the Statutory Auditors for Euro 0.1 million.

Pursuant to Article 2427, no. 16-bis, of the Italian Civil Code, the fees accrued in the first half of 2017 reported an amount of Euro 0.1 million for the services rendered by the Independent Auditors for the statutory audit of accounts and an amount of Euro 0.1 million for other services rendered.

Other costs, equal to Euro 27.2 million (Euro 29.3 million in the first half of 2016), mainly related to prizes and winnings on radio and television contests, indirect taxes and other duties, contribution for the rights of usage of digital TV frequencies and other contributions to the supervisory authorities.

12.4 Personnel costs

Personnel costs, equal to Euro 515.2 million (Euro 531.1 million in the first half of 2016), are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
Wages and salaries	383.4	385.8
Social security contributions	105.3	105.5
Provision for Staff Severance Pay	21.7	22.0
Pension and similar costs	7.8	7.8
Other	6.1	11.2
Personnel costs	524.3	532.3
Costs of early retirement incentives	1.4	6.7
Recovery of expenses	(0.8)	(0.8)
Capitalised personnel costs	(10.7)	(7.3)
Other personnel costs	(10.1)	(1.4)
Contingent liabilities and releases of provisions	1.0	0.2
Total personnel costs	515.2	531.1

This item includes charges for defined-contribution plans for Euro 22.2 million and charges for defined-benefits plans for Euro 2.8 million, net of past service, as analysed in note 10.2 "Employee benefits".

The Group applies five Collective Labour Agreements, i.e. the Collective Labour Agreement for middle managers, office and manual workers of Rai, Rai WWay, Rai Cinema and Rai Com, the Collective Labour Agreement for Orchestra Members of Rai, the National Labour Agreement for Journalists, as applied by Rai according to the procedures set out in a "Agreement for the extension of CNLG (National Labour Agreement for Journalists) to Rai" and the related Supplementary Agreement between Rai and Usigrai for journalists, the National Collective Labour Agreement for Executives of Companies that produce goods and services and the related Supplementary Agreement between Rai and ADRAI (Association of Rai Executives) and the National Collective Labour Agreement for employees of Rai Pubblicità.

The company agreements for middle managers, office and manual workers and Orchestra Members, respectively, expired on 31 December 2013.

At present the National Labour Agreement in force for journalists (1/4/2013 – 31/3/2016, firstly extended for 6 additional months until 30/9/2016 and then extended for the duration of contract negotiations) is not applied by the Company as it has not been possible to reach an understanding with Usigrai on the extension Agreement; the Supplementary Agreement expired on 31 December 2013.

The National Labour Agreement for executives is in force for the period from 1/1/2015 to 31/12/2018, while the supplementary Rai-ADRAI agreement for the period from 2014 to 2016, which was renewed on 23 December 2015, expired on 31 December 2016.

Notes to the Consolidated Interim Financial Statements

Below is the breakdown by category of the average number of the employees working for the consolidated companies:

	Half-year ended 30 June 2017			Half-year ended 30 June 2016		
	Personnel under fixed-term contracts (average number of units)	Personnel under permanent contracts (average number of units) ⁽¹⁾	Total	Personnel under fixed-term contracts (average number of units)	Personnel under permanent contracts (average number of units) ⁽¹⁾	Total
Executives	0	342	342	0	332	332
Officers/Middle managers	1	1,407	1,408	1	1,359	1,360
Journalists	183	1,623	1,806	96	1,709	1,805
Office workers	500	7,785	8,285	576	7,707	8,283
Manual workers	78	933	1,011	97	933	1,030
Orchestra members and choristers	3	124	127	4	118	122
Medical staff	0	7	7	0	8	8
Total	765	12,221	12,986	774	12,166	12,940
(1) of which placement/ apprenticeship contracts		175			193	

The average number of employees is calculated as the arithmetic mean of the daily number of employees in the period under consideration, as weighted in relation to part-time work of employees.

12.5 Amortisation, depreciation and write-downs

Amortisation, depreciation and write-downs, equal to Euro 254.8 million (Euro 249.8 million in the first half of 2016), are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
Property, plant and equipment:		
Buildings	8.6	8.8
Plant and machinery	36.9	41.2
Industrial and commercial equipment	1.3	1.3
Other assets	2.7	2.8
Total depreciation of property, plant and equipment	49.5	54.1
Intangible assets:		
Programmes	191.1	176.7
Software	2.7	2.6
Digital Terrestrial frequencies	-	0.6
Other rights	0.2	0.1
Total amortisation of intangible assets	194.0	180.0
Depreciation of investment property	0.2	0.2
Total amortisation and depreciation	243.7	234.3
Programmes under amortisation	8.8	11.2
Programmes under development	1.0	1.2
Other intangible assets	0.9	-
Trade receivables	(0.6)	2.5
Other current receivables and assets	(0.1)	(0.1)
Other non-current receivables and assets	1.1	0.7
Total write-downs	11.1	15.5
Total amortisation, depreciation and write-downs	254.8	249.8

12.6 Provisions

Net provisions, equal to Euro 13.1 million (against a positive balance of Euro 6.8 million in the first half of 2016), reflected accruals of Euro 14.7 million (Euro 10.1 million in the first half of 2016), which were offset by releases of Euro 1.6 million (Euro 16.9 million in the first half of 2016), mostly relating to provisions for risks and charges for disputes of different kinds. Specifically, note an accrual of Euro 10.8 million to the provision for tax litigation (see note 10.3 "Non-current provisions for risks and charges") arising from the concessional settlement, pursuant to Article 11 of Decree Law 50/2017, as amended and converted by Law 96/2017, of the VAT litigation with the Revenue Agency for the notices of assessment served on Rai Pubblicità in December 2016.

12.7 Financial income and expenses

Net financial expenses, equal to Euro 7.2 million (Euro 9.2 million in the first half of 2016), are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
Financial income		
Foreign exchange gains	1.0	0.2
Income from derivatives – exchange rates	0.2	0.7
Others	0.1	0.6
Total financial income	1.3	1.5
Financial expenses		
Interest payable to banks	(1.4)	(1.5)
Interest payable to other lenders	(0.1)	(0.4)
Interest payable on bond issues	(3.0)	(3.0)
Expenses from derivatives – exchange rates	(0.3)	(0.3)
Foreign exchange losses	(0.3)	(0.5)
Interest on obligations for employee benefits	(2.3)	(3.8)
Other	(1.1)	(1.2)
Total financial expenses	(8.5)	(10.7)
Net financial expenses	(7.2)	(9.2)

12.8 Share of profits (losses) of equity-accounted investments

The share of profits (losses) of equity-accounted investments, which was positive for Euro 0.3 million (Euro 0.1 million in the first half of 2016), is broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
Euronews SA	-	(0.7)
San Marino RTV SpA	(0.1)	(0.2)
Tivù Srl	0.4	1.0
Total effect from equity-accounted investments	0.3	0.1

The breakdown of changes in equity-accounted investments is stated in note 7.4 "Equity investments".

12.9 Income taxes

Income taxes, equal to Euro 3.9 million (Euro 15.7 million in the first half of 2016) are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
IRES tax	(13.2)	(22.1)
IRAP tax	(2.9)	(4.3)
Total current taxes	(16.1)	(26.4)
Deferred tax liabilities	1.0	1.5
Deferred tax assets	11.0	8.9
Total deferred tax assets/liabilities	12.0	10.4
Direct taxes from previous years	0.2	0.3
Total income taxes	(3.9)	(15.7)

During the first half of 2017, the financial dynamics gave rise to taxable income for the period for all Group companies, except for the Parent Company. Against this income, provisions for IRES and IRAP tax were set aside for Euro 13.2 million and Euro 2.9 million, respectively.

Deferred tax liabilities gave rise to a positive economic effect equal to Euro 1.0 million (Euro 1.5 million as at 30 June 2016), in relation to the repayment of temporary income differences recognised in previous financial years.

For IRES tax purposes, in the first half of 2017, as well as in the first half of 2016, the Parent Company calculated additional tax losses for which deferred tax assets were allocated in an amount equal to Euro 10.8 million, with a positive effect through profit or loss.

13) Other information

13.1 Guarantees

Guarantees given, equal to Euro 66.1 million (Euro 38.4 million as at 31 December 2016), are broken down as follows:

(in millions of Euros)	Half-year ended 30 June 2017			
	Sureties	Other unsecured guarantees	Collaterals	Total
Joint ventures and associates	2.6	-	-	2.6
Other	63.5	-	-	63.5
Total	66.1	-	-	66.1

(in millions of Euros)	Financial year ended 31 December 2016			
	Sureties	Other unsecured guarantees	Collaterals	Total
Joint ventures and associates	2.6	-	-	2.6
Other	35.8	-	-	35.8
Total	38.4	-	-	38.4

Guarantees given included the assumption of a payment obligations in favour of Tax Authorities, as security for the early repayment of VAT surplus of Euro 61.8 million as at 30 June 2017 (Euro 34.0 million as at 31 December 2016) in favour of subsidiaries.

The Group also reported guarantees provided by Third parties against obligations in financial and commercial terms, equal to Euro 414.1 million (Euro 400.1 million as at 31 December 2016), which mainly related to:

(i) guarantees received from banks and other insurance entities:

- as security for the acquisition of goods and services;
- as security for proper performance of agreements for the realisation of radio and television productions;

(ii) Third-party guarantees provided for the Group's obligations:

- against payables – mainly for surety issued in favour of the Parent Company as security for the medium/long-term EIB loan;
- against other obligations – mainly for sureties released in favour of the Parent Company to the Tax Authorities as security for the prize contests and for the VAT credit being refunded and to UEFA for qualifications for the 2018 World Football Cup.

13.2 Commitments

The main commitments, including multi-year commitments, linked to the product or to initiatives for technological upgrading and development, which had already been subscribed as at the reporting date, are listed below:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Future commitments for:		
Sports rights	113.0	161.1
Investments in audiovisual works (films, drama and comedy)	186.6	178.4
Rights and services for the realisation of other programmes	13.6	40.8
Technical investments	35.3	39.8
Total commitments	348.5	420.1

13.3 Potential liabilities

The Group companies, and mainly Rai, are involved in civil, administrative, labour-related and social security proceedings connected to the ordinary course of their businesses.

The disputes concerning civil law and administrative issues in which the Group is involved mainly relate to activities for the production and broadcasting of radio and television programmes. Almost all of the civil disputes concern claims for damages, mostly connected to defamation and infringement of personality rights, whereas within the context of the administrative proceedings claims for compensation are usually submitted in disputes concerning public contracts, in which, however, the claim for compensation by way of equivalent measures is considered as an alternative only, given that the main claim regards the cancellation of the tender documents and, in some cases, the taking over of the contract.

Upon occurrence, based on the analyses conducted on these types of disputes, of the following conditions:

- the availability, at the moment of the preparation of the consolidated financial statements, of information that would indicate that a liability is likely to be incurred;
- the possibility of reasonably estimating the amount of the charge, taking account of the requests submitted by the plaintiffs, the related charge is allocated through accruals to the Provisions for legal disputes.

As regards labour-related and social security issues, the Group is involved in a considerable number of disputes mainly concerning requests for reinstatement, demands for establishing a fictitious interposition of third-party labour (*interposizione fittizia di manodopera*), demands for higher positions or levels, claims for damages due to asserted downgrading and the inferred non-compliance with social security requirements laid down in collective contracts or agreements. In order to determine the amount, if any, to be allocated to provisions, considering the number of pending disputes and the subsequent difficulty in carrying out a correct assessment for each one of them, three sub-categories have been identified with reference to the status of the proceedings and the possible interim outcome of the dispute (lawsuits not yet settled in first instance, adverse and positive outcome in the appeal), for each one of which the percentage of risk is estimated by identifying an average value expressed in percentage terms, in order to quantify the accrual to the provision for legal disputes.

With reference to potential liabilities arising from tax disputes, in relation to which information has been already provided in notes 10.3 "Non-current provisions for risks and charges" and 12.6 "Provisions", it should be noted that in September 2017 it was resolved to agree to the concessional settlement, pursuant to Article 11 of Decree Law 50/2017, as amended and converted by Law 96/2017, of the litigation pending between Rai Pubblicità and the Revenue Agency relating to the orders served in December 2016, for the amounts that are involved in the VAT tax assessment, totalling Euro 42.2 million (Euro 16.8 million on account of tax, Euro 20.9 million on account of sanctions and Euro 4.5 million on account of interest calculated as at 31 December 2016).

Note 10.3 "Non-current provisions for risks and charges" provides details of the provisions set aside against these cases.

Based on the information currently available, and taking account of the existing provisions for risks, the Group believes that the amounts allocated to the existing provisions for risks are fair.

13.4 Related parties

The details of the relations maintained by the Parent Company with related parties, identified based on the criteria set out under IAS 24 "Related Party Disclosures", for the half-year ended 30 June 2017 and for the financial year ended 31 December 2016, are provided below.

The Parent Company mainly maintains relations of a commercial and financial nature with the following related parties:

- Rai Cinema;
- Rai Com;
- Rai Corporation in liquidation;
- Rai Pubblicità;
- Rai Way;
- Key management personnel ("Top Management");
- other associates and joint ventures in which the Group holds an interest as specified in note 7.4 "Equity investments"; companies under the control or joint control of the Top Management and entities that manage post-employment benefit plans, reserved for the employees of the Rai Group ("Other related parties").

Although the transactions with Related Parties are carried out at arm's length, there is no guarantee that, had they been concluded between or with third parties, the latter would have negotiated and entered into the relevant agreements or carried out such transactions, at the same conditions and with the same procedures.

"Top Management" means the key management personnel who have authority and responsibility for planning, directing, and controlling the activities of the Group companies, directly or indirectly, and the term also includes the members of the Board of Directors of the Group companies. As regards the fees due to the Statutory Auditors, reference should be made to the provisions of note 12.3 "Costs for purchases of consumables, for services and other costs".

The table below reports the breakdown of the balance sheet balances as at 30 June 2017 and 31 December 2016 and the economic effects of the transactions concluded between the Group and the related parties during the first half of 2017 and the first half of 2016, obviously excluding those existing between the Parent Company and its subsidiaries, consolidated on a line-by-line basis:

(in millions of Euros)	Top Management	Other related parties	Total
Current financial assets			
As at 30 June 2017	-	2.3	2.3
As at 31 December 2016	-	-	-
Current trade receivables			
As at 30 June 2017	-	0.4	0.4
As at 31 December 2016	-	0.4	0.4
Other current receivables and assets			
As at 30 June 2017	0.2	-	0.2
As at 31 December 2016	0.3	-	0.3
Employee benefits			
As at 30 June 2017	(6.4)	(15.0)	(21.4)
As at 31 December 2016	(6.6)	(15.0)	(21.6)
Trade payables			
As at 30 June 2017	-	(5.1)	(5.1)
As at 31 December 2016	-	(7.2)	(7.2)
Other current payables and liabilities			
As at 30 June 2017	(8.0)	(7.2)	(15.2)
As at 31 December 2016	(7.0)	(14.2)	(21.2)
Current financial liabilities			
As at 30 June 2017	-	-	-
As at 31 December 2016	-	(0.1)	(0.1)
Revenues from sales and services			
As at 30 June 2017	-	0.4	0.4
As at 30 June 2016	-	0.3	0.3
Other earnings and proceeds			
As at 30 June 2017	-	-	-
As at 30 June 2016	-	0.1	0.1
Costs for services			
As at 30 June 2017	(0.3)	(5.0)	(5.3)
As at 30 June 2016	(0.3)	(4.4)	(4.7)
Personnel costs			
As at 30 June 2017	(11.4)	(7.1)	(18.5)
As at 30 June 2016	(12.5)	(7.1)	(19.6)

As to the description of the main agreements in place between the Parent Company and subsidiaries, associates and joint ventures as identified above, reference should be made to the specific paragraph in the Notes to the Consolidated Financial Statements in the Rai Group's Reports and Financial Statements as at 31 December 2016, except for the paragraphs below.

Tax Consolidation

The Rai Group applies the group taxation regime for IRES tax purposes, which is defined as "National tax consolidation", as required by Articles 117 and ff. of the TUIR (Consolidation Act on Income Taxes) and is also regulated by Ministerial Decree of 9 June 2004. The 3-year option for the National tax consolidation has been renewed by the Parent Company Rai for Rai Way, Rai Cinema and Rai Com; as regards Rai Pubblicità, the option will be renewed in Rai's tax return for the 2016 tax period. The option for tax consolidation from the 2017 tax period will be regarded as automatically renewed without need for any notice.

The statutory and financial relationships between the participating companies are regulated by a specific agreement executed between the parties, updated with reference to the regulatory changes that might occur during the period when such agreement remains in force.

Group VAT Regime

The Group avails itself of the Group VAT netting procedure provided for in Ministerial Decree dated 13 December 1979, which contains the regulations implementing the provisions laid down in Article 73, last paragraph, of Presidential Decree 633 of 26 October 1972.

The option for carrying out the Group VAT procedure on an annual basis was exercised as regards Rai and all other national subsidiaries until 31 December 2017. The statutory and financial relationships are regulated by a specific agreement signed between the parties.

14) Significant events after the reporting date

Rai Pubblicità

On 27 September 2017 the Board of Directors of Rai Pubblicità resolved, subject to a favourable opinion of the Parent Company and after having examined the documentation including, among others, opinions rendered by authoritative tax experts, to agree to the concessional settlement, pursuant to Article 11 of Decree Law 50/2017, as amended and converted by Law 96/2017, of the disputes pending with the Revenue Agency; these disputes related to the notices of VAT assessment served in December 2016 (for the tax period from 2007 to 2011), which were challenged within the time limits prescribed by law and which had arisen from the Report of Findings (*Processo Verbale di Costatazione*) served on 7 July 2016.

15) Reconciliation of Rai and Consolidated Financial Statements

Below is the breakdown of the items of reconciliation of the Income Statement and Equity results in the Rai Financial Statements and the respective results in the Consolidated Financial Statements:

(in millions of Euros)	Result for the period		Equity	
	Half-year ended 30 June 2017	Half-year ended 30 June 2016	Half-year ended 30 June 2017	Financial year ended 31 December 2016
Rai Financial Statements	47.1	66.2	856.5	799.4
Elimination of the value of equity investments against respective equity and of dividends distributed against profits for the period	(39.6)	(32.5)	(375.4)	(321.2)
Adjusted deferred tax liabilities on revaluation of Rai Way investment	-	-	5.0	5.0
Other consolidation adjustments	(9.7)	(0.3)	(16.3)	(6.6)
Consolidated financial statements	(2.2)	33.4	469.8	476.6
<i>Of which non-controlling interests</i>	9.6	6.9	51.6	56.6

16) Appendix 16.1 Rai's equity investments in subsidiaries

The table below reports the details of the equity investments held by Rai in joint-stock companies, including foreign companies.

As at 30 June 2017 the abovementioned equity investments had remained unchanged compared to the position as at 31 December 2016.

	Registered office	Number of shares/quotas held	Par value (in Euros)	Share Capital (in thousands of Euros)	Ownership %
Subsidiaries:					
Rai Cinema SpA	Rome	38,759,690	5.16	200,000	100.00%
Rai Com SpA	Rome	2,000,000	5.16	10,320	100.00%
Rai Corporation in liquidation	New York (USA)	50,000	10.00 (1)	500 (2)	100.00%
Rai Pubblicità SpA	Turin	100,000	100.00	10,000	100.00%
Rai Way SpA	Rome	176,721,110	- (3)	70,176	64.971%

(1) Values in USD.

(2) Values in USD/th.

(3) Ordinary shares with no par value.

The market value of the shares of Rai Way SpA as at 30 June 2017 was equal to Euro 4.37.

16.2 Consolidated net financial position

The net financial position, determined in accordance with paragraph 127 of the recommendations reported in the document no. 319 prepared by ESMA (European Securities and Markets Authority) in 2013, which implement Regulation (EC) no. 809/2004, is as follows:

(in millions of Euros)	Half-year ended 30 June 2017	Financial year ended 31 December 2016
A. Cash	0.3	0.3
B. Other cash and cash equivalents	404.1	85.9
C. Securities held for trading	-	-
D. Liquidity (A+B+C)	404.4	86.2
Securities	-	-
Hedging derivatives	-	1.7
Time bank deposits	9.0	5.5
Receivables from associates and joint ventures	2.3	-
Loans to employees	-	0.1
Other (accruals, deferrals, issue discounts)	0.4	0.1
E. Current financial receivables	11.7	7.4
F. Current bank debt	(10.0)	(160.1)
G. Current portion of non-current debt	(40.0)	(40.0)
Payables to other lenders	(0.1)	-
Hedging derivatives	(0.6)	-
Payables to associates and joint ventures	-	(0.1)
Other (accruals, deferrals, issue discounts)	(2.7)	(0.3)
H. Other current financial debt	(3.4)	(0.4)
I. Current financial debt (F+G+H)	(53.4)	(200.5)
J. Current net financial position (D+E-I)	362.7	(106.9)
K. Non-current bank debt	(75.3)	(95.3)
L. Bonds issued	(347.4)	(346.9)
Non-current payables to other lenders	(0.3)	(0.4)
Non-current hedging derivatives	-	(0.1)
M. Other non-current debt	(0.3)	(0.5)
N. Non-current financial debt (K+L+M)	(423.0)	(442.7)
O. Net financial position (J+N)	(60.3)	(549.6)

Statement pursuant to art. 154 *bis* of Legislative Decree 58/98

Statement pursuant to art. 154 *bis* of Legislative Decree 58/98

The undersigned Mario Orfeo as General Manager and Massimo Cappelli as the Financial Reporting Officer for RAI Radiotelevisione italiana Spa, certify, in accordance with Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998:

- the appropriateness of the financial statements with regard to the nature of the business and
- the effective application

of administrative and accounting procedures in preparing the Consolidated Interim Financial Statements as at 30 June 2017 during the first half of 2017.

The administrative and accounting procedures and the well-established operating practices in place have supported, on the whole, the administrative and accounting system of internal control in an adequate manner so as to ensure the compliance with the objectives provided for by Law 262/05, also in consideration of the applicable regulatory framework.

It is also certified that:

- The Consolidated Interim Financial Statements as at 30 June 2017 of the RAI Group:
 - a) were prepared in accordance with International Financial Reporting Standards endorsed by the European Union pursuant to EC Regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002;
 - b) correspond to the entries in the books and accounting records;
 - c) provide a true and fair view of the financial position, results of operations and cash flows of the issuer and of the consolidated companies.
- The Report on Operations includes a reliable analysis of the performance and the operating result, as well as of the position of the issuer and of the group of consolidated companies, together with a description of the main risks and uncertainties they are exposed to.

Rome, 26 October 2017

Mario Orfeo
General Manager

Massimo Cappelli
Financial Reporting Officer

Independent Auditors' Report



REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Board of Directors of
RAI – Radiotelevisione italiana SpA

Foreword

We have reviewed the accompanying consolidated interim financial statements of Rai – Radiotelevisione italiana SpA and its subsidiaries (the RAI Group) as of 30 June 2017, comprising the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement, consolidated statement of changes in equity and related notes. The directors of RAI – Radiotelevisione italiana SpA are responsible for the preparation of the consolidated interim financial statements that give a true and fair view in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of review

We conducted our work in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of the consolidated interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements of the RAI Group as of 30 June 2017, do not

PricewaterhouseCoopers SpA

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give a true and fair view of the financial position, the result of operations and cash flows of the RAI Group, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Rome, 10 November 2017

PricewaterhouseCoopers SpA

Signed by

Pier Luigi Vitelli
(Partner)

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

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Rai Branch Offices

TV Production

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Radio Production

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Production

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20145 Milan

Production

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80125 Naples

Production

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Rai - Radiotelevisione Italiana SpA

Parent Company

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